"Saksoft Limited

Q1 FY27 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Saksoft Limited Q1 FY27 Earnings Conference Call hosted by Monarch Networth Capital Limited. 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vinay Menon from Monarch Networth Capital Limited. Thank you and over to you, sir.

Vinay Menon: Hi, good afternoon, everyone, and thank you for the opportunity. I welcome you to Saksoft's Q1 FY27 earnings call. With us, we have the senior management of the company. We have Mr. Aditya Krishna, who's the Managing Director of the company. Avantika Krishna, who's the Executive Director, and Mr. Niraj Kumar, who's the COO and CFO of the company. Now I hand over the call to Mr. Aditya Krishna for your opening remarks. Thank you. Go ahead, sir.

Aditya Krishna: Thanks, Vinay. Good afternoon, everyone, and thank you for joining us for Saksoft's earnings conference call to discuss our performance for the first quarter of financial year '27. I hope all of you have had the opportunity to review our financial results and investor presentation. I will begin by sharing the key business developments during the quarter, following which my colleague and our Chief Operating Officer and Chief Financial Officer, Mr. Niraj Ganeriwala, will take you through the financial performance in greater detail.

The IT services industry continues to navigate a period of significant transformation. While macroeconomic and geopolitical uncertainties have resulted in cautious customer decision-making, the underlying technology opportunity remains strong, where enterprises increasingly prioritizing AI, cloud modernization, cybersecurity, data, and automation. As AI moves from experimentation toward skilled adoption, we believe the industry is entering a new phase of growth, creating meaningful opportunities for companies that can combine technology expertise with deep understanding of customer needs and deliver measurable business outcomes.

Q1, FY27 reflected the continuation of the demand softness that began to emerge toward the third quarter of the previous financial year. Customer decision-making has remained cautious in certain segments, and our top few clients continue to face near-term pressures that impacted technology spending and the timing of renewals and new engagements.

In this environment, our diversified growth strategy is beginning to demonstrate its resilience. Our broad-based capabilities, presence across multiple industry segments, and focus on building deeper relationships with clients provide us with a strong foundation to navigate periods of uneven demand. We remain mindful of the near-term environment.

Parallelly, we continue to make focus investments in our artificial intelligence capabilities, accelerators, and solutions. These investments are increasingly becoming an important differentiator in our ability to engage with customers around their evolving technology priorities. By combining our domain expertise with AI-led solutions, we are enabling customers to accelerate transformation initiatives, improve productivity, reduce complexity, and generate measurable business value. Our AI capabilities are also helping us move higher in the customer value chain, strengthen our strategic relevance, and broaden the scope of our engagements.

Our focus remains not only on developing technology capabilities, but also on ensuring that these capabilities are closely aligned with specific customer requirements and business outcomes. We therefore continue to invest in talent, industry-specific solutions, delivery excellence that can help us respond more effectively to changing customer needs. These investments are intended to support both near-term client priorities and longer-term opportunities arising from technology-led business transformation.

We believe this combination of strong client relationships, differentiated capabilities, domain expertise, and disciplined investment will allow us to deepen existing relationships and expand our share of customer technology spending over time.

During the quarter, we also strengthened our leadership team through a number of strategic appointments, including the appointment of Chief Growth Officer for Europe region and Business Unit Head for Emerging Verticals. These additions are an important step in strengthening our organizational capabilities and sharpening our focus on growth opportunities across our select industry verticals and regions where we are present. The enhanced leadership structure is expected to further strengthen our sales engine, improve market coverage, deepen customer engagement, and enhance alignment between our go-to-market and delivery organizations.

As we look ahead, we remain focused on executing our strategy with discipline while continuing to invest selectively in the capabilities that will shape the next phase of our growth. Our focus investments in artificial intelligence, digital transformation, cloud, data, cybersecurity, automation, and industry-specific solutions, together with our strong and trusted client relationships, position us well to improve our growth trajectory as demand conditions normalize.

We recognize that the near-term operating environment may continue to remain uneven, and we will remain disciplined in managing costs, prioritizing investments, and maintaining operational agility while pursuing attractive growth opportunities. With that, I would now like to invite Niraj to take you through the financial performance for the quarter.

Niraj Ganeriwal: Thank you, Aditya. Let me now take you through the financial highlights for the first quarter of the financial year 2027. The revenue from operations for the quarter stood at around INR249 crores, remaining largely stable compared to the corresponding quarter of the previous year. The EBITDA for the quarter stood at INR45 crores, reflecting a marginal decline of 1% year on year, while the EBITDA margins remained stable at 18.26%. The profit after tax stood at around INR29 crores, translating into a profit after tax margin of 11.78%.

Now moving to our revenue mix. The Americas remained our largest market, contributing nearly 52% of our total revenues, followed by the Europe, which was at 27%, and the remaining 21% was contributed by the Asia Pacific and other regions.

From a delivery perspective, the onsite and offshore revenue mix was at 43% and 57% respectively. Our revenue base continues to remain well-diversified across industry verticals. The banking and financial services contributed to about 30% of the revenues, the emerging verticals accounted for 45%, the transportation and logistics to about 16%, and the balance 9% came from the digital commerce vertical.

Turning to some customer metrics, we ended the quarter with 16 customers contributing to annual revenues of USD1 million and above each. Our total employee strength stood at 2,434, out of which 2,223 were technical professionals. The employee utilization, excluding trainees, remained healthy at 83% during the quarter. That concludes the financial update for the quarter. We would now be happy to take your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vikas Srivastava from RBC Financial Services Private Limited. Please proceed with your question.

Vikas Srivastava: Yes, hi. My question was more on the pipeline and the conversion. We got the gist of you know the challenges the industry is facing. I wanted to know how's the pipeline looking now as compared to the next quarter? What are the challenges in conversion? What, you know how when do we see some traction on the conversion and some growth? Are we expecting any growth year on year?

Aditya Krishna: Pipeline is looking good, Vikas, like I mentioned in our last call, pipeline has never been better for us, and I think the same holds now also. Decision making is getting delayed unfortunately, and we are pushing as hard as we can, but there is a limit to how much you can fight the industry, you know, so, next quarter is also looking, you know, muted, I think second half of the year, we are hopeful of seeing some growth. That's, that's where we really are in terms of the realistic situation.

Vikas Srivastava: Okay, that's good to hear, thank you. Just one question, you know, in terms of numbers and I don't remember them offhand, but you gave specific numbers of pipeline in the last quarter as compared to the preceding year or preceding quarter, how is the pipeline, how is it different between last quarter and this quarter in terms of quantum or number? And B, you know, the person you have hired in Europe, how long has he been on board? And do we have you had any attrition at any level especially for recent hiring?

Aditya Krishna: No attrition for senior hires at the region. The Chief Growth Officer has been in place for about a month now. In terms of pipeline Vikas, last time we mentioned USD25 million as the pipeline, you know, and the number today is considerably more. I don't have the exact number, but I can, send that to you.

But there are two things to keep in mind with the number. One is the absolute amount, the second is the quality of the pipeline. Now, what do I mean by that? We are deliberately staying away from headcount deals. Traditionally tech services has been where headcount is linear or coupled linearly to revenue growth.

We are trying to break that, you know, by moving more towards managed services and outcome based deals. So the deals are basically bigger, but they take longer to materialize and for decision making. Now, that transformation will cause us some pain, but it will hold us well in the long term, and that is, not even in the long term, I would say in the medium term.

So our pipeline is increasing, is improving because of that, the quality of deals is better, the texture is better. Of course, the proof of the pudding is in the eating Vikas, finally we have to deliver growth and that's where the entire team is highly focused on, including myself.

Vikas Srivastava: Okay, that's good. Thank you. If I have more questions, I'll come back in the queue.

Aditya Krishna: Okay.

Moderator: Thank you, sir. The next question is from the line of Divya Bhansali from Alpha Capital. Please proceed with your question.

Divya Bhansali: Hello?

Moderator: Yes, ma'am, please proceed with your question.

Divya Bhansali: Yes, so my first question is, so given the continued demand softness, what is your revenue guidance for FY27?

Aditya Krishna: We had given a revenue guidance of I think 1,000, last year we finished at 1,007 crores, we had given a revenue guidance of 1,250, I think.

Niraj Ganeriwal: 1,200 to 1,250.

Aditya Krishna: Yes, we had given a revenue guidance of 1,200 to 1,250. We'll still hold to that as of today because the pipeline looks good. If we need to restate it, we will do that at the end of second quarter.

Divya Bhansali: Okay. And sir, also when do you expect the demand environment to improve? And are you seeing any recovery in client spending currently?

Aditya Krishna: It's been a tough quarter, you know, and I don't see anything significantly improving in quarter 2. I wish I had an answer for you. I wish I had a more positive answer for you, but at this point, we're doing you know, putting in the maximum effort to not only build pipeline but to convert pipeline into revenue.

It's becoming tough, you know, but like I said earlier to Vikas's question, part of it is because we are staying away from the traditional tech services business of headcount, of staffing, of body shopping and deliberately moving towards more value-based, outcome-based managed services. That pain is going to, you know, is what is causing us, along with the industry headwinds. So, you know, I know I'm repeating myself, but you have to be patient. Numbers will come, growth will come, it won't happen overnight.

Divya Bhansali: Okay, okay. And so which vertical will drive growth in FY27 or onwards? Is it BFSI, emerging verticals, commerce or anything else?

Aditya Krishna: Out of the four verticals, three will drive growth. We are I think we are seeing the maximum headwinds in digital commerce. So emerging verticals will lead, then BFS and then logistics. We will, you will see growth in these three,verticals.

Divya Bhansali: Okay, sure. Thank you.

Moderator: Thank you, ma'am. The next question is from the line of Rahul Shah from Eternal Capital. Please proceed with your question.

Rahul Shah: Yes. Thank you. So, firstly thank you so much for the opportunity, sir, and yes. So, my questions were more on the employee cost side of it. So I've seen that you've added a Chief Growth Officer and a Business Unit Head for some of the verticals, and what is the pipeline generation that we can expect or deal conversion or client acquisition that we can expect directly from these hires?

And I know that overall the trend of employee cost has, so you are declining employees and the cost is going down, but with this, what is the -- what will be the additional employee cost that you will be incurring?

Aditya Krishna: We have repurposed some senior employees. When I say repurpose, we had some founders of a previously acquired companies who made their earnout and exited- that money or those costs we put into one, the Chief Growth Officer and the new head of that vertical, emerging verticals. So overall I don't see employee cost going up.

To answer your question on how much will the Chief Growth Officer add to pipeline and conversion, it will take some time, Rahul, because he's been with us only a month, but in one month, we have added one new client, significant client who is a, it's a logistics company, airline company, which is a big supplier to Amazon. So that's been added. And so Yes, good progress so far, early days, one month in the company.

Rahul Shah: Right. Got it. And on the employee count, so that has been on a decline since at least last two consecutive quarters, and most of this reduction I am assuming is in the on the technical side, so the technical employees and is this primarily a function of operational efficiency and AI-led productivity, or can we is there some other factors to it?

Aditya Krishna: Combination of two factors, Rahul, one is AI-driven productivity in engineering, AI-driven productivity in managed services, and second, very importantly, efficiency in our support operations. So for example, we are using AI agents for recruitment, we are not hiring people for recruitment, we are downsizing recruitment teams, we are using AI agents for that.

Same thing with invoicing, same thing with payables. So we are using agents for internal operations, that is helping us from an employee strength perspective. But on the delivery side, it is really AI-led engineering, and also remember that we are now pushing more towards outcome based and managed services, so the need for headcount just to add revenue is also getting decoupled. So all these three factors is what's contributing. And you will see that continuously. Hopefully you will see headcount flattening or reducing but revenue going up.

Rahul Shah: Correct. Got it. And one last thing, if I can just squeeze this one in, so the on the employee base, so once the growth reaccelerates and we can see more visibility on the demand side, what how would the employee base move? What are you expecting? So just to give you an idea, I'm more focused on the employee cost side of it, that is it.

Aditya Krishna: How will it go up in terms of what percentage or number, what's the question?

Rahul Shah: Yes, so the employee base as a number and the percentage of revenue, yes.

Aditya Krishna: I don't have an answer for you but all I can say is. Go ahead, Niraj

Niraj Ganeriwal: I think the simple answer over there Rahul is, today if you see almost 77% of our costs is between the employee costs and the contractors, subcontractors which we have. Give and take the impact of the appraisals which will come in the next quarter, this percentage should decline over a period of time, predominantly on the basis of two things, like we mentioned, you know, one is moving away from headcount based contracts to outcome based contracts and managed services, and two, the efficiency which the AI will bring in the engineering process. So I think percentage of overall employee and resource costs vis-a-vis revenue, we do expect it to decline in terms of percentage to revenue over a period of time. I hope that was your question.

Rahul Shah: Yes, that actually answered my question. Thank you so much, sir.

Niraj Ganeriwal: Okay.

Moderator: Thank you, sir. The next question is from the line of Vikas Srivastava from RBC Financial Services Private Limited. Please proceed with your question.

Vikas Srivastava: Aditya you mentioned there is a substantially higher, and you don't have the number, and we were at USD25 million, if you can give me a range, is it 30 million, 35 million, 40 million, where are we after one quarter? I'll not hold you to a very exact figure, just a range, where are we on? That was the first question.

Aditya Krishna: Vikas, the number is 28 million.

Vikas Srivastava: 28 million. Okay. And my next question was, on tail accounts, besides, you know, looking for new, you know, more outcome-based and, you know, shared services kind of contracts, are we also letting go of tail accounts, not bidding for them again, are we going are we doing that and are we doing that deliberately or we are still sticking with our whole revenues? Because there's pressure on revenue right now?

Aditya Krishna: No, we are letting them go, Vikas, because accounts that we don't feel have any potential to scale or we are in a situation where we are marginalized, we are just letting go.

Vikas Srivastava: So would it be possible for you to kind of quantify that in the last two quarters in terms of run rate, what is it that we actually what we call is voluntary attrition of clients? Would there be any method or any way you could give us some colour on, how much is it? In terms of voluntary attrition of clients and business?

Aditya Krishna: One lagged indicator is really the client concentration has gone down. Our top I think top five accounts have gone from 58% to 52%. Sorry, I don't, I might have the numbers wrong. What is the number?

Niraj Ganeriwal: The top 10 is 58 to 56.

Aditya Krishna: 58 to 56 is the top 10. So you will see client concentration go down, revenue is flat. So that's one plus, if you see our BFS revenue is the same in absolute terms between quarter four and quarter one. Okay, so which is not a bad sign.

We are trying to get rid of accounts, I don't have you know, it's difficult to give you in percentage terms because it's not that we have so many accounts that we have to put in percentage. I could say that between quarter four and quarter three, I can probably get you the number of accounts we have let go. I can send that to you.

Vikas Srivastava: Okay. That's it from me. Thank you.

Aditya Krishna: Thank you.

Moderator: Thank you, sir. The next question is from the line of Hitesh, an Individual Investor. Please proceed with your question.

Hitesh: Hello, am I audible?

Moderator: Yes, sir.

Hitesh: So just wanted to know, how are your top 10 clients behaving currently? And are they still cutting any discretionary spending or are budgets starting to normalize?

Aditya Krishna: Nothing is normalizing. Okay, there is tremendous disruption because of AI, there's tremendous disruption in the industry because of headwinds, competition. So nothing is normalizing, that's one thing I can give you a guarantee on. Do we see improvement? Yes, we will see improvement and tech services is not going anywhere.

To give you a perspective, for the last five, six, seven years, tech services has making money by moving customers from on-prem to cloud. Now, there is a move to move from cloud to on-prem. So this change in perspective or change in strategy with enterprise customers is likely to continue forever, which means tech services is not going anywhere. It's, here to stay.

Now, the successful companies, and that's where our focus is, are going to be ones that are going to use AI for productivity, for engineering, our two tracks that we are putting a lot of effort in building capabilities, training our people, skilling our people, reskilling our people is AI in engineering and AI in managed services.

So can I do product engineering using AI much more efficiently? And today rule of thumb is 30% to 50% I can be more efficient than I could before AI happened. You know, that's on engineering. Managed services, maybe not to that extent, but at least 20% to 30% efficiency is coming because of AI. So nothing is normalizing because of AI, nothing is normalizing because of headwinds, but I, I don't think there is a concern in the medium term of growth.

We will definitely grow in the medium term. We'll have a couple of quarters of difficulty as we transform and as some of our customers come back to spending, but they will come back to spending because their business depends on it.

Hitesh: And another question is, has, have we mapped any target.

Moderator: Sorry to interrupt Hitesh sir, your voice is very low. Can you speak a little louder?

Hitesh: Is it okay now?

Moderator: Yes, sir.

Hitesh: So just wanted to know, means what is our current target for reducing top 10 client concentration, which currently stands at 56%? Means have we mapped that anytime?

Aditya Krishna: No strategy to reduce. Right now any revenue that can come, it's welcome. So even if concentration goes up, I'm not concerned because it's top 10. It's not one customer which is causing so much concentration.

Hitesh: Yes, that's it from my end. Thank you.

Moderator: Thank you, sir. The next question is from the line of Dhruv, an Individual Investor. Please proceed with your question.

Dhruv: Hi. My question is, how much revenue are you currently generating from AI related projects and what can this contribute over the next 12 to 18 months?

Aditya Krishna: We don't break up our revenue into AI because every project that we do today has AI. Now, different companies look at it differently. If there is an element of AI, I'll say that's an AI project, that's an AI revenue. But AI is no longer a nice-to-have, it's a, must to have.

So whether it's managed services, whether it's engineering, whether it is any aspect, discovery, we use AI. Whether it's business requirement document, technical requirement documents, everything has AI. Even if we are doing a contract, we use AI for legal work. So short answer is we don't break it up.

Dhruv: Okay. And does AI project help you in increasing the wallet share with existing customers? And are you seeing any improvement in the deal size because of AI?

Aditya Krishna: Yes. Now, because of AI, we are able to bid for much larger projects because AI has levelled the field vis-a-vis smaller companies like us and the larger companies. So RFPs, proposals where we were normally not invited, now we are invited because of AI, and that bodes well for companies of our size because it helps us improve our pipeline and that's why you see our pipeline in a much better position than it was historically. So AI is considerably helping us improve our business.

Dhruv: Sure. Thank you. That's it from my end.

Moderator: Thank you, sir. The next question is from the line of Mayank from Ajanta Pharma Limited. Please proceed with your question. Mr. Mayank, your line has been unmuted.

Mayank: Yes, just a second. I have a question regarding, like, how much AI revenue is currently coming from the AI related services and what percentage could it become by financial year '28?

Aditya Krishna: I just answered that to the previous gentleman, I said we don't track AI revenue separately. Every aspect of our revenue has AI today built in, whether it's engineering, whether it's managed services. So it's difficult to give you an answer because we don't track it.

Moderator: Mayank sir?

Mayank: Yes, that is fine. That's fine. Thank you so much.

Moderator: Thank you, sir. The next question is from the line of Rohan Joshi, an Individual Investor. Please proceed with your question.

Rohan Joshi: Yes. Hi, sir. Am I audible?

Moderator: Yes, sir.

Aditya Krishna: Yes, Rohan.

Rohan Joshi: Yes, hi. Sir, my question was on the industry side of it. So like are the larger IT players moving down the deal size spectrum due to the deferred large enterprise spending and like is this resulting in increased competition for Saksoft or other smaller players which have been, which for which this was the addressable market before?

Aditya Krishna: Can you repeat the question, please?

Rohan Joshi: Yes, hi. Sir, my question was that are the larger IT players moving down the deal size spectrum due to the deferred large enterprise spending? And like is this resulting in the increased competition for players like Saksoft for which this market was addressable before?

Aditya Krishna: Competition, has gone up for sure, because larger companies are also competing for smaller deals. But vice versa is more relevant for us, deals where we were not present, we are now present because of AI. So I think at the bottom, you know, finally, if I was to summarize it, I think, no, not think, I'm sure that companies of our size are in a better position than the larger players, because the larger players might compete, but customers also realize that the attention that they will get from companies like Saksoft is much higher than they would get from a Tier 1 or a Tier 2.

Rohan Joshi: Okay, okay. And sir, as you talked about the AI, sir, just want to ask that, what proportion of the current AI engagements are production scale linked? And how much of that is pilot?

Aditya Krishna: Nothing is pilot, everything is in production. So every project that we do, every project, whether it is engineering, whether it is managed services, has a component of AI inbuilt. Some have much more, some have much less depending on the maturity and acceptability by customers, because finally, the LLM that you use, whether it's, you know, customer provided or provided by us, has to be approved by the customer so that it can be used in their environment. So LLMs determine, or the maturity of the customer determines the extent to which we use AI in projects.

Rohan Joshi: Okay, sir. And sir, for this AI led projects, like, what has been the trajectory for average ticket size? Like, how much by how much figure is it increasing? Just a ballpark idea.

Aditya Krishna: I can't understand what you're saying. Can you repeat the last part of your question?

Rohan Joshi: Yes, just wanted a ballpark idea of what is the like average ticket size for this AI led engagements and like what has been its trajectory through the years?

Aditya Krishna: For AI led work?

Rohan Joshi: Yes.

Aditya Krishna: We don't do anything which is only AI led work. Every project that we do, every work that we do has a component of AI built in. The only thing that I can -- that we offer which is pure AI is if there is a customer who wants to do an AI co-innovation lab. In which case we provide our AI trained resources who then work with the customer to find use cases to implement in customers' workflows.

That is the only thing which is pure AI, and it again depends on the maturity, and obviously this this example is an example of a customer who is at the low end of AI maturity.

Rohan Joshi: Okay, sir. Thank you, sir. Thank you so much.

Moderator: The next question is from the line of Sujal Patel, an Individual Investor. Please proceed with your question.

Sujal Patel: Hello, sir, thank you for the opportunity. I just want to ask that earlier you give the guidance of 14% to 15% revenue growth, but Q1 is kind of flat for us. So like how you are ,–planning to achieve long term guidance of 500 million in FY30. Can you share any light on that?

Aditya Krishna: I think somebody asked this question earlier also, in terms of guidance for this year, we had given a guidance of 1,200 to 1,250 crores vis-a-vis last year at 1,007 crores. As of today, we are sticking to that guidance which would mean about a 25% growth over previous year. So as of now, that's our focus is this year rather than look too much far ahead.

Sujal Patel: And I have one more question, like our international business, so like US is, you know, kind of our primary growth market. So should investors expect its revenue contribution to increase further, or it should be you know, be flatten or you know, if there are any other markets that company are exploring?

Aditya Krishna: Currently we get about 55% of our revenue from the US.

Niraj Ganeriwal: 52.

Aditya Krishna: 52% of our revenue from the US. You will see that growing, and our objective is to get that to at least 65% in the next two or three years.

Sujal Patel: Okay, and one more question. The number of clients, you know, between 1 million has remained now constant. So like, is there any growth going like as the number of clients are we going to add there, or any like, any you wanted to share light on that?

Aditya Krishna: We have 16 customers who are contributing 1 million plus, and the reason that's flat is because our revenues are flat. Once we start growing, both in terms of wallet share and in terms of top line, definitely these numbers of customers will grow.

Sujal Patel: Yes, that's it from my side. Thank you for the opportunity.

Moderator: Thank you, sir. As there are no further questions from the participants, I now hand the conference over to management for closing comments.

Aditya Krishna: Thank you for joining us today and for your continued interest in Saksoft. We appreciate your time and thoughtful questions, and we hope we have addressed your queries satisfactorily. Should you require any further information or clarification, please feel free to reach out to us or our investor relations advisors, Valorem Advisors. Thank you once again and have a great day.

Moderator: Thank you, sir. On behalf of Monarch Networth Capital Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.