Alldigi Tech

Operator: Ladies and gentlemen, good day, and welcome to Alldigi Tech Ltd. Q2 FY27 earnings conference call. As a reminder, all participant lines will be in 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. {? Naozer Dalal ?}. Thank you, and over to you, sir.

Management {? Naozer Dalal ?}: Thank you very much. Good morning, everyone. Thank you for joining Alldigi Tech Ltd. Q2 FY27 earnings call.

I'd like to start by thanking all the shareholders for the trust, confidence, and continued support that you give to Alldigi Tech Ltd. It keeps us motivated to continue to perform.

Today, I'm joined by our CFO, Mr. Manish Aggarwal. We'll begin with an overview of our business performance, operations highlights, and strategic priorities, followed by a detailed review of our financial performance. We'll then be happy to take your questions.

I'm pleased to report another quarter of strong financial performance, with steady revenue growth, significant improvement in profitability, healthy cash generation, and meaningful progress on our strategic priorities. Beyond the financial results, we continue to strengthen our international business, improve our revenue mix, expand our sales capabilities, and accelerate our technology-led transformation.

I'll take you through some of the key highlights. On the financial performance, for the first half of FY25, we reported revenue of 303.6 crores, growing 14.2% year-on-year, while EBITDA increased by 20.8% to 87.7 crore. Our EBITDA margin improved to 28.9% for H1 FY25, compared with 24.9% in the corresponding period last year.

For Q2, revenue stood at 153.3 crores, growing 4% year-on-year and 2% quarter-on-quarter. EBITDA grew approximately 29% year-on-year to 46.3 crores, with the margin expanding to 30.2%. PAT increased by approximately 51% year-on-year.

Our cash position remains healthy at 127.2 crores as of September '24, while collections for the first half increased by 4.3% year-on-year to 316.9 crore.

One of the key highlights has been the improvement in the quality of our revenue. International business now contributes approximately 70% of our consolidated revenue, compared with around 54% last year. While revenue growth remains moderate, our profitability continues to grow significantly faster than revenue, reflecting operating leverage, improved business mix, and disciplined cost management.

Manish will take you through the detailed financials shortly.

On the business performance, I'll start with our Tech and Digital business. Our Tech and Digital business continued its growth momentum, delivering 12.9% year-on-year revenue growth in Q2, with segment margins improving to 43.9%. For the first half, T&D revenue grew 12.4% year-on-year

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to 82.3 crores. We continue to strengthen our position in the HR and payroll managed services market.

During Q2, we processed 51.1 lakh employee records, taking the total for the first half to 101.3 lakh records. We have also added 16.1 crore in new annual contract value during H1 through new customer acquisitions and expansion of services within existing accounts. Our key service delivery metrics, including payroll accuracy, on-time delivery, and query turnaround times, continue to improve year-on-year.

On the BPM segment, the segment delivered stable performance, with Q2 revenue at 111.6 crores, growing approximately 1% year-on-year. For the first half, BPM revenue stood at 221.3 crores, growing 1.4% year-on-year. International BPM continues to be a key growth driver, growing 12.6% year-on-year in Q2 and now contributing approximately 83% of BPM revenue, compared with 75% in the corresponding quarter last year. During H1, we secured 66.5 crores in new ACV across new customers and existing customers.

Our service delivery performance continues to remain strong, supported by the initiatives we've taken to improve productivity and embed AI into existing customer operations. At the same time, we continue to take deliberate actions to improve the profitability of our domestic BPM portfolio, including exiting structurally low-margin businesses. Our focus remains on profitable and sustainable growth rather than pursuing revenue at the expense of margins.

Now, coming to the growth engine. An important priority during the first half has been strengthening our sales organization and go-to-market capabilities. We've appointed a new Chief Business Officer for the BPM business. We've expanded our international sales team, and we now have experienced sales leaders from the BPM industry leading the US team. We've also established an SMB sales team and an enterprise sales team within Tech and Digital. We've also expanded our sales capability on the BPM side into Southeast Asia. We have also incorporated a dedicated practice team to strengthen solutioning, pre-sales, and product capabilities.

During Q2, we secured new business with an annual contract value of 37.2 crore, growing 86% year-on-year. For H1, our new business ACV reached 82.6 crores, more than doubling compared to last year. This includes 66.5 crores from BPM and 16.1 crore from Tech and Digital. Our immediate priority is converting these wins into revenue over the coming quarters.

Moving on to AI and technology-led transformation, across BPM, we're now moving beyond traditional delivery and embedding AI across all of our BPM delivery to improve productivity, quality, and customer outcomes. In Tech and Digital, we continue to invest in our AI and automation strategy, led by technology. Our products, our internal operations, and the end employees of our customers all enjoy the benefits of AI.

Moving on to the product strategy, in May 2024, we launched Buzzily 2.0. Recently, in October, we launched two more products: Allsec 360 and Allsec 360 Analytics. Just to clarify, in the last meeting, I had called these Alops and Meridian. We've now changed the names to reflect the company family group name as such. Going forward, we'll refer to these products as Allsec 360 and Allsec 360 Analytics.

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Allsec 360 is an entire HCM suite, including payroll, and it has capabilities for managing core HR, employee self-service, time and attendance, leave, payroll, performance, onboarding, helpdesk, reimbursements, and alumni workflows. This is a SaaS-based platform capable of managing SMB customers as well as enterprise customers. This is something which we are also offering as technology-only outsourcing.

Allsec 360 Analytics is a complete AI analytics solution that sits on top of our existing solutions. It is capable of being available as an individual standalone module, where a customer can continue to use their existing HRIS and use this analytics solution on top of it. The analytics covers headcount and movements, attrition, payroll cost, pay variance, compliance, attendance, leave trends, overtime, diversity, and custom dashboards. This is a combination of a custom dashboard that you commonly see in the market, and it also brings in AI capability, where you can modify it according to your needs.

Moving on, in terms of international growth opportunities, our international expansion remains an important strategic priority. In the US, we are focused on expanding our presence across customer experience, financial services collections, healthcare RCM, and insurance as our verticals. We see opportunities to deepen existing customer relationships while pursuing new business through our strengthened sales organization and partner ecosystem. As I mentioned, in Southeast Asia, we're expanding our sales, and we're already seeing initial results, with good ACV bookings coming in during Q2 and a good projection for H2, Q3, and Q4.

In terms of people, service delivery, and organization, alongside our commercial and technology investments, we continue to focus on building a high-performing organization. Our service delivery performance remains strong across both business segments, and we continue to invest in operational excellence, customer satisfaction, and employee engagement. We are encouraged by the positive employee feedback that we receive, and we also continue to encourage employee participation in our CSR activities. We believe that attracting, developing, and retaining the right talent will remain critical as we scale our international operations and technology capabilities.

In terms of the priorities for H2, the first is to accelerate revenue by converting our sales pipeline into new business wins. The second is sustained profitability improvement through operational efficiencies, automation, and disciplined portfolio management. The third is to expand our international business and strengthen our presence in key growth markets. The fourth is to accelerate AI adoption and scale our technology and product capabilities. The fifth is to continue strengthening our existing customer relationships and service delivery capabilities, while looking at the new relationships that we've established with new customers.

Our strategy remains focused on deepening client relationships, expanding our global reach, driving efficiency through technology and AI, and building a future-ready, high-performing organization. Our platforms are progressing towards scale, sales channels have expanded, and execution is disciplined and intact. We believe we are well-positioned to capitalize on the opportunities ahead.

I am also pleased to announce that the board of [trails off]

Nat: {? ... ?} directors of the company have approved a proposal to buy back shares of up to 4.8 lakh equity shares at 1,000 rupees per share, representing 48 crore in share consideration, subject

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to applicable approvals. The decision is consistent with our dividend distribution policy to reward shareholders. Given our strong financial position, healthy cash generation, and debt-free balance sheet, the board considers the buyback an appropriate means of returning surplus capital to shareholders. Our commitment to international expansion, technology-led transformation, product development, and profitable growth remains unchanged. We believe this balances shareholder returns with long-term investment needs.

To conclude, we are encouraged by our performance in the first half. More importantly, we're building the foundations for the next phase of Alldigi's evolution. With that, I'll now hand over to our CFO, Manish Aggarwal, who'll take you through the detailed financial performance of the quarter. Thank you.

Manish Aggarwal – CFO: Thanks, Nat. Good evening, everyone, and thank you for your continued interest in Alldigi Tech. Now let me take you through our financial performance for the second quarter and the first half of financial year 2024.

Revenue from operations for Quarter 2, financial year 2024 stood at 115.3 crores, representing growth of 4% year-on-year and 3% sequentially. For the first half of 2024, revenue was 227.3 crores, an increase of 4.3% year-on-year. While headline growth continues to be moderate, the underlying revenue mix continues to improve, with healthy growth in International BPM and Tech and Digital, partly offset by our planned reduction in low-margin domestic business. Importantly, international revenue grew 15.1% year-on-year in Quarter 2 and accounted for approximately 70% of total revenue.

Now let me cover the performance of our two business segments. In the BPM segment, Q2 revenue stood at 73.6 crores, growing 1% year-on-year and 1.3% sequentially. International BPM revenue grew strongly by 12.6% year-on-year and now represents approximately 53% of BPM revenue. This growth was partly offset by a 33% year-on-year decline in domestic BPM revenue, reflecting our deliberate strategy of exiting or resizing low-margin engagements. For the first half, BPM revenue stood at 145.1 crore, representing growth of 1.4% year-on-year, with international markets continuing to be the principal driver of growth.

Now let me come to the Tech and Digital segment. In the Tech and Digital segment, Q2 revenue was 41.7 crores, an increase of 10.9% year-on-year and 6.2% sequentially. For the first half, Tech and Digital revenue grew 12.4% year-on-year to 82.2 crore. We processed 101.3 lakh employee records during the first half of 2024, reflecting continued operational momentum and growing scale of our payroll and HR services platform. In Q2 alone, employee records processed increased 7.2% year-on-year to 51.1 lakh.

Now moving to profitability. Our Q2 EBITDA stood at 33.3 crores, growing 28.5% year-on-year and 12% sequentially. EBITDA margin expanded to 28.9%, compared to 23.4% in Q2 last year and 26.5% in the preceding quarter. For the first half, EBITDA increased 20.8% year-on-year to 63.0 crore, with EBITDA margin improving to 27.7% from 24.0% in the first half of 2023. The improvement in profitability was driven by a better revenue mix, the reduction of low-margin domestic BPM work, operating efficiencies, and continued cost discipline. While quarterly margin may be influenced by business mix, currency movements, and the timing of client ramp-up, the structural drivers of the margin improvement remain intact.

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In the BPM segment, Quarter 2 segment margin stood at 17.5 crore, with segment margin improving to 23.8%, compared to 17.8% in Q2 last year and 20.9% in the preceding quarter. For the first half, BPM segment margin was 32.5 crore, with a margin of approximately 22.4%. The improvement reflects the rising share of international revenue, portfolio actions in domestic BPM, pricing initiatives, and operating efficiencies.

In Tech and Digital, Quarter 2 segment margin was 18.3 crore, representing a strong segment margin of 43.9%. For the first half, segment profit stood at 35.7 crore, with segment margin remaining healthy at approximately 43.4%. This performance was supported by higher volumes, a favorable international mix, and operating leverage from our technology platform.

Now coming to the bottom line. PAT for Quarter 2 2024 stood at 26.6 crore, increasing by 53.9% year-on-year and 46.7% sequentially. The PAT margin expanded to 23.1%, compared to 15.6% in Quarter 2 of last year and 16.3% in Quarter 1 of 2024. For the first half, PAT increased 37.5% year-on-year to 44.7 crore, compared to 32.5 crore in H1 of financial year 2023. PAT margin improved to 19.7% from 15.0% in the corresponding period last year, an expansion of approximately 470 basis points.

Now coming to cash generation. Cash generation in the organization remains healthy. Operating cash flow for Quarter 2 was 37.1 crore, translating to an OCF-to-EBITDA conversion of approximately 111%. For the first half, operating cash flow increased 31.3% year-on-year to 70.3 crores, with conversion remaining healthy at around the same 111% of EBITDA.

DSO improved by 3 days year-on-year, reflecting our continued focus on collections, receivable aging, and working capital discipline. Cash and liquid funds stood at 147.2 crore at the end of September 2023. The sequential reduction largely reflects the dividend paid during the quarter, while the underlying business continues to generate healthy cash flows.

Now to conclude, Quarter 2 was a quarter of profitable growth. Although reported revenue continues to reflect the planned reduction in the domestic BPM business, international BPM and Tech and Digital delivered healthy growth. The improvement in revenue quality, operating efficiency, and business mix resulted in EBITDA growth being significantly faster than revenue, alongside strong PAT growth and healthy cash conversion. With that, I conclude the financial highlights and hand the session back to the moderator for the question-and-answer session.

Operator: Thank you very much. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Harsh Kundnani from Enam Alpha. Please go ahead.

Harsh Kundnani – Enam Alpha: Hi. Thanks for this, and congratulations to Nat and the team for an excellent set of numbers. Just a couple of small questions. Employee cost in this quarter: I wanted to understand the divergence between headcount and employee cost, because this quarter we've seen a sharp reduction in employee cost by about 7% sequentially, whereas employee headcount

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has not gone down by a commensurate number. I wanted to understand the divergence between the two.

Manish Aggarwal – CFO: Thank you, Harsh. Manish here. I'll take this question. Yes, you are right. Our employee cost reflects a reduction of about 5 crores on a quarter-on-quarter basis, while the headline decrease in employee count is not to that extent. There are a couple of reasons for this. One is operating efficiencies through replacement costs for the resources that we are hiring. We have been very clear about the rate at which we need to hire new resources. That is leading to the savings, while you don't see the degrowth in headcount.

The second is location mix, which is also playing a factor here. We have significantly optimized our resources in the Manila location, which is a high-cost territory for us, while in India, the resources continue to be the same. The third key aspect is also retiral benefits. As we continue to optimize the resources and revalue our retiral benefits, there has been some true-up benefit on account of that as well. Fourth, as we continue to optimize resources, we will see the full impact of the reduction in resources happening in Quarter 3, because that reduction also started in the middle of Quarter 2, and by exit, we have reduced quite a lot of resources in that way. So you will see the full impact of the reduction coming in Quarter 3.

Harsh Kundnani – Enam Alpha: Understood. This is helpful. I wanted to understand how we should look at headcount and employee cost going forward over the next few quarters.

Manish Aggarwal – CFO: Harsh, this is the right question. We continue to leverage the operating benefit that we have, and we continue to see the right resource deployment for our accounts. As Nat highlighted, we are deprioritizing our domestic business and focusing growth on international business. We will continue to see a reduction in headcount as we progress, and our ratio of employee cost to revenue should continue to drop as we move forward. That is what we are expecting.

Harsh Kundnani – Enam Alpha: This is helpful. Thanks for this. My second question is on the BPM business. We were doing some form of rationalization in the domestic business. Is that initiative done, or is there some portion of rationalization left even now?

Nat: I'll take that question, Harsh. This is Nat here. This is an ongoing exercise, Harsh. As of now, we have taken a decision with a couple of large clients that we have, and this is something we should continue to do. As we see, the percentage of domestic BPM revenue is coming down, and it's a strategic decision not to expand here into newer clients, but we'll continue to hold our existing clients as long as that is profitable from a margin perspective. To give you a very simple, short answer, this will be a continuous exercise as we move forward until we completely eliminate the domestic BPM business from our books. But it is not an intentional strategy to completely exit as long as they remain profitable.

Harsh Kundnani – Enam Alpha: Thanks, this is helpful. Just one follow-up here. Where do we think the margin in the international business could be? Or, to put it another way, how much uplift can we see in BPM margins because of the exit from the domestic business?

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Manish Aggarwal – CFO: Harsh, I can answer that. I think we will continue to see uplift in the overall BPM business as we progress and do away with this domestic business. The quantum depends upon various factors, including the timing of the reduction in the domestic business, because this is an exercise that we have been continuously doing. On a headline number basis, the margin should continue to improve in BPM. That is our guidance.

Harsh Kundnani – Enam Alpha: Got it. Thanks, Nat, and thanks, Manish, for this. All the best.

Nat: Thanks, Harsh.

Manish Aggarwal – CFO: Thank you.

Operator: Thank you. The next question is from the line of Raghuram from Eurindia Ventures. Please go ahead.

Raghuram – Eurindia Ventures: Good morning, everybody. Can you hear me?

Nat: Yes, Raghu.

Raghuram – Eurindia Ventures: Very informative investor presentation. I think you have added a number of data points, which is very helpful to understand how the business is really evolving and growing. If you can help us, I will take off from where Harsh left, in terms of the focus obviously on the CXM business. You have brought in a number of case studies where you have given more details about what we do and how we impact the outcomes of each customer. If you can please help us with what the growth is looking like going forward, and from the perspective of each of these large customers, that will also help us in understanding how the international business is growing. As Manish also said, it's nearly growing 13%-14% year-on-year. So the headline business, the headline numbers of saying 4.1

Raghuram – Eurindia Ventures: 1% growth is maybe a bit misleading. So, if you can please help us understand how this 14%-15% kind of growth that BPM is already displaying will go forward in the next 3-4 quarters?

Nat: Thanks, Raghav. I think we lost you when you were talking about your question.

Raghuram – Eurindia Ventures: I will just reiterate the key points. I was just saying that the international business, if you can please give us some more color on this. One can see that it has grown much faster than the 4.1% that is the headline number. It has grown maybe more than 13%-14% year-on-year. You have also given us a lot more detail and color on the customer-wise outcomes that Alldigi helps deliver and how deeply you are incorporated into each customer. If you can help us understand how this is looking over the next 3-4 quarters, that would be a very useful way to understand the evolution of Alldigi.

Nat: Sure, Raghav. I'll take that question. This is Nat here. From a strategic perspective, our concentration on the BPM business is to expand into the international domain and international markets. Our sales teams are also strengthened accordingly. While the US is always a presence, now we've revamped the team, and we have people from a BPM background coming into leadership positions. We've added more sales executives from a US perspective, and we've also

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forayed into Southeast Asia with dedicated sales resources. Strategically, we are looking towards moving more in terms of international revenue, while bringing in a little bit of the Asia mix as well.

In terms of the business as such, we're moving towards a business that is completely embedded with technology. While traditionally it has been a manpower-based back-office or contact-center kind of business, now we're moving towards how we can bring technology into all aspects of it.

While we've been using technology and AI for the past few quarters, it has predominantly been a partner AI solution that we brought in to use on a ready-made basis. But now the case studies that you see in the investor deck are deeper. We're getting into operations to see how we can make them more efficient, reduce manual efforts, and also bring in AI. AI helps us from a cost perspective, a customer experience perspective, and an operational efficiency and accuracy perspective. We are doing this at an account level, one by one.

Again, from a domain perspective, we said we'll be looking at international collections, healthcare RCM, and insurance BPO. Now we've added a new service, which is assisted captive, or build-operate-transfer, as it is called. We started with one of our clients, and it is already in progress. As we speak today, it's a relationship of about 1,000 FTEs. This is expected to grow by at least another 2 or 3 times. That's the new service line that we've added, and we're bringing in AI here as well in terms of recruitment and training. This is something which will be reflected in the operations of BPM.

Inside our operations as well, in terms of hiring, training timelines, continuous training, quality monitoring, and all of these things, technology has been infused. If I have to sum it up, we're looking at technology-led services that give benefits to all the stakeholders, including Alldigi, my end customer, and my client. Moving forward, we will expand into international business, but that will be a technology-based service assisted by humans. That's the strategy.

Raghuram – Eurindia Ventures: Very helpful, Nat. Will this result in some kind of acceleration in growth? Is that something that we have some understanding of at the moment, or is it too early to expand on that?

Nat: The technological embedding and AI infusion are not going to immediately help us in terms of a growth percentage. However, they put us on par with competition in the market. When we go to a potential client today or an existing client, we are on par with competition in terms of where we stand regarding the adoption of technology and all of the features available using technology. Growth will continue to depend on sales, which again is an initiative that we've taken by strengthening our sales team. Growth is more related to how much more we sell, but the technology evolution and the strategic change in terms of how we operate make us attractive and put us on par with the competition in the market.

Raghuram – Eurindia Ventures: Just one last follow-up question on that. You have also announced significant ACVs in both the EXM and CXM businesses. That is clearly pointing to a significantly higher number than what it was last year. From that perspective, how does the remaining part of this financial year and the early part of next year look?

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Nat: You're right. It's a good observation, Raghav. Our sales have been much higher compared to previous years. In terms of revenue projection, there are multiple factors that come into the picture. While this book is a contract that is assured with us, the revenue coming in will depend on implementation and go-live, and there are factors that depend on the client. It would not be appropriate to give you guidance in terms of what the next few quarters will look like, but our endeavor is to see how quickly we can bring in this revenue. It looks positive in terms of how we can start.

Traditionally, what we've seen is that in BPM, once it starts, the revenue starts coming in more quickly. We should be able to complete the overall ramp-up within about 3-4 months. But the EXM sector is a little different. It takes a longer incubation time because there are multiple other factors, and the technology that the client is using also comes into the picture. To give you a short or simple answer, this depends on the client and how quickly we can start and complete the implementation. Traditionally, what we've seen is that the acceleration time is much faster on the BPM side, and the EXM side typically takes a little longer. But these are revenues that will definitely come into our company. So it's a matter of whether it is another 2 or 3 quarters or 4 quarters.

Raghuram – Eurindia Ventures: Thanks, Nat. Very creditable performance by your team. Many congratulations, and all the best going forward.

Nat: Thank you, Raghav.

Operator: Thank you. The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi – Counter Cyclical Investments: Thank you for the opportunity. Firstly, I wanted to understand our payroll processing business, Tech and Digital. If I look at payroll processed between FY21 and FY26, we've almost doubled from 95 lakhs to 1.9 crores. But our revenue per employee has declined from 105 rupees to 81 rupees, and during the same period, our international revenue has grown, I think, by 2 or 3 times. How much further price cutting or price erosion can we expect in this market? And can you help us understand the competitive intensity when we are pitching to new clients currently?

Nat: Sure, Madhur. Thanks for the question. Payroll as a business, when you look at it in terms of individual transaction pricing, depends on multiple combinations in terms of the service and the technology that we use. Payroll, from a customer's perspective, is a sticky business. Once they have been with us, they tend to stick with us for a longer period of time. When you look at a longer period of time, there are efficiencies that we develop, partly because of operational efficiencies and partly because of the improvement and technological interventions that we bring in.

In certain cases, once we are there and there is an efficiency that we've built, there is a gain share that the client expects. So the price point tends to go down. From a market perspective, we always keep ourselves competitive within the market range, and that's where we keep working on our technology and bringing ourselves up to the market standard in terms of how competitive we are. While there are certain services that we sell at a premium, if it is a plain-vanilla payroll, depending on the client complexity, the price will be within the market range. Do you want to add?

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Madhur Rathi – Counter Cyclical Investments: Got it. Would it be fair to assume that this is closer to that because, due to these efficiencies, clients are asking us to pass on some of the benefits to them?

Nat: Yes. There is always a gain share, Madhur, when you look at an efficiency. This is a very transparent operation when it comes to payroll processing from a client perspective. The client teams are actively involved, they are aware of our efforts, and they are aware of our technology. Once the operations stabilize, it becomes a simple, straightforward process in most cases. In those cases, there are certain efficiencies that they expect in terms of transaction pricing.

At the same time, there are more opportunities in terms of other services. With our latest products, we can start entering the HCM segment. We always had HCM, but now we have HCM in the form of a SaaS platform and an analytics platform. The business endeavor would constantly be to see how we can sell more services rather than trying to maintain or increase the price point of the existing transaction business.

Madhur Rathi – Counter Cyclical Investments: Understood. We've been trying to add new modules or improve our product, including adding new modules or increasing certain features in our product, since the time I've been tracking your business. Also, I think in the AGM, we mentioned that we've partnered with other SaaS companies such as Workday and TaxSpanner. How should we look at revenue per client or revenue extraction per client by Alldigi going forward?

A sub-question would be that there have been discussions about integrating the National Pension Scheme with the payroll and HR platform. How does this opportunity translate to Alldigi? Can you help us understand?

Nat: Sure. I'll start with the question on the platform, or rather, on the partnerships. We spoke about Workday and TaxSpanner. TaxSpanner is already live. However, we were a bit late during the previous financial year. It was an early, lukewarm response that we had last year, but this year we should be able to capitalize on it.

Given that I have more than 10-12 lakh employees in India, we will try to target how many employees can use TaxSpanner for the income tax returns that they can file. I don't have specific guidance in terms of the revenue, but it is a complementary service that we add, which is non-competing with us. It enhances the product attraction, and we also give a discount to employees if they choose Alldigi as a channel partner for approaching TaxSpanner.

We'll be able to comment on the revenues that we see after Q4 of this year from TaxSpanner. Currently, we are looking at employees who have international income, if there are employees who fall into that category and can declare it using TaxSpanner. We're constantly looking at how many more services that complement our services we can add using TaxSpanner. It is an established partnership that we have, which has already been live since last year.

On Workday, we already have the silver certification. We are currently undergoing the design badge. The design badge should be completed by the middle of November. Once we do that, there are two aspects in terms of revenue that we need to look at from a Workday certification. One is any of [trails off]

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Natarajan Lakshmanan: Existing clients or a newer client in the market who is using Workday as an HRIS will find us very attractive in terms of competitiveness because we already have a certified connection that we can use. This means it is going to reduce our onboarding time, and it is also going to increase our efficiency in terms of onboarding cost.

One of the alternative revenue streams that we can look at is that, if there are customers who have Workday as an HRIS but, for any reason, choose to use another payroll platform and are only looking for connector building as a service, that is something which we can consider. Currently, we haven't entered into a sales initiative on that particular aspect. We'll wait for the certification to be completed.

I currently have about 4 clients with me who are in the pipeline to get Workday connectors implemented. Based on that success rate, we'll look at whether we can enter into only doing the connections part as well. Currently, Workday is more of a complementary service that makes us more competitive in the market and also reduces the cost, which will be on a gain-share basis between the customer and Alldigi. That's all on the platforms.

Madhur Rathi – Counter Cyclical Investments: Perfect. With all these initiatives, what would be a fair assumption for the growth of our Tech and Digital business over the next 3 years? Also, on the NPS integration with Workday and these HR, payroll, and payroll processing platforms, do we think this can become like a 401(k) account in the US? How should I look at this integration? Or is it only at the ideation stage right now, and might it take time before something actually translates into revenue for us?

Natarajan Lakshmanan: In terms of the growth rate, if you ask about the next 3 years, we should look at early double-digit growth, specifically in the T&D segment. That's the guidance or strategy that we are working towards. All of the initiatives we've taken, from building our products and partnership ecosystem to the sales engine and marketing aspects, are directed towards that.

In terms of your NPS integration, it's too early to say how the response is going to be. The 401(k) comparison with the US would not be an apples-to-apples comparison because that has been a long-established process and is at a different scale. If you ask me, the 401(k) benefit is an entire industry and service by itself in the US. Maybe NPS can go there, but it is too early to comment. We'll have to see the fine print in terms of how this needs to be implemented and what the adoption will be from an Indian employee's perspective.

Madhur Rathi – Counter Cyclical Investments: Got it. Just one question, or rather a bookkeeping question. If I look at our ROU asset, it has increased from, I think, 50-60 crores to closer to 140-150 crores right now. I understand that we have taken new offices. What kind of lease liability payments do we expect on an annual basis for FY25 and FY26? Can you help me understand?

Manish: We're not expecting a significant increase in lease payments as we move forward. The reason the ROU has increased is that we have replaced the old offices with the new office. The new office comes with a later date of commencement, and therefore you see the ROU asset and liabilities increasing. But from the overall lease payments perspective, we see them remaining at par with what we have been paying so far.

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Madhur Rathi – Counter Cyclical Investments: We paid close to 35 crores in FY24. Is that a fair base to take for FY25 as well?

Manish: I think that will be the fair base, or it can actually be a little lower as we continue to optimize in terms of resources and so on. However, having said this, it all depends on the kind of new business that we get and how much new leasing we may have to undertake if we have to expand significantly. But for the current position, this is the current lease payment, and I think it is going to remain in that range.

Madhur Rathi – Counter Cyclical Investments: Got it. Thank you so much, and all the best.

Manish: Thank you.

Natarajan Lakshmanan: Thank you, {? Supratim ?}.

Operator: Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and one on the touchtone telephone.

The next question is from the line of Simran Thakkar from {? PL Capital Limited ?}. Please go ahead.

Simran Thakkar – {? PL Capital Limited ?}: Thank you for taking my question. My first question is on the standalone receivables, which rose to around 46% in 6 months.

Manish: Sorry, we cannot hear you clearly.

Operator: Ma'am, could you please repeat your question?

Simran Thakkar – {? PL Capital Limited ?}: Sure. Am I audible now?

Manish: Yes, better. Thank you.

Simran Thakkar – {? PL Capital Limited ?}: My question is as follows. Why did the standalone receivables rise to close to 46% in 6 months? Could you please throw some light on this particular matter?

Manish: [off-mic discussion] No, our receivables continue to improve because, if you see, our DSOs have also reduced compared to last quarter. We continue to focus on receiving money on time and continue to review our contact list to see how we can reduce overall DSOs. Any changes, for example, on a standalone basis, may also be a matter of timing, but at an overall level, we continue to reduce our DSOs and our receivables as we progress.

Simran Thakkar – {? PL Capital Limited ?}: Understood. I also wanted to understand the segment results, which total 35.8 crores, while our reported EBITDA is around 46 crores. Am I missing something here? I am not able to connect the bridge.

Manish: Ma'am, can you repeat that, please?

Simran Thakkar – {? PL Capital Limited ?}: Sure. The segment results for both Tech and Digital and BPM add up to 35.8 crores, while our reported EBITDA comes to 46.3 crores. What is the bridge

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here? Is it unallocated corporate cost or some addition?

Manish: Yes, you are absolutely right. The segment margins are not the EBITDA. The segment margins are basically the margins that are reported as PBT minus finance cost, depreciation, other items, and unallocated costs. I don't think there is a clear comparison that you can draw between EBITDA and the reported margin, which should be after PBT.

Simran Thakkar – {? PL Capital Limited ?}: Understood. Also, one last question on the ACV and revenue that you mentioned, of 37.2-odd crores, which were probably led by 2 large deal wins. Could you detail what the deals are, how long the contracts are, when the revenue starts coming into the P&L, and what the margins would be?

Natarajan Lakshmanan: I'll take that question. The 37.2 is a combination of BPM and Tech and Digital. In Tech and Digital, I have one deal, which is with a European client, of close to 7 crores. This is a multi-year contract on auto-renewal because T&M typically works that way. It doesn't have specific periods that we look at. Here, we'll follow the segment margins. Typically, we'll be looking at gross margin of about 60% or more on this deal.

On the other deal, that's about 16.8 crores. Just a second.

The other one is about 16.8 crores, which is basically the BOT model that we've looked at. Under the BOT model, the current contractual timeline that we have is about 2 quarters. But, as I said, this has the potential to grow because their ultimate aim is to reach about 4 times the current commitment that they have given to us. As we speak, we are constantly in touch with them, and the numbers are increasing day by day. So you can consider the period to be less than a year, but these are significant numbers, to the tune of about 3,000 to 4,000 FTEs.

Simran Thakkar – {? PL Capital Limited ?}: Understood. Thank you so much for the update.

Natarajan Lakshmanan: Thanks. Thank you, {? Simran ?}.

Operator: Thank you.

We have the next follow-up question from the line of Raghuram from {? Orenda Ventures ?}. Please go ahead.

Raghuram – {? Orenda Ventures ?}: I just wanted to clarify on the question that the previous person also had. There is a significant increase in trade receivables, even if you look at it from a consolidated perspective. It was at about 69 crores at the end of March, whereas it has nearly gone up to about 80 crores at the end of September. One can clearly see that. Is this a result of business acceleration? You have very clearly mentioned that the number of receivable days has also commensurately gone down from 77 to 74. If you can help us with the run rate at which we exited Q2, that will help us reconcile this increase in trade receivables.

Manish: The trade receivables you see here are the billed receivables, basically. It can also be a factor of accrual. While you have delivered the services, you are not supposed to bill until the contractual obligations or milestone allow you to bill. The delta also reflects the higher unbilled amount in Quarter 4 versus Quarter 2 that we have now, because we have been completing those

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projects and getting them billed. I think that is the largest part. Otherwise, from an operational perspective, our receivables are fully under control, and in fact, our DSO days are going to decrease further as we progress.

Raghuram – {? Orenda Ventures ?}: I was coming from that perspective only. We are not doubting the receivable days. I was looking more from the perspective of what kind of business or run-rate growth the business has seen in the last couple of months of the quarter. If that is the case, then obviously your DSO days would have been lower anyway, but because the business accelerated in the last 1 or 2 months of the quarter, the trade receivables would be slightly higher. That was the point from which I was coming. It is fine. This is typically a leading indicator of a business that is accelerating.

Manish: Yes, Raghu, you are absolutely right. Both factors are in play. First, the acceleration in the business leads to higher receivables. The second point is what I talked about, converting whatever is unbilled into billed receivables, and therefore having more receivables. We continue to receive that money as we progress. The way we report our DSOs, Raghu, is billed plus unbilled together.

Raghuram – {? Orenda Ventures ?}: Understood. Very helpful, Manish. Thank you so much. I just wanted to clarify that. That's all. Thank you.

Manish: Sure.

Operator: Thank you.

As there are no further questions from the participants, I now hand the conference over to Mr. Natarajan Lakshmanan for closing comments.

Natarajan Lakshmanan: Thank you, everyone, for your time and participation today. We are encouraged by our Q2 performance and the progress we've made across our key business and strategic priorities. With continuous investments in our core business, international sales capabilities, AI, and technology platforms, we believe we are well-positioned to capture future growth opportunities. Our focus remains on delivering sustainable growth, strong operational performance, and long-term value for our shareholders. I'd like to thank our customers for their continued trust, our employees for their commitment, and our shareholders for their continued support. Thank you once again. We look forward to interacting with you again next half. Thank you.

Operator: Thank you. On behalf of Alldigi—

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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