

Date: November 10, 2025

To,
BSE Limited,
1st Floor, New Trading Ring,
Rotunda Building, PJ Towers,
Dalal Street, Mumbai – 400 001
Scrip Code: 544414

National Stock Exchange of India Limited
Exchange Plaza, Bandra- Kurla Complex,
Bandra (East), Mumbai – 400 051
NSE Symbol: BLUSPRING

Dear Sir/ Madam,

Sub: Transcript of Earnings Call – Q2 FY26

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of the Earnings Call held on November 07, 2025. The above information is also available on the website of the Company at <https://bluspring.com/financial-information/>

Request you to please take the same on record.

Yours sincerely,

For **Bluspring Enterprises Limited**

Arjun Makhecha
Company Secretary & Compliance Officer
Membership no. ACS 29253

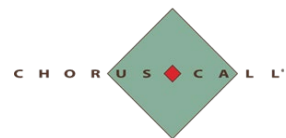
Encl: as above



“Bluspring Enterprises Limited
Q2 FY '26 Earnings Conference Call”
November 07, 2025



IIFL CAPITAL



**MANAGEMENT: MR. KAMAL PAL HODA – EXECUTIVE DIRECTOR AND
CHIEF EXECUTIVE OFFICER – BLUSPRING
ENTERPRISES LIMITED
MR. PRAPUL SRIDHAR – CHIEF FINANCIAL OFFICER –
BLUSPRING ENTERPRISES LIMITED
MR. NIBODH SHETTY – HEAD INVESTOR RELATIONS –
BLUSPRING ENTERPRISES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Bluspring Enterprises Limited Q2 and FY '26 Earning Conference Call hosted by IIFL Capital Services Limited. As a reminder, all participant line 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 this 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. Nibodh Shetty from Bluspring Enterprises Limited. Thank you and over to you, sir.

Nibodh Shetty: Thank you. Good morning, everyone. Thank you for joining us for Bluspring Enterprises Q2 FY '26 earnings call. At this point, we would like to highlight that today's discussion may include forward-looking statements, which are based on our current expectations and are subject to business risks, regulatory changes, and macroeconomic conditions. We do not guarantee these statements or the results and are not obliged to update them at any given point of time. These statements should be read in conjunction with the Safe Harbor clause outlined in slide number 2 of our investor presentation.

With that, I will hand over the call to our CEO, Mr. Kamal Pal Hoda for his opening remarks. Over to you, Kamal.

Kamal Pal Hoda: Good morning, everyone and thank you for joining the call today. Let me begin by sharing some brief context on Bluspring's performance in the second quarter. The overall business environment remained positive, supported by steady economic activity.

Indian office real estate saw strong momentum with 16.3 million square feet of net absorption across the top eight cities, a robust 35% year-on-year growth. Delhi NCR and Bangalore led the quarter, contributing 23% and 21% of the total absorption, respectively.

Government capex stood at ₹5.8 lakh crore, an impressive 31% increase year-on-year in H1 FY '26. Private sector capex is also showing signs of revival, with fresh investment proposals nearly doubling to ₹10.55 trillion across approximately 1,800 projects in quarter two.

Additionally, the government's newly notified employment-linked incentive scheme is expected to further encourage formalization of the workforce and industry consolidation, benefiting formal employers like us.

Now, let's discuss Q2 and H1 FY26 performance, excluding our investments in foundit. Bluspring recorded Q2 revenue of ₹837 crores, excluding the 'Investments' vertical. This represents an increase of 14% year-on-year and 8% quarter-on-quarter. This revenue growth was driven by new sales additions in facility management, security, and industrial verticals; seasonal improvement in food business as education institutes opened up in Q2; and improvement in overall operational efficiency across businesses.

H1 FY '26 revenue stood at ₹1,614 crores, an increase of 14% year-on-year. This growth was broad-based, as all the three business verticals grew by double-digit on a year-on-year basis. Our revenue base remained diversified across customers and across sectors, with top 30 customers

contributing to only 50% of our revenue. Similarly, eight different sectors each contribute more than 5% of the overall revenue, enabling us to take advantage of multiple growth drivers.

Q2 EBITDA was at ₹29 crores, an increase of 1% year-on-year and 22% quarter-on-quarter, while for H1 '26, we recorded an EBITDA of ₹53 crores, a decline of 5% year-on-year.

Flat EBITDA on a year-on-year basis is due to investments in leadership and sales team enhancement. These are strategic investments that will normalize as the business scales up. Indeed, these investments are already yielding results. In H1 FY '26, we have already secured 36 new contracts worth ₹110 crores across facilities, maintenance, food, and industrial verticals, setting us for growth in the coming quarters.

Segment updates

Facility and food services:

Facility and food services accounts for 60% of the group's revenue. Our housekeeping business serves over 650 customers across 7,000 plus sites, while the food business serves 180,000 meals every day for India's leading education institutes and hospital chains.

This segment had a solid quarter with Q2 revenue of ₹514 crores; growing 14% year-on-year and 8% quarter-on-quarter.

As discussed, quarter-on-quarter revenue growth was driven by new sales additions and education institutions resuming post-vacations in Q2, thus increasing food business's volume. H1 revenue stood at ₹990 crores, a growth of 13% year-on-year. New sales have been strong in H1 with contracts worth ₹37 crores added only in Q2. We saw major tractions in education, government, and industrial segments.

We have also started making inroads into new segments such as sports & leisure, with Bluspring serving as an exclusive hospitality partner for the World Para Athletics Championship. Within the education segment, we made entry into off-campus student living space, broadening our growth levers. Looking ahead, we are expecting to start a new central kitchen in Bengaluru, in Whitefield area within this quarter. This will help us expand our footprint in corporate offices and the GCCs in this region.

Moving on to Telecom and Industrials:

This vertical accounts for 19% of our group revenue. The Industrials sub-vertical is led by legacy brand Hofincons with 47 years of experience in operations and maintenance across sectors like ferrous, nonferrous, power, and green industries.

The telecom subvertical is led by Vedang, a 17-year-old brand that supports network deployment, assurance, and tower infrastructure management for major telecom players. Safety in this vertical remains our foremost priority, and I'm happy to report that our industrial vertical logged over 13,000 health and safety training hours in H1 FY '26. The focus on training has resulted in 0 fatalities and lost time injuries in quarter two.

This segment had a strong quarter with quarter two revenue of ₹155 crores, growing by 11% year-on-year and 2% quarter-on-quarter. The low growth on a quarter-on-quarter basis is due to lower capital expenditure by telecom majors in Q2, which adversely impacted our Telecom business. Growth in Industrial sub-vertical continues to be impressive at 10% quarter-on-quarter, powered by new sales additions. Business recorded H1 revenue of ₹307 crores, growing 15% year-on-year.

In industrial subsegment, we are focusing on transitioning from a manpower provider to a strategic operations partner. This focus was reflected in our sales where we added six major contracts of ACV ₹40 crores in Q2 alone, covering operations and maintenance of blast furnaces, operation and maintenance of iron ore processing units and smart meter installations, all core client operations.

Our Telecom active infra business is a market leader in its current space. Hence, the focus is on diversifying our revenue streams for this business. To achieve this, the business has made initial forays into solar EPC and satellite communications space. We will continue to update you on the progress made in subsequent calls.

Security business:

This vertical accounts for 19% of our revenue. We hold PSARA licenses across 24 states, which enables us to provide scalable and compliant security solutions across India. This segment had an excellent quarter with Q2 revenue of ₹168 crores, growing by 19% year-on-year and 13% quarter-on-quarter. The growth was driven by headcount addition of over 1,300 in Q2, a 6% quarter-on-quarter increase. This is the highest ever quarterly headcount addition for the security business. And with over 900 open mandates, we expect to have a similar trend in the coming quarters. Q2 headcount addition was driven by both existing customer increase of 614 and new sales headcount addition of 760 during the quarter.

The securities business clocked H1 revenue of ₹317 crores, an increase of 13% year-on-year. This is driven by over 3,100 headcount additions in the last four quarters only. Our investments in new sales have started to pay off, and the new sales team has added 17 new logos in Q2. Acceleration of sales and strengthening of our sourcing channels will continue to be a major focus areas in this business.

Moving on to foundit.

Our AI-powered job search platform, continues to make good progress. Revenue grew 4% quarter-on-quarter to ₹21 crores. Recruiter search and six month active users grew by 49% and 8% quarter-on-quarter, respectively. demonstrating healthy traction on both sides of the platform.

In the first half, our focus was on product upgrade and cost optimization. We rolled out improvements to search engine, introduced a revamped recruiter interface and user experience, and achieved a 25% reduction in overall site latency. These enhancements have been well received by our customers.

As we move into the second half of the year, our attention is shifted towards sales acceleration, building on improved product foundation to drive revenue growth and expand our customer base. I will now hand it over to our CFO, Prapul Sridhar, for the financial deep dive. Over to you, Prapul.

Prapul Sridhar:

Thank you, Kamal, and a very good morning to all of you present in this call. I will begin by taking you through our consolidated financial performance, excluding foundit, before discussing segment-wise results and other corporate updates.

For the quarter ended 30th September 2025:

We reported a consolidated revenue of ₹837 crores, a 14% year-on-year growth and 8% sequentially. Year-on-year growth was broad-based across all our business verticals. We have mobilized close to 37 new contracts during the quarter, contributing to an ACV of ₹96 crores. 50% of our revenues are contributed by our top three sectors, now being industrials, commercial spaces and government & public infra.

EBITDA for the quarter stood at ₹29 crores, which is up 1% year-on-year and 22% sequentially. Now a key reason for muted growth in year-on-year EBITDA was on account of continued investment in leadership and sales in vectors of growth identified. Second, we had a one-time gain in Q2 of last year in estimated credit loss reversals due to good collections unlike this year's quarter.

Sequentially, our margins in EBITDA have improved 41 basis points and moving up our margin journey as guided earlier. EBITDA to PAT conversion stands at 55%. PAT for the quarter closes at ₹16 crores up year-on-year 19% and 38% sequentially.

Our effective tax rate is in the range of 14% to 16% at a blended level normally. However, tax rates were much lower for the first half of the year due to non-cash tax credit in due creation of deferred tax assets, thereby reducing the reported effective tax rate. Our DSO currently stands at around 105 days compared to our usual levels of approximately 90 days.

The increase is largely attributable to delays arising from novation of contracts, which temporarily impacted billing and collection cycles. As a result, our net debt position excluding foundit stands today at ₹136 crores. However, with novation's behind us, we are confident of reducing the DSO days and bringing the net debt to sub-100 levels by the year-end.

Moving now towards segmental performance:

Our facilities and food services business continue to be our largest segment, contributing just below two-thirds of our total revenues. This segment recorded a growth of 14% year-on-year and 8% sequentially to ₹514 crores. The growth was driven by 14 new client additions during the quarter, with an annual contract value of ₹37 crores.

As reiterated in our previous quarters, our focus remains firmly on profitable growth. We added new clients across education, commercial, BFSI and IT sectors. EBITDA for the segment was down 20% year-on-year for the reasons which were already mentioned earlier.

This business is operating at 4% margins currently, with economies of scale kicking in from now on, we are confident that incremental margins will accelerate margin percentages. Our Telecom and Industrial segment reported a revenue of ₹155 crores, growing 11% year-on-year and 2% sequentially. Growth in telecom vertical was muted due to temporary pauses in network roll-outs that were already planned.

While industrial business continued to expand strongly, with new client wins in metals, food processing, and power sectors, we have begun repositioning our industrial business towards end-to-end operation and maintenance services, in line with our long-term strategy to move away from traditional manpower supply models and labor arbitrage businesses to O&M activity end-to-end. EBITDA grew 12% year-on-year and 12% sequentially in this business. A security services business delivered a robust growth in the quarter with revenues up by 19% and 13% sequentially to ₹168 crores.

We achieved the highest ever quarterly net headcount addition of around 1,400 man guards. EBITDA improved by 27% year-on-year and 39% sequentially, driven by new contracts at better margins, improved collections leading to lower each year.

Investments in foundit business

Revenues for the quarter were ₹21 crores, up 5% sequentially. Our focus during the quarter was on cost optimization, sales acceleration, and product enhancements. I am pleased to report that our quarterly cost base has reduced from ₹43.5 crores in Q4 FY '25 to a sustainable ₹33 crores by end of Q2, following targeted efficiencies measures across people, IT infrastructure, cloud, and office costs.

To conclude, the organization has undergone a significant transformation over the past two quarters. We have made substantial investments in strategic hiring, IT infrastructure including SAP public cloud implementations and payroll integrations which will lead to cost discipline and better reporting. These initiatives are laying a strong foundation for enhanced transparency, data-driven decision making, organizational agility and sustainable long-term growth.

Thank you again and now I'll open the floor for any questions and answers. Thank you.

Moderator: The first question comes from the line of Zaki Nasser. Please go ahead, sir.

Zaki Nasser: Sir, congratulations on a good growth in the top line. Can you hear me, sir?

Kamal Pal Hoda: Yes, yes. Please go ahead, sir. We can hear you.

Zaki Nasser: Yes, Sir, would you throw some light on the increased rate of DSO?

Prapul Sridhar: Sure, sir. Thank you, Mr. Zaki for that. So, as of now, our DSO levels as reiterated is around 105 days and normally this business will be operating at a sub 85 to 90 days rate. Now, we have an increase in the number of days of DSOs because of our innovations of contract that got delayed because of the demerger in the last six months.

Now that behind us, we are confident of a faster collection cycles and bring the DSO days lower. As we speak, at our organizational level, our net debt position is ₹174 crores. Without foundit, it is at ₹136 crores. We are confident to bring this ₹136 crores to sub 100 levels by the year end.

Zaki Nasser:

And, sir, going ahead, what is your view on making a foundit, loss? I mean, without a loss and stuff like that. I mean, how are the hits on foundit and how is it panning out? Because I guess you were looking at by the third or the fourth quarter trying to reduce the losses further in foundit.

Kamal Pal Hoda:

Thanks for that question, Mr. Zaki. Basically, we started the year with three, four key agendas with foundit. First and foremost was obviously product stability, enhancing the UI/UX of the product, which, you know, we are very happy and pleased to share that we've been able to achieve and they've been some very good client feedback, recruiter feedback on the product.

The second one was obviously on the cost optimization. If you recollect, we were hovering around ₹45 crores a quarter on a cost base till Q4 of last financial year. Again, you know, there's something as management, we've been able to right size the cost for the present scale of operations and bring it down to almost ₹30 to ₹33 crores. So, there's been a significant cost reduction that we've done.

Third is, you know, putting together a strong leadership team and we've had a new CBO and a CEO joining us very recently over the last 30, 35 days in this business. And yes, of course, last one and the most important one is the sales acceleration, which is our topmost priority for foundit.

So, we are very hopeful that Q3 and Q4 performance would be much better than what we've seen because also the previous two quarters was time was spent in, you know, getting the product right now on the back of a, solid and stable product. We are hopeful for a good sales revival in the upcoming two quarters.

Zaki Nasser:

Good, sir. Thank you. And, sir, would you say the same for the core business of Bluspring, sir?

Kamal Pal Hoda:

The food business has been a very solid business.

Zaki Nasser:

The core business, food, telecom, and everything. I mean, like you would say, foundit, you feel it will be better in the last two quarters? Would that be the same for the core business?

Kamal Pal Hoda:

See, for all the other businesses, we've had actually a very solid start. If you see quarter two numbers, all the three businesses, facility and food has grown 14% year-on-year, ₹514 crores of revenue with stable margins at 4%. Telecom and Industrial business has grown 11% to ₹155 crores of revenue.

And the margins have moved up from 7.6% to 8.3%. Security also has had a phenomenal quarter, we've added 2,000 plus security guards within the quarter itself. The quarterly performance was ₹168 crores of revenue, year-on-year 19% growth plus the margins moving up from 2.4% to 3%.

Now, this has happened on back of, some very important strategic steps that we have taken right from the leadership changes to process improvement to digitization, very happy to share the attendance for the 90,000 plus people that we manage is all digitalized right now. So we've taken all the right steps to improve our margins and we believe that we'll be able to continue this trajectory.

On a full year H1 basis, we've clocked almost ₹250 crores plus of new sales across these businesses from an ECB standpoint. We are confident to repeat this performance in the second half of the full year, second half to have, similar growth trajectory in the second half as well for our core businesses.

Zaki Nasser:

Thank you, sir. And if I may just ask another question, sir, I'll come back to you. Would you like to throw some light on your telecom business? Because that seems to be a unique and interesting business in your book?

Kamal Pal Hoda:

Sure. So in the telecom business, we work with all the four telecom players where we help them do right from network assessment, network assurance, and the network rollout. Most recently, the 4G, 5G rollout that the entire country experienced, we were the largest player in that space to work with all the telecom players.

Telecom, as you know, and we've been in this business for almost 20 plus years and hence have seen many cycles of this business. Right now, you know, last three years, this business has seen 30% plus staggered growth on the revenue side on the back of large rollout that the country was experiencing. We believe that, at least two large players have done significant rollout and the other two are catching up, which obviously gives us good visibility of the growth for next two, three years.

But we're also knowing that this business goes through a bit of a cycle, after, let's say, the whole 5G rollout is completed over the next couple of years and the 6G comes in. We're also working on both geographical diversification for this business and also, as I mentioned in my speech of business diversification moving towards solar for the telecom towers. So those are some of the opportunities that we are working in very early stages right now.

Moderator:

Thank you, sir. Our next question comes from the line of Kaustav Bubna from the BMSPL Capital. Please go ahead.

Kaustav Bubna:

Thanks for taking my question. You know, I'd like to really question this margin guidance which you had initially given of it, you know, slowly, slowly moving up towards 4%, 5% EBITDA.

And please help me understand this, because, you have your food and facility management business, you have your industrial business, and they are lower margin than your telecom business, if I'm not mistaken, right? Your telecom business is high single-digit. So, and you're seeing also cyclical and right now we've seen a good growth period.

So, that obviously aids the margins. So, what about a scenario, right? If I play devil's advocate, what about a scenario where your telecom business starts slowing down and your other core

businesses also can't keep up with their current margins because of heightening competitive intensity?

So, then we're looking at a scenario where really your margins are actually in a declining trajectory versus your guidance of improving to 4-5%. So, if we go by that thought, could you just explain how you're thinking about it if this plays out?

Kamal Pal Hoda:

Sure, Kaustav. Thank you for that question. So, see, the overall long-term margin guidance that we had given during our listing was that over the course of next four years, by 2030, we want to reach to 6%. I'm very happy that we've started well in that trajectory. We started our first quarter with 3.1% and now we are at 3.5% EBITDA margin.

As you can see, it's not only on the back of margin enhancements in the telecom vertical. As we mentioned our call, our telecom vertical had a soft quarter two, but despite that, the margin for telecom and industrial went up from 7.6% to 8.3%, which is also something that we had mentioned in our overall foundation principles that two of our businesses, which is industrial business and food business, we want to grow faster than the others, and that also plays on the mix and the overall margins.

Food, for example, is a better margin business almost at par with or slightly below than the telecom business. And we have a dedicated healthcare and education practice within food. We work with almost 100 plus hospitals now on the food and the FM side. And also education has also been a focus area.

We've recently looked at sports as a new vertical for us. And within the second quarter of listing, we were able to do a very solid event. We were the exclusive hospitality partner for World Paralympics, where we were working as an exclusive partner for facility, food, and security.

So we are looking at what are the next vectors of growth. Telecom, like I said, we are not seeing any softening on an immediate basis, but knowing that this industry does have its own cycles when one technology becomes obsolete and the new one comes in. And the diversification of telecom, both geographic as well as into other verticals is also to ensure that we are able to maintain the margin trajectory that we have guided the market.

Kaustav Bubna

Okay. And on foundit, could you highlight what was the, like when you were finding a new CEO, what was the requirements? I mean, how was senior management looking at what type of a CEO would fit in this turnaround strategy versus who has been hired?

Kamal Pal Hoda:

Yes. This CEO was obviously hired with, you know, a professional agency was good at hiring at CXO levels with full oversight with board and the minority investors. The requirement was clear. We're looking for somebody who is handled tech, somebody who comes with a very seasoned experience on the tech side, as well as on the sales efficiency and somebody who is worked on turnaround.

And that's how we went about it. We are very happy somebody was brought in already on board very recently, five days back. So, you know, over the course of next quarterly calls, we'll try to get the foundit leadership team also on the call to take these questions.

- Kaustav Bubna** Yes, that would be great. Thank you so much for answering my question.
- Moderator:** Our next question comes from the line of Diya Jain from Sapphire Capital. Please go ahead, ma'am.
- Diya Jain:** Hello, sir. Thank you for taking my question. So, I just wanted to understand your outlook for FY '27 or '28, because we've given for FY '30. So, if you can provide any revenue growth, you look for a margin guidance on FY '27.
- Kamal Pal Hoda:** Thanks, Diya, for this question. You know, I can obviously emphasize on the short-term steps that we have taken, which obviously take us to the long-term guidance of 3x of GDP growth rate is the guidance that we had put forward for us. We had also mentioned that we will try to reach that number both organically as well as inorganically.
- If you can see in the near-term, given the external environment, we believe we've done reasonably well. Q2 has seen a 14% year-on-year growth, and we believe that we will be able to maintain this number on a full year basis, at least for this year. This is only our first year of significant investments in sales leadership, and I'm very confident that we'll be able to do numbers better than what we are doing in the current year over the course of next two years.
- And the reason why I say that is also look at the whole sales pipeline that the team has been able to develop. The conversion ratios have significantly improved, and, you know, we are also mindful of growing with discipline. So if you see the margin trajectory is also going up, so we have had some internal thresholds beyond which we don't want to go after every business.
- I would say we are only in our second quarter post of listing. All the steps needed to go through the 2030 guidance have already been initiated and investments being made. We are on our course, so I may not be able to give you very specific numbers of FY 2027-2028, but like I said, we have grown 14% in the current quarter. I think we should be able to do better than this in FY 2027 and FY 2028.
- Diya Jain:** All right, sir. And any other investments planned?
- Kamal Pal Hoda:** Not as of now. You know, as and when any opportunities materialize, we will definitely come back to the market and inform.
- Diya Jain:** All right, sir. Thank you.
- Kamal Pal Hoda:** Thank you.
- Moderator:** Thank you, ma'am. Our next question comes from the line of Varun Pinto from Negen Capital. Please go ahead.
- Varun Pinto:** So, sir, my first question is -- I'm sorry, I missed the beginning of the call. Could you elaborate a little bit on why our margins have fallen and the food business, where, you know, you've seen a 20% drop in MSRs?

- Prapul Sridhar:** Yes. Thank you, Varun, for this question. As I mentioned in my speech, there are two reasons why this has happened. One is we have done investment in our leadership and sales team in all our verticals because FM and food being almost two-thirds of our revenue business, the investments there have been a little higher, one.
- Second, in the same quarter of last year, we had a benefit coming from an estimated credit loss reversal due to a good collection quarter. So, that was a one-time benefit that we got in the last quarter. So, if you exclude these two, we are at par. As we speak
- Varun Pinto:** It was in Q2 FY 2025, sir.
- Prapul Sridhar:** Yes. As we speak, we are currently operating at 4% blended margin trajectory. And volumes will only actually take the margins up because the conversion from EBITDA to margins. I mean, gross margin to EBITDA will be much higher going forward.
- Varun Pinto:** So, sir, excluding that one-time credit loss reversal, what would be our EBITDA growth this year?
- Prapul Sridhar:** Our EBITDA overall growth for the entire year has been around 22% sequentially and 1% year-on-year. If you exclude that, we will have almost 5% growth year-on-year.
- Varun Pinto:** In the food business, right?
- Prapul Sridhar:** Yes.
- Varun Pinto:** Okay. Understood, sir. And, sir, in your press release, you have also talked about pivoting the business in the telecom and industrial services segment. So, could you give some more color on that?
- Kamal Pal Hoda:** Sorry, Varun, can you come back on the question? In telecom and industry, what's your question?
- Varun Pinto:** Sir, press release, you have said that, you are pivoting the business model.
- Kamal Pal Hoda:** Yes. So, in the industrial business services, we operate under a brand called Hofincons. The 47-year-old brand that works with all the large manufacturing companies across the country. You know, as part of this demerger, we wanted to have a strategy where we take end-to-end operations and outcome-based contracts, vis-a-vis only being a manpower services provider in Hofincons. So, that's the pivot we are talking here, where obviously, you know, the partnership is very different than what we are doing, and obviously, risk and rewards of the business are very different.
- Varun Pinto:** Right, sir. But, okay, understood. And, sir, lastly, on foundit, sir, are we still on track to break-even by the end of this year?
- Kamal Pal Hoda:** So, Varun, we've taken, as I explained during the call, we have taken a lot of steps, on the product side, on the cost side, also on the sales and the senior leadership side. We would believe that the

new team will be able to help us drive this growth, and hopefully, Q4 should be a much better quarter than how we have closed Q2.

Varun Pinto: Right, sir. But, again, you are not expecting break-even to happen in this year, right?

Kamal Pal Hoda: We believe the exit should be very near to the break-even numbers, Varun, but we will have to obviously go through next two quarters to continue to support that team and take all the right steps. We believe we should be very near to that number.

Moderator: Our next question comes from the line of Gaurav Gupta from Capital Farming Consultant. Please go ahead.

Gaurav Gupta: Yes. So, looking at your presentation in cash flow statement, it seems that in the first half of this financial year, a large amount has been taken as debt, that means from an operational point of view, not much cash flow has been generated from operating activities, right? So, considering that fact and the growth optimism that we have, how we are looking to fund the growth going forward? Is it debt-oriented or how is it?

Kamal Pal Hoda: Yes, Gaurav, thanks for this question. I'll start and then I'll ask Prapul to take it over. You are absolutely right. If you see the cash flow or cash generated from operations is negative ₹97 crores. Prapul did mention in his speech that the first half of the year, the performance on the cash flow has not been as per the plan. As part of the de-merger, we had to go through all our thousand plus clients had to be novated to Bluspring from Quest.

And these novation's have taken a significant amount of time, which has obviously stalled our billing process and has impacted our collection process, which has led to this negative operations. He also mentioned that, because of this, our DSO days have gone in excess of 90 days to now close to around 105 days.

And that has been a focus area. Now that the novation's are behind us, October has been a significantly better month vis-à-vis collections of the businesses. And we are confident that we'll be able to bring this debt down to sub-100 levels as explained during the call.

From a working capital standpoint, we are very well-funded. The banking limits of the company are already in place for us to time this growth optimism. So, the banking limits are very much in place for us to go after the growth that we want to.

Gaurav Gupta: So related question on this. So, by end of this year, financial year FY '26, do we envisage that from a cash flow point of view, do we still be in the negative, like operating cash flow from all the activities, business activities that we are doing, that will be still negative, or we do think that it will be somewhere positive?

Prapul Sridhar: So, Gaurav, Prapul here. Thanks for the question. So if you see our balance sheet, our receivables have actually grown up in excess of 25%, while the revenue has grown by only 14%. The gap tells the story about the faster cycle collections have not happened during the first half of the year.

So this is what we are going to do in H2 as a priority area, that whatever is actually logged in the market due to our novation activity, we will actually get these collections and retire at debt levels. As we speak, our debt levels, our guidance was actually 1.5 times of our EBITDA. We are well within the manageable limits of debt.

Gaurav Gupta: Praful, sorry, I'm interrupting. But my simple question was, by end of this financial year, which is ongoing, that is second half, right, do we envisage that whatever pile up has been there in terms of receivables, that is expected to clear-off?

Prapul Sridhar: Yes. So that's what I was coming to. So, I was just building up to that. So, as I said, whatever this ₹100 crores odd that we have not yet collected, that is where the focus area is. And we are confident that our OCF position will at least breakeven by the next half, at a full year basis because of faster collections, including growth.

So, we will have to fund for the growth as well. And we will also have to collect the backlog. And hence, our estimate is close to around 20% to 30% OCF is what we guided earlier to the market. But at a long-term, we have guided around 50% of our operating EBITDA will be converted into cash. So, we are confident of at least meeting 20% to 30% of operating cash this year, given that our growth also has to be funded.

Gaurav Gupta: Right. So, my second question is on the objectives that we have stated when we got listed, right? And which is, I think, as a good thing, we are reiterating again and again by our quarterly presentation to the investor community. I think we have stated a number on return on equity that is, I think, 20% and increase in net worth year-on-year basis, I think 15% that we are envisaging by 2030, right?

So while we will travel the path towards 2030, do we have any number in mind, which we would like to share with shareholders and analysts that or on year-on-year basis, how the trajectory will be like by 2026, what we can expect in terms of ROE, then 2027, 2028, 2029 onwards, and same on the increase in net worth? And any guidance on that?

Prapul Sridhar: Yes. So, Gaurav, last year, excluding our investments in foundit, our ROE was at sub 10%, almost 6%, 7%. As we speak, in the last two quarters, we have already clocked in that and this will continue. And considering that our conversion is almost 55% from EBITDA, it was slightly lower because we had a one-time gain in terms of our deferred tax.

So in terms of ROE, definitely, we should be targeting in the next couple of years, a double-digit margin. Our mid-level, we have always guided that by 2030, we have to be a 20% ROE company. But if you see any company who have done 14% to 15% is actually doing, I mean, a decent job. And that is where we will probably reach in the next three years.

Gaurav Gupta: So, my last question is as on date, what is our weighted average cost of capital rather than the weighted average cost of debt?

Prapul Sridhar: Yes, so thanks for that. So, we started off with almost 8%, but we had our basis points coming down. As we speak, our blended cost is around 7.35%. But obviously, this will change because

we also have OD facilities also being used in some of the short-term basis. So, at an average level, we are currently operating at 7.8%.

Gaurav Gupta: So, technically, we are saying that last financial year, like you mentioned that weighted average cost of debt was somewhere around 8%. So, return for the debt holder, that is banks, we made money for them rather than making money for the shareholders. So, assuming that one year, two years down the line, shareholder will start getting relatively better money as compared to the lender to the company. Is that the correct understanding?

Prapul Sridhar: Gaurav, last year, we had obviously no debt. I mean, we started this company at a net debt position. If you recap this 4 years back when we were erstwhile Quess, our debt level were peaking at ₹1,100 crores.

And while we demerge these entities, we were mindful of bringing all these three companies at least at a net cash position. And we are mindful of taking debt from the bankers and also retiring it. And the trajectory in the last four years have been telling this.

Moderator: Thank you, sir. Our next question comes from the line of Kaustav Bubna from BMSPL Capital. Please go ahead.

Kaustav Bubna: Yes, just one more question. How different is your food business from players like Apollo, Sindoore Hospitals, etcetera? I mean, how different it is just to understand?

Kamal Pal Hoda: So, Kaustav, thanks for that question. The food business works across different categories. Hospitals is one category for us. We obviously do beyond hospitals. We are pretty big in healthcare. We work with some very large universities across the country, universities to the scale and size of 20,000, 30,000 students, hostels that we serve food through cafeterias.

We also work with a central kitchen model, both in Bangalore and in a couple of cities down south, including Chennai, where we serve meals to a lot of large corporates through the central kitchen. And obviously, the recent one that we've just triggered, which is around sports and leisure, where we were the hospitality partners. So, we did media and VVIP lounges for the World Paralympics.

So, the business is well-scattered across different verticals. Hospitals, obviously, is one large vertical within food, but so is healthcare, central kitchens. Industrial catering, through our last year advent into acquiring a small food company called Archer, we have now almost ₹60 crores of revenue coming only from the industrial food, where we work with a lot of large manufacturing companies and take over their kitchen. So, it's a very widespread operations for us.

Moderator: Thank you, sir. Our next question comes from the line of Varun Pinto from Negen Capital. Please go ahead.

Varun Pinto: Hi, sir. I just want to just reconfirm that, you know, at the time of the merger, we had given a guidance that we expect food and industrial to grow at about 20% for, you know, the next one

or two years, and the security business to grow at about 15%. So, is that still the guidance that we are sticking to?

Kamal Pal Hoda: Varun, the guidance that we had given was a long-term guidance that we would want these two verticals to grow better and higher than other businesses. Also because, A, these businesses are high margin businesses, as compared to our businesses with low working capital cycles, and obviously, with very tenured leadership that we have in these businesses.

So, our overall guidance still remains the same that we want to grow 3x of the GDP growth over the course of next three to four years. This will be a combination of organic growth that we are doing and pretty much evident from our results for the current quarter. And we'll also be open to look at some strategic value-based acquisitions for us to grow and reach to the numbers that we've guided the streets.

Moderator: Our next question comes from the line of Gaurav Gupta from Capital Farming Consultant. Please go ahead.

Gaurav Gupta: Yes, thanks for giving an opportunity for a follow-up question. So, just a follow-up on the last commentary that Mr. Hoda just made. In terms of organic growth that we are envisaging, right, so, in which particular line of expertise of our businesses, we are more eager to have such inorganic growth, and what would the kind of parameters be like is it to EBITDA or targeted turnover, right, or targeted profitability. So, that will be the kind of candidate that we will be looking for in organic growth.

Kamal Pal Hoda: Sure, Gaurav, thanks for that question. So, we've actually stated in our foundation principles during listing that we want to hyperscale food business and also the industrial maintenance business. So, so far, we would want to prioritize capital allocation for growth for these two businesses. So, hence we want to look at M&A in these two businesses.

From the criteria you said, obviously, we're looking at opportunities where if we invest, it should be to start with EBITDA accretive to our existing businesses. Such investments should come at good opportunistic valuations, as we have done in all our past acquisitions that we did as a combined entity as Quess.

So, that will be one guiding principle. And in addition to EBITDA accretive, we would want these acquisitions to be ROE and ROCE accretive also for our existing cap table. So, those are some of the criteria that we have in mind.

Gaurav Gupta: Thanks, thanks. Last question, before I log-off. Recently, there was news that we have, I think, supported one of the sports event, and I think in your commentary also, you mentioned that. So, these kind of events, we participate like one of or these are kind of regular where we do participate in RFQs. And what would be the kind of ticket size of these orders that we get and the kind of EBITDA margin that we do expect when we do participate in this? Thanks.

Kamal Pal Hoda: So, Gaurav, obviously, due to competitive nature of this industry, I may not want to diverge the exact EBITDA margins from these particular events. And these are not one-off events. As part of our next vectors of growth, we had chosen sports and leisure as one of the areas where we

want to expand. And again, this is in line with our overall foundational principle that we want to hyperscale food business.

We believe as a country, sporting events is a very, very large business. And we would want to be a formidable national player to participate on large sporting events. This also was something that we decided within the first six months. And, you know, we were also able to get a very, very prestigious contract of being an exclusive hospitality partner for World Para Olympics, which had participation of more than 2000 athletes with 100 plus countries. And, you know, we've had some very, very good feedback, though this being our first event.

So it is a not one-off, it is part of an overall strategy that we want to grow the food business. And we believe that, over the course of next three, four years, sports and leisure would be a very, very good business line for any large national player, because right now it's a very, very fragmented, and regional play. And of course, these sporting events or one-off events come at much better margins than our regular business. I would like to restrict it to that.

Moderator:

Thank you, sir. As there are no further questions for the participants, I would like to now hand the conference over to the management for the closing comments. Thank you, and over to you, sir.

Kamal Pal Hoda:

Thank you so much. Before I conclude, I'd like to once again emphasize that we are still a young business. And in many ways, the second quarter represents another important step in building a strong and sustainable foundation for the future.

Over the last two quarters, we have taken steps in the right direction, accelerating our sales, adopting a more technology-driven operating model, and identifying new avenues or growth across businesses. These actions have started to show results. Our EBITDA margin has improved by 41 basis points, rising from 3.1% in Q1 to 3.5% in Q2, demonstrating that our strategy of growing with discipline is working.

Looking ahead, our focus for the second half of the year will be on sustaining healthy double-digit revenue growth, while expanding EBITDA margins further to 4% by the end of this year. Thank you for attending this call.

Moderator:

Thank you, sir. Ladies and gentlemen, on behalf of IIFL Capital Services Limited, that concludes this conference. Thank you for joining the call. Have a great day.