

DATAMATICS

“Datamatics Global Services Limited Q1 FY '26 Earnings Conference Call”

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MODERATOR: MR. PRATIK JAGTAP – E&Y INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to Datamatics Global Services Limited Q1 FY '26 Earnings 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 conference call, please signal an 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. Pratik Jagtap from E&Y Investor Relations. Thank you, and over to you, sir.

Pratik Jagtap: Thank you, Bhavya. Good afternoon to all the participants in the call today. Welcome to Q1 FY '26 Earnings Call of Datamatics Global Services Limited. The Results and Presentation have been already mailed to you, and it is also available on the website of Datamatics. In case anyone has not received a copy of press release or presentation, please do write to us, and we will be happy to send you all.

To take us through the results today and to answer your questions, we have with us the top Management of the Company, represented by Rahul Kanodia, Vice Chairman and CEO; Ankush Akar, SVP and Chief Financial Officer; Mitul Mehta, EVP and Chief Marketing Officer. Rahul will start the call with a brief overview of the quarter on business, which will be then followed by Ankush who will take us through the financials. Then we will open the floor for Q&A Session.

I would like to remind you that anything that is said on this call, which gives any outlook for the future or which can be construed as a forward-looking statement, must be viewed in conjunction with the risks and uncertainties 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, which you can find on our website.

With that said, I now hand over the call to Rahul sir. Over to you, Rahul sir.

Rahul Kanodia: Thank you, Pratik. A very warm welcome and thank you all for joining our Q1 FY '26 Earnings Call. I will begin with the key highlights from our quarterly performance, after which Ankush will walk you through the financial update. After that, we will open the floor for Q&A session.

We delivered a healthy performance in Q1 FY '26, reporting a revenue of Rs. 467.6 crores and 18.7% year-on-year growth, though reflecting a 6% sequential decline, as Q4 traditionally tends to benefit from our tax processing business and we see a spike in Q4 normally. Our EBITDA stood at Rs. 75.9 crores, a healthy margin of 16.2% on revenue, driven by continued focus on operational efficiencies and cost optimization initiatives. We remain focused on sustaining this momentum throughout the rest of the Financial Year '26. These efforts have led to a notable margin improvement in Digital Technologies, while Digital Operations' margins remain stable.

I would like to take a few moments to share the key updates of our business segments:

Starting with Digital Technologies:

I am pleased to report that our ongoing cost optimization efforts have led to an improvement in margins across Digital Technologies segment. There is a direct result of disciplined execution on operational efficiencies. On the innovation front, we made significant strides with AI-driven solutions. We have successfully built AI agents tailored for key verticals, including insurance, banking, and logistics, showcasing the depth and versatility of our capabilities.

We are also proud to be partnering with a leading bank in UAE, where we are playing a pivotal role in helping them define their AI strategy and establish their AI center of excellence. This is a long-term strategic engagement that underscores our thought leadership in the AI space.

A major Japanese consumer electronics Company has selected our intelligent automation suite, including TruCap+, TruBot, and TruBI, to drive process automation. This win validates the strength and the relevance of our intelligent automation offerings on the global stage.

Moving to our Digital Operations business:

We recently launched the latest version of FINATO Order-to-Cash application, which now includes our enhanced version of cash, credit, and collection features. Notably, this upgrade introduces an AI-powered collection agent which provides out-of-the-box functionality to proactively follow up with customers on pending payments, driving faster collections and improve cash flow. Our deal pipeline continues to look healthy, giving us visibility into the future growth.

In the Digital Experiences business:

We observed revenue and margin decline in Digital Experiences primarily due to one of our top 10 customers transitioning partially some of its operations into their captive unit. We expect another customer to transition to their captive unit, to their GCC, in Q4 of this year.

However, we have signed long-term contracts with the large American optical retail chain to evaluate their omni-channel customer experience and with an American pharma enterprise for their customer outreach initiatives. Across these customers, we are implementing digital AI agents to augment human agents for delivering enhanced productivity and customer experience.

Additionally, we are working on GCC offering as a growth driver for the organization. We have a good pipeline of AI-based projects across all our lines of businesses. Some of the pilots we have done are now converting into full-fledged commercial projects.

As far as tariffs are concerned, we see no direct impact on us. However, many customers are still treading slowly due to the tariff situation.

I am proud to share that we recently celebrated a remarkable milestone, the 50th anniversary of Datamatics. Over the past five decades, we have not only witnessed, but also played a role in the evolution of India's IT and BPO industries. What started as a bold vision of our Chairman and

Founder, Dr. Kanodia, has now grown into a resilient and innovative enterprise, thriving through every wave of technological change.

As we look ahead, I am truly excited about the future. We stand at the forefront of a new technological revolution and Datamatics is strongly positioned to seize the opportunities it brings. A heartfelt thank you to our customers, employees and investors for being an integral part of this journey.

With that, I will now hand over the call to our CFO Mr. Ankush Akar. Over to you, Ankush.

Ankush Akar:

Thank you, Rahul. Welcome, everyone. And thank you for joining us in Q1 FY '26 Earnings Call.

Let me take you through the financial performance for Q1 FY '26:

Our Q1 FY '26 revenue stood at Rs. 467.6 crore, reflecting a growth of 18.7% on year-on-year basis and a decline by 6% on quarter-on-quarter basis. Typically, the fourth quarter is a seasonally strong quarter with higher volumes, which is followed by a sequential decline in 1st Quarter.

Our cost optimization efforts and enhanced operational efficiency helped us improve our EBITDA to Rs. 75.9 crore, a growth of 1.9% on a quarter-on-quarter basis. On a Y-o-Y basis, we grew by 47.7%, which includes numbers from TNQTech. This reflects our commitment to improve performance despite macroenvironment challenges and softness in revenue. Our EBITDA margin for the quarter stood at 16.2%, reflecting an expansion of 319 basis points on year-on-year basis and 125 basis points on quarter-on-quarter basis. Our EBIT for the quarter stood at Rs. 56.4 crore, which is up by 3.5% on quarter-on-quarter basis and 32.5% on year-on-year basis. Our EBIT margin was at 12.1%, reflecting an expansion of 126 basis points on year-on-year basis.

Our PAT after non-controlling interest was at Rs. 50.4 crore, up by 12.3% on quarter-on-quarter basis. Our PAT margin stood at 10.5%. EPS for the quarter stood at Rs. 8.52 per share, reflecting a growth of 12.2% on quarter-on-quarter basis and 15.7% on year-on-year basis.

In terms of segment, Digital Technologies' contribution to total revenue was at 31%, Digital Operations' contribution at 55% and Digital Experiences' contribution at 14%. Our Digital Operations' revenue for the quarter was Rs. 255.6 crore, and EBIT margin was at 16.4%. Digital Technologies' revenue for the quarter was Rs. 144.4 crore, and EBIT margin was 6.9%. Digital Experiences' revenue for the quarter was Rs. 67.6 crore, and EBIT margin was 6.8%.

We continue to maintain a healthy balance sheet. As of June 30, 2025, our net cash and investments, net of debts, stood at Rs. 457.3 crore. Our billed DSO was at 56 days as of June 2025 as compared to 57 days as of March 2025.

In terms of geographical footprint, U.S. remains our largest geography with 55% of our business coming from here, followed by UK and Europe at 21%, and India 16%, and ROW at 8%. Our client concentration remains very healthy with top 5, 10 and 20 clients contributing to 25%, 38% and 52% respectively.

With this, I will now pass on the call to the operator to open the floor for questions. Thank you for your patience and continued interest in Datamatics.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Srinivasu K from TIA. Please go ahead.

Srinivasu K: My question is about your IP strategy for the AI. How does your AI stack, like TruAI, TruCap+, TruBot, actually differentiates from the global players like UiPath or even Newgen Software?

Rahul Kanodia: So, in some ways, we compete with them. So, in some ways, it is similar. I do think that we have had an edge in terms of our partnerships with the OEMs like Microsoft and Google, where we were able to implement a lot of AI technologies into these platforms. And that does give us a differentiator. Having said that, competition is not going to be slow. They will catch up very soon. So, yes, we compete with them. We are in a similar space. But the fundamental difference is because Datamatics comes from a services background, we understand how to make sure that these products go live with the customer, whereas the others are purely product companies. So, once they sell a license, then beyond that, the success of that license really lies in the hands of the customer, whereas in Datamatics' case, we are able to ensure that it goes live and gives the customer an ROI. And that is why it gives us an edge.

Srinivasu K: You also mentioned in your presentation that small language models and Copilot integrations with Microsoft and Google. So, is it used internally or offered commercially?

Rahul Kanodia: These are commercially done. Small language models are built specifically for each customer. So, it is very customer-specific. Copilot also, we are using it internally, plus we are implementing it for our customers as well. And many customers have bought the licenses, but they struggle to get an ROI from it or struggle to really implement it. And that is where we make sure that they succeed.

Srinivasu K: So, what is your go-to model for monetizing this AI, sir? How are you pricing them?

Rahul Kanodia: It is not a product that has a standard price. A lot of this is customized depending on the need of the customer and depending on the integration it needs to be done with the customer's enterprise systems. There is no straight answer to how do we price it. But today, AI is a little bit of at a premium price, so that we do see that as a premium coming in.

Srinivasu K: So, my last question, sir, is clients are asking for AI-based intelligent automation versus the traditional automation and RPA?

Rahul Kanodia: Yes, that you see a significant move in that direction.

- Mitul Mehta:** Also, what happens is when there are certain use cases which traditional automation solutions cannot address, so that is when the AI is brought in. So, they both have very, very clear use cases. It is not that the traditional RPA is out of the window. It definitely has its set of use cases, but intelligent automation, which is AI-driven RPA and IDP reaches a little further down in terms of solutions and automation.
- Srinivasu K:** So, are you going beyond this document processing with respect to AI?
- Rahul Kanodia:** Yes. So, document processing is one component. But the moment you put robots, RPA, and then you put Agentic AI, it is a very different game.
- Mitul Mehta:** It helps you do more complex tasks. You can automate much more complex tasks. You can go live much faster because your training periods are less. So, there are definitely value propositions around AI and a larger automation suite, which is what comprises of IDP, RPA, agents, and BI.
- Moderator:** The next question is from the line of Grishma Shah from Envision Capital. Please go ahead.
- Grishma Shah:** Good evening to the Management Team and thanks for taking my question. Keen to know how we have done organically. I understand the integration of TNQTech in our business. So, year-on-year, the growth looks fantastic. But if you could highlight how's the organic business done, how's Dextara Datamatics done, that should be helpful.
- Rahul Kanodia:** So, on a sequential quarter basis, we have degrown 6% as we have shown in our numbers. On a year-on-year growth, I think we have had a mid-single-digit kind of growth, so it has been sort of muted. Going forward, we see a similar trend because there is a lot of slowness in the decision-making that we see on the client.
- As far as Dextara Datamatics and TNQTech concerned, the integration is going smooth. I think they are both in a very stable situation. So, we are in a good place with both these organizations.
- Grishma Shah:** So, given that now Dextara Datamatics has integrated and finished one year, I suppose, now, how has Dextara Datamatics grown on a year-on-year basis for this quarter?
- Rahul Kanodia:** So, this quarter is flat, but what is happening now is that we see a lot more traction from our existing customer base. So, the cross-sell strategy seems to be delivering and we have been able to take the Dextara Datamatics expertise to a lot of our current and new opportunities. So, that integrated offering, we see much more happening now. So, it has taken about a year, but we have started seeing that already.
- Last quarter, if you remember, we had talked about five customers where we were cross-selling. Today, in one quarter, we have gone to eight. So, there are three additional customers. Hopefully, we should pick up a little more as you go forward. So, the other traditional sales team of Datamatics has now come up to speed with understanding their offerings.

Grishma Shah: And TNQTech, how has it grown year-on-year? I understand it was not part of Datamatics a year ago, but just to understand how business has grown.

Rahul Kanodia: TNQTech has shown good growth quarter-on-quarter. Their profits are also very, very stable. So, in fact, that acquisition has turned out to be very good for Datamatics. Right now, we are in the process of integrating it. So, that will take a little more effort. But it is going very smooth. And it's helping.

Grishma Shah: So, Quarter 1 last year to Quarter 1 this year, TNQTech has grown?

Rahul Kanodia: 2%.

Grishma Shah: 2% growth.

Rahul Kanodia: You were talking about Quarter 1 of last year to Q 1 of this year.

Grishma Shah: Yes.

Rahul Kanodia: Yes, we have had a 2% growth, but our sales cycle is about 9 months roughly. So, you can't expect anything to change in one or two quarters.

Grishma Shah: And on the margin side, if one looks at various segments, margins on the Digital Experiences side has taken a significant dip. Is it just because of the customer migration that you spoke about?

Rahul Kanodia: That is correct. There is a customer migration and also what's happened is when the customer migrates to their captive, we might still have a headcount that remains with us for a while. Because we are not rebadging, we are not moving people. So, the people stay back, the customer moves, and it takes a quarter to sort of streamline that piece. But on that front, we are on the verge of signing some very good deals. So, I think we will bounce back quite quickly.

Grishma Shah: And on the Digital Technologies side, year-on-year, we see improvements as highlighted by you because of operational efficiency. So, do we see margins improving significantly as we close the year in this segment?

Rahul Kanodia: I think we will see another 100-basis points improvement at least probably. So, overall, at the Company level, we will see between 50 to 100 basis points. It will vary. Digital Technologies will be a little better. Digital Experience will bounce back a little bit. So, it will be a combination of all these things. Digital Operations and the whole digital content will be very stable.

Grishma Shah: And overall, for the year the organic business would grow like low single digits and TNQTech, what is the outlook?

Rahul Kanodia: Yes, so I am looking at a mid-single digits kind of growth across the board.

Grishma Shah: But TNQTech business is supposed to deliver much better growth.

- Rahul Kanodia:** No, if you see the TNQTech details when we had acquired them, one of our strategies was to plug in our sales team into their operations and get that growing faster. This has only been two quarters. The sales teams have connected. They are talking to each other. They are working together. So, we should see an improvement. But the sales cycle is about 9 months to 12 months in our business. So, yes, you will not see an uptake in one or two quarters.
- Moderator:** The next question is from the line of Garvita Jain from Seven Islands PMS. Please go ahead.
- Garvita Jain:** My question is that we have new addition of customers and new orders. So, could you please clarify, these orders are out of USA or worldwide?
- Rahul Kanodia:** They are across the board, USA, Europe, India. So, I don't have that breakup handy. But across the board, we are having a new logo acquisition.
- Rahul Kanodia:** There is a little more focus on Europe and the U.S., so therefore there is more over there compared to India and Middle East.
- Garvita Jain:** So, majority is from USA, right?
- Rahul Kanodia:** Yes. USA would be number one, Europe is also there, but yes, USA would dominate.
- Garvita Jain:** Any number, if you can give me, what percentage?
- Rahul Kanodia:** I don't have those numbers handy right now.
- Moderator:** The next question is from the line of Dhanashree Jadhav from Choice Institutional Equities. Please go ahead.
- Dhanashree Jadhav:** Sir, you spoke about the growth to be mid-single digit for all the three segments. So, if you can throw some more light, like, are we seeing turnaround-led growth in Digital Technologies? Because margins have expanded quite strong there. Plus, Digital Operations growth will be led by TNQTech. So, just want to have a long-term view on how our growth will look like. So, FY '26 will be strong led by inorganic, but going forward for FY '27 also, if you can throw some points.
- Rahul Kanodia:** Yes, this year, we are looking at mid-single digits, as I mentioned. There will be, some of these will grow a little stronger. Digital Experiences, as you saw, had a little downswing and it will bounce back, but net-net at the end of the year will be a little under pressure. Having said that, because the decision-making has been slower because of all the tariff wars and uncertainties that we have, I am not looking at an aggressive performance this year beyond the 5%, 6% that we talked about.
- Next, three years, if you are looking at that outlook, I think on the back of AI, I am looking at a very good outlook. Our pipeline is quite decent on that. A lot of our POCs or pilot projects are now converting into commercial projects. And we should see a significant uptake in an AI-led

kind of operation, both in Digital Operations, Digital Experiences, as well as Digital Technologies, across the board. So, I am very bullish about the next three years, but this year will be a little soft. A lot of our new customer acquisition is also based on some AI solutions that we have been able to showcase.

Dhanshree Jadhav: And regarding the margins, we have said around, if I am not wrong, we have said expansion of 50 to 100 basis points, right, for this year?

Rahul Kanodia: Yes.

Dhanshree Jadhav: And predominantly will be led by Digital Operations, if I am not wrong?

Rahul Kanodia: Digital Operations for sure. Some of it also coming from Digital Technologies.

Dhanshree Jadhav: And I mean, the turnaround and whatever new progress we are seeing on the AI front, AI-led offerings, so, can I infer that going forward, FY '27, '28 also, there would be a steady improvement in the margin profile that we are seeing currently?

Rahul Kanodia: So, that we will see. That is you are talking about next year and year after. So, we will have to see how everything pans out. It is beginning to show good productivity gains and therefore better margins. It also depends on how we are investing in it. Right now as we talked about that we invest about Rs. 40 crores to Rs. 50 crores depending on the impact. But I think we take that call towards the later part of this year.

Dhanshree Jadhav: So, this Rs. 40 crores to Rs. 50 crores investment we have already done in FY '25, right?

Rahul Kanodia: So, our annual investment is in that range. Earlier we were investing in the IP development on robotics and IDP and things like that. And now we have sort of pivoted a little bit of that into AI. So, we have reduced the investment in those IPs that we had traditionally and putting the investment into AI. Generative AI to be more particular.

Moderator: The next question is from the line of Srinivasu K from TIA. Please go ahead.

Srinivasu K: What is your hiring trends and utilization level, sir?

Rahul Kanodia: So, that is not a straightforward question. Utilization goes typically when you are looking at bodies in the tech space. In the BPO space, Digital Operations and Digital Experiences, you don't go by utilization. It is really the volume that a person does.

If you see our attrition, our attrition is down. The industry overall is soft. So, we do expect the attrition to remain under control quite a bit. In terms of headcount increase, it will be proportionate to our revenue. Because on the AI or the IP side and the AI side, we are still converting the pilots into commercial projects. So, that is still going on. So, you are not seeing the differential between the two.

But however, for example, on the Digital Experiences side, increasingly we are now deploying AI agents versus human agents. And AI agents are augmenting our human agents. So, you will see, to some extent, disproportionate revenue increase compared to headcount increase. But right now it is not clear because some of these still have to have an adoption by the client. And right now they are still kind of early stage of adoption.

Srinivasu K: And what is your revenue outlook for FY '26, sir?

Rahul Kanodia: So, as I said, we are looking at a mid-single-digit kind of growth in this financial year. Organic. Then, of course, you can bolt on the inorganic, which is the TNQTech piece.

Moderator: The next question is from the line of Sumukh from Korman Capital. Please go ahead.

Sumukh: So, my question was, how is your Company different from InfoBeans? Because, from what I know, even they have a partnership with Microsoft, and they do the implementation to their clients. So, if you could throw some light on how you guys are different, that would be great.

Rahul Kanodia: So, I don't know InfoBeans, so I really can't comment on what they are doing and what we are doing. But companies like Microsoft and Google have tens of hundreds of partners globally. So, I don't think the partnership, the question is what kind of solution are we building along with these OEMs? And that is what's important. How do we jointly go to market and customize unique solutions for the customer base.

I know that we are working both on the technical side with the technical R&D team, which is a very good engagement that we have, and we are able to jointly go to market and build unique solutions for customers.

Now, as far as InfoBeans is concerned, I really don't know what they are doing. So, I would refrain from any comment on that.

Moderator: The next question is from the line of Bimal Parekh from Sunidhi. Please go ahead.

Bimal Parekh: As you mentioned that this year, you are expecting a mid-single-digit kind of growth. And the 1st Quarter, we have shown around 17% or 16% growth. So, does that mean that the next few quarters, are we looking at negative growth or if you could throw some light on that?

Rahul Kanodia: No, no. Let me clarify. We are talking about organic growth at mid-single digits. Then you bolt on the acquisition that we made with TNQTech. So, therefore, you are looking at, so, we have showed a year-on-year growth of 18%. That should continue. That trajectory will continue. However, in Q4, it will be slightly different because last year, Q4, we had the TNQTech numbers reflecting in our numbers. So, this year, Q4 will not show that. So, I am differentiating between organic and inorganic. So, I think you will see it in the teens.

Bimal Parekh: I appreciate it.

Moderator: The next question is from the line of Yogesh Bhatia from Sequent Investments. Please go ahead.

Yogesh Bathia: So, there are a lot of AI initiatives that we are taking across the Digital Technologies, Digital Operations, and Digital Experiences. So, I want to know, is there any sort of metrics that we are tracking in which we can say that this growth is because of the AI initiatives and otherwise it is conventional growth?

Rahul Kanodia: That is difficult because today we are infusing AI into every opportunity that we have because that is going to be the norm very, very soon. So, across these three operations and some of the newer wins are on the back of the AI solution that we have been able to showcase.

I think the days of the traditional services are numbered and you are not going to see that. So, it is very difficult to pull out and you get very few these are purely AI deals. They are all integrated with Digital Technologies, Digital Operations, Digital Experiences. So, pure AI you won't find and then everything has AI in it. So, it is very difficult to pull out a number saying this is specifically due to AI. But we can see that because we were able to showcase some uniqueness and productivity improvement to the customer, we were winning those deals.

Moderator: The next question is from the line of Bimal Parekh from Sunidhi. Please go ahead.

Bimal Parekh: Just wanted to understand that you mentioned that this growth trajectory of around 18% will continue, right, for the year?

Rahul Kanodia: Yes, so if you are looking at the year-on-year, 18%, in Q4, it will dip a little bit because Q4 numbers have the TNQTech numbers. But yes, you are looking at the certainly mid-teens.

Bimal Parekh: Mid-teens for the year.

Rahul Kanodia: Yes.

Bimal Parekh: And in terms of the EBITDA, we will continue our higher EBITDA, what we have shown?

Rahul Kanodia: Yes, on the EBITDA, we see an improvement. Actually, we see a 50 to 100 basis points improvement during the course of the year.

Moderator: Ladies and gentlemen, this was the last question. I now hand the conference over to the management for the closing comments. Thank you, and over to you, sir.

Rahul Kanodia: Thank you, everybody, for participating in our earnings call. I really appreciate the time and attention that you are giving to Datamatics. And thank you for your word of confidence in the Company and our performance. I look forward to once again meeting all of you in the next quarterly earnings call. Thank you again.

Moderator: Thank you. On behalf of Datamatics Global Services Limited, we conclude this conference. Thank you for joining us and you may now disconnect your lines.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.