# “Pelatro Limited

# Q2 & H1 FY27 Earnings Conference Call”

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**MODERATOR:** **MS. JANHAVI PATIL – ORIM CONNECT**

**Moderator:** Ladies and gentlemen, good day and welcome to Pelatro Limited Q2 and H1 FY27 Earnings Conference Call hosted by ORIM Connect. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all participants' 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Janhavi Patil from ORIM Connect. Thank you, and over to you, ma'am.

**Janhavi Patil:** Thank you. Good afternoon, everyone, and a warm welcome to all of you. I am Janhavi Patil from ORIM Connect, representing the investor relations team of Pelatro Limited. On behalf of the company, I would like to thank you all for joining us for the Q2 and H1 FY 2027 earnings con call. We are joined today by the company's senior management team, Mr. Subash Menon, who is Chairman, Managing Director, and Founder of Pelatro Limited, and Mr. Sharat Hegde, who is Chief Financial Officer. Thank you for taking the time and joining us today. I would like to hand over the call to Mr. Subash for his opening remarks. Thank you, and over to you, sir.

**Subash Menon:** Thanks, Janhavi. Good evening, everybody, and a very warm welcome to this investor call. Thank you very much right at the very outset for sparing your time and attending this call. As is our practice, we have a deck which is already on the website and has also been shared with NSE.

I presume all of you have been able to access that deck. We will go through each slide, and at the end of that, we will have a Q&A session. In order to have as much time as possible for the Q&A session, we will skip certain slides which are repetitive in nature, as compared to the past sessions, the calls in the past. Hope that is okay, and if you still need some clarity on those slides, please ask us during the Q&A part.

First of all, I would like to state that we have had a very good quarter and a very good half year, but that is not a surprise to us. We knew this would be the case given the momentum in the business, and we are quite pleased with what we are able to share with all of you at this point in time. The Estel acquisition also has started moving forward in the right direction.

As you all know, when we acquired it, there was hardly any pipeline, and the business was not growing at all. The first agenda item that we had was to improve the pipeline, and the next one was to improve the margins, and then to increase the revenue on the basis of the pipelines and new wins. The first agenda item is moving along very well. Our pipeline is good.

Things are moving fine. You will actually see the results of that in the future quarters. The increase in EBITDA is already seen. There may be some fluctuations from quarter to quarter, but the general direction will be an improvement in the EBITDA. With those opening remarks, I would like to start with the deck. The third slide of the deck is about the company. You already know these things. I'm skipping this one. The next slide is our global presence, where we are currently having customers, several countries, 35 odd countries. Moving forward to the business

overview section, I will let my colleague, Sharat, touch upon the numbers, and then I'll come back to you for some more details about the business. Over to you, Sharat.

**Sharat Hegde:** Thanks, SM. Good evening, everyone, and welcome to our conference call. To start with the numbers, we have actually given two slides this time to give results highlights, one for the quarter and one for the first half. The first slide talks about Q2 numbers. When we look at that, Q2 revenue has grown to INR41.4 crores from INR34 crores last year, same quarter, with a revenue growth of 21.6%.

EBITDA stood at INR10.14 crores for Q2 this year, at a margin of 24.5%. The corresponding number last year, Q2, was INR7.49 crores at a margin of 22%. So there has been both growth in the absolute number as well as the margin, as we can see here. The growth in EBITDA has been 35.3% year-on-year for Q2.

PAT, on the other hand, has grown by 53.5% to INR7.14 crores from INR4.65 crores last year, same quarter. The PAT margin too is increasing, so it's increased to 17.25% from 13.6% last year. EPS has grown to INR6.74 from INR4.44 last Q2. This is on the quarterly number slide.

The next slide gives us the half yearly numbers, so I'll touch upon that as well. For H1, the revenue grew by 34.4% year-on-year as compared to H1 last year. to INR81.62 crores from INR60.7 crores last year. EBITDA grew to INR18.27 crores from INR13.8 crores, and the PAT has also grown to INR12.57 crores from INR8.21 crore. The PAT growth is around 53% year-on-year.

The PAT margin too has been increasing, from 13.5% first half of last year to 15.4% this H1. EPS has grown naturally to INR11.86 from INR7.83. As can be seen from these numbers, the profit growth has been outpacing the revenue growth both at Q2 level as well as H1 level, which basically reaffirms the nonlinearity present in our business, which we have been highlighting for the past some time now.

The profit margins too are steadily expanding, as can be seen. While these are on the numbers at company level, the next slide gives us numbers at segment level. As you all know, we operate as two different divisions. One is the CVM division, which is the continuing business, and the Estel division, which we acquired last year.

So, on this, when we look at the overall contribution from both the divisions, INR65.77 crores of revenue has contributed by CVM division, while Estel contributed INR15.85 crore. CVM revenue has grown year-on-year by 22%, which was INR53.8 crores last year for H1. Estel division only started from Q2 last year, so the first half may not be a right comparison.

Apt would be to compare it year-on-year for Q2 numbers alone. So, when we look at Q2 numbers for Estel division, there has been a growth of almost 30% as compared to Q2 last year, which was INR6.9 crores, which is now INR9 crores plus . EBITDA contribution from CVM is INR15.07 crores at a margin of almost 23%, while Estel's contribution to EBITDA is INR3.2 crores at a margin of around 20%.

Estel's EBITDA margin too is increasing steadily, which is what we can see here, and we expect this margin, the Estel division's EBITDA margin also to reach the levels of CVM division in about 12 months from now. So, these are on the segmental numbers. The next slide gives us certain key financial ratios, which are basically return on net worth, return on capital employed, both of which are steadily growing and which is a healthy growth.

The debt-to-equity ratio has been sliding down naturally because, we have not been adding any debt. For H1, we did not add anything, and there hasn't been any significant addition as well. So, these are on the ratios. With this, we have touched upon all the financial numbers. Over to you, SM, on the rest of the slides.

**Subash Menon:** Thanks, Sharat.

**Sharat Hegde:** Yes.

**Subash Menon:** The next three slides essentially talk about the AI part of our work. Now, artificial intelligence, particularly understood as agentic AI or LLM, is a very, very critical portion of our business at this point in time, which is the case with many businesses, and the same with our business as well. We started looking at this quite early on.

We took the bull by the horns there, and we started deploying AI in two areas. One is on the feature functionality side of our product. So, various advanced AI capabilities have already been brought in, including LLM usage, agentic AI, and all that in our product already. But that's not the end of the road. There is much more to be done.

We have got a three-year roadmap at this point in time where several new capabilities, particularly leveraging AI technology, will be rolled out in our product to ensure that we maintain product leadership. The second aspect is with respect to using AI in our own development and testing and implementation and different areas.

There also, we have significantly deployed AI, different tools, and the result is seen in the growth of our headcount. In the past six months, I think our headcount grew only in single digits, like five, six people or something very less than 10 people. That was our total growth in headcount in six months, while business, as you have seen, has grown much more. How have we managed to do that?

Through the utilization, extensive utilization of AI in our daily operations, in our development and coding and all, I mean, coding and testing and all that kind of stuff. That's what we're talking about in these three slides. One is about the product features, and slide 12 talks about the impact of AI and LLM and all that in our software development.

When we use these capabilities, these AI technologies in our internal activities like coding and testing and implementation, what happens is, one, the time to market reduces significantly. Two, the quality improves because of the sheer volume we are able to handle by way of testing, for example. If something would take us, say, 25 days in the past, it would now take us probably three days. And with enhanced volume, it will probably take us five days still.

Time is saved, and there are more tests happening on the product before it is launched, before it is sent out. So, quality also gets better. On all fronts, we are actually riding the AI wave, we are riding the agentic AI and LLM wave. We are using that to our advantage in two key areas, which is where they matter. The next two slides are about our products. Slide 13 lists the products in the CVM division, and slide 14, that in the Estel division. These are old slides. I will wait for Q&A session if anybody wants any explanation about the products. The next couple of slides will be handled by my colleague before I come back. Over to you, Sharat.

**Sharat Hegde:** The next slide gives us our revenue model. This has been same for a while now, there hasn't been any change since past few years. The revenue model, as you can see, is basically split into the repeat and one-time revenue. Repeat revenue is further split into recurring and reoccurring. Recurring revenues are those which are contracted and which are recurring at fixed interval, while reoccurring revenue are basically change requests, which are customizations that the customers would need every now and then.

Recurring revenue further has monthly fixed license fee, AMC, and the managed services suite. Managed services suite basically contains IT operations, business planning, and business operations. This is on the repeat revenue side, and on the one-time revenue, it is basically the one-time license and any implementation relating that license. These are the revenue model items.

As we have been telling, a higher repeat revenue gives us a better revenue visibility, and as long as the repeat revenue is upwards 70%-75%, that is a very good indicator for the business. The next slide basically gives us the actual split of these various revenue components.

As we can see, the repeat revenue, that is recurring and reoccurring revenue put together, is around 94% for the first half, and the one-time is around 6%. This 94% could go up and down slightly depending on what kind of CRs or licenses we have for the period. However, we expect it to be upwards of 70%-75% every time, which is what is a good thing. Back to you, SM, on the rest of the slides.

**Subash Menon:** Now, it is about the number of customers. That is also a repeat slide. I will not spend time on that. That is slide 17. Slide 18 talks about the significant market opportunity that we have. We currently have about 10% market penetration with respect to the number of telcos that we are serving. We believe that with the current products that we have, we have an opportunity of something like INR12,000 crores to go after.

Currently, our penetration in the market is only about 1.3 products out of eight. We have got multiple levers here, sell more products, sell more services, go after more telcos. All of those will help us to grow in a very good manner in the coming years. The next slide is about our key strengths. This is also a repeat slide.

The kind of technology that we have, the patented technology that we are using, the ability to handle very high volume transactions, extremely large telcos whom we work with, all of that is helping us to gain over our competition and maintain that lead over the competition. This is why, in the CVM space, we are the largest player in Asia today.

Moving over to the investment rationale. I missed out one element, sorry, in the key strength. There is one small addition there. As a product company, we have to invest a lot in R&D. At this point in time, our investment in R&D is about 31% of the total expenses. If you look at the global standards, it is anywhere between 25% and 40%.

In global companies, when you look and you benchmark against them, you will see that they will fall in the 25%-40% range with respect to R&D spend as a percentage of total expenses. We are at 31%, so we are almost like in the middle i.e. we are in line with the global standard. The interesting thing is that not even one rupee of this is capitalized. Everything is expensed.

If we were to capitalize it, then we will have an even higher EBITDA, but that is not what we believe in. We think it should all be expensed, and so the entire thing is expensed at this point in time. That is 31% of the total expenses that you are seeing. The next slide, investment rationale. This is also an old slide.

We expect to see good growth in revenue. As we say, we are really on the leading edge of AI. We have got a fairly high barrier in our target market, which means that competition finds it difficult to enter. We have got good market penetration, but there is still a long way to go, and we will continue to do that. We have got very good visibility and predictability in our business.

In a nutshell, the rest are numbers. I am sure you have already gone through the financials, cash flow, balance sheet, and P&L, so we can get into Q&A shortly. Before we do that, I would like to once again repeat that on both sides, be it CVM or the Estel side, on both sides, we are absolutely performing in line with our expectation. Our pipeline is growing steadily for both divisions.

We are able to execute well and get revenues in the door. The margin, the profitability is improving, which means non-linearity is in operation in the business. We are able to control our headcount quite significantly by using technology, advanced technology. We are able to maintain a lead in our products and keep improving the level of our product, the features and functionalities, the capabilities of our product quite significantly once again with the latest technology.

I think we are doing well on all areas, and we are continuing to pull all levers with respect to more customers, more products in each customer, more services in each customer. On the whole, we are very, very happy with the way things are progressing, and we expect to see a similar progression in the coming quarters. With that, I would like to throw the floor open for questions at this point in time.

**Moderator:** Thank you very much. Ladies and gentlemen, we now begin the question-and-answer session. First question is from the line of Subramaniam from Economic Capital. Please go ahead.

**Subramaniam:** Hello, this is Subramaniam from Economic Capital. I have a question. Given 34.37% in H1 revenue growth against the company's baseline growth outlook of approximately 15%, what is the management outlook for FY 2027 in next two to three years?

**Subash Menon:** FY 2027 in the next two to three years? I didn't understand that. FY 2027 and the next two to three years, I presume.

**Subramaniam:** Yes, sorry.

**Subash Menon:** Yes, okay. First of all, we do not like to give forward-looking statements. We do not give guidance. However, we have just merely indicated that we are looking at least 15% growth every year. We are not comfortable to tell you what it would be in the next six months. You can go by the track record of the business in the past and what it would be in the next two, three years. My apologies, I am not able to share any more information other than what is there at this point in time. But I have stated that we will have good growth in the coming years as well.

**Subramaniam:** Okay. Following question. The company recently raised funds through the issuance of warrant. What could management elaborate on the key objective behind this fundraise, and the area proceeding are expected to be deployed?

**Subash Menon:** For the warrants, when we came out with the news, we had clearly mentioned what the application of those funds will be, so that will continue to be the case. Other than that, there is no further clarity which can be given at this point in time. So, whatever has been put out in the public market, that is what it is at this point in time.

**Subramaniam:** Okay. Last question, sir. Can management provide an indicative view of the cost of saving and EBITDA margin improvement expected by internal AI-led development initiative?

**Subash Menon:** It is difficult to say only from an AI perspective, but we have stated in the past that our target is to get to 30% EBITDA for the whole company. Not just for this division or that division, but for the whole company, 30% EBITDA is our target, and we hope to get there in the next couple of years.

**Subramaniam:** Okay. Sir, are AI agents, Co-Pilot, and Zero Touch Campaigning already generating incremental revenue, or should we consider FY 2027 as the beginning of the meaningful AI monetization?

**Subash Menon:** Co-Pilot and AI agents are already operational with some of our customers, and we are already getting revenues from that. Zero Touch Campaigning is not in the market as yet. We will be launching that next year.

**Subramaniam:** Okay. With the 100% of FY 2027 revenue contracted, what is the visibility of FY 2028 revenue, particularly from the existing customer renewal, new product development, and fresh customer additions?

**Subash Menon:** It is quite significant. I don't want to put a number to it at this point in time, but it is very, very significant, the visibility for FY 2028.

**Subramaniam:** What are the initiatives to bring extra EBITDA margin and CVM, and expect the convergence within the, let's say, six months?

**Subash Menon:** Various things. One is the general non-linearity in the business itself. I mean, in a product business, that's what happens. You develop once, you sell it to multiple customers and that automatically leads to non-linearity. The second is the AI utilization.

**Subramaniam:** Sir, with the average presence of 1.3 product per customer against the portfolio of eight products, what is the potential to increase revenue per customer?

**Subash Menon:** See, we are not giving you specific percentages or numbers, absolute numbers for increase in revenue per customer, but that is currently happening. What we will be targeting is increasing the number of products per customer as well. Currently 1.3. Over the next three to four years, my expectation is to get it to about 2.5 or so.

**Subramaniam:** Noted, sir. Noted.

**Subash Menon:** Thank you.

**Moderator:** Thank you. Participants, you may press star and one to ask a question. Ladies and gentlemen, you may press star and one to ask a question. Next question is from Nanufar Patel from EPC Capital. Please go ahead.

**Nanufar Patel:** Hello, sir. I have a question, receivable has increased to INR57 crore. Is this primarily due to business growth and unbilled revenue, or are there any delays in collections? What is the expected normalization timeline?

**Subash Menon:** Sharat, over to you.

**Sharat Hegde:** Yes. The revenue is a combination of both billed and unbilled revenue. The DSO currently stands somewhere around 126 - 127 days, mainly because, few of these revenues have been booked by end of the quarter or end of half year, which we are collecting in the subsequent months. We are collecting in October, November, et cetera. In our kind of business, the normal DSO is anywhere between 110-130. We are kind of within that range as of now.

**Nanufar Patel:** Okay, sir. One more question, sir. With increasing 5G adoption and digital payments, mobile data consumption, and I mean, demand for personalized customer experience, how does management see the opportunity for Pelatro's solution evolving? Could this industry trend become an additional growth catalyst?

**Subash Menon:** As I stated earlier, we are using AI quite extensively already, and that includes AI agents and Co-Pilot and all that kind of stuff. As the technology evolves, I believe that we will keep taking advantage of those technologies, and that will be to our advantage in the years to come as well.

**Nanufar Patel:** One more question, sir. Pelatro has a presence across multiple emerging markets, particularly in Africa, the Middle East, and Asia. Which geography currently offers the strongest business opportunities?

**Subash Menon:** We do have opportunities in pretty much all of them, but Africa and Middle East, primarily because we are not as present there as we are in Asia. Because of that, I would think at this point in time, that's where the biggest opportunity is.

**Nanufar Patel:** Okay, sir. Are there any plans to expand into new markets?

**Subash Menon:** Yes. We will continue to I mean, within Africa itself, there are lots of countries that we are looking at. But other than that, if you are talking about continents, we are present to some extent in Caribbean, and we are looking at Latin America as well. Sorry? Did you say something?

**Nanufar Patel:** No, nothing, sir.

**Subash Menon:** Yes. Okay.

**Nanufar Patel:** One last question I have is like.

**Subash Menon:** Yes.

**Nanufar Patel:** The presentation highlights an increase in total customers from 36 in 2024 to 46 in 2025. What is the company's current customer acquisition pipeline, and how many new customer additions or network deployments are targeted over the next 12-18 months?

**Subash Menon:** On an annual basis, we typically have about four or five new customers coming in. This growth that you're seeing is because of the acquisition of Estel as well. On an organic basis, it's about four or five new customers every year.

**Nanufar Patel:** Okay, sir. Thank you.

**Moderator:** Thank you. Participants, you may press star and one to ask a question. Ladies and gentlemen, you may press star and one to ask a question. Anyone who wishes to ask a question may press star and one. As there are no further questions, I'll now hand the conference over to the management for closing comments.

**Subash Menon:** Once again, thanks everybody for attending the call. Really appreciate that. You can look forward to a continuation of our growth in, apart from revenue increase, in EBITDA margin and continuing investment in R&D, leading to a continuing leadership in the product categories that we operate in. We look forward to similar times or even better times in the future. Thanks, everybody. Thank you very much.

**Moderator:** Thank you very much.

**Management:** Thank you.

**Moderator:** Thank you. On behalf of ORIM Connect, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.