Digitide Solutions

Operator: Ladies and gentlemen, good day, and welcome to the Digitide Solutions Ltd. Q1 FY27 earnings conference call, hosted by Arihant Capital Markets Limited. 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ritesh Kadam from Arihant Capital Markets Limited. Thank you, and over to you, Mr. Kadam.

Ritesh Kadam – Arihant Capital Markets Limited: Hello and good morning to everyone. On behalf of Arihant Capital Markets, I thank you all for joining the Q1 FY27 earnings conference call of Digitide Solutions Ltd. Today from the management, we have Mr. Sameer Ahuja, CEO and Executive Director; Mr. Suraj Prasad, CFO; and Mr. Rakesh Ruchani, Head of Investor Relations. So, without any further delay, I will hand over the call to management for their opening remarks. Over to you, sir.

Sameer Ahuja – CEO & Executive Director: Thank you. Good morning, everyone, and a warm welcome to all of you joining us on the Digitide earnings call today. Friends, this is my first earnings call as Group CEO and Executive Director, so let me briefly introduce myself and share the perspective I bring to Digitide before discussing our Q1 performance and the outlook.

A bit about me: I have spent over two decades building, scaling, and reorganizing businesses across technology, operations, and consulting. My career spans roles across global firms, including running a large banking and capital market business for a leading Indian technology services company, leading post-acquisition integration and global expansion at a multinational consulting firm, and managing a business unit contributing over half of a listed company's revenue. Most recently, I served as a managing director and senior partner at a US-headquartered consulting firm focused on private equity and restructuring mandates. I also had the privilege of starting my career in the GE ecosystem, which shaped many of my core leadership principles.

As Digitide moves forward, here is what you can expect from me. First, deep domain expertise in outsourcing and overall professional services, which is the industry where I have built my career. Second, a private equity mindset focused on disciplined execution, clear accountability, and measurable performance outcomes across the entire organization. Third, a strong on-the-ground presence in India, as I am based in India, close to our delivery engine, our talent base, and our operating realities. Fourth, I have a significant appreciation for the impact of AI and emerging technologies and how they are changing client expectations and the service delivery models we must offer. Finally, I hold the belief, which we are driving through the entire organization, that sustainable value creation comes not from growth alone, but from pursuing the right kind of growth.

Over the past several weeks, I have spent my time doing one thing above all: listening. I met our clients, our teams across locations, my management group, our board, our investors, and our partners. After understanding the business, I finished that process with a very clear conviction. We at Digitide are not short on capability. The talent we have is real. The clients we service are real. Most importantly, the opportunity we have ahead of us is very real. The question is not whether we have the assets to succeed. The question is whether we are bringing together greater clarity, more discipline, and clear accountability to the various stakeholders that are part of our overall

Report is AI-generated and may contain inaccuracies.

ecosystem.

Before I talk about the future, let me briefly address the quarter. Q1 was clearly below our expectations. While revenue at 775 crores grew 5.3% year-over-year, the sequential performance was impacted. Reported EBITDA for the quarter was 76.9 crores, translating to an EBITDA margin of 9.9%. Finally, we turned profitable after two quarters. Suraj will talk through the financial performance in detail later.

One of the most important takeaways from the quarter is not the result itself; it is the decisions behind it. As I reviewed the business with my management team, it became clear that certain accounts and opportunities were consuming disproportionate management attention while generating inadequate returns. We, therefore, chose to rationalize parts of our portfolio, and we did not shy away from walking away from opportunities that did not meet our standards for profitability and long-term value creation. These actions have already started to happen and will continue through the year. There will be more to share as we meet you again.

At the same time, the industry is experiencing additional pressure from labor code-related changes and minimum wage revisions across several Indian states, impacting both margins and bookings in the quarter. We will speak more on that as well. But I want to be clear: the decisions we have taken were not to protect the current quarter or the next one. They were taken to improve the next several years, and they point to a deliberate choice about how this company will be run going forward. We are not going to chase top-line growth for its own sake. We are going to chase the quality of our revenue and the quality of our earnings, using that as the input to unlock value for all Digitide stakeholders.

I also want to frame the change we are bringing because I do not want it to be misunderstood. This is a forward-looking execution roadmap, and the actions behind it have already started. There are basically four moves we are making.

First, get unified. We are moving to a new operating model where interlocks, a shared agenda, and performance markers become the most important unit of currency. We are going back to first principles. We have simplified our operating model into four parts:

1. Our business units: They own the P&L of the account, service delivery management to our customers, and the careers of our people. There are 55,000 people mapped to our business units.

2. Our service lines: This group owns the competency roadmap. They create capabilities, products, and alliances.

3. Our go-to-market engine: We have organized this into two forces. One is committed to the West, covering the US and Canada markets, and the other focuses on India and other regions. They drive net new growth for the company and are not managing P&Ls or capabilities; they are purely driving new growth.

4. Our corporate functions: We are consolidating these, including creating a new COO office alongside our existing CFO office. Together, these two offices will be accountable for driving cash for the company. This becomes an important performance marker for our new operating model.

Report is AI-generated and may contain inaccuracies.

The second move is strengthening and modernizing our core. Our core India BPM business remains one of the largest and strongest assets in the company. The issue here is not relevance; it is economics. Over the years, parts of this portfolio have become margin-dilutive and resource-intensive. We, therefore, undertook a rigorous review of account profitability, pricing discipline, delivery efficiency, and contract economics. As I said earlier, this is already happening. This means we will be more selective about the business we pursue, more disciplined about the returns we expect, and more focused on improving account quality. At the same time, we are applying automation and AI to reshape delivery models, improve productivity, and expand our margins. Our objective is straightforward: growth that creates value, not growth at any cost. Investors should expect a stronger focus on profitable revenue, better account economics, and a structurally stronger margin profile over time.

The third move is what we are calling "Go West and Go Digital." Today, Digitide has a very interesting start in the Western Corridor. We deliver customer care, healthcare RCM, collections, and BPM in that market. We also do a lot of insurance sector-focused work on tech and digital. As many of you know, we have our own insurance-focused technology platform alongside an AI and cloud-focused professional services team. Much of this combined work is now being conceptualized and deployed for multiple sectors, and we will talk more about that in future quarters. Over time, we expect this shift to increase both our share of digital revenues and the quality of our revenue mix, creating a stronger growth profile.

The fourth move is going all out. Like many companies, we have reached a point where organic growth alone is not enough to achieve our aspirations. As we look at Digitide's future, we see clear opportunities to strengthen our capabilities, market presence, and access to strategic clients. We will, therefore, run a deliberate program built on three tracks, which we call BPA: Build, Partner, Acquire. We will continue to invest in and build our existing platforms in payroll, insurance, and collections. We will pursue partnerships, from hyperscalers to platform companies and others, to extend our reach and make us more valuable to clients. We are also continuing to look at selective M&A to strengthen our position in priority markets, enhance our capabilities, and deepen our relationships.

These four moves are now the lens through which we will make decisions, allocate capital, and measure our progress. We are building a company that is more focused, more profitable, more technology-led, and more value-oriented than we are today. I will now hand over the call to Suraj to provide details on our financial performance.

Suraj Prasad – CFO: Thank you, Sameer, and good morning, everyone. I will now take you through our Q1 FY27 financial performance, the drivers behind those numbers, and the actions we are taking for Q2.

Regarding revenue, consolidated revenue for Q1 FY27 was 775 crores, up 5.3% year-over-year and down 3.1% sequentially. The sequential softness reflects lower deal conversion and a conscious choice to be selective. We renegotiated or stepped away from opportunities that did not meet our thresholds for pricing, margins, or long-term value. We prioritized the quality of revenue over volume. The mix continued to improve. Tech and digital grew 20.3% year-over-year to about 237 crores, representing 31% of revenue. International business grew 10.2% year-over-year to about 296

Report is AI-generated and may contain inaccuracies.

crores, accounting for 38% of our revenue.

Moving on to profitability, reported EBITDA was at 76.9 crores with a 9.9% margin. Sequential EBITDA was lower by about 11 crores. If you recall, 9.9 crores of this relates to a one-off in the March quarter regarding the renewal of certain leasehold costs, which were previously recorded as short-term rent and were capitalized as right-of-use assets upon renewal of those properties. On a like-for-like basis, the sequential operational decline was about 1 crore. The substantive operating movement this quarter was the recognition of higher costs following the new labor code and minimum wage regulations across the country. This cost was about 10 crores in this quarter. This is a regulatory change affecting the sector as a whole, rather than something specific to our delivery base. We are in active discussions with our clients regarding repricing and cost-of-living adjustments to offset the wage impact.

On depreciation, the total depreciation and amortization was 55 crores. Of this, about 36 crores is the right-of-use lease depreciation under IND AS 116, and about 19 crores is owned asset and intangible depreciation. The higher figure in the March quarter reflected the lease regrouping I mentioned and a change in the calculated value of machinery. On a normal base, you should think of depreciation as roughly 55 to 57 crores per quarter. After depreciation and amortization, EBIT for the quarter was 22 crores, up by 1 crore from 21 crores in the preceding quarter. Finance costs were 15 crores, including 11 crores of lease interest. Regarding the related cost of cash lease payments, we expect total lease outflows for FY27 in the range of 175 to 180 crores, in line with our previous guidance.

On PAT, we returned to a positive trajectory at the group level after two quarters with a reported profit of 2.9 crores and no exceptional items, providing a cleaner base to build from.

Talking about the commercial engine, TCV bookings were 205 crores this quarter, with roughly 60 logos added. Bookings were below our ambition, but pipeline quality, including three large international deals initiated with hyperscalers, gives us confidence. Our priorities are clear: improve book-to-bill conversion, convert high-profitability pipelines with pricing discipline, accelerate repricing where account economics are below expectations, and grow tech and digital. International and AI-led revenue is the largest lever of our mix. We now have around 5.7 million AI interactions at an 80-85% containment rate.

Moving on to the balance sheet and controls, we retain the flexibility to invest in the capabilities, platforms, and partnerships Sameer spoke about. DSO for the quarter stands at 82 days. This was 7 days higher than the previous quarter (75 days) but 9 days better than the same quarter last year (91 days). Q1 historically tends to be higher for us as contracts and purchase orders come up for revision. Ongoing repricing decisions with customers on legacy low-margin contracts and the billing impact of pay-related regulatory changes are also key factors this quarter. Neither reflected a deterioration in collection quality, and we expect DSO to normalize as pricing conversations conclude. Our Q2 focus is converting the higher receivables and unbilled balances into cash. Right-of-use assets and lease liabilities will likely be stable this quarter.

We have also made progress on tax matters, including the receipt of an income tax refund for FY25 and the closure of several GST matters, which strengthens the overall utility around financial operations. To summarize: the mix improved, EBITDA was up sequentially, and PAT returned to

Report is AI-generated and may contain inaccuracies.

positive at the group level on a base clean of exceptional items. As Sameer said, the next stage of Digitide's journey is about acceleration. From a finance standpoint, that means three things: margin expansion, disciplined capital allocation, and cash conversion. We believe Q1 reached a trough on margins, and we are working to accelerate margin expansion in FY27. We are confident in the direction and look forward to communicating our numbers in upcoming quarters. With that, I will hand the call back to the moderator for Q&A.

Operator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aditya Dayal from Seva Consultant. Please go ahead.

Aditya Dayal – Seva Consultant: Hello. Am I audible?

Operator: Yes, sir, you are audible.

Aditya Dayal – Seva Consultant: Thanks for the opportunity. I just had a few questions. First, the margins we posted on a standalone basis, excluding All Digitide, are around 5%, and this has been the run rate since last quarter. How are we looking at the margins? Second, on a ballpark basis, we previously had orders of around 500 crores per quarter. How much of those orders has been converted to date?

Sameer Ahuja – CEO & Executive Director: Thanks, Aditya. Let me start with the second question first. Yes, on average, the firm has been booking 500 crores as a closed book. We carried that forward into this quarter as well. Regarding my opening points, we took a deliberate call on whether we should continue to service certain contracts at the price profile the customer wants. We have gone back to some of them to discuss mutually beneficial terms. Second, our book-to-bill conversion for the quarter has been between 11% and 13% on average. Third, for some customers, there is a deferment of work. Things we expected to bill this quarter are moving to Q2 and Q3 due to technical progress on their side or macro management shifts. These factors drove the sentiment for bookings and our book-to-bill ratio. On the margin profile, I will let Suraj share his thoughts.

Suraj Prasad – CFO: Thank you, Sameer. Hi, Aditya. Regarding the standalone profit excluding All Digitide, Q4 and Q1 are not directly comparable because Q4 included dividend income that was not present in Q1. If you exclude the All Digitide results, which are in the public domain, the remainder of Digitide has improved sequentially. The standalone number appears as it does because the Q4 dividend income and profits were absent in Q1 of this year.

Aditya Dayal – Seva Consultant: How are we looking at margins moving forward? What number are we targeting to maintain? Also, a follow-up: we are targeting 9,000 crores of revenue by FY30 or FY31, with 1,800 crores coming from inorganic growth. To capture that inorganic growth, you might require significant cash. How will that be funded? Will there be equity dilution or debt?

Sameer Ahuja – CEO & Executive Director: Let's unpack that. I'll focus on the M&A strategy. We will continue to pursue inorganic aspirations through our Build, Partner, Acquire strategy. We have built niche platforms for the Indian and international markets and will apply the right management and sales bandwidth to them. We have a separate group focusing on partnerships to ensure our funnel remains relevant. Regarding acquisitions, they must tie into our overall firm strategy. We don't intend to do one large acquisition; we might do two or three smaller ones over the next few

Report is AI-generated and may contain inaccuracies.

quarters. As a management team, we do not view equity dilution as an option we intend to execute.

Aditya Dayal – Seva Consultant: One last question. We have land or a building. When is that going to be sold to bring cash onto the books?

Sameer Ahuja – CEO & Executive Director: Aditya, we have no immediate plans to monetize the land and building. They were primarily bought for operating use. This is evaluated frequently, but there are no immediate plans. If plans change, we will update the market.

Operator: Thank you. The next question is from the line of Sanjay Shah from KSA Securities Private Limited. Please go ahead.

Sanjay Shah – KSA Securities Private Limited: Good morning, gentlemen. Sameer, welcome and best of luck to you. My question is regarding the performance, which has deteriorated since the demerger. In Q1, both the BPM and the tech and digital segments fell, and the TCV has declined. You mentioned letting go of low-margin customers. We have seen this for five quarters now. How do you view Digitide in this new era, and is the strategy of reaching certain targets by 2031 still on the road?

Sameer Ahuja – CEO & Executive Director: Thank you, Sanjay. In our "Chapter One," we were incubated with Quess. "Chapter Two" was the demerger and listing, where we gained an independent identity and learned what it means to be in the public markets. Now, we are writing "Chapter Three," or the new era. We are not changing our strategy, but we are bringing more focus and clear accountability. The strategy must move into execution with measurable outcomes.

Regarding Tech and Digital, we have three tracks. First, our platform businesses in payroll, insurance, and collections. We will continue to modernize and expand those. Second is our professional services work on AI and Cloud. We signed six new clients in this area this quarter, focusing specifically on AI and Cloud rather than general system integration. Third is applying AI to our BPM business to improve outcomes for customers in India and the US. These tracks now have more rigor, accountability, and sales focus under our new operating model.

Sanjay Shah – KSA Securities Private Limited: That is well-answered, but I would like to understand this deeper in a personal meeting. I will touch base with you for a more detailed understanding.

Sameer Ahuja – CEO & Executive Director: Definitely. We appreciate that.

Operator: Thank you. The next question is from the line of Manthan Patel from Patel Investments. Please go ahead.

Manthan Patel – Patel Investments: Hello, am I audible?

Sameer Ahuja – CEO & Executive Director: Yes, we can hear you.

Manthan Patel – Patel Investments: Sir, the current structure seems value-dilutive for Digitide shareholders. If you remove the share of profit from All Digitide, we are negative. Are there plans to merge All Digitide with the company? Also, when can we expect outcomes to return to pre-demerger levels, as we have been deteriorating quarter-on-quarter?

Report is AI-generated and may contain inaccuracies.

Sameer Ahuja – CEO & Executive Director: The road ahead is not about chasing revenue at any cost. We will chase the quality of revenue and earnings to unlock value for all Digitide stakeholders. We are going back to basics. If a contract does not meet the profile we want, we will walk away from it. The quarters ahead will reflect the actions we are taking now. Returning to profitability after two quarters is not a victory, but a sign that our decisions are starting to yield results. I expect shareholders to track us on these actions. Regarding All Digitide, I will let Suraj respond.

Suraj Prasad – CFO: Any decision on the merger of All Digitide with Digitide must be taken by the Board of Directors. Currently, our operating model involves interlocks across geographies and entities regardless of the legal structure. The Board will decide on legal entity considerations at the appropriate time.

Manthan Patel – Patel Investments: Previously, it was mentioned that some operating expenses of All Digitide are absorbed by Digitide Solutions, making it value-dilutive. Is there any improvement expected there?

Suraj Prasad – CFO: In an interlocked environment, strategic leadership and go-to-market capabilities are housed in Digitide. All corporate expenses are cross-charged to respective entities on an arm's-length principle. It is more prudent for investors to look at the results on a consolidated basis rather than an unbundled basis because the service lines and capabilities are centralized for the entire group.

Manthan Patel – Patel Investments: If AI is helping the company, why is productivity coming down? Employee expenses are up from the previous quarter. Can we expect AI to eventually reduce employee expenses?

Suraj Prasad – CFO: We are a BPM-heavy company with almost 57,000 professionals. The introduction of the labor code across India has impacted wage definitions. All states announced minimum wage revisions effective April 1. This regulatory change impacted our cost of operations. We are in active discussions with clients for repricing. Regarding AI, most operations are interfaced with it. It would not be correct to say productivity is not shaping up; AI is an integral part of the delivery engine. It is a combined operation of people, platforms, and AI.

Operator: Thank you. The next question is from the line of Manindra Pradhan from Maxima Capital. Please go ahead.

Manindra Pradhan – Maxima Capital: I wanted to confirm based on slide seven of the presentation: is the entire Tech and Digital segment under the Digitide umbrella, or does part of it belong to All Digitide?

Sameer Ahuja – CEO & Executive Director: All Digitide has two components: the BPM business (CXM) for US and select domestic customers, and the EXM business, which is the platform business categorized as Tech and Digital. So, All Digitide has both BPM and Tech and Digital. Digitide Solutions similarly has a split; we do BPM for India-to-India clients and are moving into Tech and Digital in India, though most of our international Tech and Digital clients are currently under Digitide.

Report is AI-generated and may contain inaccuracies.

Manindra Pradhan – Maxima Capital: Regarding the growth rate for FY27, what kind of growth are you targeting for the evolving projects?

Sameer Ahuja – CEO & Executive Director: Unfortunately, your voice is coming in broken. We are not able to follow your question clearly.

Manindra Pradhan – Maxima Capital: I will reach out post-call for a better understanding.

Operator: Thank you. The next question is from the line of Simran Taskar from BR Capital. Please go ahead.

Simran Taskar – BR Capital: Welcome on board, Sameer. We see AI-led revenue of 15 crores, which is approximately 2% of revenue. Was this incremental, or was it a cannibalization of the BPM or Tech and Digital segments? How do we see this developing looking toward FY28?

Sameer Ahuja – CEO & Executive Director: The AI-led revenue we are speaking about consists of new AI projects; it is not cannibalized business. This quarter we signed six new clients for AI strategy work, moving from POCs to rollouts. Some customers are seeking help with AI frameworks. This revenue is distinctly new. We do not report the AI deployed within our traditional BPM or Tech and Digital service lines as separate AI revenue; that remains part of the respective segments.

Simran Taskar – BR Capital: You mentioned focusing on BFSI, insurance, and collections. Regarding insurance, how do you look at the competitive intensity in the geographies you are targeting?

Sameer Ahuja – CEO & Executive Director: We intend to double down on Banking and Financial Services in India and the West. In insurance, we are expanding in the West. We also see healthcare as a significant sector with meaningful orders. In the US, our insurance focus is on a mid-market strategy. Many mid-market clients are under-serviced by very large BPM companies. Our sales activities are very curated; we are not trying to answer every question paper the customer has, but rather focusing on specific areas where we can be most relevant.

Operator: Thank you. The next question is from Jagdish Kumar, an individual investor. Please go ahead.

Jagdish Kumar – Individual Investor: Regarding the AI revenue, are we acquiring new clients or is this from existing clients? Also, can you provide insight into the pipeline considering the competition?

Sameer Ahuja – CEO & Executive Director: It is a combination. We have signed some new customers for AI projects, and some existing BPM customers are engaging us for new AI-specific work. We have essentially a 100-150 crore AI funnel that we are chasing at various stages. Our sales and solution teams for AI are separate from our traditional BPM teams to ensure we have the right dedicated skills.

Jagdish Kumar – Individual Investor: Will there be a dedicated AI business unit with its own P&L in the future?

Report is AI-generated and may contain inaccuracies.

Sameer Ahuja – CEO & Executive Director: We may have to create an AI business unit with its own P&L in the future. Today we don't have one, but we may need to report AI as a BU with its own front-office sales and expenses. We are open to that shift. Furthermore, the capabilities we build there will benefit our existing BPM and KPO businesses.

Jagdish Kumar – Individual Investor: Anything else investors should track beyond the standard metrics?

Sameer Ahuja – CEO & Executive Director: The most important marker is the margin improvement plan we are executing. Track us on our actions for margin improvement, the quality of revenue, quality of earnings, and ROI.

Operator: Thank you. The next question is from Anukul Arora from Invest. Please go ahead.

Anukul Arora – Invest: In previous calls, the company guided for double-digit revenue growth for FY27. Are we sticking to that guidance?

Sameer Ahuja – CEO & Executive Director: Revenue is not the only metric we are managing for this year. Our most important priority is margin improvement across the account base. I ask investors to measure us on profitability growth rather than the revenue itself. This is a deliberate choice to lay foundations for sustainable, high-quality growth.

Suraj Prasad – CFO: To add to that, we have initiated the process of being selective in our deals. We are looking at a 200 basis point margin expansion this fiscal year.

Operator: Thank you. The next question is from Zoren with Nasar from Nasar Investments. Please go ahead.

Zoren with Nasar – Nasar Investments: Is the 1 billion dollar revenue target for FY31 still the operating target, or have you recalibrated the timeline?

Sameer Ahuja – CEO & Executive Director: We will not manage this business toward a headline number at the expense of revenue quality. We are building a more resilient and profitable revenue base. We are not shying away from that number, but there is no point in reaching it if we are not profitable of unlocking value. The North Star stays, but the path is focused on profitability.

Zoren with Nasar – Nasar Investments: What sort of revenue growth do you envisage over the next two years? Also, how do you see the headcount playing out?

Sameer Ahuja – CEO & Executive Director: We will share specific percentages in subsequent quarters. Regarding headcount, if you look at our markers, headcount has been consistently coming down as we progress into tech-enabled business and improve productivity. Most processes will be tech-enabled. While we aren't taking people out of the equation entirely, the headcount will likely trend downward over the next few quarters as we overlay technology on our delivery pipeline.

Operator: Thank you. Ladies and gentlemen, in the interest of time, that was the last question. I would now like to hand the conference back to management for closing comments.

Report is AI-generated and may contain inaccuracies.

Sameer Ahuja – CEO & Executive Director: I want to thank the shareholders for their continued trust and patience. The next phase for Digitide is about acceleration in terms of real outcomes: accelerating our profitability, our execution, and our value creation. Thank you for your support.

Operator: On behalf of Arihant Capital Markets Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

Report is AI-generated and may contain inaccuracies.