

# **DATAMATICS**

## **“Datamatics Global Services Limited Q4 FY26 Earnings Conference Call”**

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**MODERATOR: MR. PRATIK JAGTAP – E&Y LLP, INVESTOR  
RELATIONS**

**Moderator:** Ladies and gentlemen, good day, and welcome to Datamatics Q4 FY26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pratik Jagtap from E&Y. Thank you, and over to you, sir.

**Pratik Jagtap:** Thank you, Nitesh. Good day to all the participants in the call today, and welcome to Q4 FY26 Earnings Call of Datamatics Global Services Limited. The results and presentation have already been mailed to you, and they are also available on the website of Datamatics. In case anyone has not received a copy of press release or presentation, please do write to us, and we will be happy to send it you all.

To take us through the results today and to answer your questions, we have with us the top management of the company, represented by Rahul Kanodia, Vice Chairman and CEO; Ankush Akar, EVP and Chief Financial Officer; and Mitul Mehta, EVP and Chief Marketing Officer. Rahul will start the call with a brief overview of the quarter's on business, which will be then followed by Ankush, who will take us through the financials. Then we will open the floor for the Q&A session.

I would like to remind you that anything that is said on this call, which gives any outlook for the future, or which can be construed as a forward-looking statement, 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 the SEBI and subsequent annual reports, which you can find on our website.

With that said, I now hand over the call to Rahul. Over to you, sir.

**Rahul Kanodia:** Thanks, Pratik. Good evening, everyone. Welcome to the Datamatics Q4 and FY26 Earnings Call. I will begin by sharing a summary of our annual performance and the strategic progress. Following my remarks, Ankush will present the detailed financial update, and then we will open the floor for Q&A.

FY26 was a productive year for Datamatics. We delivered revenue growth while improving operational efficiency and advancing our position across our target markets. For the full year FY26, our revenue grew 15.3% year-on-year to INR 1,987.2 crores. We achieved a significant milestone in profitability, delivering an EBITDA margin of 18.7%, the highest in Datamatics history. The total EBITDA was INR 371.6 crores, representing a 62.1% year-on-year growth. This margin expansion was driven by operational efficiencies, disciplined cost management, and the realization of synergies from recent acquisitions.

Our core strategy centers on delivering digital transformation, automation, and AI-led modernization initiatives. We are concentrating our focus on securing large deals with our primary vertical markets, BFSI, manufacturing, logistics, and publishing.

To support this objective, we reorganized our sales team over the last year to prioritize engagements with existing customers. This structural alignment is functioning as planned, enabling us to expand relationships and drive deeper penetration within our current accounts.

Reviewing our operational segments, Digital Operations revenue posted healthy growth, led specifically by our digital content business. Margins improved due to process efficiencies and platform-driven automation. We expect this segment to lead our AI transformation efforts.

Digital Technologies. Revenue decreased slightly due to scheduled project completions, but we successfully maintained double-digit margins. The pipeline remains steady, and we anticipate revenue improvement in this segment for the current year.

Digital Experiences, the revenue and margins contracted as selected customers shifted work to captive centers, a factor we noted in the previous quarters. However, we have signed new contracts that will ramp up in FY27, which will drive stabilization and improvement.

The integration of Dextara and TNQ Tech is proceeding to plan. TNQ Tech delivered a solid annual performance. Through our Dextara capabilities, we recently secured a salesforce-led CRM transformation program with a leading U.S.-based logistics enterprise. Integrating AI into our operations and client deliverables is our primary operational focus.

Recently, we launched TruAI, our enterprise suite for agent automation designed for complex business processes. The initial solution, TruAI underwriting, enables insurers to assess financial risk and medical risks with increased speed, consistency, and accuracy.

We have already acquired our first few customers for this platform. Additionally, we are seeing increased customer adoption for FINATO, our Agentic AI platform for finance transformation, and our Kai series of accelerators for legacy modernization as organizations look to accelerate time to value.

Demand for digital transformation remains consistent in our focus sectors. Moving forward, our priorities are strengthening our AI capabilities and product suite, expanding our presence in key international markets, deepening customer relationships and wallet share, and improving execution excellence across all delivery centers.

Based on our operational performance and cash generation, the Board of Directors has recommended a final dividend of INR 5 per share, representing 100% of the face value for the financial year ended March 2026.

I thank our customers for their trust, our employees for their execution, and our shareholders for their ongoing support. We remain focused on our stated strategy and operational targets. I will now hand over the call to Ankush for our financial update.

**Ankush Akar:**

Thank you, Rahul. Welcome, everyone, and thank you for joining us for our Q4 FY26 earnings call.

We have delivered a strong performance in our fourth quarter and for the full fiscal year 2026. Starting with our fourth quarter performance, our Q4 revenue stood at INR 519.3 crores, reflecting a growth of 4.4% year-on-year.

Our ongoing cost optimization efforts and operational efficiencies helped us improve our EBITDA to INR 110.6 crores, a growth of 48.4% year-on-year. Our EBITDA margin for the quarter stood at 21.3%, reflecting an expansion of 631 basis points year-on-year.

Our EBIT for the quarter stood at INR 88 crores, a growth of 61.3% year-on-year. Our EBIT margin for the quarter was 16.9%, reflecting an expansion of 597 basis points year-on-year.

Before moving to the profit after tax, I want to highlight that our profit after tax was adversely impacted due to one-time exceptional charge towards fair value changes of contingent consideration payable towards acquisition of subsidiaries and impact arising from the changes in Labor Codes. Our PAT after non-controlling interest was INR 44.2 crores, down by 1.5% year-on-year. Our PAT margin stood at 8.3%. Excluding the one-time exceptional impact, our adjusted PAT after non-controlling interest would have been INR 72.9 crores, representing a margin of approximately 13.6%.

In terms of segment, Digital Operations revenue for the quarter stood at INR 299.5 crores, which is up by 12.4% year-on-year. Digital Operations EBIT margin was at 23.2% for the quarter. Digital Technologies revenue for the quarter stood at INR 159.4 crores, which is up by 0.3% year-on-year. Digital Technologies EBIT margin was at 10% for the quarter. Digital Experiences revenue stood at INR 60.4 crores, which is down by 15.8% on a year-on-year basis. Digital Experiences EBIT margin was at 4.4% for the quarter.

Moving to the full year FY26 performance. Our revenue for the year stood at INR 1,987.2 crores, reflecting a growth of 15.3% year-on-year. Our EBITDA stood at INR 371.6 crores, a growth of 62.1% year-on-year. Our EBITDA margin for the year was 18.7%, reflecting an expansion of 540 basis points year-on-year. Our EBIT for the year stood at INR 287.6 crores, which is up by 58.7% year-on-year. Our EBIT margin was 14.5%, reflecting an expansion of 396 basis points year-on-year.

Our profit after tax after noncontrolling interest stood at INR 194.2 crores, down by 5.3% year-on-year. Our PAT margin was 9.5%. As discussed earlier, our PAT was adversely impacted due to onetime exceptional charge during the year. Excluding the one-time exceptional impact, our adjusted PAT after noncontrolling interest for the year would have been INR 253 crores, representing a margin of approximately 12.4%.

In terms of segments, Digital Operations revenue for the year stood at INR 1,101.4 crores, which is up by 40.2% year-on-year. Digital Operations EBIT margin was at 18.7% for the year. Digital Technologies revenue for the year stood at INR 626.5 crores, which is down by 4.5% year-on-year. Digital Technologies EBIT margin was 9.7% for the year. Digital Experiences revenue stood at INR 259.2 crores, which is down by 8% year-on-year. Digital Experiences EBIT margin was 7.9% for the year.

In terms of geographical footprint, U.S. remains our largest geography with 54% of our business coming from here, followed by U.K. and Europe at 22%, India at 16% and ROW at 8%.

In terms of industry footprint, Education & Publishing was the largest segment for us, contributing 26% of the revenue, followed by technology and consulting contributing 22%, BFSI contributing 19%, Manufacturing & Logistics contributing 12%, Not for Profit and Government contributing 9%, Retail contributing 9%, and rest are 3% of the revenues.

Our client concentration remains healthy with top 5, 10 and 20 clients contributing to 26%, 39%, and 52%, respectively. Our billed DSO was at 63 days as of March 2026.

We continue to maintain a healthy balance sheet. As of 31st of March 2026, our net cash and investment net of debt stood at INR 639.2 crores. Overall, we are pleased with our quarterly and yearly financial performance and remain confident in our strategy to drive sustainable growth.

With this, I will now pass on the call to the operator to open the floor for questions. Thank you for your patience and continued interest in Datamatics.

**Moderator:** Thank you very much. We have the first question from the line of Vatsal Shah from Anandiya Financial Services. Please go ahead.

**Vatsal Shah:** Congratulations for the great numbers. There are a couple of questions. The first one, what are you expecting for your upcoming 2- to 3-year plan, how your growth expectation would be? And at what percentage are you looking for year-on-year growth?

**Rahul Kanodia:** So, the growth we are looking at is high single digits for next year because we just launched some of our Agentic AI platforms. We've got some very good traction initially, but we still need to evaluate the performance. But we are by and large, looking at high single digits in the next year.

**Vatsal Shah:** Sir, can you tell me about the quantity in numbers, like percentage, what percent, like high single digit, would that be around 8% to 9%?

**Rahul Kanodia:** Yes, 8% would be approximately correct.

**Vatsal Shah:** Okay, sir. Sir, another question is like you have INR 630 crores of odd numbers in cash. So, are you going to divest it, invest it in other mutual funds or other investments? Or are you planning for merger and acquisition with other companies?

**Rahul Kanodia:** We keep talking about acquisitions. We are in dialogue with several companies, but we are cautious because you don't acquire a company and then get stuck. So traditionally, we have used our surplus cash for growth and M&A. So that would be the primary agenda with this current cash balance.

**Vatsal Shah:** Okay. Sir, there was a loss of INR 26 crores, that you have said in exceptional items. So, what is the probability of making it a profit?

- Rahul Kanodia:** No, there is no loss in exceptional items. We had a Labor Code adjustment, and that is about INR 24 crores. So, I don't know where INR 26 crores are coming from, but INR 24 crores of adjustment is there because the Labor Code has changed. And it is across the whole industry. So many companies have had that, particularly labor-intense organizations.
- Vatsal Shah:** Sorry, I missed it. It's negative net worth. INR 26 crores of net worth were negative for your subsidiary company?
- Ankush Akar:** Yes. So, this is in one of the subsidiary Company where we have negative net worth. We continue to see now profitable growth in that particular subsidiary as well, and we are confident in terms of that we will be able to recoup it and then improve the overall performance.
- Rahul Kanodia:** Yes, probably recover in the next 2 years or so.
- Moderator:** Thank you. We have the next question from the line of Bhavya Chheda from Seven Islands PMS. Please go ahead.
- Bhavya Chheda:** So, your EBITDA margins have been quite high this time. So, will they be sustainable considering our product business is contributing more and more to the top line? And what is the expectation for next year? Will the margins improve or stay the same?
- Rahul Kanodia:** So, margins will move. Our EBITDA margins are about 18.7%. We are looking at another roughly 50 to 100 basis points next year. So by and large, it will remain steady. I don't see that moving substantially higher.
- Bhavya Chheda:** Okay. My other question is, can you elaborate more on this product, FINATO? And is there any new planned additions to this? Can you explain more about this product?
- Rahul Kanodia:** Yes. So, we've now made FINATO into an Agentic AI platform. So, we had to reengineer the platform quite a bit. And we're getting some very good traction with some large opportunities on agentic finance transformation on FINATO.
- Mitul Mehta:** Yeah. Hi, Bhavya. So, FINATO is a finance transformation platform, which automates the entire finance, which is API platform for several companies, specifically in the manufacturing and logistics space. This platform is the first-generation platform, which is currently in production.
- We are now upgrading and adding Agentic AI into it, which is which will add more AI capabilities in it. So that is what is the innovation for the next developments which we are doing on that platform. It is a backbone of our entire finance transformation.
- Bhavya Chheda:** Okay. My other question is, can you give me the EBITDA of TNQ and Lumina at Datamatics?
- Rahul Kanodia:** I don't have it handy right now, but we can share that with you offline.
- Moderator:** Thank you. The next question is from the line of Aditi from I-WEALTH India. Please go ahead.
- Aditi:** My question was relating to EBITDA only. Do you think the 50 to 100 basis points is a little conservative, because right now your costs from 3 to 4 quarters has been nearing to INR400

crores. So even if we take that number, you can still do a margin of 20% to 21%. So, is that not possible?

**Rahul Kanodia:** It depends on how much we invest in our AI going forward because we have to invest in the agent AI platforms that we are building. And some of that will influence this EBITDA percentage. And as you know that we are expensing out all our investments, we do not capitalize any of it.

**Moderator:** Thank you. The next question is from the line of George John from Equity Intelligence. Please go ahead.

**George John:** My question is on the newly launched TruAI insurance underwriting solution. I believe we've already added clients in this. So, could you please talk in detail about this tool and its monetization? Is it primarily a one-time implementation that offering? Or is it going to be like a platform with recurring revenues?

**Rahul Kanodia:** It will be a platform with recurring revenues. – It is not a one-time implementation. There's an ongoing license fee and then there are some services that will be ongoing as well. Underwriting, as you probably know, is the core of insurance, and it's a very complex process because they have to analyse financial statements, medical statements, and assess the risk of each individual before you do any underwriting for their health insurance.

So that's what it is. Our next step is to expand that to claims processing using Agentic AI. Mitul here, if you want to just add in a little bit.

**Mitul Mehta:** Yes. So as Rahul mentioned, underwriting is the heart of the insurance business and an extremely manual and complicated process. So, with TruAI underwriting, we are automating that whole process to a high degree, which does two things. One, it improves productivity, it improves accuracy, and it improves compliance.

So since we've launched about a quarter back, roughly, we've seen some really good traction. It's a platform, and therefore, it is not a one-time implementation. It is something which we are anyway moving towards more outcome-based pricing. So, it follows an outcome and a transaction-based pricing approach.

**Rahul Kanodia:** So, we've got very good traction. We are talking to several companies. We've already signed up three or four. So, I am very positive. This market is about a \$30 billion market globally. And I think we've got an early start. So, our key element will be now how do we capture market share. Right now, we're targeting the health insurance market. We will then take it to P&C and Life.

**Mitul Mehta:** So it is for life. And then we will take it into the general insurance, P&C, and health- that is where we are the opportunity is.

**George John:** So, these clients, are they domestic or foreign in nature?

**Rahul Kanodia:** Both. We've got a few domestic and a few overseas as well.

**Mitul Mehta:** While we are speaking to overseas guys, right now we are doing more overseas.

- Rahul Kanodia:** Yes. The U.S. and India right now.
- George John:** Okay. And could you just walk us through some of your recent case studies, because I know you've been going into AI projects, and I think you've delivered some 70 projects already. And it would be helpful to understand the nature of these engagements, the kind of problems that they have addressed, the industries and client segments and the kind of outcomes that you've achieved. So if you could explain those, it would be helpful.
- Rahul Kanodia:** Yes. So, we've addressed the logistics industry, banking, insurance, retail, so these are the industries we've largely addressed. Some of them have been generative AI. Some of them have been Agentic AI. So, we've had a combination of both.
- The productivity gains have been anywhere from 30% to 60% for customers that brought their TCO or the Total Cost of Operations down substantially, improved the accuracy and improved the quality, the turnaround time, and the cost. All of them were impacted.
- So, we've got very good traction on that. But now we are trying to focus very specifically on certain verticals. We want to focus on insurance and logistics as two major ones. And therefore, we want to expand the scope or the coverage of those platforms.
- So, we try to concentrate on two or three and expand it. The other one that we are doing very active work on is FINATO, which is an agentic finance transformation solution. And there also, we've shown it to some very large organizations and got a very encouraging response from them.
- On that front, the earlier version of FINATO is installed, and we've got a customer base. The new version, which is Agentic AI, we've shown it, but we have not yet signed up any customer. I hope that in the next quarter, we should have a few sign-ups.
- On the case studies, we can give you details on computer vision kind of AI-driven case studies, Agentic AI kind of case studies. There are different types, but maybe offline, we can share that with you.
- Moderator:** Thank you. The next question is from Jay Ahuja, an Individual Investor. Please go ahead.
- Jay Ahuja:** Great numbers, sir, that you have highlighted how you're going to invest in AI and all. I just want to know about the capex. Are you going to increase the capital expenditure on intangible assets or on plant and equipment, anything?
- Rahul Kanodia:** We will have some capital expenditure in some of our real estate needs a little bit of investment to just upgrade. But beyond that, no major capital expense. So, we may have some of it because the buildings we have are a little old, and we may need to do some upgrades there.
- Jay Ahuja:** And sir, could you just tell me about the current order book?
- Rahul Kanodia:** I don't have that number handy, but regardless, it remains quite robust and strong. So, I think we are okay for next year.

**Jay Ahuja:** Any rough idea about the numbers, it would be really helpful.

**Rahul Kanodia:** I don't have that handy at my fingertips. But maybe for the next call, I'll keep that number ready.

**Jay Ahuja:** Okay, sir. One more question. Like it's about 3 years that we are working with the hyperscalers. And are we expecting any big amount to come from that?

**Rahul Kanodia:** Yes. So, we are working closely with both Microsoft, Google, and Salesforce. On the Salesforce front, we've got some large deals in the pipeline, and we are hoping that they will materialize very soon.

A few deals have already closed, which is very good and a few larger ones are still in the pipeline. The company, we acquired called Dextara, their average deal size ranged between \$50,000 to \$70,000. Our average deal sizes are now ranging between \$0.5 million to \$1 million. So, we've got a significant uptick.

As far as Google is concerned, we have engaged with Google on all our Agent AI platforms. So, our TruAI and FINATO are all using the Google technology behind them. The underwriting technology is all Google and FINATO. KaiBRE is another one where we are using that for legacy modernization.

And that again uses a combination, of Google, Microsoft, and Cloud. So, it's a mixture of multiple things working together. So, all these hyperscalers, I think, are panning out quite well. And more from a technology perspective, but given the technology, I think we will get good traction because they have the heft in the market to pull business.

**Jay Ahuja:** That's really good. Sir, one more question. I've seen a component in other noncurrent financial assets. There was an unbilled revenue. So, could you just light up something like when are these revenues going to come back?

**Ankush Akar:** So, it's part of the regular cycle. So as part of the services, we provide the services, while the billing may happen in future date, specifically for the fixed price engagements based on the milestone achievements, while the revenue is recognized on a percentage completion basis, the invoicing happens on the future dates. So, we don't see any issues in terms of collectability perspective on the unbilled that we are having. So, there's no exposure per se.

**Jay Ahuja:** But sir, from past 3 years, it's increasing only.

**Ankush Akar:** So, one of the reasons what you see is in terms of our AFC business, which is the government business that we have. So, we have the terms which are agreed. There is an annuity component which is there, which is basically the billing will be done in the future dates.

And that is the reason you see a slightly higher amount because of that reason. And as and when we are completing it, some portion we collect it and some portion is deferred to the future collection while the work is delivered. And that is the reason you see a slightly increasing trend right now. It will taper down in the next 1-year time frame, and it will start to taper down. Then we will start invoicing it.

- Moderator:** Thank you. The next question is from the line of Yajat Shah, an Individual Investor. Please go ahead.
- Yajat Shah:** Congratulations on a good set of numbers. Just had a question regarding the TNQ Tech acquisition. So, we are supposed to finish it up by July. So, has the valuation changed significantly for the balance payment? And what would be that figure, if you can give it all?
- Rahul Kanodia:** Yes. The valuation has increased. So, their performance has been very good. And the balance payments that we had to do, we had a variable component, which would go up or down basis business performance. And because the performance was good, we are buying out at a little higher value than what we had originally planned.
- So if you see the total exceptional items, our total exceptional items come to about INR 65 crores, out of which INR 24 crores is for the Labor Code and about INR 41 crores is for the payouts. Not all INR 41 crores is excess, but some of it is excess. Excess meaning, more than what we had planned, just because the business performance has been better.
- Ankush Akar:** We have done the fair valuation of the contingent consideration, which was payable, and that's the impact which has been taken in the books.
- Rahul Kanodia:** So ideally, what would have happened is in a very traditional model, this would have been an investment in the old accounting rules. The new Ind AS accounting rules require us to write it in the P&L. So, these are the exceptional items in the P&L.
- Yajat Shah:** So, as I understand, this INR 40 crores approximately is for the contingent, like the balance payout?
- Ankush Akar:** Yes, contingent consideration.
- Yajat Shah:** Okay. Thank you. So, will there be an impact in the next quarter as well? Or it's all now factored in?
- Ankush Akar:** We are not expecting anything material in that.
- Yajat Shah:** All right. So, as I understand, this year closes the TNQ acquisition and now we own it 100% ?
- Rahul Kanodia:** That is correct. So, the transaction is that we'll pay out in July. But because the payout is for the financial year ending '26, March '26, that's already behind us. And therefore, there is no more payout, but the payout cash flow will happen in July.
- Moderator:** Thank you. The next question is from the line of Jay Ahuja, an Individual Investor. Please go ahead.
- Jay Ahuja:** I was having one question about the Digital Technologies and Experiences segment. We have been facing a decline in revenue and EBITDA margin for the past two quarters. So, could you just enlighten anything about it?

**Rahul Kanodia:** So, the Digital Technologies has been really scheduled project completions. That's been the major driver in Digital Technologies. However, we maintained the margin in Digital Technologies, even though we had a de-growth in the top line.

As far as Digital Experiences is concerned, we mentioned in even earlier two quarters of quarterly calls that we were expecting some customers to move to their captive units. So that materialized, and that's why you see a dip, and that's also impacted the margin.

However, we've signed a few large deals in the last quarter of the year, and those will start ramping up now. So, I think this year will be a better year because we'll have the ramp-up of the deals that we've signed, and the scale down has already happened.

**Jay Ahuja:** Also, sir, in the Digital Operations segment, we have consolidated the results of TNQ. So, is that why the EBITDA margins have been improved, because of the TNQ business we are getting, because their EBITDA margins are about 24% to 25%, if I'm not wrong?

**Rahul Kanodia:** It has improved for both reasons, partly the TNQ and partly due to our own operational efficiency and automation that we've done. So, both have increased.

**Jay Ahuja:** Okay. Can you just give guidance about the organic and growth from acquisitions for the next three to four years? That would be very helpful.

**Rahul Kanodia:** The next one year is around the high single digits that we talked about earlier in the call, about 8%. Going two years, three years down the line, we don't know yet. Having said that, we are in dialogue with some companies from an acquisition point of view, but none of them have matured to the stage where it needs any announcement. So yes, we have a strong cash reserve, and we will use that for growth and M&A.

**Jay Ahuja:** So, would it be fine to assume that we grow organically 4%, and the other 4% to 5% comes from acquisitions? Would that be fine?

**Rahul Kanodia:** No, I'm talking about organic growth at about high single digits, around 8%-ish. And then on top of that would be the M&A.

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

**Rahul Kanodia:** Yes. Thank you very much for participating in this call. We've had a good year, and I'm very hopeful and bullish about our year going forward. So, I look forward to speaking to all of you again next quarter. Thank you once again.

**Moderator:** Ladies and gentlemen, on behalf of Datamatics, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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