Management Discussion

Luv Gupta - Research Associate, Go India Advisors LLP
Thank you, Shourya. Good afternoon, everyone, and welcome to Dynacons Systems & Solutions Limited earnings call to discuss the Q2 and H1 FY '27 results. We have the senior management of the company on call, Mr. Parag J. Dalal, Executive Director; and Mr. Dharmesh S. Anjaria , Executive Director and the CFO. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risk that the company faces.

May I now request Mr. Parag J. Dalal to take us through the company's business outlook and financial highlights, subsequent to which we can open the floor for Q&A. Thank you, and over to you, sir.

Parag J. Dalal - Executive Director, Dynacons Systems & Solutions Ltd
Yes. Thank you. Good afternoon everyone, and thank you for joining us today for the Q2 and H1 FY '27 earnings call of Dynacons Systems & Solutions Limited. We appreciate your continued interest in Dynacons. The first half of the year has been an important period for the company. We maintain strong execution across our key business areas, deepen our relationship with leading customers, and secured strategic engagements that further strengthen our position in India's digital infrastructure ecosystem.

Our performance reflects the continued evolution of Dynacons from a traditional system integrator into an integrated digital infrastructure and technology services company. Today, our capabilities span data center and cloud infrastructure, networking and cybersecurity, digital workplace solutions, and managed services. This integrated portfolio enables us to support customers across the complete technology lifecycle, from consulting and design to deployment, operations, monitoring, security, technology refresh and renewal.

Customers are increasingly engaging with Dynacons not merely for technology procurement, but for the deployment and long-term management of mission-critical technology environments. During the first half, we continued executing major private cloud and data center programs for some of the country's leading financial institutions. These engagements demonstrate our ability to deliver complex infrastructure projects in highly regulated and business-critical environments. Subsequent to the quarter, we secured an important project from the Supreme Court of India for the deployment of servers to support the case information systems of the district courts. This strengthens our credentials in the judiciary and e-governance ecosystem. We also secured our first international government engagement under the Caribbean Digital Transformation Project in the Commonwealth of Dominica. This marks Dynacons' entry into international markets and provides us with an opportunity to demonstrate our technology and delivery capabilities beyond India. We will approach international expansion selectively while using this engagement as an important reference point for future opportunities.

The broader demand environment remains encouraging. Financial institutions, government organizations, and large enterprises are investing in data center modernization, private cloud platforms, cybersecurity, and AI-ready infrastructure. As customers move towards enterprise-scale AI adoption, they will require secure computing capacity, scalable cloud platforms, intelligent operations, and robust cybersecurity controls. Dynacons is building capabilities across this complete infrastructure stack. Managed services also remain central to our strategy.

Our objective is to remain associated, associated with customers throughout the lifecycle of their technology environments. This can support deeper customer relationships, stronger retention, and a progressively higher contribution from recurring and annuity-linked revenues. Our nationwide delivery platform, strong technical workforce, relationships with leading global technology partners, and experience in executing complex programs across India remain important competitive strengths. Looking ahead, our priorities are clear: disciplined execution, deeper engagement with existing customers, expansion of our data center and AI infrastructure capabilities, growth in cybersecurity and managed services, and selective participation in international opportunities. We believe our integrated capabilities and long-standing customer relationships position Dynacons well to participate in the next phase of digital infrastructure transformation.

With that, I will now hand over the call to Mr. Dharmesh Anjaria, our Executive Director and CFO, who will take you through the financial performance and provide further perspective on our business, order book, and growth opportunities.

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd

Thank you, Parag. Good afternoon, everyone, and thank you for joining us today. Q2 was a strong quarter for Dynacons with healthy growth across revenue, EBITDA, and profit after tax. During the first half, the data center and cloud infrastructure was our largest business segment, supported by the execution of major private cloud, data center augmentation, and enterprise infrastructure projects. Digital workplace solutions, managed services, and networking and security also contributed meaningfully, reflecting the breadth and balance of our business.

Our presence across these areas allows us to address a wider range of customer requirements. Our data center engagement can create opportunities across networking, cybersecurity, monitoring, operations, and lifecycle support. This integrated approach helps us deepen customer relationships and expand our role beyond the initial technology deployment. Data center and cloud remain an important growth area for us as enterprises continue to invest into private and hybrid cloud, enterprise computing, AI-ready infrastructure, data protection, and more resilient data center architectures.

We are also strengthening our capabilities in AI infrastructure. As customers move from experimentation towards enterprise-scale AI adoption, they will require high-performance compute and storage, scalable cloud platforms, effective data management, intelligent operations, and cybersecurity. Our objective is to participate across this broader infrastructure opportunity. Cybersecurity is an integral part to every infrastructure and digital transformation program. Our SOC 2 Type 2 certification further strengthens the governance and process framework supporting our delivery capabilities.

Our current order book provides strong revenue visibility, and this is diversified across private cloud, data center infrastructure, digital workplace solutions, enterprise applications, Device-as-a-Service, and managed services. It includes multi-year engagements across BFSI, public sector, judiciary, and large enterprises, together with our first international engagement. Our immediate priority is to execute this order book efficiently and with financial discipline. Revenue recognition will depend upon procurement cycles, delivery schedules, implementation milestones.

And customer acceptance timelines. We will therefore remain focused on timely execution, project-level profitability, working capital requirements, and cash flow conversion. Our opportunity

pipeline also remains healthy, led by the data center and cloud, with opportunities across all the segments. We will remain selective and evaluate each opportunity based on its strategic relevance, expected returns, working capital intensity, and execution risk. Our objective is to not merely expand the order book but to secure business that supports profitable and sustainable growth.

Operating cash flow also improved meaningfully during the first half. As the scale and complexity of our projects increase, working capital management and conversion of earnings into cash will remain important priorities. For the remainder of the year, our focus will be on disciplined execution, protection of project profitability, improvement in the cash flow efficiency, deeper customer engagement through the entire life cycle, and further development of our AI-ready infrastructure capabilities. We believe that our integrated portfolio, established customer relationships, strong technology partnerships, and nationwide delivery capabilities provide a strong foundation for sustainable growth. We will continue to pursue this growth with financial discipline, prudent risk management, and a clear focus on long-term -- on creating long-term value for our stakeholders.

With that, we conclude our opening remarks. And would be happy to take your questions. Thank you.

Questions & Answers

Operator
Thank you very much. [Operator Instructions] The first question is from the line of Rashid Javedi from Capital Bridge Asset Managers LLP. Please go ahead.

Rashid Javedi - Analyst, Capital Bridge Asset Managers LLP
Yes. Thank you for the opportunity. So my question is on the NPCI project. So it is basically a seven-year warranty and support project. So how do we see the revenues coming in? Will it be an annual revenue billing that will occur, or it will be a one-time revenue that will come?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
So, this NPCI project is a a capex project in nature. So a majority of the revenue will be, will be coming in upfront there with a certain amount of annuity revenue which goes across the project lifecycle.

Rashid Javedi - Analyst, Capital Bridge Asset Managers LLP
Okay. And the Supreme Court ordered that we are on the verge of converting, does it put us into a place where we are then eligible for other government-based projects at a lower level as well?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
The Supreme Court order definitely gives us a pathway to other projects there which can give us a further foothold into the entire customer segment space. But yes, we already have -- along with this project, we already have several other large project milestones already achieved, which will help us as pre-qualifications for bidding the higher-level projects.

Rashid Javedi - Analyst, Capital Bridge Asset Managers LLP
Okay. Thank you, and all the best, sir.

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
Thank you.

Operator
Thank you. The next question is from the line of Harsh Bengani from Dolat Capital Market Private Limited. Please go ahead.

Harsh Bengani - Analyst, Dolat Capital Market Private Limited
Hi sir, thank you for the opportunity. So my question was pertaining to the device as a service business, which is a recurring source of revenue for you, but it takes up more capital. So I wanted to understand the reason we are allocating capital to business? And also, if it is okay, can you tell us about the other challenges that the company faces in this segment?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
See, Device-as-a-Service consists of not only providing the device on opex but also the entire IT lifecycle services which are associated with the asset there, right from procurement of asset, deployment of the asset, managing the asset across the lifecycle, and retirement of the asset. So it is essentially a very, very good engagement into the entire customer ecosystem there. And once we are ingrained into the ecosystem, that helps us into moving horizontally across a lot of the other segments there. So it is therefore an important part of our portfolio there. Having said that, we are very cognizant of the fact that yes, there is a higher amount of capex required for such DaaS projects there, which we are taking into account by using all the resources available, whether it is on lease or any other resources, they're getting assets on an opex basis. So we will utilize all of these to ensure that there is no additional burden or requirements on the company there.

Harsh Bengani - Analyst, Dolat Capital Market Private Limited
Got it, sir. And my second question was regarding the working capital. Over the last four, five years, by increasing our payables, we have managed our working capital requirements. Can you explain the terms of trade and how we have managed to negotiate the higher days of payables to our suppliers?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
So while I'll not be able to go into too much detail because of the nitty-gritties of each project and due to sensitivity about competition there, I can only say that we for every project that we undertake, we have a good amount of support coming in from all our technology vendors, the OEMs, the distributors, and all of our partners there, which enables us to help fulfill the requirements of capital for each of the projects there in terms of getting the required support there. And that's how we've been able to successfully manage there and have a net working capital cycle which is well within the required control.

Harsh Bengani - Analyst, Dolat Capital Market Private Limited
Okay, sir. Thank you for sharing the insights. Thank you so much.

Operator
Thank you. The next question is from the line of Harshal Sharma from AS Advisors LLP [Phonetic].

Please go ahead.

Harshal Sharma - Analyst, AS Advisors LLP
Hi, sir. So my first question was, trade payables went up to INR588 crores at 30 September from INR445 crores at 31st March. So how much does working capital rely on OEM and distributor credit, and are those terms stable?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
So, as you know, we have got a -- had a great quarter and we've clocked revenues of around INR551 crores in this quarter, which obviously requires a good -- a significant amount of procurement also there, which is reflecting in the amount of payables coming out there. So that is where you're seeing a little higher amount of payables in this quarter as on 30th September. Having said that we -- I just mentioned that yes, we have got a good support from all the technology vendors and the distributors and the entire ecosystem, which enables us to manage these projects effectively. And these terms are stable, as you have seen across the projects, where we were earlier doing INR100 crore projects, INR300 crore projects, and now even a INR700 crore -plus project.

Operator
Mr. Sharma, do you have any follow-up questions? Mr. Sharma? As there is no response, we move on to the next participant. The next question is from the line of Aram Agarwal [Phonetic] from EQ Capital Limited [Phonetic]. Please go ahead.

Aram Agarwal - Analyst, EQ Capital Limited
Hello, I'm audible?

Operator
Yes, you're audible. Please go ahead.

Aram Agarwal - Analyst, EQ Capital Limited
Yes. I had two or three questions. Firstly, we won the Dominica contract, this thing. But are we going to get more government digitization programs in other countries, and are you bidding for any of them?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
Yes. This is our first large significant opportunity outside India there, and we are actively looking at utilizing our core capabilities there and seeing what kind of traction we can get there. As you know, we had executed a very significant HMIS project in India there. And that project actually helped us in winning this project there. So we will leverage our capabilities in India for projects abroad.

Aram Agarwal - Analyst, EQ Capital Limited
Okay, understood, sir. And sir, globally, we have seen that the AI stocks are falling very sharply due to the concerns over capex and all. How do you see it affecting our top line?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
See, honestly, the AI stocks, there are, there are 2 or 3 different types of players in the entire AI ecosystem. One is, obviously, you have the large hyperscalers there who are putting in all these

investment for all the large AI factories and setting that up there. Second is obviously there are system integrators like us. And third is the entire team of software and service providers there. Now for us, I will not comment on the AI factories and all of the other players and the other software players, but for system integrators like us, AI is a very, very big opportunity because with whatever the implementation that enterprises do for their AI, the kind of payload and the workload that will be required will require additional investments into AI compute, AI storage, and all other required AI infrastructure. o that's a very, very big opportunity for us, and that's why we see that as a good tailwind to support us.

Aram Agarwal - Analyst, EQ Capital Limited
Okay. Understood. So we'll see this as a positive thing for us, right?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
Yes.

Aram Agarwal - Analyst, EQ Capital Limited
Okay. Understood. Sir, one more thing was, would you consider sharing your metrics that shows the cross-selling progress such as how many customers buy more than once of your service lines, like any...

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
So honestly, due to competitive reasons, we will not be able to share this metrics. But you can gauge this from the kind of repeated order flow that we have been disclosing across there. You're seeing from a single customer we've declared wins across data center, network, workplace there. So, that clearly shows the kind of cross-selling that we've been able to achieve.

Aram Agarwal - Analyst, EQ Capital Limited
Understood, sir. And just one last question, if I may. The EBITDA margin has improved quite a bit. J ust wanted to know which offering is contributing to the most to that improvement.

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
See, as our business scales, we are working to try and look at margin-accredited projects and business segments there. So while we do not disclose any margin profile per segment, because each segment relies on the other and helps us contribute -- bring the overall contribution there, And we don't, for competitive reasons also, we don't disclose that there. But what I can say is we, we are always working on the kind of right product mix which helps to improve the margin profile.

Aram Agarwal - Analyst, EQ Capital Limited
Understood, sir. Thank you.

Operator
Thank you. [Operator Instructions] The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi - Analyst, Counter Cyclical Investments
So thank you for the opportunity. So firstly, I wanted to understand if I look at your order book since

Q3 of FY '26, since we started doing Coinforge, it is more or close around the INR3,000 crore number. So what is stopping us from increasing this order book? Is it our balance sheet or are customers delaying their orders?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
So if you really see, from the time we started disclosing, our order book has improved steadily there. And there is no restriction in terms of our balance sheet or our size stopping that, because we are actively growing the order size also, which can be seen there, from INR300 crore orders we are now able to work on INR700 crore plus orders there. So that is also not a restricting factor that we -- our order book is pretty healthy if you compare that to similar companies across the entire IT ecosystem there. So we have a good amount of order book there. Yes, we are working on improving that, and we'll -- we're taking all the steps to try and grow that, keeping profitability also in mind.

Madhur Rathi - Analyst, Counter Cyclical Investments
Got it. And then, we are close to INR6,500 crores of order book pipeline you mentioned during the last quarter. So how has that panned out? Are there still delays in conversion, or we expect them to flow through? If you can help me understand.

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
So the order pipeline is actually a funnel there, the kind of bidding -- it's a bidding pipeline there, and it is consistent. See, all these bids are sometimes take a little longer period of time to convert there. So is that in the -- it's in the normal business cycle there .

Madhur Rathi - Analyst, Counter Cyclical Investments
Got it. Sir, coming out to our cybersecurity business, if you can help me understand what is our right to win versus a large system integrator and how do we see -- because Dynacons has been always associated with these large banks. So how do we see this segment panning out for us? Because I think every week we see some kind of cybersecurity attack on some kind of bank or institution, so on that front.

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
So see, I think all of these are a good amount of opportunities. See, because one, we have clearly demonstrated the ability to cross-sell across all our business segments into the customers there. So we already have existing, large existing customer base where we are able to work across there and increase our foothold into their IT spend. And all of these attacks and all of these are -- actually, it clearly shows that yes, there is a good amount of headroom available for us for growth because the business potential is definitely there.

Madhur Rathi - Analyst, Counter Cyclical Investments
Got it, sir. So would we like to focus on more on midsize business where the competition from these large system integrators like TCS or Infosys would be much lower, or we would like to focus on these larger banks only? So what kind of customers Do we think we would like to focus on, on this segment?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
Honestly, we are able to -- wherever we are able to bid on the larger projects, we, we decide on the basis of the project what kind of experience is required, what is our right to win in such circumstances, how that enables us to formulate a good strategy to win over competition. What kind of project profitability is there, what kind of how important that project is there, whether it fits into our overall capability. So all of these decide -- help us decide on whether we should or we should not undertake certain projects there. Having said that, I mean, we, we evaluate all these factors and then only decide on how we are proceeding.

Madhur Rathi - Analyst, Counter Cyclical Investments
Got it. So just final question from Manjesh. The Device-as-a-Service segment, we've been operating for the past 2, 2.5 years. So have we been able to reach the desired ROCE metric or the margin profile for this segment? Or we would like to -- so would we like to focus on this going forward, or this would become a smaller and smaller segment as a part going forward?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
So this will -- so Device-as-a-Service will not become a completely large focus segment for us, is what I can say there. It will remain as an important offering there, which will -- wherein we are able to effectively participate in the customer requirements and be ingrained into their IT ecosystem there. Because every engagement on devices or services significantly longer there in terms of duration, so like five years or so. That enables us to be part of their ecosystem for that long.

Madhur Rathi - Analyst, Counter Cyclical Investments
Got it. What kind of ROC profile is this segment operating at?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
We are not giving out figures, Madhur. As we've discussed in the earlier calls also.

Madhur Rathi - Analyst, Counter Cyclical Investments
Sure, sir, I'll get back to you. Thank you so much.

Operator
Thank you. [Operator Instructions] The next question is from the line of Harshal Sharma from AS Advisors LLP. Please go ahead. Sir, you're not audible. Hello?

Harshal Sharma - Analyst, AS Advisors LLP
Yes. H i, sorry, actually my line got disconnected. I had just one more question. Yes. So the presentation names healthcare, fintech, education, and smart cities as new verticals. So where are you seeing the most early traction, and have you -- have any orders come in yet?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
So healthcare and education, these are all segments which where we already have customers there. But yes, we see them as segments where we could improve traction there, and we are going to increase the profile towards that, the business focus towards that.

Harshal Sharma - Analyst, AS Advisors LLP
All right, I just had this one question. Thank you.

Operator
Thank you. The next question is from the line of Karan Shah, an individual investor. Please go ahead.

Karan Shah - Analyst
Thank you for the opportunity. So are hyperscalers and large colocation operators and addressable new customer segment for Dynacons?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
So we've addressed this earlier there in our previous calls that, yes, we definitely see them as one of the customer segments there. But our principal focus is on working with end customers across the entire data center and cloud journey because it allows us to provide design, integration, deployment Networking, securities, operations, and support. See, the hyperscaler buildouts frequently involve direct procurement from larger OEMs, and they carry a different margin and operating profile. So therefore, we, we, while we are not ruling them out, wherever commercial terms are appropriate, we will look at that.

Karan Shah - Analyst
Okay. And Dynacons recently received SOC Level 2 certification, I guess. So that certificate had significant impact on winning the international order, or it is not necessary, that certificate?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
So the SOC 2 Type 2 certification definitely helps us there because it clearly demonstrates the -- our business operations and how our capability across delivery. So, that is where it is a very important part there. It, it plays an important part in the type of projects that we could, we can potentially participate in, because wherever companies who are SOC 2 Type 2 certified only can participate, that restricts the participation to a much significantly larger profile of companies there. That's where we are able to participate.

Karan Shah - Analyst
So like our competitors have this certification, SOC 2 Level 2?

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
Some of them have, but most don't have.

Karan Shah - Analyst
Okay. That's it from my side. Thank you for answering my question.

Operator
Thank you. [Operator Instructrions] The next question is from the line of [Indecipherable] , an individual investor. Please go ahead.

Unidentified Participant
Yes. Good afternoon, sir. So I had one -- I just had one, one question. So does the company have

any plans to diversify into new business segments or expand its presence into newer areas or technology over the next two years? And if so, could you share which segments the management sees as the biggest growth opportunities? Thank you.

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
Yes. So we have covered that -- thank you so much. We've covered that aspect in our investor presentation. You can have a look at the investor presentation which clearly shows the strategic areas where we would like to focus. AI is definitely one of the bigger focus areas. All kinds of AI infrastructure opportunities is one big focus segment. The increasing data center and cloud business, that's our second focus segment there. Cybersecurity, one of our very important focus areas there. So these are some of the larger focus segments that we are keen on pursuing.

Unidentified Participant
Okay. Thank you, sir.

Operator
Thank you. [Operator Instructions] As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Dharmesh S. Anjaria - Executive Director and Chief Financial Officer, Dynacons Systems & Solutions Ltd
We thank everyone for your interest in our company and for joining us today. There, thank you so much, and we look forward to continuing these interactions. Thank you.

Parag J. Dalal - Executive Director, Dynacons Systems & Solutions Ltd
Thank you. Thank you, everyone.

Operator
[Operator Closing Remarks]