REF: SECT/08/2026/12

DATE: AUGUST 11, 2026

To,
The Managing Director
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra – East, Mumbai – 400 051

To,
The General Manager
BSE Limited
P.J. Towers,
Dalal Street,
Mumbai - 400001

NSE Symbol – RSYSTEMS

BSE Scrip Code – 532735; 977286

Dear Sir/ Madam,

SUB: SUBMISSION OF TRANSCRIPT OF THE INVESTORS/ ANALYSTS CALL FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2026

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Investors/ Analysts Call held on Wednesday, August 5, 2026, in relation to the financial results of the Company for the quarter and six months ended June 30, 2026.

Further, please note that the transcript of the aforesaid Investors/ Analysts Call is also being made available on the website of the Company at the following link:

https://www.rsystems.com/investors-analysts-call/

This is for your information and records.

Thanking you,

Yours faithfully,

For **R Systems International Limited**

Piyush Jain
Digitally signed by Piyush Jain
Date: 2026.08.11 18:40:03 +05'30'

Piyush Jain
Company Secretary & Compliance Officer

"R Systems International Limited Q2 & H1 2026 Earnings Conference Call"

August 05, 2026

MANAGEMENT: MR. NITESH BANSAL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

MR. NAND SARDANA – CHIEF FINANCIAL OFFICER

MR. TARUN KOTHARI – ASSISTANT VICE PRESIDENT (FINANCE AND ACCOUNTS)

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 Please note that no unpublished price sensitive information was shared/ discussed during or in pursuance to this Earnings Call.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 Q2 & H1 2026 Earnings Conference Call.

As a reminder, all participant lines will remain 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 the operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Tarun Kothari – AVP (Finance & Accounts), for opening remarks. Thank you and over to you.

Tarun Kothari: Thank you, Ryan. I welcome all participants to R Systems Q2 & H1 2026 Earnings Conference Call. Since R Systems follows calendar year as its financial year, April to June quarter is Quarter 2 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 comments. Over to you, sir.

Nitesh Bansal: Thank you, Tarun. And good morning and thank you everyone for joining our Q2 Earnings Call.

And very proud to start with saying that this has been one of our strongest quarters with our revenues crossing Rs. 600 crores with a strong margin in EBITDA.

Just to let everyone know, for those of you who are referring to the slides, I will refer to the slide numbers, but if you are not, as I walk through the numbers and commentary, I am sure you will be able to follow.

So, like I said, referring to Slide no. 4, it has been a strong quarter with Rs. 601.7 crores or $ 63.6 million in revenue, which is a 17.7% year-on-year growth in dollar terms and 30.2% in rupees, which shows a quarter-on-quarter growth of 1.2% in dollar terms and 4.7% in rupees.

This also brings us to a record Rs. 120.7 crores in adjusted EBITDA, which is $12.8 million or a 20.1% as EBITDA percentage. This is a 51.4% year-over-year growth or 4.4% quarter-over-quarter growth.

The adjusted net profit stood at Rs. 62.9 crores or $6.6 million, which is 10.5% of revenues, a year-over-year growth of 35.4%. The adjusted EPS stood at Rs. 5.3, which is again a year-over-year growth of 35.3%.

As we have stated in the past as well, the adjustment to EBITDA is with respect to RSU expenses as part of non-recurring costs. We have given the adjusted EBITDA bridge just to explain the causes of increase and while there are certain numbers that probably do not come out in this, we have definitely benefited from rupee depreciation, which has given us a boost.

As we have stated in the past, we continue to invest both in AI, AI-related sales and increase in sales and marketing. But overall within this, what is also hidden is an uptick in both revenue and margin, which comes because of the revenue mix change, the whole AI-compounded growth story, which is beginning to kick in and starting to show green shoots of better revenue per employee and a margin per employee story.

Moving on to the next slide, because this is also our Q2 and H1 closing, looking at a half-year over half-year performance, we closed at a revenue of Rs. 1,176.5 crores or $126.4 million for H1, which is a 30.1% increase year-over-year and an adjusted EBITDA number of Rs. 236.4 crores or $25.4 million at 20.1% of EBITDA percentage, resulting in a 51% growth year-over-year.

The adjusted net profit correspondingly was at Rs. 138.7 crores or $14.9 million or 11.8%, a year-over-year increase of 54.4% and EPS of Rs. 11.7, which is a corresponding increase of 54.3%. As the number shows, we have gone in revenue from Rs. 904 crores in H1 '25 to Rs. 1,176.5 crores with 20.1% EBITDA margins.

Moving on, looking at Slide no. 6, the margin and EPS analysis, just to make the comparison side-by-side. This is a quarter-on-quarter number. We closed the quarter at Rs. 601.7 crores compared to the same quarter last year of Rs. 462 crores, which is a 30.2% increase in revenue. The corresponding number for Q1 was Rs. 574.8 crores, which is a 4.7% increase quarter-over-quarter.

The corresponding EBITDA stands at Rs. 120.7 crores, which compares to Rs. 79.7 crores in the same quarter last year, which is a 51.4% increase in adjusted EBITDA, compared to Rs. 115.7 crores in previous quarter, which is a 4.4% increase in adjusted EBITDA. So, from a percentage basis, we have gone from 17.3% to 20.1%, which is a 281 basis points increase or a 6 basis points increase on a quarter-on-quarter basis.

The adjusted net profits stood at Rs. 62.9 crores compared to Rs. 46.4 crores in the same quarter last year, or a 35.4% increase compared to Rs. 75.8 crores in Q1, which is a decrease of 17.1%, if you refer to the notes below. This is largely due to a one-time benefit of currency hedging policy change that we implemented in Q1 and got a significant benefit out of that.

Correspondingly, the net profit percentage moved from 10.1% to 10.5% on a year-on-year basis, but a 13.2% to 10.5% on a quarter-on-quarter basis, thus showing a decline, which was a one-time impact of the currency hedging benefit that we realized in Q1, which was to the tune of Rs. 18 crores.

Looking at similar analysis on a half-yearly basis on Slide 7, H1 '26 revenue stood at Rs. 1,176.5 crores compared to Rs. 904.5 crores in H1 '25, which is a 30.1% increase. Corresponding EBITDA number at Rs. 236.4 crores compared to Rs. 156.6 crores, which is a 51% increase or 279 basis points improvement over the previous half-year as in the same half year last year, H1 last year.

Adjusted net profit of Rs. 138.7 crores versus Rs. 89.8 crores, which is a 54.4% jump, and on a profit percentage basis, it is 11.8% versus Rs. 9.9%, which is a 186 bps increase from H1 last year.

Coming to some operating metrics on Slide no. 8, revenue by geographies, a slight uptick in Americas, going from 69.3% to 71.5% of total revenues. A slight decrease in APAC due to some of the larger projects that we were running in the last quarter that came to an end coming to 15.3%. Europe remains largely in the same range of 9.7% and Middle East and Africa remaining on a similar range of 3.6%.

Our client concentration has shown a positive uptick both on the top client and the top 10 client basis, where top client contributes now 6% instead of 5.8%, top 10 clients leading to 24.4% instead of 24%. So, while we do not have a significant client concentration risk, the continued efforts on mining and growing existing accounts continue to create recurring revenues and deepening our pockets within large existing clients.

Utilization percentage has slightly ticked up to reach 80.5% to 81% which is our standard and accepted band of between 80% to 81% which is where we want to operate. This also shows that post our investments in our AI initiatives and deliberately making those bench investments over the last two or three quarters, we are beginning to sweat those assets and investments towards revenue generating activities.

Our DSO remains largely in the band with billed DSO staying at about 55-56 days and billed plus unbilled coming to about 75 days, which is very much in line or better than the industry averages.

Talking about some key wins on Slide no. 9, we are very proud that this quarter we not only saw our AI accelerated wins taking a larger share of all the wins that we had, but we also had a few decently large-sized deals that fueled the overall TCV win as well as the revenue numbers that will build up further and we have seen that impact come in Q2 as well.

- So, first one is the leading global telecom player where we have been chosen to leverage advanced analytics, data science and other intelligent solutions to create actionable business insights. It is a strategic initiative from the client to enable them for smarter decision-making, optimizing operations and accelerating growth in a highly competitive market space that they operate in.
- The second one is a strategic win to enable a small business lender, a large financial institution which is into lending for small businesses for whom we will be creating a center of excellence, sort of a GCC in India, which would be responsible for product engineering, software engineering, digital operations and fuel the AI-powered lending innovation and to create enhanced operational efficiency for this client.
- The third one is a large leading global insurance and financial services provider who has partnered with us to advance their high net worth client's initiative to reimagine the AI-powered offering for those platforms, offering AI-powered quality engineering and accelerating their testing enhancements of the quality and release cycles related work. We will be enabling faster innovation cycles, greater reliability, a superior digital experience for their customers.
- The fourth one is again another large global financial services organization who has businesses in providing market access and exchanges who have partnered with us to create a retail transformation. So, this is a CRM and customer experience related engagement leveraging Microsoft Dynamics 365 integrating with omni-channel platforms and modernizing the entire life cycle from customer acquisition to engagement to onboarding service operations and delivering seamless data-driven customer experience across global markets.
- And last but not least, a leading ad tech company with an extremely complex ad distribution business have asked us to modernize their core platform on which they manage and operate ad agencies and distribution of advertisements to modernize it completely using AI without any disruption to their existing clients and everyday operations of ad spend and making it a more reliable, faster, and scalable environment with a superlative user experience.

As you would have noted, all of these wins indicate a very AI first stance and our capability and ability to solution using AI and AI methodologies has been a great differentiator in making these wins happen.

Coming to Slide no. 10, reporting the trailing 12-month ACV bookings in Q2, we recorded $82.9 million of ACV bookings compared to $82.3 million in Q1. This on a trailing 12-month basis continues to show that we continue to win newer engagements or deeper engagements both from our hunting and mining efforts and increase the size of the deals as well as more in terms of the deeper engagements with not just the top clients but also the kind of pipeline that we are developing and generating.

At this point, I would like to hand over to Nand for a detailed financial performance readout and then I will take over for closing comments.

Nand Sardana: Thank you, Nitesh. Good morning to all. Thank you everybody for attending the call.

The presentation gives detail of Q2 performance. For those referring to slide, investor presentation, it is last but one page.

Revenue for the quarter was Rs. 601.7 crores or $63.6 million as against Rs. 574.8 crores or $62.8 million last quarter and Rs. 462 crores, that is $54 million in the same quarter last year. This is year-on-year growth of 30.2%. 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 39.2% compared to 36% last quarter and 36% in the previous year same quarter. Our quarterly margin has improved on the back of higher billable dates, rupee depreciation and improved utilization.

SG&A expenses have increased by Rs. 23.8 crores from Rs. 91.4 crores in last quarter to Rs. 115.3 crores this quarter. This is mainly due to higher sales and marketing spend. Also, last quarter, we had one-time AR reversals.

The adjusted EBITDA was 20.1% compared to same last quarter and 17.3% in the same quarter last year. The company has been able to report robust margin percentage through operating leverages, improved revenue mix and favorable exchange rates. The RSU cost under management incentive plan is Rs. 6.2 crores compared to Rs. 6.4 crores last quarter. EBITDA net of RSU expense is 19%, almost same as last quarter.

Getting down to depreciation and amortization, the total expense was Rs. 22 crores compared to Rs. 21.5 crores last quarter. This includes Rs. 10.6 crores for intangible capitalized on account of past acquisitions. Non-recurring expenses are on account of severance payment for certain redundant positions. Interest expense is Rs. 9.5 crores compared to Rs. 9.6 crores last quarter.

Other income was negative Rs. 87 lakh compared to income of Rs. 13.1 crores last quarter. During Quarter-1 '26, the company adopted hedge accounting for its forward covers. Consequent to this adoption, a fair value loss of Rs. 18.04 crores was recognized as other comprehensive income. The loss primarily arose due to the significant deficit of Indian Rupee against the US Dollar, with the closing exchange rate increasing from Rs. 89.88 per USD as at December 31, 2025 to Rs. 94.84 per USD as on March 31, 2026, resulting in a higher mark-to-market loss on outstanding forward covers.

During quarter 2, this quarter, there was no significant movement in the quarter end exchange rate, which remained largely stable at Rs. 94.84 per USD as at March 31, 2026, compared to Rs. 94.66 per USD as at June 30th. However, exchange rates experienced volatility during the quarter, ranging approximately between Rs. 92.6 and Rs. 96.5 per USD. The movement led to a partial reversal of M2M loss on forward contracts.

In addition, certain forward contracts matured during the quarter, resulting in the reclassification of previously accumulated losses from OCI to the Statement of Profit and Loss Account in accordance with hedge accounting requirements. Further, the company recognized a realized loss of Rs. 9 crores on the settlement of forward contracts during the quarter, which resulted in a decline in other income for Quarter 2.

Overall, we had an exchange loss of Rs. 2.1 crores compared to Rs. 11.3 crores last quarter. Further, the other income comprised of interest income of Rs. 78 lakhs this quarter compared to Rs. 60 lakhs last quarter. As at Quarter end, we had a total forward cover of $43.32 million with an average rate of 93.27.

Our income tax expense was Rs. 24.94 crores this quarter as against Rs. 24.2 crores last quarter. Our effective tax rate is around 31%. This is higher due to non-deductibility of amortization of intangible acquired through acquisition. Last quarter, we had certain true ups. Our normalized effective tax rate is between 28% to 29%.

Net profit after tax was Rs. 55.6 crores or $5.9 million compared to Rs. 65.4 crores or $7.2 million last quarter. Basic EPS for the quarter was Rs. 4.69 compared to Rs. 5.52 last quarter. Adjusted EPS for the quarter is Rs. 5.3 as compared to Rs. 6.4 last quarter. This is mainly due to decline in profits due to investment in sales and marketing and exchange loss in Q2 as against gain in Q1. In last quarter, due to adoption of hedge accounting, the marked to market exchange rate was recorded under OCI.

I think with that, I will hand over to Nitesh for his summing up.

Nitesh Bansal: Thank you, Nand, and referring to Slide no. 11, summing up, basically the quarter has continued to strengthen our position in the AI-led space.

As some of you would remember, we had launched our GCC service offerings a year and a half ago. We were proud to report that we were recognized as a Horizon 2 GCC Accelerator by HFS in their Horizon GCC Service 2026 report.

It is a strong validation of our AI-first model. The global capability centers existing in India continue to be challenged by their parent organizations to become innovation hubs and engines to lead AI-based and platform-based delivery have leveraged our services and we have successfully enabled a bunch of them with AI accelerators and establishing AI ecosystems within their GCCs. Our portfolio proprietary accelerators have been recognized as a key differentiator in enabling GCCs in this transformation.

The agentic business operations side of service offerings has been seeing a lot of traction. This comes on the back of our deep domain understanding and investment in building agentic AI ecosystems. We have further continued to deepen our reach and approach in this segment and this, we believe, is going to continue to create more traction in the market.

The modernization service offerings leveraging AI to modernize, whether it is large code bases, meaning legacy technology platforms, or large data estates using a multitude of legacy data platforms or data stores, is continuing to be a recurring theme across our wins in the market.

The trends that continue to shape 2026, there is no significant change in terms of from what we have been seeing, that organizations are looking at cost of running AI as a very important factor and turning towards experts like R Systems to look at how do we architect AI-efficient ecosystems so that while they gain AI efficiencies due to leveraging it, they should not have huge financial costs to incur for using that AI.

Legacy modernization, like I said, continues to be a large TAM across legacy code bases, data estates, and reporting landscapes. And our entire narrative on engineering velocity as being a key differentiator between where AI delivers ROI versus where AI fails to deliver ROI has been receiving very positive traction and is seen as a key differentiator again by our customers and analysts alike.

With that, I would end up my presentation and open up for questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Anmol Garg from DAM Capital Advisors. Please go ahead.

Anmol Garg: Thanks for the opportunity, we have a couple of questions. Firstly, we have seen some uptick in our SG&A during the quarter, almost to the tune of 2 million on a quarterly level. So, can you indicate some puts and takes over here? Has there been any sort of additional hiring in sales done? Your take over here.

Nitesh Bansal: Anmol, is there any other question?

Anmol Garg: Yes, a couple of questions more. Secondly, I can ask them as well.

Nitesh Bansal: Yes, please go ahead. I will probably just be able to answer all together. Yes, go ahead.

Anmol Garg: Secondly, wanted to understand the outlook for the full year in terms of growth, given that our deal wins have been decent. So, how are we looking at organic growth for the full year? If you can give some puts and takes over there.

And thirdly, is on our GCC business. So that has been increasing. So currently, what is the total percentage of GCC revenues for us? And how is the margins in that particular side of business?

Nitesh Bansal: Thanks, Anmol. first and foremost on SG&A, and especially sales and marketing side, we had always said that we are going to make conscious investments. And clearly, you know, with bringing Chief Revenue Officer on board and adding to the sales bandwidth has been one of the key areas that we have been doing.

But also, as we accelerate our AI-based sales, the engagement of both AI as well as domain experts in the sales process has been a necessary increase and something that we have been focusing on and we will continue to do. So, there is definitely a very deliberate focus and effort to increase sales and marketing in that area.

And it is not only sales, there is also marketing expense, because we launched our new brand identity, which you would obviously have seen on the website. I talked about it during last quarter. We launched EXIQO as our AI studio, which has been getting a lot of traction.

We have been invited to several conferences, etc., where we participated and talked about EXIQO, the AI studio and how it makes a difference. All of that is in the direction of both building the market, having more feet on the ground, and being able to create more positive traction.

So, yes, you are right, deliberate increase in sales and marketing and we continue to stay focused on making sure that the differentiation that we have built reaches the market as soon as possible and we are able to leverage it towards growth.

Looking at the overall outlook, as you know, we do not provide guidance, but if our trailing 12 month numbers are an indication, then we are positively stepping into a zone where we feel comfortable that we will continue to create traction. What we see, as you also know, that we have a lag effect in terms of revenue realization. Our bookings of last half become revenues for this half. Our whole effort on sales and marketing is all setting up for creating ACV wins in this half, which will become revenues in the next half and so on, etc.

So, clearly, in a market which is dealing with a lot of uncertainty, we feel quite confident that we are doing the right things, we are being received positively, and we believe that should result in the right kind of momentum.

And from a GCC perspective, the recognition I talked about is on the back of several GCC wins where we have managed to deliver and show a significant impact of innovation and AI. We continue to grow in that space. While I do not think we have disclosed the percentage of revenue separately, but it continues to be a growth vector for us because it provides us both engagement with some of the larger organizations which already have a significant large GCC footprint, but more importantly, establish our differentiation through AI with those units.

Anmol Garg: Just Nitish, one last thing, just a follow up on this is that over the last one to two years, have we seen any increase in our deal durations, particularly the type of deals that we were bidding on earlier? Has that changed in any sense? Have we started to sort of do more implementation sort of work, which gives us more annuity based of visibility in revenue? Just wanted to understand.

Nitesh Bansal: So, Anmol, our revenue mix has certainly changed quite positively over the last one and a half to two years, both in terms of the kind of work that we do, which is far more data, AI and cloud related, which clearly is in the more strategic spend areas of the client rather than just fill ups or things happening in their legacy environments.

And clearly, that has also increased due to the increase of channel play for us because we are working more with private equities, we are working more with hyper scalers and channel partners, and alongside that continuing to increase the AI component in our wins, which gives us more revenue per employee or more margin per employee.

And we are beginning to see the green shoots of that. Of course, that mix will have to change quite significantly for it to show up as a line item on our overall results. But as we have started on the journey, we definitely see that uptick. It also creates a certain amount of stickiness.

As to annuity revenues, we have started seeing some bit of annuity, but it is, primarily being an engineering service provider and working on new platforms or innovation or migrations, etc., that portion of revenue is still not very high.

But we are working towards creating more sustainable offerings. And that is where when I talked about agentic business operations, that is one of the areas we are beginning to see traction. And hopefully, as we build our book of business over there, we might be able to have a reportable annuity revenue at some point of time.

Moderator: We take the next question from the line of Ashis Das from Systematic Group. Please go ahead.

Ashis Das: Yeah, Thanks for the opportunity, I have a question. If I look at since your joining, you have done a lot of changes within the organization. And also you have done senior level hires. You have introduced new incentive structure. Also, partnership led you are talking about and the quality of deals has improved.

But despite that, what we see that organic growth remains very muted. And just wanted to understand your views on impact on our overall performance? What is driving that growth? And when we can expect, because we have done a lot of changes in the organization, and you are saying also that we are doing the right thing. So, when we can expect some revival in that growth?

Nitesh Bansal: So Ashish, thanks for recognizing the changes that we have done. And they are all in the direction of catering to the changing market landscape and market needs, which are far more driven in the area of AI-led transformation and every company trying to figure out how they will remain more competitive or differentiated in their market space.

But what you talk about as organic growth, we have consistently shown organic growth quarter-over-quarter over last many quarters. And so is the story in this quarter as well. We have grown positively organically. So, our wins continue to remain much higher than the number of project closures that happened because being a project space business or discretionary spend business, we have to anticipate that the projects that we start will obviously come to an end. And hence, we have to continue to win more than what closes in order to continue that growth trajectory.

I think what I am very pleased about is the fact that both our size of the wins, as well as duration has continued to increase. And we have managed to provide almost 18% quarter-over-quarter growth despite or without any real headcount change, which also shows how the quality of the engagements and quality of revenues has continued to increase.

We believe as the world is readying itself for more consumption of AI and AI-based delivery, it will also allow us to take away more market share or wallet share from competition, which could then also provide us slightly larger numbers in terms of organic growth. But I do not see it as a concern that this is in any way not going to accelerate.

Ashis Dash: And the second question on that part only. So, on the ACV, basically last quarter, you mentioned that the growth in ACV was primarily organic, and there was no addition from the Novigo acquisition.

During this quarter also, if I see the TTM-TCVs remains broadly similar to the previous quarter. And so how is the order win trajectory at Novigo? So, any color on that part?

Nitesh Bansal: Well, our ACV wins or the growth itself is not influenced by the acquisition or inorganic addition. What that simply means is that both the organic component and inorganic component continues to play in tandem. Both organizations are continuing to play in the same manner.

Novigo, of course, has an ongoing geopolitical challenge that they are dealing with, which is due to the geopolitical situation in the Middle East. But despite that, they continue to show strong deal wins all across the markets, including in the Middle East. And hence, we are being able to operate in tandem in that zone and continue to increase our market traction.

Ashis Das: And my last question on the margin side. So, when we are going to take the wage hike, and how? Because we have already seen a lot of improvement on the margin over the last two to three years. So, what is the near-term to medium-term margin outlook?

Nitesh Bansal: We have implemented a wage hike in this quarter. We carry out biannual wage hike cycles. Our first cycle has already taken place and the impact of that has already come in this quarterly results.

The margin update that you see is an outcome of essentially two or three factors. One, of course, is like I said, revenue mix change where we are getting more. What I was saying earlier, 18% increase year on year in revenue without any uptake in headcount basically shows that our revenue per employee has gone up.

And that number may not be by itself sufficient to account for the entire margin increase because quite a large portion of it also comes from the Forex or exchange rate or rupee depreciation, which we cannot take for granted. It is beyond our control. So, we will take benefit of it while it happens.

But from a margin perspective, like I have guided in the past also, we continue to stay focused to stay in that 18 to 19 percentage adjusted EBITDA on a sustainable basis, beyond which we will obviously continue to invest in our AI initiatives, sales and marketing efforts and continue to build for the future in terms of capturing the whole AI-led growth.

Ashis Dash: Thank you so much for answering my questions.

Moderator: Thank You. We take the next question from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Thanks for the opportunity. Nitesh sir, in terms of question again on the ACV on TTM basis, so last quarter it has shown a handsome increase in the first quarter. 2Q has been almost flattish. So, is there a delay in decision-making or is it more to do with macro where clients are not spending much on a discretionary side or a project side?

Nitesh Bansal: In fact, Sandeep, neither of the two. While delay in decision-making and all are on a continuous basis, where clients are uncertain, they will take some time, but that is the averaging out factor and we consider it as a standard factor. The trailing 12-months wins, in fact, if you look at, continues to show that we are at least winning as much as we were winning in the past or slightly more on a quarter-on-quarter basis.

And if you look back at four quarters ago, last year we had few large deal wins in Q2. This year again, we have had a few large deal wins in Q2, which has effectively filled up for what would have been a significant ACV uptick Q2 last year. And those deal sizes are quite promising and hence, we stay quite optimistic about the whole deal win and organic growth scenario.

Sandeep Shah: Any qualitative outlook on the growth about ACV in the second half of this calendar year?

Nitesh Bansal: I wish, that is a question I obviously keep asking myself, that is a million-dollar question, more than even being able to, whether I provide any forward-looking numbers or not. It is a very difficult question. The only thing, Sandeep, that is certain is that the quality of pipeline is better, meaning average deal sizes is better, the kind of work that the customer is asking us to do is better.

What we are focused on is turning pipeline into revenue and how much more we can turn pipeline into revenue is finally going to show up in this chart. But overall, positioning-wise, market recognition-wise, the reflection of that into pipeline is quite good and that is something that we continue to work towards.

Sandeep Shah: And this related question, you said the wins of the earlier half will form into revenues of the following half. So, that can lead to a slightly better revenue traction in the second half because first half, ACV has been good versus the last year as a whole.

Nitesh Bansal: That is the revenue realization that is how we look at it, that these wins should translate into more revenue realization and that we should be able to capture more real dollars out of the wins that we have made.

So, yes, I mean, that is what the entire organization is focused towards, that we have had these wins, we continue to deepen the engagement and increase the revenue realization from each of these clients.

Sandeep Shah: And just the last question, data, AI and cloud, as a percentage of revenue, can you share some number? How big it is for R Systems?

Nitesh Bansal: So, data, AI and cloud taken together while we don't share an explicit percentage, but it is something that we are quite focused on and happy about, that as an organization, we have now significantly data AI and cloud services-driven organization, revenue numbers have crossed 50% and continues to go up.

Sandeep Shah: And here the lumpiness seasonality could be lower than the rest of the business, right?

Nitesh Bansal: Well, I won't say seasonality, but still quite a lot of it is project-based discretionary spend-based business. This is not maintain or sustain. These are largely transformation or innovation-led initiatives. And hence, they will still have the project life cycles, but they are not driven by seasonal effects. They are obviously transformation waves that are happening across the industry, and we are being seen as a very credible player in that space.

Sandeep Shah: Thanks, and all the best.

Moderator: We take the next question from the line of Dhir from Monarch Networth Capital Limited.

Dhir: Following up on the previous question, can you provide some quantifiable guidance on deal wins for the upcoming quarters?

Nitesh Bansal: Well, like I said, very difficult to say and anyway, we do not provide forward-looking guidance. All I can say is, like I was telling Sandeep, that the pipeline buildup is happening. The quality of the pipeline has improved. Our positioning in the market has improved, which we believe all together should lead to a better conversion rate and we will continue to report our deal wins as we do on a trailing 12-month basis.

Dhir: That's it from my side.

Moderator: We take the next question from the line of Sonal from Prescient Capital. Please go ahead.

Sonal Minas: This is Sonal Minas. Thanks for taking my question. Sir, my question was with regard to the cost of revenues, the people cost. You mentioned that you have taken a half-yearly salary rise and if we compare quarter-on-quarter in dollar terms, your salary cost has actually come down and even in rupee terms, it has also come down marginally.

So, if you could give some subjective commentary on productivity gains, anything around what are you seeing in terms of implementation cycles from a productivity perspective, that would be great.

Nitesh Bansal: So, we have not had a significant increase in headcount. In fact, on a year-on-year basis, it has largely remained flat. So, despite adding a significant amount of revenue, we haven't increased our cost much.

Sonal Minas: I was comparing Quarter 1 to Quarter 2. No, I was just saying Quarter 1 to Quarter 2 because last year, same quarter, we didn't have the acquisition I presume. So, that might not be comparable.

Nitesh Bansal: Yes. So, definitely, the fact that we have increased revenues without increasing cost is also an outcome of productivity gains, which is resulting due to using AI and AI-led delivery. If you look at the whole exiqo.ai, which is our EXIQO AI Studio website, we are able to deliver almost 2x productivity and 55% gains in turnaround time to our customers. We are being able to realize those kinds of gains in productivity from using our Optima AI platform for the work that we carry out for clients. And that is reflected in the kind of productivity gain or revenue gains that you have seen.

Sonal Minas: Got it Sir, So, sir, from a full-year perspective, or let's say from a 2-3-year perspective, you have seen early signs of this productivity gain translating into more velocity for the revenue. Is that still a little far off or is that something that you see in the near term? Anything subjective there would be helpful.

Nitesh Bansal: Well, I am certainly seeing signs of accelerating revenue velocity and margin velocity there. Will it reflect within the year is difficult to say because of, again, it will have to become a significant percentage of revenue to do that.

However, in the near term, I definitely see that happening because I am also looking at how fast the market is adopting and beginning to change. And as the market starts adopting and becoming far more accepting of AI-first ways of delivery and doing things, that will have the AI compounding effect to make sure that we see more AI-led delivery and more acceleration in that front. We certainly see that would result in a positive uplift on both revenue and margin per employee as well as effective acceleration from revenue perspective.

Moderator: We take the next question from the line of Manish Jain from MNCL. Please go ahead.

Manish Jain: Thank you for the opportunity. The first question would be regarding the growth. So, when do you expect CC revenue growth to return to 3%-4% range? And what needs to fall into place for that?

Nitesh Bansal: So, constant currency growth coming to 3% to 4% range is something that we also keep tracking. And given that the numbers are not very large, a small deviation obviously changes it to 2% or so. But having said that, I think the biggest factor over there continues to be the decision cycles, sometimes if a deal decision gets delayed or whatever.

I think from building up a pipeline and especially with all the reusable assets and repeat stories that we have got now in place, with all the experience we have had doing a bunch of these AI-led transformations, I think it is only a matter of time that we will actually start seeing that quite consistently.

But again, like I said, we will continue to focus on building that pipeline, which we are already seeing, and then effectively converting that pipeline to revenue to finally be able to show that in numbers.

Manish Jain: Secondly, wanted to know, how has your wallet share been increasing here in your top 50 clients? And what has been driving the expansion here?

Nitesh Bansal: Wallet share has certainly increased in top 50 clients and part of it is obviously focused mining efforts led by a dedicated group of go-to-market leaders in the farming space. The main themes over there are, again, no different than what we've already talked about. Some bit of it is AI-led modernization, where we are engaged with these organizations, we have a better understanding of the legacy challenges that they are dealing with, which is allowing us to build better proactive propositions to help them migrate their legacy using AI.

And in some of those cases, and especially in the BFSI sector, where we have been engaged, we also have a good and deep understanding of the process challenges that come into play, despite being a highly regulated environment, and how those banks or how those insurance companies operate. And our AI-led or AI business ops in both banking and insurance and other similar spaces is becoming a significant discussion topic and leading to some of that growth within that wallet share.

Moderator: We take the next question from the line of Deepak Malhotra from CapGrow Capital Advisors LLP. Please go ahead.

Deepak Malhotra: You have tried to answer questions on the organic growth path, I feel the numbers have definitely benefited from the Novigo acquisition, which was formally integrated by end of December quarter. And you also mentioned about the agentic business operations in traction. So, would you like to throw more light on what kind of additional deals we are getting through the Novigo acquisition path?

And second part of the question is, are you still looking at any other inorganic opportunities if you find it all attractive to further booster the growth going forward?

Nitesh Bansal: Yes, Deepak. So, when I have talked about organic growth versus benefits from Novigo, no doubt that adding Novigo to our portfolio has given us a boost and that can clearly be seen or reflected between Q3 and Q4 last year and then further Q4 to Q1 this year from the fact that we did that integration in the middle of Q4 and completed that for the full quarter in Q1. So, no doubt about that.

But my point simply was that our organic growth engine has continued to perform. And while Novigo as a much smaller entity had a certain organic growth cliff, we are currently matching the pace and both organizations growing in the same manner.

Where Novigo acquisition has also significantly helped is in accelerating these whole agentic business ops type of offerings, because the reason of acquiring Novigo was their deeper understanding of enterprise landscapes and enterprise business flows. So, whether it is related to the insurance industry, banking industry, travel and transportation industry, or some of these other related areas where they have had prior experience of working on business operations through RPA, low code, no code, etc., we have jointly been able to bring out a bunch of agentic business AI operations offerings, which is what we are seeing as the green shoots of both the pipeline buildup and some of the deal conversions.

From a go forward looking for any other acquisitions like I have also said in the past, we as an organization have an organic plus inorganic growth ambition and thesis. So, we continue to be on the lookout, we continue to stay vigilant and actively receiving inbounds in terms of where interesting opportunities may lie, we evaluate those.

But we are also very, very careful in terms of only acquiring where the capability is differentiated, the offering will help us create basically a positive or accretive effect. And then the organization is able to offer both value as well as margin accretion. So, we will continue to stay on the lookout and when the right opportunity arises, obviously, we would not be shy of taking action.

But those things, they happen few and far in between. So, that effort is on. However, we right now are focused on making sure that we take full advantage of Novigo acquisition and continue to accelerate our AI position in the market.

Deepak Malhotra: One more follow up in terms of the same, I think you talk of providing end-to-end system solutions. So, are you seeing any area where you need to further strengthen either internally or inorganically and in terms of your sales teams, which you still need to buffer up? Because if the objective is to achieve a higher 3% to 4% CC growth, which you just referred to, I mean, what additional steps we are taking?

Nitesh Bansal: So, it is a little deeper answer. Deepak, you are right in saying that when we are talking about end-to-end solutions and especially these days, they are more domain intensive because they are now enabling organizations to transform their business leveraging AI. and they are far more tech intensive also because the conversations are very different.

What we are doing is on one hand, we are deepening our domain capabilities, which is on core solutioning and delivery side, we are also increasing our domain expertise as well as technical expertise footprint in the go-to-market teams.

So, it is no longer enough to have just pure sales people in the market, right? Because that needs to be very quickly augmented right from the first discussion into a deeper technical and domain-led discussion. And those are the steps that we are continuing to take, investments we are making in both go-to-market as well as in the solutioning side.

And then there will be a few areas that we do not do ourselves and we continue to leverage ecosystem partners as innovation is happening so quickly across areas. We also continue to strengthen our ecosystem partnership with startups and technology companies that continues to give us that added differentiation when we build those end-to-end solutions for the market.

Nand Sardana: We take the last question from the next investor.

Moderator: We take the next question from the line of Ayush Shah from AlfAccurate Advisors. Please go ahead.

Ayush Shah: Congrats on a great results and Thank You for the opportunity. I just wanted to know if there has been any sort of deflation in the contract value because of AI, you have to pass through the productivity because some IT companies are commenting on how renewal contracts are becoming, have slight effects on it and do you see that effect going down further?

Nitesh Bansal: So, Ayush, you know, while people have talked about AI deflation, I am so far always been talking about AI monetization and the primary difference is in, while on one hand we do wish to have higher annuity revenues and more sustained business, the positive effect of not having annuity and sustained revenue is that we do not have that deflationary effect because we are not doing multi-year contracts or year-on-year renewals where it is obvious that customers would in fact expect AI-led productivity gains, which could for IT service providers lead to some deflation.

For us, the AI-based productivity is an inbuilt part of our AI-first delivery methodology. So, what we bid for and what we win in the market is AI-led and already contains the elements of productivity gains that the customer is looking for and a project revenue which we have already won then does not have deflationary pressures.

In fact, our average productivity, revenue productivity has gone up. Our margins have continued to show improvement for a simple reason that we are able to continue to charge premium for delivering such AI-led productivity through our solutions.

Moderator: Thank you. Ladies and gentlemen, with that we conclude the question and answer session. I now hand the conference over to Mr. Nitesh Bansal, Managing Director and CEO for closing comments.

Nitesh Bansal: Thank you, Ryan. On behalf of R Systems, I thank all investors and participants for the Q&A and like I have always said, your questions are insightful and definitely allow us to reflect on areas to focus on which we continue to do and hopefully, we will get to see you again in our next call.

Moderator: Thank you. On behalf of R Systems, that concludes this conference call. Thank you for joining us and you may now disconnect your line.