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Date: November 06, 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 half year ended September 30, 2026.

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 Monday, November 02, 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/

We request you to take the above information on records.

Yours faithfully,

For Capillary Technologies India Limited

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Digitally signed by GIREDDY BHARGAVI REDDY
Date: 2026.11.06 19:03:36 +05'30'

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

“Capillary Technologies India Limited

Q2 FY27 Earnings Conference Call”

November 02, 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

Kanav Khanna: Hi, good evening everyone and welcome to Capillary Technologies India Limited's earnings call for Q2 and H1 FY 27. We have with us the management of Capillary Technologies represented by Aneesh Reddy, Anant Choubey and Rishi Ray.

Before we start the call, we will just give a safe harbour statement where we say that every statement given on this call, which may contain or be related to business financial performance, strategy and results of Capillary Technologies Limited, will be identified as and can vary from the actual numbers in the future. So to start the call, I hand over the call to Aneesh. Aneesh, over to you.

Aneesh Reddy: Thanks, Kanav. Welcome everyone to our Q2 results. We'll start with a quick introduction. For those of you who are joining us for the first time, please bear with me. It's the same slides we do every time. So quickly on us, you know, we play in the loyalty and customer engagement space. We are a global leader in loyalty management. We work with more than 20 of the Fortune 500 today, over 2.9 billion consumer profiles for the customers that we work with, roughly about 150 large enterprises as customers. We have customers in about 55 countries now, 19 global offices, about 750 full time employees. We typically work with large enterprises. It's multiyear recurring contracts, a lot of good AI, a lot of good automation. Compared to our competitors, you can run a stack with 1/5 the number of people, right?

That's how productive the platform tends to be. For those of you who are new to this space, the best place to look at loyalty in detail is the Forrester wave. Forrester is a leading marketing analyst in the West. You know, they do a wave on every subcategory of marketing, which is more than 5,000,000 in TAM. They've had a wave on loyalty for many, many years now. So if you take the latest wave, which came out last December, that's the one that you see on the screen. This covers the top 15 providers, platform providers in the space. You can see us at the top right. Although

we are not the largest company in the space, we definitely the best rated both in terms of our current offering and the strategy of what we are building. And so if you look at spending a little bit of more time given loyalty is a new space.

In Indian markets, if you look at, they have 27 criteria on which they evaluated this time's wave. Last time was a different number. We had a 5/5 on 22 of the 27. Again, if you read the commentary on what they talk about, they like about the capillary stack is our AI first platform approach. Quite a bit of the stuff on the stack is very AI native. Unlike a lot of our agency competitors like Epsilon or Coby or Bond brand, etc, where they tend to be more agencies with a very thin layer of software. So the other pieces given we support large enterprises, we do support a lot of complex programs and complex use cases. And of course, the report talks about customer feedback. And talks well about us in that sense. So let's move ahead, Rishi. Yeah, just quickly covering on the product stack.

You know, what we try and do is deliver loyalty as an outcome, you know, and hence it's a fairly, you know, does a little bit more than loyalty in that sense. So what we do is we first plug into all the data sources or any place where a customer engages with the brand, right? So which could be your POS systems, your mobile apps, your social media, your 3rd party apps, etc. We get all of that into our native CDP. We don't monetize our CDP as a separate product today. It is more part of the core platform. Once the data is in, you have various apps that you can fire up; loyalty- which is a system of record for think of it as a points ledger for, you know, your loyalty program, right? So all your points, rewards, coupons, all of that in one place. That's the loyalty stack.

You then have the engage stack, which is for personalized one on one automated communication journeys that you can run with customers. 3rd is our insight stack where we have. Over 80 different dashboards and playbooks on what you can do with loyalty data that's readily

available for the business to use. We finally have, you know, a reward stack, which is a redemption stack where you can redeem offers, you can redeem points and finally, this is a new product, experience plus. If you remember, in the last quarter, we spoke about acquiring the IP of this company called Customer Glue. So that product has been rebranded into Experience Plus. It is basically most of the capillary's stack sits on the back end and helps you run a program at scale. But you know, you can run new promotions campaigns very quickly. What Experience Plus does is helps you do that in the front end.

It is an SDK that sits in your mobile app or on your web front ends and, you know, from without writing a line of code, you can configure it to run a game to change- you know, whatever you want to do, right? So, and we're seeing some very good traction. We've already had 3 of our existing customers buying the stack. There's another 9 where we have proposals going, right? So that's on the experience plus side. And finally, we spoke a little bit about the AI piece. aiRA, which is our AI platform, sits horizontally across all these products. We have a more detailed slide on aiRA in the next slide, but the idea is aiRA is your growth agent. Yeah, so what we're trying to do with aiRA is given we are a system of record. aiRA is a system of intelligence and a system of workflow on top of all your customer transaction and loyalty data.

So what it does is it connects into capillary into some of the other products which our customers use to keep their customer data, etc. And you know, helps you come up with growth strategies, helps you come up with execution like you can run a ton of campaigns, promotions, etc. And we natively integrated into an Adobe, Embrace, Salesforce, etc, where you can push these campaigns out of. Now what we've done over the last couple of quarters on aiRA is we typically come after a customer is acquired. But what we have done now is we've extended aiRA into native Google Ads, Meta, TikTok, Amazon ads type acquisition channels as well. So for a marketing team now, they have a full view of

their, a full view of their funnel, right from acquisition to retention and then and then loyalty.

Now we'll talk a little bit more about this, but I think with aiRA, the loyalty stack has become very differentiated. Which is leading to us winning a larger order book on an ongoing basis. I'll talk about that in the next few slides. I think we've had a pretty good quarter in Q2, just covering high level numbers before I hand over to Anant- on the growth side, we have 3 levers of growth. First - Net retention rate, which is our existing customers buying more from us. The second is new customer wins. This is, net new customers who we haven't, you know, who are not customers with us earlier. And then the 3rd is the inorganic motion rate, M&A. So touching on each of these, on NRR expansion, we are now trending at for Q2, we were at a the organic NRR was about 116%. Constant currency about 109%. So largely from 3 levers.

One is increased platform usage. We do have a small inflation and as you break cross your threshold of what you are subscribe to use, we do send you an overage, right? So that is the first line. The second is product upgrades and service upsells. So this is kind of products like AIRA or Experiences Plus where you are using a loyalty stack or an engaged stack and you want more and you end up buying that. The 3rd is expanding into newer markets, geographies and this we call as category 3 where we work with a lot of multinationals or with a lot of conglomerates where over a period of time they tend to add more countries or they tend to add more brands. Onto the platform, which leads to natural increase in usage.

You know, the good piece is that we are now seeing similar NRR in even acquired customers, customers that we have acquired through acquisitions and migrated to who've migrated to capillary as we see on our own stack. So aiRA experiences plus all these products, engage plus are seeing as much love from acquisition migrated customers as we see from the capillary core customer set as well. Coming to the second piece,

the new customer wins. I was talking about this, we've seen growth in our new business. So if you look at our Q1 and Q2, we've both quarters had like almost 80% increase in new ACV if you remove that one large healthcare customer outrate, that was an exceptionally large deal. So eliminating that deal, we we've seeing about a 79% year on year growth on a constant currency basis. I think it's like 66% or 67% new ACV growth.

This is largely being driven by, our AI stack. Although if you look at our AI stack, it's priced at roughly 10 to 20% of the total deal value. What we're seeing is the fact that we have such a strong AI stack means that customers end up buying, you know, the whole stack from us, the loyalty stack as well as AI, which is what's leading to that, you know, increased new ACV number. The 3rd piece is M&A. We didn't do an additional acquisition in Q2. But we did a very large acquisition in Q1 in Session M and the good piece is that for both Q1 and Q2 now Session M has broken even, so we had, we had got a very, very great deal on it given it was a loss making entity at MasterCard before we bought it over. But the good piece is that for both of the quarters, it's been on a break even. In fact, we're very excited about upsell opportunities on the Session M side.

We had our annual customer event last month in Nashville in the US, and we had a bunch of Session M customers who had joined the event and the kind of conversations we definitely think, I think we're learning from each acquisition that we do and this is our fifth and I think we've Kind of a very nice playbook now on how to make up customers feel comfortable, get them to buy more. And I'm hopeful that some things will translate into better NRR and farming numbers going forward as well. Coming to the profitability levers, there are again 3 levers there. The first is your NRR linked margin expansion. Given your cost of hosting the data server costs and cost of customer fixes, etc, and customer support are already baked in. Any new dollars that come from an existing customers lead to like very, very good margins, right?

So if you look at H1 or Q2, our gross margins have stayed stable at 67%. Now, this is in spite of the fact that the session and revenue that got added actually comes at a lower gross margin. So where, I sometimes joke around that we're probably amongst the most profitable loyalty companies out there. So any competitor we buy or any company we end up buying tends to come at least a 30 to 40% lower margins than capillary is. So in spite of that, we it's at the same 67% because the capillary margins have moved up while Session M, being just acquired, puts that margin down a bit. The second is- you know, leverage on non-cogs. So we are a 65% plus gross margin business and costs below it, which is things like technology, sales and marketing, corporate functions, etc. Those costs don't grow at the same pace as revenue, right?

Those grow at a much lower pace, probably inflationary or a little bit more. So and hence, as our revenues grow, a lot of the revenue growth tends to a lot of the gross margin increase tends to go into the EBITDA margins. So again, if you look at a good example for this, we look at H1, although revenues increased 47%. Your non-cogs cost increased 34%. Now again, the more important part to note in this is a lot of this 34% increase is actually session M costs. Like there's a tech team, there are management, all of that comes with that acquisition as well. So hopefully you will see some of this play down into margins over the next few quarters as well. Finally coming to upgrade of customers from M&A, like I mentioned. Typically, the customer, the companies we end up buying are at the 30% gross margin, 5 to 10% or loss making net margin type numbers.

And once these customers upgrade over to our platform, which is typically a 2 to 3 year cycle, you end up seeing that 30% gross margin go to 65 – 70's,leading to better profitability and cash flow generation for us. Now the good thing is our first 3 acquisitions have all delivered a 4 to 5 year cash payback. We had a slide on this in our earlier results, and that trend seems to be on track even for Cognitiv. In Cognitiv, we're trying out a new AI based upgrade capability, migration capability, and

the first customer. on in this new format has migrated over. The good thing with this is, thanks to AI, that you're basically training the AI to do these movements faster. So hopefully over the next few quarters, you will see a lot more momentum on cognitive customers or even some early session in customers over the next few quarters.

With that, Anant, I think over to you on the numbers.

Anant Choubey: Thank you. Good evening everyone. So here's a view on Q2 and H1FY27 results. So we got revenue of INR 271 crores from operations. That's about 51% year on year growth and 43% on constant currency basis. This revenue came at an adjusted EBITDA of 44.8 crore. which more than doubled from same time last year. That's 17% margin on our top line. And packed for Q2 is at INR22 crores, which is about 8% of the top line. In terms of H1 performance, revenue stands at INR 528 crore, which is 47% year on year growth or 38% on constant currency. INR89 crores adjusted EBITDA which is about 17% margin and INR12 crore PAT which is about 2% margin for on the top line for H1.

Now to have a look at organic versus inorganic performance, so this 47% year on year growth on the overall H1 top line- dividing this into organic and inorganic organic business grew by 23% from INR257 crore to INR318 crores and inorganic business more than doubled from INR101 crore to INR210 crore. Now this growth in inorganic has largely happened on back of all of the session M acquisition. In terms of adjusted EBITA growth, this has grown from INR41 crores for same time last year to INR89 crores. This is a 600 bps expansion from 11% to 17%. Now this margin expansion has happened on the back of NRR expansion, the operating leverage on non-cog cost and non M&A synergies on both cognitive and session M. Now coming to annual recurring revenue, these 2 KPIs are basically leading indicator for the business. If you look at Q2 FY 26, we were at INR717 crores of ARR for FY 26 we got to INR765 crore ARR, and that has now increased to 1085 crore of ARR, right? That's a 51% growth over same time last year.

Again, a strong contribution to this comes from Session M acquisition, NRR, new ACV, and this is on a significantly larger recurring revenue base. In terms of new ACV for Q2, like trailing 12 months. data for Q2 FY 26, that's at 52 crores. From there we have increased to 93 crores and trailing 12 months for Q2 FY 27. Now what this means is that we are winning more and this higher win rate comes on the back of our AI capabilities which increasingly differentiates us from our competition in the enterprises space. Coming on to profitability metric for both adjusted EBITDA and PAT, so Q2 performance, we looked at about 400 basis point improvement from INR22 crore in Q2 FY 26 to about INR45 crore in Q2 FY 27.

In terms of PAT, from a negligible PAT same time last year to about INR22 crores of PAT.. In terms of PAT performance, we've seen improvement from about a crore to about INR12.4 crore from H1 FY 26 to FY 27. Now these increases reflect higher margin revenues coming in from existing customers again operating leverage on non-cogs cost and margin uplift on acquired customers. Now how does this improvement happen from INR41 crores adjusted EBITDA in H1 last year to about INR INR89 crores right? That's kind of doubling or more than doubling in this time period. So we have put a waterfall over here. Now there is a small contribution about INR2.5 crore in terms of contribution from the inorganic business.

But half of this improvement has come from the migrated customers, the customers which we acquired and then migrated onto capillary platform and the other half of the improvement has come from the organic new business. Now what does this number mean for the organic business? What it means is that. For every ₹100 of new organic revenue it is generating INR44 crore of adjusted EBITDA and this is largely on the bank of operating leverage. So all the cost below COGS is increasing at more like inflationary increase, bringing in all the operating leverage in the business and hence you see every ₹100 generating, ₹44 of that in adjusted EBITDA. Now a view on the cash. So we ended the quarter in

terms of cash balance of INR573 crores. Our borrowings which is all short term working capital borrowings. We have zero long term debt. The borrowings are at about INR45 crore.

So the net cash generated by operating activities stands at INR113 crore for the half. There is one important metric that we track which is operating cash flow to adjusted EBITDA and that stands at 128%. So the business generates more cash than the adjusted EBITDA. In terms of free cash flow to PAT, we are at 506%. And you would see consistent improvement on ROCE, it is about 5% last quarter, it has improved to about 7%. In terms of cash return on invested capital, they've improved from about 22% last quarter to about 29% this quarter. So here is a walkthrough of flow from adjusted EBITDA to PAT. I'm going bottom to top on this. If you look at Q2 FY 27 the column 2 over here, so adjusted EBITDA margin of 17% which is about INR44.8 crores in this the adjustments are done for finance income and ESOP expenses which more or less cancel each other out.

So that gets you to a EBITDA of about INR45.5 crores again at about 17% or top line. In this you reduce about a crore of finance cost, depreciation of about INR24 crores. Now this number was about INR20 crores last quarter. This has increased by about INR4 crore a quarter. This increases from the depreciation and amortization coming from the Session M acquisition. Then you have tax credits of about INR2 crores. That takes you to PAT of about INR22 crores, which is 8% of the top line. Right. With that, we come to an end on the presentation.

Kanav Khanna: Thanks, Anant. Now I would like to ask all of you to raise your hands in case you have a question. We have a question from Vinay Menon. Vinay, you can unmute yourself and ask a question. Please go ahead.

Vinay Menon: Hi everybody and congratulations on a great set of numbers. A few questions from my side in terms of AiRA, you know Aneesh you were mentioning that you know you can give access to things like TikTok and

others. If you can just elaborate on that and because that's looks like a new capability. So if you can just elaborate, that would be helpful.

Aneesh Reddy: So think of aiRA as a analytics and a campaign management agent. So till now we would support everything which is post you acquired a customer, right? So you've gone into the database and then we had a bunch of customers saying, look, can we also have this working on our acquisition channels? You know, if you look at the marketing team, they also do acquisition of customers and then retention as well, right? So the idea was to- a bunch of our customers came back with this feedback of saying, this works great on the post, the post acquisition thing. Can you plug it in to where they spend money? And typically, these are consumer brands. So you end up spending on Google Ads, on TikTok, on things like that. So what the platform does now is it basically pulls your last 2,3 years of or 6 months or 8 months, whatever.

Of campaigns that we've run on these platforms is what ended up working well, what ended up not working well and you could ask it to modify. So we are not the ad tech in this sense. It's more a system of intelligence on top of these acquisition channels. The good thing is that you get a single view across, you know, if you're on Google, you get only Google data. If you're on meta, you get only meta data. If you're on TikTok, you only get TikTok data, right? So I think what the tool has done well is get all of these together. So which campaigns are running well, which campaigns are not running well. I hope that explained it to you. And it's an Indian tech product. So what an analyst would have done by pulling all that data and all that stuff, it'll do like is it simple English? You can ask it that how did my last week's campaigns run? And it'll it'll give you the analysis, right?

So yeah.

Vinay Menon: Okay, again, and on aiRA standalone, in the last call, you had mentioned that we are at a 2, 2 and a half million dollar kind of yearly run rate. So

how is that run rate changed and what kind of deal sizes are we seeing for this?

Aneesh Reddy: Yeah, so I think we be seeing roughly about 100 to 200 K average deal size, mostly existing customers, right, which is where the selling has been easier because. I think on the newer customer side, like I mentioned earlier on the call, it is the reason why you're ending up winning now that it is a big differentiator, which is why you end up winning. Although the aiRA price is only, let's say, 100 k in that deal, you know, typically it's 10% of the deal value in new deals, right? So you're also winning much more. That faster momentum that you're seeing across the last few quarters is because, you know, I think you have a much more differentiated product now. With the aiRA stack that you had earlier. So definitely good momentum. In fact, we do have about 8, $9 million of pipeline. Not all of it is converted and closed on the aiRA side, right? So some pretty good momentum there.

Vinay Menon: Okay. And then, you know, like just on a larger frame, you know, like we had, you know, Meta launch news last month, especially in US. So you know, this kind of gives a lot of access for agents. you know, to kind of shop and buy things across. How do you think this is going to impact loyalty? And is this a positive for our business?

Aneesh Reddy: I think, you know, I keep like, I think, let me explain this, you take a few minutes, but I think it's worth the explanation. Yeah, right. So what happens with loyalty a little bit when a human is buying, loyalty typically ends up being a little bit of a subconscious preference. You're loyal to a jeans brand, you're loyal to Air India because you're probably a platinum on the Maharaja Club or Indigo Blue Chip 3, right? Or whatever, right? Blue 3. So those are slightly subconscious preferences, right? So I'm not going checking each time what is the airfare on Indigo because or on Air India if I'm one of those 2, right? So I have a preference, I go do it right? What happens with an agent is an agent is

not lazy like. As humans, we have cognitive load issues. We can't like compare too many numbers. We are generally lazy.

We have preferences right, which are not always rational. Now, what happens with agents like a muse or a instinct or any of these is these are extremely rational, right? So if you have even a ₹5 or a ₹10 difference, all else equal, you're buying the same place, flight from here to there or you're buying the same Levi's jeans or whatever, it will be extremely rational, right? So. And that's where we think that and loyalty is always you give 5% points, you give 4% points, you give at best 8% points, right? So it is never a 20% off or a 30% off, right? So we hence think that with agents, we think the behaviour will be a lot more rational, right? What we are also seeing, Vinay, is thanks to the agents. I think you know, payments and promotions and loyalty will kind of come a little before the decision cycle than today at the end, right, usually.

So what will happen with that is if you take most of our competitors, these tend to be agencies, very thin layer of software, whether it is a Kobe, whether it is a Bond brand, Epsilon, all of them, right? They are agencies inherently. So their tech is not that great. So they would not be able to deal with the faster throughput or the complexity that agents can deal with, which is where I think again, a better software technology platform becomes that much more relevant. So in my head, I think we are in fact now building a lot more to provide better data, better information to agents when they are shopping, right? So that I got 2% extra points or I am a gold, hence I get the small thing extra. Those things which today are more subconscious preferences can also be converted rationally onto a buying decision.

I hope I answered your question, Vinay.

Vinay Menon: Yeah. Thank you so much. And all the best. I will get back in the queue. Thank you.

Kanav Khanna: Thanks, Vinay. So I request everyone to limit their questions to 2 as we have a long queue. So next question is from Divyansh Gupta. Please go ahead.

Divyansh Gupta: Hi. So first question is when we do this in these inorganic transactions and we acquire. Actually I'm very new to the company. I'm just going to be revising from transcript. You mentioned that you give about 10% discount and then anyways there was a 3 to 4% hike if lets say the customer is in the US and yet customers don't and which means that at least for 3 years out they will probably pay equal or lesser cost to what they were paying right now and they probably get a better tech solution than what they were using. Why don't all customers migrate? Why do we experience a loss in revenue or customer fall through?

Aneesh Reddy: So let me answer that. So usually, Divyansh, we give the discount only when they're migrating. We don't give now. And that too, it's not for all customers. Typically, like let's take session and right. There are a bunch of customers who are like, look, we like your AI stack, we want to move first. Right. So in those cases, there is no need to usually towards the end is when you say, okay, look, you know, we really want to sunset this platform. There's benefits in migrating and you give a small discount at that point in time, right? So now why do all customers not migrate? Typically in the acquisitions we've done, we've seen about a 70% revenue retention post migration, right? 66 to 70 is the number in the last few acquisitions that we've done. Now typically it takes 2 years to 2 years to get the migrations going and about 30 months when you fully migrate right.

And these platforms that we are buying are not like our annual churn is probably 6 to 7%. These platforms are probably at a 10% annual churn. Right. So in 2 years, you tend to lose like a 20% of revenue there and then you give this discount additionally, right? So that kind of broadly gets you that gets you to that to that 70% revenue retention. But what's important is this 70% revenue retention now comes at a at a 65% gross

margin or a 70% gross margin as compared to, you know, on the earlier platform where you had $100 coming, but they were coming at like 30. $30 of gross margins. And then, you know, you take the tech costs and all you're probably a loss or a 5%, right? So that's the so you're essentially going from 5% free cash to probably a 45% free cash.

Divyansh Gupta: That part I understand. I was more concerned, trying to understand where do why do the customers not migrate and then who do they migrate to.

Aneesh Reddy: Because so typically now again, that's a very good question. So if you look at the 20% churn that we've seen in the first three acquisitions, A bunch of it was bankruptcy, right? So one of those acquisitions that we had done had, in fact, 2 of those acquisitions that we did had a lot of retail and we had TCP, Children's Place and Express, which were customers there which went bankrupt, right? So variety of reasons, but major majorly, given we are so well rated on a Forester or any analyst for that matter, pick any analyst, you will see us in one or 2. The product is better, has a lot of AI. We usually see quite a bit of willingness to migrate, right? Everyone wants a better platform. We're further enticing you with a small discount. We're not charging you for the implementation. So it is, it is a yeah, you.

I mean, if you remove the bankruptcies, probably you will see an 80-85% willing to migrate, right?

Divyansh Gupta: Got it. Understood. That's helpful. The second question is that you had mentioned that session M there is some 50% of revenue goes in server cost because of whatever reason it was a badly architected solution. So 2 part question to this, what can this number reach to? Because for us I think it was 7 to 9% right? So is there a 41% delta that we can realise? I am guessing some will be restricted to their geographies because of law requirements and over what period, and should one expect these things to come in into the P&L?

Aneesh Reddy: So the first thing, you know, as they migrate, they will migrate to the capillary platform. So eventually it's probably a 3 year story or a it's also a lot of customers on the session side, right? And so you will eventually get to that 8 to 10% server costs because the capillary platform runs on a 8 to 10% server cost model. Right now we already have customers in in the US, in APAC, in Southeast Asia, in India. So we already have all those co-locations available. So although Session M has is a global business, as those customers migrate, we shouldn't see a market increase in server costs, right? So it should now. What we're anyways doing is, given this is a, it will, I mean, it's roughly about 40 customers who are on that book. So you can't migrate all of them in like 6 months, right?

It'll take time and different customers have different preferences. So they'll migrate, you know, probably in 2 years, 3 years, whatever, right? So we are anyway pulling the server costs. We've been doing a bunch of work to improve server utilizations, moving from Windows servers to Linux servers. Doing a bunch of that kind of stuff, right, to bring down our server cost we think that it will come down by about 50% by March, April, right? so you will see those numbers come down.

Divyansh Gupta: You're saying 50, right?

Aneesh Reddy: Yeah, by 50%. So today by 50 will become 25, correct. Something like that. Right. So those projects are well underway, and I think we will hit that target by March, right? Where we get it down significantly. And there's more work you can further do. As the thing about Session M was the reason I say it was badly architected is it was a single instance, which is each customer had their own individual co-los.

Divyansh Gupta: Got it.

Aneesh Reddy: Right. While capillary is a multi tenant platform, which is all customers sit on. You know, these, one of these 4 colos or 5 colos globally. So as each customer migrates, you will start seeing that further improve on the session. I'm saying, unlike, you know, in our earlier acquisitions where

they were also multi tenant. So it did, you know, till you moved a significant chunk, you wouldn't see the value, right? So some of that we do think, we do think you will start seeing benefits every quarter. you know, as we migrate a few customers or as we further improve on the server costs on the Session M side.

Divyansh Gupta: Got it. Can I just want to ask one more question before I join back the queue?

Aneesh Reddy: Sure.

Divyansh Gupta: aiRA, does it work only with the capillary SaaS enabled platform or it can work with any other, let's say, loyalty platform and provide the same insights and then provide us a foot in the door to those clients? Whom and for players who are not doing that much in AI domain right now.

Aneesh Reddy: So that's a very good question, Divyansh. We covered this a little bit in our earlier in the last call. Now, what we're doing is aiRA can sit on top of Databricks or Snowflake or BigQuery. So as long as a business has pumped all of its loyalty data into a data link, right or into a tool like, you know, so aiRA can sit free form on top of it. We in fact, we just launched an independent sales motion for aiRA. So today, mostly loyalty is our leading product which we sell. Now we are also doing a separate demand gen where aiRA can directly be sold to non capillary customers as well.

Divyansh Gupta: And do you see the do those other platforms? Having this text stack which to which AiRA can plug in or theoretically it can work, but practically there is no one doing those implementation to yeah.

Aneesh Reddy: So what happens is mostly these large enterprises push all their data into a Databricks or into a BigQuery or into a snowflake kind of a tool, right? So as long as you have your data in, so what AiRA is really is a great harness and a good context engine. For loyalty analytics and for loyalty campaigns and things like that, right? So as long as the data is available, it's pretty easy to have the harness plugged on top.

Divyansh Gupta: Understood. Got it. This is helpful. I'll join back the queue.

Kanav Khanna: Thanks, Divyansh. So the next question is from the line of Rishabh Mehra. Please go ahead.

Rishabh Mehra: Good set of results. I had a couple of queries. One is could you help me with the split of your gross margins? Because the expectation would have been that Session M will put a damper on them, but you all have hit 67% subscription GMs. So could you help me with the split between organic inorganic ex-Session M and what Session M has own gross margin by your definition has been this time?

Rishabh Mehra: OK, sure. Secondly, out of the new ACV, what percent like.. in H1 i think you'll have done a total of some 148 CR, right? Out of that, how much of that has been from existing customers like farming and how much has been newly acquired, organically acquired customers?

Rishi Ray: Yeah, so 93 crores is our TTM math, Rishabh. We would have roughly 35% of that coming in or 35 to 40% of that coming in from new logo additions. With the remaining 50-60% coming in from your farming motion. So you we typically would add about by the end of the year, we'd end up adding about 70 to 80 crores of new logos. So this is a leading indicator to whatever the year is going to end at, you would probably get to about yeah, to about 70 to 80 crores of new logo additions in a particular year.

Rishabh Mehra: Got it. So just to actually just to clarify, you're saying that by the end of this year of the 93 Cr that you all have on boarded in H1, you're saying about a 3rd. So say 30 CR is new logos. You're saying you'll add another 70 to 80 or on the whole you'll do 70 to 80 roughly?

Rishi Ray: On the whole. So Rishabh, the 93 also is a TTM math. So that's from H 2-26 to H1-27.

Rishabh Mehra: Okay, cool. I thought I saw another number on that.

Rishi Ray: It's a trailing, it's new annual contract values added in the trailing 12 months ended September 30, 2026.

Rishabh Mehra: Got it. Okay. And just the last quick question. Yeah. Is there any update on the timeline of migration of session M? I mean, I think you all said you all won't do a lot in FY 27 and a lot of it will pick up later, but given that you all have done so well with the cognitive. Integration with your AI solution, where do you all see Session M getting completed?

Aneesh Reddy: Rishabh, I actually think, you know, thanks to AI and stuff, I think we can get a lot of the margins on Session M even without the migrations, right? So and so you will see the, I mean, it's 40 customers, so I would say it'll still take between, 2 to 3 years for the full thing to move. But I do think that you will see a lot of the value starting to come a lot before.

Rishabh Mehra: Got it. Thanks. I will get back in the queue.

Anant Choubey: Thank you, Rishabh. On, your question on gross margin. Yeah. So session and customers on an overall basis are at about early 50's, about 51-52% in gross margin. The core capillary platform customers are at above 70% gross margin now. So I will comment the overall which comes to about 67%.

Rishabh Mehra: Got it.Okay, thanks. Thanks so much. I will get back in the queue. Thank you.

Kanav Khanna: Thanks, Rishabh. So the next question is from the line of Shaurya Yadav. Shaurya, please go ahead.

Shaurya Yadav: Hi Aneesh, thanks for the opportunity and congratulations for a good Q2 performance. My first question on the ACV part, the new ACV which grew between 79% YOY. So I want to understand more about on our going ahead strategy for the deal wins like Optum, Optum is one of our major client in terms of revenue concentration and correct me. If I'm wrong, that's a large contract with the Optum and post are all the M&A and the cross selling with and the synergies that we have embedded in

our business as well as the aiRA. Are we internally targeting to win similar size of contract in a future in a different sector or was the Optum more of a one of large contract for us?

Aneesh Reddy: Yeah, so I. Officially, I'm not supposed to take the name. So I let's say this large healthcare customer who, right? So that was one of the largest SaaS deals in Asia. You know, I mean, you can't replicate a deal of that size. I don't think there are SaaS companies in India which have done deals of that size or even Asia for that matter, right? So it's hard to replicate that. But having said that, look, we do win, like we had announced another deal at the start of this year. Which was a 20 mn plus contract over 4 or 5 years, right? I think, you'll probably see contracts of that size. But this large healthcare customer is a, it's a Fortune 5, right? So it wouldn't be right to expect that intensive, that type of deal values.

Although we do have instantly, our largest customer today is actually not Optum, it's some, it's someone else. Who's grown over the years and got there, right? So you will have customers who will land and then expand into that kind of a size. But yeah, very hard to it was, I can tell you that it was probably the largest SaaS deal in the country by a distance Optum right? So yeah, got it.

Shaurya Yadav: And second question is on the migration part. So just want to understand like we have some 60 combined customer in cognitive and Session M. So is there any specific migration threshold like say 25% or 50% at which you expect that the margin benefit incrementally like we get some sort of consolidation P&L advantage? Or is the margin uplift is more like a linear where each migration customer contributes incrementally below? It doesn't matter where they are in the overall migration curve.

Aneesh Reddy: So if you, I think Anant covered this. So you know, as we migrated over the Bradley and the Persuade customers, you see that half the EBITDA growth between last year to this year has come from migrated customers, right? So similarly, I think the goal is to do cognitive first. Cognitive we acquired in May of last year. And the idea is that by September of next

year, in fact, the good piece is that by September of next year, all cognitive customers want to migrate. So they have already signed up and I think work has started on it. In fact got one of them fully migrated out. Now there are session M customers who want to migrate by themselves, right? So this is not a migration they want to reimplement. The way we migrate is we build a lot of tools so that it's easy for a customer to migrate and they don't have to do any work.

But in Session M, we're actually seeing customers saying, we will re implement, we will just call your API's, we will take the cost of implementing it. So you will start seeing some of those benefits. Ideally, if you ask me, it's a 30 month full cycle from May of 2020, whatever say this May 30 months. But I do think.. at least we think, as these over cost moments happen, as some of the stuff happens, you will start seeing some of those moments play out, you know, like every quarter to quarters going forward.

Shaurya Yadav: Okay, so from Q3 onwards, we can see.

Aneesh Reddy: You will see these small movements. I mean like I think every quarter you will see some movement which will hopefully add up to another 20-25 crores getting added for the next H1 right so yeah.

Shaurya Yadav: Understood. Thank you and all the best, Aneesh.

Aneesh Reddy: Thanks, Shaurya.

Kanav Khanna: Thanks, Shaurya. So the next question is from Praveen Jayaraman from Avendus. Please go ahead.

Praveen Jayaraman: Yeah, so my questions is on the depreciation side. So we had a QoQ increase in depreciation. Could you help us understand like what would be the contribution from the new acquisition in Session M here and what would be coming from the internal internally generated software or if even possible we can speak on the gross block addition or due to internally generated assets, right?

Anant Choubey: So Praveen, due to Session M acquisition there is about 4 Cr, a quarter increase in depreciation. On the internally generated assets, while our capitalization has come down, last year we were capitalised, we capitalised about 36 crores of our tech investment. This year we are more at a run rate of about 20 crores, but that impact will start showing up going forward. So we are more or less flat on the internal generated assets. This delta talk about 4cr is coming in from Session M acquisition.

Praveen Jayaraman: This 4 crores includes both customer contracts and goodwill. What would be the period here, Sir, the total depreciation for Session ?

Anant Choubey: So the IP is depreciated over 3 years, the customer contracts are over the duration of those contracts. But more or less you can even take it about 3 years for the overall value.

Praveen Jayaraman: Ok, Sir, there was an increase in the consideration or like the value of session M acquisition compared to the last quarter. Was there any? I think you mentioned around 2 mn last time. Was there an increase in purchase consideration for Session M?

Anant Choubey: No.

Praveen Jayaraman: Ok, so the entire amount can be considered to be depleted over 3 years, correct? Right.

Anant Choubey: Ok. So what you're seeing is 2 Mn is essentially the cash that was paid.

Praveen Jayaraman: Ok.

Anant Choubey: The overall value that is that is kept that is amortised is about 4 mn

Praveen Jayaraman: Ok Sir. Got it Sir. Thanks for the clarification.

Kanav Khanna: Thanks, Praveen. So the next question is from Akshay Jogani. Please go ahead, Akshay.

Akshay Jogani: Hi, thank you. Thank you for the opportunity. So a couple of questions. You spoke about realising value from the likes of Session M's and

acquisitions even before the migration happens or irrespective of the migration, right? So what does it sort of mean? Does that mean that? You can run the Session M platform and their technology tools at a much lower cost and hence realise that how should, what does it mean by when you say that you can realise. The second question also I quickly touch upon how do we, can you talk about incremental? Deal sizes and growths and how they are changing from an organic perspective. The reason I ask is that if I look at the organic growth of the business as you reported in your presentation, it is 23%, right?

I mean, which is of course there is an element of currency impact, but it is despite that it is higher than what you generally guide. So is that is it fair to sort of think about acceleration on the organic front as well? maybe due to aiRA or any other things. So these are the two questions.

Aneesh Reddy: So in terms of New Deal velocity, actually we've said that our New Deal velocity is now up 79%, right compared to compared to trailing 12 months basis, right? So we're definitely seeing both on existing customers and on new customers, more deal closures than earlier. Right now, it is not same in all markets. Like I think Europe is doing a lot better for us. Southeast Asia is doing well, India is doing well. The US is kind of similar to where we were last year. But there is definitely more momentum there Akshay. I think my gut is probably another few quarters and we can definitely give you a better guidance on just organic moving up. For now, I would say you know what we've been guiding to right 20% organic growth.

I think we should kind of stay in those ballparks for a few quarter or 2 before we can fully say that look, yeah, there is a definite in shift in numbers.

Akshay Jogani: Yeah, sure. And then the first question, if I can touch upon on sort of you spoke about Session M becoming more valuable before migration sort of come through, correct?

Aneesh Reddy: So, I think there are really 2-3 areas where you see value coming from, right? So first is these platforms have much lower gross margins like Anant mentioned 50-ish, right? Because very high server costs, lot of people serving the same the same platform, right? So then you have a technology cost, which is the tech team cost which sits below. Rate below the gross margin. So as you move customers over to the capillary platform, essentially your server costs come down, you need lesser people to run the capillary platform than you need on the Session M side or any competitor side. But then finally, as you move over, you don't need those technology teams to maintain it as much, right? So you use those technology teams on the capillary side or new products or aiRA or, you know, like we keep doing more, right?

So it helps in without hiring you, you're able to do a lot more. Now in Session M, we think the server cost thing is a big one, you know, which is constantly, we think we can bring it down significantly without even the migrations. They were on windows servers, you can move it to Linux. You know, not packed well, you can pack it a lot better there. What's basically happening is as organic growth is happening, right? Like last year we grew about 23, 24%, we had a 1% headcount increase. This year, I think you know, you might have a 45% headcount increase on a 40 plus percent revenue growth. Basically, what we're doing is some of the folks who have come from the acquisitions are being redeployed to implement or run our newer customers, right? So and we're now also moving things like aiRA onto the Session M and platform.

So the amount of people you need to really deliver or the support needed goes to the software and the automation rather than to aiRA rather than people needed. Right. So we do think that you might not get to the capillary steady state on gross margins, but you can get to I do think this 50 can go to 60-65 even without.. the 50 of Session M can go to 60-65 even without fully migrating to the capillary stack.

Akshay Jogani: Sure. And if I may ask one last question, what is the aiRA last quarter? I think you've spoken about it being 2 and a half million ARR. Where have we got to? And I mean, do you think that the 10 million ARR objective by the end of the year is achieved?

Aneesh Reddy: You know, I think we might be a quarter here there, but I do think the objective is achievable. Akshay, we've had to tweak around with pricing a little bit, like, you know, our initial wins on the aiRA side were all usage based. Which is, you know, you pay us per token per use, that kind of stuff. What we've now seen is I think more customers are more preferring saying, look, give us a fixed, you know, like the Claude license where you pay 25 or 25 to 25 and you get X number of usage, right? X amount of usage. I think we've had to tweak our license model a bit. So we now have a team's license, which is roughly about $60,000 for a customer and then you have a professional which is about $100,000. Which are, it's like 10 users or 15 users more fixed because what we're realising is more and more large enterprises want a fixed fee, something which I mean, like I think you hear on this site.

A lot of people have just blown through their C laude builds like unreal. So I think some of that is cleared, but we are seeing more wins, but I think it will be more not a full open, do whatever you want to do types, but more a teams or a professional type license playing there. Yeah, sure.

Akshay Jogani: OK, thank you. I will come back in.

Kanav Khanna: Thanks, Akshay. So the next question is from Siva Prakash Balaji from Ithought PMS. Please go ahead.

Siva Prakash Balaji: So I have got a couple of questions. So firstly, if you look at. Our inorganic revenue, right? I think previous quarter we did around 102 crores and right now we are at 109 crores and previous quarter we had only 2 months of Session M's revenue and this quarter despite of having

3 months of Session M's sold revenue in the quarter on quarter growth is sub 8%. Could you maybe tell us the run rate that Session M has seen?

Anant Choubey: So this quarter we are looking at a run rate of about run rate of about 30 mn. So roughly to 300 odd crores or right for a full 12 months period.

Siva Prakash Balaji: Got it. But has some revenue moved to organic by any chance on this quarter, which was there on inorganic previous quarter?

Anant Choubey: No. So session migrations will start only next year. And as Aneesh mentioned, this doesn't from the time of acquisition, it takes 2 to 3 years. So you can expect the bulk of migrations to happen in FY 28 and 29 while the benefits will start showing up very like sooner than that. In this case, it's not like one final stack, but like every customer that we migrate, we would start seeing benefits, but the migrations will go on over next year and the year after.

Siva Prakash Balaji: Got it, understood. And secondly, I would like to understand the difference between us migrating customers after us acquiring another business and maybe just going and getting another new client. Like what exactly is difference between what the process? If you could just explain this in detail, it will help.

Anant Choubey: Sure. So when we when a new customer organically. It's a customer initiated RFP process or it's a customer initiated change process, right? So in that case, the whole customer ecosystem is new. So the capillary like configures its product and also does integrations with all the touch points at the customer end. Now these integrations also take some amount of effort from the customer. And bringing in those partners or doing work on their middleware's. So there is a there is a good amount of effort from both customer and Capillary in doing a new deployment for a organically won customer. Now when we have acquired a company there the acquisition is something which is.. sorry there the migration is something which is initiated by capillary.

So in this case, what we try and do is minimise the effort on customer side and this is where this is where we are making use of a AI product that we have developed in order to do the migration mostly from our side without actually needing customer to put in effort for doing all the integrations with different touch points. So the customer would be required to just do a lightweight UAT. So it would be just a couple of weeks of effort instead of hundreds of man months of effort from the customer end. So the predominant difference is in this case it is capillary initiated migration process and hence the bulk of the effort is on capillary's end. Even the customers effort is done by capillary because it is a integration which is already there existing in the acquired company platform. Does that answer your question?

Siva Prakash Balaji: Yeah, that helps. But could you maybe just explain more about why not capillary can just do the process themselves, even if they go organically and find clients? Why not re initiate the process, we do the integration ourselves on the other case as well.

Aneesh Reddy: Siva. So typically like I said. In any customer, we integrate with 89 different points, right? Like POS, mobile apps, e commerce apps, whatever, right? Like their net promoter score, their ERP, etc. So typically for a CIO, this is like 7 projects they have to run to take a capillary live or 8 projects they have to run to take a capillary live, right? So and which is why we generally see that even if customers are unhappy with their existing provider. they tend to not find the bandwidth or the time to really migrate, right? So, and M&A for us is just, we're not buying new products, we are essentially just buying competitors, migrating them over, right? Is there an easier way to do this? Because those platforms or that customer already integrated with, let's say, a session M, right?

And then what we end up doing is, if the customer agrees, they have to do a 2 week UAT. We put something like an API gateway in the middle, so the customer continues to call the session and APIs. You know, we

the API gateway routes them to capillary routes, the responses back right and simplest forms like I'm not like don't hold me. I mean, I'm just simplifying the way the whole integration or the migration layer runs. So it just gives you, it gives you that ability to. Like take someone live with a 2-3 week UAT or a, you know, instead of a 7 month project to go live or a 9 month project to go live. Did I was able to explain it?

Siva Prakash Balaji: Yes, Aneesh, that was perfect.

Aneesh Reddy: So which is why this, you know, and see even on our, you know, I mean, you obviously looked at our decks very closely. So, you know, our customer acquisition cost takes about 16-17 months to pay back. Right. It's the payback period we've covered it every quarter now. In the M&A side, you're essentially paying you know, half to one times revenue to acquire these customers and you know, you're spending a little bit to migrate then right? This API gateway or things like that. But what happens is you build it once for a platform, right? So it kind of that cost gets amortised. So we actually think that the. The cost of acquiring a company or the cost of acquiring a customer are not very different financially, right? And that is the whole thesis of the M&A playbook.

Siva Prakash Balaji: Understood, right?

Aneesh Reddy: And yeah, the numbers are also very much there. I mean, as long as we are at like 1-X, we're not paying more than one times revenue. Your customer acquisition cost and your acquisition, your M&A costs are very similar actually.

Siva Prakash Balaji: Got it. Yeah, understood, Aneesh. And one last question, I think we have our own 500 crores of cash in our books, right? And how do we look for further acquisitions going forward? Do we have anything on pipeline?

Aneesh Reddy: You know, like how I have a sales team, how we have a sales team, we have an M&A team which is as active, right? So, but having said that, look, you want to buy deals which make sense, which come at a certain value. You know, we wouldn't want to do anything which is more than a

4 to 5 year payback or doesn't have good retention, things like that. So, you know, I think, we always have people we speaking to on the M&A side.

Siva Prakash Balaji: And I believe our payback is also reduced, right? Because our migration time has been cut down a lot, which is a very good thing.

Aneesh Reddy: Yeah, I mean. You'll have to see it play, but Session M and we paid nothing, right? You paid even 2 mn for a 300 crore business, so your payback will be a lot faster.

Siva Prakash Balaji: Got it. Yeah, thank you and all the best.

Kanav Khanna: Thanks. So I think we have reached our time limit, so I'll request the management to their closing remarks that we can close the call. Thank you.

Aneesh Reddy: Got it. thanks everyone for joining us. Sorry we couldn't answer all your questions. Feel free to reach out to Kanav and team and if they are FAQs, probably we can publish some as well. But I think overall, we have had a very good momentum through the quarter, both on the organic aiRA and the inorganic side. We think we had given a guidance at the start of the year. We definitely think we will hit the guidance or do a little better. But thanks so much for the support and yeah, looking forward to continuing on the good momentum we have today in the business.

Kanav Khanna: Thanks Aneesh, and thank you everyone for joining in. We will see you next quarter. Thank you so much.