



“Expleo Solutions Limited  
Q2 FY '26 Earnings Conference Call”  
November 14, 2025

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Expleo Solutions Limited Q2 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Asha Gupta from E&Y LLP, Investor Relations. Thank you, and over to you, ma'am.

**Asha Gupta:** Thank you, Anushka. Good morning to all participants in the call. Welcome to the Q2 FY '26 Earnings Call of Expleo Solutions Limited. The results and press release have already been mailed to you, and you can also view the same on the company's website. In case anyone does not have the copy of press release and presentation, please do write to us, and we will be happy to share with you.

Representing the management today, we have Mr. Ralph Gillessen, Chairman and Non-Executive Director; Mr. Phani Tangirala, Managing Director and CEO; Mr. Periakaruppan Palaniappan, CFO, whom we will be referring to as Mani. Phani will start the call with a brief overview of the quarter and half year gone by, which will be followed by Mani, who will be giving you the brief update on the financials. After that, we will open the floor for Q&A session.

As usual, I would like to remind you that anything mentioned on this call which gives any outlook for the future or which can be construed as forward-looking statements must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties are included, but not limited to, what we have mentioned in the prospectus filed with SEBI and subsequent annual reports, which you can find on our website.

Having said that, I will now hand over the floor to Mr. Phani. Over to you, sir.

**Phani Tangirala:** Thank you very much, Asha. A warm welcome to all the investors, and I thank you all for your continued trust in Expleo.

As you would have seen the documents uploaded yesterday, we have seen a good quarter. And generally, there is a positive outlook, which is the good news. We have registered 9% growth quarter-on-quarter and also year-on-year with digitech growing at 10% and our engineering services growing at around 7% growth. Similarly, on the profitability, we have moved from 12.8% EBITDA to 17.1%. Again, even here, the digital revenue profitability is higher than the engineering profitability.

So primarily, it's a great quarter and it is resonating well with the four phase approach, which I have been repeating, since the beginning of the year that our strategy throughout the year has been on 4 major areas: growing existing accounts, focusing on selected geographies like U.S. and Middle East, pushing our digital and AI services as differentiator and working lean towards more operational benefits coming from reduced costs. So that is something which we have been consistently maintaining.

And going one by one,

The growth of existing accounts, the 20 top accounts have really contributed very well for us in achieving this growth.

And our consistent efforts on markets like U.S. and Asia, both resulted in these 2 regions growing very well.

On the AI front, we have started to see the results. I have told you even in my previous earnings call that we have made significant investment throughout last year, done several POCs. And this year is the time for us to start reaping the benefit, which has started. Now I can say that there is a revenue ticking in for the AI services. And more importantly, bulk of our renewals that are coming in are becoming possible because of the promising AI journey that we have taken in, the confidence in our customers have significantly gone up by seeing us being aligned to the changing technology dynamics in the market.

And as a fourth point, we have continued to keep a very close eye on the operating expenses, and we have been at the lowest in terms of our bench and we are maintaining it at less than 6%, which has significantly contributed to the margin improvement.

Of course, the margin improvements have also got a boost from the forex to the scale of 2% to 3%, but bulk of those are a direct function of the revenue being growing and the operating cost and the bench optimization being done as a continuous process.

We are really excited now with this boost to get into the last quarter, which might remain because the last quarter will have December furlough periods and holiday periods. But with this momentum, we enter into 2026 with a very good healthy pipeline and that is promising.

As we speak, we are currently in the process of finalizing our strategy for 2026, and the entire team is bullish about it, and we have been in the journey of this strategy finalization, which will end by mid-December. And I can definitely say that the industries like banking, insurance, retail with QSR and defense continue to be promising, and our investments will be to ensure that we ride the waves of these growing industries. That is from the industry side.

From the services side, the digital services are growing, which have now gone past 53% of our total digital and QA services, if you look at. And our continued focus on AI and AI-infused services will be key for the success of our strategy in 2026.

As I speak about the outlook on this growth and profitability, there is certainly an attrition factor, which is now gone really up, with the market slightly showing the signs of recovery, the attrition also has gone up. And hence, we have put necessary measures in place to ensure that the larger team stays motivated. And we understand that this is something, which we have to keep under control to ensure that seamless delivery is made to the customers.

As I have been emphasizing, AI certainly becomes the focal point of our delivery. And as a part of this drive, we have started a major training learning and development initiative with an ambitious project of getting 100% of our employees to be AI literate by end of next year. A comprehensive program in-house supported by external training programs has been put in place,

which is mandated to all the employees and the aim is at least a good chunk of our AI demands are fulfilled within the team without we have going to the market.

So having said this, I mean, I can be very confident that this momentum will be preserved, this positiveness will be preserved. And as we go into 2026, we definitely would see a better growth and profit.

I'll now pass it on to Mani on the financial update.

**Periakaruppan P.:**

Thanks, Phani, and warm welcome to all the investors and analysts on the call.

I'll start my update with the highlights for the quarter ended September '25 in comparison to the previous quarter.

Our operating revenue for the quarter ended September '25 is at INR2,827 million versus INR2,596 million in the previous quarter, and that is a growth of 8.9%, primarily due to increase in volume in our banking and financial services vertical from the Middle East region and also on account of benefit from forex due to the rupee depreciation primarily against euro.

Our total income grew by 10.8% to INR2,954 million in this quarter, primarily due to the higher operating revenue that I talked about and higher other income from the forex gain.

At constant currency, our operating revenue grew by 6% to INR2,752 million in this quarter versus INR2,596 million in the previous quarter.

EBITDA for the quarter is at 17.1% versus 12.8% in the previous quarter, mainly due to operational efficiency improvement in addition to benefits of higher revenue growth.

Profit after tax is at 14.6% versus the 9.3% in previous quarter, primarily due to the operational efficiency improvement and mark-to-market forex gain of INR69.2 million in this quarter compared to the INR10 million of loss in the previous quarter.

Now I'll talk about the financial highlights of this quarter compared to the same quarter last year.

Our operating revenue for quarter ended September '25 is at INR2,827 million versus INR2,593 million in the same quarter last year. And this is a growth of 9%, primarily due to higher on-site revenue growth from Middle East and U.S. regions in the BFS and enterprise verticals and benefit from forex due to the rupee depreciation primarily against euro.

Total income grew by 8.6% to INR2,954 million in this quarter, primarily due to higher operating revenues that I talked about and it's partially offset by a reduction in other income from forex gain of INR69 million in this quarter versus INR96 million in the same quarter last year.

At constant currency, our operating revenue grew by 2.4% to INR2,655 million versus INR2,593 million in the same quarter last year.

EBITDA for the quarter is at 17.1% versus 16.3% in the same quarter last year, mainly due to operational efficiency improvements in our core delivery costs and optimized spend on nonessential and discretionary costs in addition to benefits of higher revenue growth.

Profit after tax is at 14.6% versus 13.1% in the same quarter last year, primarily due to the operational efficiency improvement.

I'll now talk about the financial highlights for 6 months ended September '25 versus the same period last year.

Our operating revenue for H1 FY '26 is at INR5,423 million versus INR5,114 million in H1 FY '25. And this is a growth of 6%, primarily due to forex gain on account of rupee depreciation against euro.

Total income grew by 6.8% to INR5,610 million in H1 FY '26, primarily due to higher operating revenue and higher interest income from higher cash balances.

At constant currency, however, our operating revenue had a degrowth of 0.3% in this period.

EBITDA for H1 FY '26 is at 15% versus 16% in H1 FY '25, primarily due to impact of wage increments, partially offset by operational efficiency improvements in our core delivery costs and optimized spend on nonessential and discretionary costs.

Profit after tax in H1 FY '26 is at 12.1% versus 11.3% in H1 FY '25 due to higher other income from cash balances and higher other comprehensive income on mark-to-market forex gains.

Earnings per share is at INR38.78 in H1 FY '26 versus INR38.26 in H1 FY '25 and is higher by 1.4%.

Cash position stood at INR303 crores as of September '25 versus INR276 crores as of September '24.

And that brings the financial update to an end. Back to you, Moderator. Thank you.

**Moderator:** We take the first question from the line of Jalaj from Svan Investments.

**Jalaj:** Congrats on a good set of numbers. I just wanted to check one thing. What would be the constant currency growth sequentially for 2Q FY '26? You alluded to a number in between. I missed that.

**Periakaruppan P.:** Yes. So I talked about it in my remarks. At constant currency for this quarter compared to the previous quarter, we have grown by 6%.

**Jalaj:** 6%. Okay. And sir, I just wanted to have some flavor on the growth, if you could talk about from a perspective of verticals and how should we see the demand scenario from here? Any improvement in the demand scenario because the headcount has increased after a long time then the top line, I mean the headcount is stable right rather, and the growth has come after a long period of time. So could you give some flavor to that?

**Phani Tangirala:** Yes. So we continue to see a bullish behavior from industries like the financial services, insurance and defense. So those 3 are continuing to be promising. And as we enter, in 2026, we have a healthy pipeline primarily coming from these 3 areas. And we continue to stay invested in our efforts to convert these opportunities into material business. So that is a given.

And as I said, our benchmark of growth is purely on revenue and profitability at this point of time because the kind of the technology transformation that we see, I mean, if I can achieve the same amount of revenue or much more revenue with the same number of headcount, that is what I would aspire for.

So headcount not growing is definitely not an area of concern anymore on that. And we are significantly seeing a change in our place, where the delivery revenue is coming from and our on-site revenues have significantly increased in Middle East. So that definitely is promising. And within those 3 verticals, industries that I have mentioned. So that's where the industry portion is and that's where the headcount portion is, if I have answered your question.

**Jalaj:** Understood, sir. And sir, what split of our revenue would be coming right now from the parent?

**Phani Tangirala:** The direct would be around 70% and the group business is around 30%.

**Jalaj:** Got it. And then what sort of growth are we seeing, if you could give some flavor to that side of the revenue or from a parent and outside? Could you give some flavor there?

**Periakaruppan P.:** Both are growing, whereas the parent revenue growth is primarily because of the ForEx because the billing is coming on the euro side. So that's where there's a huge gain, whereas the headcount has marginally declined, I would say. But from our direct business, it has been very healthy.

**Moderator:** We take the next question from the line of Sankaranarayanan from itthought PMS.

**Sankaranarayanan:** Congrats on a good quarter. So, my first question is on the BFSI vertical, which have seen good growth both quarter-on-quarter and year-on-year. So what has been led to this rise of growth, which we haven't seen for the past 3, 4 quarters? And what outlook has changed during this quarter?

**Phani Tangirala:** Okay. The 2 contributing factors, I would say, for financial services is the technology adoption in financial services compared to our aero, defense and other industry verticals is extremely high. That has been the trend for BFSI for very long time, because the other industries are rather physical hazards and safety hazards there, which are relatively less for financial services, the technology adoption is very high.

And with the advent of AI now, and as I spoke in the initial note also that the AI and AI infield services are kicking well with financial services, who have been sitting on legacy applications, COBOL-based applications for the last 4 or 5 decades, 4 decades at least.

And in order for them to get into a modernized application stack, the journey would have been much longer in the past. With the advent of AI, the complete migration from a COBOL code to

a .Net or a Java code has now become extremely simpler with only 20%, 25% of effort that otherwise used to be done manually.

So if I have to divide that into the BFSI growth into two, one is a constant legacy modernization work is coming with the infusion of AI. And the second one is on the data and data analytics part of it is growing. And that is also a function of AI. With AI coming in, the underlying data is the paramount and people are now scrambling all over the place to build data marts and data lakes and ensure that data governance is put into place and then going into a data analytics journey. And these are the two major areas.

With these two growing, what is a natural follow up for at least Expleo is the assurance part of it, the quality assurance of the new applications and the new things also is something, which is our bread and butter for the last 3 decades plus, right? So as a follow-up, while we are getting services on this to ensure that the business continuity due to quality of the application is maintained, our QA business also has seen an uptick. So I hope that answers your questions.

**Sankaranarayanan:**

Yes. Got it, sir. And secondly, on the aerospace and auto vertical, we have seen a degrowth. And you have highlighted that the auto vertical will not be growing this quarter. So what is the outlook and trend in this aerospace and auto vertical?

**Phani Tangirala:**

Maybe I will also ask Ralph to jump in here, but I will separate these two out. Aerospace, while it is showing the degrowth, that is an industry which is still a promising industry for us, and we'll continue to stay invested on that. This quarter is probably a slightly difficult quarter, but we see a promising note on that front, primarily coming from our group business.

Auto, regardless of our direct business are coming from group that is going down. And as a strategy for 2026, we have decided that our strategic investments will not be on auto anymore but aero definitely is showing an uptick. Ralph, do you want to add anything?

**Ralph Gillesen:**

Yes, I can probably add a few words and give a little bit of flavor even from a group perspective. I think we all know that in the Aero segment, both in commercial aircraft and in military aircraft, we see much longer investment cycles. Same for auto when we see it in BFSI and this in combination with some more uncertainties from a macroeconomic perspective, we even then see a slowdown in decision-making, some decision points moving to the right due to the mentioned uncertainties that expect probably most of the economies are facing.

On aero, I think especially even on the military aircraft on the investments in this segment, even in combination with the defense, it's clearly a growth segment for us at a group level and even for ESL. But definitely, the challenges in auto will continue. I think you are aware on the especially challenges of the European carmakers not only the competition from China, the tariffs from the U.S., a change in strategy away from pure electrification more again into hybrid and combustion engines.

And all this is creating even more pressure on this segment. And therefore, we do not see really a recovery there short and midterm on the auto side, but we clearly see it on the aero and defense segment.

- Sankaranarayanan:** Understood. And so from a more qualitative perspective, is it like all our Expleo's onshore delivery centers have reached peak capacity and any incremental growth would be offshore to our Indian entity? Can it be a right sentence, Ralph?
- Ralph Gillessen:** I think we see that due to the overall cost pressure, there are only the minimum activities that must be considered and will be delivered onsite. All the rest will be in a global or even in a delivery model, including then the delivery centers we have. And you know we have them on the engineering side, Morocco, Romania and India, and it's straight way forward to India for all the other business segments.
- And this trend will definitely continue and accelerate due to, a, the cost pressure that we see; and b, even the capacity that is needed to make the necessary investments in all the industries. So yes, we clearly see an acceleration there.
- Sankaranarayanan:** Got it. And finally, on capital allocation, we have a good cash balance in our balance sheet. And what is our plans going forward? Do we have any pipeline for acquiring companies or we might proceed with the dividend payout, which we have done last year?
- Phani Tangirala:** Okay. Maybe I'll take this question. On M&A front, as I updated last time, we have been evaluating several assets and finally narrowed down to 2 assets, where we have just be commencing the due diligence. And this process will take at least 1.5 months and by Jan, we will know about this.
- And any subsequent additions will follow based on the outcome of the evaluations. Not Jan, I would say, I would say, in Q1 of next year. Q1 of next year, we'll definitely make one decision. And the other dividend follow-up will be based on the outcome on the asset evaluation.
- Moderator:** We take the next question from the line of Jalaj from Svan Investments.
- Jalaj:** Just hoping a little more on what drove the growth specifically in BFSI. So I do understand that there is an implementation of AI, which is happening around. But our initial thoughts was that the testing business should be much more impacted because of AI because there would be a lot of use cases to automate a lot of business there. So how are things panning out there? And if you could break down the BFSI growth into maybe a traditional testing business or a newer business, something like that?
- Phani Tangirala:** Yes, sure. So I did mention that primarily comparing with legacy modernization and data are the ones, which the banking and financial services with insurance, they are looking at. So you are right when you say the quality assurance may see a decline is the thought. But in reality, let me put it this way, the word quality assurance remains constant, but what constitutes the quality assurance those days and now has totally changed.
- So you are right, when it comes to the QA, the need for QA has been more than ever now because you are generating today things from Gen AI capabilities purely from a black box and then the need for that, which is not coded by an individual has to be thoroughly verified against quality than before. So that has been understood because there is significant cost gains that have come



from saving development time. But at the same time, we don't know what the output is. So the quality assurance efforts have to be improved.

So that the banks have realized and then the QA has come back into the forefront. But at the same time, QA, the way it is done 5 years back, primarily 70% of the QA done manual way and 30% in an automated way has totally changed. Today, the quality assurance definition probably still remains the same that the application that has been developed by the developers or the Gen AI has to meet the business purpose. That objective remains the same, but how has totally changed.

Today, right from generation of test cases to execution of test cases and automation, all have been infused with artificial intelligence. And when I say that AI has come back into forefront, it is with all the levers that we have developed on infusing artificial intelligence, even in delivering quality assurance services is the one which is the differentiator.

I know that for now, that may remain differentiator at this point of time. But over a period of time, that also will become commoditized. So the continuity on the innovation on the QA front, where we are originally the leaders being the largest independent software testing company, we have an edge on that, and we have put all these AI-infused services, which are getting the benefit. And financial services, as I said earlier, is one of the first industry to embrace any new developing technology, and that's how we are seeing those growth elements in that sector.

**Jalaj:**

Understood. So just building on to that, so you believe that the way the discussions are happening with clients and the sort of pipeline we are seeing right now, the traction should continue at least until it becomes a commodity, which is going to take a longer time because I guess a lot of code shifts are happening towards commodity. And as you correctly said that a lot of workloads or code which were written in the legacy system have been pushed to a newer language or newer system, thanks to AI. So your net-net volumes are increasing because of that?

**Phani Tangirala:**

That market is a sizable market also there because the legacy is there everywhere. There are white elephants sitting in every major banks. And I don't see that this is something which will be over within a year. The entire legacy modernization of bigger countries like Europe and America is much, much higher than the emerging countries, which have the advantage of starting late have almost got into a relatively modern technology.

But if you look at the largest banks and insurance companies in both U.S. and Europe, bulk of them, 70% of their core banking systems are still running in benefit platform. So that continues to be an opportunity. And what will get commoditized is through the AI infusion of QA part of it, and that part will definitely be. But this will continue to rule, my personal judgment is another several years, legacy modernization will continue to happen.

**Jalaj:**

Understood. And with regards to the acquisition, could you give some flavor of what the white spaces or what areas are we targeting? What sort of capabilities in the target you are looking for?

**Phani Tangirala:**

So, I mean, I'll give a guiding principle that we have applied for ourselves. We want to acquire an asset which definitely has to supplement the skills that we are not as good in, either it can be from an industry point of view or a geography point of view or a specific service line.

As you know, 4, 5 years back, we did one acquisition, which is primarily addressing two of our levers. Data is one area, where we have never had any significant presence. So that has given a shot in the arm for us to put data service as a horizontal across several industries. And at the same time, that also served because that acquisition has all their customers in the U.S.

We also had a kickstart in the U.S., which has been aiding us for a while. So these are the 3 or 4 levers that we use to decide which asset helps, but it will be a complementing service, and it should be cutting across our industries will be our priority one.

At this point of time, we are guiding on these principles. But as we get into a specific asset, if there is a deviation based on the virtue of the value that it brings to us, we may change, but our underlying guidelines or the levers that we want to use will remain pretty much on these things.

**Jalaj:** Got it. And sir, you partially alluded to it. So if I were to check the revenue growth and the headcount growth, they are not moving hand to hand. So for our understanding of the industry or how things are now, there is a disconnect between both of them right now. Should we understand this way? Or how is the thing? Is there a nonlinearity, which has started to play out in at least our line of business?

**Phani Tangirala:** Absolutely. And I will be very happy if this continues because the value that we get out of each resource has to only grow up. Otherwise, the threat of remaining augmentation company is not in the vision of this company. So it has to be a more value-based and a premium has to be given to that value, which the customers, the moment we accept, we see even the revenue growing and the headcount declining could be a general trend. And that is something which I personally see it as highly welcoming.

**Jalaj:** So, there's a possibility of margins improving from the current levels?

**Phani Tangirala:** Absolutely. The entire crux of the whole thing is we don't want to have a larger headcount with very little margins on it and it is not a sustainable one. It has to be a high margin, high-value, high stickiness services that should lead this organization with higher revenue with lower number of people. That would continue.

**Jalaj:** So any aspirations on the margin front? I'm not talking about a quarter or next year, but broadly, the way things are moving in terms of the benefits of nonlinearity due to AI or otherwise?

**Phani Tangirala:** Yes. At this point of time, very difficult to put a number, but the efforts are definitely only to improve from where we are.

**Moderator:** We take the next question from the line of from Sankaranarayanan from ithought PMS.

**Sankaranarayanan:** So my question is on our revenue guidance for the next 1 or 2 years. So during our AGM, we mentioned that we expect a high single-digit growth in this financial year. And noticing the positive uptrends across sectors and across the regions, do you want to revise or upgrade your revenue guidance for the current fiscal year and the next financial year?

**Phani Tangirala:** No, current fiscal year is one more quarter left with the high furlough period. Two more quarters left. And the next quarter is going to be a high furlough period. So that will stay at where we have stated during the AGM. Next financial year, absolutely, yes. I mean we'll stick to what we said by targeting healthy double-digit growth.

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

**Phani Tangirala:** Thank you, everyone, for actively participating in this investors call, and I hope your questions got answered, and we will respect your trust and thank your trust, and we'll continue to deliver some good work in the quarters to come. Thank you very much.

**Moderator:** On behalf of Expleo Solutions Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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