



**“R Systems International Limited
Q3 FY 2025 Earnings Conference Call”**

November 07, 2025

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 Please note that no unpublished price sensitive information was shared/ discussed during or in pursuance to this Earnings Call.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



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Moderator: Ladies and gentlemen, good day, and welcome to the R Systems Q3 FY 2025 Conference Call hosted by R Systems. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

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

Gaurav Kumar: Thank you, Swapnali. I welcome all participants to R Systems Quarter 3, 2025 Earnings Conference Call. Since R Systems follows calendar year as its financial year, July to September quarter is quarter 3 for us.

We have today with us Nitesh Bansal, Managing Director and CEO, R Systems; Nand Sardana, CFO, R Systems. We have shared the investor presentation earlier today as well as uploaded on Company’s and stock exchange’s website. 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’ll have a closer statement by Nitesh. Subsequently, we’ll 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 risks and uncertainties. Company undertakes no obligation to update or revise any such statements. These statements may undergo revision because of new information, future events or otherwise. Actual results, performance, achievement could differ from those expressed or implied in such forward-looking statements.

Now, I pass to Nitesh for his opening comments. Thank you. Over to you, sir.

Nitesh Bansal: Thanks Kumar, and good morning and welcome everyone, to the Q3 earnings call. And very happy to be with you, and as always, looking forward to the interactions today. I’ll cover as part of the agenda, as usual, some of the key highlights about the financials, the trends, operating metrics, some of the key wins and talking about my observations in terms of the market and key trends.

So without much ado, starting off and for those of you who are referring to the slides, I’ll be referring to Slide 4. Q3 has been a very exciting quarter, continuing on the excitement that was getting built over Q1 and Q2. We started the year, as some of you would remember, with a bunch of large deals that we converted in Q2, building up the momentum.

And we continued that over Q3, reporting a revenue of INR498.6 crores or \$57.2 million, which represents a 7.9% Q-o-Q growth and 5.9% in dollar terms, which is also a year-on-year growth of over 12.3% over the corresponding period in the previous year.



This revenue comes at an EBITDA margin of INR84.4 crores or \$9.7 million which is a growth of 6.1% year-over-year. This translates to about 16.9% operating EBITDA margin as a percentage of revenue.

The adjusted net profit stands at INR43.4 crores or \$5 million. The only reason for calling it adjusted is this is before considering the share-based payment expense or relating to the RSUs granted to the key employees.

If you look at the EBITDA bridge, clearly, we have grown in volumes. Our net business has grown, which has resulted in additional EBITDA of INR8 crores. We have been benefitted with the exchange rates.

As you know, with the rupee depreciating against dollar, that gives us benefits on the EBITDA, whereas certain onetime revenues that did not recur in Q3 have taken away part of the margin and some of the smaller items relating to increments in offshore and other operating items, investment in sales etc., resulting in the bridge from INR79.7 crores to INR84.4 crores.

Moving on to 9-month performance January to September 2025, we reported a revenue of INR 1,403.1 crores or \$162.3 million, which is an 8.5% increase year-over-year in revenue and an adjusted EBITDA of INR241 crores or \$27.9 million, which is a year-on-year growth of 14.2% over the same period last year. That in percentage terms is 17.2% EBITDA as a percentage of revenue. The adjusted net profit stands at INR133.2 crores or USD 15.4 million.

From a key balance sheet items perspective, our total equity attributable to shareholders stands at INR743.1 crores. Cash and bank balances at INR261.3 crores. AR and unbilled stands at INR456.4 crores, which translates to a DSO excluding unbilled of 58 days and including unbilled of 76 days, which is in line with our previous quarter. So there's nothing extraordinary in the DSO terms.

If I move on to the financial trend, looking at 8 quarters, we had steady growth over the 8 quarters. And despite uncertainties or whatever the industry has been going through, we have been continuously building on top of the capabilities and our niche in the market and leading to the INR498.6 crores as revenues and 16.9% EBITDA reported this quarter. So we've continued to operate profitably, maintaining our operating margins and growing the revenue steadily.

Just providing a margin and EPS analysis for the 9 months, January to September CY '25 compared to same period in CY '24. Revenue has grown from INR1,292.8 crores to INR1,403.1 crores, that's an 8.5% increase. Adjusted EBITDA has grown from INR211 crores to INR241 crores, which is a 14.2% increase. And from an EBITDA percentage perspective, we've grown from 16.3% to 17.2%, which is an 86 bps increase in adjusted EBITDA.

After taking the provisions for interest and tax etc., the adjusted profit after tax stands at INR133.2 crores as compared to INR108 crores for the 9 months previous year, which is a



23.3% increase or 114 basis points. And adjusted EPS has grown from INR9.1 to INR11.3, which is a 23.2% increase in adjusted basic EPS. I'm sure when Nand ji covers the financial details, you will once again hear the detailed breakup across from revenue to gross margin to EBITDA to PAT and EPS.

Quickly coming to operating metrics. Not a major change. North America remains our primary geography. We still do about 73.5% business from North America. It continues to grow as the Company is growing. Europe and Southeast Asia almost contribute similar percentages, 8.5% and 13.8%.

India has grown slightly from 2.3% to 2.9%, and that's partly a result of the focused GCC initiatives that we have been running for the last 3 quarters. And others, which is geographies outside India and Southeast Asia has gone from 1.1% to 1.3%, and this is largely on back of a large tech customer that we have in that space.

From a client concentration perspective, even though our top 10 clients are only contributing between 25%, 26%, so not a huge client concentration. But since we report these numbers, we've actually seen growth in the top 10 clients go from 24.6% to 26.2% with top client growing from 6.1% to 6.7%.

Utilization has remained at a very healthy level, 82.3%, which is what -- I mean, for those of you who heard me talk about in the past, we believe that's a healthy stage, healthy place to be in terms of utilization. We have not diluted the utilization, but we're not trying to increase it any further because it gives us enough room to continue to capture opportunities as they come along, while running a fairly tight ship operationally.

DSO, including unbilled, like I said earlier, about 78 days and DSO with only billed around 58 days. As you can see over the quarters, we have pretty much remained in the same range. So our operational discipline on billing and collection continues at the same place.

Talking about some of this objective or the observations commentary, how we are building for the future from a go-to-market perspective, as some of you would recall, we had launched OptimaAI, as our AI suite for service offering about 6 quarters ago that has continued to develop significantly.

And we have now over a dozen agents that we have developed in-house as part of OptimaAI, which are used for various life cycle stages, software life cycle stages, right, from whether it's spec identification, documentation, coding, testing, test data generation, all of those kind of things, which are done through Agentic AI through agents that have been written by our teams and have been used to deliver work to our customers.

Our joint go-to-market partnerships have strengthened significantly. Of course, we've been working with AWS and Azure for the last several quarters. We significantly kicked up the partnerships with UiPath, with Databricks and in telecom space with Alianza.



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From an offerings and positioning perspective, we're very proud that we've been recognized as leaders in the Everest Peak metrics for software product engineering services, especially for the mid-market enterprises, which is the space that we work in, that we play in. That puts us in a fairly elite group of a small set of companies that have made it to the leaders pack. And we've also been rated as major contenders in our talent readiness for AI by Everest Group.

Delivery priorities-wise, we, of course, as the world has kind of significantly shifted towards AI and continues to do so, our priority has been that with OptimaAI and increasing Gen AI adoption, we ensure that we are able to reach every client proactively on how AI is being leveraged and can be leveraged in their areas of work, the work that we do for them or the work that we may not be doing, but we can actually bring proactive propositions to them. We are continuing to scale our cloud, data and AI capabilities, and we are scaling both from a talent depth, certifications and partnership, all angles together.

From a leadership team perspective, no new updates because we have continued to focus on strengthening and stabilizing the team, deepening our focus on the areas of growth. And that is what is kind of also helping us build the momentum, that stability, that depth, that continuity and momentum is all bearing fruits now.

This quarter, we reported 6 key wins. They're pretty significant because as you would see, some of them are in the hot areas of Agentic AI, etc. The first one we've talked about is with a global leader in access control systems, who have asked us to build an Agentic AI platform, which will help with autonomous anomaly detection, which will help them curate their AI pipelines for integration with analyst workflows and closed-loop exception management, etc.

In the telecom space, one of the largest providers in Europe has asked us to drive their innovation by building specialized inventory management and wholesale platform as they are consolidating and building up the business of fiber wholesale. So, they laid out fiber and they do wholesale bandwidth selling and that they want to have that specialized inventory management and wholesale platform.

For a leading fire safety solutions provider in Canada, we are building an AI-powered field services platform, which will allow them to optimize their field service workforce deployments and serve their customers better for better satisfaction and efficiency.

We also work for a very large AI-powered platform. It's a SaaS platform, which helps companies manage their projects and portfolios and processes, etc. And they are moving from SaaS to being a completely AI platform, and we are helping them develop those agents and that agentic platform for having the agents and evolve frameworks in place that will accelerate that journey.

One of the very exciting wins with a very large leading financial institution globally is to help them develop a mobile and web platform to digitize their policy servicing through a seamless workflow of transactions.



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And yet another world's leading financial services company in the U.S., which specializes in trading and risk management, global payments, etc., has onboarded us for modernizing and transforming their CRM journey.

So as you can see, a lot of it is very AI heavy, AI-induced, transformative in nature and truly where we are helping companies redefine and transform their core. And this is what gives us both excitement and confidence of how the market is shaping up and how it can actually fuel our growth ambitions.

Now I hand over to Nand for a financial overview before I go to the summing up and closing remarks.

Nand Sardana:

Thank you, Nitesh ji. Good morning to all. Thank you, everybody, for attending this call. For those who are referring to presentation, this is the last slide, this P&L sheet.

Revenue for the quarter was INR498.6 crores or \$57.2 million as against INR462 crores or \$54 million last quarter and INR444 crores, that is \$53 million in the same quarter last year. Quarter-on-quarter growth is 5.9% in USD terms and 7.8% in rupee terms. Strong quarter-on-quarter growth is driven by strategic large deal wins, where we are actively enabling our customers to adopt AI for enhanced operational efficiency.

The gross margin was 35.5% compared to 36% last quarter and 36.3% same quarter last year. We added 150-plus associates during last quarter to support new wins, strong sales funnel along with investment in data, AI and cloud. It has slightly impacted our utilization for the quarter and gross margin percentage. We are committed for efficient operation to maintain margin levels.

SG&A expenses increased by INR6.2 crores from INR86.6 crores in last quarter to INR92.8 crores this quarter. This is mainly due to higher sales and marketing spend plus impact of AR provision reversal in last quarter.

The adjusted EBITDA was 16.9% compared to 17.3% last quarter and 17.9% in the same quarter last year. The Company has been able to report consistent margins despite investment in new technologies and sales and marketing activities.

The RSU cost under management incentive plan is INR7.1 crores compared to INR4.9 crores in last quarter. Last quarter reduction was primarily due to true up during the quarter. EBITDA net of RSU expense is 15.5% as against 16.2% last quarter.

Getting now to depreciation and amortization, the total expense was INR16.6 crores compared to INR15.8 crores last quarter. This includes INR6.3 crores for intangible capitalized on account of Velotio and Scaleworx acquisition. The depreciation and amortization is higher primarily due to increased ROU amortization for new office expansion in Pune.



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Further, this quarter, we had a non-recurring expense of INR1.6 crores on account of legal fee for Novigo acquisition compared to last quarter income of INR40.9 crores on account of profit on sale of land and building and certain other assets located at Company's Noida office.

Interest expense is INR3.7 crores compared to INR2.1 crores last quarter. Other income was negative INR3.7 crores compared to positive INR1.4 crores last quarter. This quarter, we had an exchange loss of INR3.7 crores compared to exchange loss of INR36 lakhs last quarter, mainly on mark-to-market on forward covers. Further, the other income comprised of interest income of INR1.4 crores this quarter compared to INR89 lakhs last quarter.

During the quarter, the average rate for USD and Euro were INR87.26 and INR101.93, respectively, as against last quarter average of INR85.56 and INR96.9, respectively. These are the 2 main currencies for R Systems.

As at quarter end, we have total forward cover of \$41.6 million with average rate of INR87.94 and Euro cover of 1 million with average rate of INR96.83, which has already been mark-to-market at closing rate of September 30th, 2025.

Our tax expense was INR18.1 crores this quarter as against INR23.3 crores last quarter. Our effective tax rate for Q3 is around 34% as against 23% in the last quarter. The last quarter ETR was lower due to capital gain taxation on sale of buildings. Our marginal tax in India is 25%, but due to non-deductibility of amortization for intangibles acquired through acquisition, normalized ETR comes in the range of 28% to 29%. This quarter, ETR is higher due to some true-up. Year-to-date, September ETR is 28.5%.

Net profit after tax was INR35.3 crores or \$4 million compared to INR75.8 crores or \$8.8 million last quarter. Our adjusted RSU expense and non-recurring item, the net profit after tax for Q3 is INR43.4 crores as against INR46.4 crores in Q2 '25. Adjusted EPS was INR3.7 in Q3 as against INR3.92 in quarter 2 and INR3.9 in quarter 3 '24. With that, let me hand over to Nitesh ji for closing remarks.

Nitesh Bansal:

Thank you for that. Coming towards the last slide, which if you're referring to the presentation, Slide 11. From what we've been seeing for us, we have been consistently winning larger deal sizes, both with new as well as existing clients, which is helping us sustain the growth momentum.

Our OptimaAI workbench works across over 25 agentic tools, has a library of more than 1,500 prompts and over a dozen agents that we've developed ourselves to deliver various stages in software development life cycle. This is basically deepening our right to win in the tech services and product and platform engineering services space, helping us win against competition and continues to be a strong differentiator for us.

From a trend perspective, what we are observing, the trend of using agentic AI to solve real-life industry-specific business problems is gaining more traction. People see a lot more immediate ROI with that. I think our understanding of industry vertical spaces and the deep



ability to develop those agents has been helping us and can serve in continuing to help us differentiate in the market.

GCCs have been constantly on a growth curve and are changing from being pure back offices to becoming more like innovation and R&D centers. And as they do that, they're adopting a partnership model, working with service providers like us to accelerate their innovation capabilities. Our narrative on the scale-up of GCCs in partnership is working well in that direction, and we are continuing to see wins in that space as well.

And despite all the uncertainty with policy announcements and things going up and down with governments and tariffs, etc., we're remaining focused on our target market, the midsized segments, and we are continuing to see some growth momentum. We're keeping our fingers crossed, while there are no great news from a macro and tailwinds perspective, but we are very optimistic that we can continue the growth momentum that we've built over time.

I think that's the end of the presentation, and I'll hand back to the moderator to open up for questions.

Moderator: The first question is from the line of Sandeep Shah from Equirus Securities.

Sandeep Shah: Congratulations for a solid execution again in the second quarter in a row. Nitesh ji, I just wanted to understand, this quarter, again, we have added good amount of employees. So, is it right to assume even the near-term growth visibility despite the growth being higher in the last 2 quarters continues to remain robust on an organic basis?

Nitesh Bansal: Hi Sandeep, first of all, thank you for your wishes. I've noticed that you usually are the first person to ask questions. So thanks for that.

Sandeep, from a growth perspective, of course, this is all organic growth we're talking about. And this is what you see as addition is net addition, net off what I would say, any optimizations and any productivity that we are gaining because of using AI and whatever AI productivity that we are producing for our customers.

So yes, we are growing and we are growing both in terms of business and headcount, right. I don't think the industry is currently at a place, where we can say that the headcount and growth are totally decoupled. They're not.

But yes, I mean, that divergent trend will arrive at some point where we would be able to grow without significant addition of headcount. But currently, because we're winning new business, we obviously keep on adding people. And hopefully, our growth in revenue terms is higher than the growth in headcount as we go along.

Sandeep Shah: And just a follow-up, the improvement in the demand and the growth, it's more to do with our wallet share gains or even better demand for the software development or product engineering?



Nitesh Bansal: Sandeep, it is a combination of 3 things, I would say. One is, of course, wherever we have existing clients, we are going back with heart of the possible of what AI can do, etc., and proactively trying to increase our wallet share. And it works to some extent, and that definitely helps us.

But I think the other thing is with the opening up of the private equity channel, we are going after the GCCs with a very focused offering of GCC scale and others. We have, of course, increased our alliances with AWS, Azure, etc, and working with the channel partners for demand.

So what we've done is we actually created new avenues of demand generation, which are helping us grow. The traditional demand of software engineering and product and platform engineering, like I was saying earlier, we are not seeing like there is any kind of a secular trend of demand growth because everybody is trying to use a lot more AI to do the work.

With opening up new channels, with us being pretty much at the forefront of using AI to do the work and being able to differentiate against the competition, we are winning and continuing to gather that piece of business to give us the growth.

Sandeep Shah: Yes. Just the last thing in terms of average size of the deal. Sir, how do you see the improvement where it is right now, where it used to be 12 months before? And where do you see going forward looking at your pipeline?

Nitesh Bansal: So Sandeep, our average deal sizes have certainly grown. We are currently almost 2x of what we used to be 12 to 18 months ago from an average deal size perspective. And we hope that as we continue on this journey, that we can increase it further, and we can get to 2.5x or 3x of what we used to be, which will basically give us more meaty, more chunky kind of deals, which will also give us more ability to create value and show value to our customers and create more sticky relationships.

Sandeep Shah: I have a follow-up, will come in the interval.

Moderator: The next question is from the line of Vinay Menon from Monarch Capital.

Vinay Menon: Congratulations on great execution again. Two questions from my side. One is you mentioned that spend in top 10 clients has been improving. And do you see this trend going ahead because this is a huge uptick you've seen after a long time. So was it just a one quarter thing? Or do we see this as a trend continuing?

Nitesh Bansal: So Vinay, the top 10 clients, there are a couple of things. One, as we are winning more with the existing clients, increasing the wallet share, making them larger, I think to that extent, - we hope that we can sustain it and grow it.

But like I've said in the last calls as well, that we are, in general, looking at making our top 25 or top 30 clients become bigger. So as a percentage, will it show or will it reflect in the same



manner quarter-on-quarter, I cannot be sure. So dollar value-wise, I think we will grow all of these clients. Our top 10 clients will continue to grow.

But we hope and we believe that there are the 10 to 20 and 20 to 30 clients, which will also grow and maybe grow even faster. And because there is not much size difference, we are talking all of those clients being currently in that \$1 million plus to \$2 million plus to \$3 million-plus type of buckets.

And we will want every 2 million client to become a 3-plus client -- every 3 mn plus client to become a 5 mn plus client. That's definitely the focus area. How it translates into a top 10 client percentage or top client percentage is slightly unpredictable because it will be a part of the overall revenue percentage.

Vinay Menon: And sir, any view on discretionary spend, any improvement are we seeing in the U.S. market? And this whole AI buzz, which is happening there and a lot of spend on data centers and all. But on the services part, are you seeing any improvement?

Nitesh Bansal: There isn't like a macro trend that I can talk about where people are suddenly losing their purse or they are spending a lot more or nothing. But one thing is for sure, everybody is trying to figure out how they are going to use AI or agentic AI in their business. And so discretionary spend is being happening or is getting redirected towards some of those initiatives.

So wherever we are able to be there at the right place, right time and be able to show to them that we have developed some of these tools and capabilities, and we are able to help them with those journeys, we are winning those deals. But total discretionary spend, at least I don't have the evidence of total discretionary spend either going up or getting released faster in any manner.

Vinay Menon: Okay. And one last thing, sir, on the Novigo acquisition, like when can we see that like finalizing? And because Novigo has a huge exposure to Middle East. So I just want to understand what will be our go-to-market strategy there, like that's a new area for us.

Nitesh Bansal: True. So we are hopeful that we would get all the approvals and everything done. I think they are almost already done. So it should be a matter of a week or 2 when Novigo thing could get finalized. So there are no doubts over there. It's just a question of finalizing the date.

Middle East is going to be a very exciting place for us. We are very bullish about the market because it represents a fairly large target spend. And as the market has opened up and both the Kingdom of Saudi Arabia and UAE being very progressive in terms of attracting global businesses, we have seen the kind of investments large tech companies like Microsoft and Amazon and others are making in those regions.

And with Novigo, we are, I think, in the right place with a well-known brand in the region, already having established partnerships with all of those players and with the capability to actually pick on fairly reasonably sized deals in the region. So we are very bullish about it.



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Our go-to-market will be led by Novigo. They have the presence. They have the brand, they have the people, and we will be supporting them, working together with them, combining all the capabilities of R Systems to deliver to the market.

Moderator: The next question is from the line of Nikhil from Kizuna Wealth.

Nikhil: My first question would be on the Novigo addition. So, like we have performance-based compensation to stock linked. So, have we decided like what is the cap on that stock-based compensation going ahead?

Nitish Bansal: So Nikhil, we have usually followed a standard policy of getting the business plan for the acquired entity to be vetted and essentially based on achieving the business objectives, a certain amount of compensation will get released in the form of stocks. And I think during our disclosures, we've talked about that in general, that is in the range of between 6.5x to 8x of EBITDA. Basically according to various levels of achievement that would get unlocked and whatever is that value will get converted to actually R Systems stock and paid in stock rather than in cash.

Nikhil: Sir, my second question would be on -- like, sir, we have been recognized by Everest as leader this year. So how are we leveraging Everest review. And sir, are we going to approach other third-party tech analysts? And how is this going to help us get us into prominent place as a reference material or as a business indicator for the clients?

Nitish Bansal: Right. I think that's a very important point. The independent agencies and analysts like Everest are very important in the industry because they provide a window to our buyers to evaluate and understand the capability of us and companies like us as service providers in their space.

And obviously, we all have to go through a very rigorous evaluation exercise in order to arrive at a particular rating, which is not just what we submit, but they do their own independent survey and talk to customers and get feedback and all of that stuff.

So what it does, it provides us an independent validation to say we are really good at what we are saying we are good at, right. And in an industry where you don't have physical products to show, this is the best alternative to a physical product that you can put on a showcase window to show that we really do good work.

So clearly, a leader's rating from Everest in their software product engineering services metrics gives us the opportunity to obviously campaign around it, to market it. It is obviously a standard part of all our submissions in RFPs and proposals and on our website, and we are marketing through social media as well.

What it also does is as we have stepped up in the last 18 months, our efforts to go towards larger deals, responding to RFPs and attracting interest from advisers, deal advisers to invite us into those deals, this actually comes at the right time and boosts our capability to present to the



advisers to say that we are the right contenders to be invited to these deals. And I think the 2 kind of acting together helps us build the pipeline and win more and win better.

Nikhil: So sir, are we also going to approach Gartner, ISG? And are we going to wrap up sales and marketing even more?

Nitesh Bansal: Yes. So what we are doing is we are already working with the likes of Zinnov and IDC. So with the combination of Everest, Zinnov and IDC, we are in the first round, we are covering the analysts and research analysts and advisers who, one- have a focus towards product engineering and platform engineering; and two- who have a wider reach in the mid-market segment.

Once we have built enough rapport as well as kind of research equity with these firms, we will then probably graduate towards Gartner, ISGs, SANS and others of the world, who typically tend to play in the large enterprise segment. And are probably more important for large outsourcing businesses.

But clearly, as the lines are getting blurred, we cannot ignore and I mean, they are big. So we will reach out to them when we are ready. But we want to make sure that in the space that we operate, which is mid-market segment, product and platform companies and offering them engineering services. So Everest, Zinnov, IDC will definitely cover. And we are covering some niche players by industry, which we'll continue to do.

Nikhil: That's great to hear. Sir, as you've spoken that we have won large deals. So have we won large deals in the Blackstone portfolio? And sir, how has been the wallet share gain or penetration in the Blackstone portfolio?

Nitesh Bansal: So when we talk about winning large deals, they are all over the place in the sense that, yes, we've won large deals in the portfolio, but we have also won large deals outside. I've said this earlier, too, Blackstone portfolio continues to remain a very rich and attractive hunting ground for us because we do get warm connections and introductions. So it saves a lot of cold calling time.

But having said that, selling into the Portfolio Companies is pretty much the same kind of cycle to go and prove your capability, serve a need, provide a proposal, win the deal. And usually, it has a lot of competition as well.

Having said that, we have continued to win consistently in the Blackstone portfolio. Today, we serve around 20 companies in the portfolio. And our wallet share, like if you look at percentage of revenue that comes from Blackstone companies versus rest of the companies, that has kind of remained in the same range of about 10% to 12%.

So you can imagine 10% to 12% business coming from Blackstone portfolio, rest is outside, and we're winning large deals and growing. So it is obviously well spread all over both inside the portfolio companies and outside as well.



- Moderator:** The next question is from the line of Sonal Minhas from Prescient Cap Investment Advisors.
- Sonal Minhas:** This is Sonal. I hope I'm audible. I have 2 questions. Sir, I wanted to understand at a very top level, when you do talk about agentic tools being used for some delivery of some projects, could you broadly explain is there a difference in pricing of such projects vis-a-vis the other projects you've been doing in the past? Just to get educated on how the clients are perceiving projects with AI agentic tools versus the ones which were being bought earlier?
- Nitesh Bansal:** Yes, Sonal, when we are doing projects with agentic tools and then providing that kind of productivity and more importantly, speed to market, clearly, the clients recognize that as a differentiation. And to a varying degree because that changes from client to client, they're willing to compensate for it. Some are willing to compensate just in the form of saying, yes, we understand it's differentiated talent. So, we are going to pay a different rate for the talent.
- But there are other clients who are also willing to do the deals on a fixed price or an outcome basis, where they're willing to pay a premium for getting their product ready earlier with minimal kind of iterations and defects and other things, and they clearly state a premium to it.
- So there is a recognition that agentic tools and the using of generative AI in SDLC is not just giving us the advantage of doing things faster, it's actually translating into an advantage to the customer for a faster speed to market and a much lower effort overall and hence, they're willing to compensate for it differently.
- Sonal Minhas:** That's actually great to hear, sir. And which basically means that there is either a time or a labor or a quality productivity they are already seeing in delivery of such projects vis-a-vis the earlier ones. So there's a clear ROI, basically,
- Nitesh Bansal:** Absolutely.
- Sonal Minhas:** That is very good.
- Nitesh Bansal:** Absolutely. And in fact, it only works that way. They first get to see that there is those benefits and undeniably and then they are willing to pay. It doesn't happen the other way around.
- Sonal Minhas:** Sir, also wanted to understand from a disclosure perspective, 2 things, one is if you could share how you are adding people in your sales team maybe Y-o-Y or on a 6-monthly basis to figure out how are we building that funnel. That's one.
- And also wanted to know that if there is a chart or something similar or a table that you can share on number of clients that are getting added in the net clients. I don't think at this stage, it's meaningful to slice them by size of the deal, but like just on a regular basis, if you could?
- Nitesh Bansal:** So let me answer the first question. How are we adding people to the sales team. See, we have a sales team, which is, I believe, from a size perspective, we're quite adequate in terms of the number of feet on the ground.



What we've done over time is we have added to our account management function because we wanted to deepen our client relationships from the existing accounts better, etc. So, we've done that, but it's not like a huge number. We've probably added 1 or 2 people each of the years.

What we've done, however, is as the skill set required in the market has continued to shift and requires a lot more technical capability and industry-specific understanding in order to sell in this market of very vertical-specific either SaaS platform sales or Agent AI type of things.

So we continue to refresh the sales team with a few people coming in with that kind of background and getting replaced, some of the older ones getting replaced. So, in general, the sales team size has not grown significantly. There has been some refresh of the sales team to cater to the new kind of needs.

From a number of client wins, etc., I think that's not, again, disclosure that we provide. However, for you to get an idea, there is some amount of slicing and dicing or model preparation that you want to do. I know that Nand ji usually has some data that he's able to provide, which helps you understand this better. So, I would recommend please do talk to Nand, separately. And if you're preparing some model or trying to analyze this deeper, I'm sure he'll help.

Sonal Minhas: Can I squeeze in a question, if I may, with a last question.

Nitish Bansal: Yes, go ahead.

Sonal Minhas: Sure. So you were talking about verticalization largely due to AI or, let's say, SaaS platforms, and you have a reasonable position in the product engineering space. Are there some industry verticals, which we're building like capability in where we are seeing meaningfully better than the others and which also shows up in our sales funnel becoming better? Because I just want to understand yours objective and comment on this?

Nitish Bansal: Yes, you're right, Sonal, we are largely a platform and product engineering company, and hence, we can easily be mistaken or taken as just a horizontal platform play. However, having done this for 30-odd years, we understand the various industries that we work for and the nuances that are needed to build products and platforms for those industries, whether there are regulatory requirements, whether there are performance requirements, whether there are certain specific nuances in terms of integrations and approaches. And clearly, we are better at some than the other.

So what we focus on when it comes to tech itself, tech industry, doing a lot more of SaaS, vertical SaaS, data platforms with live data pipelines and SaaS transactions. That's our forte. And of course, we work with all tech products. We modernize their products. We migrate them to cloud and we help them become SaaS. But really, where we shine and we are very good at is all vertical SaaS and data platforms and those kinds of things.



When it comes to other industries, telecom and media is another industry, which we're very good at, very deep. Our capabilities, including our Eastern European delivery capabilities, where while a lot of companies would work on just the OSS, BSS side of telecom, we actually work on the core, which is the basic core engineering of telecom labs, where we actually are capable of writing OEM-grade products, OEM-grade software products that go into building the providers' network.

And we work with a very large OEM, who is actually within our top 10 clients, where we are responsible for actually doing like really developing the products end-to-end just like their R&D team does, right So that's a differentiated capability. And the third industry, which we focus on is health care.

Moderator: The last question is from the line of Sandeep Shah from Equirus Securities.

Sandeep Shah: Nand ji, just wanted to understand how the adjusted EBITDA margin will look like maybe for the full year of CY '25 despite only last quarter to go? And with growth picking up, is it fair to assume CY '26 adjusted EBITDA margin could be higher than CY '25?

And just another question in terms of fourth quarter growth on an organic basis. Will it get impacted because of furlough? So is it fair to assume because of the good deal pipeline momentum, the seasonally weak quarter, which is 4Q and 1Q, this time could be different on the positive side rather than a sluggish or softish growth?

Nand Sardana: So Sandeep, we do not provide any guidance, as you know. But I think the way I see the business, and deal wins, I think we should be able to continue to maintain the momentum. So that is on EBITDA margins.

About Q4, you are right. There are furloughs in Q4. But there are some tailwinds also. I mean, again, we can't give any guidance on quarter 4, but we feel that our pipeline and sales funnel is good enough. But anyway, I'll ask Nitesh ji to comment on Q4 if he wants to.

Nitesh Bansal: I think that's fair. And Sandeep, I've said in the past, we are focused on producing a momentum, which will result in at least 3 quarters or 4 quarters of continued sustained growth momentum so that we can truly call it a platform that we are building for the next year of growth. So we'll continue to work on that. Fingers crossed, we will deliver those results. We just don't want to get into that zone of providing a forward guidance, but all effort and all confidence in that direction.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Nitesh Bansal for closing comments.

Nitesh Bansal: Thank you so much. Once again, thanks, everyone, for participating and your questions. Like I've said in the past, questions are very insightful, help us to learn new things and keep ourselves also very honest about what we are delivering to you as our shareholders and to all



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investors in the Company. And we hope to see you back again for the next earnings call, and feel free to reach out to us and our Investor Relations for any additional questions you have.

Moderator:

Thank you very much. On behalf of R Systems, that concludes this conference. Thank you for joining us today, and you may now disconnect your lines.