

## Investor Earnings Call Transcript

### Praveen Malik:

Greetings and welcome, everyone. Thank you for joining us today to discuss the Intellect Design Arena Limited's financial results for the **fourth quarter of the fiscal year 2025-26** and also for the full year **FY26 ending 31st March 2026**. The investor presentation and press release have been sent to you and are also available on our website. Our leadership team is present on this call to discuss the results. We have with us today,

- Mr Arun Jain, Chairman and Managing Director
- Mr Manish Maakan, Executive President & Group Chief Revenue Officer and CEO of Wholesale Banking
- Mr Rajesh Saxena, CEO of Consumer Banking
- Mr Banesh Prabhu, CEO of IntellectAI
- Ms Vasudha Subramaniam, Chief Financial Officer; and
- Mr Vikas Misra, Chief Strategy Officer.

Besides, some other senior members of the management team are present on the call. Now I hand it over to Mr Arun Jain for the management commentary on the results. The commentary by the management team would be followed by Q&A where your questions would be replied by the management team. Once the Q&A starts, you can ask a question by clicking on the raise hand and we will unmute you so that everyone is able to listen to you.

**On safe harbour**, I would like to remind you that anyone, anything which we say, which refers to our outlook for the future, is a forward-looking statement. This must be read in conjunction with the risk that the company faces.

With this, I hand it over to Mr. Arun Jain.

### Arun Jain:

Good evening, everyone. Thank you, investors, for trusting the company over the past 10 years. We embarked on this journey in 2015, so we will be celebrating 10 years in 2026. 2016 was the first year of the full product company being set up, and this is the 10<sup>th</sup> year of this journey. I must thank each of you for trusting the company over this 10-year period. There are many other investors who have been with the company for 10 years. Some of them joined the journey in 2017-18, and they have seen the vagaries of building a product company.

Any product company in the world which is having a license-linked revenue, which has a long-lasting value over the next 20-30 years because of the technology licenses, takes this kind of ups and downs when you build the technology, deploy it in a market and then you have some time to accept the technology by the customer, and then get into the next technology.

Now, in this process, what we adopted in this journey was using Design Thinking as a core value to understand what the customer's Desirability, Feasibility and Viability are, which I mentioned to you earlier. We added during this journey when we found that Design Thinking is not complete; there may be a possibility of adding First Principle Thinking, by which we are able to reduce the wastage during the technology architecture. Then we applied Framework Thinking, and fourth, we added System Thinking. So, there are four cognitive engineering technologies we used for building the entire product engineering landscape.

I know as an investor you are interested more and more in financial numbers than philosophical numbers, but I am sharing with you this thing because, as a product company coming from India, you need to have all four kinds of cognitive thinking translating into impact-driven products. These impact-driven products that we are talking about first understand the technology landscape, when it is changing, and at what point in time we need to invest in new technology. So, when cloud was coming in 2014, we invested in cloud on time.

When AI was coming up in 2017-18, we invested before time in 2016 in the US and the UK, we invested in AI in 2016, way back 10 years ago, when we invested in AI. This was based not on what revenue we got in 2016, 2017, 2018, and 2019. For the first five years, we hardly got any revenue from the AI business for which we invested a lot of money, and a lot of questions were raised. But that prepared us for seeing what you can do with AI, and what you cannot do with AI. And that has helped us in choosing the right strategy going forward, when the generative AI hit the market, we were ready for generative AI to take the lead, and then we created a platform which we launched last year. Last year in June, we launched Purple Fabric as a platform, which is competing with Palantir on functionality and process.

And especially for the financial domain, it is very, very appropriate for the financial domain. But if you just go back to the three-year history of eMACH.ai, we launched eMACH.ai in February 2023 in Mumbai, along with AWS on the cloud. This is a platform where we put all our microservices. That time it was 300 microservices. Now there are 700 microservices on the eMACH.ai Cloud.

Then we look at our strategy to be divided into six blocks. Every six months, we don't look at a quarter; we look at six months. We call it the Strategic Planning cycle, SP1, SP2, SP3, SP4, SP5, SP6, which means we have completed the SP6 cycle since we launched eMACH.ai as a platform.

In cycle SP1, we understood that eMACH.ai will be more acceptable in the advanced market because they understand the value of the architecture and how it can drive their technology's cost of ownership. And that is the time when we were not entering the US, and we mentioned to you that we entered the US, Canada, and Europe. And with those investments we did, we got some early wins, like the OTP win we got in that cycle. And many other banks, we got the CIBC deal and other deals in that cycle.

But now, this time, six cycles are completed. So, this is the time when we evaluate ourselves against six cycles and plan for the next six cycles. So, there are 12 cycles we looked at, with the transformation present for three years and then for the next three years. So, the next three years will be the monetisation phase. The first three years were spent creating the entire infrastructure of my products, which are coming together on the eMACH.ai platform, my narrative, and my go-to-market strategies by aggregating my six marketing teams under the chief revenue officer. So, this is a time when we try to consolidate the power of LoB into the power of Intellect. And that's where it took us some time to see the value each product and each line of business brings, so that it becomes a multiplier effect when they come together.

In this process, we could be able to sign up the marquee customers. Almost 60 of our customers have assets exceeding \$100 Bn. So, there are customers where we have a great opportunity to cross-sell on eMACH.ai. And that's the reason why I'm saying we are bullish about the future, is if they are sitting on the same eMACH.ai platform where we are promising there is one source of truth of data, it is much easier to sell the second product and the third product on the common backbone. Like Salesforce, if you sell the same product, the backbone remains common. That's all the eMACH.ai cloud that we are looking at. It will be relevant for us.

This is part one of our exercise, where we will be going deeper into large accounts. Now, the second piece, which is coming out by connecting Purple Fabric and the product, which is called eMACH.ai.

And now, in the last 18 months, we have made all our products AI-first. AI Core Banking, AI Digital Engagement Platform, AI Lending, AI Trade Finance. And since AI is built with an AI-first thinking process, we can drive more sales and a larger pipeline because it's an AI-first product. We could be able to compete or overshadow our long-term customers in the trade finance business, in the lending business, which was initially when we were selling only eMACH.ai as a Trade product or eMACH.ai as a Wealth product. But when these two technologies come together, that created a kind of moat against our key competitor in that space, and we are in the final stages of a few large wins in the space of eMACH.ai

And so, first I covered product, then I covered eMACH plus AI, and finally I will cover our role in AI, how AI is evolving in the world, and where we are in the AI journey. I will take a separate time later on to explain what the AI is all about and where we are looking at it, but in a nutshell, for this investor conference. I would like to say that on one side, you are hearing a lot of noise from the Anthropic Claude, OpenAI ChatGPT, and Cursor and that the jobs are going to be replaced in the AI world.

And everything you are hearing as an investor is true. It's not that these jobs will not go away. Jobs will go away from the IT world, and India will be in some trouble, India will say, with the AI implosion. It's a completely new change. But on the other side, many banks and

financial institutions that implemented AI for customer service in peripheral areas are getting the benefit of implementing customer service areas where 80 to 85% accuracy is allowed, because you are doing support services or customer service.

So, that's an area where AI is giving benefits to the financial institution. But most financial institutions have not been able to apply AI or productionise it in core processes, systems, and technologies. And for that, our research teams have done a phenomenal job in this space. They understood the core issue, why AI in the enterprise space will not work unless we solve the core systemic issue there.

Intellect's research team has done deep research on it. They applied some mathematical models, some models from physics, and some models from mathematics. And using those models, we think, how do we create deterministic knowledge, which is the core of any judgment or decision AI can take?

For a financial institution's core processes, we need at least 95% as a benchmark to make it usable for production-grade AI, which I call production-grade AI or enterprise AI. We exactly solve that issue because intelligence accuracy is equal to knowledge accuracy, reasoning accuracy, and context accuracy. And if the knowledge accuracy is 85% right, which LLM gives me. Reasoning accuracy, which I define as the agent's accuracy, is 95% correct if context accuracy is 95% correct. These are the best cases I'm telling. You can't get more than 95% right in context, or 95% right is reasoning by the AI, and 85% in knowledge. Please multiply them now, not take an average.

Take your computer or take your cell phones and multiply 85 by 95 by 95. You will get 76.7% accuracy. Now at 76.7% accuracy, it cannot be enterprise AI for core processes of the financial institution. And that's the problem most of the banks are facing. For this problem, we have filed about 15 patents in this space over the past six months. We are unique to Intellect. We have solved this problem by applying physics, mathematics, and models embedded in my knowledge models, data models, and entire technology models.

And now we can achieve 94%-95% accuracy in many areas. We are governing it well. We have signed two large enterprise AI platform deals in India and three or four platform deals outside India, and our pipeline is growing well. This is one part of the platform I mentioned to you.

And the second way of going to market is what I'm doing, each product is going like Purple Fabric Trade business, Purple Fabric Lending business, Purple Fabric Wealth business, Purple Fabric Risk and Governance business, Purple Fabric Customer Onboarding. All the pieces are being sold where the banks are ready to apply a use case basis, or the bank wants to make a change together. So, these are the two revenue streams we are building in the AI space, and both look very lucrative.

So Manish will tell you all the details of how the year went, what businesses we have done, where we generated the various revenues.

And if you have more questions about AI, if you feel that it will be of interest to you sometime in the next two weeks, I will take a one-hour session where you can send the questions to us that what questions you want to know, especially for investors, where we can have a 90-minute session for all investors to understand what the AI space is evolving and what my personal understanding of AI is.

So, at this point in time, I hand it over to Manish to take you to the results.

**Manish Maakan:**

Thank you, Arun. And good evening, everyone. And thank you for joining us. As Arun called out, it's been a systematic design of how we will align around the industry and how we focus on growth by design. Clearly, you would have seen the numbers for the year. FY26 was a very strategically important year for us, as shown in the results and our strategy. I think we have shown significant top-line growth and strengthened our balance sheet, and continue to deepen our position as an AI-native financial technology platform company.

Most importantly, the investments we have made over the last several years in composable architecture, enterprise AI, and deep financial domain specialisation are now delivering the compounding scale which we really needed. Today, we operate across 62 countries with more than 500 institutional customers.

Arun shared that we have more than 60 customers with very large asset sizes. So, we are primarily in the tier one business on one side of our business. And on the other side of business, we work with the credit unions. We have been able to design the business model to serve both segments from that perspective. We continue to maintain strong domain depth across wholesale, consumer, wealth, insurance, and AI-led enterprises. That segmentation from a product perspective and a market coverage has really played to what we defined as the arena in the Intellect Design Arena. And that strategy is working. The two million hours of annual R&D, which you look at 50 dollars, is like 100 million dollars from an American perspective. That's the kind of courage we have had to invest in building this. Our advantages are that unit costs are low, but if it were an American company, that would translate to an annual basis of at least 100 million dollars in R&D. And that's what's kept us at the edge continuously in the market. I think, like Arun called out, we saw the trend early for AI, and we started investing in 2016-17 around this.

AI is evolving through multiple stages from experimentation to data and AI, data as a platform, to where we now believe we are in wave six where AI native enterprises is what will define who you are and whether or not you will be able to take advantage of this wave continuing to remain in experiments will not help and that's where we are helping number of large institutes to actually become AI first digital banks.

The second piece of strategy, as Arun shared, the two-platform approach creates an unfair advantage. One is eMACH.ai composability and Purple Fabric from an AI enablement. That's why eMACH.ai together helps us deliver the AI-first approach of who we are.

If you look at the three dimensions of designing any of the strategies, part one of that is designing for our products, part two is designing the markets where we will take this product, and part three was choosing to design a customer portfolio.

This is a very structured approach which for the last 10 years, we have followed and it shows up in our results as we go forward.

This framework has allowed us to scale on a defined strategic focus over multi-year cycles with greater predictability. We call that from an initiation to how quickly we get to cycle one, where we get about ₹500 crores. We put on slabs of ₹500 Crore each from a cycle growth perspective to where you have got the market trust, to where you are preferred in the market to being a market leader, category leader. And these three cycles, we have looked at it. And as we go forward, we have categorised also for your information how each of our business lines has that leadership.

The Wholesale Banking business is now fully mature in cycle three at ₹1,500 Crore plus revenue from that perspective. We started in 2016-17, and if you look at a nine-to-10-year cycle it brought us here. Now it's about how the next ₹1,500 Crore can come in a faster time. Two years later, we started on Consumer Banking and now very happy to announce that Consumer Banking has also crossed ₹1,000 Crore this year. And our youngest business, where we started investing on wealth, capital markets and insurance in 2022-23, streamlined to take it forward. It has also crossed ₹500 Crore business.

This is a repeatable pattern which proves that focus, how you go from cycle 1 to cycle 2 to cycle 3 is not being opportunistic. It is design choices which we have taken every 3 years to invest forward. I think Arun mentioned that we looked at every six months as a strategic phase to define innovation and grow engines of how we will see it through any of these journeys. This is just a snapshot of how we have invested in one or two platforms every six months and take it forward to scale to support our vision and opportunity in the market around eMACH and AI.

And over this period, this is not only been accepted by customers, which shows in our results of the number of customers we acquire, but also by the industry analysts and industry awards across the three-year window, we have received 56 analyst leadership. We are in a number one or a number two category, and 18 industry awards where we are leaders in. So, it's a consistency of our performance and vision, which is evident over here across all phases.

As we look forward, I think creating the moat was equally important. So, if you just clearly see in the last year, we filed for close to 100 patents. And that's the differentiation. And this is where our company is going to create an edge in the market. We have overall filed 125 patents. And nine have been granted, and the balance are in progress. We are creating this wedge so that the innovation we are investing upon, others cannot, the disruptive technology, others cannot take advantage of doing from that. So, we look forward to this IP moat in our products to continue to go forward.

I think that from designing our products, we graduated to designing our market presence and we took a structured approach. Initially, we grew our journey through Europe. And then we went into the Middle East, Asia, and India. Over the last four years, there's been a very significant focus in building the Americas business. And last year has been exceptionally good growth, you see, this is what we are looking at.

America's business has grown many fold from that perspective, has got 27%. But the good news is while one market share has grown, we have continued to maintain a 20%. The lowest market is 13% to 27%. It's a very balanced growth across.

So, either market fluctuations don't hurt us right now. If one market is facing a geopolitical issue happening, the pivot of focus last year was difficult for Europe. So, we pivoted strongly to the Americas, and it shows in the result. And we were able to manage the European revenues to where it was, but grow Americas from that perspective. So, now with a decent depth in each of the markets, ranging from ₹400 Crore to ₹800 Crore, we are able to pivot and insulate ourselves against any unplanned incidents which happen in the market.

The third piece is designing a customer portfolio. So, we sharpen our products for the market, and we choose which customers we are going to grow. We have been strongly in a tier one product market space where we have excelled. And this shows that we today have 500 plus leading global, regional and challenger banks who trust in Intellect. But if you look across geographies, the top 60% of the top 10, 15 or 20, we continue to grow that. Those are our leading brands where the banks trust us.

And as they go global, it increases our distribution and the strength of each of the products. And it follows that pattern follows all the regional banks wanting to adapt and then the local banks wanting to adapt that journey of establishing trust we may have started with a difficult larger banks but that's established our leadership in the market and this is the proof point of our success and we continue to grow this you would have seen this this slide evolve every year from where it was to what we are today. So, these are the two gemstones that have helped us reach here.

I think this is also evident in our pipeline, which has now crossed ₹12,000 Crore. And we have 99 Destiny deals which are available. And in 2025-26, we had 21 destiny deals which we won, which were multi-product, multi-year programs at marketing institutions and these

deals compound actually you enter with one product with a three to five million annual revenue and when you bring in the second product it becomes the ARR grows from \$5 to \$7 million so that equation of cross-selling focusing on your large accounts you serve them well you build trust you deliver on time that marketplace is very large individual customers are a marketplace and based on that strategy we are deepening our investments around our existing customer base they are crown jewels.

This is a snapshot of high-value pursuits we are running across ₹50 crores, 30 to 50, 20 to 30 and these are the 99. So, very focused attempt to play in the larger size and these are the Q4 strategic wins which we have had with four large wins across Americas two across Europe and five across Middle East so if you see it's been and two in India and two in fact all markets have managed to show wins across which are material deals which have made a difference to our numbers from that perspective.

I think the five new design choices for the next three years that we are looking at are like we said Arun initially mentioned that I started off with native AI companies, and this is where Purple Fabric scaling is happening right now, and this is truly a platform-led business, which also shows in our revenue how platform-led business is growing against the conventional just licensing business.

A second pattern we are seeing is that there's a significant shift to move away from mainframe to cloud, and this is where our eMACH.ai tech stack has both its proof points of having moved multiple mainframe platforms to a cloud platform and the composability of it for large tier-one transformation has been proven, and we are scaling up our investments behind it, and we are seeing good market traction. We graduated from Transaction Banking to Wholesale Banking. This is an ecosystem play across deposits, lending, cash, liquidity, trade, and supply chain. So, we are continuing to expand on our moat of what a wholesale bank needs and how we can offer that as an integrated composition. Payments are the fastest growing area across, and multiple things are happening from embedded to cross-border to real-time. This is where we are making a significant difference, and there have been multiple drills in the last year.

And the fifth one is on financial advisory around wealth and insurance. This is our youngest platform, but truly leading with AI first for the next-gen investors. And this is making a big difference. Each one of you would also be looking at AI in your worlds. And this is where we are helping, which is giving us the big wins right now. Vasudha, you take up from here.

**Vasudha Subramanian:**

Thank you. Thank you, Manish. Good evening, everyone. Happy to take you through the financial highlights for the quarter and the financial year 2025-26. So, the financial year 25-26 has been a year of strong growth, improving business quality, disciplined execution, healthy collections and sustained investment in long-term strategic initiatives. For the full year 2026, Intellect reported a total income of ₹3,161 Crore, representing a 23%

year-on-year growth. License linked revenue comprising platform, license and AMC revenues increased to ₹1,667 Crore, representing a strong 34% year-on-year growth. Breaking this down further, platform revenue increased significantly to ₹580 Crore from ₹241 Crore in the financial year 25, representing a 141% year-on-year growth. And licensed revenue stood at ₹517 Crore. AMC revenue was ₹570 Crore, reflecting the continued strengthening of annuity and recurring revenue streams.

Moving to profitability, gross margin for the year stood at ₹1,786 Crore, representing a 19% year-on-year growth. EBITDA for the year was ₹703 Crore, representing a 16% year-on-year growth. The Non-GAAP-EBITDA, which excludes the stock compensation cost, was ₹756 Crore, which represents a 24% of the income for the year. PBT before considering exceptional items was ₹493 Crore, while PAT stood at ₹369 Crore for the year. PAT, after considering exceptional items, stood at ₹345 Crore, and the exceptional item comprises the gratuity provisioned for ₹30.84 Crore and the resultant deferred tax impact of ₹7.76 Crore, which we have accounted for in Q3.

Collections remained strong during the year at ₹3,043 Crore as compared to ₹2,371 Crore in the financial year 2025, which represents an increase of ₹6.72 Crore year-on-year. We closed the year with cash and cash equivalents of ₹1,257 Crore, an increase of Rs.236 Crore over the financial year 2025 from ₹1,021 Crore gross. So, Intellect continues to maintain a strong balance sheet and zero debt position.

Talking about our deal wins and digital transformations, 59 new customers selected Intellect for their transformation journey, and 91 digital transformations went live globally during the year. Another positive trend during the financial year 2026 has been the continued strengthening of our balanced geographic revenue portfolio across developed and growth markets, which Manish talked about.

Moving to Q4, total income for the quarter stood at ₹884 Crore. Platform revenue for the quarter was ₹162 Crore, and license revenue was ₹152 Crore. Our ARR for the quarter stood at ₹1,247 Crore as of Q4, up by ₹870 Crore from the same quarter last year. We achieved an EBITDA of ₹221 Crore for the quarter and a PBT of ₹162 Crore. Collections for the quarter were ₹791 Crore. Another important indicator of our operational discipline is our working capital efficiency.

Our DSO for the quarter stood at 126 days as compared to 137 days for the same period last year. We also continue to strengthen leadership capability across the organisation, with 23 senior leaders joining Intellect during the financial year across strategic functions and markets.

Let me briefly cover the important board and organisation announcements for the quarter. In line with the company's dividend distribution policy, the board has recommended a final dividend of ₹4 per share along with a special dividend of ₹3 per share on the equity shares

with a face value of Rs 5 each for the financial year 2025-26, subject to shareholder approval at the ensuing AGM. The record date for determining shareholder entitlement has been fixed as July 24, and the dividend, upon approval, will be paid on or before August 29, 2026.

On the organisation front, the year marks an important leadership transition phase for Intellect. Mrs Sudha Gopalakrishnan, Chief Assurance and Governance Officer, will retire from the services of the company effective 31st May upon turning the age of superannuation. The board has placed on record its sincere appreciation for her valuable contributions during her tenure with Intellect as part of the leadership transition. Mr Krishna Rajaraman, the Chief Technology Officer, will transition into the role of Head Customer Delivery Experience effective 1st June. Mr Vivek Gupta, currently the President and Head of Consulting, will be redesignated as the Chief Customer Officer effective 1st June 2026.

In addition, Mr Prashant Lalchandani has been appointed as the Chief Technology Officer of the company, effective 1st June. Prashant brings over three decades of experience across product engineering, enterprise architecture and global banking platforms and has played a vital role in shaping Intellect's AI-native engineering and eMACH.ai platform evolution. These leadership transitions further strengthen Intellect's long-term execution capability as we continue to scale our AI-first and platform-led transformation journey globally.

Finally, here is our investment thesis. We are leading through five key differentiators. AI native leadership. Our wave six infrastructure is live in 45-plus global institutions, giving us a massive first-mover advantage. Secondly, we are a zero-debt company. Our growing cash reserves and recurring ARR engine provide a stable compounding foundation for high-margin returns. With 30 years of expertise across 62 countries and 500-plus clients, we possess a deep domain moat that competitors simply cannot replicate. Our pipeline is robust, featuring 80-plus active pursuits valued at over ₹20 Crore each, ensuring strong revenue visibility and momentum. The synergy between eMACH.ai's composability and Purple Fabric intelligence creates a compounding effect, moving us from linear growth to exponential platform value.

So, as we move into the financial year 2027, we remain confident in the company's long-term positioning, business quality, and strategic direction. With that, can we now open the floor for questions?

**Arun Jain:**

Yes. Thank you. Thank you, Vasudha.

**Praveen Malik:**

Thank you, Vasudha. Now, the forum is open for Q&A. In case you want to ask a question, please click the 'raise your hand' button. So that we can unmute you. First, we have Mr. Rahul Jain from Dolat Capital. Rahul, unmute yourself.

**Rahul Jain:**

Yeah, hi, hope I am audible. Thanks for the opportunity, and congratulations on very strong numbers and excellent presentation as well. Just two to three aspects I wanted to touch upon.

We have talked about the next 18 months of monetisation that we see on the eMACH.ai size. And on this particular offering, do we see the mix of product being on the license side of it, or will it be more on the subscription side of it? Any trend if we could identify for this product? That is question number one.

**Arun Jain:**

Okay. If you look at it, our implementation revenues are fairly decreasing in percentage terms as the growth is increasing. License-linked revenues are growing faster than others. You are asking about the subdivision of license versus subscription. Our focus is to get to more subscription revenue, which is long-term in nature. But we are not letting go of the license revenue where the large customers are. So, forecasting that will be difficult, which number will grow faster. Our intent is to increase subscription revenue, but the outcome will be determined by market conditions.

**Rahul Jain:**

That's clear. Second, from a growth point of view, these five key reasons that we have highlighted this yearly sets up a growth acceleration thought process. So, do you think that next year onwards, right from FY27 onwards, we could see growth accelerating or are we more thinking about this from a medium-term perspective and not necessarily from an FY27 perspective?

**Arun Jain:**

We are getting good traction with a ₹12,000 Crore pipeline, and it is qualified. We always mention to you that predicting anything of this nature, the revenue modelling on a quarter-to-quarter basis, is more difficult for us than projecting the trajectory of the company. Trajectory of the company moving from ₹500 Crore a quarter to ₹600 Crore a quarter, then to ₹700 Crore a quarter, and finally to ₹800 Crore a quarter. We are able to forecast that, okay, we will move from ₹700 Crore to ₹800 Crore in two to three quarters or three to four quarters, and that we can sustain.

But which revenue, which particular piece will come from which geography, so we have a complex business of at least six markets, three LoBs and ten product lines. From an investor's perspective, it's a very well-balanced portfolio. From the product side, there's a

sufficient capacity to grow, so saturation is avoided at the product level. Saturation is avoided at a market opportunity. Market risk is avoided at a market level.

So, we are looking at the whole business into two pieces. One is a product on the product side; the other is a market on the market side. We are mitigating market risk on one dimension, and we are ensuring that we have sufficient product in the market so that we don't hit the saturation button. Many single-product companies hit a saturation point where they become cash companies but not growing companies.

So, ensuring the cash and growth both come together is a strategy when we look at the Arena Model of Business. We have now demonstrated over the last 10 years that this model works. It takes five years to get into the sustainable model when we start investing GTM money. So, the R&D space of Purple Fabric we invested in between 2016 to 2021, but the go-to-market took 2022 onwards. So you take almost a five-year cycle time, and things are below the surface. It's not driving any numbers, and those investments, like the ₹92 Crore investment in the AI business last year, we said ₹130 Crore, we ended up with ₹92 Crore investment, and we have an order book of over 50 million dollars on the AI business we booked last year, and a revenue of ₹160 Crore this year.

So, I think that's what we are able to project, Rahul: that we are growth by design and margin by design.

**Rahul Jain:**

Yeah, just one last aspect from my side and then I will go back into the queue. One thing we have been articulating well is how well we are positioned in terms of the kind of offering that we have, which is best suited for the customer. But purely from a demand side of it, you think is there an incremental traction even from a demand side of it? Or most of our success or pipeline is getting encouraged because of our better qualifications and our better offering, and winning market share.

**Arun Jain:**

Manish, you want to add something?

**Manish Maakan:**

Rahul, you answered it yourself: a combination of all the elements over there. Better quality, better market rate, better market acceptance. We continue to win big with our own existing customers. Our portfolio is designed with that perspective in mind. So, there's less anxiety in the portfolio. Year on year, we said we have a certain band we want to operate in. And I think this year we managed to demonstrate that and keep up that consistency is where I'm looking to help contribute to us.

**Rahul Jain:**

Right. And just to the engine that you talked about, so we should refer to it as 15% to 20% from the growth point of view and 20% to 25% from a margin point of view. Is that the right band to think about?

**Arun Jain:**

That is the same story which I told in 2016-17. I have not changed that trajectory. I say we are designing the always growth at 20% because when we are running a company, we design the business for 20%. There are some external factors with the win rate we achieved. If we achieve 15%, we achieve 14%, we achieve 17%. But I will keep that: we are running Arena because we want to avoid saturation and not end up with a single-digit growth engine.

And that's the design part of it. How much we succeed is a not a factor of the market, factor of some situation to happen, some elements happen, but it covers up later on. So on a growth trajectory perspective, from a ₹600 Crore trajectory to a ₹3,000 Crore trajectory in the last 10 years, five times the trajectory, I think we have not disappointed any investor over the last 10 years, from a ₹600 Crore trajectory to a ₹3,000 Crore trajectory. But again, forecasting FY27-FY28, we are definitely designing for 20% again. Design-wise, we are still looking at 20%; whether we achieve 15%, 14%, or 12%. I think time will tell.

**Manish Maakan:**

I mean, taking it in bite-sized chunks grows by ₹100 Crore over 2-3 quarters; keep driving, keep succeeding on that, and that is now predictability showing up.

**Arun Jain:**

That's a very simple matrix, ₹800 Crore to Rs.900 Crore, so now the next milestone will be crossing ₹800 Crore; this quarter, we are ₹880 Crore. If we retain ₹800 Crore plus for the next two to three quarters, that will be our challenge right now.

**Rahul Jain:**

Sure, sure. Just a last bit, sorry. On the investment side, last year we accelerated because of the AI offering that we wanted to take to the customer. Any update on that in terms of whether we need to continue the run rate, need to accelerate on that and on the monetisation side, how you are seeing it? Thank you.

**Arun Jain:**

Investment will be continuous, Rahul. Again, I'm saying that over the last 10 years, we want to keep EBITDA margins between 20% and 25%. That's a trajectory we are considering, and we would like to reinvest in building delivery, sales, or R&D capacity. So, those investments are taken on a conscious call two quarters in advance. When we take a call to increase capacity, the margins suddenly drop, which are recovered after two quarters.

So, there a lag between when we invest upfront like in quarter one we invested then there's a sudden drop in the margins in quarter three we experienced and this has happened not one time this happened multiple cycles if you look at the books we have invested and after three quarters if you look at the same number, you will find suddenly margin goes up to 27% to 28%. And there you believe this is margin sustainable. And then we reinvest that money. That's how the trajectory moves from ₹600 to ₹700 to ₹800 Crore. If we focus on margin, then I will be able to manage the margin, but may not be able to manage the growth.

**Rahul Jain:**

Thank you and best wishes.

**Praveen Malik:**

Thanks, Rahul. Next, we have Mr NGN Puranik from Enam Securities. Mr Puranik, please unmute yourself.

**NGN Puranik:**

Hi, Arun. Brilliant quarter, brilliant year. I think looking strong in terms of momentum. You are mentioning one important thing. Accuracy as a competitive advantage in a model when it comes to selling solutions to the banking industry. Perhaps I would add energy, aerospace. These are all accuracy-sensitive. So, how did you achieve this? And how do you sell this accuracy to the top 60 customers you talked about?

**Arun Jain:**

Yeah, so very good question, Puranik. My favourite question that last 12 months amount of hours I spent researching AI, I would not have spent this much amount of time personally in the last 10 years. It's coming from merging the Indic Knowledge Systems to Western Knowledge Systems. So, I have to use the Tattvartha Sutra, Vaisheshika, and the Nyaya Shastra, and I have to use some of the global systems of knowledge from Harvard and MIT, along with published papers on mathematics and physics, to see what the knowledge system means and what the core of knowledge is.

How knowledge gets designed, how the knowledge gets constructed. A shloka is deterministic knowledge. Shloka knowledge: you can't change the knowledge in the shloka because it's embedded with encrypted knowledge. Shloka is the encrypted knowledge which is there. Now, that is the deterministic knowledge required for any institution to function. And that I call deterministic knowledge. In physics, there are two words: probabilistic and deterministic. So, now we need to look at providing the right solution for industries focused on deterministic paradigms. Industries that are not deterministic, like healthcare, are not deterministic. But banking, financial, aerospace, and defence will be deterministic in nature. And for that deterministic nature, I have to apply the classification of knowledge, which is even in the Vaisheshika and Nyaya Shastra.

So, Vaisheshika talks about the classification of knowledge. Nyaya Shastra talks about the judgment of knowledge. How do you make a judgment that this is right knowledge, this is not right knowledge, and once the judgment is right, only then can you convert it into intelligence? My advantage is using Western tools and Eastern philosophy together to improve knowledge accuracy.

And this is what we are now finding: the institutions which we went to in July, August, and September. They said they have 100 people on the MIT team doing the AI work. Now they are calling us back. Tell us how we're doing it. That time they said, no we don't need you. We don't need your platform. We already have our own teams working, except the two financial institutions, which are doing an experiment maybe earlier and they realise that they're not able to get it. So, these IIT engineers or MIT may not be able to get it because they're not in this industry.

**NGN Puranik:**

So, my question is, how will you sell to these 60 customers?

**Arun Jain:**

They are coming one by one. We have already committed five RFPs out of 60. So, we are working with them.

**NGN Puranik:**

Over time, you can see at least 10 to 20 of them buying for accuracy.

**Arun Jain:**

More than that, I think this is a we should be getting almost 30 customers buying our platform in the next two years

**NGN Puranik:**

And then average deal sizes of what range?

**Arun Jain:**

We need to do the monetisation. As of now, the pricing we are seeing is at the lower end of quarter million to half million dollars. But the idea is to move to three to five million dollars. Idea is a platform. Like Salesforce, when they entered India, they sold Salesforce for 100,000 dollars. But today, Bajaj pays ₹100 Crore for a single instance. So, that's how the platform sales happen.

**NGN Puranik:**

And you also mentioned that you are in the final stages of large wins in M2C, in the eMACH space. What exactly is that?

**Arun Jain:**

This is the core modernisation space, the mother of all the deals. What we are bringing is the lowest TCO and fastest delivery. The cost of moving from mainframe to cloud is still the highest cost in America than Europe, and they have to move to the cloud. So, this M2C delivery model in which Manish covered, is a very big opportunity for us to demonstrate our capability. We are working with Kyndryl, we are working with IBM, we are working with other AWS as a partner that how the eMACH stack is most conducive to sell to these large deals.

But the cycle time for this deal could range from 12 to 18 months. We have made OTP, which we went live, and we won the deal two years back. Today, eMACH.ai is live in both Hungary and Bulgaria. These two countries are live with eMACH. So, we demonstrated that within 18 months, we can put the system live with eMACH, which is a good reference point and will accelerate our journey going forward.

**NGN Puranik:**

And the eMACH space you are talking about is also in the 60-customer category for targeting?

**Arun Jain:**

This 60-plus, for that, the new customers are also coming, not 60. They are all new customers. Because we don't have too many large customers in America. America is a big market with at least 70 to 80 banks, with \$100 billion-plus assets in America alone. So, that market size will open up because we are now close to ₹1,000 Crore in America and ₹800 Crore. So, we are touching a 100-million-dollar business in America.

So, that a good traction. And you always used to ask, when are you going to America. So, we always said, we would go to America last. And then once we go last, we are ready to hit the market. If we had gone earlier, which a lot of investors were anxious about, why we didn't go to America in 2020 or 2021. And we kept on deflecting that point and said we would proceed according to the strategy. We will not push just because America brings in more revenue, because they also penalise the vendor if you are not working out well.

**NGN Puranik:**

And you also talked about keeping hordes of cash versus growth. So, that means there is an acceleration in R&D dollars?

**Arun Jain:**

Yeah, that's definitely the R&D dollar will go up because now we have a designed R&D. 100 patents we filed last year. This momentum will go up to 150 to 200 patents in the coming years. So, R&D spend will go up, and today we have a net capitalisation of less than ₹450 Crore for the company, which is getting a license revenue of ₹1,000 Crore plus. My net block is ₹450 Crore.

**NGN Puranik:**

So, what multiplier do you have in mind for R&D dollars to potential sales?

**Arun Jain:**

Multiple is too much, so if I can start calculating, for each ₹100 Crore we invest in R&D, we generate ₹1000 Crore over the next 10 years. As simple as that.

**NGN Puranik:**

Arun, I want you to sometime articulate on this power of this 127 patents some point in time maybe it may be difficult for you to do it now some point in time because a lot of value sits in the patent and if you can articulate in your annual report and what that means what are the production patents what are the productivity patents what are the revenue patents what are the defensive patents so you can just articulate that that will be wonderful.

**Arun Jain:**

Beautiful! I think that's that the journey will happen after 2028. But we are looking for a patent monetisation journey sometime in 2028-29. So, that is the next phase of our journey. This 2025 to 26 is going on for three years. We are now we are filing the patents. We will create a closest 500 to 1000 patents in the next three years, and then, after licensing the patents will be another revenue stream. But that will be after 2029.

**NGN Puranik:**

Thanks a lot, Arun. Thank you so much.

**Praveen Malik:**

Thanks, Mr Puranik. Next, we have Mr Krish Jain from NAFA Asset Managers. Krish Jain. Krish, please unmute yourself.

**Krish Jain:**

I hope I am audible. So, looking at the revenue ex other income, we have seen 21.5% growth this year. Could you please highlight what the constant currency growth was this year?

**Arun Jain:**

It would be 16%; you can say 4 or 5% reduced, so it would be 16-17%.

**Krish Jain:**

Sure, 16% growth. And looking at the revenue by geo, so we saw Canada, USA, you know, there's a huge jump there, ₹442 Crore to be exact, that's 115% growth. We want to understand how much of it is attributable to the Central 1 acquisition last year and how much is organic growth.

**Arun Jain:**

Central 1 growth could be 50% of it. The remaining 50% comes from organic.

**Krish Jain:**

Okay. Final question. Can we expect any M&A deals to happen? You know, you have got good reserves, maybe not spending it on R&D, maybe like something similar to Central 1 or even, you know, cash deals that can happen in the future.

**Manish Maakan:**

No, that's not our core design for growth. If we see the right approach that adds value to our customer strategy, a product strategy, or a market strategy, we look at those things. But that's not our core growth engine, which we are designing for.

**Arun Jain:**

But since you are an investor in the market, we are looking for those companies where IP has been dead. So, we want to look for acquisitions for those companies which give us market access in Europe, market access in the US, and market access in Australia, where their product set is 30 years old, which we can replace like Central 1. So, I need a Central 1-equivalent, low-cost acquisition so I can replace them with the eMACH stack and others we are open to.

Since you are in the market, all of you are. If you come across companies that I don't want to compete with, I don't want to compete with the latest in nature, but those acquisitions will give me access to customers on eMACH.ai.

**Manish Maakan:**

And I think an important point to share from a Central 1 perspective is that, while we have initial customer contracts, we are cross-selling them DEP right now and bringing them onto our new platform. So, within 18 months, I would have resold and re-signed all of those contracts, and I'm cross-selling multiple other products to them. That was like Arun said, access to the market and all the technology, which we could cross-sell. So, it worked for us.

**Krish Jain:**

Yeah, sure. Yeah, that's all from my side. Congrats on a good year and all the best for the future.

**Praveen Malik:**

Thanks, Krish. Next, we have Maitri Shah from Sapphire Capital. Maitri Shah. Maitri, you may unmute yourself and start speaking. Maitri is not there. Then we have Mr Mayank Babla from Carnelian AMC.

**Mayank Babla:**

Thank you for taking my question. The first one is on the operating expenses. I see that software development expenses, SG&A and R&D expenses have increased by 28%, 28% and 17% respectively on a YoY basis. Can you give some clarity on that, please?

**Arun Jain:**

So, some of the expenses have grown because of the Central 1 acquisition, as that cost has gone up. So, the margins are almost break-even points on Central 1. We mentioned at the beginning that it's a very low margin, almost zero. So that all went into the operating margin expenses. So, if you take it out, the difference will be much lower, and SG&A will definitely increase expenses to improve market accessibility on Purple Fabric. Investment in AI, we increased the expenses. So, these are the two major areas where we are looking to increase expenses.

R&D expenses obviously will go up. It's in proportion to the revenue. It's not necessary that revenue has gone up.

**Mayank Babla:**

Sure, sir, and an interesting point you made on you know, R&D expenses going up because that just essentially provides fuel for the next few years or decade. I want to understand the accounting for this R&D. How much will be capitalised? And how much will it increase?

**Vasudha Subramanian:**

Last year, in the year 2025-2026, we capitalised close to ₹160 Crore. And what has been charged after P&L was ₹235 Crore.

**Mayank Babla:**

And you mentioned that this would increase. So, what should we take as the estimate going ahead?

**Arun Jain:**

I think you look at the fact that we are maintaining the investment-to-dollar ratio; we keep investing \$20 million dollars. If you look at the last 20 years, the last 10 years, our investment was ₹120 Crore, ₹140 Crore, and ₹160 Crore. Now it will be between ₹190 Crore and ₹200 crore now. So, this is giving us a bucket for investment. In dollar terms, it still remains \$20 million, but in rupee terms, it goes up by ₹30 to ₹40 crore.

**Mayank Babla:**

Thank you so much, and best of luck.

**Praveen Malik:**

Thanks, Mayank. Last, we have Mr Vivek Tharuga from Best Pal.

**Vivek Tharuga:**

Sir, my question is regarding one request: please do that AI session for investors, because there is a lot of confusion going on, like how Intellect per se and how you see the stock prices, even irrespective of whether it's a service or a product company, they have taken a huge beating.

So, with respect to that how is the buy versus build dynamic changing do you think will change because today may not be everything may not be reflected in the market as of today as of now but how do you think it will change given banks can put up their own small IT teams and do their own coding at vibe coding and that by versus build dynamic will it change or because of the domain expertise and that you that vendors have accumulated like Oracle, Temenos and Intellect. This is difficult; only very large banks can do some plugins, but not the core software, so if you have any views on that, Arun Jain sir.

**Arun Jain:**

Yeah, I think this is a good topic for all investors to look at: what IT is going to make a difference to the IT industry, the Indian industry, and the global beneficial bank. We can invest in IT. It's not about AI, which is a problem of the banks today. The financial situation is why a large American bank has 50,000 people in IT. It is not because of the banking issue or IT issue or the AI issue. It's because of their multi-dimensional, multi-layer problem which they have created over the last 40 years of their growth.

They created a multidimensional complexity that is multi-layered. So, typical complexity, when we define it, could have 15 dimensions and almost 8 to 10 layers. So, 15 into 8 layers of complexity is a 120-dimensional complexity. To me, AI can solve some pieces of it in a block way. But if they really want to look at the solution, they need to start with zero-waste architecture.

Yesterday, there were some customers who came visiting us. I said you can't solve with RFP model. You can't say product by product. I'm simplifying with AI. AI will not simplify your product. If you are an AI digital bank, you may be able to do it because you are starting from a fresh slate, but an existing bank may be facing the problem.

A lot of IT companies, we have internally started doing AI development lifecycle projects. We are finding, because of deterministic knowledge, which I was speaking to Puranik, we are able to achieve a significant amount of success in accuracy. When I was working on the LLM model, I was only getting 80% accuracy on support calls and other tasks. Now I started getting 90-plus. And then the impact starts coming in. At 80%, I not getting the impact of the AI So, that's why a bank is frustrated by co-pilots.

It's a big failure of co-pilots, and banks are realising that it will give me some individual productivity and performance gains, but it will deliver no outcome in terms of making the banking system or the operational system more efficient. So, I see two patterns I'm observing. One pattern, there will be a feeling that management will ask what the co-pilot outcome is. If you spent 20 million dollars on co-pilots last year, what outcome is there? And there's a disillusionment that will come in. So, on the same hype cycle curve, it will come down, and people will start questioning whether AI is working or not.

And that is a that's the place where some of the players will move out of that window where they are supplementing their Java resource to and bundling as a packaging as an AI resource, so many IT services company are packaging their existing engineers as AI engineers and that is not the way AI will be working.

To me, it's a transition phase where companies are repositioning repackaging on the cover of the person that you are an AI native engineer. An AI native engineer has to think very, very differently. I'm personally going through the training program to become an AI engineer at Intellect. We have close to 500 AI native engineers out of 6,500. So, we have a long way to go within Intellect. After three years of struggling, we have been able to convert only 500 AI-native engineers.

But the throughput of this AI-native engineer is three times that of the other engineers there. So, that's the kind of change industry will see and if this is truly happen that 2028-29 Indian IT industry will face severe issues. Indian services, IT services and number of jobs will reduce substantially in 2028-29. Nobody speaks about it because it's a fearful agenda because if IT services job goes down then the entire financial sector and the automobile sector also get impacted. But that's what we need to prepare for, unless we quickly change the way we work.

So, this is not a Gyan I'm giving. I'm just saying this is my observation. Maybe I will be wrong. So, nobody can forecast the future, what will happen tomorrow. And the change in AI is happening very fast, and many companies will be able to keep up. But routine jobs, redundant jobs, which is a worker's job, the blue-collar worker, the white-collar workers, I think those definitions will change in the next few years.

**Vivek Tharuga:**

Sir, I was more coming from a buy-versus-build perspective with banks. Can they, because of using these AI tools, can they shift, or will it be a short-term solution? So, that was my, you don't see that.

**Arun Jain:**

Can I answer in Hindi?

**Vivek Tharuga:**

Yes, I'm not from the Hindi belt, but I can understand. I can understand that.

**Arun Jain:**

They will not be able to do it. The banks aren't capable of doing it.

**Vivek Tharuga:**

Okay. Sir, my second question is, last con call, Mr Manish has referred to, we are in advanced stages with I think IBM or global mainframe infrastructure leader, and you said you will update on that. Any updates on that?

**Manish Maakan:**

Yeah, we are working on this M2C deal with them. And even the OTP was along with Microsoft, which we did, and we are now going live with Microsoft, and Arun announced that.

**Vivek Tharuga:**

So, we are not ready to mention the name. Is it IBM, sir?

**Arun Jain:**

All three are. AWS, Azure, IBM and Kyndryl.

**Vivek Tharuga:**

Sir, one small request, apart from your AI session, is that we are diluting by around 1% of our stock every year. And if you can use the cash to buy back, it would be much better for investors in terms of wealth creation. Then I not saying I don't want dividend but because free float enters the market and every because this sector as you said is having so many other issues going on it will be better for investors, both from value accretion and also stock market for free float that if you can do a buyback, it would be more, it's your wish, but if you can consider that as an investor's request because a lot of free float is getting created and dilution is happening year on year.

**Arun Jain:**

Sure. We will look at it.

**Vivek Tharuga:**

Sir, I have one more question before we leave. Can we assume that given the five tailwinds that you mentioned, if I'm assuming those are the tailwinds in the presentation that you have given, so can we assume that a 20% growth is of a higher probability than the last five years because we had more headwinds in the last five years in terms of Russia war and Covid and then you had tariff issues and all these things and now that we have US as a market opened up a high probability of 20% growth should be higher? I'm not saying give certainty but we are entering a phase that is clearer than the last five years.

**Arun Jain:**

Let's hope with people like Trump sitting there.

**Manish Maakan:**

Vivek, we have just delivered a year with 20% plus. Let's celebrate it. We shall have to do it.

**Vivek Tharuga:**

Please conduct a session, sir. Because we are not tech people.

**Praveen Malik:**

Thanks, Vivek. Arun, we have two more people. Can we take at least one?

**Arun Jain:**

Take one more question.

**Praveen Malik:**

Okay. Next, we have Mr Srinivasu K from TIA. Mr Srinivasu from TIA.

**Srinivasu K:**

Thank you, Arun, for explaining the accuracy gap between 76.7% and 95% in enterprise AI expectations. Actually, that really answered most of our investor concerns. Thanks for answering that in detail.

My question is about the AI revenues that we have at ₹160 Crore this year. What is the exit ARR, and can we expect it to be double next year?

**Arun Jain:**

We would love to have it. That's what we are struggling for. Let's see what comes out. But that's what we are. Because our revenue will come twofold, Srinivas. One is in the area of direct Purple Fabric and all the Intellect products, which now have an AI-first product. So, for any product you are selling now in the core banking space, we are creating a knowledge layer and an intelligence layer on the core banking product. There is no single product from Intellect that is not AI-first now.

So, if we allocate 12% of those revenues to AI effectiveness, those revenues will also add to the overall investment bucket. That's what we do internally. But that will not be visible to you otherwise. But that's where the value of AI will be. Okay.

**Srinivasu K:**

And my next question is: given that Anthropic and OpenAI are launching agents here and there every month, is Purple Fabric LLM-agnostic? Will it allow other OpenAI models, also, right?

**Arun Jain:**

We are open, and all are LLM agnostics. That's how we designed it. We knew that models would come, and multiple models would come. There are more than two million models in the world.

**Srinivasu K:**

Thank you.

**Praveen Malik:**

Thank you, Mr Srinivasan. So, there are a couple of people who might be interested, in case they have any questions. Please do write to us. The time is over, so we are closing the call. Thank you for participating, everybody and thanks to the management team.

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