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BSE Ltd.,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400 001
Scrip Code: **544413**

National Stock Exchange of India Limited,
"Exchange Plaza",
Bandra - Kurla Complex, Bandra (East),
Mumbai-400 051
Symbol: **DIGITIDE**

Dear Sir/ Madam,

Sub: Transcript of the Earnings Conference call

Pursuant to Regulation 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform that the Transcript of the Earnings Conference call, conducted through digital means on June 27, 2025; has been uploaded on the website of the Company under the following link: <https://digitide.com/investors-updates/#disclosure> (Financial Information).

Request to please take the same on record.

Yours faithfully,
For **Digitide Solutions Limited**

Neeraj Manchanda
Company Secretary & Compliance Officer
Encl:- as above

Digitide Solutions Limited

Registered Address: 3/3/2, Bellandur Gate, Sarjapura Main Road, Bengaluru -560103, Karnataka
Tel: 080-6105 6000 | CIN: U62099KA2024PLC184626 | Website: www.digitide.com



“Digitide Solutions Limited
Q4 FY '25 Earnings Conference Call”
June 27, 2025



**MANAGEMENT: MR. GURMEET CHAHAL – CHIEF EXECUTIVE OFFICER
AND EXECUTIVE DIRECTOR – DIGITIDE SOLUTIONS
LIMITED**
**MR. SURAJ PRASAD – CHIEF FINANCIAL OFFICER –
DIGITIDE SOLUTIONS LIMITED**

MODERATOR: MR. DIWAKAR PINGLE – ERNST & YOUNG LLP

Moderator: Ladies and gentlemen, good day and welcome to Digitide Solutions Limited Q4 FY '25 Earnings Conference Call hosted by Ernst & Young LLP. 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 star then zero on your touchtone phone.

I now hand the conference over to Mr. Diwakar Pingle, Head, Investor Relations Advisory, Partner Strategy and Transactions from Ernst & Young. Thank you and over to you, sir.

Diwakar Pingle: Thank you very much. Good day and ladies and gentlemen, welcome to the Digitide Solutions Limited Q4 and FY '25 Earnings Conference Call. This is the first earnings call post our listing. Please note that this call is being recorded. Today on the call, we have with us Gurmeet Chahal, CEO and Executive Director of Digitide and Suraj Prasad, Chief Financial Officer. Let me outline the agenda for today's call.

We will begin with a brief overview of the company, its Q4 and FY '25 performance, after which we will open the floor for Q&A. During the call, we will make forward-looking statements. These statements consider the environment we see as of today and carry risks and uncertainties that could cause the actual results to differ materially from those expressed in today's call.

We do not undertake to update any forward-looking statements made in this call. With that said, I'll now turn over the call to Gurmeet Chahal for his opening remarks. Over to you, Gurmeet.

Gurmeet Chahal: Diwakar, thank you. A very good evening or good morning, depending on where you're dialing in from. As Diwakar said, this is our first call post the listing. Very, very excited and looking forward to our continued discussions going forward. So from a Q4 perspective, first of all, like I said, it's our first inaugural call. This is a very significant milestone that actually marks the beginning of Digitide focused growth journey, building on a very strong foundation which was established when we were part of the Qness Corp.

And now it gives us the opportunity to chart our own strategic course forward. The demerger was guided by a clear vision to unlock value, enhance the focus on the areas that we choose for, and thereby create long-term value for our customers, employees, and all our stakeholders. While we may be a newly listed company, we do bring a rich heritage of operational rigor and deep client trust, which has been our differentiator.

Before we move to the business update, I'll just take a moment to share our roadmap for sustainable and profitable growth for the coming year. That we call the 3x3x3 strategy, you know. So this is a very disciplined approach designed to deliver 3x revenue growth by FY '31, by concentrating our efforts across three strategically selected verticals in each geography where we are playing, supported by three integrated service lines, which are going faster than the market.

That can together create value for our clients and stakeholders. This focus has been guided by our recent portfolio decisions. We've systematically evaluated our portfolio and have identified and started to exit some low-value, non-strategic contracts so that, as a team, we can concentrate on high-value opportunities that align with our growth objectives.

These portfolio optimization efforts will complete by Q2. And the impact, the starting impact is reflected in our Q4 financials, because Q4 is the first quarter where we actually started this process. While these decisions require some short-term adjustments, they position us to deploy capital and management focus more effectively for long-term value creation.

Now, I did talk about the 3x3x3 strategy. That strategy is supported by five key execution pivots, and I'll quickly talk about each. First and foremost, we've strengthened our leadership team with experts from industry who bring deep experience and in the verticals that we have chosen for.

This leadership foundation ensures strong execution discipline and strategic alignment across all our business units. Second, we are making very focused and targeted investments in attracting and developing high-caliber talent across the organization while we continue to foster a performance-driven culture. Our focus is not just on hiring.

It goes beyond that. It goes to creating an environment that promotes innovation, client success, and sustainable growth. In fact, you would have seen that we've been voted the 19th great place to work. It's an honor, and it's something which we are very passionate about.

The third element of our execution pivot is organization structure, which eliminates inefficiencies and creates integrated teams that can deliver comprehensive solutions to our clients. And as we have stated, it's AI's first solution mandate that we have aligned ourselves to.

This new structure enhances our responsiveness to the market needs while improving operational leverage and decision-making effectiveness. The fourth is around technology and AI integration. We are very consciously embedding advanced technologies, particularly AI and automation, across our service delivery model.

This AI-first approach enhances both productivity and service quality while enabling us to offer differentiated solutions that will create sustainable, competitive advantage for us. So from that perspective, we see AI as value-accretive and that's why we've gone all-in on AI. Fifth element is we will pursue selective acquisitions and partnerships that complement our organic growth strategy, those that expand our capabilities and target verticals and of course, accelerate the market penetration.

Our approach to inorganic growth is going to be very disciplined and focused on the strategic fit rather than chasing scale alone. Now I'm going to talk about Q4. We delivered consolidated revenues of INR733 crores, remaining stable sequentially while achieving a 6% year-on-year growth.

The EBITDA for the quarter was 11.2%, which reflects our ongoing investments in leadership capabilities and market positioning alongside the exceptional costs of the demerger. Our international geographies now contribute to 36% of the revenues with a 7% growth year-on-year and our domestic business grew at a 5% year-on-year rate as well. As we have stated, our intent is to grow our international revenues faster, and I think we have already seen that.

Now let me talk about the two segments, the business BPM or business process management. During the quarter, our BPM segment demonstrated continued momentum with 9% year-on-

year growth and sequential stability. Our customer lifecycle management business maintained a healthy growth of 3% sequentially and 16% year-on-year, while our non-voice business showed resilience with 2% sequential growth and 2% year-on-year increase.

The tech and digital segment, this segment now contributes 27% of our total revenue. During the reset that we have started, we experienced a 1% sequential decline and 2% year-on-year decline. Like I said, this is due to the exit from some non-core lower margin business areas which are not in our focus.

The area that we are focusing on, which is data, digital engineering, platform and services, that segment continued to demonstrate momentum with a 9% growth year-on-year. So the area that we want to focus on has grown 9% year-on-year.

Coming to the full-year performance, on a full-year basis, our revenues grew at 6.3%.

So today we are at INR2,875 crores with an EBITDA margin of 14%. Our adjusted PAT stood at INR133 crores for the year after accounting for exceptional cost of INR25 crores. For the full-year, our BPM revenue stands at INR2,104 crores with a growth of 14.2% and an EBITDA margin of 16.2%. The tech and digital business saw a decline and now we are at INR770 crores.

This decline was a result of our portfolio revisit which I talked about. The EBITDA for this segment stands at 12.1%. Q4, we maintained our strong sales momentum. We onboarded 35 new clients and we have secured INR568 crores in TCV during the quarter. So a very good quarter for us from a sales perspective.

Our client portfolio remains well diversified with balanced concentration levels that support both stability and growth. With that overview, I'll now turn the call over to my colleague, Suraj Prasad, our CFO and he'll walk us through a detailed review of our financial performance. Thank you very much. Over to you, Suraj.

Suraj Prasad:

Thank you, Gurmeet. Good evening, everyone. I'm really pleased to present First Financial Results as an independent publicly-listed company. I'll guide you through our Q4 and full-year Fiscal 25 performance and I'll highlight key financial themes that shaped the year. I'll also provide some updates on our capital structure and key operating metrics.

Starting with the Q4 results, the revenue stood at INR733 crores, remaining flat sequentially and a 6% increase year-on-year. Our EBITDA was INR82 crores, achieving a margin of 11.2%. This sequential decrease of 391 basis points, like what Gurmeet alluded to, is primarily due to the strategic portfolio adjustments we had undertaken to optimise our future business model by planned to exit from some of our non-core businesses. And also the investment made in building our leadership and sales engine during this year. Adjusted PAT for the quarter was INR28 crores, a 16.4% sequential growth. For the full fiscal year, we delivered revenue of INR2,875 crores, 6.3% year-on-year. EBITDA for the year is INR401 crores, with a 14% margin. This is down 153 basis points year-on-year.

And the profit after tax for the year was INR108 crores. As Gurmeet mentioned, adjusted for the INR25 crores and demerger-related expenses, the adjusted PAT is INR133 crores, at a 4.6% margin year-on-year decrease of 146 basis points.

So after our comprehensive evaluation of our business portfolio, we initiated the ramp-down of certain non-core, low-efficiency businesses, starting from Q4. So our Q4 financials include charges related to some of the receivables which we have taken accelerated charges on, and any potential obligations from some of these discontinued businesses. We have also accelerated our expected credit loss policies to accommodate these changes in our business portfolio.

Both our quarterly and full-year results reflect our selective investment in capabilities, talent, and offerings, and our new corporate structure as an independent listed company. These investments would continue over 2026 and putting us in good shape to pursue our long-term strategy as a \$1 billion organization. Exceptional items primarily consist of the professional expenses towards demerger, and some of the write-downs towards the discontinued businesses which you can find in our financials.

Moving on to the segment updates. On the BPM segment, we delivered a top-line of INR537 crores during the quarter, a 0.5% sequential increase, and a 9.3% year-on-year growth. EBITDA for the quarter was INR77 crores, at a 14.4% margin. The EBITDA margin contracted by 150 basis points quarter-on-quarter and 510 basis points year-on-year. Apart from the investment I alluded to earlier, this is also due to the ECL provisions, which we have now revised our flow rates based on the demerged company.

Till Q3, this was part of the conglomerate flow rate structure. Now this has been based on digitide's specific flow rates. Our tech and digital segment recorded a revenue of INR196 crores, a decline of 1.4% quarter-on-quarter and 2.2% year-on-year. The EBITDA margin was 9.2% for the quarter. Q4, we faced some headwinds in our US geography, where some of our discretionary spending customers had put some projects on hold. This is more in line with the broader industry trends. On a full-year basis, tech and digital now contributed to 27% of our business. And from a geographic perspective, international revenue now contributes to 36% of our portfolio. As we mentioned earlier, these are the two growth vectors for us in our 1 billion journey.

Moving on to corporate updates, one of our core capital structure priorities has been the reduction of debt, underscoring our commitment to maintaining a very healthy balance sheet and exercising disciplined cash management. As of the year-end, our gross debt stands at INR63 crores with a net cash position of INR121 crores. Our working capital remains very healthy with a DSO of 70 days, a reduction of 6 days from the previous quarter.

Our operating cash flow for the year is INR368 crores, representing a healthy 81% conversion to EBITDA. I must highlight that we also had a tax refund during this quarter for one of our subsidiaries. And adjusted for that, our OCF to EBITDA will be 74% for the year. With this, I'll hand over back to the moderator and happy to take your questions during this call. Thank you very much.

Moderator: Thank you. We will now begin the question and answer session. Our first question comes from the line of Krisha Tripani from Archer Advisors. Please go ahead.

Krisha Tripani: Just wanted to congratulate the team and the company for the successful listing. Sir, we have been hearing this AI strategy and AI is the buzzword today. So just wanted your thoughts on this AI-first strategy. How Digitide is looking at the AI ecosystem as a whole? And what do you believe are the opportunities, risks, are there to consider from the rise of AI? This is my first question.

Gurmeet Chahal: Krisha. Okay. So first of all, thank you. Yes, we are very excited as a listed company now. So your question about AI and how we are looking at AI. First and foremost, we believe AI is going to be value-accretive for us. On one hand, it allows us to be more efficient, manage our pyramids better, manage our operations better, reduce our attrition, which kind of adds to our bottom line. And then it allows us to differentiate our services and get into some areas where we may not have been there earlier.

Also, you know, if you look at the pyramid of AI, about 10% effort goes into building the AI use case. But 30% to 40% effort goes into enabling the right data under it. And then 50% effort is all about process optimization. Given our heritage in the process and data, I mean, that's where we are seeing a lot of value getting unlocked. And that's an area where we can really grow our revenues from. So that's why we are very, very firm believer that AI is going to be value-accretive for us. That's why we have gone all in.

Second part of your question, how are we looking at AI? Look, I'll cover the risk also. First, let me walk you through the second part of your question that how are we looking at AI? So we are looking at AI from three lenses. The first lens is the lens of the industry. So AI for insurance will be different from AI for banking, different from AI for healthcare. So first is the lens of the industry.

Second is the lens of the process. AI for customer care versus AI for finance and accounting versus AI for HRO. To give you an example, for the CLM or customer care business, we now have in production Agentic AI solution, we call it Q-Buddy, which complements our human agents, which becomes a guide to them, becomes a mentor and an assistant. And we are seeing remarkable results from that.

The third lens is the lens of the persona. AI for CIO, AI for CFO, AI for Chief Marketing Officer. Their needs are different. Their expectations from AI are different. So like I said, we've gone all in. These are the three pivots. In fact, we have launched a brand for our AI offerings. The brand for AI is Pulse.ai. So all our AI offerings will be under the Pulse.ai brand going forward. So that's the second part.

So I talked about, we see AI as value accretive. I talked about how we are approaching AI. Third question is, do we see AI as a risk? The short answer is no. Like I said, we see it as a value accretive. But we have done a sensitivity analysis on our portfolio. BPM is the portfolio where, you know, there's an opinion that AI might be a disruptor. However, BPM is not just one kind of a business. One has to peel the onion and look at deeper.

The majority of our BPM business is platform-led or BPaaS where we have stickiness with the customers and we are actually embedding AI proactively into our platforms; be it the collections platform, be it the insurance platform that we have for the international markets. That's one thing.

On the pure customer care, on pure CLM, 60% of our revenues are revenue enablement where we are actually enabling the revenue of our customers, where the human touch is critical. And that's where we have actually implemented the Q-Buddy, which can be an assistant to our human agents. So 40%, which is actually pure customer care. There are also the industries that we play in. Healthcare, fast growth tech, for them the human touch is imperative. Human touch is critical.

We are not taking low-end customer care calls on telecom or some of the other industry verticals. We are doing work which requires context, which requires human touch, which requires empathy. I mean, if you're dealing with a healthcare, you know, with someone who is in need of healthcare, you need that empathy, which only a human can provide.

And this segment of our business, even if I look at the grand scheme of things, this is less than 10%. So theoretically, the exposure is less than 10% of our portfolio. But there also, because of the nature of the work and the kind of industries we are in, we believe it's not vulnerable to AI. And in any case, we are proactively making the investments to make it more robust to already get the benefits of AI, which we pass on to our customers. I hope that answers your question.

Krishna Tripani:

It does, sir. And that was really, really helpful and encouraging to know this. Just one more clarification and question is that in the presentation and in fact in your opening remarks also, you have mentioned that you have kind of completed hiring of key leadership. Can you throw some light and more color on what kind of a skill set you believe that you have brought into the system and how you believe that you can plan to build this going forward?

Gurmeet Chahal:

Okay, thank you. That's a great question, because leadership is the foundational element for successful strategy and execution. So, it's a stated goal that today, while our data and technology business is 27%, by financial year '31, we want it to be 40% of our revenue, then we will be \$1 billion. So clearly that's one area where we have added talent across the organizations.

Let me give you a few examples. So, our Chief Revenue Officer, his name is Saket Bhatnagar. He is based in Chicago. He joins us from AWS. He was running the financial services business for AWS Professional Services. Prior to that, he was with Accenture. So he comes with deep technology experience. And this is not the experience in the legacy technology, it's in the modern, cloud native technology.

Mohan, who runs our data and technology practice and delivery, he is a veteran from Wipro. And prior to that, Accenture comes with 20 plus years of experience. And then both Saket and Mohan have built their global teams from companies which are deep in technology and talent that has been selling the new age data cloud kind of skills. So that's one example.

Second is, look, we are in the business of people. So the group CHRO, Ruchi Ahluwalia, she is now our CHRO, digitized CHRO, because this business is all about people. And that's why we are very, very passionate about the great place to work. And being in the top 25, we were actually

number 19, much higher than some of our bigger peers. It's a testament to our strategy on talent and leadership.

We are all about execution, right? So a significant piece of our business is BPM. It's an at-scale business, 2,000 crores plus. We've hired Natarajan Laxsmanan, he goes by Nat, from Accenture. He brings deep operations and delivery capabilities. And he will be looking at the portfolio end-to-end, which allows our business leaders like Naozer to focus on creating value for our customers. Naozer runs our India business.

So we've hired our head of AI strategy, Sandeep Malhotra, he joins us from Coforge and HCL. Again, 20 plus years of experience, deep technology. He's been doing this kind of work for the last couple of years. So those are some examples of the kind of talent we have brought on board, which is aligned with our long-term strategy of growth, continuing our focus on customer excellence.

I mean, look, our Net Promoter Score is one of the highest in the industry at 68. So we want to continue that. And then, as we are building new capabilities, we've got the new leaders who are then hiring their teams under them. I hope that answers your question.

Krishna Tripani: Yes, sir. That does. And thank you very much. And I wish you all the very best.

Gurmeet Chahal: Thank you.

Moderator: Our next question comes from Sanjay Shah from KSA Securities, Private Limited. Please go ahead.

Sanjay Shah: So what are the shifts happening from traditional IT service model to AI and how the company plans to adapt it? And do management plan to create in-house expertise in AI? That was my first question.

Gurmeet Chahal: So, Sanjay, like I explained, how we are aligning to the new shift is through that three-tier model, taking into view the industry nuances, the process supporting, and then the underlying enterprise work areas that are involved. So that's how we have aligned our AI strategy. Obviously, it requires a deep understanding of the process and data, which we have, and then building the AI use cases.

Now, are we doing this in-house? It's a mix. We already have certain tools, accelerators, where we have enhanced them in AI. Second, we have built some cloud or AI native applications. Third, we are also partnering. You know, there are a clutch of startups which have come up with really good products. We are taking advantage of those. We are bringing the industry wrapper on top of it. So it's a combination.

Sanjay Shah: My second question was, sir, what is the mix of service revenue and product subscription or license revenue? And what are the share of fixed rate contract or hourly rate contract to revenue?

Gurmeet Chahal: Okay. So you had two questions. I mean, look, the platform business is in our BPM business, right? Which is the DPaaS. So, between the DPaaS and all the platform-led versus non-platform-

led, it's like 55% to 45%. On the contracts, majority of our contracts, almost 80% plus of our contracts are either managed services or fixed price. And then we have about 15% to 20% which are time and materials.

Sanjay Shah: For FY '26, how Q&Q trajectory you underpin that are you already booking deals to support it? What are the deals we have already booked in which supports the optimism? And what share of FY '26 growth will come from tech and digital versus BPM?

Gurmeet Chahal: Right. Okay. So look, why we are optimistic is we have seen -- if you see the Q4, we have done up to INR568 crores of TCV booking. And even in Q1, we are having a very good sales year so far. So that is where the optimism is coming from.

As regards, look, this is the year where we have started the reset also. So fundamentally, the percentage mix in FY '26 will not be materially different from where we are today, between BPM and Tech and Digital, which is 73-27. So, it will not be materially different.

However, when we exit the Q4, we will start seeing the acceleration on the Tech and Digital business after the reset. Like I said, the areas that we have chosen to focus, they grew 9% year on year. So that's where the encouragement is coming from.

Sanjay Shah: Sir, should we model any further de-merger related or legacy write-offs in FY '26, or is the cleanup completed?

Gurmeet Chahal: So the cleanup optimization effort, as you can imagine, we have a fairly large business. So we started in all earnest in Q4 and like I mentioned by Q2, this should be taken care of.

Moderator: Our next question comes from Ankit Dharamshi from RNM Capital Trust.

Ankit Dharamshi: So I have a follow-up question on the profitability. So, our EBITDA margin compared to Q3 that we used to publish as a console in Quest increased. I mean, you told that there are some write-offs from the legacy business, which will be completed by Q2. So, what should be the steady state EBITDA margin for Digitide going forward?

And our working capital is now 20% of the business. So is this what will remain? I mean, 70 days, sales outstanding. How should we read it or there will be some improvement going ahead?

Gurmeet Chahal: Yes. So we've been consistent in giving the guidance back in FY '26. Overall, we should see 100 to 150 basis point dip. And then we start scaling back, given all the investments that we are making for the long term. So that's on the margin profile. Obviously, the second half of the year will be better versus first half.

And on your second question, yes, the base is outstanding is an area of focus for us. Today we are at about 70 days, both built plus unbuilt. And that's something that we want to bring down. And you will see positive movement in that going forward.

Ankit Dharamshi: Any ballpark figure? I mean, what is it we are targeting to end or close our FY '26 with?

- Gurmeet Chahal:** On the DSO. See, I think we should expect a 5% to 7% improvement in that at a minimum which helps us in improving our OCF to EBITDA as well.
- Moderator:** Our next question comes from the line of Dipesh from Emkay Global. Please go ahead.
- Dipesh:** Yes, I just want to understand about the order booking and the revenue conversion kind of thing. Our order booking is lower than our revenue this quarter. Because I think we have limited data available. Can you help us understand how these two play out in our business order book and order book to revenue conversion.
- And if you can help us understand book to bill kind of ratio, how to understand that and what to do with the pipeline?
- Gurmeet Chahal:** So our pipeline right now is at 2.2 times our revenue. So it's a very, very healthy pipeline. Just the global pipeline that I'm talking about. And typically any contract that any business that we pick up, if we pick up a business in the first quarter, the revenue conversion is about 40%.
- After taking into account the transition. And then for second quarter, it's about 30%, which is the industry standard. So we are actually in the same bracket.
- Dipesh:** So my question was more about the order intake. Your order intake is, let's say, lower than your revenue current quarter. If I look at it, you have book INR568 crores order booking and revenue was 733. So roughly around 80% less is the number. Does it imply your revenue growth will have a deterioration? And that is what I try to understand. Book to bill generally remain above 1. In your case, it is below 1. If you can give some sense?
- Gurmeet Chahal:** Okay. Sorry, I misunderstood your question. So look, if you see historically, I mean, when we share our bookings, we don't include the renewals, etc. This is only new bookings which is EN and NN bookings as the industry calls it. We don't include the renewals. If we include the renewals, then it is definitely above 1. So that's why we are confident about the growth that we have outlined for the coming financial year. I hope that clarifies your question.
- Dipesh:** The question is about the booking. You said we give only net new and existing new. Renewal is not covered there. So, if you can give me what is the mix between renewal and that new portion? And second question around the same thing is about what would be the, let's say, typical conversion of those things in terms of what would be the tenure to convert this booking to revenue?
- Gurmeet Chahal:** Yes. So look, typically in every quarter looking at our run rate, about roughly 150 days to 200 days renewal at any point of time in a quarter. So if I add that, we are above the 733. Also keep in mind, Dipesh, that this quarter, like we said, as a reset quarter, there was certain kind of business that we have not -- that we have been staying away from. So that temporary impact is also there in quarter 4 and it will continue to quarter 1 and quarter 2. And from a conversion, is your question that how is the conversion in the year from a CV perspective? Is that your question? Into the revenue?

- Dipesh:** Yes so my question is about what will be the way to consumption happen from booking perspective? Let's say you have INR568 crores. Typically INR568 crores, what will be the tenure of that contract?
- Gurmeet Chahal:** So most of our contracts are typically 3-year contracts, 3 year plus. However, in the technology and data business, we also see 1-year contracts because some of that work is project related work.
- Moderator:** Our next question comes from the line of Gaurav from Capital Farming Consultants. Please go ahead.
- Gaurav:** Hi, thanks for giving an opportunity. I hope my voice is audible.
- Gurmeet Chahal:** Yes.
- Gaurav:** So my first question is, I think, a follow up on the same question, like in the deck that we have published post Q4 results, that in the Q4, we have declared TCV of INR568 crores. So if you can guide that, what was the TCV for the entire FY '25? And out of that how much has been converted into revenue within the FY '25? And how much is expected to be converted into revenue in FY '26 and onwards? That is my first question.
- Gurmeet Chahal:** Go ahead. What's your second question?
- Gaurav:** Yes. So second question will be like, we are starting with FY '26 with a capital, I would say with an equity base of approximately INR900 crores, right. And we aspire to have a return on equity of 18%. Whereas currently we are running approximately 12% ROI, or I would say ROE, right?
- So assuming that our target of 18% by FY '31, that is 6 years from now, any midterm plan that by FY '28, we plan to achieve at least ROE of 15%, right. Which will include our capital allocation policy as well, because we have intended that we would be looking for inorganic growth via some acquisitions.
- So I'm assuming over here that whatever cash flow we will be generating, we will be preserving that cash flow for strengthening the balance sheet and having the proper cash to ascertain that the acquisition is there, right, in a couple of years down the line. So these are my two questions as of now. Thank you.
- Gurmeet Chahal:** Yes. So on the first one, and I think Dipesh has also ask this question. Typically our benchmark is that for the bookings that we have done in the previous year, there's a revenue realization of about 55% to 58%, okay. Because typically the contracts that we book in the first quarter, within the same year, they give you about 40%, but obviously from the previous year, the benchmark is about 55% to 58%, which is an industry benchmark. And we are in line with that.
- On your second question, and Suraj, if you want to chime in on that, but the way I understood this, our appetite, I mean, what gives us the runway for acquisition, right. So look, we are a zero debt company. So even if we were to be under two leverage, we can raise that up to INR1800

crores, which gives us both the confidence and runway for any inorganic strategy that we want to execute. So the strong balance sheet is going to help us essentially.

Moderator: Our next question comes from the line of Darshil Jhaveri f from Crown Capital. Please go ahead.

Darshil Jhaveri: Hi, sir. I just wanted to kind of get a few clarifications from what we've kind of spoken about right now. So we are seeing like a 100 basis points EBITDA can be suppressed due to a lot of investment and restructuring that we are going to do. So that would be over FY '25 or FY '24 based because they also are slightly different.

Gurmeet Chahal: Okay. So, as we had mentioned earlier, in FY '26 we should expect a 100 to 150 basis point dip, given all the investments that we are making, all the restructuring that we are doing and the business model pivot that we are doing. So we stay consistent with that. And as in one of the previous questions, it was asked that, you know, versus H1 versus H2. Yes, H2, we will start seeing the buildup. But for the full year, we stay consistent with the 100 to 150 basis point dip in FY '26.

Darshil Jhaveri: Okay. Fair enough, sir. And in terms of revenue, sir, how do we see FY '26 panning out, sir?

Gurmeet Chahal: Yes. So, you know, if you look at our history, we have grown up. I mean, if you look at the last 4 years, we have grown at about 12% CAGR, right? With all the changes that we are making, all the focus we are bringing, we believe we should be in that cohort, despite the restructuring that we are doing, the one-time restructuring and one-time exit from the low-value non-core areas of focus. So we should be in the mid-teens.

Moderator: Our next question comes from the line of Raki Nath from Nasir Investment. Please go ahead.

Raki Nath: Good evening and congratulations on a decent listing. Sir, my question again would go back to your relationship with Quess. Would you maintain the same kind of dividend distribution policy which Quess has been doing thus far, sir?

Gurmeet Chahal: Yes. So you know, and thank you for your congratulatory note. When it comes to the dividend policy, that's something that we are working on. And when we do the quarter one release, we'll talk about that. However, I also want to reiterate, given that we are very focused on growth, given our 3x strategy of 3x revenue growth, our priority is going to be investing in the business for growth. That will be our priority, whether it is organic growth or inorganic growth. But we will be coming up with a comprehensive dividend policy when we do the next earnings call.

Raki Nath: And in terms of your top-line growth, we could expect around 7% to 8% on a certainty basis over March FY '25 to FY '26, sir? I mean, a combined growth of 7% to 8%?

Gurmeet Chahal: Yes, I think at a minimum, we should be better than that. And like I said, we are also taking some restructuring, taking some calls on the non-core business. Yes, net of that, we should definitely be better than that.

Raki Nath: And sir, one previous question was asked that whether this 100 dip in EBITDA would be over 25 or 24. So could we be looking more of a 13% or a 12%-ish EBITDA, sir?

- Gurmeet Chahal:** So I think when we are exiting the year, we should be back into the 13% to 13.5% cohort when we are exiting the year.
- Moderator:** The next question comes from Raj Shah from Flare Investments. Please go ahead.
- Raj Shah:** Hi, good evening. My question was regarding EBITDA margin only. So it is like if you are closing at around 13% or 13.5%, can we see the same margin from the next quarter?
- Gurmeet Chahal:** Of course. Like I said, we will be closing when we exit the year. And then obviously, by that time, all the impact of the changes would be behind us. And we will be looking at improvement from thereafter. Because as we have been saying that in the long term, medium to long term, we expect a 200 to 300 basis points improvement. In the first year, we expect 100 to 150 points. So absolutely. After that, you should see the things going up.
- Moderator:** Our next question comes from Naresh Naikar from Systematix. Please go ahead.
- Naresh Naikar:** Yes. Very good evening, sir. The business is doing extremely good. All the verticals are performing. But if you know, the investors are extremely concerned about the subdued listing and the current stock market price of Qess and Digitide. So when the investor assumes that whenever demerger happens, some value unlocking will happen. But in our case, it doesn't happen, sir. I just want to know what are the other affects you are taking to improvise the visibility of company among the markets?
- Gurmeet Chahal:** Thank you for your question. So from a visibility perspective, I mean, look -- yes, we got listed about two weeks back. Our first intent was to focus on the demerger and successful listing, which we have done. Second was to relaunch our brand, which we have done. In fact, we did a customer event in Mumbai, which was attended by 200 of our customers and partners.
- We have been reaching out to the investor community, both the buy side and sell side, and that coverage will continue. Yes, given that there was a silence period and then another silence period, we had a very short window. But that is an activity which we will continue.
- You would also have seen a couple of our press interactions, both from Mr. Ajit Isaac and myself, so that people at large know what we are doing, where we are doing. In fact, today's Economic Times has actually carried a very nice article on Digitide related to the 19 greatest places to work, which is a compliment to our business, right?
- So you can see that it's in the Economic Times, an article that the paper has published. Starting with, at the end of the day, we have to focus on our customers and partners first, which we are doing, along with making our investors understand our value thesis, which I think we've been making that effort.
- And then, of course, the social media and the brand awareness, which I hope if you have noticed in the last 6 months, given a relatively new brand, our social media presence has gone up immensely.

- Naresh Naikar:** Understood, sir. Sir, but after demerger, there is no broker report covering on Bluspring and Digitide, sir. I haven't seen the report.
- Gurmeet Chahal:** We were in a silent period till about 6th of June. So the first interaction we started with the sell side was actually in the first week of June. So now I think shortly thereafter, you will start seeing our coverage in the reports, the sell side reports.
- Moderator:** Our next question comes from Yash, an Investor. Please go ahead.
- Yash:** Thanks for the opportunity and congratulations on a great listing. So we've been waiting for this for a long time. And my question to the leadership team is that, so we have made very good operating cash flow of INR324 crores and also free cash flow is INR260 crores?
- But obviously, profit margin is mostly hit by the depreciation amortization to the tune of INR192 crores. So just want to understand, are these any 1x things or going forward that depreciation amortization amounts continue to be on that line only? So just want to clarify this on that. Thank you.
- Gurmeet Chahal:** Suraj, do you want to take that?
- Suraj Prasad:** Yes, I'll take that, Gurmeet. Thank you, Yash. Thank you for the question. So in this business where the lease premises are fundamental to our delivery model for BPM that will remain as such in that sense. But if you have looked at our long-term strategy, where our BPM portfolio will be not growing as fast as the tech and digital, this component of our lease liabilities as a proportion will also keep on reducing.
- So on the long-term perspective, the composition where we are looking at is mostly on the US geography, as well as on the tech and digital side of things where this will not be a big component in our business.
- So the current state of things where almost 73% of our business is from BPM. That's why you'll find that significant in terms of the overall portfolio. But this will keep tapering down as we go forward towards the FY '31 journey.
- Does that answer the question, Yash?
- Yash:** Yes, definitely. So because even the prior caller has mentioned, the market hasn't taken note of the cost properly. Most people, they go with the income statement. That was the reason. So though we made excellent numbers in the operating cash flow, so that was the reason I asked this question. And all the best for your team and good luck to all the employees. Thank you.
- Moderator:** The next question comes from Shubham, an Investor. Please go ahead.
- Shubham:** Yes, so my question is also very similar to the previous participant. So if I see the EBITDA margin for last year or this year, it is around 15%. But when it comes to PAT, it is around 5% PAT margin. So there is a 10% kind of thing that goes into depreciation and these accounting and all that.

So how will that shape up? We have the clarity on EBITDA margin. It will be 18%. That is what you have guided for FY '31. But what about the PAT margin? And how will the free cash flow look like? What is the percentage on that? Do we have an understanding on that also?

Suraj Prasad:

Sure. I can take that. So Shubham, what you see is that from a lease, IndAS116 accounting perspective, you would find that from an EBITDA, you can safely assume that 5% of it goes into our lease depreciation accounting, so to say. So from that, from that onward towards the PAT, we have now for the first year, you will have an independent tax liability for Digitide.

We have been part of Quess earlier, where the overall tax obligation was more or less nil, given the tax positions Quess had. Now that will be an incremental impact, which is 53 crores for FY 25. Now moving forward, the linearity of our EBITDA would be what Gurmeet has guided to. In the PAT, you would find it climbing more steeply, because as I mentioned earlier, the lease liabilities would be a smaller component in the overall mix of revenue.

And at the same time, we have an effective tax rate, which will be more or less a constant. So with the growth trajectory we have set for ourselves, our PAT margin should be expanding slightly higher than your EBITDA margins, in the normal course of business.

Shubham:

And sir, do we have a number for that? Like 18%, suppose our EBITDA margin is 18%, what will the PAT margin look like? Have you modelled that also? Can you put a number also for that, an approximate number?

Suraj Prasad:

Not at the moment, Shubham. One thing which you have to keep in mind also is that we have pursued this inorganic strategy also as one of our levers. So that will also play into the larger scheme of things when it comes to the PAT. And we are fairly confident that with the inorganic, we will be able to grow that faster than the EBITDA. But at the moment, I would not be able to give you a number to it.

Moderator:

Thank you. Ladies and gentlemen, due to paucity of time, that was the last question. I now hand the conference back over to Mr. Gurmeet Chahal for closing comments.

Gurmeet Chahal:

Thank you. First of all, thank you everyone for joining our inaugural call. Thank you for your questions. If there were some questions that we could not cover, please channel them to us and we will definitely address those.

And once again, thank you. And we are very excited about Digitide. We are very excited about the value that we are going to create for our employees, our customers, and our shareholders. Thank you very much.

Moderator:

Thank you. On behalf of Digitide Solutions Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.