Ivalue Infosolutions

Operator: Ladies and gentlemen, good day and welcome to the Ivalue Infosolutions Ltd. Q1 FY27 earnings conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. I now hand the conference over to Mr. Pratik Gupta from E&Y Investor Relations. Thank you, and over to you, sir.

Pratik Gupta – E&Y Investor Relations: Thank you. Good evening everyone and thanks for joining the Q1 FY27 earnings call of Ivalue Infosolutions Ltd. The results have been mailed to you along with the investor presentation, and it will also be available at www.ivaluegroup.com. In case anyone does not have a copy of the investor presentation, please write to us and we will be happy to share it with you.

To take us through the results today, we have the top management with us: Sunil Pillai, Chairman and Managing Director; Krishnaraj Sharma, Executive Director; and Swaroop Muvala, Chief Financial Officer. Sunil will start the call with a brief overview and business update, and then Swaroop will take us through the financial performance of the quarter. Then we will open the floor for a Q&A session.

Before we start, I would like to remind you that anything that is mentioned on the call that reflects any outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with the risks and uncertainty that we face. These risks and uncertainties are included but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual reports that you can find on our website. Having said that, I will now hand over the call to Sunil. Over to you, Sunil.

Management: Hello. We have begun FY27 with a decent performance, which reflects the strength of our business model, diverse technology portfolio, and disciplined execution. During the quarter, we delivered gross sales of 641.2 crores, a growth of 5.7% on a year-on-year basis, and a PAT of 15.7 crores, a growth of 51.7% on a year-on-year basis. As indicated in the earlier call, our business continues to follow its natural rhythm, which tends to contribute meaningfully higher in H2 than H1, both in terms of revenue and profitability, driven by enterprise budget cycles and deal closures towards the year-end. In short, FY27 has started broadly in line with our expectations.

We continue to see strong momentum across our core technology segments, backed by healthy customer demand, increasing annuity revenues, and strong engagement with both OEM partners and system integrators. Our differentiated positioning as a strategic technology advisor continues to help us win larger and more complex solution-led opportunities across enterprises, BFSI, government, healthcare, telecom, and manufacturing sectors.

Customers today are no longer evaluating technologies in isolation. They are, in fact, seeking integrated outcome-driven solutions that combine infrastructure, cybersecurity, cloud, data platforms, and managed services. This is precisely where Ivalue's capability, multi-OEM ecosystem, and deep solution architecture expertise create meaningful value.

Growth during the quarter was driven by cybersecurity, DCI, ALM, and cloud. Cybersecurity continues to remain our core engine, contributing 44% to our top line, while DCI continues to be a

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key growth accelerator supported by rising AI-led infrastructure demand. Cybersecurity remains our largest business vertical and one of the strongest structural growth opportunities for the company. Rising cyber threats, rapid cloud adoption, growing digitization, evolving regulatory requirements, and the emerging need to secure AI itself are all driving higher security spending. We believe cybersecurity will continue to benefit from rising investments in AI, threat protection, identity security, data security, governance, and compliance.

Data Center Infrastructure (DCI) continues to be a major growth driver for Ivalue. Enterprise investment in hybrid public cloud, AI-ready infrastructure, storage modernization, and compute platforms keep demand for integrated infrastructure solutions strong. Rising AI workloads and growing GPU-based infrastructure investments are creating a multi-year opportunity in this space. Our strong OEM ecosystem, deep solution capability, and ability to aggregate multi-vendor technology stacks position us well to capture this trend.

Cloud remains a strategic focus area supported by growing enterprise demand for scalable consumption-based platforms. We continue to see strong traction in cloud opportunities. We expect to drive deeper customer relationships, recurring revenue, and long-term stickability. As enterprises modernize applications and accelerate AI adoption, demand for cloud-native platforms, observability, DevOps, and application lifecycle management tools is expected to create further growth opportunities.

Moving on, our annuity-led business continues to scale steadily, growing at 14% year-on-year during the quarter. Our pipeline currently stands at 6,150 crores, up 6% over the last quarter, reflecting strong demand across segments. With win rates holding steady at 30-35%, we remain confident of meeting our growth commitments for the year.

While Swaroop will shortly take you through the detailed financial performance, from a business perspective, we continue to see healthy demand across our core technology practices and remain encouraged by the quality of the opportunity pipeline. We have also witnessed a positive evolution in our shareholder base. Following the exit of Credence, our long-term anchor investor, several marquee institutional investors and long-term funds have joined our shareholding, reflecting growth confidence in the Ivalue business model, market positioning, and long-term growth prospects. We welcome and thank our new investors for taking positions with real conviction. We also thank Credence for standing by us and co-crafting the Ivalue growth journey over the years. While Credence has monetized its investment, Kabir Thakur continues to remain on the board as a non-executive director, ensuring continuity of strategic guidance and governance.

We would also like to inform you that our CEO has decided to step down for personal reasons after having successfully delivered on the responsibilities and strategic priorities entrusted to him. We thank him for his valuable contribution during this important phase of the company's development and wish him well in his future endeavors. Going forward, Krishnaraj Sharma and I will jointly oversee this responsibility. I will continue to lead India operations while Krishnaraj Sharma, in his role as Executive Director, will oversee international operations working closely with me and the rest of the team.

I am also personally spending more time in the business than I have in the past few years. Having closely managed these functions prior to the tenure of a professional CEO, we bring deep familiarity

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and hands-on experience to these roles. At the same time, we have strengthened our leadership team with the appointment of Umashankar Krishnamoorthy as Chief Business Officer, Samir Kanse as Chief Revenue Officer, and Nitish Tikare as Chief Technology Officer.

As mentioned on the last earnings call, we remain confident of achieving our growth guidance of 20% growth in both our gross sales and PAT. Our priority remains consistent execution, improving business quality, strengthening recurring revenue streams, and delivering sustainable growth while maintaining a disciplined approach to capital allocation and value creation. Thank you very much. With that, let me now hand over to Swaroop who will take you through the financial performance in greater detail. Thank you.

Management: Thank you, Sunil. Good evening everyone and thank you for joining the earnings call for Q1 FY27. It is a pleasure to connect with you all again. Let me start with a quick summary of our financial performance for the first quarter.

Gross sales for the first quarter stood at 641.2 crores, up 5.7% year-on-year. Our gross margins for the quarter stood at 52 crores, which represents significant growth on a year-on-year basis of 26.5%. The gross margin stood at 8.1% on gross sales as compared to 6.8% during the same period last year. We observed a decline in gross margins in Q1 FY26 due to the depreciation of the INR against the US dollar and low-margin deals. We were able to recover on both aspects. This is in spite of a similar depreciation of the INR against the USD in this quarter as well.

In terms of revenue mix, three of our four segments grew on a year-on-year basis. Cybersecurity, which contributes the largest portion of our entire gross sales, grew by 8%, while DCI, which has been a key growth driver for us, grew by 180%. Cloud and ALM segments grew by approximately 47% on a year-on-year basis for this quarter. Our top 15 OEMs contributed approximately 74% of our total gross sales. Among these top 15 OEMs, we have witnessed growth in more than 12.

Geographical expansion has been an area of focus for us this year. Accordingly, we have been able to scale our revenues in geographies like Vietnam, Philippines, and the Middle East. While the numbers are still small, the fact that we are able to attract customers in the first quarter of operations itself is a noteworthy achievement. Our annuity-led business remains a core strength which contributed 46.4% of our gross sales in Q1 FY27. This grew by 13.7% on a year-on-year basis, supporting us in revenue predictability and cash flow quality.

Our operating EBITDA for Q1 FY27 stood at 20.2 crores, which is a 27.7% growth on a year-on-year basis. Sustained cash during the current and last quarters has helped us in ensuring a reduction in finance costs. The PAT for the quarter stood at 15.7 crores, representing a growth of 51.7% on a year-on-year basis.

Moving to balance sheet figures, our working capital continued to improve. We were able to maintain net working capital days as of June 30, 2026, at 52 days, compared to 53 days for the same period last year. This means the net working capital days have improved by 1 day. We have also seen a meaningful reduction in our inventory, which is always a small number in the entire working capital cycle.

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As you are aware, we have also called for our AGM post-listing on August 19, 2026. I would request the presence of all shareholders at that meeting as well. To conclude, I would like to mention that we remain committed to margin discipline, cash conversion, and balance sheet strength while executing towards the FY27 objective of 20% growth in gross sales and PAT. We believe that our focus on digital and hybrid multi-cloud offerings and expanding our partner ecosystems positions us well for this scale in the coming years. I thank you once again for joining us. With this, I hand back to the moderator to open the floor for Q&A.

Operator: Thank you. We will now begin the question and answer session. The first question is from Rahul Kumar from Bakriyah Fund. Please go ahead.

Rahul Kumar – Bakriyah Fund: Hi. Just one question on the cost front. In terms of the cost infrastructure for the business, do we need to invest more in the Center of Excellence and experts for cybersecurity? Can you share what kind of opex growth you are budgeting for on an annual basis for FY27 and FY28?

Management: Our business is driving on micro-differentiated value to the end customers. This is being positioned to the customers and customers are able to see this through our Center of Excellence. So we will continuously invest in our Center of Excellence. Having said that, these investments are not significant numbers. These are in line with the investments that we have made in previous years. So there will not be any incremental capex this year as compared to the previous years. I hope this helps.

Rahul Kumar – Bakriyah Fund: Understood. My second question is in terms of our tie-ups with top OEMs for cybersecurity. Are there any advanced discussions with any other OEMs?

Management: As a business, we reach out to various OEMs and various OEMs reach out to us for having this association. We see the entire investor board and appropriate discussions happen.

Rahul Kumar – Bakriyah Fund: Understood. Third question: you mentioned this in the opening remarks, but what kind of demand trends and order book trends are you seeing for the company as a whole?

Management: Sunil, do you want to take that question?

Management: Yes. We see a very positive trend. The only thing is that customers have already double-clicked on their budgets and they are ready, except they have prioritized some of that budget towards the GPU and the data center piece. For some of the pillars of our business, we see a surge in that business, but on a normalized basis for the year, we would continue to grow at about 20-25% on the top line as well as on PAT.

Rahul Kumar – Bakriyah Fund: So on an annual basis, you would still see the target growth of 20% and you are seeing the order book coming through to achieve that, right?

Management: Yes. As I said, we have about five pillars of business. Within those, there could be some variations, but overall on an annualized, normalized basis, we would be at 20%.

Rahul Kumar – Bakriyah Fund: Okay. Thank you.

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Operator: Thank you. The next question is from Hitesh Goel from Oregon Capital. Please go ahead.

Hitesh Goel – Oregon Capital: Yes, thanks for taking my question. Can you please explain the cybersecurity and ALM sales growth this quarter? Because in cybersecurity, whatever we are hearing from your competitors and our channel checks, the growth is quite superior for other players. Also, in ALM, why is there a 60% decline on a year-on-year basis? Is there some determinant of demand or something? Can you please explain it for me?

Management: Hitesh, good evening. As I mentioned to the previous gentleman, we are looking at significant growth in our core business. As far as ALM is concerned, as I mentioned, the budget has got reallocated for GPUs and the data center because of AI adoption by enterprises and many other customers. That is the only trend that we are seeing. Otherwise, on an annuity basis, we would be able to normalize it.

Hitesh Goel – Oregon Capital: So this trend will continue this year, where ALM will be soft and data center and cloud will continue to grow at a rapid pace?

Management: It is not exactly that ALM is being stopped. It is a matter of budget reallocation on a quarter-on-quarter basis by customers. This time they are focusing on AI, GPUs, and the data center. That is why you will see a surge and uptick in that growth. From Q3 onwards, you will see the ALM piece also coming back.

Hitesh Goel – Oregon Capital: And for cybersecurity, you just said that we will keep on growing, but we are seeing other players growing at 25-30%. The industry is growing significantly in India in cybersecurity, right?

Management: It is significant, yes. Cybersecurity will continue to be a paramount requirement for customers. If you see, we had 44% contribution to our top line coming from cybersecurity. We think that on an annualized basis, it should be somewhere close to about 45-50% and it will continue to sustain that.

Hitesh Goel – Oregon Capital: Okay. So we should see growth coming back for this. It is not like the share of cybersecurity will go down this year compared to last year.

Management: I believe we will not see that trend. There will be an uptick with the cybersecurity portfolio.

Hitesh Goel – Oregon Capital: Okay. Thank you very much.

Operator: Thank you. The next question is from Vinay Menon from Monarch Capital. Please go ahead.

Vinay Menon – Monarch Capital: Hi, sir, and congratulations on a good set of numbers. A couple of questions from my side. Data center growth in Q1 was quite good. Were there any particular large deals we closed here, and from which OEM or partnership would this kind of growth be coming? Is there any spillover to Q2 as well?

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Management: Good evening. Yes, as I mentioned, you would have seen DCI surging because of AI adoption by enterprises as well as the BFSI segment. The outcome is that there are a lot of GPUs being bought, and that is the reason you see that surge. ALM, as I mentioned, will see its budget normalized on an annuity basis.

Vinay Menon – Monarch Capital: Okay. So maybe we will find this quarter, maybe next quarter, something, but then on an annuity basis, you will find that it will get normalized?

Vinay Menon – Monarch Capital: We should see the data center segment doing a lot more than this 20-22% growth? On a consolidated basis, I think that segment could do a lot higher this year.

Management: We see a growing trend with the DCI space. We have an OEM called Arista, which is taking the larger limelight in that space. For any GPU infrastructure, Arista is effectively the product that goes in. We are very bullish about this business.

Vinay Menon – Monarch Capital: Okay. That is helpful. Just a couple of other things. Regarding cybersecurity, were there any deals from last year that spilled over to Q2? That is a segment where we usually do 20-25% growth. Is there any reason why the number was a little lower this quarter?

Management: We have a diverse number of technologies that we represent, and these typically go into projects. Those projects are still ongoing. I will not be able to name those projects right now on this call. But yes, we have a pipeline of close to 6,160 crores, which is active and we are working on it. Traditionally, we have been able to convert about 30-35% in a year.

Vinay Menon – Monarch Capital: Okay. That is all from my side. Thank you, sir, and all the best.

Operator: Thank you. The next question is from Balaji Subramanian from IIFL. Please go ahead.

Balaji Subramanian – IIFL: Good evening. Thanks for taking my question. My question was related to the data center buildouts happening. Multiple players have announced plans, including Airtel Nxtra, and Reliance is setting up a 168-megawatt data center in collaboration with Meta. As data center capacity in the country goes up from about 1.5 gigawatts right now to something like 7, 8, or 9 gigawatts, how do you stand to benefit from these rollouts? Is there any ballpark number you can indicate regarding the revenue opportunity? How much addressable market would 1 gigawatt of data center capacity coming online add to your business?

Management: Yes, Balaji. Good evening. That is a requirement, and if you see various reports, there are different numbers shown. Specifically, for the next 2 years, close to 9 to 11 megawatts of power will be consumed by data centers. A lot of data centers are mushrooming, and there are many more to come from prominent brands. We see a great opportunity coming up and the TAM is going to widen. While today we are talking about a noted TAM, we would like to watch as the data centers come up because there are a lot of variables involved in bringing up a data center. Once their infrastructure is ready, we will be able to put a number to it.

Balaji Subramanian – IIFL: So if I understand correctly, in the buildout phase you may not benefit as much, but once the capacities are on stream, that is when you will really stand to gain. Is that a fair statement?

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Management: Exactly. The infrastructure has to come in first.

Management: Yes, just to add on to what we were saying, we look at data centers in two ways: public data centers and private data centers. Public data centers are the ones you just mentioned. While they present an opportunity for us, our sweet spot and greater opportunity lie in the private data centers that keep coming up. These could be for an institution, a group of institutions, public sector, or private government initiatives. Our larger play is in the private data center and relatively a smaller play in the public data center. When public data centers come in, like what Reliance is doing with Meta, the majority of the contract goes directly to the OEM. That is the same story with all hyperscalers. We do get some opportunities, but our larger opportunity is concentrated toward private data centers. I just thought I would make that point.

Balaji Subramanian – IIFL: So when you say private data centers, you mean captives?

Management: Yes, captive data centers.

Balaji Subramanian – IIFL: Okay, perfect. Thanks a lot. This is very helpful and all the best.

Operator: Thank you. Next question is from Vibhav Kandelwal from Laburnum Capital. Please go ahead.

Vibhav Kandelwal – Laburnum Capital: Hi, thank you. Good evening. A quick question on the gross sales this quarter. In Q1 FY26, we had a slightly high base, but besides that, is there any reason why the Q1 gross sales number seems slightly soft? Second, regarding the CEO position, if I heard correctly, Mr. Sharma and Mr. Sunil will be taking over in a joint position. Is there any reason we are not onboarding another CEO and that board members are having to step into that position?

Management: I will take the first question regarding the gross sales. As we mentioned, there is a shift in demand in one of our large verticals, ALM, where we saw budgets being shifted from ALM to DCI. That has been the reason why there have been flattish revenue numbers for the quarter. While the number has been flattish, as I mentioned in my commentary, our top 15 OEMs contribute around 74% and we have been able to grow there. In three of our technology verticals, we were able to grow. Given that, I see this as a decent number considering our full-year objectives.

Vibhav Kandelwal – Laburnum Capital: Just one follow-up on the first question. Is this why gross sales growth and gross profit growth have been slow for the last two or three quarters? Is this a six-to-nine-month trend where everyone has pulled forward their spend on data centers because of rising chip prices, and if they spend on data centers, they must eventually spend on cybersecurity and other things? Is that when we expect to benefit?

Management: Historically over the last three or four quarters, we have been growing well. In Q4, you can see our security and DCI segments grew, along with ALM and cloud.

Vibhav Kandelwal – Laburnum Capital: I am not saying you haven't grown, but if I look at overall gross sales, you grew at 3% in Q3 FY26, 12% in Q4 FY26, and 6% in Q1 FY27. Before that, you were growing at a much higher rate. Even looking at gross profit, you grew at 9% and 10% the last two quarters. This quarter has an artificially low base. Is 10% gross profit growth what we should be expecting in a steady state? It seems like your guidance was a lot higher. Why have we seen slower

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growth in profit and sales compared to what you are guiding for?

Management: Our business is dependent on certain large deals. Last year in Q2, we had one large deal which was for GST. That one deal was around 150 crores of billing. We have two or three such large deals every year which might happen in a specific quarter or be spread out. Generally, we see these large deals happening in Q3 and Q4. Hence, H2 is cyclically a higher period for us. Last year was an exception where certain large deals happened in Q1 and Q2 compared to Q3 and Q4.

We have always said that our business performance has to be looked at on a yearly basis rather than a quarterly basis. If you see the full year of last year, we grew at 20% on both the top line and bottom line.

Vibhav Kandelwal – Laburnum Capital: Gross profit last year was around 266 crores, and in FY25 it was about 243 crores. That is roughly 10% growth in gross profit for FY26. Is 10% the normal gross profit growth rate we should expect?

Management: No. Last year we had a one-off in Q1. That is why you see the quarter last year having a lower gross profit percentage at 6.8% of gross sales. As I mentioned in my remarks, we were able to come back to our normal gross margin percentages in Q1 of this year, moving from 6.8% last year to 8.1% this year. If you take Q1 FY25, our gross margin percentage was also at 8.1%. Our total gross margin has grown by 26-27%.

Vibhav Kandelwal – Laburnum Capital: Got it. So you are saying that 10% last year is not normal, and we should expect 15-20% growth in line with revenue.

Management: Yes.

Vibhav Kandelwal – Laburnum Capital: But it is lumpy, so it could be skewed to one or two quarters because that is when the large deals happen.

Management: If I may take a minute to explain, if you look at slide 6 of our presentation, we have shown our 10-year CAGR. Over the last 10 years, our gross sales have grown at a CAGR of 23% and PAT has grown by 28%. This is not a one- or two-year phenomenon; this is the 10-year CAGR.

Vibhav Kandelwal – Laburnum Capital: Got it. Thank you.

Operator: Thank you. Next question from Shlok Patolia from Zylo Investments. Please go ahead.

Shlok Patolia – Zylo Investments: Yes, sir. Good evening. Congratulations on the good set of numbers. I have one question regarding DCI revenue, which is now 22% of our growth. Within this, regarding the total opportunity book of 6,000 crores, can you tell us what component of that is DCI or AI?

Management: This order book of 6,000 crores is spread across multiple opportunities. I will not be able to provide the exact component for DCI or ALM until we actually get the orders. There are pricing negotiations and cases where we might miss one piece of a specific order but win another. However, for the full year, we are looking at the DCI space being anywhere around 18-20% of our total revenues.

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Shlok Patolia – Zylo Investments: Okay. So we can expect a mandate larger than the 150 crore deal we had last year?

Management: We all want to do that.

Shlok Patolia – Zylo Investments: Thanks. Can I have one more question regarding hardware gross sales? It has fallen by about 28% this year. Can you guide us on why there was such a huge fall within a quarter?

Management: We don't deal with hardware and software separately. We understand what a customer requires and propose a solution. The solution can be hardware-heavy or software-heavy at times. This is a derived mix based on customer requirements rather than something we plan. In a specific quarter, hardware might grow or it might not. We look at the overall gross sales for the company.

Shlok Patolia – Zylo Investments: Okay, sir. Just one more question regarding restructuring. Over the past few months, two or three of the top executives have left the company citing personal reasons. Is there any major restructuring going on?

Management: Sunil, do you want to take that?

Management: Hi development. This is Krishnaraj Sharma. If you look at our senior management team, many have been together for 18 years in this journey. We have added more senior management recently to strengthen the team, as mentioned in Sunil's update.

Regarding the exit of the CEO, I was heading the company for almost 7 years as CEO. It was time for me to take on larger responsibilities, looking at our next phase of growth or handling our market entry to provide an exit for the investor. We decided to bring in a CEO to run the India business while I took over international expansion and the IPO process. We requested the previous CEO to help us keep it running while we focused on the larger goal of the IPO. Sunil was overseeing him and providing air cover. The previous CEO eventually decided to join his family overseas. We have been adding more executives and strengthening the team; there is no such restructuring at any level.

Shlok Patolia – Zylo Investments: Okay, sir. Thank you and all the best for the year ahead.

Operator: Thank you. The next question is from Meet Mehta from Plus One Exponentials. Please go ahead.

Meet Mehta – Plus One Exponentials: Hi. Thank you for the opportunity. Are we seeing any delays in the DCI segment due to pricing increases, or are customers holding back or deferring orders?

Management: Good evening. The supply chain has definitely been impacted, but this has been ongoing for almost a year and has become cyclical. We have been quite fortunate with the OEMs we represent; the delays have not been significant. I understand some OEMs take seven or eight months for delivery, but in our case, the delay is about 1 to 1.5 months.

Meet Mehta – Plus One Exponentials: Understood. Can you tell me the average timeline from entering the pipeline to converting it to a billing? How much recognition do you do in the first year?

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Management: Regarding the pipeline, traditionally we convert about 30-35%. We would like to sustain that trend. In terms of timeline, it depends on the project. Once it reaches the quote stage, it generally takes less than a month from quote to order. To arrive at the quote stage, there is a lot of work, including demos and showing curated solutions through our COE.

Meet Mehta – Plus One Exponentials: And regarding the revenue recognition in the first year after billing?

Management: We work on an ACV model. For certain OEMs, we bill the customer or partner upfront. If there is a TCV deal, that gets captured as part of our annuity recurring business.

Management: To add to that, if it is a 5-year deal operating on a TCV basis, almost 60% of that value will be the ACV for us in the first year. The remaining 40% would be roughly 10% per annum as annuity value over the subsequent four years. These are ballpark estimates that vary by solution.

Operator: Thank you. The next question is from Gokul from DPC Capital. Please go ahead.

Gokul – DPC Capital: Hi, thanks for taking my questions. Could you help me with the mix of domestic versus exports in gross sales this quarter?

Management: Approximately 87% of our total gross sales comes from the India business and 13% comes from international business.

Gokul – DPC Capital: Got it. And regarding this annuity number at 46%, how should we read this? Is there a component of AMC included?

Management: Our annuity business is derived from the initial sale. When an enterprise develops an application, the relationship is for maintaining, upgrading, and sustaining it for a long period, typically 3 to 9 years. 3 years for enterprise customers, 5 to 7 years for government, and 9 years for defense and other sectors.

The first year is always considered net new, and subsequent years are considered renewals. For example, if a deal is for 5 years, after that period there will be a tech refresh, which is then counted as net new business. Our renewal or annuity rate is consistently around 45%. It can fluctuate based on the growth of net new business. If net new business grows significantly, the annuity percentage might be slightly lower. Overall, it stays around 45%.

Gokul – DPC Capital: So the 297 crores of annuity business this quarter was on account of being in the second, third, or fourth year of the cycle?

Management: Yes.

Operator: Thank you. Next question is from Kunal Ujjiramani from Alpha Alt. Please go ahead.

Kunal Ujjiramani – Alpha Alt: Hi, good evening. I wanted to understand what kind of OEMs we are trying to onboard as technology evolves. Where are we short today and what efforts are going toward onboarding new OEMs that might be the future Palo Altos or major cybersecurity players?

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Management: Good evening. We have a team that specifically looks for new technologies and spaces we may not be covering. We pick up interesting technologies even if they are ahead of the curve. We have signed with over 100 OEMs. It is an ongoing activity where we seek a mutual value proposition. We don't shy away from onboarding them, but I cannot name specific companies we are talking to right now.

Kunal Ujjiramani – Alpha Alt: Certain cybersecurity companies are making platforms where they combine different services as a stack. Are we seeing any impact from that?

Management: I see it as a greater opportunity. Some OEMs are acquiring companies to provide integrated platforms. We play a key role because of our technology understanding and the curated solutions we offer through our COE. We have perfected a stack of about 57 OEMs through our COE. We play a key role when such platforms come up.

Kunal Ujjiramani – Alpha Alt: Have you supplied any such orders to your clients?

Management: Yes. Most of our deals over the last three or four quarters are multi-stack deals.

Kunal Ujjiramani – Alpha Alt: Since these OEMs are doing what you do as a stack, shouldn't that reduce your margins?

Management: Not exactly. An individual OEM might not have all the solutions. For example, Palo Alto might partner with another OEM for a joint go-to-market strategy, but they won't bring the entire IT ecosystem to a customer. They become a part of that larger ecosystem.

Kunal Ujjiramani – Alpha Alt: Understood. Lastly, what was the share of revenue from the top-tier OEMs this quarter?

Management: Traditionally, our top 15 to 20 OEMs provide about 70-80% of our revenue. That 80/20 ratio is a benchmark in the market.

Kunal Ujjiramani – Alpha Alt: Specifically, how much was it for this quarter?

Management: Regarding the ALM piece, budgets shifted toward the data center side. DCI grew at 180%. Hitachi business has slowed down on a quarterly perspective, but you should look at it from an annuity perspective as those budgets may shift back in coming quarters.

Operator: Thank you. The next question is from Bhavin Shah from Latent Advisors. Please go ahead.

Bhavin Shah – Latent Advisors: Hi, thanks for taking my call. Gross sale growth was 5.7% for the quarter. Hardware prices have gone up by over 40%, and that is 30% of our business. Effectively, are we seeing negative growth on a like-for-like basis? If 46% is coming from annuity, does that mean net new sales are a serious challenge? This seems difficult to reconcile with your 20% growth guidance.

Management: Regarding hardware, prices increased in certain portions, not overall. Large enterprise customers often push back to OEMs or software vendors for discounts to stay within their frozen budgets. From a volume perspective, we have not seen any degrowth in Q1 compared to the previous year.

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Regarding annuity business, it was 43.1% in Q1 last year and is now at 46%. That growth can come from upselling within existing customers or price uptakes. I wouldn't see it as a hit on net new revenue. We have a pipeline of 6,000 crores which will help us achieve 20% growth on both the top and bottom line.

Bhavin Shah – Latent Advisors: One of your previous calls mentioned excess revenue booking in the first quarter. Could you quantify that, because otherwise, the negative numbers would be high?

Management: I don't remember making such a comment. We recognize revenue based on the delivery of hardware. We rarely have unbilled or deferred revenues. If you can provide the context later, I will connect with you offline.

Operator: Thank you. The next question is from Jatan Thakar from Crest PMS. Please go ahead.

Jatan Thakar – Crest PMS: Given the high growth in the data center space, what is the company doing to increase exposure to that capex? Are you onboarding more OEMs?

Management: We have more than enough OEMs in our stack. We are in talks with others, which is part of a regular cycle. Currently, our enough OEMs can suffice high-growth requirements. We added close to 300 crores to our pipeline in the last quarter.

Jatan Thakar – Crest PMS: Global Neo clouds are looking at the Indian market. Are we involved in that space?

Management: No one data center or entity relies on a single provider; they hedge their risks with multiple regions. We are in a phase where we can cater to those requirements with selected OEMs in our bucket. We are in talks regarding those opportunities.

Operator: Next question is from Darshan Shah of Crown Capital. Please go ahead.

Darshan Shah – Crown Capital: Last year in Q1, we had low profit. We have beaten the profit figures by about 50%. Why are we sticking to 20% growth in profit if Q1 response is this good?

Management: Last year Q1 was a one-off where margins came down due to INR depreciation and some low-margin deals. This year, we recovered those margins, but from Q2 onward, our annual appraisal cycles start in July, which will increase costs. We believe we will maintain a 20% growth rate for the year. Historically, our bottom line has grown faster than our top line, and we believe that will continue this year.

Darshan Shah – Crown Capital: Is the data center segment more profitable, or do we charge higher because it is in high demand?

Management: Profitability is determined by the value addition we provide. If we demonstrate significant value addition, we get larger margins regardless of the vertical. Our margins are roughly 9-10% on a yearly basis. If we cannot deliver value differentiation, margins will be lower. DCI is no exception to this.

Operator: Thank you. The next question is from Aniket from CRK Researches. Please go ahead.

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Aniket – CRK Researches: Can you elaborate on the sales strategy across verticals in terms of manpower? What kind of team is overseeing each vertical?

Management: We have three major external stakeholders: the end customer, the system integrator, and the OEM. We have leaders for each. A Chief Business Officer handles OEM relationships, while a Chief Revenue Officer handles both customers and partners. Within that, we have people for large Tier 1 customers and others for Tier 2 and Tier 3. Our pre-sales function works as a horizontal horizontal to support all teams with solutions and demos.

Operator: Thank you. Next question is from Vivek Khandelwal from Laburnum Capital. Please go ahead.

Vivek Khandelwal – Laburnum Capital: Some of our OEMs have been acquired by larger companies like Palo Alto, Cisco, or IBM. Do we expect to retain these accounts? Second, you mentioned inorganic activity previously. Is the focus on international business a precursor for any potential acquisitions?

Management: We are looking at inorganic opportunities. If a business is a good fit, we will explore it and share progress when it becomes material.

Regarding the acquisitions, consolidation has been happening for the last few years. Customers now prefer a larger stack rather than buying pieces. When our OEMs are acquired, we are often onboarded onto the new platform. Conversely, when our OEMs acquire someone, we get opportunities to sell the new products. We are not seeing any revenue loss due to these acquisitions.

Operator: Thank you. Next question is from Gokul from BTH Capital. Please go ahead.

Gokul – BTH Capital: Majority of our revenue is through system integrators. Is there a conflict regarding who keeps the annuity portion?

Management: When we propose a TCV solution to an end customer, the timeline can be 3 to 9 years. For a 5-year deal, the first year might represent 60% of the value, with the rest split over the next 4 years as annuity. Since we provide the initial pricing and costs to the system integrator, we are effectively first among equals when they seek renewals. It is not a contractual obligation, but our support and initial selling proposition help us win that annuity business.

Gokul – BTH Capital: Do you plan on increasing the share of direct business?

Management: Our business model is to work with system integrators. Direct business is an exception rather than the norm.

Operator: Thank you very much. That was the last question. I would now like to hand the conference over to the management team for closing comments.

Management: Thanks everyone for this opportunity and thanks for joining the call. We look forward to the next call.

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Operator: Thank you very much. On behalf of Ivalue Infosolutions Ltd., that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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