Q2 2023 Investor Presentation

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Engineering Services Market

We play in 3 out of 4 key segments

ER&D services market consists of 4 major segments

ER&D services include preparation, design and consulting work to support engineering projects undertaken by enterprises

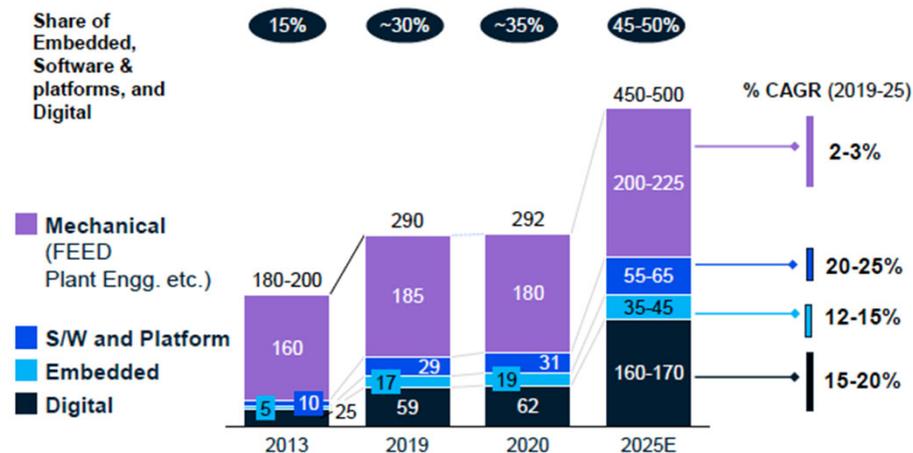| Mechanical Engineering	Embedded Engineering	Software Product Engineering	Digital Engineering
Design and development of physical products such as cars, aircraft, medical devices and consumer electronics	Design and development of embedded systems that reside inside devices such as mobile phones & wearables	Design, development, product management of software PDLC for ISVs and internet companies	Design & development of digital infrastructure (IoT, AR/VR, AI, etc.) for use-cases such as industry 4.0

Global Outsourced engineering services spend (USD billion)

- The Global outsourced engineering services spend is slated to become $450-500 B
- The SW, Platform, Embedded and Digital Engineering is slated to grow at a faster pace than Mechanical Engineering

We are well poised to take advantage of current trends

Demand and supply-side trends shaping the engineering services market
Deep dives ahead

Demand-side

We have a mature Embedded and Digital engineering practice and are continuing to deepen our footprint
Ex. Mixing live feeds from video, audio sources for a Media broadcasting software provider

1. **Embedded, software & platforms, and digital engineering to be key growth drivers of the** outsourced engineering services market (50% share by 2025)

IOT and Servitization have seen a lot of traction and our years of experience is helping us address that market along with our CX practice
Ex. Large affordable hotel chain in NA

2. **Industry 4.0, 5G and rise of ecosystems, CX, sustainability and servitization** ("as-a-service" model) to be the **key themes driving spend**

With our existing footprint in CE and APAC we are well poised to take advantage of this trend
Ex. Utility provider in CE

3. Demand in APAC likely to outstrip demand in Europe by 2025 given the product engineering focus (SW, embedded and digital engineering) of firms in the region

Supply-side

4. **Pure play digital product engineering players have witnessed highest growth** in the market – Leaders **winning on the back of deep expertise, experience and delivery capability within a few areas**

5. **As** engineering services largely consists of short one-time project, **companies are evolving commercial models to address the "lumpiness" of the revenue model**

6. **Top** players (both pure-play and SIs) have followed a **programmatic M&A strategy** to consolidate their share from 0.9% in 2016 to 1.2% in 2018 to 1.5%+ in 2022 (of global ER&D spend) through large acquisitions

Key Highlights Q2 2023

Revenue — ₹ 4,067.80M (US$ 49.51M)

YoY Revenue Growth — 8.48%

YoY EBITDA Growth — 22.2%

Net Profit — ₹ 144.25M (US$ 1.76M)

Earnings Per Share — ₹ 1.22

EBITDA : ₹599.79M (US$ 7.30M)

	EBITDA Margin (%)
Q2 2023	14.74
Q2 2022	13.09
Q1 2023	13.45

Key Balance Sheet

As of Jun 30, 2023	In ₹	In US$
Share Holders' Fund	₹ 5,950.87M	US$ 72.53M
Net Cash Balance #	₹ 3,816.96M	US$ 46.52M

Net of short-term borrowings

Note: Adjusted EPS before non-recurring and one-time tax expenses is Rs 3.30

Key Highlights H1 2023

Revenue ₹ 8,108.51M (US$ 98.67M)

YoY Revenue Growth 12.92%

Net Profit ₹ 502.60M (US$ 6.12M)

Earnings Per Share ₹ 4.25

EBITDA : ₹1,143.18M (US$ 13.91M)

	EBITDA Margin (%)
H1 2023	14.10
H1 2022	12.63

Note: Adjusted EPS before non-recurring and one-time tax expenses is Rs. 6.33 for H1 2023

Key Highlights (Continued...)

- Resilient revenue growth despite macro-economic environment has seen some of customers go slow on their spend decisions or delay new initiatives altogether.

- Despite demand side headwinds experienced from some clients, we continue to see good traction in pipeline development and conversion with 14 key accounts opened during H1 2023.

- Served 50 customers with US$1Million+ revenue on a run rate basis.

- H1 EBITDA margins improved through efficient operations.

- We continue to build deeper capabilities in newer technologies including Cloud, AI, DevOps.

- Strategic acquisition of Velotio, a product engineering and digital solutions provider working with high growth enterprises across the globe, further deepening our capabilities in Cloud, DevOps, Data Engineering and Generative AI and expanding our India delivery presence to Pune, a hub for product engineering talent.

Note: Velotio business will be consolidated with R Systems effective Q3-23

Financial Performance –Contribution Analysis – Q2 2023

Particulars	Q2 2023 ₹ in M	Q2 2023 US$ in M	Q2 2022 ₹ in M	Q2 2022 US$ in M	Q1 2023 ₹ in M	Q1 2023 US$ in M
Revenues	4,067.80	49.51	3,749.78	48.74	4,040.71	49.16
Cost of revenues	2,650.73	32.26	2,424.90	31.51	2,681.88	32.63
Gross margin	1,417.07	17.25	1,324.88	17.23	1,358.83	16.53
% of Revenue	34.84%		35.33%		33.63%	
SG&A Expenses	817.28	9.95	834.14	10.85	815.44	9.92
% of Revenue	20.09%		22.24%		20.18%	
EBITDA	599.79	7.30	490.74	6.38	543.39	6.61
% of Revenue	14.74%		13.09%		13.45%	
Depreciation and amortization	101.16	1.23	82.30	1.06	101.24	1.23
EBIT before non-recurring cost	498.63	6.07	408.44	5.32	442.15	5.38
Non-recurring Cost #	70.34	0.86	-	-	-	-
EBIT	428.29	5.21	408.44	5.32	442.15	5.38
Interest expense	(16.96)	(0.20)	(10.29)	(0.13)	(15.94)	(0.19)
Other income (net)	43.80	0.53	(5.55)	(0.08)	51.79	0.63
Income before income tax	455.13	5.54	392.60	5.11	478.00	5.82
Tax expense ^	310.88	3.78	74.40	0.97	119.65	1.46
Net earnings	144.25	1.76	318.20	4.14	358.35	4.36

Non-Recuring Cost represents the recruitment fee and one time joining fee for the CEO.
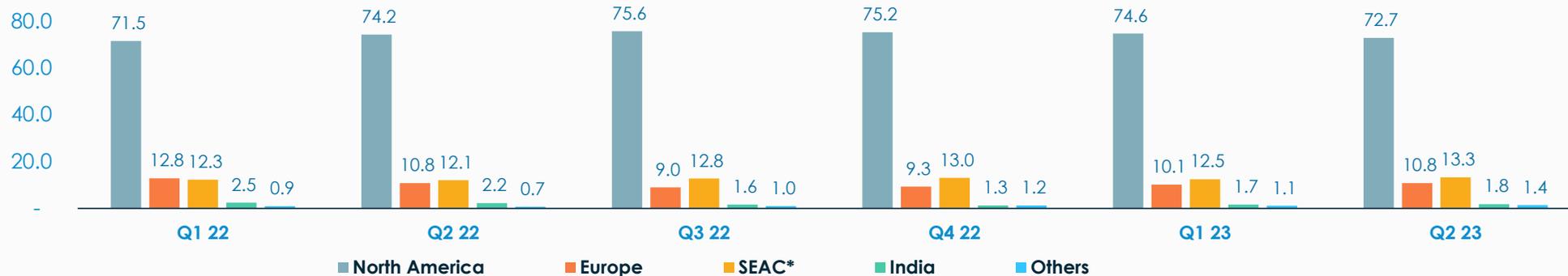^ includes Rs. 200.54 million during Q2-23 provision for tax on dividend received from its wholly owned subsidiary.

Big Picture – Revenue & EBITDA %age – Quarter wise

	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
Revenue (₹ in M)	3,431	3,750	3,982	3,995	4,041	4,068
EBITDA %	12.14	13.09	14.54	14.93	13.45	14.74

Legend: Revenue, EBITDA %

Quarterly Revenue Breakdown

By Geography (%) – based on location of customer

	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
North America	71.5	74.2	75.6	75.2	74.6	72.7
Europe	12.8	10.8	9.0	9.3	10.1	10.8
SEAC*	12.3	12.1	12.8	13.0	12.5	13.3
India	2.5	2.2	1.6	1.3	1.7	1.8
Others	0.9	0.7	1.0	1.2	1.1	1.4

■ North America ■ Europe ■ SEAC* ■ India ■ Others

* South East Asian Countries

Client Concentration (Revenue %)

	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
The Largest Client	6.6	6.7	6.4	6.9	7.2	7.1
Top 3 Clients	11.0	11.4	11.7	12.7	13.1	13.0
Top 5 Clients	14.7	15.4	15.7	16.5	17.2	17.3
Top 10 Clients	22.7	23.1	22.9	23.9	24.7	24.7

■ The Largest Client ■ Top 3 Clients ■ Top 5 Clients ■ Top 10 Clients

Summing Up and Looking Ahead

H1 2023 performance is in line with industry delivering revenue growth and margin improvement amid challenging global environment

Building deeper partnerships with customers while rapidly building our core competencies in growth areas – using speed and relevance as our differentiators

Developing new success stories – H2 2023

- **AWS** has selected us as a partner for their upcoming **Generative AI** platform release

- For a client in APAC, implement **MS Business Central** to become more responsive to their customers

- For a customer in association membership space, built an **AI model to map buying patterns** and help upsell and cross sell products and services

- For a national health care provider in mental health space, building a **patient management system** to improve patient – physician interaction

- **Integrate Velotio** and further accelerate growth with added capabilities, potential for cross-sell, and presence in another tech hub

Thank You

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