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August 7, 2024

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001.	**National Stock Exchange of India Ltd.** Exchange Plaza, C/1, G Block, Bandra - Kurla Complex, Bandra (E), Mumbai – 400051.
Scrip ID: BSOFT **Scrip Code:** 532400	**Symbol:** BSOFT **Series:** EQ
Kind Attn: The Manager, Department of Corporate Services	**Kind Attn:** The Manager, Listing Department

Subject: - Transcript of Earnings Call held on July 31, 2024.

Dear Sir/Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the earnings call of the Company organized on July 31, 2024.

The same is also available on the Company's website at the link https://www.birlasoft.com/company/investors/policies-reports-filings#, under the head – Quarterly Reports → Earnings Call → Transcript.

Kindly take the same on record.

Thanking you.

Yours faithfully,

For **Birlasoft Limited**

Sneha Prashant Padve

Digitally signed by Sneha Prashant Padve
Date: 2024.08.07 20:44:03 +05'30'

BIRLASOFT LIMITED

Sneha Padve
Company Secretary & Compliance Officer
Membership No.: ACS 9678

Birlasoft Limited Q1 FY25 Earnings Conference Call

5.00pm IST, 31 July 2024

MANAGEMENT:
MR. ANGAN GUHA, CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR
MS. KAMINI SHAH, CHIEF FINANCIAL OFFICER
MR. ABHINANDAN SINGH, HEAD - INVESTOR RELATIONS

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(1 crore = 10 million)

Moderator: Ladies and gentlemen, good day, and welcome to Birlasoft's Q1 FY '25 Post results Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhinandan Singh, Head, Investor Relations at Birlasoft. Thank you and over to you, sir.

Abhinandan Singh: Thank you, and welcome folks. By now, you would have received or seen our results. Those are also available on our website, www.birlasoft.com. Joining me on the call today with me are our CEO and MD Mr. Angan Guha and our CFO Ms. Kamini Shah.

We will begin the call today, as usual, with opening remarks from both Angan and Kamini. But before I hand over the floor to Angan, a quick reminder that anything that we say on this call on the company's outlook for the future would be a forward-looking statement, and therefore that must be heard or read in conjunction with the disclaimer that appears in our 1Q FY'25 investor update, which you may have received and is also uploaded on our website as well as filed with the stock exchanges.

With that, let me hand over the floor now to Mr. Angan Guha, our CEO and MD. Over to you, Angan.

Angan Guha: Thank you, Abhi. So good evening and good morning to everyone wherever you are, and thank you for joining us today as we share some perspectives on our performance during the first quarter for the current financial year. I trust all of you have seen the results.

Our Q1 performance reflects a couple of key aspects. One, the operating environment that remains quite challenging, the content discretionary spend by our customers and some delay of projects that was expected to start in Q1, which has got delayed beyond Q1 and expansion of our footprint in areas where we have so far not effectively tapped.

And like I have always said, a sustained investments and capabilities that will enable us to better capitalize on the turnaround and demand conditions as that happens. With that context, let me share some perspectives of our Q1 performance.

You will recall that I had mentioned in my earlier call as well that we are seeing some of our customers pushing decisions out and some pullback in discretionary spends. We saw that sustained during our quarter Q1 as well. To add to it, some projects, especially in the ERP segment, got over during Q1 in the natural course, while programs that were supposed to ramp up or get started during the fourth quarter got delayed.

Consequently, there was a Q-o-Q decline in the ERP business and therefore, in the manufacturing vertical, where much of our ERP business actually comes from. We have teams ready to engage on the projects that got deferred. And the cost associated with that, combined with the lack of corresponding revenues, led to the decline of our margins quarter-on-quarter. But the good news is at the end of July, some of the programs which have got delayed beyond

Q1, have already started coming back. So with that, we expect a recovery in Q2 and hope to deliver a stronger Q2. I'm also pleased to note that some areas that have high growth potential for us has performed well in the quarter.

For instance, our infrastructure business has delivered yet another quarter of solid growth. Similarly, our Rest of the World business has also registered a strong growth in Q1. BFSI in the Americas as well as globally has registered strong growth for the quarter. And traditionally -- but traditionally, all of these businesses have been relatively smaller contributors to our top line. But we have been making investments in the past one year, and that is now showing results.

So to conclude, while we've had a subdued quarter, this has come from the back of 5 consecutive quarters of sequential growth. Even the quarter under review, although sequentially we had degrowth, our year-on-year growth have been comparable to the industry average.

So on a year-on-year basis, our revenue fourth quarter grew 5.1% in rupee terms and by 3.8% in constant currency terms. Similarly, our profit after tax has grown 9.2% year-on-year in rupee terms and 7.6% in dollar terms. Another noteworthy achievement for the quarter was our total contract value booking, which was higher by 10% year-on-year and stands at $160 million for the quarter.

Now to add to it, our net new TCV in the same period is up 17% year-on-year. Quarter under review characterized strong collections, and that has resulted in very strong cash flow generations. As a result, our cash and cash equivalent are up 46% year-on-year to INR1,914 crores. Kamini will provide more color on this in her remarks.

At this point, I will ask Kamini, our Chief Financial Officer, to share her perspectives on the quarter under review. Kamini, over to you.

Kamini Shah: Thank you, Angan. Good day, everyone. I hope you are doing well. Thank you for joining us. Let me take you through the financial highlights for the full quarter of the current financial year FY '25.

As Angan mentioned, in Q1, we saw a continued impact of sluggish customer discretionary spend in some segments, as well as deferment of new project ramp-ups, primarily in our ERP service line. In the face of that, we have still registered a year-on-year growth in revenue, though on a sequential basis, there has been a decline.

We have reported consolidated revenues of INR159.1 million for Q1 '25. Revenue for the quarter saw a decline of 2.7% quarter-on-quarter and a growth of 3.8% year-on-year in constant currency terms. In rupee terms, Q1 revenues have been at INR12,274 million, a sequential decline of 2.6% and a year-on-year growth of 5.1%. Our top accounts, top 5, 10 and 20 accounts contribute 36.2%, 52.6% and 65.1% respectively to total revenues.

As you might have already noticed, from this quarter onwards, we have realigned our reporting on service lines in a manner that better reflects how we are driving our business. Accordingly, this has now been organized as Digital & Data, ERP and Infra. In the Q1 factsheet that we have published, we have provided comparable data for historical quarters too, reflecting this alignment. During the quarter under review, BFSI and Energy & Utilities have recorded sequential growth among verticals and Infra has grown among service lines.

BFSI has grown by 8.4%, E&U by 3.7% quarter-on-quarter. This growth has been led by a combination of some new deals ramping up and successful account mining. Infra is a new service line that we are trying to build, which has scaled up and has recorded very strong growth on the back of some fresh engagements during the quarter.

The manufacturing vertical has had a tepid performance after a strong run during the preceding year, and the Life Sciences and Services vertical witnessed a sequential decline, reflecting that some of the projects we're getting over and the new projects were getting delayed in terms of ramp-up and tighter discretionary spend.

Some of the projects that got deferred in the ERP business during Q1 were part of the manufacturing verticals performance. However, as Angan mentioned, we are seeing some green shoots on this. We expect our Life Sciences businesses to revert back to growth mode in the second half of the year with a modest growth likely in Q2 itself.

Moving to our EBITDA performance. Our EBITDA performance in Q1 was at INR23.4 million versus INR26.7 million in Q1 -- in Q4. EBITDA margin stood at 14.7%. These reflect the costs associated with the mentioned delayed projects where we already had teams in place to execute which is also visible in the lower utilization levels during the quarter. This impact has been partially offset by reduction in some provisions pertaining to reward for a select group of senior leaders.

Our PAT stood at INR18 million, up 7.6% year-on-year. In rupee terms, PAT has been at INR1,502 million, up 9% year-on-year and down 15.6% quarter-on-quarter. Coming to some key balance sheet items. Our cash and bank balances at the end of first quarter stood at about $230 million. This has been up about 44% year-on-year. This reflects our ability to consistently generate strong cash flows. Our operating cash flow was at about INR17.8 million, which is about 76% of our EBITDA on the back of sequential improvement of our quarterly collections, which stood at 169.

Consequently, we are happy to say that our DSO stands at 52 days, which is one of the best in our industry. In conclusion, I would like to say that we started the new financial year with a robust balance sheet and healthy cash flows. This will enable us to keep investing in capabilities for future growth. We remain focused on execution even as we navigate through the current challenges in the macroeconomic environment.

Thank you very much. Back to you, Abhi.

Abhinandan Singh: Thank you, Kamini. Moderator, can you please start the Q&A?

Moderator: First question is from the line of Krish Beriwal from Nomura.

Krish Beriwal: I had three questions. First on growth. Given that we have seen a sharp fall in revenues this quarter, Angan, will you see any change in client behavior versus previous quarter? And how much of the fall do we expect to recover in 2Q? There also seems to be a large pass-through element in revenue. Can you just quantify this? And do you expect this pass-through element to continue going forward?

Second, on margins. If I take out the 220 million odd one-off, our EBITDA margin has fallen by about 220 basis points sequentially. With possible annual salary increment cycle ahead of us, how should we think about full year margins? And how do you plan to create that in a narrow band going forward? And lastly, on deal wins, just wanted to get a sense if you are happy with the current level of deal wins and can you share details on your pipeline?

Angan Guha: So Krish, look, and you've asked 4 questions, let me try and answer all of them one by one. So first of all, on the revenue side. So look, we've had a subdued quarter. And I will admit that the quarter was below par as far as our own estimates were concerned. But look, you must also appreciate that this quarter has come on back of 5 quarters of sequential growth and year-on-year growth. And even this quarter, if you look at year-on-year, we've actually grown 3.8% from a dollar CC perspective and almost 5.1% from a rupee standpoint.

Now the good news is and the reason for this performance, sort of subdued performance, is because some of the projects that we expected to start this quarter were pushed out to the future quarters.

Now since we are already in 1st August and one month has gone by, for this quarter, we are happy to state that some of these delays that had happened earlier is already back on the table, not maybe all of it, but some of it is already back. Now look, we cannot give a complete guidance, and we really don't give guidance. So I can't tell you how much recovery we will do for the quarter, but I can only tell you that quarter 2 will be stronger than quarter 1.

By how much. that only time will tell. It will depend upon how we execute between July, August and September. So that's point number 1. Point number 2 is, you talked about the pass-through. But look, I want to clarify this thing a little bit more. See, if you look at our business, our business mix is really changing.

Our business mix is going from digital, which is a very strong business for us, to more of the infrastructure business. And that is because if you look at our customers' spend pattern, it is moving from transformation engagements to a more cost-based engagement. So naturally, our infrastructure business is really going up.

Now as a part of the infrastructure business, we are doing contracts for our clients where we are doing end-to-end contracts, right, including services, including licenses, products, et cetera. On a turnkey basis, when we do programs for our customers, we obviously do the entire nine yards. So that is the reason why you are seeing not only our Infrastructure business growing, but some of the equipment that we buy, we just buy to service our clients. So that is answer number 2.

Number 3, you asked about the EBITDA performance. Now clearly, quarter-on-quarter EBITDA is down, I accept that. But on a PAT basis year-on-year again, we have grown. So that's a positive sign.

Now how much of that EBITDA will come back in Q2, again, will depend upon how much revenue growth we deliver in Q2. Because as you know, our business is so high on operating leverage that unless you grow revenue, you can't make the money. So we'll be focused on revenue growth. Now in terms of whether we will be able to keep our margins in a narrow band, again that will depend upon the investments that we will make.

We will continue to make investments in our business. Like I always said, we are not here for one quarter or two. We are here to the build business for a decade. So we will not hold back on investments. But what we will focus on is delivering quarter-on-quarter improvement in revenue, which automatically will have an impact on our margins.

Last question you had was on the -- I think you had on -- was there any other question, Krish?

Krish Beriwal: Yes, I had this last question on deal wins.

Angan Guha: Yes, deal wins. Look, I mean, if you ask me, the deal wins were higher than the last year same quarter. Last year same quarter, we delivered $146 million of TCV. This quarter, we delivered $160 million. So are we pleased with the current levels? Obviously not. I think we'll need to win much more deals, but the good news is our pipeline continues to grow. But the decisions are also getting delayed. I can only tell you that even from a deal win perspective, Q2 will be better than Q1.

Moderator: The next question is from the line of Ravi Menon from Macquarie.

Ravi Menon: Really good to see that BFSI is doing well for us. So wanted just a broad comment on how do you think about where your business mix in terms of annuity versus more project-oriented broad concept, which dominates the business? And how would you like this trend in future years? Second is, what have you done in BFSI and what sort of logos are we winning? And what areas are we winning in? And the third question is in terms of on-site revenue, that's what has come down significantly. Your offshore revenue has gone up. So structurally, are we looking at better margins once we see these deferred projects come back in that on-site revenue picture?

Angan Guha: So you're right. Our BFSI business is doing very well. It's been doing very well for the last 7 quarters. So this quarter is not an exception. I think we've done significantly well this quarter as well. But Ravi, I will tell you this, that BFSI will also moderate, right? Because we've had 17 quarters of growth. So at some point in time, it will moderate. But it will continue to grow. It will be a growth leader for us even in financial year '25, that much I can tell you.

But the growth will moderate going forward. So don't expect 8% quarter-on-quarter growth even in the BFSI business. Now as far as the business mix is concerned, in BFSI, it is more about project delivery, the projects that we win and we deliver to our clients, which is more on the transformation side. We do a little bit of discretionary work, which we are trying to strengthen. But we are happy doing more project-based work, Ravi, because that helps us also improve our domain capabilities, as you will realize.

So from that standpoint, with the current mix that we have, we are pretty satisfied with where we are helping our customers in their transformation journey. And we are also -- we have started to win some long-term contracts in financial services. Now what was the other question again, Ravi?

Ravi Menon: I actually asked about the business mix, more for the company overall and not just for BSFI specifically?

Angan Guha: Yes, so, we are obviously seeing our customers, who are having price pressures, skew more towards offshore, right? Because from a customer standpoint also because of a lot of discretionary pressures that the customers are having, they are working with us to drive a lot of work from offshore locations. So we see that continuing to improve. You're absolutely right. When the projects come back to the table, we will obviously see higher margins because higher revenue will deliver higher margins for us.

But equally, the point that Kamini made in her comments earlier, one of the things that we've also seen is we had the people ready to go, but the projects did not start. So we had the people costs that came on to our P&L. So at some point in time, deploying those people quickly will be the key for us. So like I said, some greens shoots we are seeing already in the month of July because some of the projects are back on the table. But we really have to see how August and September pans out for us, Ravi.

Ravi Menon: And one last follow-up. The offshore proportion has gone up. I mean, I guess that's partly because of these apparent ramp downs. But structurally, are you seeing offshore proportion keep going up? And would that mean better margins?

Angan Guha: I think so. But Ravi, see again, it depends upon the kind of work we win, right? So if you look at the Infrastructure business and as we ramp up our infrastructure business, a little bit of more offshore movement is natural, so that will happen. But equally remember, when the market turns and lot of discretionary spend comes back to the table, you will see our on-site revenue go up. So the phenomena that you're talking about may be for another quarter or two, but then it is hard to predict in terms of how the world will look like post November.

Moderator: The next question is from the line of Mohit Jain from Anand Rathi.

Mohit Jain: Two questions. One is regarding cost of equipment. So there is also equivalent decline in your other expenses line item. So is there -- like should we assume that is because of subcon or is there any other reason for that?

Angan Guha: So Mohit, let me answer that question again, like I was telling Krish earlier. See, we've seen a little bit of a change in our business mix. So Infrastructure business is really going up. So we are now on the table working with our clients to do turnkey projects.

And as a part of the turnkey projects, you will see us delivering the end-to-end program or project for a client, which could mean licenses, which could mean services, which could also mean products. So the line item that you see is basically to serve our clients. On the other income bit, I'll hand it over to Kamini to talk about that.

Kamini Shah: So Mohit, your question regarding other expenses, yes, caused by a reduction of subcon and some consulting services as you would appreciate that when the project takes some time to ramp up, at that point of time, we do not hold subcontractors. And that's the reason why you're seeing that decline.

Mohit Jain: That's only a quarterly fluctuation. As you guys mentioned, Q2 will see some recovery. So this line item will also go down?

Kamini Shah: Yes. It will get related to revenue, Mohit.

Angan Guha: So Mohit, as revenue goes up, if the revenue does go up, this line item will obviously go down.

Mohit Jain: Right. And second was on your comment regarding TCV growth. Now you said Q2 is looking better than Q1. But Q2 is also seasonally very strong for us. So should we continue to look at it from a Y-o-Y standpoint? Or do you think Y-o-Y, it may still be a decline?

Angan Guha: So look, I mean, from an order book standpoint, right, Mohit, your comment was more on the order book, correct?

Mohit Jain: Correct, TCV.

Angan Guha: So look, currently, at least there are 2 things I can state clearly. Our pipeline has gone up, right? If you look at our quarter-on-quarter pipeline performance, that is up. Now the question would be how much amount of orders can we convert within Q2, right? It will all be a matter of conversion.

At least based on our initial estimates, I would say that it will be better. I don't think order book you should ever measure quarter-on-quarter. It should be year-on-year all the time. At the end of the day, it is how much amount of order book that you deliver in a year versus the order book that you deliver next year. I think that is going to be crucial.

Kamini Shah: Yes. And if I can just add to that, right, Angan. Mohit, if you remember, we had the $100 million deal in Q2 of last year. So I think we just need to normalize that and assume a year-on-year growth.

Angan Guha: Yes, which is why we should look at year-on-year, Mohit, rather than quarter-on-quarter.

Mohit Jain: 171 is a more comparable number than you...

Angan Guha: That is right, yes.

Kamini Shah: That's right.

Angan Guha: If you were to compare quarter-on-quarter, yes, that's the right amount.

Moderator: The next question is from the line of Sandeep Shah from Equirus Securities.

Sandeep Shah: The first question, Angan, is it fair to assume the cost of equipment is also sitting in the revenue line? Or it is just in the cost line?

Kamini Shah: So it would be partially you're talking about, right, because some of it is -- obviously, if you are using the equipment to deliver services to our customers, there would be a quantum that would be sitting at the revenue line item.

Sandeep Shah: So that means, Angan, the core services growth, the core business growth decline could be as big as 6% to 8% on a quarter-on-quarter?

Angan Guha: Sandeep, you should not look at it like that because I will tell you, as you do more and more Infrastructure business, and I'm sure you know this already, you are delivering a turnkey program for a client. And when you deliver a turnkey program for the client, we do not measure the way you are saying it.

From a reporting perspective, we've been reported like that. But from our perspective, we are delivering a solution to our client, which is a combination of 2 or 3 lines, if you will. And the lines could be a service line, it could be a license line, it could be any other line.

So from that perspective, as far as I'm concerned, I am delivering a client solution, which helps a client solve its problem. So from that perspective, we look at it as one program. And we even measure the margin, which is a program level margin than anything else. So Sandeep, that's the right way to look at it.

Sandeep Shah: Accepted, Angan, but my question is that this turnkey projects could be lumpy in nature. And when you say Q2 stronger than Q1, actually, there is a possibility you may have to recoup this, which may not reoccur every quarter in terms of the fund...

Angan Guha: Yes, Sandeep, that's the right question. So the way you just said it is the right question. So my request, Sandeep, is do not look at that line item that you are talking just as a pass-through. It could be a pass-through, it could also be services. But you're right, it will have a lumpy kind of angle.

So when we have to deliver a better quarter, say, Q2 over Q1, we obviously have to recover. But also remember, we will do more and more project-related work or an end-to-end work for our clients. So from that perspective, and I can't really comment how many clients I will win like that because there are a lot of deals on the table that I'm fighting for, but if I win a large contract from a client, so that particular quarter, you will see a lumpiness from a revenue standpoint.

Sandeep Shah: Okay. And the second question is in terms of EBITDA margin, which is reported at 14.7%. If I adjust for Rs 222 million of write-backs, then on an adjusted basis, it comes to 13%. So should we model 13% as a recurring margin when we enter Q2?

Because on top of it, there would be wage hikes. And your commentary about -- update about full year margin on FY '24 being 15.8% versus we may be starting at 13% on a recurring basis, do you still reiterate that the full year margin would be in a narrow band?

Angan Guha: So look, Sandeep, it is a manifestation of 2 or 3 things. So first manifestation is you're absolutely correct that our margins this year, obviously, we've degrown. I'm not going to comment on in terms of how much amount of margin can we recover in Q2. But our endeavor will be 2 things. One is, we will execute for our customers, and we will execute for our customers quarter-on-quarter. So execution will be key. The margin delivery is also a manifestation of how much revenue that I can deliver, correct, number 2.

And number 3, it will also depend upon the kind of work that I get from my customers. So look, I mean, last year, we delivered 15.8%. You're absolutely right. I mean, if that's the way you want to model it, you are right. You should model it. But going into Q2, our base margin probably is at 13%.

But from there, it will all depend upon how do I grow revenues and what is the kind of work that I do for my customers will determine the margin. Now I can't really give you a guidance in terms of what my margin will be for the year because it is hard to predict. But I can only say that our endeavor will be, barring the one line item that you called out, will be to improve margins. And if the revenue improves, margin will improve outside of the single line item that you called out.

Sandeep Shah: Okay. And last thing, any commentary on wage hikes when it would be effective?

Angan Guha: So we are looking at it. We have not decided on the timing yet or decide -- we have not decided on the quantum as well. We look at both the timing as well as the quantam as we go forward.

Moderator: Next question is from the line of Dipesh from Emkay Global.

Dipesh: A couple of questions, first on the hiring trend. We added over 500 people in last 2 quarters. So can you give some sense about fresher addition and out of that, how many would be placed, sir? Second question about the $100 million deal which we signed in Q2 which you earlier also eluded from deal intake perspective. It was supposed to start from April. Sir, 2-part question to that. First whether that ramp-up is as scheduled or we are seeing any changes there? And whether cost of equipment, which we have seen lumpiness, any contribution from that deal which is getting ramp-up?

Last question from my side is I think you have provided some sense about the key dealing during the quarter. Now in one of the deal you mentioned worn and executed vendor consideration exercise kind of deal. So whether it is very short cycle where you signed and also started ramping up their deal in the given quarter, if you can give some sense about the deals signed and how you expect some of those deals to play out from a medium-term perspective?

Angan Guha: Yes. So Dipesh, look, let me answer the big question that you had about the big deal that we won, and that was supposed to ramp up starting April. So that deal is on track, right? The reason why you're seeing the effect of that deal is because there were so many other smaller deals that was supposed to give us revenue in Q1 that has got deferred, right, which is why the impact of the large deal is not being clearly seen. But I can assure you that the large deal that we won is really on track, and we are ramping up.

The BFSI deal that I spoke about last quarter, if you remember, we said that almost 75% of that deal was a renewal deal. So there was no question of ramp-up. People were already there. The 25% of additional business that we won is currently getting ramped up, and the ramp-up will probably complete now, and we will start seeing revenues going forward. So from that standpoint, it is clear. Now as far as the cost of recruitment is concerned, I think we've spoken enough, I've given a clarification. So that stands. Your fourth question?

Kamini Shah: Hiring.

Angan Guha: Hiring, yes, so look, Dipesh, we continue to add people, as you know. And we are adding people not only on billable headcount, but we are also adding people in terms of our sales and marketing area, right? So it is both. But from a billable headcount, a net headcount add has gone up. And hopefully, that will start reflecting in revenue going forward.

Dipesh: My question, Angan, was very specific. In 500 addition, how many were freshers? And on the deal also...

Angan Guha: Freshers, you mean?

Dipesh: Yes. Campus recruitment.

Angan Guha: Yes. So look, we don't -- we've not had any campus recruitment, but we've have freshers. And the freshers, the way we define is below one year, and the number is 65.

Dipesh: This is 2 quarters combined? Or you are seeing Q1 number?

Angan Guha: Two quarters combined.

Dipesh: Okay. And the second question was also specific. In terms of $100 million deal, whether cost of equipment is linked to that deal ramp-up?

Angan Guha: It is not. It's a separate deal, Dipesh.

Moderator: The question next is from the line of Vibhor Singhal from Nuvama Equities.

Vibhor Singhal: Angan, just a clarification, I mean, I don't know if you've mentioned this again. The project deferrals that we saw in this quarter and the project completion that we saw in this quarter again, which were probably not -- were able to backfill by the new projects. Most of them will also be Manufacturing segment itself? Or are they kind of spread across other verticals as well?

Angan Guha: So manufacturing, predominantly, a little bit of health care, but mostly manufacturing.

Vibhor Singhal: Got it. Got it. And now to just correlate that. If I see our client's bucket growth, almost all our client bucket growths have seen a very sharp Q-on-Q decline, be it top 5, top 10, top 20, top 5 to 10 or top 10 to 20 also. So I mean, if it was just only manufacturing clients, which had those projects ramping down and delay in projects of manufacturing ramping up, the decline across all client buckets would not have been so sharp. So anything that I'm missing here in terms of how we correlate these 2 sets of data?

Angan Guha: No, no. But again, my request is when you look at quarter-on-quarter client mining, that's the wrong way to look at it. You must look at year-on-year, right? And the revenue is really LTM. It's the last 12 months LTM. So from our perspective, when you talk about the top 5, top 10 and top 20 clients, look at our year-on-year performance.

Our year-on-year performance has been 12% growth. And I think the top 10 was roughly about 10% growth and top 20 was about 5.5% growth. So that, to my mind, is strong performance. Of course, there will be a quarter-on-quarter seasonality in large clients, it's hard to control that, but year-on-year performance has been strong performance.

Vibhor Singhal: You're trying to say that the client bucket data that we report, that's an LTM data, not a quarterly?

Angan Guha: That is LTM. So if you refer to the sheet, it's already mentioned there.

Vibhor Singhal: Yes. Sorry, I missed that maybe, yes. Okay. So in terms of that -- yes, yes. So basically, what we're trying to say is that the decline and the pickup as well is both limited to the manufacturing vertical. And as it picks up, I think the client buckets will also start reflecting that revenue growth as well?

Angan Guha: That is correct. That is correct, yes.

Vibhor Singhal: Got it. Got it. And just my last question on this front again. In terms of the outlook for the BFSI verticals, how are you seeing this vertical turn out for us? I mean, we've had a decent performance in this vertical for quite some time. The commentary by a lot of other peers in the industry have been quite positive in terms of green shoots and signs of recovery. Are we also kind of seeing that as well? And do you expect a change in momentum or let's say, a change in direction or growth maybe in this sector in the coming quarters?

Angan Guha: Yes. See, look, again, our BFSI business is very -- has been very strong for the last 8 quarters, right? If you look at the 8-quarter data, BFSI business has continuously grown not only quarter-on-quarter, but year-on-year as well. So in all fairness, now, our BFSI business has also become very large, I mean, given the context, given our company size. So from that perspective, BFSI will continue to grow without a doubt. But do not expect the same kind of growth that we have seen in the past. The growth will moderate, but it is still continue to grow ahead of the industry average. That much we can commit to you. But equally, we will expect the other vertical to also step in and start delivering growth. So from that perspective, it will be very relative from our standpoint.

Moderator: The next question is from the line Girish Pai from Bank of Baroda Capital Markets.

Girish Pai: Angan, are you saying that the demand environment is turned to the worse? And is this specific to your company or you're saying it's much more industry-wide?

Angan Guha: So Girish, look, I mean, I can only talk about my company. Generally, from the industry-wide, I mean, you can get the data from Nasscom or the commentary that is coming in from the various company leaders. So demand-wise, we are cautiously optimistic. Nothing has really changed in the marketplace.

Our Q1 results reflect that some of our customers, a handful of our customers have delayed starting a program, which is reflecting in our Q1 results. But generally, in the industry, the industry is still cautiously optimistic. The weak demand situation has not improved. Over the last 3 or 4 quarters, nothing has really changed on the ground. I can only tell you that our demand pipeline is strong. It is a question of converting the pipeline into orders which will then obviously flow into revenue. So that's what we are working on.

Girish Pai: Okay. My second question is these deals that got delayed, any specific verticals that they belong to?

Angan Guha: So again, I mean, it is logically manufacturing because that is where you're seeing the majority of the downturn in terms of revenue. So that is where we really need to step in and start converting those pipeline into deals, Girish.

Girish Pai: And if you kind of dig a little deep in Manufacturing, is there any specific subsector within Manufacturing, which is giving us pain?

Angan Guha: No, I would not classify it like that, Girish. I don't want you to also take away the fact that Manufacturing cannot bounce back. We are very confident that the Manufacturing can actually ounce back. In fact, like I said, even in the month of July, we are seeing positive green shoots. So we would see how that plays out. But we don't really report subsector revenues or subsector pipeline.

But broadly, I can tell you, Manufacturing is where the pain was. We also felt slight amount of pain in the Life Sciences business. But some of the programs, at least in Manufacturing, we are seeing coming back in the month of July.

Girish Pai: So now that 1Q has been weaker than expected, are you still sticking to the statement around you will be among the leaders in industry growth in terms of growth in FY '25?

Angan Guha: So look, again, Girish, this is a very difficult question for me to answer. Clearly, I admit that Q1 was a bad quarter, correct? We could have done better. So Q1 is bad. Our endeavor will be now to focus on Q2 and make Q2 better than Q1. So that's our first port of call. So if we execute Q2 well, then I will probably be able to give you a year picture. But quite frankly, now I'm not looking at the year. The entire management team is focused to deliver strong Q2.

Girish Pai: Okay. Lastly, any furlough-related issues in this particular quarter or in the September quarter or in the June quarter that you've seen across your client base?

Angan Guha: We don't see furloughs in 2Q. We only see furloughs in 3Q.

Moderator: The next question comes from the line of Sandeep Shah from Equirus Securities.

Sandeep Shah: Just one broader strategic question. Since you were joined, there has been really a consistent growth journey within the loss of work history and your volatile growth history. But the last 2 quarters' commentary where we have started executing some of the change request projects, which are small tenure, small deals and now turnkey projects which could be lumpy, don't you believe we are again moving to a growth profile, which could be slightly unpredictable rather than consistent and that makes us to change our view on the yearly growth quarter after quarter?

Angan Guha: No, no. Sandeep. I don't think you should look at it from that perspective. So let me clarify a couple of things. Look, we will be growth oriented. We will be growth focused. All I'm saying is sometimes your product mix changes. Look, we've always stated. And Sandeep, if you remember, last to last quarter when we spoke, we said that we will invest in our Infrastructure business.

And the reason we want to invest in our Infrastructure business is because though infrastructure can be lumpy, but infrastructure can also give us annuity revenue, right? And our Infrastructure business is the smallest business. That contributes about $50 million, $60 million in our $650 million. But as we continue to grow, we want more -- I mean, our revenue stream has to be more homogeneous, right? So we want to grow our Infrastructure business.

And Infrastructure, while in the medium term, you will not make money, but in the longer term, we will make money, which is why you're seeing the shift, correct? From being a more predictable application development kind of business to an application development stroke and Infrastructure business. I mean, that would also have been if we go into, let's say, an engineering business for that matter. But it's an intentional move to get there.

Now getting the predictability back would be our endeavor going forward. As we continue to execute Infrastructure projects, we need to also grow our Digital business. We need to grow our Data business, we need to grow our ERP business, correct, which will give us the predictability. But we are never going to give up on our Infrastructure business because that will be core to our business going forward.

And Sandeep, even if you look at the quarter that went by, why did we not do well? It was not because of infrastructure being lumpy or otherwise. It was also because some of the ERP work that was supposed to start did not start. We had the people, we could not start the program. As a result, we took cost but we couldn't get revenue. Now had those projects started, Sandeep, then you would have turned around and said you're growing infrastructure and still your revenue is so predictable. So I don't quite believe that predictability has got anything to do with Infrastructure business being lumpy.

Sandeep Shah: And just a follow-up in terms of Data Analytics and Digital, there has been a decline. So is it again led by the manufacturing or health care client or some other clients?

Angan Guha: Yes. So that is more because of Life Sciences business. So we've seen the decline in Life Sciences. But again, I want to decipher our business between Digital and Data Analytics. Digital business has still been strong. But the biggest miss that we've had is in our Data Analytics business, which we are investing in heavily to get that back into growth.

Sandeep Shah: Okay. Okay. And broadly, are you also positive about the ERP growth outlook? I do agree quarter-on-quarter blip could be there. But earlier, you alluded you are bullish in terms of demand from upgradation especially on-premise to the cloud side being -- I think it's new cloud implementation for the client on the ERP side?

Angan Guha: Yes. So Sandeep, I'm quite bullish. I continue to remain quite bullish on the ERP business. I know the quarter was bad. But we will ramp up growth going forward. Now I don't know when the growth will come back, but it will come back sooner or later. And the reason I believe that is because our relationship with SAP, our relationship with Oracle has been stronger than it ever has been.

So from that perspective, I think we've got strong relationship with our partners. We've hired great talent, we are working with multiple customers, our pipeline is looking good, and we are winning orders. The only thing is we were not able to start executing on that order because customers told us to hold off. But at a fundamental level, I remain bullish on our ERP business.

Moderator: The next question is from the line of Chirag Kachhadiya from Ashika.

Chirag Kachhadiya: Yes. Angan, then just one broad question. Geo-wise, where do you see still concerns are prevailing? And any improvement in any geo you experienced during the quarter? Yes.

Angan Guha: Chirag, you're talking about geography, different geographies?

Chirag Kachhadiya: Yes, yes, different geographies.

Angan Guha: Yes. So look, our North America business, as you know, is our largest business that contributes to about 86%. While the North American business was a little flattish and it had a little bit of a downward trend, we are confident that the business will continue to ramp up going forward, and we believe our North American business will continue to grow.

The Rest of the World (ROW) business has delivered strong growth in 1Q, and I continue to believe that, that business will continue to deliver strong growth going forward. So I don't see a big difference between the various geographies. But our sharp focus on the geographies that I have called out, Chirag, is where we will focus on.

Chirag Kachhadiya: And if I look at the net client addition, it has declined, so is it like specifical to certain clients?

Angan Guha: Chirag, as you know, I had said this even last quarter, we are cutting tail, right? So last year same time, we were at 285. We're at 258, now. So this number may continue to go down. But you must remember, at any point in time, we will be serving a set of clients. There will, of course, continue to be tail. But I think around the 250 number is the right number as we speak today at our size. And once we cross $1 billion, we will relook at this number, Chirag.

Chirag Kachhadiya: And when do you see that we will cross through the $1 billion?

Angan Guha: I have no idea. I don't know. I wish I knew, but I don't.

Chirag Kachhadiya: Okay. And the clients which we coupled, can you tell like which verticals they belong to or...

Angan Guha: The new client addition, you mean?

Chirag Kachhadiya: No, no. The client which we are not focusing and that's why we...

Angan Guha: So Chirag, we don't measure it like that, right? I mean, it has not got to do in any vertical. If it is not strategic for us, then we cut the tail. It's not a vertical-based strategy. It is more a company-based strategy.

Chirag Kachhadiya: Okay. And one final question from my side. Net headcount addition we have for the current fiscal?

Angan Guha: Total net headcount addition?

Chirag Kachhadiya: Yes.

Angan Guha: Just one second. You have the data?

Kamini Shah: Yes. We have the data. It's about 300 people quarter-on-quarter that we have...

Angan Guha: Yes, about 300 people quarter-on-quarter, Chirag.

Moderator: The next question is from line of Dipesh Mehta from Emkay Global.

Dipesh Mehta: Just trying to understand, how one should categorize quarter 1 performance? Is it quarterly blip or you are seeing more cautious near-term outlook kind of thing, considering the delay deal ramp-up as well as delay in decision-making, whether it is different than what we have seen, let's say, at the end of Q4? So from incremental perspective, whether things are seeing some kind of more portion?

Second related question is you said Q2 to be better than Q1. Are we confident about Q2 to be positive growth quarter or yet not sure about that to play out kind of thing? And last question, I think in some of the questions you reiterated deal intake kind of number. Let's say when we look at your deal intake data on TTM basis, which obviously benefit from $100 million large deal, is still 7 percentage-odd growth.

Now for a company of our size, obviously, considering the tenure increase because of focus on large deals, ACV-wise, that growth would be even slower. Now it could have good bearing on the future growth on sustainability kind of thing. So if you can give some sense about -- because I think for last couple of quarters, we are indicating deal intake numbers should increase to get confidence on growth sustainability. But somehow it is not playing out. So if you can give your thoughts around it?

Angan Guha: So Dipesh, I remember, we spoke about 2 quarters ago also on this. Let me say this very clearly. Quarter 1 was a blip, and I accept that quarter 1 was bad performance. I mean, we could have done much better in quarter 1. Now is it a manifestation of something deeper? I can tell you, it's not a manifestation of anything deeper. I think we're fundamentally a strong company. We have to execute well. And if we execute well, I think we will deliver a better Q2. Now whether Q2 will be positive growth, how much positive growth, am I confident? Look, we don't give guidance. I don't want to give guidance. I want to focus on execution. And we will continue to execute and see where we reach Q2 at.

Now on the deal win standpoint, like I was saying earlier, deal wins should always be measured year-over-year rather than quarter-over-quarter. So if you look at 2 years ago, we delivered a TCV, if I remember, $868 million. Last year, we delivered $875 million. So that's just a 1% growth in terms of deal signing. So were we happy with it? I personally don't think we were happy. We should have at least delivered 5% to 7%.

But there's a nuance there. You should also measure the net new deals that we are signing. So this quarter, because you should see the quarter that went by, we delivered $160 million of signings. Out of $160 million of signings, $94 million was net new So $94 million was net new. And if you continue to even get to, let's say, I'm just taking a number, let's say, $875 million or $900 million of signings for this year, if my net new is more than 50%-60%, that tells me intuitively that next year will be a good growth year.

So Dipesh, there's a lot of analytics behind it. I can't really comment how future will shape up. But like I said, I think I said in Girish phase, that my our job as the management team is now to deliver Q2 and have a better Q2 and then take it one quarter at a time.

Moderator: The next question is from the line of Harsh Chaurasia from Vallum Capital.

Harsh Chaurasia: So I have two questions, more on the strategic side. So in Q1 FY '24, we talked about like we have very less presence in core banking segment. So could you provide more detail or any update like what's the progress on that thing? And second is you made a statement about like we are still investing in Digital business. So can you elaborate more on that? Like where are we investing?

And third would be more from a data side. Like approximately how much would be the Microsoft contribution in our total revenue?

Angan Guha: Yes. So look, Harsh, let me first talk about the core banking bit, right? So I want to make it very clear that, look, we will never ever be a product company, right? As you know that we will drive services, and we will create partnerships along with services uptick, right? That's our model. Currently, we don't have any core banking business, right?

We work with payment companies. We work with mortgage companies. We work with asset management companies, but we don't really work in the core banking area of a bank. Now technically, do we want to start serving a bank on the core banking area? Yes, of course, we want to. But we will work more on the periphery systems rather than the core banking system because we do not have any capability, and I don't think we want to build capability on the core banking side. But we will work on the periphery systems, and that is where we are building strong capability. So that's point number 1. Point number 2, you asked about, what was your second question, I'm sorry?

Harsh Chaurasia: My second question is are we still investing in Digital business? I wanted to know like where are these investments going? Like is it sales capability or a hyperscaler relationships. So like can you give more light on this?

Angan Guha: Yes. So look, we've said that we will have 2 large partnerships when it comes to our digital business. So one is clearly, Microsoft. And Microsoft currently is -- and I'm not -- I can't give a number. But Microsoft, safely to say, is almost 20% to 30%, 360-degree relationship for us. So it's a very large business.

We want to build a strong capability with a couple of other partners. Like on the ERP side, we have partnerships with SAP and Oracle, both strong partnerships. On the cloud side, we want to build a strong relationship with ServiceNow. We are working on it. And those are the 3 or 4 select partners that we will work with.

Now I cannot really comment on hyperscaler based revenue because we don't measure revenues that way. We measure revenue based on partnerships. And I can tell you, Microsoft is a very key partner and we will continue to invest in the Microsoft partnership. On the Digital side, we are investing in all areas. We now have a digital leader who's running our digital data and AI practice.

Under him, we've invested in new salespeople. We are investing in architects, digital architects. We are investing in domain because it is important for us to understand domain so that we can use technology to solve the customer's domain problem. We've identified 2 domain per vertical that I spoke about last time where we are making all our investments. So there are a lot of investments that is going on in the digital data as well as the AI business.

Moderator: Next question is from the line of Sudheer Guntupalli from Kotak Mahindra AMC.

Sudheer Guntupalli: So just I think on the Microsoft part, they seem to have indicated on the call that they are seeing a big supply-demand mismatch in the Azure and AI space. So how well are we entrenched in Azure and its adjacencies? Because historically, whenever they had that demand far exceeding supply, I think their subcontractors or partners always have seen great benefits. So how well are we entrenched in that ecosystem? If you can give us some color?

Angan Guha: Sudheer, we are very well entrenched, which is why when there was a broader comment on Digital and Data business not doing well, I clarified that our Digital business has actually done well. The issue that we have is on our Data business. And Data business is where we want to invest in. But look, Microsoft is a big partner, we have manifestations with Microsoft around Digital, Data, Infrastructure and everywhere. So I can't really give you specifics because I'm under NDA, but suffice to say that our overall Microsoft business is growing upwards of 20% year-on-year.

Sudheer Guntupalli: Fair enough, Angan. And just a clarification from Kamini. So in your prepared remarks, you essentially said that there is a cost and revenue mismatch, wherein you had people on-boarded but the project got delayed and that has a negative impact on margin. And that was partly offset by the provision reversal. So that interplay, of these 2 factors, you are still seeing has negatively impacted you in the current quarter. Is that a fair assessment?

Angan Guha: Let me answer that question. So what Kamini said to me was, look, we already had staffed up for the programs, right? For the deals that we had already won, we had staffed up. But we couldn't convert that into revenue because we couldn't start the programs. So we took the cost of those people, right, whereas to offset them, the item that you're talking about was probably partially offsetting that. But impact of the number of the people that we staffed up with was much more than that line item. That is what Kamini meant, Sudheer.

Kamini Shah: Yes, absolutely, Sudheer.

Sudheer Guntupalli: Yes. Fair enough, Angan. So I just wanted to understand. So the net impact of these 2 is still a negative outcome for you, right? Because you had the first factor bigger than the second one. Then in that case, if I were to tie it back to Sandeep's earlier question of whether we should be looking at 13.1% as the core margins for this quarter, actually, in reality, the margin would have been higher than that number. Is that a fair characterization?

Kamini Shah: Sudheer, it will depend on the way the revenue flow programs start scaling up. When they scale up at full force, then I think we should see the margin come.

Angan Guha: That's right. So Sudheer, look at it is this way. The cost is already there, right? And whichever you look at it, whether margin is 14.7%, 13.1% is your prerogative the way you look at it. But from our perspective, the cost is already there. Now the cost is to convert to revenue. As soon as the revenue comes in, automatically, it will have a benefit on the margins.

Moderator: Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Angan Guha, CEO and Managing Director, Birlasoft Limited, for the closing comment.

Angan Guha: Thank you. Thank you so very much. Look, folks, I would like to thank each one of you for your interest in Birlasoft for the time that you've taken to spend with us today, we remain focused on execution. Our intent has always been to build an organization for the long term, which is long-term sustainability. And we will build and continue to invest in our capabilities.

I look forward to speaking with you again next quarter. In the meanwhile, if you have any questions, please feel free to reach out to Abhinandan for any clarification or feedback. Thank you once again, and have a great evening.

Moderator: On behalf of Birlasoft, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

(This document has been edited for readability purpose)

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