R SYSTEMS INTERNATIONAL LIMITED

Corporate Identity Number : L74899DL1993PLC053579
[CMMI Level 5, PCMM Level 5, ISO 9001:2015 & ISO 27001:2013 Company]
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REF: SECT/11/2023/18 DATE: NOVEMBER 15, 2023

To, The Managing Director **National Stock Exchange of India Limited** Exchange Plaza, Bandra Kurla Complex, Bandra – East, Mumbai – 400 051 NSE Symbol – RSYSTEMS	To, The General Manager **BSE Limited** P.J. Towers, Dalal Street, Mumbai - 400001 BSE Scrip Code - 532735

Dear Sir/ Madam,

SUB: SUBMISSION OF TRANSCRIPT OF THE INVESTORS/ ANALYSTS CALL FOR THE QUARTER ENDED SEPTEMBER 30, 2023

This has reference to our letters dated November 03, 2023 and November 08, 2023 regarding Investors/ Analysts call of R Systems International Limited ("the Company") held on Wednesday, November 08, 2023.

In this regard, pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of the Investors/ Analysts call held on November 08, 2023 on the financial results for the quarter ended on September 30, 2023.

Further, please note that the investor presentation, the audio recording and Transcript of the Investors/ Analysts call held on November 08, 2023 is available on the website of the Company at the following link: https://www.rsystems.com/investors-analysts-call/.

This is for your information and records.

Thanking you,

Yours faithfully,

For **R Systems International Limited**

BHASKER DUBEY

Digitally signed by BHASKER DUBEY
Date: 2023.11.15 20:26:16 +05'30'

Bhasker Dubey
(Company Secretary & Compliance Officer)

"R Systems International Limited
Q3 FY '23 Earnings Conference Call"
November 08, 2023

MANAGEMENT: **MR. NITESH BANSAL – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**

MR. NAND SARDANA – CHIEF FINANCIAL OFFICER

MR. KUMAR GAURAV –VICE PRESIDENT, FINANCE AND ACCOUNTS

Notes:

1. Please note that no unpublished price sensitive information was shared/ discussed during or in pursuance to this Earnings Call.
2. This transcript has been edited for readability purpose and may contain errors. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.

Moderator: Ladies and gentlemen, good morning, and welcome to the R Systems Q3 FY 2023 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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. Kumar. Thank you, and over to you, sir.

Kumar Gaurav: Thank you, Lisa. I welcome all participants to this Earnings Conference Call. We have today with us Nitesh Bansal, Managing Director and CEO R Systems; Nand Sardana, CFO R Systems. We have shared the presentation earlier today so all of you would have received that.

We will start the call with the opening remarks on the performance of the company by Nitesh and followed up by a financial overview by Nand. Thereafter we'll have a closure statement by Nitesh. Subsequently, we'll open up for a Q&A session.

Before I hand over, let me read out the customary disclaimer statement on behalf of the company. Investors are cautioned that these presentations contain certain forward-looking statements that involve risks and uncertainties. The company undertakes no public obligation to update or revise any such statement, these statements may undertake revision because of new information and future event or otherwise. Actual results, performance, achievement could differ from those expressed or implied in such forward-looking statements.

Now I pass it to Nitesh for his opening comments. Thank you. Over to you, sir.

Nitesh Bansal: Thank you, Kumar, and good morning, everyone, for joining in. This is Nitesh Bansal, the CEO and MD for R Systems, and it is my pleasure to be addressing you today.

I would start the presentation with two slides that I have used in my past investor meet as well. And this is just to kind of once again remind all of you and ourselves as to the space that we play in.

So I'm currently referring to Slide number three. Looking at the engineering services market. Typically, the engineering and R&D services get divided into four subsegments, which include mechanical engineering, embedded engineering, software product engineering and digital engineering. We at R Systems, play in the three out of the four segments, which covers embedded software, product engineering and digital engineering. We do not perform mechanical engineering services, which is outside our scope.

Looking at the digital or embedded engineering markets, the global outsourcing spend has obviously been increasing and though mechanical engineering is a large part of the spend in the market as you would see if you have the slides that you can refer to, going from 2013 to 2025 estimate numbers, most of the increase in spend has come in the software and platform embedded and digital engineering side. So given the space that we are in and the market that we address, we are in a space that is growth oriented. And in general, the macro is pretty strong.

Moving on to the next slide. looking at some of the current trends. And these are reports from third-party analyst services, where we look at the demand side and supply side drivers, a lot of demand getting driven through embedded software and platforms, digital engineering to be a key growth driver. Industry 4.0, 5G kind of use cases and as a service models are driving the spend with some of the customers.

Of course, there are reasonable nuances, APAC versus Europe, etc. and on the supply side, pure play digital product engineering services have been taking routes with niche or differentiated expertise and experience being something that the customers really like. And because these deals tend to be mostly in discretionary spend and in the form of projects to create lumpiness of revenue. There are new commercial models that have evolved as well as M&A strategy play an important role. And why this is relevant is because we, in the stage we play, have evidence of working in embedded and software platforms.

We do work with broadcasting product companies and companies that produce products for audio visual, audio and video sources and live broadcast. And we help them writing those software or in Industry 4.0 and others, we have examples where we have developed software for those companies. So we are well poised in this kind of space. Now we have to remember these are all macro trends. These are like long-term trends, and short-term market fluctuations, demand fluctuations are not factored into this.

Coming to the crux of the matter, so moving to Slide five. Key highlights for Q3 2023, which is basically the quarter ended September. The revenue for Q3 stood at INR457.3 crores or $55.3 million, which is a year-on-year revenue growth of about 14.84%. This quarter, in the revenue, we had a onetime fee that we received out of a contract, net of which this we would be at 10% growth year-on-year.

This has led to a net profit of INR440 million or $5.3 million, which is a 48.3% growth in year-on-year EBITDA. But net of the onetime fee, it will be 15% year-on-year growth. The earnings per share stood at INR3.72 per share. From a balance sheet perspective, we had a healthy cash balance of $19.5 million or INR1,622 million.

Moving to the next slide, Slide number six highlights for the nine months ended September 2023, which is the year-to-date numbers. We had revenues of INR12,682 million or $154 million. which is a 13.6% year-on-year revenue growth, net of one time fee, 11.8% year-on-year revenue growth. Net profit stood at INR942 million or $11.4 million with an earnings per share totalling up to INR7.97 per share.

Looking at some of the key highlights. The market continues to be challenging with continued headwinds from customers that has been the flavor of the year 2023 as we've seen a lot of large companies do layoffs, a lot of tech companies who happened to be our clients, have been reducing their spend. And those headwinds, customers are kind of dealing with and some of that gets reflected on to the demand for our business.

We've been deepening our engagement with our customers, helping them with their immediate priorities because at this time, they're looking at how they can produce software products at lower cost. We help them reducing the cost of product development by doing it offshore as we do it and leveraging cloud, data and AI related to specialized services to differentiate the features in their products. We serve 51 customers with more than $1 million in revenue on a run rate basis.

The acquisition of Velotio technologies that concluded in July this year, has been both growth and margin accretive. We have moved in the direction of being able to integrate Velotio in the larger R Systems and accelerate a lot of cross-sell and upsell initiatives between the entities.

Strategic alignment or realignment of our go-to-market with a focus on key verticals to become more relevant to customers have been taking place. So we are aligning our go-to-market by verticals and we are leveraging specialized offerings on cloud, data, embedded systems, automation and AI as key horizontals with which we'll go to the market to the customers. And as always, we are committed to preserve the margins through efficient operations.

With this, I'll hand over to our CFO, Mr. Nand Sardana, to talk the detailed financial performance.

Nand Sardana: Thank you, Niteshji. Good morning to all. Thank you, everybody, for attending the call. This presentation gives details of both quarterly as well as year-to-date numbers.

As Niteshji said, revenue for the quarter was INR457.3 crores or $55.3 million, quarter-to-quarter increase of 12.4%, excluding onetime BOT fee of 7.7%, year-on-year increase 14.8% and excluding onetime BOT fee 10%.

As we mentioned, revenue and EBITDA includes BOT fee of USD 2.3 million or INR19.3 crores on knowledge service customer. It was due to change in customer priority where they set up their own center in India. We had served the customer for the last three to four years and earned a revenue of close to $10 million in the last three to four years. Revenue for year-to-date September was INR1,268 crores or $154 million as against INR1,116.3 crores last year, with a growth of 13.6% excluding onetime fee 11.9%. The company has added prominent logos having good potential to grow in spite of challenging macro environment.

Going down to Q3 gross margin, it was 38.3%, excluding BOT fee 35.6%, compared to 34.8% last quarter. The margin has improved on the back of BOT revenue and efficient operations. EBITDA in this quarter was INR85.9 crores or $10.4 million, compared to INR60 crores or $7.3 million last quarter and INR57.9 crores or $7.3 million in the same quarter last year.

As percentage of revenue, EBITDA was 18.8% in this quarter compared to 14.7% last quarter and 14.5% in the same quarter last year. Excluding BOT revenue, the EBITDA margin was 15.2%, that is about 70 basis point improvement against same period last year. EBITDA year-to-date was INR200.3 crores or $24.3 million compared to INR148.6 crores or $19.2 million last year. As a percentage of revenue, EBITDA was 15.8%, year-to-date September compared to

13.3% last year. Again, excluding BOT revenue, the EBITDA margins were 14.5%. That is about 120 basis point improvement against same period last year. The improvement is primarily on the back of efficient operations and control over SG&As. We are committed to preserve these margins in spite of challenging period.

During Q3, company incurred certain non-recurring expenses for acquisition of Velotio, we had some of these in last quarter as well. Treasury income in this quarter was INR17 lacs compared to INR4.3 crores last quarter. Treasury income mainly consist of interest income and net exchange gains and losses. Reduction is mainly due to net exchange loss due to mark to market of outstanding forward cover and reduction in interest income post utilization of corpus in Velotio's acquisition.

At the end of the quarter, we had outstanding forward cover of $41.25 million with average rate of INR83.89 and euro cover of EUR 2.2 million with the average rate of INR92.48, which has already been marked to market on 30 September.

Now, moving into tax expense. Our Q3 tax expense was INR18.2 crores as against INR31.1 crores last quarter. Last quarter tax expense included INR20 crores provision for tax on dividend declared from U.S. subsidiary. Out of INR20 crores, the company may be able to reverse INR12 crores based on dividend declared to shareholders subject to approval of Board. Our effective tax rate during this quarter, excluding amortization of intangible accounted through Velotio acquisition is around 26%.

Net profit after tax for the quarter was INR44 crores, up $5.3 million compared to INR14.4 crores or $1.8 million last quarter. Net profit after tax for year-to-date was INR94.2 crores or $11.4 million compared to INR98.3 crores or $12.7 million last year. This is after considering non-recurring expense of INR10.7 crores and provision for tax of INR20 crores on dividend, which we received from U.S. subsidiary. Resultant EPS for the quarter is INR3.72 and year-to-date is INR7.97.

Now getting down to asset side of the balance sheet. DSO including unbilled for quarter three was 60 days compared to 64 days for December '22. We are seeing some AR challenges with few customers who are dependent on funding in the last few quarters, and we have made conservative provisions.

Net cash balances after short-term borrowing were INR162.2 crores at the end of quarter three, compared to INR271 crores at the end of the December quarter. The company has paid INR264 crores for acquisition of Velotio, which has impacted our cash balance. Our shareholder funds were INR639 crores as of September end, compared to INR545 crores at the end of December.

Coming on to the operations in terms of technical headcount, it has reduced from 3,927 as at June 30th to 3,740 as at September 30th. This is the net impact of BOT execution for which we have received onetime fee.

Utilization in quarter three, was overall of 79.2% compared to 77.3% in quarter 2, 2023 and 76.9% in quarter 3, 2022. We are making focused efforts to improve utilization in the coming quarters.

On Q3 basis, geographical distribution based on customer location is, North America 74.7%, Europe 9.5%, Southeast Asia 12.5% and rest of world 3.3%. On the client concentration, top 10 contributed 25.8% with the largest client contributing 6.5%.

With that, let me hand over to Niteshji for the final comments.

Nitesh Bansal: Thanks, Nandji, for the detailed overview of financials. Coming up for this quarter, Q3 has been an exciting quarter. We have had large deal wins. We have had successful initiation of go-to-market alignment, with focusing on the industry verticals that we are most familiar with. As customers face headwinds, we have still managed to deepen our relationships through better relationship management, more active farming and reaching out to our customers with sharper offerings, addressing some of their immediate needs with adopting cloud, data, automation and AI.

If you look at some of the success stories that happened in the quarter, we started a strategic partnership with a global leader in Access Control systems. A leading provider of digital marketing services has engaged us to build the front end, back end and to integrate generative AI capabilities in their platform. Our U.S. based precision engineering company is leveraging our expertise to gain insights through data using Power BI and Snowflake.

A leader in power generation and distribution in Europe has partnered with us to significantly reduce the complexity of new customer identification, validation and on boarding. And there we are leveraging a suite of digital technologies. So these are just a representative wins of the quarter, some good stories.

But with that, I thank you for listening to us. This is what we had to present and come back to you, Kumar, for the Q&A part.

Moderator: The first question is from the line of Amit Thawani, an individual investor.

Amit Thawani: Nitesh, congratulations on a good set of numbers. It's quite a tough environment. And in that kind of an environment to give these numbers is quite creditable. But I just had few questions. If you go into the segment information, our IT services actually has de-grown year-on-year in its profit before interest and tax. And on a Q-o-Q basis, also, there is not much growth and clearly Velotio acquisition has got added in that segment in this quarter. So I was just wondering, is the Velotio acquisitions really earnings accretive? I mean, at least in the segment numbers, it doesn't seem like that.

Nitesh Bansal: Well, Amit first and foremost, thanks for recognizing that business-wise, it's been tough environment. And in that environment holding these numbers and that kind of year-on-year growth is definitely credible. I think what you're seeing is a net result of both the ups and downs in terms of where customers have faced headwinds and the projects have closed, that obviously has impacted the quarter. But on the other hand, our new client acquisition plus some of the large wins, including growth with some of the existing clients, like we said, in the areas of data cloud and AI has led to growth.

Velotio itself has been, like we said, the synergies due to cross-sell, upsell due to getting the advantage of having a location in Pune, which also gives us an additional talent pool, has been overall both growth and margin accretive for us. And I think that's reflected to some extent in these numbers.

Your point on IT services de-growth year-on-year on PBIT basis on our profit before interest and tax basis, I do not have a comparison guide in front of me. I don't know, Nandji, if you have the numbers handy.

Nand Sardana: Yes, so Amitji, if you see, quarter-on-quarter as well as year-on-year segment of technology has grown close to INR26 crores, so there is a growth. Business process outsourcing, which includes the BOT fee, has also grown.

And on the profitability front, due to acquisition of Velotio, we have acquired customers -- I mean how the accounting happens is, the total cash consideration paid is close to INR264 crores and -- net assets are close to INR17 crores. The customer contracts are valued at close to INR170 crores, there is a non-complete valuation of close to INR50 crores. That's how the accounting is done in books of accounts.

There is also a depreciation element of close to INR6 crores. All of that is accounted in information technology. This is the reason that profitability number which you are looking at are coming flat because there is a higher depreciation element, which has been accounted for. Having said that, we have improved net off BOT Fees.

Our EBITDA margins are positive 80 basis points year-on-year. And you see last year, we did 13.7% and now we are at 14.5%, excluding the BOT fee. So we are in a trajectory where we should be improving our EBITDA margin and this has been in the numbers as well.

Amit Thavani: Just curious, this INR6 crores higher depreciation, how many quarters are we going to see this for?

Nand Sardana: That's a good question, Amitji. Okay, if you want to get into detail, let me explain to you. So we have close to INR170 crores the valuation of clients and the clients will be depreciated over a period of 40 quarter i.e. 10 years. So close to INR4 crores will be in depreciation each quarter for Velotio's clients. Non complete is close to INR53 crores and that is seven-year amortisation. So INR6 crores or INR6.5 crores is going to be the depreciation for few years. We can explain to you in detail, but that's how that accounting is.

Amit Thavani: So just -- actually, I was under the impression that we will -- this amount will probably get expense through the acquisition of the OCPS and we would be acquiring the OCPS at a premium. But that is not the case, right? I mean, is it going to go through the P&L this.

Nand Sardana: OCRPS is different, that will result in goodwill but the cash contribution is resulting into client and non-compete, it's a little complicated accounting, may be I can explain you in detail one-on one.

Amit Thavani: No, I've understood this, I've understood now. I was just not sure if this was going to go through the P&L but now it is very clear.

Moderator: The next question is from the line of Abdul Raja from Ratnabali.

Abdul Raja: Congratulations on strong set of numbers. Sir, just a couple of questions, sir. Sir, the first would be with regard to the onetime fee, which is like BOT. So what would be the cost pertaining to the sales, which would be taken out in the coming quarters?

The second would be, is there any further addition in our clients from the Blackstone portfolio? And the third one would be, sir, recently, we have declared an ESOP plan. So if you could just give us a ballpark number, what would be the yearly or quarterly cost, which would be charged to the PL account?

Nand Sardana: So, maybe Niteshji, you can answer on the BX client, and I'll answer onetime fee and ESOP point.

Nitesh Bansal: Yes, we can do that. And BX portfolio, very simple answer, Abdul, yes, we have seen some additions. Obviously, the customers, currently are not referenceable. But we continue to improve our wins within the BX portfolio, as we do outside.

Nand Sardana: Regarding the onetime fee, as I mentioned in my reference, there's a BOT customer with whom we have earned revenue in last three years to four years of approximately $10 million. The contract was signed in such a way that there is a BOT, which is to be executed, which has become effective from September 15. So, $2.3 million onetime fee we have received, which has straight away gone to gross margin as well as our EBITDA. So that is the part, the customer is setting up its own center but that was an agreement executed long back.

Now coming on to the ESOP plan, ESOP details are already sent to shareholders and we are waiting for the shareholder approval. These will be in the form of Options/RSUs. We will be able to explain to you the accounting part when all that formalities are completed. Maybe in the next call, we may be able to explain you.

Abdul Raja: Sir, just 1 like follow-up regarding the Blackstone portfolio plan. So if you could just help us understand like how much would be the top line from these plans? And by when can we expect these numbers to kick in?

Nitesh Bansal: So Abdul, see, we are winning business with Blackstone clients like you'll see some of these projects will take time to start and then the number start. I think very difficult to split the numbers by that or again, that's something that until the client becomes referenceable, it will be difficult to share. But the portion of revenue, if that's where your concern is, right, is not so significant, right? Because we have been part of Blackstone portfolio only for 5 months or four months, right? We are beginning to see wins.

We are beginning to use the Blackstone portfolio companies as a very fertile hunting ground to start relationships with them. But right now, I don't think it would be a material kind of a number to dispose.

Nandji, I don't know if you have anything else to add on that.

Nand Sardana: No. Mr. Nitesh, you answered it well. So I think it's just start of the relationship but we feel good about it that there's a good traction happening on that.

Moderator: The next question is from the line of Nitish Rege from Nomura.

Nitish Rege: Yes. Sorry, I missed the first 10 minutes of the call as I wasn't let in by the operator. I just have a few questions. I don't know if you've already addressed this. So when do you expect on organic sales engine to start firing? And secondly, has the hiring at the leadership level been completed?

Nitesh Bansal: I didn't get the name of the speaker. Can I get the name? Nitesh. Okay, we share the similar name? So Nitesh, your first question is when do you expect the organic sales engine to start firing.

Nitish Rege: Yes, sir.

Nitesh Bansal: Was that the question? I'm a little at loss because our organic sales engine has been firing and has been fighting really well for quite some time. So what's your real question behind that, I'm not able to understand.

But just to give you some data points, we have been winning anywhere between 30 to 40 deals every quarter organically, right. And Q3 has been some of the largest total contract value in deal wins as compared to even last 4, 5, 10 quarters, it's been one of our best quarter in terms of deal wins. And thanks to few larger value wins that came in.

So the total deal value of the wins has been fairly good. And this has been the trend of the company for several quarters and years to come. Our sales engine has been working quite efficiently. And this comprises both new logo wins as we continue to add new logos to the company as well as repeat wins from our existing customers, which were opened either one quarter, two quarters, three quarters or four quarters ago, which continue to give us more business.

Okay. And your second question was about, has the leadership hiring been completed or initiated, I don't know? But we haven't made any public statement or any statement about that we are either hiring or going in the market to hire any more leaders or anything. There isn't any such news. So again, I really don't have any answer on that. We haven't declared any new positions and we haven't really reached out. Our leadership has been very strong and stable. The company's leadership has stayed with the company and we are growing on the back of that leadership.

Nitish Rege: Got it. Sir, my first question was coming from the fact that excluding our Velotio numbers, our growth is flat, right?

Nitesh Bansal: Perhaps we haven't really divided the numbers. Overall, like I said in the previous response that we have seen some amount of customer attrition because a lot of customers have faced the heat, and we have managed to win enough business to more than fulfil for the gap created by any customer attritions and further give a small amount of uplift to their revenues.

Nitish Rege: Got it, sir. And just one more question. So where do you see the EBITDA margins over the next two years to three years?

Nitesh Bansal: I don't have a forecasting mirror but like Mr. Nand said, we are continuing to win more business. So that continues to give us the fuel for growth. And as we are growing, we continue to run our operations in a fairly tight manner and continue to look for synergies across our subsidiaries or acquisitions that we are meeting.

So we believe that we'll continue to maintain a fairly tight control over margins and at least maintain the margin levels and wherever possible, increase it by a few basis points. But that's again not something that I can forecast right now. We will definitely exercise every kind of fiscal discipline to make sure that we run a tight ship.

Nandji, you want to add anything to that?

Nand Sardana: Sure. So what I can add is that we did 13.7% last year, and we are, excluding that onetime BOT fee, close to 14.5% right now. So we have already done improvement of 80 basis points. And as Niteshji said, we are making tight control. Having said that, we have to continue investing in sales, marketing and in digital technologies. So aim right now is to get more on the growth path. And definitely, we should see some improvement, but difficult to kind of give the numbers.

Nitish Rege: Okay, sir. And is there any plan for any further M&A activity? And any sense of what kind of assets we would be looking for?

Nitesh Bansal: So while we cannot forecast when and how or what kind of M&A would happen as a company, we are obviously open to looking at assets that can be synergistic with us, specifically in product development, engineering space, either in certain vertical or core service line competency area. So we, as a company, are constantly looking.

Moderator: Ladies and gentlemen, the line for the management has got disconnected.

Ladies and gentlemen, thank you for patiently holding. We now have the lines of the speaker reconnected. Over to you, sir. Okay.

Nitesh Bansal: So sorry, I think I got disconnected and I was saying that we are constantly scanning the market and actively looking at inbounds when they come in. And whenever we find another target that we are interested in and we reach a stage we'll announce to the market. But just in general, we are open to it. We are open to looking at M&A, but nothing really in hand right now.

Nitish Rege: Okay, sir. And is there any cost of this BOT project, which is sitting in our Q3 numbers, which will not repeat in the future?

Nand Sardana: Yes, the customer was with us till September 15. So, accordingly till September 15, the revenue and cost has come, but there is no cost involved in BOT fee, it is just a onetime fee.

Moderator: The next question is from the line of Mihir Manohar from Carnelian Asset Management.

Mihir Manohar: Sir, I had a basic question. I mean largely, I wanted to understand what services are we exactly providing on telecom both ISVs as well as pure telecom on the fintech and health care. Sir, I just wanted to understand, I mean are we more into ER&D or more into product engineering? I just wanted to understand that.

Second question was on the split, how can you split the revenue in ER&D, product engineering and KPO? What's the split across the business? And third question was on the outlook of the telecom sector. I mean given the fact that the sector is facing challenges getting it difficult for IT spend itself. I mean so what is your thought? What kind of conversations are you having with the clients? That will be helpful.

Nitesh Bansal: So Mihir thanks for the question. I'll try to answer your questions around service provided and telecom sector in one go. So bulk of the services that we provide are related to product engineering, right? So ER&D is the broad classification, which includes product engineering and embedded and software products as well as digital engineering, right? And the bulk of our work happens in the embedded plus software product engineering space. To some amount, it is in digital engineering space.

When you talk of core sectors like telecom or even media & entertainment, we do both embedded and software product engineering work. To give you an example without naming any customers, for some customers, we may be working on their OTT box, which normally households will have an OTT box through with they're watching television.

And the embedded software on the box would probably be written by us or be designed by us, or we would be working with a telecom company, helping them write the core software stack that allows them to run the voice services or text message services or add value-add services to their telephone or their mobile offerings, which could be to do with, for example, allowing to watch TV on your mobile.

So, somebody has to write that software that become part of the product offering or core part of the stack on which these services run. So those are the kind of services we provide. Of course, bundled with that is a lot of data, ML and AI and all that stuff. So that's a broad kind of understanding of what we do.

Mihir Manohar: Yes, just an extension to this, on the fintech and health care, are these similar kind of services?

Nitesh Bansal: Similar kind of services. Even in fintech, we work with companies who are writing software for cards and payments or whether it is loan origination or it is adjudication of the insurance claims or all those kind of things, right? So, ultimately, the products that run or the software SaaS product or tool that runs to do these kind of calculations or back end jobs. We actually help companies write those tools and products, right? The same is true for health as well.

And your other question was around weakness in telecom sector itself. Seasonality in some of these industries does exist. Sometimes, of course, depending on this side of the business we are working on, we may see slowness in demand, we may see delays in decision making. But on the other hand, when you look at, in general, the movement of more and more workloads on to the cloud or adoption of bringing in more data in AI, we are winning that kind of work and that allows us to offset that kind of seasonality.

And in telecom, in particular, there has been a lot of investment that's been going on in 5G. So working with customers and helping them write some of the 5G-related services or right testing software, which they will use to test some of those services. So those are the kind of work that even though in general, the industry may not be doing well. But then, of course, there are players in the industry who are using this time or leveraging the access to talent to be able to build some of these things for the future.

So yes, I mean, it's up and down, like I said earlier, we have seen in telecom some of the demand shrink but we have also seen in telecom some of the new demand come up.

Mihir Manohar: Sure, sir. This is very helpful. And just the third question was on the split across ER&D, products engineering and KPO, How do you split for over $200 million of business?

Nitesh Bansal: Mr. Nand do we share the segment split? Is it public data, if you want to share?

Nand Sardana: Sure. At a broad level, ISV constitute close to 30% and the telecom ISVs constitute close to 30%.

Nitesh Bansal: We Don't do that sectoral split, right? I think the question was about largely KPO versus tech.

Nand Sardana: Okay. So KPOs versus tech broadly is 90 is to 10, i.e. 90% is product engineering, I mean, on the IT side and 10% is the KPO side, broadly.

Mihir Manohar: Sure, understood. And just 1 last question. What are the conversation that you have been from the top 5 clients? Any indication from them in increase of spends or slowness of the spend, specifically from top 5 clients.

Nitesh Bansal: Mihir, currently, we are in November, and this is typically the budgeting cycle for customers, right, which will happen now in the beginning. So we do hope that we will get some indications from them as they go through their budgeting cycle and close it out in November. Sometimes customers share, sometimes don't. But currently, I think timing wise, it's actually too early to even ask. So we will have to wait until end of November when the budgets typically get finalized and closed.

Moderator: The next question is from the line of Amit Thawani, an individual investor.

Amit Thawani: Thank you for taking my follow up question. What are the parameters we are looking at when we are looking at M&A candidates? I mean telecom or we are looking to kind of diversify into different segments?

Nitesh Bansal: So Amit, broadly speaking, look, we operate across tech and Internet as one segment, and telecom, media, entertainment, and then banking, financial services, health care, manufacturing, logistics and services, right? So that's a pretty well covered spectrum. So in that sense, it's not that we can be looking for or that we are looking for something in a very different vertical, a very different industry segment. Our aim is to strengthen and deepen our capabilities within the segment.

So, without really describing the entire M&A playbook. I mean, it's about either getting deeper with the industry expertise or deeper with its capability, which could be deep AI capability or deep embedded capability in it or anything, right? So M&A will always be with each case and is different than individual lines and you end up evaluating it for what does it bring to the company? What kind of synergies will it bring, what kind of value accretion it will bring? And what is it that you're buying that we cannot build, right? So yes, we are open and we look at each potential candidate in that line. So we are open.

Amit Thawani: But are we looking at the delivery centers out of India only? Or are we looking at maybe offshore delivery centers, maybe we want to become like a global delivery center.

Nitesh Bansal: Like I said, again, we are open in that regard, India-based or any other good talent location base. I mean obviously, we would want to have a delivery center in a location, which supports growth of talent, right? And that is very important for us. So if there is an alternate location that, let's say, a potential M&A target has, which turns out to be one of those global talent hubs where, there is availability of good quality talent, sustainability of cost, and ability to grow the talent pool, then, of course, we would look at totally.

Amit Thawani: Right. And do you guys give out like numbers such as TCV or something, or order bookings this quarter?

Nitesh Bansal: That has not been the practice of the company so far. So, I think it's always good but there's no limit to some of these details. And we think currently our businesses is sum total of a lot of these things, which we need to shape up the whole rather than divide attention onto one of those particular aspects. So we haven't followed that practice so far.

Nand Sardana: Just to add, Amitji, 90% of our business is repeat business. So that has been the history. So, that way, our master contracts are long-term contracts. So that has been the practice so far.

Moderator: The next question is from the line of Abdulkadir Raja from Ratnabali Investments.

Abhinav Chandak: This is Abhinav Chandak here, colleague of Abdul. So congratulations on a decent set of numbers from my side also. I just had 1 clarification to ask. I heard Niteshji say that during the call that the contract wins in Q3 have been the best ever and so there has been attrition for existing clients but then the attrition has been filled by getting new wins. Can you just help quantify that how big has that been? And when will the ramp-up from these new clients that we have added start to trickle in?

Nitesh Bansal: So Like we are responding to Amit. I don't think we could quantify the TCV, but just in the general sense of the business, deals typically take a couple of months of ramp-up and the impact of some of those ramp-ups come in slowly. And they start coming in towards the end of the quarter or next quarter, but the ramp-up goes on for a few quarters because typically look at this, it's a product development kind of business that kind of starts small and then as they gain confidence and as we learn more about their product more and more to what we can do there. So the ramp ups actually go on for a few quarters. So yes, we're just happy that we have had a great win.

Abhinav Chandak: So sir, what I actually meant was that, say, if in previous quarters, you have INR100 crores of order, how significant has been Q3 out of, say, INR100, INR120, INR130, what has been the growth like, which makes you say that this has been the best quarter ever? So I don't want you to give me exact numbers but just a sense of the kind of growth that you're seeing.

Nitesh Bansal: You can ask me 20 questions and find the answer out, right? I mean this is not whether it's an order of magnitude or anything. I don't think we have shared our order wins last time.

Abhinav Chandak: Are these new customers -- are these new customers or existing customers, some sense?

Nitesh Bansal: Nandji, do you want to answer it?

Nand Sardana: Yes, I will answer. So Mr. Abhinav, as Mr. Nitesh said earlier, we have added close to 30 clients in each of the last 3 quarters, this quarter also, But some of the orders which we have won, the magnitude of that and the going forward ACV and TCV is comparatively much better than what we had in Q1 and Q2. We are not giving these ACV and TCV number in the past.

We'll take your feedback and probably, we will internalize how to kind of take these. But I think things have started improving over last few days. But I think more information can be provided in subsequent quarters.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Nitesh for his closing comments.

Nitesh Bansal: I think from my side, first and foremost, thank you to all the investors and analysts who have attended the call. Thank you for your time. Thanks for the interest. And also both the questions and the feedback, right? Some of your questions actually give us the inputs on what kind of information is meaningful, what are you looking for? So, like Mr. Nand said, we can internalize it, we can start thinking about whether or not we can share it and how best to share it, etc. But also for all the good wishes that you've shared with us, really thankful. And we hope to continue to serve the interest of our investors well.

Nand Sardana: Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of R Systems, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.