

Date: February 12, 2026

To
BSE Limited
Listing Department
Phiroze Jeejeebhoy Towers, Dalal
Street Fort, Mumbai -400001
Scrip Code: 544614

To,
National Stock Exchange of India Limited
Listing Department
Exchange Plaza , Bandra Kurla Complex
Bandra (East), Mumbai -4000051
Symbol: CAPILLARY

Dear Sir/Madam

Subject: Announcement under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript - Earnings Call - Financial Results for the quarter and nine months ended December 31, 2025.

Pursuant to Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("SEBI Listing Regulations"), please find enclosed herewith the transcript of the earnings conference call with analysts and investors held on Friday, February 06, 2026.

The said transcript is also being made available on the website of the Company and can be accessed at the following link: <https://www.capillarytech.com/investors/finances-and-reports/investor-overview/transcripts/>

We request you to take the above information on records.

Yours faithfully,

For Capillary Technologies India Limited

Gireddy Bhargavi Reddy
Company Secretary and Compliance Officer
Membership No. A17091
Place: Bengaluru

Capillary Technologies India Limited

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“Capillary Technologies India Limited
Q3 FY26 Earnings Conference Call”

February 06, 2026



MANAGEMENT: **MR. ANEESH REDDY BODDU – FOUNDER, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CAPILLARY TECHNOLOGIES INDIA LIMITED**
MR. ANANT CHOUBEY – EXECUTIVE DIRECTOR, CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER – CAPILLARY TECHNOLOGIES INDIA LIMITED
MR. SUNIL JAIN – HEAD OF CORPORATE DEVELOPMENT – CAPILLARY TECHNOLOGIES INDIA LIMITED

MODERATOR: **MR. RISHI JHUNJHUNWALA – IIFL CAPITAL**

Moderator: Good evening everyone. We welcome you all to Capillary Technologies India Limited Earnings Call to discuss the Q3 FY26 Financial Results. Please note that a copy of the disclosure is available on the investor section of the website as well as the stock exchange. Please also note that anything said on this call which reflects the outlook for the future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risk that the company faces.

Now, I shall hand over the call to Mr. Rishi Jhunjhunwala from IIFL Capital to take this forward. Over to you Rishi.

Rishi Jhunjhunwala: Thanks a lot, Kanav. Hello and good evening everyone. On behalf of IIFL Capital, I welcome you all for the Q3 FY26 earnings call of Capillary Technologies. To give you some in-depth understanding of the company and answer all your queries regarding the results, we have with us from the management side Mr. Aneesh Reddy Boddu, Founder, Managing Director and CEO; Mr. Anant Choubey, Executive Director, CFO and COO; and Mr. Sunil Jain, Head of Corporate Development. With that, I would hand over the call to Aneesh to take you guys through the presentation. Thank you and over to you, Aneesh.

Aneesh Reddy: Thanks Rishi. Thanks everyone for joining us today for our first earnings call and thanks for the support during the IPO and the months since then. I thought it'd be good to start today with a quick introduction on the business for some of the newer folks who are joining on call. As Capillary, we play in the loyalty and customer engagement space. We are global leaders at what we do. So what is loyalty?

Loyalty is typically any kind of a long-term customer retention type mechanism. So for example, Indigo is a customer of ours. If you've flown Indigo recently, you know, they ask you if you've signed up for BluChip and they welcome BluChip members on the flight before it takes off. You earn BluChips and then you can redeem them for your next flight and things like that.

So any kind of a long-term retention mechanic where there is an earn and then there's a burn, there's all kinds of tiers and rewards and things like that, that's typically loyalty. And what we have is a platform that helps large enterprises globally run their loyalty programs. It's a fully cloud-native solution, a lot of AI in the stack there.

The way we monetize is it's long-term subscription contracts, usually three, five, seven years annual subscriptions that customers sign up for and typically linked to number of customers on the platform or number of members in the loyalty program or number of loyalty transactions that are coming to us.

So we're fairly well-regarded by all analysts in the space, whether it's a Forrester, a Gartner or you know, Everest or any of them. Some clients that might for good recall are Aditya Birla Group, Abbott, Asics, Metro Cash & Carry. Some of these are global. Abbott and Metro are across, Abbott is across 15 countries, Metro is across Europe. So in terms of presence of the company, we today work with about 410 brands, about 115 odd customers, 20 of them are Fortune 500 customers.

Lots of scale on the platform, about 1.8 billion consumer profiles on the platform for the customers that work for us. Very, very high uptime, five nines. It's very enterprise class. Customers across about 47 countries. We're a total of about 700 folks across 16 global offices.

Moving ahead, I thought it'd be good to spend some time on this. This is the latest Forrester Wave that came out in December of 2025. As you know, Forrester is the leading analyst on the marketing technology side. As you can see, as Capillary, we are positioned right at the top. We are the highest rated amongst the top 14-15 vendors, both on the strength of our current offering as well as the strength of strategy on what we want to build and some of that.

Now again, the way Forrester does this evaluation is they typically go to their CMOs every 18 months, figure out what are the criteria that CMOs are looking for on the loyalty management side. This time they had 27 criteria, last time they had 28. And in those 27, they typically give you a score of 1, 3 or 5. 3 is if you are at par, 5 is if you are better than market and if some customers are willing to say that, you know, you're actually better than market. And 1 is if you are subpar.

So if you look at the ratings this time, for 22 out of the 27 criteria we had a 5 on 5. What they also talk about in the deeper brief, there's almost a page about us, it's a very detailed report in that sense. They talk about our AI-first approach. They talk about our aiRA and some of that stuff being way ahead of what the rest of the market is at.

You know, they talk about of course the five nine uptime, very high security and privacy pieces, the enterprise-grade tech stack that we have. And finally, I think in terms of customer reviews and stuff, the 5 on 5 score in 22 criteria as we spoke is also reflected in the Customer Favourite designation in what Forrester has put out there. Now why is this important?

So typically if you're a Fortune 2000 CMO in US or Europe, you typically tend to have a Forrester or a Gartner subscription and before you want to do anything, you typically go look at the report or call an analyst and you know, tell them that look, we are thinking of reviving our platform or getting to a new platform or changing something on loyalty, who should we talk to?

So this gives you a direct access into some of these very large enterprise conversations. Moving forward, just a minute on the products and what we do. We basically help brands stay connected with their customers, have a long-term loyalty and retention mechanic. In short, we help them stay consumer ready as the consumer goes through their journeys.

So our main product is the Loyalty stack. A good majority of our revenues come from the Loyalty stack. This is where we are best-of-breed, as you saw on the Forrester Wave. The rest of the products, Engage, Insights and Rewards are more extensions of the Loyalty stack. Typically, customers buy our loyalty product and then they buy these as additional products, adds to our net retention rate, adds to our stickiness.

And finally, we have an AI product which runs across all our products, we call it aiRA, short for AI-powered Research Assistant. Helps you do a bunch of things, I'll cover a little bit more about that in a slide ahead. What we tend to do is our product also acts as like the single source of truth for a lot of the customer data.

So we end up integrating with all the various parts of wherever there's a customer touchpoint, could be a POS, could be an e-commerce, could be mobile apps, a lot of kiosks if you are a QSR type play, etc. wherever there's customer data, could be customer NPS, and get all of that data in one place. So that's one part of the use case. Although we don't monetize the CDP as much, it's just the base platform on which the whole product is based. That's on the product.

Moving forward, you know, we spoke about this part in our RHP and DRHP filing. I just wanted to very quickly touch on what drives growth and what drives profitability for us. There's really three axes of growth for the business. The first and most profitable one is net retention rate. So which is how much are our existing customers expanding on the platform?

So if you take the recent results, our NRR for the entire business has been 111%. If you look at, again, the split of this 111%, 115% just the organic customers, which is customers who are on the Capillary platform and not on platforms where we've acquired and we're migrating them over. That set is today at 115% organic expansion.

Again, how does that organic expansion come? Really, three levers. The first is platform overages, you use more than what you've been put in the contract for, you pay us additionally per transaction or per member. There's an inflationary clause where every year you pay us a few percentage points more on the base fee itself. That's the first NRR expansion piece.

The second is typically customers start with a certain version of the loyalty platform and keep upgrading as they need more or, you know, they end up buying the Engage+ stack or the Insights+ stack or aiRA or something. So that's the second.

Third is, as you saw, a lot of our customers are large conglomerates or large multinationals and they tend to take us from one country to the next, or if they're working with X number of brands, they add one more brand and that adds to, that's the category third of our expansion. This -we've seen good organic NRR.

On the inorganic NRR, what typically happens is as we migrate customers from what we have bought, the platform we've bought onto our platform, we tend to give them a discount or some of them decide not to migrate. So that's the 96% NRR. But what this also leads to is as they migrate, it improves margins, which is the intent of doing this.

The second axis of growth for us is new customer wins. So through the first nine months, we've added 12 customers, we've added three in the last quarter. So if you look at new order book in that sense, we've added INR 66 crores of new order book over the 9-month period. That compares to about INR 53 crores in the same period last year, so there's a good growth on the new order book side as well.

The third axis of growth is the M&A machine. Again to remind everyone, we buy competitors out. So basically, why do we do this? A lot of the very large enterprises already have some kind of a provider or a platform that they use and it's a very sticky product because like I showed you earlier, there are many integrations.

We are very like there's on an average there's about 9 integrations in a customer and hence even if they want to move to a better product, there's sometimes this question of is it worth changing all those integrations? So what we've done is we say let's go buy some of these competitors at 0.5x to 1.5x revenue and migrate those customers over ourselves. So we take the task of migrating them over. And that's been a very good growth engine.

We did our fourth acquisition this year in Kognitiv back in May. We also have a couple of other letters of intent on the M&A side that we have in the market right now. So, that's the third axis of growth.

Moving to profitability, again, three big levers for profitability for us. The first is NRR-linked margin expansion. So as our existing customers grow, their cost doesn't grow as much, right? So the gross margins really so if you look at even this, through the first 9 months, we've had about 1.5% increase in gross margins in the business.

The second axis of growth for us is about 60% of our cost are not linked to revenue. So this is technology cost, sales and marketing, corporate cost which sit below the gross margin. And these don't grow at the pace of revenue, right? So for example, if you take the first nine months, our revenues grew at 22% but our non-COGS cost grew only at 11%. So there's leverage in that business that you so as we keep scaling, this part, the 60% of our cost will not grow at the same pace as our revenue does.

So the third axis of growth for us is, like I said, migrating customers that we've bought through the M&A over to our platform. Why do we do this? Really, two reasons. First is most of these customers that most of these companies that we buy typically tend to be low margin services heavy companies at typically a 30% gross margin while the Capillary platform is more at 69%-70% gross margin, so you directly see a good gross margin bump when you migrate.

The second is the below gross margin cost, because it's a common tech platform etc. also as you sunset those platforms, you tend to see some leverage come out there. Like for example, the last quarter we got done with the Brierley, which was one of the companies that we bought in 2023 had two platforms, so one of those platforms is fully sunset now.

So that's typically this additional cash that gets generated from improved gross margins and not having the technology team or some of that, means that it generates extra cash which enable us to pay off this half to 1.5x revenue that we pay for these acquisitions in a 4 to 5 year period, thereby also making them very high ROC buys in that sense.

Moving forward, just spending a couple of minutes on the innovation piece. There's really five key layers to our product innovation piece. The first is AI. We'll talk a little bit more about it on the next slide as well. I think we're one of the most advanced AI users on the platform. A lot of agentic as well as, machine learning type use cases for forecasting, etc. that are there in the platform.

What we've also done very nicely, moving to the second one is we've said why do you need UIs in a platform? So we'll show you some of that. So a lot of the aiRA stuff is actually very conversational. So instead of going, learning our platform, a lot of no-code workflows, just type

in simple English analytics questions or run this campaign for me and the platform will go do it. That's the second part.

The third is more and more we seeing that, especially the newer generation of consumers want to go beyond points and coupons and things like that. So much more experience-based badges, rewards, streaks, milestones, things like that which is more gamification led stuff. That's a good part of why we win a lot of new customers from old agencies, clunky tech stacks which aren't able to keep up with some of this.

Finally, like we spoke, a lot of focus on making migrations, integrations easy because that's the big pain point in most customers when they want to move on a platform. What we've also done is spent a lot of time on verticals. So it's easy for you to on board the next airline or easy for you to on board the next hotel or on board the next healthcare player.

Finally, we work with very, very large enterprises, two of the Fortune 10, 20 of the Fortune 500, and for them, like enterprise class governance or privacy, etc. are very core, so we spend quite a bit of effort on making sure we're as good as the best software platforms available globally on these topics.

So with that, moving to the AI pieces, I'd strongly encourage you to get onto our website, look at some of the demos of aiRA. What we basically done is, there's the workflow pieces and the intelligence pieces that are really getting turbo charged with what AI is doing and that's what we've done here.

We've basically said, instead of having an analyst or a where you use an analytics company and outsource all your analytics to there, the first part of it is saying you ask a question and we will tell you, that is the software itself will tell you the intelligence.

So we kind of going beyond the usual system of record or the transaction system that we used to be and trying to get some of these analytics type use cases onto us. Similarly on running campaigns, running promotions. As you know, Engage+ is not a very large part of our revenue, but this is kind of our wedge into marketing automation, saying look, all the data is already here, you could just in plain English ask it to run a promotion or ask it to run a campaign.

Similarly, a lot of customer support use cases where instead of, there's an API, you send us the question and it automatically replies. You don't need an agent a human agent to sit and solve some of these, right? So that's on the AI side. With that, Anant, over to you on the numbers.

Anant Choubey:

Hello everyone, good evening. So here is a quick view of our Q3 and nine months results. So for Q3, company did revenue of about INR 184 crores, which is at a 16% year-on-year growth versus Q3 FY25. The revenue for the nine months period for FY26 is at about INR 543 crores, which is at about 22% year-on-year growth versus same time last year. In terms of adjusted EBITDA, for Q3 we saw INR 30 crores of adjusted EBITDA, which is about 24% year-on-year growth.

And the same number for nine months period is INR 71 crores at about 53% growth. In terms of PAT, the PAT is at about INR 8 crores, which is about 4% of revenue. And for the nine months

period, the PAT stands at about INR9 crores, which is 2%. In terms of the key revenue metrics, the way to look at our business, the very first metric to look at is net retention revenue. And for the trailing twelve months period for December 2025, the NRR has been 111%.

If we break this down into organic and inorganic business, the organic business NRR is at 115%. And at this number, Capillary would be in the top 10 percentile of the global SaaS companies. It's a very healthy place to be in. For the inorganic business, as Aneesh was talking, we see some contraction as we migrate customers over to Capillary platform, so we saw an NRR of about 96% on the inorganic business.

Another KPI to look at is annual recurring revenue. Given we sign long-term recurring contracts with the customers, the trajectory for the business becomes very visible by ARR. So for the nine months FY26, the ARR has grown by 21% over March 2025.

Moving ahead, on the profitability metric, for the Q3 FY26 we saw adjusted EBITDA of INR 30 crores, which is about 16.4%. And for the same time last year, the adjusted EBITDA was INR 24 crores at about 15.3%. For PAT, for Q3 FY26, we saw PAT of INR8 crores, which is about 4.3% compared to same time last year, it is a decline from INR 11.4 crores. To explain this decline, this year in Q3 we had two one-time costs.

As you would be aware, there has been a change in the Direct Labour Code, which has resulted in a higher one-time gratuity expense that the impact of that we have taken in Q3, that's about INR 1.6 crores. And we had IPO expenses of about INR2 crores. If we normalize our PAT for these two one-time expenses, the PAT for Q3 FY26 is flat to Q3 FY25.

The same metric for nine months period, the adjusted EBITDA stands at about INR 71 crores at about 13% compared to INR 46 crores, which is at about 10.5%. And PAT stands at about INR 9 crores at about 1.7% for the nine months period compared to negligible number for last year at about 0.3%.

This is a slide which explains the bridge from adjusted EBITDA to PAT. The business for Q3 FY26 delivered adjusted EBITDA of INR30 crores, while PAT is at about INR 8 crores. Now the big part of this difference actually comes from depreciation and amortization, which is about INR 19 crores.

And if we compare these numbers from same time last year, you'd see that same time last year we had tax credits and now that India standalone business is also profitable, we have started seeing tax expense compared to tax credits in the past. From comparison from Q3 FY25, the finance cost as well as the finance income has reduced.

And ESOP cost has seen a marginal increase of about INR 1.5 crores. This is over INR 88 crores of salary expenses is about 1%-1.5%, so a marginal increase over there. The depreciation and amortization has increased from about INR 13 crores a quarter to about INR 19 crores and this is largely on back of the acquisition that we did earlier this year, we acquired company called Kognitiv in May this year, which has led to increase in the depreciation and amortization.

The other factor to look at is our closing cash balance for the quarter has been INR 463 crores. And if we look at our nine months operating cash flow, it stands at about INR 101 crores. Now the business generates lot more cash. So a good factor to look at over here would be nine months operating cash flow as compared to the nine months adjusted EBITDA of about INR 71 crores. So that ratio stands at about 142%.

Now this number is higher in certain quarters and lower in certain quarters, but Capillary as a business generates more cash and typically a 105 to 110 is what we see on a sustainable basis. A number of INR 142 crores is an anomaly which has happened on back of higher collections. With that, we come to the end of the presentation. Happy to open it for Q&A.

Moderator: So first question is from the line of Rishi Jhunjhunwala from IIFL Capital. Rishi, please go ahead.

Rishi Jhunjhunwala: Three questions from my side. Firstly, you know, Aneesh, what will be helpful is to just get some color around the noise that we are seeing or hearing on the last one week on AI, right? I mean, there is a plugin release from Anthropic, there is a lot of concern around software and SaaS firms globally and how those businesses can be disrupted?

So it would be great to just get your perspective on how do we see that in the overall scheme of things and whether in any way or form our offerings can potentially get either impacted or augmented by some of the developments that are happening there?

Aneesh Reddy: Right. Yes, Rishi, I think it's been a fairly interesting week in terms of AI and all of that. I think slightly nuanced answer here. If you ask me, I think all enterprise software is not equal. So I would break enterprise software into really three big buckets. So one is like a system of record or a transaction system, So something like a core ERP or a core loyalty platform or a core POS, right, a billing system, things like that, where they're actually like systems of record where, you know, I think the not much of like you can move from one system of record to the next, but you still need a system of record.

So and then you have another enterprise software system which is like a workflow, right? Which is you're getting customer tickets, you're answering them. So it's like a workflow type thing, which is let's call it a system of engagement or a system of workflow or system of engagement. And third is a system of intelligence, right? Which is like all kinds of analytics software's or things like a Snowflake, Databricks, etc., where the primary use case is to say look, I will do my analytics on top of it, I'll do my intelligence on top of it.

And what's happening with AI is really I think the second bucket, which is the system of engagement and the system of intelligence are definitely seeing the most amount of, are seeing radical change. Now and as you can see, in a system of workflow humans are getting replaced with agents. In a similarly in a system of intelligence, again, you know, if there was someone working on data and pulling it out and doing some analytics, etc., that's again getting replaced by agents, right?

So in our case, we tend to be more a system of record and a transaction system in that sense, right? So we sit a little bit away. But it provides us an opportunity to enter into these two other

spaces, which is the system of engagement and the system of intelligence, which is where we are kind of focusing our aiRA stuff on, saying look, instead of a customer going to usually having an analytics agency or having analysts pulling out reports.

Why can't aiRA do it or instead of having someone to run your campaigns for you, just plain simple English, why can't aiRA run it, right? So that's the approach we've taken. So I feel we're fairly isolated from what's happening there. In fact, some of our more recent wins in the US which have been from agencies, customers who used to use an agency like, I don't want to name any agencies.

But and moving over to us, have been because our AI stuff ensures that they don't need as many delivery people, they don't need as many analytics folks, right? And most of these agencies bill for analytics people and delivery people, which is the advantage. The second thing on us is look, I think also the change on the AI side is happening faster in the SMB, in the small and medium business space than in the enterprise space because in enterprise there's inherently a lot of integrations, a lot of complexity, a lot of corner cases which are not easy to replace. So again, as you know, 97% of our revenues come from very large enterprise customers, so we kind of I'd say in a better position there. And finally, where we seeing most amount of disruption on the AI side is if you have a seat-based pricing. That you have a call center and there are 50 call center agents or sales guys and my pricing is like USD 65 per salesperson, right, like a CRMish type use case. In our case, our pricing as I said is linked to number of transactions or number of customers or number of members, right? So slightly more outcome linked. And that again insulates us from any of these seat-based pricing shocks that you're now seeing in a lot of these seat-based pricing type software players.

Also we believe that unlike what came up with Anthropic and the Claude work, Claude Coworker, where it was a very broad use case around legal or a very broad use case around accounting or investment analysis, loyalty is very niche, right? So I think there's also a lot of very proprietary data that ends up getting generated in a loyalty stack. So I feel we're fairly insulated from, you know, in that sense as well. I hope I answered your question on that, Rishi.

Rishi Jhunjunwala:

Yes, thanks, Aneesh. The second question is on again another concern or noise around what is happening in US healthcare payer space. There have been announcement around lack of increase in rates, some payer companies are facing a lot of pressure in terms of profitability and that is reflected in the stock prices.

Given that you also catered to one of the large US healthcare payer and that's one of the top five clients for you. Can you give some colour in terms of if that impacts you at all and how do we think about growth in that account as well as top five in the coming year?

Aneesh Reddy:

Right, so I think that's a great question, Rishi. So first of all, we don't have any exposure to the Medicare and the Medicare books of business. So what we do is more for the direct payer which is the employer or for insurance type use case. So and hence we've not seen the impact of what's happening on the Medicare side. In fact we had some major go-lives. Healthcare is usually a 1-1, 1st of January cycle.

Most insurances switch on that day. So we've had some major go-lives happen on the 1st of January this year, which means that our member base for this specific customer actually gone up by roughly 50%. So there's a good bump up on number of members and the revenue that will we'll see in through CY26. We similarly, I think our NRR motions are in a pretty good place, so hopefully you will see good NRR playing out on the organic platform side even through the coming years.

Rishi Jhunjhunwala: Got it. Thank you. And maybe one question for Anant. So while we have seen EBITDA margin expansion year-on-year, there seems to be a sharper increase in our D&A expense and as a result EBIT margins have not necessarily expanded at the same pace. Can you elaborate how much of that is driven by amortizable intangibles coming from acquisition versus a tech and other cost that we generally capitalize?

Anant Choubey: I think that's a great question. Our D&A for as in if I compare this from Q3 last year versus Q3 this year has gone from about INR 13 crores to about INR 19 crores. Majority of this increase is actually coming in from the acquisition that we did in May this year. We acquired company called Kognitiv. And that's those acquisitions basically then lead to higher D&A. And given the acquisitive nature of the business, that's what we have continued to see in the business, majority of it is coming from Kognitiv.

Rishi Jhunjhunwala: Got it. Thank you and all the best.

Moderator: Thank you. So the next question is from the line of Srinivasu K. Srinivasu you can unmute yourself and ask your question and also tell us your organization name.

Srinivasu K: Thanks for the opportunity and congratulations for the great set of numbers. My first question is you mentioned that most customers start with the loyalty stack and then gradually adopt to rewards, insights and AI over time. So could you tell us how a typical five-year customer journey how it starts and how actually you're converting them into NRR, how it is changing with current AI developments?

Aneesh Reddy: Right. That's a great question again. So typically Srinivasu most of our customers are these very large Fortune 2,000 type companies, so they tend to run an RFP. So there's a full at least a six-month RFP process where they go to someone like a Gartner or a Forrester or to one of these loyalty consulting firms or a Deloitte or someone like that and basically go and get a list of who should they invite for the RFP.

There it's a very detailed RFP, RFI, lots of demos, there's a good negotiation that happens at the end, sometimes there's a POC and you then sign someone up. So you then decide on a vendor. So it's a fairly detailed evaluation process that you go through where, while the Forrester Wave acts as the thing of saying what are the features they should test you on, people have their own requirements so there's a very deep.

Now typically once you sign someone up, it takes anything between I'd say 3 months to 6-7 months to go live. And that's actually very fast in a loyalty context, usually people take like two years with some of our competitors. And like I mentioned, our pricing is typically linked to number of users, number of members on the platform or number of transactions that hit us.

So when you go live, you typically launch the program and so the number of members that are on the platform keep increasing every year or the number of transactions that keep coming to us keep growing at about 3%, 4%, 5% every year. So that's the first set of NRR increase that you see between year 1 and year 2.

Then what typically happens is customers launch a program then they say look, we want to do badges, we want to do rewards, we want to do like a journey for our customers or we want to use the Engage stack or some of that. That's the second axis. So usually again, this would typically happen a year down and we had some good examples in the in the DRHP, RHP about customers who have grown significantly with us over the years.

So if you look at our numbers we've over the last many years demonstrated a 115% to 121% type NRR delivery on the system. So with AI what's happening is it's getting us into like we've never done like analytics. Insights is more a dash boarding tool there that we have, but we've never done like analysis on a specific problem that you have.

So with aiRA, I think we're able to get into that, we've seen some of our very large customers, we really love what they're able to do with aiRA. So we quite excited about that. Similarly in a lot of cases our customers have like a third party who uses our software to run their campaigns and things like that.

So we seeing some use cases there where you might not need as many people to run campaigns and like you'll hear a lot that people use SAP for a large enterprise. So you have delivery people using and similarly we have people using our software. So some of that is also an opportunity for us, really tapping into this salary TAM for workflow and intelligence in some senses. Hopefully that will play into the NRR over the next few years. I hope I could answer that for you.

Srinivasu K: Yes, thanks for answering that. My next question is your Forrester Wave report says highest on both current offerings as well as strategy. So is it actually translating to win more deals against global majors?

Aneesh Reddy: I think this year we've had a like I said our new order book has gone up from INR 53 crores to like INR 66 crores in the same period of the 9 months. So unlike a lot of the other folks where you're hearing about like new business slowing down, we are not seeing that as much. So there's definitely a positive impact of leads and some of these conversations that we seeing. And traditionally Forrester is a really top-of-the-class analyst and a lot of the very large Fortune 50, 100, 500 customers take them very, very seriously. So it'll definitely help.

Srinivasu K: Thank you. And my last question is, in your initial remarks when you talked about your AI capabilities, you said your aiRA let clients ask questions, even it can handle support, setup .So that effectively actually taking over a lot of what agencies used to do. So can you share how much of your current install base is actively using this AI kind of workflows and do you intend to monetize this separately or is it actually planning to upsell to the existing customers?

Aneesh Reddy: No, we will obviously monetize this actively, but we'll stay in the loyalty space only. I mean the idea is not to monetize any of this outside. Today, as you can understand AI is fast developing.

So a lot of these are and we've taken the approach with aiRA to say we will first give the first three months as a free pilot.

So customers start using it, start seeing the value and at the end of three months you then start charging them for it. So we now actually in conversations with a few of our first few POCs to actually start billing them for an annual license linked to number of usage and things like that. It's still early days I would say, but we at least have out of our 115 customers today we at least have 10 or 15 who are in a POC or a post-POC type place with aiRA now.

Srinivasu K: Yes. Thanks for answering that. Best of luck for Q4 and next couple of years.

Aneesh Reddy: Thanks Srinivasu.

Moderator: The next question is from the line of Hiral Sanghavi. Please tell us your organization name and go ahead.

Hiral Sanghavi: Yes, I am from Pioneer Investcorp and my question is, I would like to understand the Capillary's loyalty platform business model. So, specifically, are these revenue being monetized from subscription-led or GMV-linked model?

Aneesh Reddy: It's a subscription-led model, Hiral. So typically customers sign up with us for 3, 5, more years sometimes. And it's an annual recurring subscription fee that you pay us. So it's typically there's a minimum amount that you'll at least pay us linked to, let's say, a X million transactions or X million members in the program.

And as you get beyond that number, let's say, it's 5 million members which is we charging you half a million for, just making these numbers up. Once you get beyond that 5 million members, you again pay us additionally per member. So it's not a GMV model at all. We don't have any parts of the business which is a GMV like model. So and it reflects in our gross margins as well, our gross margins are around the 69%-70% now. So it is a high gross margin software business in that sense.

Hiral Sanghavi: All right. Thank you so much. All the best.

Aneesh Reddy: Thank you.

Moderator: Thanks, Hiral. The next question is from Nikhil Choudhary. Please tell us your organization name and go ahead.

Nikhil Choudhary: Yes. Thank you so much for giving me the opportunity. So I actually had a follow on to the probably the first participant's question where you answered that we are actually a system of record. So I just wanted to understand if, what if an enterprise actually adopts a maybe an Claude-style agents inside their CRM or data with actually the direct access to the customer history which we actually have. So what actually must retain with actually us so as to remain the system of record?

Like, I'm just trying to understand how are we a system of record because I used to always understand system of record actually is usually where probably there is like say payroll or

probably maybe an accounting transaction where probably an audit is essential. So just wanted to understand how are we a system of record here?

Aneesh Reddy:

Perfect. So Nikhil, the entire ledger for all the earn and burn, how many points you've earned, how many points you've redeemed, how many have expired, how many promotion points, bonus points, just making an example, that entire ledger like a bank ends up sitting on our side.

So and that's typically how you would look at a not only this, even for the customer data. Like I said, for a lot of our customers we end up integrating into their various customer touchpoints and even the customer profile, like we spoke about those 1.8 billion consumer profiles.

Other than probably 1 out of the 115 in everyone else that customer profile also is kind of built on us and sits with us, right? So that's the - like that's typically how you would look at a system of record like. Did I answer that for you?

Nikhil Choudhary:

Yes, so I'm just trying to visualize because all this is actually new for us also, we are also trying to comprehend. So because I while you came with an IPO I understood that probably you are a very like difficult with the switching cost in our business is very high. So I'm just trying to connect with probably the current scheme of things how will it impact us and that is why actually I had also the similar question. So yes probably- so basically, you mean to say that we have an explicit ownership of the loyalty points ledger or probably the maybe the qualification logic or something like that?

Aneesh Reddy:

So actually the logic, the logic is defined on our platform. We calculate how many points, rewards, cashback, whatever you're getting, the redemption also sits on our platform, the expiry also sits on our platform. So all of that, the calculation and the, you know, the actual storing of all that data. In fact a lot of our customers audit the system every X years.

So, it's again like you said, there's a full audit angle to it. There is all of that. Like, it's think of it like any bank ledger. Yes. And it's like actual currency, right? So there's like a lot of our programs are like INR 1,000 crores of currency sitting in our platform. So and so it's like currency, so it's almost looked at like an active bank ledger in that sense.

Nikhil Choudhary:

Got it, got it. Now this makes it more clear. Thank you so much and wish you all the best.

Aneesh Reddy:

Thanks Nikhil.

Moderator:

Thanks. The next question is from the line of Rohan Nagpal from Helios Capital. Please go ahead.

Rohan Nagpal:

Hi, thanks for taking my question. The first question I want to ask was, so since 60% of your cost is fixed, not linked to revenue, how should one think about the scaling of that cost over time, like maybe near-term and medium-term? How do you see that moving?

Aneesh Reddy:

Anant, do you want to take that?

Anant Choubey:

Yes, so Rohan as you pointed out about 60% of the cost is non-COGS, which is largely towards tech and product and sales and marketing. Now this is the cost which increases more near

inflation rate and if we decide to do any new product development. Now this is where we see lot of economies of scale.

As the business grows, this cost is growing at a much lower rate and as we do acquisitions, this cost doesn't get impacted at all. And this is where the economies of scale has been coming and if you see over the last few years the EBITDA have moved from say in FY 23 from about -4% to about 12% in FY '25 and has continued to improve thereafter. Did I answer your question?

Rohan Nagpal: Fair enough, but I mean how do you see that moving from here on? Are there any significant investments in product or infra that you have planned or do you expect these to sort of move in line with inflation? Is there anything that one should be sort of, particularly one should keep in mind as a model cost growth over the near to medium term?

Anant Choubey: So, as Aneesh spoke about, some of the product investments that we've been doing on AI stuff, that has been delivering good results and that's been helping improve productivity as well as improve productivity within Capillary as well as for our customers. And it is also helping us improve our win rates versus competition, given a lot of our competition is more agency driven. So that's an investment that we would continue to make.

The other is investment that we've been doing towards the product for migration of customers, migration from a legacy platform onto Capillary platform. So making that lot more smooth and painless for our customers and that's something that we have tried with some of our earlier acquisitions and have been continuing to invest on. So those investments would continue. At this point in time, we don't have new products planned, but as and when we plan new products we would keep the folks updated.

Rohan Nagpal: Okay. So- yes, sorry.

Aneesh Reddy: Yes, I think from a sorry go ahead, Rohan.

Rohan Nagpal: No, no. Sorry, go ahead.

Aneesh Reddy: Yes. I think from a like you said, I think inflation plus a few more points for team growth, I think that should be a good way to think of this.

Rohan Nagpal: Okay, understood. And team growth should be like how do you think about that? I'm just trying to understand where we are in the product and business cycle, so to speak. Are we in, like, investment phase, are we kind of sweating assets that are already in place? Just trying to get a sense of that.

Aneesh Reddy: So let me so if you look at our last few years, our technology and Corp cost used to be about 28% of revenue. It came down to about 18% for last year and it's on a similar trend now. There's definitely a lot more leverage left. I definitely don't want to guide to any number on what but you will see some of these improve. You will like, Anant said, you will see further improvement on, like, the below COGS items contribution to like as a percentage of revenue will keep going down.

Rohan Nagpal: Okay, fair enough. And then my second question was around aiRA. So how do you see aiRA in terms of its potential to monetize within each user, like have you thought about monetization or is it too early in the life of the product to go there?

Aneesh Reddy: You know actually in my head, like again, we put this as part of the RHP and all that stuff as well. Our biggest competitors are agencies. So if you look at the rest of the names on the Forrester Wave, I think most of them are agencies. Of course Salesforce is not, but if you look at the majority of the names there. And a large part of aiRA for us is really saying if you needed 30 people in an agency to run loyalty program you will need five on Capillary.

So the first large part of aiRA for me is even more than just monetizing and just the NRR part, it's just improving win rates. It's just a massive differentiator, no agency will do it because it hits them harder than for us anyway we don't monetize that right? So I mean we don't have heads doing a lot of this stuff.

So for me at least when we think of the product it's we believe that aiRA is a force multiplier on improving our win rates, which is kind of what we are seeing at least in the US right now. Now that's the first big use case of aiRA. The second is, of course, look, I think some of these areas are slightly newer for us, the whole system of intelligence replacing that with - so we've started experimenting with pricing.

Like I said, it's still early days. Hopefully in a couple of quarters we'll know what's the right way to price this, price aiRA, the analytics use case or the delivery use case of campaigns, things like that.

Rohan Nagpal: Okay, okay. So just wanted to check my understanding of this. So right now it's more like helps us get a foot in the door proposition as opposed to a helps us nudge NRR higher. Is that fair?

Aneesh Reddy: So I think it's already proven its value in the first part, which is helping us win more. I won't say foot in the door because you're already in the RFP and that's when people love what they see. I think the second one like I said, we've had a bunch of POCs. We are in early negotiations on converting some of them. So that's the part where there is promise but it's not, I mean we will need a quarter or two to actually get to telling you how much of NRR can come from this.

Rohan Nagpal: Okay. And when you think about the last thing from my end, when you think about this, what would success for you look like, in terms of getting a sort of NRR bump from aiRA? Or do you have anything like that in mind or again too early?

Aneesh Reddy: I would say probably a good question to answer in a couple of quarters. So yes. Because it's a slightly adjacent TAM which we are dipping into. So even our view has been, let's, which is why, like I told you, we've said first give it free for three months. Let's see usage, let's see what kind of stuff is happening right? And we seeing a lot of usage, which means people are finding value, but a little early.

Rohan Nagpal: Sure. Okay. That's it from my end. Thank you so much.

Aneesh Reddy: Thanks Rohan.

- Moderator:** Thanks, The next question is from the line of Sumukh. Please go ahead.
- Sumukh:** So, sir, you mentioned about agencies and they are your competitors. So can you please explain how are they different from what you guys do? Because I'm new to this industry, so wanted some understanding on that.
- Aneesh Reddy:** Yes, let me just take you to the Forrester Wave, perfect. So if you look at the top three here, there's us then there's a company called Kobie, there's a company called Epsilon. I'd encourage you to once just look at the Kobie and the Epsilon side. So these are typically like marketing agencies like, they do creative, they do ads, they do all that kind of stuff, and they also tend to have a tech platform, but the primary model tends to be that we will charge you for X number of people to run this program for you.
- While ours is more a, you buying a software, and you use it yourself. That kind of a structure in so typically we've now migrated customers from some of these agencies over to us and they tend to be very, very, like, each program is run by 30 people. So very, very people heavy, while you can do a lot of that stuff with software. So that's the piece that I was saying that, and if you look at the US majority of the loyalty space is owned by agencies. So moving to software and some of that is relatively newer as a concept in the US. Did I answer that question Sumukh?
- Sumukh:** Yes sir, that does. And also, sir, so let's say there is an organization, FMCG organization, so if they have to start thinking about running a loyalty program now, and then they come to you. So what are the problem points that you're going to solve for them? Is it like you're going to nudge the customer to come in and using your analytics or points or whatever to increase the transaction value for this FMCG company, or you are just a guy who maintains the ledger and takes care of the transaction at the back end?
- So all the like basically if I look at the FMCG website. I can see how many points or how many reward points I have, but your software sits at the back end and it only does the ledger part of it or is there any analytics and performance basically nudging the customer to, increase its transaction or that kind of stuff?
- Aneesh Reddy:** Right. So let's take the example of Abbott, who is one of our customers who is also on the or any FMCG for that matter, typically for a lot of these FMCG companies it's not just the program, the frontend interface, right, which could be the mobile app or it could be the website are also extensions that come from the Capillary platform.
- So like, so in these cases it would be, basically helping them come up with the tech platform which then the frontend interface like a mobile app where you will have where the customers can first download it, scan a QR code or scan a receipt, earn points or earn rewards etc..
- Similarly, what we'll also do for a lot of these is, you'd have some kind of a redemption mechanism, like where they could redeem those points for a movie ticket or they could redeem those points for, in some cases we run these programs for painters where you could pay your phone bill with it, things like that.

So the entire stack ends up coming from there. Now what we allow a lot of the FMCG or these kind of companies to do is also retarget those customers saying look, you spend like whatever, buy I don't know, 10 tins of paint this month, and here is additional reward that unlocks for you.

So there's some amount of targeting, some amount of stuff that you can do on the platform, right? So in a FMCG use case it's also the frontend which is so yes, that's in that vertical typically you don't have a customer, you don't have a retail store or you don't have e-commerce website, right? So which is where some of these interfaces also end up coming from our platform.

Sumukh: Okay, so this is like a standalone app outside the main FMCG app, exclusively for rewards and redeeming points?

Aneesh Reddy: In a lot of use cases, it's the only use case that the FMCG has. So like the Abbott apps are all essentially run on the Capillary platform, across these 15 countries including in India. So yes. Like there'll be an app for PediaSure, things like that. If you want more, there's some case studies on our website. You can take a look.

Sumukh: Thank you, sir. That's helpful and all the best for your coming quarters.

Aneesh Reddy: Thank you.

Moderator: Thank you. We'll take that as the last question. Now I'll hand over to Aneesh for his closing remarks. Aneesh, please go ahead.

Aneesh Reddy: Thanks everyone for joining us today and having placed your confidence in us. I'm hoping, we can live up to it over the next few quarters, and thanks again. Have a great weekend.

Moderator: Thanks everyone.