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Investment Rationale – Key Catalysts & Structural Upside

1. Large, Near-Term Attainable Market Anchored in Demonstrated Execution

RNIT operates at the intersection of Indian GovTech, enterprise SaaS, and emerging AI-led workflow automation. While the broader SaaS opportunity is structurally large, the more relevant driver for RNIT is the **near-term, execution-anchored market it is already addressing**.

Based on actual state-level deployments and observed monetisation in mature clusters such as Andhra Pradesh and Telangana, RNIT has demonstrated an achievable run-rate of ~₹15 crore per state per annum. Building bottom-up from this empirical base, the company's **conservative and realistic TAM of ~₹1,000 crore per year** captures only:

- state-level GovTech deployments where RNIT is already active,
- private-sector workforce management through Faceify, and
- initial government-led NIA pilots.

Importantly, this TAM excludes aggressive assumptions around nationwide penetration or D2C monetisation. Growth is therefore driven not by market creation, but by **systematic replication across states and departments**, making the opportunity both near-term and attainable rather than aspirational.

2. Operating Leverage Inflection and Normalisation of Cash Flows

RNIT has reached an inflection point where **revenue scale is increasingly decoupled from incremental cost additions**. The business exhibits classic SaaS operating leverage:

- revenue per employee has compounded sharply,
- employee costs are growing materially slower than revenues,
- EBITDA margins have expanded to ~32% in FY25 despite heavy execution activity.

While historical cash flows have been suppressed by elongated government receivable cycles, this is now a **key near-term catalyst**. A majority of RNIT's large state contracts are coming up for renewal, allowing the company to renegotiate:

- monthly billing cycles instead of quarterly or milestone-based billing,
- tighter approval timelines,
- and advances / improved terms where feasible.

Given the stickiness of deployments and the absence of retendering risk during renewals, working capital intensity is expected to structurally improve. As receivables normalise, RNIT's expanding operating margins should translate into **disproportionately higher free cash generation**, materially improving reported ROIC and ROE.

3. DPDP-Compliant Architecture as a Structural Growth Enabler

RNIT's technology architecture is natively aligned with the Digital Personal Data Protection (DPDP) Act, which is becoming a **critical procurement filter** for government and enterprise buyers.

Unlike image-based or cloud-only biometric systems, RNIT stores only **non-reversible facial embeddings (mathematical coordinates)** processed largely at the edge. No facial photographs are stored, and data cannot be reconstructed into images. This design:

- materially reduces privacy and misuse risk,
- lowers regulatory exposure for departments,
- and improves acceptability in sensitive use cases involving citizens, employees, and beneficiaries.

CMP (Rs)	65
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52 week high/low (Rs)	71/37
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Market Cap (Rs. Cr)	551
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No. of Shares (In Cr.)	8.48
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Particulars	Sep-25	Dec-25
Promoters	73.7%	72.3%
FII's	0.0%	0.0%
DII's	0.1%	0.1%
Public	26.2%	27.6%

Y/E March (In Cr.)	FY26E	FY27E
Net Sales	50	85
EBITDA	22	41
Net Profit	14	28
EPS	1.6	3.3
PE Ratio (X)	39.7	19.6
ROE (%)	10%	17%

As DPDP enforcement tightens and scrutiny around biometric data increases, RNIT's privacy-by-design approach shifts from being a technical choice to a **competitive moat**, positioning the company favorably against legacy vendors and new entrants.

4. Deep Execution Moat Built Through Real-World Deployments

RNIT's moat is rooted not in theoretical AI capability, but in **years of on-ground execution across large, complex government systems**.

The company has already navigated challenges that typically derail new entrants:

- poor data quality,
- user resistance at the field level,
- connectivity constraints,
- and high-stakes workflows impacting salaries, benefits, and public services.

Through repeated deployments, RNIT has refined its Proof-of-Concept performance, which is a decisive factor in government tender wins. This execution history creates a **self-reinforcing advantage**: proven scale leads to higher technical scores, faster trust-building with administrators, and repeat mandates across departments and states.

- device variability,

Additionally, because the core FRS and workflow engine is already built and modular, RNIT can bid **competitively without sacrificing margins**, something that new entrants—who must absorb full development and pilot costs—struggle to match.

This cost and execution advantage strengthens RNIT's ability to expand into newer geographies.

Investment Rationale – Key Catalysts & Structural Upside

5. New Products and New Geographies as Incremental Growth Catalysts

RNIT is entering the next phase of growth through **geographic expansion and product-layer optionality**.

On the geographic front, deployments and advanced discussions in **Uttar Pradesh, Haryana, other North eastern states and GCC markets** diversify revenue away from existing state clusters and reduce concentration risk. International expansion via GCC partnerships also introduces higher-value enterprise and government use cases over the medium term.

On the product side, RNIT's newer offerings materially expand its addressable opportunity:

- **Faceify** extends the proven FRS backbone into private-sector workforce management, improving cash flow quality.
- **NIA**, while currently positioned as an AI interview coach, is strategically more powerful as a **conversational AI layer**.

Over time, NIA can be integrated with RNIT's existing platforms to enable:

- conversational analytics on FRS and attendance data,
- AI-driven insights for administrators and corporate enterprises,
- ERP and workflow augmentation through natural language interfaces.

This convergence of **FRS + analytics + ERP + conversational AI** suite allows RNIT to evolve from a point-solution provider into a **comprehensive AI-led governance and enterprise intelligence platform**, unlocking new monetisation pathways without rebuilding the core stack, Which competition lacks at the moment according to the management.

6. Experienced Management With Rare GovTech Execution Depth

RNIT is led by a management team with deep experience in enterprise architecture, large-scale IT delivery, and public-sector digital transformation. Unlike typical system integrators, the leadership team has:

- personally designed and scaled mission-critical platforms,
- executed multi-state deployments under real-world constraints,
- and built long-standing credibility with administrative stakeholders across the departments within the country.

Industry recognition, including "National-level & Prime Minister awards under e-Governance for deployed solutions, reinforces this credibility. Such recognition not only strengthens institutional trust but also indirectly supports repeat adoption, as successful implementations enhance the reputational capital of administrators championing these programs.

7. Valuation Provides Upside With Margin of Safety

At current levels, RNIT's valuation appears optically elevated on trailing metrics; however, this is largely a function of the business being at an **earnings inflection point**, rather than a reflection of peak fundamentals. When viewed through a forward-looking lens, RNIT is transitioning into a **high-growth, high-operating-leverage SaaS-style platform**, with improving revenue visibility and cash-flow characteristics.

Our base valuation framework assumes:

- continued strong EPS compounding driven by operating leverage,
- conservative treatment of potential equity dilution,
- and a moderated exit multiple that reflects RNIT's steady-state growth profile rather than near-term exuberance.

Even under these tempered assumptions, the company offers **attractive risk-adjusted return potential**, with returns driven primarily by **earnings growth rather than multiple expansion**. Importantly, no explicit value is ascribed to longer-term AI optionality from products such as NIA or to full normalisation of working capital, both of which represent incremental upside rather than prerequisites for the investment thesis.

Industry and TAM Analysis

Contextual Note: RNIT Operates Within a Large and Structurally Growing SaaS Ecosystem

While RNIT's near-term opportunity is anchored in Indian GovTech and enterprise deployments, its underlying business model is fundamentally **Software-as-a-Service (SaaS)**, placing it within a much larger global and Indian software ecosystem. According to JM Financial, the global SaaS market is expected to grow ~2.5× from **USD 234 billion in 2024 to USD 580+ billion by 2029**, implying a ~20 percent CAGR, driven by cloud adoption, digitisation of workflows, and the continued shift toward subscription-led software models.

India is emerging as one of the fastest-growing SaaS hubs globally. Over **250 Indian SaaS companies** today generate more than **USD 10 million in annual revenue**, with aggregate revenues exceeding **USD 15 billion in FY24** and growing at ~24 percent CAGR over FY19–FY24. Importantly, this cohort is already profitable at an aggregate level, with EBITDA margins of ~6–7 percent, reflecting improving unit economics as scale builds.

Within SaaS, a key distinction exists between **horizontal SaaS** and **vertical SaaS**. Horizontal SaaS platforms offer generic software tools that can be used across industries, such as CRM, HR, or accounting systems. While these address large markets, they face higher competition and lower switching costs. In contrast, **vertical SaaS solutions are built for specific industries or workflows**, embedding deeply into mission-critical operations. These platforms typically exhibit higher switching costs, stronger pricing power, and greater revenue stickiness once deployed.

RNIT aligns more closely with the **vertical SaaS segment**, focusing on domain-specific workflows such as digital identity, attendance, last-mile accountability, and compliance monitoring for government departments and enterprises. JM Financial highlights that while vertical SaaS currently accounts for a smaller share of overall SaaS revenues, it is growing faster than horizontal SaaS at ~26 percent CAGR versus ~22 percent. This is supported by deeper integration, regulatory complexity, and stickier end markets. This dynamic mirrors RNIT's operating experience, where once a solution is deployed within a department or scheme, replacement risk is low and revenue visibility improves materially over time.

The broader SaaS ecosystem also demonstrates strong operating leverage with scale. Leading SaaS firms have seen gross margins structurally improve to the **70–80 percent range**, with EBITDA margins expanding steadily as upfront product investments are amortised over a growing revenue base. RNIT's own margin trajectory and rising share of recurring SaaS revenues are consistent with this global SaaS maturation curve.

In this context, RNIT's **conservative, execution-linked TAM of approximately ₹1,000 crore per year** should be viewed as an **entry-point opportunity rather than a ceiling**. This TAM captures only the segments where RNIT is currently active across GovTech, Faceify, and initial Nia deployments. As the company expands horizontally across workflows and vertically across departments and states, and selectively into private-sector use cases, its addressable opportunity increasingly converges with broader Indian SaaS tailwinds. RNIT is therefore best viewed as a **niche vertical SaaS player operating within a structurally large and growing software market**, with meaningful long-term scalability beyond its current operating footprint.

Industry and TAM Analysis

1. Total Addressable Market (TAM): Realistic and Execution-Anchored View

RNIT AI Solutions operates within Indian GovTech, enterprise SaaS and emerging AI-led employability technologies. To build a credible TAM framework, we base our analysis on RNIT's demonstrated execution capacity, most notably its approximately ₹15-20 crore per-state annual run-rate in Andhra Pradesh and Telangana. This allows us to size the opportunity realistically while accounting for state fiscal capability, digital maturity and administrative complexity.

The TAM presented below is conservative and reflects only the segments where RNIT is currently operating.

1.1 State-Level GovTech TAM (Bottom-Up Tiering Approach)

Tier 1: Mega-States (5 states)

States such as Maharashtra, Uttar Pradesh, Tamil Nadu, Karnataka and Gujarat have large populations and complex administrative structures with high digitization requirements. Due to competition and procurement friction, the practical annual opportunity per state is estimated at around ₹50 crore.

Aggregate Tier 1 TAM: ₹250 crore.

Tier 2: Mid-Sized Progressive States (10 states)

This group includes Andhra Pradesh, Telangana, Kerala, West Bengal, Rajasthan, Jharkhand, Madhya Pradesh, Haryana and others. These states have demonstrated strong momentum in adopting GovTech solutions. The annual opportunity per state is estimated at around ₹30 crore.

Aggregate Tier 2 TAM: ₹300 crore.

Tier 3: Small States and Union Territories (15 entities)

This set includes the North-East region, Goa, Himachal Pradesh, Uttarakhand, Delhi, Chandigarh and others. These markets have smaller budgets but centralized procurement and are well suited for whole-of-state deployments. The annual opportunity per state is estimated at around ₹20 crore.

Aggregate Tier 3 TAM: ₹300 crore.

Total State-Level TAM

Total GovTech TAM across states alone is approximately **₹850 crore per year**. This represents a realistic and execution-driven estimate of RNIT's current opportunity in its niche of state-level digital identity, Facial Recognition Digital suites and other customized AI based workflow systems.

1.2 The Vertical Multiplier: How TAM Expands Within Each State

The ₹850 crore state-level TAM reflects only RNIT's entry point. The true expansion potential comes from multi-department adoption within each state. RNIT typically begins with one flagship department, often Education, but then expands to Municipal bodies, Health and Family Welfare, Social Welfare, Tribal welfare, Skill Development, Police, Transport, Rural Development, Civil Supplies etc. Each department has independent budgets, mandates and digitization needs. This enables RNIT to scale from a single deployment to four to six departments within the same state, significantly increasing revenue depth without needing to add new states. This vertical multiplier represents one of RNIT's most important long-term growth levers.

1.3 Faceify TAM (Private Sector Workforce Management)

Faceify a corporate SME suite targets companies with distributed field forces including but not limited to FMCG, Pharma, Insurance, Logistics and Security Agencies. Workforce accountability in these sectors is critical and RNIT's FRS-led attendance and productivity tools directly address this need.

Pricing assumption: ₹2,000 per user per year.

Addressable market: Approximately 10 million field-force workers in India.

Market share assumption: 5 percent adoption equals 500,000 users.

Faceify TAM:

500,000 users multiplied by ₹2,000 per user per year equates to a potential of ₹100 crore annually. This represents the conservative monetizable opportunity based on RNIT's current private sector reach.

1.4 NIA TAM (AI-Based Interview and Employability Platform)

NIA operates across two primary channels with improving visibility from pilot-stage assumptions to early execution.

Government skilling programs (B2G2C)

Management indicated initial deployment coverage of 20 lakh blue-collar workers and 5 lakh students under government-supported programs, with monetisation linked to a per-conversation model.

At indicative pricing benchmarks (₹500 per interaction), this translates to a potential revenue opportunity of **₹100–125 crore at full-scale implementation**.

However, given that current progress is at the LOA (price discovery) stage with phased rollout, near-term realisation is likely to be lower. A more realistic initial revenue range is estimated at **~₹40–60 crore**, with further upside contingent on scale-up and adoption.

Direct-to-consumer (D2C) and enterprise segment

The private segment (NIA Prep and NIA Corp) targets job seekers and enterprises through offerings such as resume building, job discovery, and AI-led interviews.

Given the scale of India's employability market, this represents a **large structural opportunity**, though still at an early stage and hence treated as **optionality rather than base-case TAM**.

1.5 Summary of Conservative Execution-Linked TAM

GovTech TAM (State-Level): approximately ₹800 crore

Faceify TAM: approximately ₹100 crore

NIA (Government – Near-term realisation): approximately ₹40–60 crore

NIA additionally offers a potential upside of ₹100–125 crore at full-scale implementation, along with significant optionality from the private (D2C and enterprise) segment, which is not included in the base TAM.

Base Conservative TAM for RNIT's current operating niche: approximately ₹1,000 crore per year.

Consolidated TAM View

Segment	Revised TAM (₹ Cr)	Assumptions
GovTech – State Level	850	Tier1 @ 50 Cr, Tier2 @ 30 Cr, Tier3 @ 20 Cr
Faceify (B2B)	100	5% of 10M field workers @ ₹2,000/year
Nia (B2G2C + D2C)	40 + Upside	500k-student pilot under approval; large D2C TAM

Case Studies – Problems by Govt. authorities and Solutions by RNIT

1. School Education Departments

What was going wrong

In many government schools, attendance and enrolment were recorded on paper. This made it easy to inflate student numbers. For example, a school might show 500 students on record, but only 400 would actually attend classes. The remaining 100 “students” existed only on paper, yet budgets for welfare schemes such as mid-day meals, uniforms, textbooks and even teacher appointments were sanctioned based on these inflated numbers.

Teacher attendance had similar issues. Teachers could mark attendance in registers and then leave, or ask someone else to mark on their behalf. Education departments had no real-time visibility into whether teachers were present, how many students attended class, or how schools were actually performing on a daily basis.

How RNIT solved it

RNIT introduced a **mobile-based facial recognition attendance system** that works through smartphones, without requiring expensive hardware in schools. Students and teachers authenticate attendance by face, which cannot be faked or proxy-marked.

For example, when a class begins, the teacher takes attendance through the RNIT app. The system verifies both the student and the teacher in real time and logs attendance centrally. Fake student entries automatically disappear because only registered, physically present students can be marked.

At the state level, education departments now see **live dashboards** showing attendance trends, teacher availability and school-wise performance. This allows more accurate budgeting, better teacher deployment and real accountability in the education system.

2. Health Departments & Public Hospitals

What was going wrong

In many Primary Health Centres and government hospitals, doctors and medical staff would mark attendance in the morning and then leave to run private clinics elsewhere. Biometric systems, where installed, were often unhygienic, unreliable, or easily bypassed.

There was no authenticated way to track whether a doctor actually stayed on duty, whether they were on tour, transferred, or simply absent. As a result, patients frequently arrived at government hospitals only to find no doctor available, despite records showing full attendance.

How RNIT solved it

RNIT deployed **geo-tagged facial recognition**, which verifies a doctor’s presence only when they are physically at the designated hospital or health centre. A doctor cannot mark attendance from home or another location.

Duty rosters, shift timings, tours and transfers are digitally logged and linked to attendance. For example, if a doctor is officially on tour, the system reflects that; if not, absence becomes visible immediately.

Health administrators can now see, in real time, which hospitals have doctors on duty and where service gaps exist. This directly improves patient access to care and accountability in public health delivery. To further strengthen accountability, the system also enables random attendance checks during the day. These geo-tagged, real-time verifications ensure that doctors and staff remain present at the designated health centre throughout their shift, rather than marking attendance and leaving. This significantly improves on-ground availability and enhances service delivery for patients.

3. Municipal Corporations & Urban Local Bodies

What was going wrong

Municipal bodies, especially sanitation departments, suffered from “ghost workers” on payrolls. Workers would exist in records but never show up on the ground. In other cases, sanitation staff would mark attendance at a central office and then disappear, leaving garbage collection incomplete and making the department to make payments even though they are not at work.

Supervisors had no visibility into whether garbage routes were actually covered, whether workers reached their assigned locations, or whether daily tasks were completed.

How RNIT solved it

RNIT implemented **facial recognition attendance with geo-tagging** at designated reporting points. Sanitation workers can only mark attendance when they physically report at their assigned locations.

For example, a worker assigned to a specific garbage route must verify attendance at the route’s reporting point. Municipal officials can then track, via dashboards, which routes are covered, how many workers are deployed, and where gaps exist.

This eliminated ghost workers, improved route-level accountability, and significantly enhanced cleanliness outcomes in urban areas. Mid day punch also enabled the department to ensure that workers work during the entire shift while bringing the last mile accountability.

Case Studies – Problems by Govt. authorities and Solutions by RNIT

4. Social Welfare Department – Social Welfare Pension Disbursements

What was going wrong?

Welfare pension schemes such as old age pensions, widow pensions, and disability pensions were impacted by the presence of fake or duplicate beneficiaries, leading to significant financial leakages. There was no robust accountability mechanism to verify whether only eligible beneficiaries were receiving the benefits. Manual verification processes made it easier for errors, leakages, and potential misuse to occur, with limited audit trails available for authorities to track actual disbursements.

How RNIT solved it

RNIT introduced an AI-based real-time beneficiary identification system to ensure that only eligible individuals are verified before disbursement. This helped in identifying and removing duplicate or ineligible beneficiaries from the system. Each transaction is geo-tagged and time-stamped, creating a digital record of who received benefits, where, and when. This provides the government with a clear audit trail and improves transparency and confidence in welfare distribution.

5. Women & Child Welfare Department – Take Home Ration (THR) Verification

What was going wrong?

Welfare programs such as Take Home Rations (THR) for lactating mothers and child nutrition schemes faced issues of fake or duplicate beneficiaries. There were instances of diversion of supplies, manipulation of records, and cases where listed beneficiaries did not actually receive the benefits. Additionally, in some cases, beneficiaries continued to receive benefits beyond the intended duration. Manual verification at distribution points lacked strong controls, making leakages and inconsistencies difficult to track.

How RNIT solved it

RNIT implemented facial recognition-based real-time beneficiary verification at the point of delivery. When a beneficiary collects rations, their identity is authenticated through the RNIT mobile application. Each transaction is geo-tagged and time-stamped, ensuring a verifiable digital record of distribution. For example, anganwadi workers must authenticate beneficiaries at the time of handing over THR. This system reduces leakages and ensures that benefits are delivered to the intended recipients within the defined eligibility period. It also provides authorities with a reliable audit trail, improving transparency and monitoring of welfare programs.

Why These Case Studies Matter

Across departments, RNIT replaces paper-based and easily manipulated processes with **real-time, verifiable, and tamper-proof digital workflows**. The common principle is straightforward: **if a person is not physically present or genuinely eligible, the system does not allow attendance or benefit delivery to be recorded**. Importantly, these deployments are not viewed by governments as an additional IT cost. Instead, they act as **revenue and cost savers**. By eliminating fake beneficiaries, ghost workers, and proxy attendance, RNIT helps governments **plug leakages, reduce unnecessary spending, and improve utilisation of public funds**. The savings generated from reduced wastage and better allocation often exceed the cost of deploying the system, giving governments a clear **return on investment (ROI)**. This makes RNIT's solutions easier to scale and sustain, as they are justified on economic outcomes rather than discretionary spending.

Company Overview

RNIT AI Solutions is a next-generation GovTech and Enterprise SaaS company specializing in **Facial Recognition Systems (FRS)**, **AI-driven workflow automation**, and **digital identity management** for large-scale public sector deployments. Founded by an industry veteran with over two decades of global experience in technology transformation, consulting, and enterprise solutions, RNIT has rapidly emerged as **India's largest AI-based FRS SaaS provider in the Government sector**.

The company's strategic edge lies in its ability to deploy **high-accuracy, mobile-first identification solutions** that operate reliably across India's diverse environmental and infrastructural conditions. Unlike legacy biometric systems that depend on expensive hardware, RNIT leverages **standard mobile devices**, making its deployments cost-efficient, scalable, and accessible even for budget-constrained government departments.

RNIT's systems currently process a **minimum of 15+ million FRS transactions per day**, with **over 3 billion facial templates processed till date**, demonstrating unmatched scale and operational credibility in the Indian GovTech domain. Its deployment footprint spans multiple states including Andhra Pradesh, Telangana, Assam, Odisha, Uttar Pradesh, Lakshadweep & Goa where the company has executed **statewide rollouts** across Education, Municipalities, Health, and Social Welfare departments.

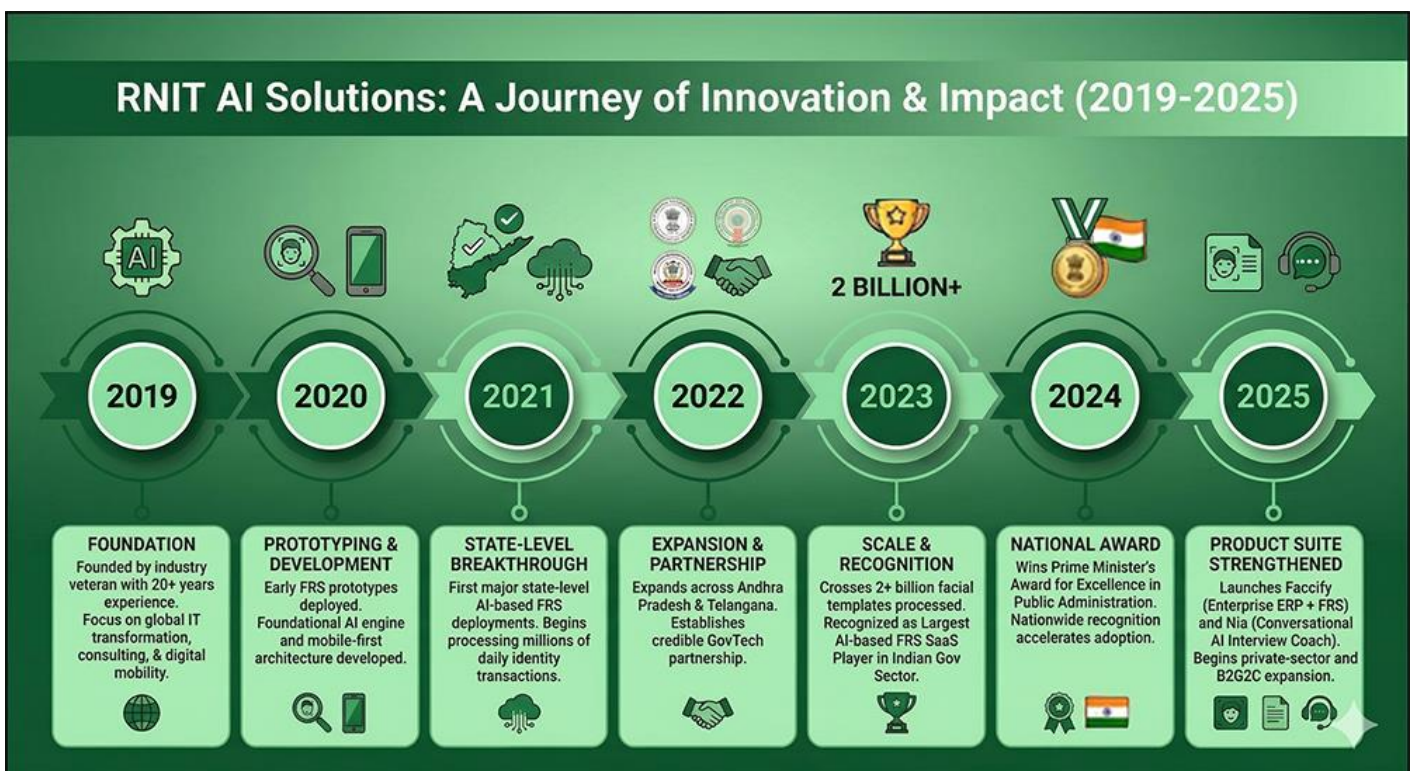
The company's vision is rooted in solving immediate governance and operational challenges through AI-led transformation delivered "**RightNow**" a philosophy reflected in its rapid implementation cycles, high system uptime, and proven scalability. Its mission emphasizes collaborative digital transformation, ethical AI practices, and domain-specific product innovation.

RNIT has established strong institutional credibility through certifications such as **CMMI Level 3** and **ISO 9001:2015, 27001:2013, and 20000:2011**, which are essential prerequisites for national-level tendering and mission-critical deployments. In 2024, RNIT won the **Prime Minister's Award for Excellence in Public Administration**, a milestone that significantly enhances its trust quotient among bureaucratic decision-makers.

Today, RNIT stands at the intersection of three large secular trends:

- 1. The digitization of the Indian state** and the need for fraud-proof beneficiary verification.
- 2. Enterprise demand for last-mile accountability tools** through its private-sector suite, Faceify.
- 3. AI-led skill development** through Nia, its conversational AI interview coach.

With a robust product foundation, proven execution across geographies, and expanding SaaS-led revenue streams, RNIT is transitioning from a project-led GovTech player to a **national digital infrastructure enabler**.



Business Model Overview

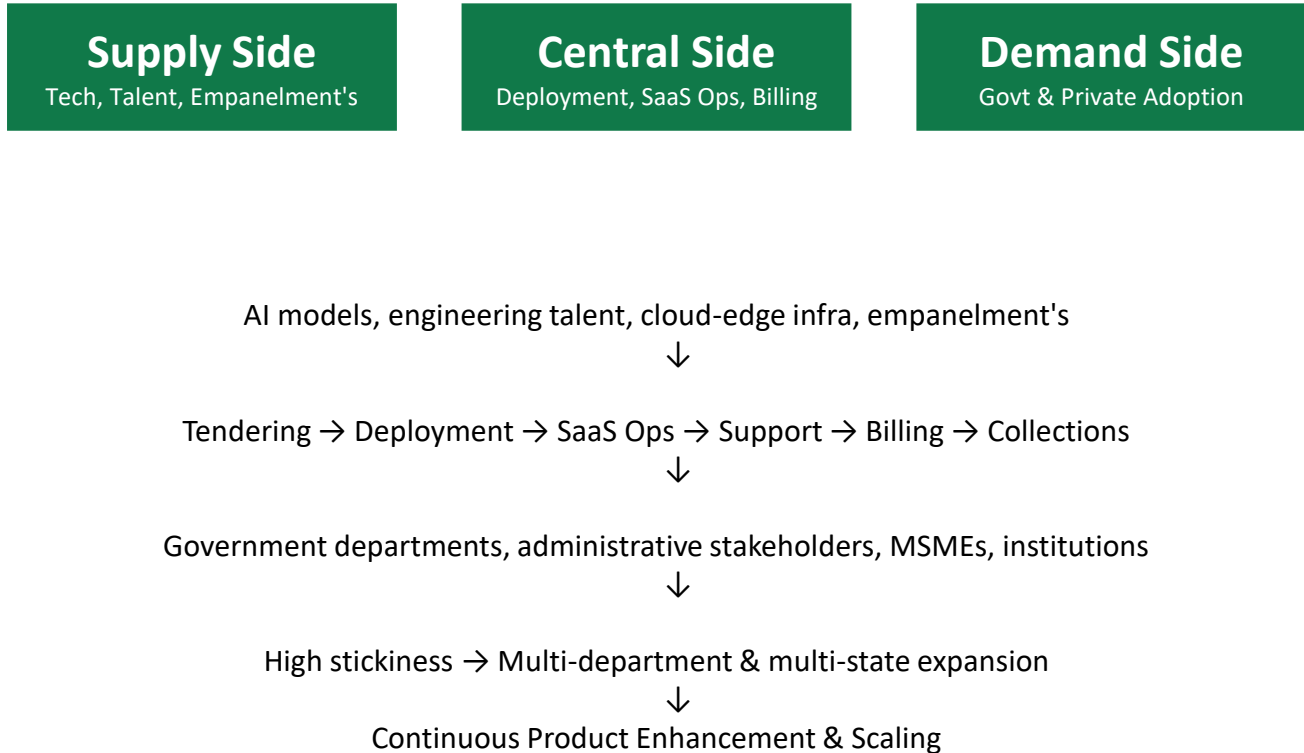
RNIT AI Solutions operates as a high-scale SaaS and digital transformation platform provider focused on AI-driven identity, attendance, workflow, and beneficiary management solutions for public-sector and enterprise customers. Its platforms leverage facial recognition, mobility, and analytics to digitize attendance systems, automate field-level processes, authenticate beneficiaries, manage institution-level operations, and generate real-time governance dashboards while bringing the “Last mile accountability” along with authenticity on every resource utilized.

The business model blends **recurring SaaS revenues** via annual platform subscriptions, usage-linked pricing (per transaction or per user), and education/skill-based digital subscriptions with **one-time development fees** for initial customization, integration, and deployment. Most state-level projects also include annual maintenance and support contracts, which further contribute to the recurring stream.

RNIT complements its public-sector platforms with private-sector SaaS products, including an AI-enabled ERP designed for MSMEs and a skill training/interview simulation platform used by educational and training institutions. These additional offerings help balance the seasonality of government procurement cycles.

The company’s architecture is cloud-based, mobile-first, and supported by edge AI capabilities that allow operations even in low-connectivity environments. This reduces dependency on hardware installations and drives highly scalable unit economics. Collectively, these characteristics position RNIT as a differentiated Gov Tech SaaS player with a robust foundation for multi-year, operating leverage–driven growth.

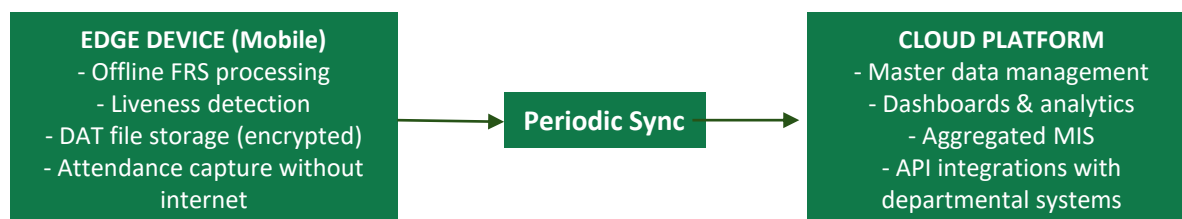
Value Chain



1. Supply Side — Capabilities & Inputs

1.1 Technology Architecture (Edge + Cloud Hybrid)

A defining feature of RNIT's products is the hybrid **Edge + Cloud** model, enabling seamless functionality in remote, rural, and low-connectivity environments—typical of public-sector deployments.



This architecture offers several advantages:

- Eliminates dependency on biometric hardware
- Ensures continuity without internet
- Supports rapid scalability to millions of users
- Minimizes operational friction for departments

1.2 Talent & Capability Structure

RNIT's workforce structure aligns with the needs of a Gov Tech SaaS operation. While exact numbers are undisclosed, industry norms for AI-led Gov Techs of similar size imply a distribution such as:

Particulars	2020	2021	2022	2023	2024	2025	CAGR
Number of employees over the years	38	63	72	78	109	132	28%
Cost Per employee	2.1	3.3	6.4	6.5	6.4	6.5	26%
Revenue per employee	3.7	7.4	23.9	15.7	18.6	24.4	46%

Component	Total
Sales	8%
Technical	79%
Management & Operations	13%

This talent mix is critical in ensuring fast turnaround on new tenders, rapid product iteration, and scalable field deployment.

1.3 Empanelment's — Strategic Access Points

RNIT holds empanelment's with multiple national and state-level agencies including direct Government relationships or PSU NavRatna tie ups (e.g., technology service corporations, government electronics companies, and public sector telecom/IT entities). These empanelments function as:

- Procurement gateways
- Proof-of-credibility endorsements
- Accelerators for statewide project access
- Barriers to entry for new competitors

In Gov Tech, procurement eligibility is a major barrier, and RNIT's multi-agency presence is a powerful supply-side lever.

Why Departments Use Nodal Agencies Like RailTel/APCFSS/UPDESCO/GEL/Digital India Corporation etc Instead of Issuing Tenders Directly

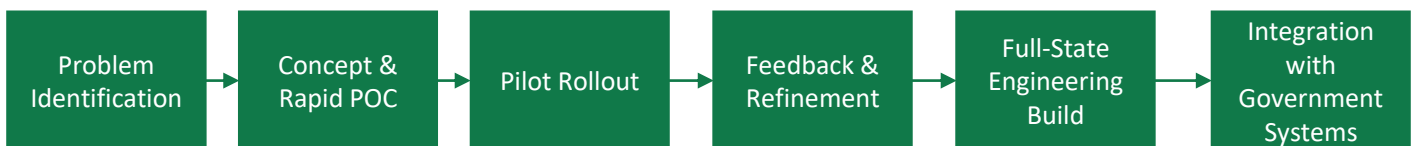
In the Indian public-sector procurement ecosystem, most government departments do not issue large IT or AI tenders directly because they lack the technical, legal, and procurement capabilities required for complex technology contracting. Departments such as Education, Health, Municipal Administration, or Social Welfare are administrative bodies—not IT organizations—and typically do not possess in-house expertise to draft technical RFPs, evaluate AI systems, ensure cybersecurity compliance, or manage long-term SLAs.

To address this gap, governments rely on specialized **IT nodal agencies** such as RailTel, APCFSS, APTS, TSTS, and GEL. These agencies are government-owned technology corporations with statutory authority to conduct transparent procurement, evaluate vendors, manage project SLAs, and ensure adherence to GFR, CVC, and audit norms. They serve as **centralized procurement and governance bodies** for IT projects across departments.

Departments prefer this route because it enables faster procurement, reduces audit and compliance risks, and ensures independent technical evaluation. In return for providing these services, nodal agencies charge a small **service/PMC fee**, typically 5–8% of project value. This structure creates a trusted, compliant, and scalable procurement pathway, enabling companies like RNIT to participate in statewide projects through pre-vetted, empaneled channels.

1.4 Product Development & Innovation Loop

RNIT maintains a rapid product evolution cycle tailored to government user needs. The workflow typically involves:



Continuous ML upgrades help the platform adapt to real-world variation (lighting, ageing, facial dynamics), enhancing reliability over time.

2. Central Engine — Operations, Delivery & Monetization

This is RNIT's execution backbone: it converts technological capability into monetizable, recurring revenues.

2.1 Tendering & Acquisition Process

Government demand typically initiates at the departmental level (often led by senior administrative officials). Procurement, however, flows through nodal agencies.

Demand-to-Procurement Flow



This bifurcation explains why government officers receive awards for program success, while RNIT receives contractual payments from the procurement intermediary.

2.2 Deployment Cycle

Statewide implementations follow a structured and time-efficient rollout:

1. Requirement analysis and data collection
2. Customization and workflow configuration
3. Integration with departmental systems (HRMS, treasury, MIS etc.)
4. On-ground training and institutional onboarding
5. User enrollment
6. Staged go-live across districts
7. Stabilization and continuous support

Most state deployments are completed within **30–45 days**, a timeline significantly faster than traditional IT vendors.

2.3 Working Capital & Payment Dynamics

Government projects typically have longer payment cycles, often ranging from **120–180 days**, depending on the department and nodal agency involved.



Despite slower collections, RNIT enjoys:

- Low capex requirements
- High gross margins
- Strong renewal visibility
- Attractive operating leverage

This helps stabilize free cash flow over scale.

2.4 Data Governance

Data ownership typically resides with the government in State data centres in encrypted format. RNIT serves as a data processor with:

- Encrypted offline data capture
- Secure cloud sync
- Role-based access controls
- Audit trails for all transactions

Such compliance practices build trust and reduce churn risk

3. Demand Side — Adoption Drivers & Expansion Pathways

3.1 Public Sector Demand Drivers

Government departments face systemic challenges like attendance fraud, fake beneficiaries, manual processes, poor data trails which create strong need for AI-based verification, automated workflows, and real-time monitoring platforms.

RNIT's solutions directly address these structural inefficiencies, making adoption not only desirable but often inevitable.

Revenue Leakage Prevention and Cost Savings

A key demand driver for RNIT's solutions is their ability to prevent revenue leakages and save government expenditure, rather than merely digitizing existing processes. By eliminating ghost beneficiaries, fake enrolments, proxy attendance, and idle manpower, RNIT enables governments to reduce wastage in welfare schemes, education budgets, healthcare staffing, and municipal services. The savings generated from plugging these leakages often exceed the cost of deployment, giving the solutions a clear and measurable return on investment (ROI). As a result, RNIT's platforms are viewed as cost-saving solutions rather than discretionary IT spending, making adoption easier, renewals stickier, and expansion across departments more likely.

3.2 Influence of Administrative Leadership

A distinctive characteristic of RNIT's demand engine is the **administrative pull** from senior officers who witness impact firsthand. Because successful implementations result in tangible governance improvements and measurable outcomes, administrative champions often promote the solution across states, creating a natural referral flywheel.

Siksha Setu, Assam received The Prime Minister's Awards for Excellence in Public Administration 2024.

- <https://x.com/ranojpeguassam/status/1914175865098842576>



3.3 Replicability Across Departments & States

Once deployed in one department, the platform becomes a reference case for parallel applications:

- Education → Health
- Municipal administration → Social welfare
- Skill development → Rural development
- Beneficiary authentication → Subsidy distribution

This cross-department replicability materially reduces customer acquisition cost.

3.4 Private Sector Adoption

Beyond the government ecosystem, RNIT's product suite for enterprises includes:

- A lightweight AI-enabled ERP for MSMEs (attendance, payroll, workflow automation along with staff accountability)
 - A digital skill enhancement and interview-practice platform to make the youth employment ready
- These offerings diversify revenue, deepen platform usage, and shield the company from procurement seasonality.

Revenue Analysis

Revenue Recognition Framework

RNIT's revenue recognition aligns with IT services and SaaS norms:

Revenue Stream	Recognition Method
Fixed annual SaaS subscriptions	Time-based (straight-line)
Usage-based SaaS (per transaction/per scan)	Recognized as performed
Education/Skill subscriptions	Over subscription period
One-time development & rollout fees	Percentage-of-completion (milestone-linked)
Enterprise ERP SaaS	Monthly or annual subscription

This results in a predictable earnings pattern once projects move from deployment to steady-state SaaS operation.

1. SaaS vs. One-Time Deployment Revenues

Management indicated that **~80% of revenues are recurring SaaS** and **~20% are one-time deployment charges**. Within SaaS, RNIT operates two models:

- (1) **Pay-per-use**, where clients are billed per scan/transaction (e.g., ₹1 per scan depending on volume), and
- (2) **Fixed annual O&M contracts**, where an entire programme is billed at a flat yearly fee (e.g., ₹3 crore per annum for a state-wide scheme).

While granular breakup is unavailable, the high SaaS contribution implies a **sticky, annuity-driven revenue base**. As RNIT adds newer states and departments, deployment revenues will spike initially, but the annuity portion will continue to expand, creating a growing, predictable recurring revenue stream.

2. State-Wise Revenue Contribution

State-level trends highlight RNIT's strong presence and dependence on Andhra Pradesh, Telangana, and Assam, with meaningful growth in corporate customers in recent years.

- **Andhra Pradesh** grew steadily at a **41% CAGR**, supported by schemes like RBIS and other education/governance modules.
- **Telangana** grew at a **95% CAGR**, driven by large-scale deployments such as DSE FRS and GHMC.
- **Assam** shows high volatility (**-41% CAGR**) due to a large one-time spike in FY22 from Siksha Setu, normalizing in later years.
- **Corporate customers** have scaled well at **54% CAGR**, reflecting increasing adoption of RNIT's FRS-powered workforce accountability solutions in private enterprises.

When compared with total revenues (₹4.7 cr → ₹32.2 cr from FY21–FY25), the mix shows that **~70–75% of RNIT's revenue base continues to come from government projects**, indicating dependence but also offering high stability.

State-Wise Revenue

Particulars	2021	2022	2023	2024	2025	CAGR
Total Revenue	4.7	17.2	12.2	20.3	32.2	62%
Andhra Pradesh	2.1	2.5	5.8	5.2	8.2	41%
As a % of revenue	45%	15%	48%	26%	25%	
Telangana	0.7	0.6	0.9	4.8	10.1	95%
As a % of revenue	15%	4%	7%	24%	31%	
Assam	0.0	14.0	2.1	3.1	2.8	-41%
As a % of revenue	0%	81%	17%	15%	9%	
Bihar	0.0	0.0	0.0	0.0	0.5	NA
As a % of revenue	0%	0%	0%	0%	1%	
Uttar Pradesh	0.0	0.0	0.0	0.0	0.1	NA
As a % of revenue	0%	0%	0%	0%	0%	
Corporate customers	1.9	0.1	3.4	7.2	10.5	54%
As a % of revenue	40%	1%	28%	35%	33%	

Government vs. Private Split

The business remains **government-heavy**, with the majority of revenue coming from large state-run programmes. While this creates concentration risk, the model is inherently **sticky**, government departments face high switching costs due to:

- integration of RNIT's backend into their workflows,
- the operational disruption of migration, and
- RNIT's customization for each scheme's compliance and monitoring needs.

•Private-sector revenue, though smaller, is growing faster as RNIT expands solutions like Faceify, which adapts its core FRS engine for enterprise accountability use cases (field force, farmers, sales teams, etc.).

3. Scheme-Wise Revenue Hints (Indicative)

While management did not formally share scheme-wise breakups, broad directional insights are:

- Telangana:** Major contribution from **DSE FRS** and **GHMC accountability projects**. Other departments Social Welfare, Board of intermediate departments are expected to contribute significantly in FY 2025-26.
- Andhra Pradesh:** Significant revenues from **Real Time Beneficiary Identification**, Skill Development, Fisheries, Health & Family Welfare Departments, Education governance systems. Major new chunk of new contracts are in progress from Skill Development, Civil Supplies departments. Legal Metrology department work in progress and is expected to contribute in FY 2025-26..
- Assam:** Revenue largely driven by **Siksha Setu**, an education and monitoring platform.
- Goa:** **Goa FRS** expected to contribute meaningfully as it scales (upcoming).
- Lakshadweep FRS** : Work in progress - Expected to contribute in FY 2025-26
- GCC region:** The **Ajnihat LLC partnership** opens a new geography, currently in early stage but providing strong medium-term upside. These anchor schemes explain the strong traction in AP and Telangana, which remain RNIT's core operating clusters.

4. Product-Wise Revenue Mix

RNIT's revenue is **primarily driven by its Facial Recognition System (FRS)** platform. The underlying backend remains largely uniform across deployments, with scheme-specific modifications on top. Most of the state programmes — attendance, monitoring, last-mile accountability utilise this single core technology stack, enabling efficient scale-up.

•Faceify (B2B Private):

Built on the same FRS engine, integrated into ERP systems for enterprise clients such as agricultural value chains, manufacturing, sales teams, and workforce monitoring. This segment is scaling well and diversifies revenue away from government contracts.

•NIA (Conversational AI Stack):

A distinct AI module with a separate backend, offering strong optionality. Management plans to integrate NIA with **Skill Universe**, RNIT's upcoming edtech platform creating a potential second revenue engine beyond FRS.

Given the lack of formal product-wise disclosures, it is safe to conclude that **FRS remains the dominant revenue driver**, with newer AI products (NIA, Skill Universe) offering medium-term optionality.

Products

RNIT AI Solutions operates a unified AI-driven platform built around three flagship offerings its Government FRS System, Faceify (Enterprise Workforce Suite), and NIA (Conversational AI Interview and Assessment Coach). While these products serve distinct markets, they share a common engineering foundation centered on mobile-first design, edge computing, and scalable AI models. This enables RNIT to deliver high-volume, low-latency solutions cost-effectively across both government and private sectors.

1. Government FRS System (GovTech Identity Infrastructure)

RNIT's Government-facing Facial Recognition System (FRS) is the company's anchor product and the largest contributor to its current revenues. Designed specifically for Indian field conditions, the system uses a proprietary computer vision engine capable of performing ultra-accurate identity verification even in low-light, crowded, or low-bandwidth environments as well. The distinguishing element of RNIT's GovTech infrastructure is its **edge computing architecture**, which allows core AI functions such as facial detection, vector extraction, and liveness checks to run **directly on mobile devices**, without requiring continuous internet connectivity.

This edge-first design offers several advantages. It dramatically reduces dependency on cloud inference, enabling the platform to function in rural, tribal, and remote locations where connectivity is intermittent. It also lowers infrastructure costs, since verification happens locally and only summary data is synced periodically. Furthermore, edge processing enhances data security by limiting the transmission of raw images; this is particularly important for government workflows involving sensitive beneficiary or employee data. The system is also optimized for enormous scale: RNIT processes millions of identity checks per day across education departments, municipal bodies, health departments, and welfare schemes, making it one of India's largest AI-based identity infrastructures.



2. Faceify: Enterprise Workforce & Field-Force Management Suite

Faceify is RNIT's enterprise offering targeted at FMCG companies, pharmaceutical firms, insurance agencies, security companies, and other organizations with distributed field operations. Built on the same foundational FRS engine as the GovTech solution, Faceify layers additional enterprise modules such as attendance management, leave workflows, HRMS, task allocation, KPI dashboards, and basic ERP components.

Faceify's key differentiator is its **"Proof of Presence"** mechanism, which combines GPS positioning with facial recognition and liveness detection. This ensures that field-force employees cannot spoof attendance using fake GPS apps or proxy check-ins, a persistent challenge in industries with large, mobile workforces. Because Faceify is priced at an accessible rate, it is economical enough for mass adoption but still high-margin for RNIT due to its shared backend architecture and low incremental cost of onboarding new users.

The platform is designed as a modular, API-friendly system, allowing integration with payroll software, CRMs, inventory platforms, and analytics dashboards. By repurposing RNIT's proven FRS pipeline for enterprise use, Faceify benefits from significant economies of scale while enabling the company to diversify beyond long-cycle government contracts into faster-moving commercial markets.



3. NIA: Conversational AI Platform

NIA is RNIT's AI-powered conversational platform designed to enable structured interactions across skilling, employability, and citizen-facing use cases. It allows users to engage in guided conversations for interview preparation, skill assessment, and automated workflows through a mobile-first interface.

The platform is built using domain-specific AI models optimised for real-world deployment, with support for multilingual and low-connectivity environments.

Key Use Cases:

- AI-led interview preparation and job readiness
- Candidate screening and evaluation
- Citizen interaction and grievance handling systems
- Skill assessment and training support

Deployment Approach:

- Government-led skilling and employability programs
- Enterprise hiring and workforce solutions
- Integration with existing RNIT platforms and workflows

NIA is designed as a scalable, modular layer that can be deployed across multiple sectors, extending RNIT's capabilities beyond identity and workflow systems into conversational AI-driven applications.

4. Platform-Level Synergy

Collectively, RNIT's products are bound by a shared system architecture:

- A unified identity and authentication pipeline
- Mobile-first, low-connectivity design
- Incremental cloud usage aided by edge processing
- Modular microservices enabling reuse across products
- Shared AI and ML layers for efficiency and scalability

This architectural synergy allows RNIT to:

- Deploy solutions quickly
- Maintain low marginal cost per user
- Reuse core components across sectors
- Expand rapidly within existing client ecosystems
- Achieve SaaS-like margin expansion as adoption grows

By leveraging the same underlying platform across FRS, Faceify, and NIA, RNIT achieves both **operational efficiency** and **strategic diversification**, allowing it to address public-sector identity challenges, private-sector workforce management, and AI-based employability training through a unified technological core.

Edge Computing and Its Role in RNIT's Platform

What Is Edge Computing

Edge computing means that data is processed **directly on the device**, such as a mobile phone, instead of being sent to a central server every time. This is important in government environments where internet connectivity is unreliable or inconsistent. By processing data locally, the system continues to work even when the network goes down.

How RNIT Uses Edge Computing

RNIT's facial recognition system works largely offline. When a person is enrolled, their face is converted into **70+ facial coordinates** and stored locally within the app as a **DAT file**. This file is not an image but a small set of numerical data made up of 0s and 1s, allowing fast processing with minimal storage.

Offline Validation and Later Syncing

Attendance or identity verification happens **on the device itself**, without needing internet access. The app matches the live face with the locally stored DAT file. Once the device reconnects to the internet, all validated records are automatically synced to the central server along with time and location data.

Why This Matters for Government Deployments

Government schools, hospitals, and field operations often operate in areas with weak connectivity. RNIT's edge-based design ensures that attendance, duty logs, and beneficiary verification continue smoothly without disruption, making the system reliable in real-world conditions.

Cost and Scalability Advantages

Because DAT files are lightweight and processing happens on the device, RNIT's app requires very little storage and data usage. This reduces infrastructure costs, allows deployment on basic smartphones, and supports large-scale rollouts without heavy capex.

Privacy and DPDP Compliance

RNIT does not store facial photographs. The facial coordinates stored in DAT files **cannot be converted back into images**, making the system privacy-safe and aligned with DPDP Act requirements. This reduces data misuse risk and improves acceptability in sensitive public-sector use cases.

Why Edge Computing Is a Competitive Advantage for RNIT

By combining offline functionality, low cost, and privacy-by-design, edge computing enables RNIT to deploy faster, operate more reliably, and scale efficiently across states and departments. This architecture gives RNIT a structural advantage over solutions that depend entirely on continuous internet connectivity.

NIA – Emerging Growth Driver

Overview

RNIT is developing **NIA (Next-Gen Intelligent Assistant)**, a conversational AI platform built using small language models (SLMs) tailored for specific use cases across government and private sectors. Unlike foundational AI providers, RNIT operates at the application layer by leveraging open-source large language models and optimising them into domain-specific solutions with significantly lower cost and higher contextual accuracy.

The platform is designed to address real-world problems across skilling, employment, and e-governance, with a focus on enabling scalable, low-cost, and vernacular-friendly AI interactions.

Evolution: From Pilot to Early Commercialisation

At the time of earlier assessment, NIA was in a pilot phase with limited revenue visibility. The product has since progressed to receiving a **Letter of Award (LOA) for price discovery**, marking its transition towards early commercialisation. It is important to note that the LOA currently establishes pricing benchmarks, while full-scale volume deployment remains under phased implementation and discussion. Initial deployments are expected to commence from FY26 onwards

Revenue Model

- Government Segment (Primary Driver)

NIA is being deployed for large-scale government use cases:

Blue-collar workforce assessment

- 20 lakh users (initial coverage)
- 10 minutes of AI-led conversational assessment per user
- Mandated under NSQF skill mapping framework

Student / higher education segment

- 5 lakh users
- Use case: interview preparation, job readiness, and skill validation

Revenue is structured on a **per-conversation model**, with initial usage partially sponsored by the government. Management indicated that initial deployment in at least one department is mandated, providing a base level of revenue visibility. However, full-scale volumes beyond initial deployment remain contingent on execution and adoption.

- Private Segment (Emerging Optionality)

RNIT is also building parallel offerings:

NIA Prep – for job seekers

- Resume building
- Job discovery
- Mock interviews

NIA Corp – for enterprises

- Resume screening
- Candidate evaluation
- AI-led interview processes

Indicative pricing suggests a bundled offering (₹5,000, with initial promotional pricing), though final pricing structures remain under development.

This segment represents a **high-margin, scalable opportunity**, though still at an early stage.

NIA – Emerging Growth Driver

Scalability & Use Case Expansion

NIA is inherently **replicable across geographies and use cases**, leveraging RNIT's existing government relationships.

•**Current traction:**

- Andhra Pradesh (primary deployment)
- Meghalaya (citizen grievance / CM Connect use case)

•**Pipeline:**

- Discussions across multiple states (Haryana, Karnataka, etc.)

Additionally, the platform is expanding beyond skilling into broader **e-governance applications**, including citizen service delivery and grievance redressal systems.

This positions NIA as a **horizontal AI platform** rather than a single-product offering.

Economics & Operating Leverage

The platform is built on a **cost-optimised architecture**:

Uses SLMs instead of full-scale LLM dependency

Hybrid processing:

Increasing shift towards **edge computing (mobile-based processing)**

Reduces reliance on central compute infrastructure

Management indicated:

Cost structure: ~40–50% of revenue

Potential EBITDA margins: ~50%

PAT margins: ~40–45%

Further cost efficiencies are expected as more processing shifts to edge devices over time.

Analyst View

NIA represents a **meaningful strategic shift** for RNIT from a project-based FRS provider to a **platform-led AI solutions company**.

The progression from pilot to LOA stage significantly improves visibility, particularly with initial government-backed deployments.

The combination of:

Large addressable user base

Recurring, usage-linked revenue model

Cross-state scalability

positions NIA as a potential **key growth driver over the medium term**.

However, the core monitorable remains:

Conversion of initial deployments into sustained, large-scale volumes

Key Risks & Monitorables

Volume uncertainty: LOA does not guarantee full-scale deployment

Adoption risk: User willingness to pay beyond government-sponsored usage remains untested

Government dependency: Execution timelines linked to policy and administrative processes

Monetisation clarity: Private segment pricing and traction still evolving

Execution risk: Scaling across states and use cases

Industry Growth Drivers

1. Strong National Push for Digital Governance

Central and state governments are accelerating digital transformation through Digital India, DBT reforms, Aadhaar-linked verification, and e-governance mandates. This is driving departments to adopt digital workflows, real-time monitoring, and automated service delivery creating a multi-year pipeline for specialized IT and AI platforms.

2. Rising Demand for Technology Across Government Departments

Large-scale programs in education, welfare, health, rural development, and disaster management increasingly require digital systems because manual processes cannot handle the scale or complexity. This is pushing adoption of customized workflow automation, attendance systems, and validation engines.

3. Rapid Adoption of AI/ML in Governance

AI is becoming essential for identity verification, anomaly detection, audit trails, and citizen-service monitoring. As datasets grow, departments require accurate, large-scale, field-tested AI models driving demand for solution providers experienced in mission-critical public sector deployments.

4. State-Led Digital Transformation Missions

States are independently launching digital initiatives across education, policing, agriculture, and citizen services. These projects require customized, on-ground solutions rather than generic IT stacks, expanding opportunities for agile players with strong domain expertise.

5. DPDP & Cybersecurity-Driven Compliance Requirements

With the Digital Personal Data Protection Act and rising cybersecurity scrutiny, government buyers prefer systems that are privacy-preserving and secure-by-design. This regulatory tailwind increases demand for vendors who use safe architectures such as non-reversible facial embeddings.

6. Need for Measurable Outcomes & Real-Time Insights

Departments now operate under greater pressure to deliver measurable improvements and real-time reporting for audits and public dashboards. This fuels demand for digital monitoring, automated dashboards, and analytics-driven decision systems.

7. Increasing Enterprise Adoption of Automation & AI

Private-sector organizations are also investing in digital workflows and AI-led automation to improve efficiency and reduce costs. This broadens RNIT's addressable market beyond government and opens up recurring enterprise use cases.

Company Growth Drivers

1. Expansion Into New States and Departments

RNIT's strongest growth driver remains its ability to scale horizontally across states and vertically across departments. Once a solution is proven in one region, referrals and demonstrated outcomes help the company win similar use cases in nearby districts, other departments, and new states—expanding its project pipeline without proportional sales effort.

2. New Product Offerings Like NIA Unlocking Adjacent Use Cases

RNIT is expanding beyond governance workflows by launching new products like **NIA**, a conversational AI platform focused on skilling, interview preparation, and vocational upskilling in regional languages. Departments involved in employment, training, rural livelihoods, social welfare, and skill development can deploy NIA to train unemployed youth, workers (plumbers, electricians, carpenters kind of roles), and frontline staff. This opens a completely new revenue stream independent of FRS-driven workflows and significantly broadens RNIT's addressable market.

3. Entry Into Enterprise (Private Sector) Clients

The same AI-driven workflows, monitoring tools, auditing engines, and conversational AI modules can be offered to enterprises—especially in manufacturing, logistics, retail, and vocational training sectors. Private clients not only expand revenue but also improve cash flow quality, reducing reliance on slow-paying government contracts.

4. Potential for Pricing Improvement as Dependency Increases

RNIT currently prices competitively to win large-scale government projects, but as its accuracy, reliability, and indispensability increase, the company can command higher pricing, especially in recurring services like AMC, model retraining, analytics upgrades, and additional modules layered on top of existing systems.

Return Matrix

Operating Profit Margins

Particulars	2020	2021	2022	2023	2024	2025	CAGR
Revenue from Operations	1.41	4.68	17.20	12.22	20.26	32.23	87%
YoY Growth		232%	268%	-29%	66%	59%	
Employee benefit expenses	0.79	2.09	4.64	5.10	6.99	8.60	61%
YoY Growth		165%	122%	10%	37%	23%	
As a % of revenue	56%	45%	27%	42%	34%	27%	
Other expenses	0.53	1.79	9.70	4.22	7.73	13.40	91%
YoY Growth		236%	440%	-56%	83%	74%	
As a % of revenue	38%	38%	56%	35%	38%	42%	
EBITDA	0.09	0.79	2.86	2.89	5.55	10.22	160%
EBITDA Margins	6%	17%	17%	24%	27%	32%	
Depreciation and amortisation expenses	0.03	0.42	0.41	0.42	1.44	2.76	
As a % of revenue	2%	9%	2%	3%	7%	9%	
EBIT	0.06	0.37	2.45	2.48	4.11	7.47	
EBIT Margins	4%	8%	14%	20%	20%	23%	

Revenue – Trend Overview

RNIT's revenue growth has been driven by continuous expansion of its AI-based governance platforms across states and departments. The business scaled after the initial FRS for **Municipal Administration deployment**, which established credibility and enabled the company to enter larger state-level projects. In FY21, projects such as RBIS in Andhra Pradesh were added, strengthening RNIT's footprint in education and welfare monitoring. This momentum continued in FY22 with the onboarding of Siksha Setu Assam, which significantly expanded the company's education-sector deployments. In FY23, RNIT added new departments in Andhra Pradesh and Telangana, including the DSE FRS project, further broadening its facial recognition-based monitoring and accountability stack. The pipeline has continued to build with implementations such as the Goa FRS project and international expansion through the GCC MoU with Ajnihat LLC, positioning RNIT for multi-state and cross-border scalability. Overall, revenue growth has been a function of progressively adding high-volume government departments, expanding use cases, and leveraging its maturing AI and IoT capabilities to win larger mandates.

Employee Benefit Expenses –

Trend – Employee benefit expenses has been growing at a lower speed than the revenue growth, As it is a SaaS based product and not linked to employees like a typical IT service business. We can see further operating leverage as more revenue comes from the same backend.

Employees' ramp up and ramp down is as per the business requirements from time to time. It has been observed that RNIT follows a structured, performance-linked compensation framework, with selective salary enhancements / hikes for niche-technology talent aligned to the Company's AI & IOT driven product roadmap and long-term growth strategy.

Other Expenses – Trend Overview

Other expenses have generally trended upward as RNIT scaled operations across states and diversified into larger, more complex AI- and FRS-based deployments. The cost structure reflects increasing investment in product capability, infrastructure, outsourced manpower and consultancy support as the business grew in size and execution intensity. While the long-term trend reflects scale-up, certain years saw sharp deviations due to specific one-time or capability-building initiatives.

Fluctuations –

FY22 – Other expenses spiked to **56% of revenue** as RNIT undertook heavy product development work. This included building and enhancing the AI algorithms, boosting facial template processing capacity, infrastructure strengthening, and IoT-related R&D for upcoming projects. Development work required for the one of well known Health care franchise project [first of its kind of IOT & AI mix project] also added to the cost. This was a capability-building phase and created the technology backbone for multi-state deployments thereafter.

FY24 – Other expenses remained elevated at **38% of revenue**, driven primarily by higher consultancy and outsourced manpower costs. With multiple state-wide FRS and monitoring projects running in parallel, the company relied on external partners to support execution, onboarding, and integration work. This operational ramp-up contributed to the higher expense ratio.

FY25 – Other expenses increased further to **42% of revenue**, largely due to one-time consultancy charges associated with the reverse merger. These included legal, advisory, and compliance-related professional fees. The spike is non-recurring and does not represent the underlying operational cost structure of the business.

Outlook on Other Expenses as a % of Revenue

Going forward, we expect other expenses to gradually **decline as a percentage of revenue** as the business scales and one-time items taper off. The elevated levels in FY22, FY24 and FY25 were driven by product development spikes, outsourced manpower support during rapid expansion, and reverse-merger related consultancy expenses. With the core AI platform already built, state deployments becoming repeatable, and manpower processes stabilising, RNIT should benefit from operating leverage. Consultancy costs are also expected to normalise post-merger. While some incremental spend may continue for new geographies and product upgrades, the overall trajectory should trend downward relative to revenue, supporting margin expansion.

Net Profit Margins

Particulars	2020	2021	2022	2023	2024	2025
Finance costs	0.00	0.00	0.03	0.01	0.07	0.22
As a % of revenue	0%	0%	0%	0%	0%	1%
Other Income	0.00	0.00	0.02	0.01	0.05	0.06
As a % of revenue	0%	0%	0%	0%	0%	0%
EBT	0.06	0.37	2.44	2.48	4.08	7.31
EBT Margins	4%	8%	14%	20%	20%	23%
Tax expenses	0.02	0.10	0.68	0.73	1.04	0.10
As a % of Revenue	1%	2%	4%	6%	5%	0%
Effective Tax rate	31%	26%	28%	29%	25%	1%
PAT	0.04	0.27	1.76	1.75	3.04	7.21
PAT Margins	3%	6%	10%	14%	15%	22%

Finance Costs – Trend Overview

Finance costs have remained negligible as a percentage of revenue because the company has primarily relied on related-party loans that carry no interest obligation. This has kept borrowing costs structurally low despite growth in operations.

Other Income – Trend Overview

Other income has also remained largely stable and insignificant relative to revenue, as the company has not historically held surplus cash or financial assets that generate material yield.

Outlook on Finance Costs & Other Income

Both line items may see movement going forward. Finance costs could rise if the company raises external debt from financial institutions, as these will carry market-based interest rates unlike related-party borrowings. On the other hand, following the preferential allotment, any unutilised cash earmarked for product development may temporarily generate treasury returns, leading to higher other income until deployed.

Tax Expenses – Trend Overview

Tax expenses have generally moved in line with profitability, with effective tax rates remaining within a normalised band except for FY25, which saw an unusually low tax outgo.

Fluctuations –

FY25 –

Tax expense was significantly lower in FY25 because the company utilised accumulated losses of Autopal post-merger, which reduced the taxable base. Management has indicated that this is a one-time effect and not reflective of the steady-state tax structure.

Tax Expense Outlook

The effective tax rate is expected to normalise to the **22–25% range** going forward, consistent with management guidance and the standard corporate tax regime once the effect of carried-forward losses subsides.

Asset Turnover Ratio

Particulars	2020	2021	2022	2023	2024	2025
Revenue from Operations	1.41	4.68	17.20	12.22	20.26	32.23
YoY Growth		232%	268%	-29%	66%	59%
Total Assets	2.8	4.4	4.0	13.2	33.5	97.0
YoY growth		61%	-10%	230%	153%	190%
Fixed Assets	2.1	1.7	1.3	1.6	8.9	54.7
YoY growth		-20%	-24%	25%	466%	513%
As a % of Total Assets	75%	37%	31%	12%	27%	56%
Property, plant and equipment	0.0	0.0	0.0	0.5	0.5	0.5
Intangible Asset	2.0	1.6	1.2	1.1	8.5	14.2
Goodwill	0.0	0.0	0.0	0.0	0.0	40.0
Total Asset turnover	0.51	1.05	4.29	0.92	0.60	0.33
Fixed Asset turnover	0.68	2.81	13.66	7.74	2.27	0.59

Total Assets – Trend Overview

RNIT's asset base expanded steadily as the company scaled operations, added new departments across states, and capitalised product development investments. Growth in working capital, particularly receivables and unbilled revenue, reflected the nature of government projects, where revenue is recognised post-execution but invoices are raised after departmental confirmation. The sharp movements in FY24 and FY25 were largely accounting-driven due to product development capitalisation and reverse-merger-related adjustments, rather than underlying business changes.

FY23 –

Short-term loans and advances increased, primarily representing operational advances extended to vendors and project partners during the execution of multiple state-level deployments. Trade receivables also rose as a percentage of revenue due to the scale-up in projects and the typical approval cycle required before government departments confirm invoices. Unbilled revenue increased because certain projects were already executed but formal approval was awaited before invoicing; this is standard in government-linked IT deployments. The equity raise undertaken during this period strengthened the balance sheet and supported working capital requirements.

FY24 –

Intangible assets increased by ~₹8.5 crore due to capitalised product development expenditure. This included enhancements in FRS capability, backend AI modules, workflow automation systems, and IoT integrations built for new states and departments. Working capital broadly moved in line with revenue growth. Other current assets increased by ~₹7 crore—these were largely balances with statutory authorities, project-related advances, and other deposits as disclosed in the footnotes. Balances with statutory authorities remain separate from trade receivables because they represent indirect tax credits, TDS, GST receivables, and other statutory recoverables that do not arise from sale of services.

FY25 –

A goodwill addition of ~₹40 crore appeared on the balance sheet, arising from **reverse-merger accounting adjustments**, not from any cash outflow. This represents the difference between the fair value of RNIT's net assets and the consideration issued to Autopal shareholders under the merger scheme. The increase in capital reserve and further issue of equity shares (along with premium) shown in the cash flow statement reflects **non-cash adjustments** related to share issuance; these are accounting entries and do not represent cash inflows unless explicitly backed by fresh subscription (which is not the case here). Intangible assets increased further due to continued capitalisation of product development work, consistent with RNIT's strategy to build scalable AI-driven platforms. Cash and cash equivalents rose by ~₹6 crore, likely due to improved profitability and working capital release; however, the majority of balance sheet movement in FY25 is attributable to reverse-merger non-cash accounting rather than operational or funding inflows.

Note on Intangibles and Capitalisation Clarity

Management indicated that a significant portion of capitalised intangibles in FY24–FY25 relates to product development for *N/A* and *Faceify*, including outsourced costs and capitalised employee expenses. However, no detailed product-wise breakup has been provided, with disclosures remaining largely qualitative in nature.

While these investments are aimed at strengthening product capabilities and future revenue potential, limited granularity restricts visibility on allocation, amortisation, and return metrics. Greater disclosure would aid in better assessing the commercial impact of these capitalised costs.

Leverage

Particulars	2020	2021	2022	2023	2024	2025
Total Assets	2.8	4.4	4.0	13.2	33.5	97.0
Debt	2.46	2.75	0.56	2.84	4.64	11.63
YoY growth		12%	-80%	407%	63%	151%
Equity	0.05	0.32	2.08	6.63	21.40	76.87
Debt/Equity	50.75	8.52	0.27	0.43	0.22	0.15
Leverage (Total assets/Equity)	56.76	13.79	1.93	2.00	1.57	1.26

Note: Figures are rounded off for presentation purposes. All calculations and ratios have been computed using the actual underlying values.

Leverage – Trend Overview

RNIT's leverage has fluctuated sharply over the years, driven far more by changes in its equity base than by variations in borrowings. Historically, a very small equity base made leverage appear extremely high despite modest debt levels.

Key Drivers & FY25 Effect

Leverage improved meaningfully from FY22 onward as net worth expanded through retained earnings and subsequent equity issuances (bonus shares, partly paid shares, and sweat equity). The most significant shift came in FY25 with the Autopal reverse merger, where a large non-cash equity issuance and capital reserve creation materially expanded the equity base. This led to a sharp drop in leverage, even though borrowing increased marginally to support operations. The FY25 leverage ratio therefore reflects **merger-driven equity expansion**, not a fundamental reduction in debt dependence.

ROE

Particulars	2020	2021	2022	2023	2024	2025
Profit after tax	0.04	0.27	1.76	1.75	3.04	7.21
Revenue from operations	1.41	4.68	17.20	12.22	20.26	32.23
Total Assets	2.8	4.4	4.0	13.2	33.5	97.0
Equity	0.05	0.32	2.08	6.63	21.40	76.87
Leverage	56.76	13.79	1.93	2.00	1.57	1.26
Total Assets turnover	0.51	1.05	4.29	0.92	0.60	0.33
PAT Margins	3%	6%	10%	14%	15%	22%
ROE	79%	85%	84%	26%	14%	9%
ROE (Leverage Constant)	1%	6%	44%	13%	9%	7%
ROE (Asset Turnover Constant)	155%	81%	20%	29%	24%	28%
ROE (PAT Margins Constant)	290%	145%	83%	18%	9%	4%

Note: Figures are rounded off for presentation purposes. All calculations and ratios have been computed using the actual underlying values.

ROE – Trend Overview

RNIT's ROE was historically elevated primarily because of a very small equity base and high leverage from interest-free promoter loans, which artificially boosted returns despite modest profits.

Key Drivers & FY25 Effect

Leverage has been the main ROE driver, as zero-cost promoter loans amplified equity returns far more than margins or asset efficiency. As the equity base expanded and the reverse merger introduced a large goodwill component, ROE diluted sharply in FY25. The goodwill addition also inflated total assets, suppressing asset turnover and muting the visibility of improving operating performance.

Outlook

ROE should improve meaningfully going forward as **goodwill and intangibles amortise**, reducing the inflated asset base, and as **margins expand on a largely fixed-cost SaaS model**. With growing scale, stable capital structure, and improving profitability, RNIT's ROE is likely to trend upward from FY25 levels and more accurately reflect underlying business strength.

Working Capital

Particulars	2020	2021	2022	2023	2024	2025
Revenue from Operations	1.41	4.68	17.20	12.22	20.26	32.23
YoY Growth		232%	268%	-29%	66%	59%
Working Capital	0.2	-0.8	0.4	3.2	7.9	11.2
As a % of revenue	12%	-17%	3%	26%	39%	35%
Trade Recievables	0.2	0.1	1.1	4.4	10.7	14.3
As a % of revenue	12%	2%	6%	36%	53%	45%
Trade Payables	0.0	0.9	0.6	1.1	2.8	3.1
As a % of revenue	0%	19%	4%	9%	14%	10%
WC Turnover	8.5	-6.0	38.6	3.8	2.6	2.9
Trade Recievables turnover	8.5	41.4	15.9	2.8	1.9	2.2
Payable Turnover		5.2	27.0	10.8	7.3	10.3
Working Capital days	43	-61	9	97	143	127
Debtor days	43	9	23	130	193	162
Payable days		70	14	34	50	36

Working Capital – Trend Overview

RNIT's working capital intensity has increased as the business scaled into large state-led technology programmes, where approval-linked billing naturally elongates receivable cycles and payables remain structurally low. This shift from smaller private clients to enterprise-grade government contracts resulted in higher debtor days and growing net working capital needs over FY22–FY25.

Key Drivers & FY25 Effect

Receivables as a percentage of revenue expanded meaningfully as revenue became tied to milestone-based approvals and departmental confirmations. Unbilled revenue also rose since work is often executed ahead of formal invoice clearance. Payables remained low due to a limited vendor base and modest negotiating leverage in earlier years. These factors pushed debtor days to 160–190 days and expanded net working capital from ₹0.3 crore in FY22 to ₹11.2 crore in FY25.

Management Guidance – Receivable Reduction Measures

Management has outlined clear steps to structurally reduce receivable days going forward:

Implementing a **monthly billing cycle** for government clients after gaining clarity on past delays.

Taking **advances from private clients** wherever feasible to offset working capital pressure.

Management expects **receivable days to fall to below 90 days**, as a majority of contracts come up for renewal next year. These renewals **do not require retendering**, enabling RNIT to renegotiate billing terms smoothly and enforce monthly cycles.

These measures, if executed consistently, should substantially improve cash conversion and moderate working capital intensity over the coming years.

ROIC

Particulars	2020	2021	2022	2023	2024	2025
EBIT	0.06	0.37	2.45	2.48	4.11	7.47
NOPAT (EBIT-Cash tax)	0.04	0.30	1.77	1.73	3.33	7.47
NOPAT Growth		619%	485%	-2%	92%	125%
NOPAT Margin	4%	8%	14%	20%	20%	23%
Fixed Assets	2.1	1.7	1.3	1.6	8.9	54.7
Working Capital	0.2	-0.8	0.4	3.2	7.9	11.2
Invested Capital	2.2	0.9	1.7	4.8	16.9	65.9
YoY Growth		-61%	93%	182%	250%	291%
Invested Capital Turnover	0.63	5.29	10.09	2.54	1.20	0.49
ROIC	2%	34%	104%	36%	20%	11%
ROIC Pre Tax	3%	42%	144%	51%	24%	11%

Re-Investment Rate

Particulars	2021	2022	2023	2024	2025
Capex for the year	0.0	0.0	0.7	6.0	57.0
Working capital changes	0.6	0.2	5.8	8.8	17.1
CFO before WC	0.8	2.8	2.9	5.5	10.3
Reinvestment rate = Capex + changes in WC/CFO	77%	9%	226%	268%	720%

ROIC – Trend Overview

RNIT's ROIC was exceptionally strong through FY20–FY23, primarily because the business scaled rapidly on a **very small invested capital base**, typical of SaaS and tech-service models that require limited fixed assets. High NOPAT growth on minimal capital employed drove unusually high return ratios.

Key Drivers & FY25 Effect

Reinvestment rates during the early years fluctuated mainly due to movements in working capital rather than material capex. The decline in ROIC in FY24–FY25 is **not reflective of weakening fundamentals**—it is largely an accounting effect of the Autopal reverse merger, which sharply increased invested capital through goodwill, intangible assets, and merger adjustments. This inflated capital base mechanically suppressed ROIC despite underlying margin expansion. The spike in reinvestment rates is similarly driven by (1) higher working capital needs as project sizes increased, (2) capitalisation of product development costs in FY24, and (3) FY25 showing acquisition-related cash flows that are mostly **non-cash merger entries**.

Outlook

ROIC should improve as the impact of merger-induced goodwill and intangibles normalises and as margins expand on RNIT's **low-capex, high-operating-leverage SaaS model**. With rising scale and strong cash-generation potential, future return ratios will increasingly reflect true economic performance rather than accounting distortions from the reverse merger.

Table of Debt

Particulars	2020	2021	2022	2023	2024	2025
Long Term Borrowings	2.5	2.7	0.6	2.8	4.0	8.2
Unsecured Loans from related Parties	2.5	2.7	0.6	2.4	3.8	5.0
Raja Srinivas	0.0	0.0	0.0	0.0	0.0	3.0
Secured Vehicle Loan	0.0	0.0	0.0	0.4	0.1	0.2
Secured Bank OD	0.0	0.0	0.0	0.0	0.0	0.0
Short Term Borrowings	0.0	0.0	0.0	0.0	0.7	3.4
Secured Vehicle Loan	0.0	0.0	0.0	0.0	0.2	3.4
Secured Bank OD	0.0	0.0	0.0	0.0	0.5	0.0
Current maturities of LTD	0.0	0.0	0.0	0.0	0.0	0.0
Total Debt	2.5	2.7	0.6	2.8	4.6	11.6
Finance Costs	0.00	0.00	0.03	0.01	0.07	0.22
Avg Total cost of debt	0%	0%	6%	0%	2%	2%
EBIT	0.06	0.37	2.45	2.48	4.11	7.47
Interest Coverage Ratio	NA		72	206	55	34
Debt as a % of Total Asset	89%	62%	14%	21%	14%	12%
Debt/Equity	50.8	8.5	0.3	0.4	0.2	0.2

Major loans are from Related parties at no interest, Secured vehicle loan is for fixed interest of 8.65% PA and is repayable in 36 fixed monthly installments, OD facility is secured by hypothecation receivables, book debts and other current assets, with collateral provided by the personal assets of the promoter and is for a term of one year and carries a fixed interest of 10% per annum. Interest coverage ratio is quite healthy.

Table of Equity

Particulars	2020	2021	2022	2023	2024	2025
Share capital	0.0	0.0	0.0	4.0	13.3	71.8
Reserves and surplus						
Securities Premium	0.0	0.0	0.0	0.8	3.3	22.3
Opening balance	0.0	0.0	0.0	0.8	0.8	0.0
Add: Premium on issue of equity shares	0.0	0.0	0.0	0.0	2.5	0.0
Add: Liabilities written off during the year	0.0	0.0	0.0	0.0	0.0	39.0
Less: Assets written off during the year	0.0	0.0	0.0	0.0	0.0	16.7
Retained Earnings						
Surplus / (Deficit) in the Statement of profit and loss	0.0	0.0	0.0	0.0	0.0	0.0
Balance as per last financial statements	0.0	0.0	0.3	2.1	1.8	-24.5
Add: Profit for the year	0.0	0.3	1.8	1.7	3.0	7.2
Less: Issue of bonus shares	0.0	0.0	0.0	-2.0	0.0	0.0
Net Surplus / (Deficit) in the Statement of profit and loss	0.0	0.3	2.1	1.8	4.9	-17.3
Total Reserves and Surplus	0.0	0.3	2.1	2.6	8.1	5.1
Total Equity	0.0	0.3	2.1	6.6	21.4	76.9

FY23 - In FY23, RNIT carried out a major internal capital restructuring to expand its equity base before raising fresh funds and preparing for the merger. The Company issued **19,90,000 bonus shares**, created entirely through capitalization of reserves, with **no cash received** from shareholders. RNIT also issued **90,00,000 partly paid shares** at **₹2 paid-up** against a face value of ₹10; however, even for these partly paid shares, **only around ₹1 crore of actual cash was collected** during the year, with the balance treated through non-cash adjustments. Additionally, RNIT allotted **21.98 lakh fully paid shares**, most of which were issued as **non-cash consideration** (settlement of dues or internal restructuring). Overall, FY23 equity expansion was primarily **non-cash in nature**, intended to restructure promoter holdings, increase the share capital base, and prepare RNIT's cap table for future fundraising and the subsequent merger.

FY24 – Partly paid up share non cash

In FY24, RNIT undertook key equity clean-up actions ahead of the reverse merger. The Company converted **90,00,000 partly paid shares** (paid-up only ₹2/share) into fully paid shares of ₹10 **without collecting any additional cash**, effectively regularizing the share class through internal adjustments. During the year, RNIT also issued **17,00,000 sweat equity shares** at **₹16.29 per share** (₹2.77 crore) to the Whole-Time Director, Mr. Raja Srinivas Nandigam, entirely as **non-cash consideration** for his contributions to the Company. These FY24 issuances were predominantly **non-cash**, with the objective of simplifying and strengthening the capital structure prior to the merger

Table of Equity -

Particulars	2020	2021	2022	2023	2024	2025
No of Shares	10,000	10,000	10,000	22,08,332	1,32,74,998	7,17,91,983
At the beginning	10,000	10,000	10,000	10,000	22,08,332	34,96,368
Issued during the year	-	-	-	21,98,332	20,66,666	7,13,74,990
Final call recd. On partly paid up shares	-	-	-	-	90,00,000	
Extinguished by NCLT Order	-	-	-	-	-	30,79,375
At the end	10,000	10,000	10,000	22,08,332	1,32,74,998	7,17,91,983
Preference Shares	-	-	-	-	-	-
At the beginning	-	-	-	-	-	15,00,000
Extinguished by NCLT Order	-	-	-	-	-	15,00,000
At the end	-	-	-	-	-	-

Table of Equity - (Autopal)

Particulars	2024	2025
No of Shares	34,96,368	7,17,91,983
At the beginning	34,96,368	34,96,368
Issued during the year	0	7,13,74,990
Extinguished by NCLT Order	0	30,79,375
At the end	34,96,368	7,17,91,983
Preference Shares	15,00,000	-
At the beginning	15,00,000	15,00,000
Extinguished by NCLT Order	0	15,00,000
At the end	15,00,000	-

Capital Allocation & Preferential Allotment

RNIT has recently raised capital through two preferential allotments as part of its post-restructuring growth phase.

- In September 2024, the company raised ₹20 crore at ₹44 per share.
- Subsequently, in March 2026, it raised an additional ₹26 crore at ₹50 per share through allotment to non-promoter investors.

The capital has been directed towards scaling new product initiatives such as NIA and Faceify, strengthening execution capabilities for larger government contracts, and continued investment in R&D.

Notably, investors such as **Sahasrar Capital (Katkar family office)** and **SageOne** have participated across multiple rounds, including pre-listing, indicating continued conviction and long-term alignment with the company's growth trajectory.

The back-to-back capital raises indicate an ongoing transition towards a **platform-led, growth-oriented phase**. While the latest round results in equity dilution, the absence of promoter participation and increasing institutional presence suggest a broadening shareholder base aligned with future expansion.

RNIT – Autopal Merger Summary

1. Transaction Overview

RNIT Solutions completed the acquisition and reverse merger of Autopal Industries Ltd through an NCLT-approved Corporate Insolvency Resolution Process (CIRP). Under the scheme, RNIT became the economic acquirer while Autopal, being the listed entity, remained the legal survivor. After the merger, the company was renamed **RNIT AI Solutions Ltd**, effectively providing RNIT with a listed platform while transferring its business, assets, and management to the public entity.

2. Structure of the Transaction

a) Step 1 — Acquisition of Autopal via NCLT

Autopal was an insolvent company undergoing CIRP. RNIT emerged as the successful Resolution Applicant and acquired Autopal through the approved plan. Most of Autopal's historic liabilities and creditor claims were extinguished, resulting in a capital reserve in the merged entity.

b) Step 2 — Capital Reconstruction

As consideration for the acquisition, RNIT shareholders were allotted **7.13 crore equity shares** of Autopal (now the listed shell). This entire allotment was non-cash, issued solely as per the NCLT resolution plan. Autopal's liabilities were written down, and its equity structure was rebuilt for the merger.

c) Step 3 — Reverse Merger Accounting (Ind AS 103)

Although Autopal survived legally, for accounting purposes the transaction qualified as a **reverse acquisition** under Ind AS 103, with RNIT treated as the accounting acquirer. RNIT's assets and liabilities formed the opening balance sheet of the merged entity, while Autopal's identifiable net assets were fair-valued. The differential between consideration and net assets resulted in recognition of approximately **₹40 crore of goodwill**, which is an accounting entry and not a cash outflow.

d) Step 4 — Post-Merger Listing

Autopal's listed status continued automatically. RNIT's operations and financials became the ongoing business of the listed company, which was rebranded **RNIT AI Solutions Ltd**. No preferential allotment or cash issuance occurred in FY25; all equity movements were purely non-cash and related to the merger.

3. Impact on the FY25 Balance Sheet

- **Share Capital** increased due to issuance of 7.13 crore shares as non-cash merger consideration.
- **Capital Reserve** was created from extinguishment of Autopal's legacy liabilities under the NCLT plan.
- **Goodwill (~₹40 crore)** arose from reverse acquisition accounting under Ind AS 103.
- The merged balance sheet represents RNIT's business on a clean platform, free from historical liabilities of Autopal.
- No cash was raised during FY25; liquidity came from RNIT's pre-merger cash (approximately ₹10 crore raised in FY23–FY24) and operating inflows.

4. Post-Merger Shareholding

RNIT's promoters and related parties collectively control approximately **69%** of the merged entity. Autopal's former shareholders remain minority holders with low single-digit percentages. This pattern reflects the economic substance of RNIT as the acquirer.

5. Merger Rationale

1. Rapid Path to a Listed Platform

The reverse merger allowed RNIT to become listed without an IPO, reducing time-to-market and regulatory complexity. This supported a quicker fundraise and also supports future capital-raising and enhances institutional credibility for enterprise clients.

2. Strategic Upgrade for RNIT

The merger gives RNIT instant public visibility, improved governance, and better access to capital. This positions the company strongly for expansion in enterprise AI services and solutions.

Shareholding Pattern

Particulars	2022		2023		2024		2025		Dec-25	
	% Holding	No.	% Holding	No.	% Holding	No.	% Holding	No.	% Holding	No.
Promoters	100%	10,000	86%	18,89,200	84%	1,10,90,868	73.74%	5,21,54,340	72.28%	5,40,62,846
Raja Srinivas Nandigam	80%	8,000	37.55%	8,29,200	69.88%	92,76,701	54.96%	3,94,58,505	56.77%	4,24,60,655
Neelima Nandigam	10%	1,000	9.06%	2,00,000	7.25%	9,62,500	6.70%	48,12,500	6.43%	48,12,500
Sumithra Devi Lanka	10%	1,000	9.06%	2,00,000	1.44%	1,91,667	1.33%	9,58,335	1.28%	9,58,335
Yelamanchili Rajendra Prasad	-	-	13.58%	3,00,000	2.26%	3,00,000	2.10%	15,00,000	-	-
Ravikiran Prasad Yalamanchili	-	-	-	-	-	-	-	-	2.01%	15,00,000
Veeramachaneni Venkateswararao	-	-	9.06%	2,00,000	1.51%	2,00,000	1.39%	10,00,000	1.34%	10,00,000
MLN Kameswara Rao	-	-	7.25%	1,60,000	1.21%	1,60,000	1.11%	8,00,000	-	-
Venkateswara Prasad Ratakonda	-	-	-	-	-	-	0.87%	6,25,000	0.32%	2,42,025
Lakshmi Narasimha Kameswararao Mantha	-	-	-	-	-	-	-	-	1.07%	8,00,000
Vivek Kumar Ratakonda	-	-	-	-	-	-	-	-	0.08%	60,000
Vinayak Talwar	-	-	-	-	-	-	1.39%	10,00,000	0.31%	2,29,331
Mile deep capital pvt ltd	-	-	-	-	-	-	2.79%	20,00,000	2.67%	20,00,000
Vivek Kumar Ratakonda	-	-	-	-	-	-	-	-	0.08%	60,000
DII's	-	-	-	-	-	-	-	-	0.06%	48,505
Public	-	-	-	-	-	-	-	-	27.65%	2,07,29,237
Sahasrar Capital Private Limited	-	-	-	-	-	-	-	-	1.34%	9,99,999

Competitive Advantages

1. Deep Domain Understanding & On-Ground Expertise

RNIT's strength comes from years of field-level implementation experience inside government departments. This practical understanding of workflows allows it to design highly accurate and relevant solutions that generic IT firms struggle to match.

2. Superior POC Performance – Key Driver of Tender Wins

Government tenders heavily weight technical evaluation and Proof of Concept (POC) accuracy. RNIT consistently wins because its POCs reflect real operational conditions, integrate ground feedback, and solve the actual problems departments face.

3. Strong Government Relationships & Proven Impact

Solutions like *Siksha Setu*, which won the **Prime Minister's Award for Excellence in Public Administration (2024)**, give RNIT strong institutional credibility. Senior officials trust RNIT's delivery quality, improving win rates and enabling repeat projects.

4. Extremely Fast Development Cycle

RNIT can build and deploy complete operational systems in days for example, a state-level disaster redressal platform delivered in **under one week**. This agility is far superior to large IT firms and is especially valued in time-sensitive government environments.

5. Structural Niche Where Large IT Firms Don't Compete Effectively

RNIT has built a strong position in execution-heavy government SaaS deployments by accumulating **deep on-ground experience and real-world data** across multiple states and departments. Having already navigated challenges such as data quality issues, user adoption, network constraints, device variability, and departmental approval cycles, RNIT can deploy faster and with lower execution risk than new entrants, who would require multiple pilot cycles to reach similar reliability. This experience allows RNIT to present **proven, live proof-of-concepts**, which is critical in POC-led government tenders.

Large IT players like TCS typically **do not actively pursue such projects**, as ₹3–30 crore deployments are immaterial to their topline and do not justify repeated POCs, field iterations, or senior resource deployment. On the limited occasions when large players have participated, their generic frameworks have struggled to match RNIT's ground-level execution and POC effectiveness.

This experience advantage also creates a **cost moat**. With the core product already developed, incremental contracts require minimal capex and relatively lower incremental operating costs, leading to improving margins as revenues scale.

6. High Switching Costs Post-Deployment

RNIT's platforms become integral to daily departmental workflows. Replacing RNIT requires rebuilding logic, retraining thousands of users, and risking operational downtime—creating significant entry barriers for new vendors.

7. Compounding Data Advantage

Management highlights that RNIT often enters government projects at competitive pricing to gain access to **massive population-scale datasets**. These datasets are used to train and refine AI/ML models, improving accuracy with every deployment.

This creates a compounding cycle:

More deployments → more data → better models → higher tender scores → more deployments.

8. Competitive Pricing Through Scalable Backend Architecture

RNIT is able to bid competitively without sacrificing margins because its core backend especially for solutions like Facial Recognition Systems (FRS), workflow engines, and AI-driven validation modules is modular, reusable, and highly scalable. Once the foundational architecture is built, the company can deploy the same engine across multiple departments, districts, and even states with minimal incremental development cost. This significantly lowers unit economics, allowing RNIT to price tenders more aggressively than larger IT firms while still maintaining healthy profitability. This architectural leverage gives RNIT a structural cost advantage and strengthens its ability to win repeat government contracts at scale.

9. Strong Data Security and DPDP-Compliant Design

RNIT differentiates itself through a robust data security architecture that aligns with the Digital Personal Data Protection (DPDP) Act. Instead of storing raw facial images, RNIT stores only encrypted mathematical face coordinates that **cannot be reverse-engineered** to reconstruct a person's photograph. This approach minimizes privacy risk, removes liability around biometric storage, and makes the system far more acceptable to government departments concerned about citizen data. The company's compliance-first design philosophy enhances trust, improves eligibility in sensitive tenders, and positions RNIT as a reliable partner for secure AI and digital governance solutions.

Management Background

Mr. Raja Srinivas Nandigam – Founder & CEO

Mr. Raja Nandigam is a techno-business leader with 20+ years of experience in building and delivering large-scale digital transformation programs across ASEAN, EMEA, and the Americas. Prior to founding RNIT, he worked with global technology leaders such as Accenture, Wipro, Tech Mahindra and HCL in senior roles including Principal Architect and Solutions Delivery Manager. He also served as CEO of a multinational IT services firm where he diversified the business globally and drove multi-fold revenue growth. At RNIT, he leads product vision, strategy, enterprise architecture, global standardization, and P&L management. Several of his solutions have become mandatory digital infrastructure in multiple government departments. He has been recognized with awards such as "Employee of the Year" and "Enterprise Architect of the Year" for his execution excellence.



Mr. Sastri Malladi – Executive Officer, Delivery & Operations

Mr. Sastri brings over 22 years of experience in delivering large, complex IT programs for Fortune 100 clients across the US, Australia, UK, and South Africa. He has deep experience in implementing greenfield projects and managing delivery for major government departments in India. Before joining RNIT, he held project delivery leadership roles at HCL Technologies, Satyam Computers, and Mphasis. His expertise spans project P&L management, process re-engineering, and enforcing best practices in technology delivery. He is a Sun-Certified Java programmer and leads RNIT's execution and large-team management across ongoing deployments.

Mr. Srikanth Anagandla – Executive Officer, Technology

Mr. Srikanth has 18+ years of experience designing technology solutions across domains such as media, education, automotive, and rural development. He has built award-winning citizen-services platforms using AI, Java, and open-source technologies. He previously worked in senior engineering roles at multiple global IT companies and has led the development of real-time mobile/web systems, video conferencing tools, LMS platforms, and e-commerce solutions. At RNIT, he drives end-to-end technology architecture and ensures that the company's platforms remain future-ready.



Mr. Partha Sai – Vice President, Product Engineering

Mr. Partha Sai brings 16+ years of experience in technology design and product engineering, with expertise in IoT, AI, neural networks, and computer vision. An IIT alumnus, he has delivered advanced POCs for clients across multiple domains including smart homes, automation, and digitization. His work includes building embedded systems, TensorFlow-based AI solutions, and number-plate recognition engines. At RNIT, he leads product engineering efforts, upcoming architecture design, and innovation initiatives across modules. He holds a B.Tech from IIT Guwahati.

Why This Management Team Stands Out

- Deep hands-on experience in **government digital transformation**, not just IT outsourcing
- Proven ability to **build, scale, and stabilize mission-critical platforms**
- Strong leadership bench across **technology, delivery, and sales**
- Prior backgrounds in companies like **Accenture, Wipro, Tech Mahindra, HCL, Mphasis**
- Awards and recognitions validating execution capability
- A balanced mix of **architects, engineers, delivery leaders, and domain experts**

Management Remuneration

Management Remuneration	2021	2022	2023	2024	2025	CAGR
Raja Srinivas Nandigam	0.35	0.70	1.00	1.88	1.88	
Neelima Nandigam	0.00	0.30	0.30	0.40	0.00	
KMP Salary	0.35	1.00	1.30	2.28	1.88	52%
PAT	0.27	1.76	1.75	3.04	7.21	126%

RNIT's management remuneration has increased steadily over FY21–FY25, but at a pace significantly lower than the company's earnings growth. Key Managerial Personnel (KMP) salary grew at a **52% CAGR**, while PAT expanded at **126% CAGR** over the same period, indicating strong alignment between compensation and value creation. CEO remuneration rose from ₹0.35 crore in FY21 to ₹1.88 crore in FY25, yet remains modest relative to RNIT's scale transition, especially considering the company's entry into larger government programs and rapid revenue expansion.

Compared with industry standards in the IT and SaaS sector, RNIT's executive compensation remains conservative. Mid-sized IT firms typically see CEO pay in the ₹3–10 crore range, with substantial variable components; RNIT's compensation is materially lower despite the business entering a high-growth phase. This reflects disciplined cost control and management's focus on reinvesting into product development, delivery capacity, and regional expansion.

Regarding equity-linked compensation, the promoter did receive **sweat equity in FY24**, and earlier benefited from the conversion of partly paid-up shares into fully paid shares. These were non-cash items tied to the company's restructuring and do not represent recurring remuneration. Sweat equity issuance was also in line with Companies Act provisions and represents long-term alignment rather than short-term monetary gain. Given their nature, these one-off structural adjustments are better classified as **capital restructuring**, not annual compensation.

Overall, RNIT demonstrates **prudent and shareholder-aligned remuneration practices**, with management rewards lagging far behind bottom-line growth while still retaining sufficient incentives to drive long-term expansion.

Management Guidance vs Actual Performance

Management's earlier guidance, as published in the December 2022 Alpha Strat Research report, projected revenues of ₹24 crore in FY23, ₹31.2 crore in FY24, and ₹40.6 crore in FY25, along with expectations of positive operating cash flows. Actual performance fell short of these projections, with revenues reported at ₹12.2 crore in FY23, ₹20.3 crore in FY24, and ₹32.2 crore in FY25, with the largest deviation occurring in FY23.

Management has attributed this variance to a strategic shift in its business model. Historically, the company followed an upfront licensing approach with relatively low ongoing charges. As customer requirements evolved, particularly the need for higher accuracy and continuous system upgrades, the company transitioned to a SaaS-oriented model, characterised by lower initial deployment fees and higher recurring revenues through pay-per-use and annual O&M contracts. While this transition temporarily impacted reported revenues, it has led to an improvement in revenue quality, reflected in the steady expansion of EBITDA and PAT margins.

That said, the magnitude of the earlier miss indicates that management's prior guidance did not fully factor in execution timelines and structural shifts in monetisation, particularly in a government-driven business.

Looking ahead, management had guided for revenues of ₹45 crore for FY26 (as communicated in November 2025). Based on current execution trends, improved deal conversion, and management commentary towards the close of the fiscal year, the company appears well-positioned to meet—and potentially exceed—this guidance. While final reported numbers remain awaited, the current trajectory suggests a meaningful step-up in revenue, likely in the range of ₹45–50+ crore.

Scuttlebutt



To independently verify RNIT's on-ground execution quality and the usability of its AI-based Facial Recognition System (FRS), we visited a government school where the solution has been deployed. The objective was to assess (1) accuracy of the system, (2) ease of use for teachers and students, (3) infrastructure readiness, and (4) genuine feedback from end-users who rely on the product daily.

On-Ground Demonstration – How the System Actually Works

During the visit, the school staff demonstrated a live attendance session using RNIT's mobile FRS application.

The key observations were:

The app captured **an entire classroom's attendance in under 30–40 seconds** using a single sweep of the mobile camera.

Multiple faces were detected simultaneously, with **high accuracy even in varying lighting**.

The teacher verified that the system **automatically flags unrecognised/absent students** for manual follow-up.

No biometric hardware was needed only a mobile device, making the process seamless.

At last, any random present student will be selected for a blink test.

Video Showcase - https://drive.google.com/drive/folders/17vNAflf2TK-6eivc2H9qLKq38osyiwt7?usp=drive_link

Disclaimer : This was arranged by RNIT's Team so the teacher's reviews can be biased.

As part of our diligence, we conducted informal **channel checks with teachers in government schools** to assess whether the problems RNIT claims to address are real on the ground. Feedback from these interactions broadly validated issues around **manual attendance, proxy marking, and weak accountability**, especially in schools still dependent on registers or loosely enforced digital systems. Teachers acknowledged that attendance manipulation and lack of real-time oversight remain practical challenges, particularly at scale.

We also recognise that governments already use digital identity solutions such as **Jeevan Pramaan** for pension life certification and systems similar to **RBIS** for beneficiary verification. These platforms confirm that identity-based verification is accepted within government workflows. However, management highlighted an important technical distinction. According to them, many legacy or first-generation government applications rely on **image-based scanning or simple facial matching**, where a stored image is compared for verification.

In contrast, RNIT's system does not store or process facial photographs as images. Instead, it converts a face into **70+ facial coordinates**, which are mathematical representations rather than images. These coordinates **cannot be reverse-engineered into a photograph**, making the system compliant with **DPDP Act requirements** and more privacy-preserving by design. This also reduces the risk of misuse or replication of personal data.

Risk Table

High Risks			
Factor	Explanation	Impact	Mitigation
1. Long Receivable Cycles & WC Stress	Government payments often take 120–180+ days; larger tenders increase WC requirements.	CFO pressure, short-term borrowings, liquidity constraints.	Advance/milestone billing, strong follow-up, multi-state diversification, automation of invoicing.
2. Operational Resistance from Ground-Level Government Staff	RNIT's systems increase accountability (attendance, audits, fraud detection). Field workers may oppose or slow adoption.	Pushback, delays, partial rollouts, reputational strain.	Strong top-level administrative buy-in, user training, phased rollout, grievance redressal support.
3. System Errors in High-Stakes Use Cases	If software incorrectly affects salary, benefits, or welfare payouts, backlash can be severe.	Loss of trust, negative press, sudden stoppage of modules.	Fail-safe design, offline fallback modes, 24x7 rapid-response teams, staged rollout.
4. Tender Dependency & Win Rate Risk	Growth depends on winning new tenders; losing critical tenders or missing new regions slows revenue.	Revenue stagnation and uneven growth.	Strong POCs, pre-bid engagement, partnerships, building enterprise revenue share.
Medium Risks			
Factor	Explanation	Impact	Mitigation
5. Political & Bureaucratic Turnover Risk	IAS transfers, elections, or priority shifts can disrupt ongoing digital projects.	Project delays, scope changes, budget reallocation.	Multi-stakeholder relationship management, early proof of impact, repeatable modules.
6. Technology Obsolescence (AI/ML Evolution)	Fast-evolving AI requires continuous updates; falling behind reduces technical scores in tenders.	Lower competitiveness, weaker solution accuracy.	Continuous R&D, retraining models with new data, leveraging compounding data advantage.
7. Data Privacy & Compliance Risk	Handling sensitive data exposes RNIT to DPDP violations if not secured properly.	Legal penalties, blacklisting, reputational harm.	DPDP-compliant architecture (storing non-reversible facial embeddings), encryption, audits.
8. Geographic Expansion Risk	RNIT's strengths are concentrated in a few states; new states require new relationships and credibility.	Slower diversification, overreliance on existing regions.	Pilot deployments, local partnerships, leveraging award-winning solutions like Siksha Setu.
Low Risks			
Factor	Explanation	Impact	Mitigation
9. Pricing Pressure from Local Vendors / SIs	Smaller firms sometimes underbid aggressively for low-value projects.	Margin pressure or occasional tender loss.	Reusable backend reduces RNIT's cost base; stronger POC quality offsets lower pricing.
10. Talent Availability & Execution Capacity	Scaling requires strong engineering and implementation teams.	Delivery delays if hiring lags.	ESOPs, competitive hiring, internal capability building.
11. Client Concentration (by Department/State)	Revenue still concentrated in certain departments or states.	Exposure to local budget changes.	Expanding across states, entering new verticals, enterprise revenue share rising.

Forensic Analysis

Particulars	2020	2021	2022	2023	2024	2025
Cash Conversion	NA	25%	90%	-100%	-59%	-67%
Cumulative Cash Conversion	NA					-46%
Cash Tax/PBT	NA	19%	28%	30%	19%	0%
Tax Rate	31%	26%	28%	29%	25%	1%
Auditor	KCMS Associates	NA	KRAY associates	KRAY associates	KRAY associates	BRAND & Associates LLP
Payment to Auditors -	0.00	0.01	0.02	0.02	0.02	0.07
Audit Fee as a % revenue	0.00%	0.15%	0.09%	0.12%	0.07%	0.22%
KMP Salary	NA	0.35	1.00	1.30	2.28	1.88
KMP Salary as a % of PAT	NA	129%	36%	43%	43%	21%

Operating Cash Flows, Cash Conversion & Governance – Key Monitorables

RNIT's operating cash flows have remained **consistently negative in recent years**, despite strong growth in EBITDA and PAT. While this is partly explained by the company's rapid scale-up and the working-capital-intensive nature of government technology projects, the **persistence and magnitude of negative CFO warrant close monitoring**.

The primary drag on cash flows has been **continued expansion in working capital**, especially trade receivables, as RNIT has secured progressively larger government and enterprise contracts. Billing remains milestone- and approval-driven, with departmental payment cycles often extending to **120–180+ days**. However, the cash flow statement indicates that pressure is not limited to receivables alone. In multiple years, increases in **short-term loans and advances, other current assets, and statutory balances** have offset any moderation in receivables, keeping net operating cash flows negative.

Other current assets have included **balances with statutory authorities (GST credits, TDS), bank guarantee margins, prepaid expenses**, and project-related items. Advances have comprised **supplier advances (including IoT devices and office infrastructure such as biometric systems)** as well as unbilled revenue. While management has provided qualitative explanations, **clear quantitative reconciliation across receivables, unbilled revenue, advances, and other current assets has not been disclosed**, limiting visibility into true cash conversion. As a result, working capital appears to be **shifting across balance-sheet line items rather than normalising**, which keeps cumulative cash conversion negative. Some distortion may also arise from **reverse-merger accounting adjustments in FY25**, but the underlying trend remains a key monitorable.

Management has acknowledged these issues and outlined corrective actions. The company is **transitioning government clients from quarterly to monthly billing cycles**, as delays under quarterly billing can effectively translate into six-month cash lags. RNIT is also **seeking advances from private-sector clients wherever feasible**. Management has guided that **receivable days should not exceed 90 days going forward**, as a majority of large contracts come up for renewal next year and billing terms have already been renegotiated to monthly cycles. Importantly, these renewals do **not require retendering**, improving enforceability of revised payment terms. While directionally positive, these measures need to reflect in reported CFO to establish execution discipline.

Outside of working capital, the financials appear largely clean. **Tax rates and cash taxes** are broadly aligned with statutory norms. **Audit fees** remain reasonable relative to company size. **Related-party transactions are limited**, primarily comprising interest-free promoter loans that were subsequently settled through equity as part of restructuring. **Management remuneration**, while increasing in absolute terms, has declined as a percentage of PAT, indicating restraint as profitability scales.

That said, the **resignation of Brand Associates LLP as statutory auditors just two months before the end of their tenure remains a red flag**. The auditor cited management requests for non-audit services, while management stated that Brand Associates was NCLT-appointed and was being considered for internal audit and advisory roles. However, no internal audit appointment has materialised to date, creating an inconsistency between explanation and outcome. The subsequent appointment of **MSPR Ventures** as statutory auditors was justified on profile strength, but **greater clarity on auditor transitions and the internal audit framework is still awaited**.

Overall, RNIT does not exhibit signs of overt accounting irregularities. However, the combination of **sustained negative operating cash flows, working capital migration across line items, limited disclosure granularity, and auditor-related inconsistencies** means that **cash conversion and governance execution remain critical monitorables** as the business scales.

Annexure

Income Statement	2020	2021	2022	2023	2024	2025	2026E	2027E
Revenue	1.4	4.7	17.2	12.2	20.3	32.2	50.0	85.0
Expenses								
Employee benefit expenses	0.8	2.1	4.6	5.1	7.0	8.6	10.7	14.2
Other Expenses	0.5	1.8	9.7	4.2	7.7	13.4	17.5	29.8
EBITDA	0.1	0.8	2.9	2.9	5.5	10.2	21.8	41.1
EBITDA Margins	6%	17%	17%	24%	27%	32%	44%	48%
Depreciation & Amortization	0.0	0.4	0.4	0.4	1.4	2.8	2.4	2.0
EBIT	0.1	0.4	2.5	2.5	4.1	7.5	19.3	39.1
Less: Interest (Long Term + Lease)	-	-	0.0	0.0	0.1	0.2	0.1	0.1
Add: Other Income	-	-	0.0	0.0	0.1	0.1	-	-
EBT	0.1	0.4	2.4	2.5	4.1	7.3	19.2	39.0
Taxes	0.0	0.1	0.7	0.7	1.0	0.1	5.4	10.9
PAT	0.0	0.3	1.8	1.7	3.0	7.2	13.9	28.1
PAT Margins	3%	6%	10%	14%	15%	22%	28%	33%
Balance Sheet	2021	2021	2022	2023	2024	2025	2026E	2027E
Liabilities								
Long Term Borrowings	2.5	2.7	0.6	2.8	4.0	8.2	7.2	6.2
Long Term Provisions	0.0	0.0	0.0	0.0	0.3	0.5	0.5	0.5
Deferred Tax Liabilities	0.0	0.0	0.0	0.0	0.3	0.4	0.4	0.4
Long Term Liabilities	2.5	2.8	0.6	2.8	4.5	9.1	8.1	7.1
Accounts Payable	0.0	0.9	0.6	1.1	2.8	3.1	4.9	8.3
Short Term Borrowings	0.0	0.0	0.0	0.0	0.7	3.4	0.0	0.0
ShortTerm Provisions	0.2	0.0	0.0	0.5	0.0	0.1	0.1	0.1
Other current liabilities	0.1	0.5	0.7	2.2	4.1	4.5	4.5	4.5
Current Liabilities	0.2	1.4	1.4	3.8	7.6	11.1	9.4	12.8
Shareholders' Equity								
Share Capital	0.0	0.0	0.0	4.0	13.3	71.8	118.8	118.8
Other Equity	0.0	0.3	2.1	2.6	8.1	5.1	18.9	47.0
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Shareholders' Equity	0.0	0.3	2.1	6.6	21.4	76.9	137.7	165.8
Total Liabilities and Shareholders' Equity	2.8	4.4	4.0	13.2	33.5	97.0	155.2	185.7
Assets								
PPE	0.0	0.0	0.0	0.5	0.5	0.5	0.4	0.4
CWIP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill	0.0	0.0	0.0	0.0	0.0	40.0	40.0	40.0
Intangible Assets	2.0	1.6	1.2	1.1	8.5	14.2	11.9	9.9
Fixed Assets	2.1	1.7	1.3	1.6	8.9	54.7	52.3	50.3
Loans & Advances	0.2	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Other Non Current Asset	0.0	0.3	0.2	0.3	0.3	0.5	0.5	0.5
Financial Assets	0.3	0.4	0.2	0.4	0.3	0.5	0.5	0.5
Cash & Bank	0.1	0.5	0.3	0.5	1.2	7.8	60.5	77.4
Accounts Receivable	0.2	0.1	1.1	4.4	10.7	14.3	22.3	37.8
Short Term Loans & Advances	0.0	1.4	0.4	5.9	5.0	9.6	9.6	9.6
Other Current Assets	0.1	0.4	0.8	0.5	7.3	10.1	10.1	10.1
Other Current Assets	0.4	2.4	2.5	11.2	24.3	41.9	102.5	135.0
Total Assets	2.8	4.4	4.0	13.2	33.5	97.0	155.2	185.7

Annexure

Cash Flow Statement	2021	2021	2022	2023	2024	2025	2026E	2027E
Cash Flow From Operations	-	0.1	1.9	(3.6)	(4.0)	(6.8)	10	18
Cash Flow From Investing Activities	-	(0.0)	0.0	(0.7)	(6.0)	(56.9)	-	-
Cash Flow From Financing Activities	-	0.3	(2.2)	4.6	10.7	71.4	42	(1)
Net increase (decrease) in cash	-	0.4	(0.3)	0.3	0.7	7.7	53	17
Opening Cash Balance	8.1	0.1	0.5	0.3	0.5	1.2	8	60
Closing Cash Balance	0.1	0.5	0.3	0.5	1.2	7.8	60	77

Valuation & Return Framework

Valuation Philosophy

RNIT AI Solutions is valued using a **two-year exit P/E framework**, anchored on **earnings compounding and operating leverage**, rather than near-term headline multiples. Given the company's transition from a project-led GovTech vendor to a **recurring, platform-driven SaaS-style business**, this approach best captures both downside protection and medium-term upside.

Our valuation framework is deliberately conservative and incorporates:

- explicit **equity dilution assumptions**,
- **no multiple expansion**,
- no explicit valuation for long-dated AI optionality,
- and conservative assumptions on post-FY27 growth visibility.

The objective is to evaluate whether RNIT can deliver attractive returns **even under tempered assumptions**, rather than relying on optimistic scenarios.

EPS Normalisation and Dilution Treatment

Management has **already issued 1 crore shares through preferential allotment** to support growth initiatives, including expansion into new geographies, scaling enterprise offerings, and meeting capital requirements for larger tenders.

As a result, **reported FY25 EPS stands at ₹0.85**, reflecting the impact of this dilution.

All forward EPS estimates and exit valuations are computed on this **fully diluted share base**, ensuring consistency across the model and avoiding any overstatement of per-share value.

Importantly, this dilution is **growth-oriented rather than defensive**, and therefore no additional penalty is applied to the exit multiple

Earnings Growth Assumptions

Visibility Till FY27

Revenues and PAT till FY27 are **explicitly forecasted** based on:

- Newer tender wins,
- existing state deployments,
- contract renewals across core departments,
- scaling usage within already-live platforms,
- and operating leverage from a largely built-out technology stack.

As a result, FY27E EPS of ₹3.31 (fully diluted basis) is driven by **visible execution**.

EPS Growth Dynamics

RNIT exhibits **SaaS-like operating leverage**:

- Core FRS, workflow, and analytics infrastructure is already developed.
- Incremental state or department onboarding reuses the same backend.
- Employee, R&D, and infrastructure costs are largely semi-fixed.

This leads to:

- revenue growth compounding at a lower rate than EPS,
- EBITDA and PAT margins expanding with scale,
- and EPS compounding at a materially faster rate than topline.

Under these assumptions, we model **~97% EPS CAGR over the next two years**, which is consistent with:

- margin expansion already visible in financials,
- improving revenue quality (higher recurring mix),
- and declining incremental cost intensity.

Exit Multiple Rationale – Why 40× P/E Is Reasonable

Explicit Derating From Current Levels

RNIT currently trades at elevated trailing multiples. Our base case assumes an **exit P/E of 40×**, which represents:

- a meaningful moderation from current valuations,
- despite the business being larger, more profitable, and structurally stronger at exit.

This assumption **does not rely on re-rating** and builds in valuation discipline.

Why RNIT Should Not Be Valued as IT Services

Traditional IT services businesses trade at 10–20× P/E due to:

- linear scaling with headcount,
- limited pricing power,
- low switching costs,
- and commoditised delivery models.

Valuation

RNIT, by contrast, operates as a **vertical SaaS / GovTech infrastructure platform**:

- revenues are recurring and embedded in mission-critical workflows,
 - switching costs are high once deployed,
 - growth is driven by platform reuse rather than incremental manpower,
 - and operating leverage improves with scale.
- Therefore, applying an IT services multiple would mischaracterise the business model.

Why 40x Is Conservative for RNIT Post-FY27

A 40x exit multiple implicitly assumes that by FY27:

- RNIT continues to grow revenues at **~30–40% beyond the forecast horizon**,
- growth visibility remains strong across states, departments, and enterprises,
- margins stabilise at healthy SaaS-like levels,
- and incremental ROIC remains attractive.

This is a **steady-state assumption**, not a bull case. Many listed vertical SaaS and platform businesses trade at comparable or higher multiples with lower growth rates. In this context, 40x represents a **discounted SaaS multiple**, reflecting:

- GovTech perception risk,
- working capital history,
- and size-related execution risks.

Working Capital Normalisation – Treated as Upside

Historically, RNIT's cash flows have been constrained by:

- milestone-based billing,
- elongated government approval cycles,
- and quarterly invoicing structures.

As a large proportion of contracts come up for renewal, management is negotiating:

- monthly billing cycles,
- improved payment timelines,
- and tighter receivable structures.

In our valuation:

- we **do not fully capitalise these improvements**,
- but treat them as **embedded upside**.

Successful execution would:

- materially improve free cash flow,
- lift ROE and cash conversion,
- and strengthen the durability of valuation multiples.

AI Growth Driver (NIA) – Early Monetisation Reflected in Base Case

NIA is positioned as a conversational AI platform with growing commercial relevance across government and enterprise workflows. While initially conceptualised as an AI interview and employability platform, it has evolved into a **broader AI interface layer** that can be integrated with: FRS-generated datasets, attendance and workforce analytics, ERP and workflow systems, and administrative dashboards.

This enables RNIT to converge **FRS + analytics + ERP + conversational AI**, unlocking higher-value, insight-driven services across both B2G and B2B use cases.

Importantly, NIA has progressed beyond the pilot stage and has received **government-backed validation through LOA-based deployments and mandated initial rollouts**, providing **early revenue visibility and a clear pathway to scale**.

Accordingly, our estimates incorporate:

- initial monetisation from government-led deployments,**
- partial contribution to earnings growth,** and
- improving margin profile driven by high-margin AI-led revenues.**

However, to maintain conservatism:

- full-scale volume ramp-up across states is not assumed,**
- no aggressive D2C monetisation is factored,** and
- no additional multiple premium is applied for AI platform potential.**

Globally, AI-led SaaS and conversational platforms command higher valuation multiples. However, in this analysis, NIA is treated as a **visible and emerging growth driver with conservative scaling assumptions**, rather than relying on its full platform potential for the investment thesis to hold.

Valuation

Valuation Outcome and Returns

Under the base case:

- **FY27E EPS (fully diluted): ₹3.31**
- **Exit P/E: 40×**
- **Implied Exit Price: ₹133**
- **Current Price: ₹64**
- **2-Year CAGR: 44%**

Importantly, these returns are generated:

- on a fully diluted equity base post recent capital raise,
- without multiple expansion,
- while only partially factoring early-stage AI monetisation (NIA), without assuming full platform-scale upside,
- and without fully assuming working capital normalisation.

Sensitivity analysis further demonstrates that even at lower exit multiples or slower EPS growth, RNIT continues to offer reasonable downside protection, while upside becomes meaningful if execution remains strong.

Summary

RNIT's valuation is underpinned by:

- visible earnings growth till FY27,
- SaaS-like operating leverage,
- recurring, sticky revenues,
- conservative dilution treatment,
- and optionality from new products and geographies.

By valuing RNIT as a **platform-driven GovTech SaaS business rather than a commoditised IT services company**, and by assuming moderation rather than perfection, the current framework delivers **attractive risk-adjusted returns** with asymmetric upside.

Exit PE Analysis

FY25 EPS (Actual)	0.96
Normalised FY25 EPS (Pro-forma fully diluted basis)	0.85
EPS FY27 (Forecasted)	3.31
Entry P/E	75
CMP/Share	64
Exit P/E	40
EPS Growth	97%
Exit Price	133
CAGR	44%

Note: EPS is presented on a **fully diluted share base post recent equity issuance**, ensuring consistency across valuation and sensitivity analysis

Sensitivity Table						
P/E	CAGR	EPS Growth Rate				
	44%	70%	80%	97%	110%	120%
	30	7%	14%	24%	33%	39%
	35	16%	23%	34%	43%	50%
	40	24%	31%	44%	53%	60%
	45	31%	39%	52%	62%	70%
	50	39%	47%	61%	71%	79%

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