CKA Birla Group

birlasoft

November 13, 2025

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400001.

Scrip ID: BSOFT
Scrip Code: 532400

Kind Attn: The Manager,
Department of Corporate Services

National Stock Exchange of India Ltd.
Exchange Plaza, C/1, G Block,
Bandra - Kurla Complex, Bandra (E),
Mumbai – 400051.

Symbol: BSOFT
Series: EQ

Kind Attn: The Manager,
Listing Department

Subject: - Transcript of Earnings Call held on November 6, 2025.

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 November 6, 2025.

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: 2025.11.13 15:26:03 +05'30'

BIRLASOFT LIMITED

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

Birlasoft Limited Q2 FY26 Earnings Conference Call

6.00pm IST, 06 November 2025

MANAGEMENT:

MR. ANGAN GUHA, CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR
MR. CHANDRASEKAR THYAGARAJAN, CHIEF FINANCIAL OFFICER
MR. ABHINANDAN SINGH, HEAD - INVESTOR RELATIONS

(1 crore = 10 million)

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY '26 Post-Results Conference Call hosted by Birlasoft Limited.

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 "*," then "0" on your touch tone phone. Please note that this conference is being recorded.

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

Abhinandan Singh: Thank you and welcome folks. By now you would have received or seen our results that were announced earlier this evening. Those are also available on our website www.birlasoft.com.

Joining me on this call are our CEO and MD – Mr. Angan Guha, and our CFO – Mr. Chandrasekar Thyagarajan, or Chandru, as we call him.

We will begin the call this evening with opening remarks from both Angan and Chandru. 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 could be a forward-looking statement involving significant uncertainty and therefore that must be heard or read in conjunction with the disclaimer that appears in our investor update, which you would have received and is also uploaded on our website as well as filed with the stock exchanges.

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

Angan Guha: Thank you, Abhi. 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 second quarter of the current fiscal year.

But before I delve into our results, I would like to welcome our new CEO for Americas, Komal Jain, to our leadership team. You would have seen our announcement about his induction in the past month. Komal is a seasoned IT services industry professional with more than two decades of leadership experience in sales, technology, business strategy, and global marketing. He joins us from a Tier 1 technology services and consulting firm where he led the High-Tech, Media, and Entertainment vertical, and where he played a pivotal role in driving growth and expanding market presence across fast-evolving industries.

As CEO of Americas, Komal will lead Birlasoft's business across the United States, Canada, and Latin America with a focus on accelerating growth and strengthening client partnerships. He will also shape our innovation agenda and drive strategic investments to further enhance our market leadership in the Americas. His strong track record, extensive industry expertise, and strong focus on client success will be instrumental in fueling our growth and unlocking new business opportunities across the North and the South America regions.

With that, now let me talk a little bit about our Q2 results.

So, coming to our Q2 results, which I trust all of you have seen, I am pleased to report that we have delivered a healthy operating quarter with a strong margin performance.

Overall, our revenue during Q2 grew 0.1% quarter-over-quarter to $150.7 million in dollar terms. In rupee terms, our revenues grew by 3.4% quarter-on-quarter. This has been achieved in the face of a macroeconomic environment that still remains quite challenging, with sequential growth in our BFSI and Life Sciences & Services (LSS) verticals enabling us to offset some of the weakness that we have seen in our Manufacturing vertical.

We also have registered a substantial expansion in our EBITDA margin, which has moved from 12.4% in Q1 to 16% in Q2. We have seen our cash flows and cash balances improve as well. These improvements are an outcome of both our push to drive operational efficiencies as well as sustained focus on collections, and Chandru will share more details during his remarks.

On the deals front, we have reported a signed TCV of $107 million during Q2. I would also like to point out that the Q2 TCV signings though look optically lower, that is because a couple of deals that have already got committed to us, the signing of those deals we could not complete by the 30th of September. That got spilled over to the current quarter, so those will now show up in the Q3 TCV numbers.

Across many of our engagements, we are leveraging advanced AI-led capabilities, including Agentic AI. For instance, during the quarter, we successfully delivered into production an Agentic AI solution for a key P&C carrier in the U.S. The customer's business teams are already seeing a tremendous amount of business value in terms of efficiency gains and accuracy as a result of the solution that we have delivered.

We have also been winning against some of the largest players in the industry. For example, we won a strategic deal in configuration management with a large Payments, Cards & Banking client's core banking platform, replacing a global Tier 1 firm as an incumbent partner. We will continue to make investments to enhance our technology and domain capabilities as we go forward into Q3 and Q4.

Now, coming to the outlook going forward:

The macroeconomic environment, as you know, remains quite uncertain in the backdrop of the developments that we have seen, like trade barriers and protectionism. We are seeing customers optimizing on their spends and decision cycles are lengthening.

In this backdrop, we continue to focus on building up our deal pipeline and driving order booking. We are pursuing multiple deals at this point in time, and all the conversations on deals are being led with our AI capabilities.

As I have mentioned earlier, the reported TCV of Q2 appears low because of some of the deals spilling into the current quarter. We expect that there will be sequential growth in the remaining two quarters of the year, as in Q3 and Q4. We expect that in both the quarters we will deliver sequential revenue growth.

Despite the trends and the fact that Q3 has high furloughs and is a seasonally weak quarter, we still are very confident of delivering revenue growth. So all in all, we expect the second half of the financial year to be better than the first half of the financial year, both in revenue as well as order book.

At this point, I will request Chandru for his comments. Chandru, over to you.

C. Thyagarajan: Thank you, Angan. I hope I am audible to all of you. A warm welcome to you all joining us today on this call.

Let me take you through some of the financial highlights for Q2 FY'26.

Consolidated revenue for the quarter, as Angan said, stood at $150.7 million, which represents a marginal quarter-on-quarter growth of 0.1%. In rupee terms, the revenue for Q2 FY'26 was Rs. 13,289 million, which is a sequential growth of 3.4%. In constant currency terms, though, revenue for the quarter was flat quarter-on-quarter.

Our EBITDA performance has been much stronger, with EBITDA for the quarter under review increasing by 34.3% quarter-on-quarter in rupee terms to Rs. 2,133 million and up by 29.9% quarter-on-quarter in dollar terms to $24.2 million. Consequently, EBITDA margin expanded 369 basis points quarter-on-quarter from 12.4% in Q1 to 16% in Q2. This robust margin expansion was led by a combination of factors including better operational efficiency, some rationalization of low profitability tail accounts resulting in better average margin, exchange rate tailwinds, as well as some one-offs. The one-off margin and exchange rate tailwinds during Q2 were about 250 basis points, implying that the steady-state EBITDA margin without these one-offs and exchange gains would have been closer to 13.5%.

You will recollect that on the last call we had mentioned about our effective tax rate going up on account of a provision made for higher tax, which relates to U.S. federal tax, and that this transitionary trend would sustain through the course of the current financial year before settling to historical ETR levels starting the next financial year. The increase in U.S. federal tax liability pertains to some legacy contracts. To correct that, we have been realigning our contracting model to better reflect our business operations and, consequently, we are renewing/amending some of our existing contracts that should limit the impact to the current financial year.

The ETR for Q2 FY'26 reflects some incremental U.S. federal tax liability provisions as also the impact of higher state tax slabs in some U.S. states due to a rise in our overall taxable incomes in those states. Without the additional federal tax impact that we have seen Q1 onwards, the ETR for Q2 would have been 29.7%. Adjusted for its incremental provisions for tax, the normalized tax for the quarter on an adjusted basis would have been $16.7 million or Rs. 1,477 million in rupee terms, of course, translating into an adjusted basic non-annualized EPS of Rs. 5.28 per share.

We also maintained our robust track record of collections, as Angan mentioned, and cash flow generation as well during the quarter, with collections up 11.4% quarter-on-quarter from $149.6 million in Q1 to $166.7 million in Q2. As a result, cash and cash equivalents have increased to Rs. 23,434 million by the end of the quarter, up about 3% quarter-on-quarter and 26% year-on-year. We are happy to share that our DSO has improved therefore quarter-on-quarter and now stands at 55 days, and you will agree that this is amongst the best in the industry. Our operating cash flow to EBITDA for Q2 has, as a result, increased to 74.3%.

You are probably already aware that the Board has recommended an interim dividend of Rs. 2.50 per share. This reflects our intention to reward our shareholders, while also keeping in mind our capital allocation requirements. We remain focused on investing in capabilities for future growth while keeping a close eye on costs and efficiencies.

Thank you very much, and back to you, Abhinandan.

Abhinandan Singh: Thank you, Chandru. Thank you, Angan, for your remarks. Moderator, please open the floor for questions and answers.

Moderator: Certainly. Ladies and gentlemen, we will now begin the question-and-answer session. We will take our first question from the line of Sudheer G from Kotak Mahindra AMC. Please go ahead.

Sudheer G: So, just a couple of questions. Angan, firstly, you are talking about sequential growth in the next couple of quarters. What gives you that confidence, despite the fact that the deal wins this quarter are a bit tad softer? Of course, you explained that some of those deal signings slipped into the next quarter, but will the ramp-up scheduled be so quick that it will start giving the revenue conversion quickly? That is question number one.

And question number two is, if we adjust for pass-throughs, a bit of pass-through coming down, even in this quarter I think the underlying services growth seems to be at around 1.2% sequentially. Is that a correct assessment?

Angan Guha: So, Sudheer, let me answer both the questions. But first, let me answer the first question. Like I said, optically, though our signings are looking lower this quarter, two deals which were committed to us, have got pushed out to next quarter from a signing perspective. There are no delays on those projects. It is only that we couldn't sign the deals as of 30th of September. That is point number two.

Point number three, the reason what gives us the confidence that Q3 will deliver growth even in a seasonally weak quarter, considering that the furloughs remain at the same levels as last year, which I think it will remain because we have not heard otherwise from the client, is the fact that we had won a couple of deals, if you remember, in Q4. Those transitions are now over and those revenues will start flowing in, which gives us the confidence that Q3 will be a much healthier quarter from a revenue growth perspective than what we have seen in Q2.

Now, what was the second question, Sudheer? Sorry, I forgot the second question.

Sudheer G: Adjusting for a bit of pass-through revenue, is it fair to assume that our core business in this quarter would have grown around 1.3% in constant currency terms?

Angan Guha: Yes, that is the right understanding, Sudheer.

Sudheer G: And second bit on the margin, so currency plus one-off is what you are calling off. If you were to call it out at just a pure one-off, one-off level, what would be the impact margin benefit will have gotten because of that one-off?

Angan Guha: We will ask Chandru to answer that question. Chandru, over to you.

C. Thyagarajan: Sorry, Sudheer. Your line was not clear. Can you repeat that question, please?

Sudheer: I was asking, you mentioned certain currency benefits plus one-off. Currency benefits, of course, all the companies in the sector have seen, which is sort of the lowest common denominator. If you were to call out the pure one-off, one-off in your margin, how much would that be, if you can quantify?

C. Thyagarajan: So, I said that the one-off plus forex benefits together was 250 basis points. Within that, about 150 basis points or thereabouts was on one-off and about 100 basis points on forex.

Sudheer G: And what is the nature of this one-off and how the reversal will pan out?

C. Thyagarajan: There were instances where there were excess provisioning in the prior quarters, so we got advantage from some excess provisions that were reversed and some other corrections that we had to make where we had to readjust the provisioning that we made in past quarters. So, some of that benefit we got into this quarter, which is the one-off that I was calling out.

Moderator: We will take our next question from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: A couple of questions. If I go to Quarter 1 Earnings Call commentary, we made a couple of statements. First was about Q2 deal intake. If it is 160-165 million, then Q3 will be growth quarter outside of furloughs. So, even though we sign sizably lower than that number and partly you indicated two deals slipped to Quarter 3, but whether including these two deal numbers will be closer to that number which you indicated for Q3 growth aspiration? That is question one.

Second question is about our aspiration to clock 850 million deal kind of in FY'26. Considering H1 is already out, are we on track to deliver that kind of number which gives us confidence on

FY'27 growth strategy? That was the, I think, management narrative last time. So, just want to get update on that part.

Second question is on ETR. Can you help us understand what would be the ETR one should look in H2 and then FY '27, how one should look at it? Because last time we indicated Q1 level is a good level to take for the remaining quarters, but in Q2 there is further uptick.

And last question is about Verticals commentary. Now, Manufacturing and E&U seem to be under pressure. While BFSI did better, but it is not, let's say, up to what in industry some of the players are delivering. So, if you can provide a broad color about the four verticals, how you expect H2 to play out?

Angan Guha: Dipesh, let me answer the first question, and I will try and add the vertical commentary as well and then also ask Chandru for his comments on both the questions that you asked.

So, first of all, like I said and I said earlier in my commentary as well, the one reason why we are getting the confidence that the Q3 revenues will grow is because, not about the deals that got slipped or rather we could not sign by the 30th of September, but this was more of the deals that we had signed earlier in Quarter 4, which was going through a transition phase. Now, since we have completed the transition phase, we are confident that those revenues will come in and that will deliver growth.

The signings that we are doing that got slipped from the 30th of September to the current quarter, those signings will be shown in our TCV performance in Q3. Right now, those again have to go through their own transition and then the revenues will come in. So, I hope that answers your sequencing question.

Now, as far as…

Dipesh Mehta: Sorry to interrupt, Angan. So, let's say there is a gap of 60 million between what you expected at the end of Quarter 1 from deal signing perspective versus what you actually signed. Whether the two deal slippage which you indicated would be of that quantum?

Angan Guha: Yes. So, it will be in and around that. I mean, we don't obviously give specific figures and specific clients, but yes, suffice to say that it will be in that range.

Dipesh Mehta: So that answers Quarter 2 deal intake slippage. Then 850 million what you indicated and maybe some of the other follow-ups?

Angan Guha: So Dipesh, on the overall year, so if you look at our first half year, our first half year, we would have signed roughly about give or take 247 million to 250 million. Our intention, obviously, is to get to the number that you're referring to. And that is what we had also given in our earlier commentary. Now, I don't know exactly what will be our number for Q3 because it all depends upon actual signings. But I can only tell you that our funnel is improving. We have a lot of deal conversations that are currently on. And we expect our Q3 signings to be definitely much better than the Q2 signings. How much that will be? I do not know. But logically, as a management team, we are moving towards trying to sign as much deals as possible, hoping to reach the number that you spoke about. But I will ask Chandru for his commentary also.

C. Thyagarajan: On the specific question on ETR, your question was twofold. What should we be looking at as the ETR for the rest of the year and therefore for the full year FY'26, and what it would be for FY'27? For the full year FY '26, we are looking at an ETR of about between 42% and 43%. And for the second half of the year, it will hover around the 44% to 45% mark. So, that is the expectation with the federal tax that we will continue to provide for in third and fourth quarters. On a full year basis in FY'27, our expectation is that the ETR will settle down to between 28% and 30% on a run rate basis.

Dipesh Mehta: Yes, comments on the verticals.

Angan Guha: So, Dipesh, on the verticals front, if you really look at it, BFSI continues to be a growth leader for us. You are probably not seeing the kind of growth that other companies are delivering because, like I have always said, in BFSI we are predominantly an insurance, asset management, and a payments company. We don't really serve banks. Whereas the growth is coming back to the banks, our performance has been very steady. Barring the furloughs, and Q3 for BFSI specifically will have furloughs that we believe will be at the same level as last year, I think BFSI will continue to grow. I mean, Q3 may be a little bit of a flattish quarter for BFSI, but Q4 onwards again we will see growth.

As far as we are concerned, I feel, and based on what we see, based on our client conversations, all our three verticals, whether it is Financial Services, whether it is Energy & Utilities, as well as Life Sciences, will continue to show growth. Manufacturing is an issue for us. We are taking a lot of measures to get the Manufacturing business back onto the growth track, and you will have to give us a couple of quarters on that, Dipesh, but our endeavor is to get Manufacturing also to go on a growth trajectory in a couple of quarters.

Moderator: Dipesh, does that answer your question?

Angan Guha: Yes, it does.

Moderator: We will take the next question from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal: So, one of the two questions from my side. Given where we are in terms of deal wins, you rightly mentioned that we have a slippage of a couple of deals in this quarter and assuming they come in the next quarter into the fold, do you think the deal wins that we are chasing and the pipeline that we are chasing at this point of time will be enough for us to take FY'27 as a growth year? FY'26 I understand we are already halfway through, and because of a softer start, where we land up is going to be difficult. But in terms of FY'27, do you think it is a possibility that we could end up FY'27 as a growth year? That would be my first question. I will follow it up with the other question. If you can answer that, please.

Angan Guha: Vibhor, look, from our perspective, like I have said, even to both Dipesh and Sudheer, our endeavor is to kind of deliver maximum order book so that we can deliver growth for next year. I mean, directionally, that is exactly what we are doing. The entire management team is focused on delivering pipeline and delivering growth. If you ask me, our only focus over the next two quarters is to maximize our order booking and deliver strong sequential revenue performance.

Now, to your question, do we think that we have enough pipeline? You know, I don't think we have enough pipeline. We need to build on our pipeline as well. But there is a lot of work going on. That is, I can assure you, there are a lot of conversations in every single vertical that we are present in. And slowly, the conversations will have to turn into funnel. And eventually, we will have our own share of order book.

Now, directionally, if we have a good quarter in terms of Q3 and Q4 in OB, can next year be a growth year? Absolutely. I mean, that is what we are working towards. It will all depend upon how much we close in Q3 finally, and how much we close in Q4. But I can only tell you, H2 order book will definitely be much, much better than the H1 order book.

Vibhor Singhal: That's really comprehensive. Angan, thanks a lot. My second question was on the ERP business. We have seen its revenue fall off, I mean, literally from a cliff, I think from $62 million peak, we are now down to almost $46-$47 million on a quarterly run rate. So, what is that we are seeing there? I mean, if I remember correctly, we were probably harping upon an ERP refresh cycle, which could probably have taken this to a different growth trajectory. What is ailing here? Is it some project which got completed? Or we basically lost some project? Or is there not enough pipeline in the vertical? Some color on that would be really helpful.

Angan Guha: So again, Vibhor, truth be told, of course, we have a pipeline issue. But equally, you must appreciate the fact that our ERP business is very tied to our Manufacturing business. So, if you really think about it, the very fact that our ERP business is not doing well, which also has a reflection on our Manufacturing business.

Now, as a part of the refresh plan, when we are redoing our Manufacturing business to get it to growth, obviously a major part of that refresh will have to happen from ERP, including leadership refresh. So, we are looking at everything.

From a cycle perspective, the ERP, whether it is JDE or Oracle or SAP, is a long term cycle. The immediate benefit is going to the larger companies. And the benefit will slowly come to the smaller companies when the mid-tier customers try and get on to the lifecycle as far as ERP refreshes are concerned. But we are uniquely positioned. You know, we are one of the very few companies that understand JDE. And JDE, as you know, from all conversations, it is going to be on-prem at least till 2030. And I see that to be a big opportunity.

Like I have said in the past, that cycle will take a couple of quarters. Because right now, if you look at all the SAP, Oracle deals that are happening in the market, are those mega deals that are happening. But it will come to the smaller companies. And when it comes, we will be ready to capture a fair share of that market, Vibhor.

Vibhor Singhal: Thanks a lot. I just have a couple of questions for Chandrasekar sir. Two things. So, you mentioned that the adjusted EBITDA margins in this quarter, I mean, if you exclude those one-offs, is around 13.5%. Are these margins sustainable in terms of, let's say, going forward in the coming quarters? Also, I would like to have some color on the wage hike cycle for this year. When are we planning for that?

And the second question is on the ETR. You mentioned that ETR for the next year, you are expecting it to be 28% to 30%, which is still higher than the usual 25% rate that we were basically subject to. So, is there some spillover of this exceptional tax in the next year as well and could that be higher leading us to a more than 30% tax rate also in the next year or do you think we will be able to contain it within 28% to 30% range as you just mentioned?

C. Thyagarajan: Let me let me take the second question first. The ETR at 28% to 30%, the answer number one is it is sustainable in FY'27 and beyond. Two, there is no overflow, if you will, from FY'26 to FY'27. And the reason we are talking about 28% to 30% is based on our experience in some of the states in the U.S. where the tax rate slabs are different from the other states. So, depending on the kind of states we do business with, there is a possibility that the tax rates will go up or down. So, while I gave a 28% to 30% range, my view is that we will probably get a more calibrated number as we go into the next financial year. But right now I can tell you that the numbers that we have, are taking into account some of these variables. And there is no hangover, if you will, from FY'26 into FY'27, which means the federal tax provisioning that we have done for FY'26 will hold good and that will not have a recurrence FY '27 onwards. What was your first question, please?

Vibhor Singhal: The second part of the first question was on the wage hike cycle for this year.

C. Thyagarajan: Wage hike, again, will be a function of the discussions that we do and the decisions we make and it will be related to performance and retention. So, right now we haven't looked at it, but this will be a key topic that we will make a decision on in the third quarter for the next calendar year.

Vibhor Singhal: So, Q3 we don't have the wage hike for sure. We might see it coming in Q4, if at all. Would that be a right assessment?

C. Thyagarajan: That is correct.

Moderator: We will take our next question from the line of Priyank Chheda from Vallum Capital. Please go ahead.

Priyank Chheda: My first question is, of course, a lot of visibility and the discussion around the order book being done. At the first place, I refer your statement that your goal was to first deliver a sequential growth in the revenue, which I am supposing has nothing to do with the order booking but the orders that were already in the hand, we were supposed to deliver a sequential growth in Q2. What has that led to this versus what you were thinking? That is my first question.

Angan Guha: So, Priyank, let me take that question. And then probably on this topic, I will ask Chandru also to weigh in. So, look, there are two things that have happened. Operationally, in Q2, one is we have delivered about 0.1% dollar growth, which is minuscule, but at least we have been able to stabilize the quarter.

Like Chandru mentioned in his commentary also, we have also let go of some very bad businesses, which otherwise, apple-to-apple comparison would have shown maybe 1%-1.5% growth. We have taken a conscious call, and that is the right thing to do so that we were able to get rid of some pass-throughs as well as some not very good businesses. And that has a reflection on the margin improvement as well.

Our endeavor would be to continue to focus on order booking so that the future growth is secured. Right now, the reason why we are confident of the growth in Q3 is because of the deals that have closed in Q4 of last year, which transition is now over and will start contributing to our growth. Hopefully, that gives you some clarity in terms of what we are thinking about.

Priyank Chheda: No, actually not, sir. No, no, no. Sir, I will be honest enough. I am not having a clarity wherein we let go some of the business. I am sure with whatever the margin mix that you would have, at the same time, we are trying to build a solid pipeline, then also build a solid order book, something which I am not able to connect. Let me also try upon my another question in a similar fashion. We indicated that roughly $160-$165 million would be the signing that we would be doing in Q2. And I am talking about the signing that we would be doing because there was a large deal that was expected to get closed in the month of August. Has that deal been shifted to Q3 now is what you are trying to say? Or there was another deal which was already shifted from Q1 to Q2, has been shifted to Q3?

I am not able to get on both the sides wherein we let go a few business. Was it not strategically a fit? Then is there enough business on our plate to hunt for that $850 million of orders and also to grow?

Angan Guha: Priyank, let me try and give even more clarity. The deal that got moved from Q4 to Q1, we signed. That is a part of our $107 million. There are two deals that moved from Q2 to Q3, which when I say moved, I don't mean the decision has moved. The decision had already happened. The signing of the paper did not happen. As a result, we couldn't count it in Q2. We are going to count it in Q3.

Now, the other point that I was I think telling Dipesh, is that those two deals put together would have been in that range, which would have helped us to get to that $165 million in Q2. But it didn't because those deals moved. And again, just for clarity, Priyank, those deals were committed. It is only the signing of the paper did not happen. So, it is not that the deal moved. The deal is already done.

Now, as far as the $850 million for the year is concerned, that is our endeavor. That is not a commit. If you remember, even in the last quarter, we had said that our endeavor would be to maximize order book. And that is what we are at. Now, whether we end up at $800 million, $850 million, I can't say today. But our endeavor would be to deliver higher order book than what we delivered in FY'25.

Priyank Chheda: So, the two deals worth of, say, $60 million-$65 million has shifted to Q3. What would we say a Q3 normalized run rate be? I mean, I may take a note of the 65 shifting to Q3. The Q3 order book should be beyond the 65, right, which has been shifted? So, what would be that mix that we would be targeting?

Angan Guha: I can't give you an exact number, Priyank. It is very hard to give a number because order book, unlike revenue, revenue is certain. Order book, if a customer comes in, commits a deal to me, and the sign of the paper gets moved from, let's say, one quarter to the next quarter or one month to the next month, it is very hard to commit an order book, which is why my request, Priyank, is to look at order book from a year-to-date perspective.

So, your point is right. I mean, though my $60 million got shifted to Q3, the year-to-date actual number is only 247. Now, the entire management team's focus is to not only sign that $60 million, but also to deliver much more order book and drive more pipeline. Now, how much exact signings will happen in Q3? Hard for me to comment.

Priyank Chheda: No problem. Let me refocus the conversation to the large organizational changes that you were trying to do. I think what we see the update is the new Americas CEO also getting onboarded. Are there more changes pending at your end to build a sustainable organization that you already were in sight of? And then also if the new Americas CEO is there, Mr. Komal would be there on the call, so we would like to hear his immediate target, goals, and strategy around the business.

Angan Guha: Look, Komal has just joined about a month ago. You must give him a little bit of time to settle down and then definitely he will be talking to all of you. But just give him some amount of time to settle down, get a hang of the organization first, before you get to meet with him. That is point number one.

Point number two, we now have a stable organization. But Priyank, I have always said this, that the organization structure is stable and people are stable, however, we will drive performance metrics. So, we may change people due to non-performance. That we will continue to do. If people don't perform, we will get new leaders in that position. But the structure, the overall structure is stable. The majority of our leadership is stable. But some of the leaders who don't perform, we will move and get new leaders in.

Priyank Chheda: One last question on the business mix and the capabilities that we foresee. One third, which is nearly ERP driven with the manufacturing sector, do you find a requirement of more capabilities for you to bid in the wider basket of deals that are coming through? Or, within the available capabilities, do you think that even on a two-year, three-year basis, we are ready for a more than a billion dollar kind of an order book, the accretion?

Angan Guha: Priyank, that is our endeavor. From a capability perspective, we have invested a lot in our capability. Even on the ERP side, we are continuously investing, including leadership. And capability is what? Capability is the ability to use the work that we are currently doing and take it to other clients. Because we have got great capability when it comes to JDE, when it comes to Oracle, when it comes to SAP. SAP, probably not as much. Maybe we need to invest more on the SAP side.

But on JDE, I mean, just to give you some statistics, over the last decade we have done 240 JDE implementations. So, we know that field extremely well. If the question is only to kind of take it to larger and larger customer base, and like I said, I think to Vibhor, that right now the cycle is with large spenders, and when the cycle changes and comes to the mid-market, we will be ready to capture it.

We are also investing in our Data and Digital business significantly. Over the last three years, we have invested a lot more money to create our own Agentic AI platform, which is Cogito. On the basis of that platform, we have won a couple of deals. In fact, some of the deals I talked about, that got committed to us but the signing is going to happen later, is basis our agentic AI platform. So, I am feeling very confident that we have the capability.

Of course, we need to invest in more capability, which is an ongoing activity. But I don't think capability is the reason for us not growing. I think the reason for us not growing is not having enough pipeline and not being able to convert fast enough. That is what the management team is focused on.

Priyank Chheda: No doubt, sir. Best wishes. Our wishes are always with the management team. Two feedbacks, one which was shared last quarter also on capital allocation – in case we are not hunting for any, or I would reframe this, in case inorganic acquisition is not our top priority, maybe returning back the capital and improving the return ratios via buyback would be a great thing to think about minority wealth creation. That is the first feedback and I am sharing it again. And the second one, a lot of questions around the tax provisioning, right? The provisionings have gone up 60% higher Y-o-Y versus the cash flow doesn't reflect that. And given the material financial impact, it is a request that as a good corporate governance practice, we must have a separate filing done explaining the background of this increase with whatever the case example and the better clarity that can be documented itself, would be helpful. So, that's all.

Angan Guha: Thank you, Priyank.

Moderator: We will take our next question from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Angan, just one strategic question. If I look at last six to seven quarters, there has been a decline in the revenues or flattish. Except for one quarter where we have done well. So, in this transition where leakage could have been an issue, do you believe the current portfolio has now become more defensive, more sticky, more annuity? If you can share the number in terms of still the discretionary or a project-based portfolio versus defensive annuity sticky kind of a portfolio?

Angan Guha: So Sandeep, I will give you my view, but here is where I would ask Chandru to also give his view as well. So, first of all, Sandeep, you are right, over the last three quarters, we have degrown. And if you look at the last six quarters, barring maybe two quarters, four quarters over the last eight quarters we have degrown. Let me say it that way. But four quarters we grew and four quarters we have not grown.

I believe, and at least that is what even Chandru and I and the rest of the management team, we believe, that we are now at the bottom of the pyramid. This quarter, at least we have had stable revenues. Going forward, I think we can continue to grow. We will be back on our growth path. Like I said, Q3, we will grow. Q4, we will grow. Q1, a little too early to say, depending upon how much orders I close.

On the second question, our endeavor is to move our revenue from a quality of revenue perspective. And we are doing a lot of work. In fact, some of the new deals that we are winning are all outcome-based deals, which is very positive, because that also makes those engagements very, very sticky from our perspective.

I personally believe that our business is much more stickier now, and going forward, the kind of deals we want to pursue, it will become even more stickier. We do not want to do staff-aug deals anymore. We want to deliver outcome-based deals. So, that is what we want to do. But I will ask Chandru to give you specifics in terms of numbers, if you will, to the tune that as much as we can share. Chandru, over to you.

C. Thyagarajan: As you said Angan, the endeavor clearly for us is to get to continuously improve our quality of revenue with more and more annuity deals on the one hand and outcome-based deals on the other, where we are really doing cutting-edge work for our clients.

So, my current understanding of the percentages here, we would have about 65% to 70% roughly on annuity deals plus some of the long-term deals. And then the project-based would be in 30%, 35% range. So, that is the number that we have. Annuity includes our long-term deals, which we sign three or five-year, the one-year-plus deals. All of these constitute the annuity in my book. And then, of course, the project-based. So, it is at a high level, 65%-35%.

Sandeep Shah: And just a related question. If I look at ERP, around almost 14-16 quarters back, it used to be 37%. It is closer to 30%. Can you share a similar matrix here? What within ERP is still implementation project-based business versus the maintenance or upgrade kind of a business?

Angan Guha: Let me take that question, Sandeep. So, currently, if you look at all our ERP business, ERP business is not a staff-aug business. By nature, ERP is all project-based. We deliver a project. And after we deliver a project, we do the maintenance. So, today, if you look at it, and it all depends upon which business are you looking at. If you look at JDE, JDE is all implementation. It is all implementation and post-implementation support. So, technically, it may not be long-term, but it is still sticky because once you implement, you understand the systems of the client. And it is not staff-aug. It is more managed services, if you will. May not be outcome, but managed services, if you will.

But if you look at SAP for us, SAP is more about doing implementation, which are very smaller deals, and then doing support, which is probably a larger portion of our SAP business. So, it really depends upon what you are talking about.

But overall, as an ERP business, it is a high-margin business. I mean, if you dissect and if you see, it is a high-margin business. It is project-based business. And there is a lot of opportunity in my mind to work with the clients between the $2 billion to $10 billion range, which are more the mid-tier clients, where we can come in when the cycle turns, and do a lot of work both with SAP as well as Oracle, both on the JDE side as well as on the Oracle Fusion side.

Sandeep Shah: And just in terms of after Komal joining, what would be the key leadership team's agenda? Is it to create more aggression within the sales team? Or is it more to fill the gaps in the offerings to increase our addressable market?

Angan Guha: So, Sandeep, we are very clear about that. It is not only Komal. Whether it is Komal, whether it is Chandru, me, Manju, or our Chief Operating Officer, whoever, everybody's job is now to be very aggressive in the market and get growth. You have to get growth back.

Our biggest problem is our growth. The rest of the organization, thanks to everything that Chandru has done, we are stable. Our cost base is coming into control, which you have seen through margin improvement. Our cash flows are great. Everything is good. The only thing that we need is aggressive sales growth.

So, Komal, of course, comes in with a lot of aggression in his earlier company. He spent 28 years with a Tier 1 company, and he's demonstrated great success. So, not only Komal, but all of us will be sharply focused on aggressive sales and growth.

Sandeep Shah: And Chandru sir, if I look at rupee-dollar continuing at current levels, which is 88.2, which has been the realized rupee for Q2, is it fair to assume that closer to around 14.5% to 15% EBITDA margin is a maintainable, assuming rupee remains where it is?

C. Thyagarajan: So like I said, Sandeep, 13.5% to 14% is where I see our EBITDA levels at this time. I think 14% and improving from there would be a good aspiration to go with. But the base would be 14%. So, short answer to your question, a sustainable number is 14% at this time.

Sandeep Shah: And, last question, Angan ji, if I look at the top 20 clients, top 6 to 10 has been seeing a consistent decline. Is there an effort to change the mix of the top 20 clients as well? And if yes, how you are planning to do so?

Angan Guha: So, Sandeep, our top 20 clients in a cluster have actually grown. Our top 20 clients, if you look at that cluster. Now within the cluster, you are right, seven or eight accounts have not grown, which are predominantly Manufacturing accounts. But outside of Manufacturing accounts, whether they are LSS, Financial Services, E&U accounts have all grown, in the top 20 bucket. So, clearly, there is a push to revive the manufacturing set of accounts.

Now with Komal coming in in the U.S., all of us, as well as our Rest of the World business, where by the way we have won some deals and you will see that reflect in growth in Q3, our entire endeavor would be to firstly resurrect the Manufacturing business. And if we do that, automatically our cohort of not only top 20, but even the next 16 will see good growth. But we have to really get into the details and it has to be an account-based strategy.

So, look, we have got good clients, Sandeep. We have got great clients. Our clients are doing reasonably well, financially. And we have got very good names whom we have served for over 10-15 years. So, no reason we can't get growth back. We have to get that focus and which is what as a management team, we all commit to do.

Sandeep Shah: I have more, will come in the follow-up if I get a chance.

Moderator: Next question is from the line of Abhishek Shindadkr from InCred Capital. Please go ahead.

Abhishek Shindadkr: Just two questions. First, I presume that you may have reprioritized the workforce towards freshers. Given that we have let go some of the business, our utilization has dropped, the employee count is up. But despite all of this, why would our employee expense, absolute number has gone up? That's the first question.

Second, what could be the benefit to the margins because of letting go the low margin business? And the third, Chandru highlighted that our project nature of the business could be in that 35%-40% range. If I recollect, this number is similar to maybe FY'22. So, what has changed in the business dramatically that we are back to almost three years of what we were doing? So, any answers to that could be helpful. Thank you for taking my question.

Angan Guha: Chandru, would you want to take the first part of the question?

C. Thyagarajan: Yes, sure. I will take the first two questions. One was reprioritizing workforce towards freshers and the employee count and why has the employee expenses increased. So, the answer to that really is that we have had, you know, one is there is a mix that you are looking at in terms of the kind of employees that you take in based on the kind of work that we do. So, some of this reflects, I would say, the improvement or the enhancement of the kind of work that we do. That is one. But that is a small component. There are other items. You know, again, there were some benefits that we received in the first quarter based off of our performance in FY'25, the payout on variable incentives and so on and so forth. So, there were some corrections, reversal, one-time benefits in the first quarter that we did not get in the second. So, that was the second point. Third, there was a very marginal increase in headcount. So, it is a point in time statement. And that really doesn't significantly move the needle on the employee part.

The second one you had asked about, the benefit that we received on account of tail account rationalization. And that is the point that I have made in my opening commentary. So, I would say, as part of our effort to improve margins, we did some of the pruning and about 100 basis points came from not just the pruning, but also the fact that we took the time and effort therefore to focus on (1) some of our higher margin accounts,(2) some of our larger accounts, where we were able to squeeze better margin through operational interventions. So, that is really how we do it. So, it is not just the tail account itself that is giving us the improvement. It is also the bandwidth released that helps us do things differently and better on our other larger accounts.

Angan Guha: And Abhishek, from your question about our mix of business, which has not changed over the years, right? The only difference I can tell is the fact that our Manufacturing business has taken a massive hit. And the ERP business has taken a massive hit. Though while the mix of the business has not changed, because one vertical has taken a hit whereas all the other verticals have supported the business, while this has taken a hit, that has caused the issue that we have had on margins earlier. But now, like Chandru has explained that we have taken some very drastic calls, we have taken some bold decisions. So now, like I said earlier also, we are very comfortable with our costs plan. Of course, we have got to do a lot more on costs as well. But I think our bigger priority as a firm is to drive pipeline and growth. And if we can get the pipeline going, order book going, and eventually revenue growth going, then the margins can easily be sustainable.

Abhishek Shindadkr: That is helpful, sir. And thank you for answering my question. Just to follow up to the answers that you said, so, Chandru sir, just to clarify, the one-off was 150 bps, FX was 100 bps, and then the let go of low margin business, the number that you mentioned should have been captured in this FX plus those one-offs or in the 150 bps or in the 100 bps? Just to clarify that.

And the other follow up is, again, sorry to harp on this, but the presumption is that SAP business would have been project nature. That is not contributing. The mix is away from SAP, Oracle, ERP business. And despite that, the mix of business is more project. So, I am just trying to understand, has anything from a strategy perspective changed? And probably what could be the interventions that Mr. Jain and you could take to kind of move this to a more annuity nature of business? Thank you again for taking my questions.

C. Thyagarajan: Abhishek, let me take the first part. You know, you are talking about the improvement in account of the tail account rationalization. I said 100 bps. So, there are three components. There is 100 basis points that was on account of the exchange delta, about 150 bps on account of maybe the one-offs. And net of that, the 16% would have come down to 13.5%. And there is still an upside between the 12.4% in Q1 and the 13.5% in Q2. I was trying to explain that delta of 110 bps. I am saying out of that, the operational efficiency that we drive on two accounts; one is working on the large deals where we get so much more focused because we are trying to, we have been working on the tail account rationalization for some time, as you know, and this will be a continuous exercise. It is just spring cleaning that we continue to do. As we do that, there will be some bandwidth released on account of that, which will help us focus on the larger and more strategic accounts and what we call the growth accounts. Two, the tail accounts itself, which are not significantly profit-accretive, we get rid of them. See, there are some tail accounts which will grow. So, those are part of our growth accounts that will continue. There are these tail accounts that are neither growing nor are giving us the, I would say, the benchmark profitability that we are looking at, and those are the ones that we clean up. Both put together is the 100 basis points I am talking about.

It is part of the overall improvement, and which is why I am saying that is a sustainable component, and the full impact of some of the efforts that we have made, this starts showing Q3 onward, which is why I am confident 14% at a steady-state level is an achievable and expected EBITDA to be.

Angan Guha: And, Abhishek, let me answer your intervention question. So, one is we keep saying ERP has not done well, which is a given. So, there are multiple interventions we are doing on the ERP business. Some of it we don't have enough time to discuss. There are a lot of interventions that we are doing. But the bigger issue is that we also have a very large Digital & Data business now, which is almost $300 million, and that is growing. We are investing in that business also, and that will grow. And plus now we have a sustainable Infrastructure business, which is outside of the pass-throughs. As some of you have noted, we have got out of the pass-throughs, and even then the Infrastructure business will continue to grow. But the larger point being that our top 24 accounts, the next 16 accounts, and then the next set of 50-odd accounts that we have, which are good, solid names, we need to get into those accounts and we should mine those accounts and get growth back. And that will be Komal, and not only Komal, but Komal and the entire management team's responsibility.

Abhishek Shindadkr: Super helpful, sir. Thank you for taking my questions, and best wishes on the rest of the year.

Moderator: We will take our next question from the line of Aayush from Dymon Asia. Please go ahead.

Aayush: A couple of questions on 3Q growth. So, you have already alluded that 3Q and 4Q would be better for us. But at the same time, you said that BFSI would be kind of flattish, and Manufacturing would take a couple of quarters. So, what is leading in the other two verticals for us to show the confidence in terms of growth from Energy and Life Sciences? That is the first thing. And the second thing that I have observed is the T&M part of our business has increased sharply from almost like 40% to almost 51% in just a quarter of time. But at the same time, we are maintaining that we would be kind of focusing towards more of an outcome-based deals. So, is it kind of a one-off that one should be treating, or is it like the steady state thing that T&M would gradually decline from 50% or maybe it would stay at these current levels, and we can see this thing as a normal thing going forward? So, these are the two questions.

Angan Guha: So, Aayush, I said BFSI will be a flattish quarter in Q3 alone, because obviously there are furloughs in BFSI. Our other accounts don't see furloughs, which is why in one quarter we would see that little bit of bump in the road. But Q4, again, BFSI will grow. So, that is clarification number one.

The reason, like I said, we are getting the confidence is because of two reasons. One is all our other verticals. Whether it is Life Sciences vertical, whether it is Energy & Utilities vertical, we have a small Technology vertical business, all of that is growing.

We are also seeing good growth in Europe thanks to some of the deals that we closed in Q4 where transition is over and it is going to come back. Manufacturing will continue to be a drag. It will continue to be a drag for Q3 and Q4, but all the others will overcompensate, which is why we feel that we can get positive growth.

Second question of yours, Aayush, is in terms of T&M. T&M, you should look at it more as a commercial model than anything else. I feel our endeavor will be to reduce that…well, I will not call it T&M, commercial model, let us leave it behind, but our staff aug business we want to reduce.

Now, even in a managed capacity, we may bill a client on a T&M basis, but they may not be TNM businesses. They may be managed capacity or what have you. Our endeavor, like Chandru said earlier in his commentary, and I also alluded to that in my commentary, our endeavor will be going forward, all the deals that we do will be either managed services or outcome-based or managed capacity. We are staying consciously, we will stay away, and I repeat, we will stay away from staff-aug business, where we are just putting bodies. We will stay away from that business.

C. Thyagarajan: And just to add, Aayush, if I may, just to add to what Angan said, the Time & Material as a commercial construct, based on the construct that we have with the customers, and a lot of the new age deals that we do, continuing to do, the outcome-based deals, the AI-led deals and so on, the commercial constructs are certainly different from what we had in the past.

And to your question on whether this is one-off, the answer is no. And this is sustainable. It could hover around this percentage that we are talking about, roughly 50-50. And that is where it is at this time, and will continue for some time to come.

Aayush: Just to follow up on the previous answer, that when we say that Manufacturing would be a drag, so it would be great if you can just explain us in terms of qualitative terms maybe, not in the numeric terms, that the kind of a degrowth that we have seen in 1H, or maybe like 1Q or 2Q, the similar trend can one expect, or is it now the trend should start favoring us towards the end of 4Q?

Angan Guha: So, Aayush, like I said, that we are making some structural changes in Manufacturing business. Some of it, I can't talk about it, because those are internal to the company. And some of it probably needs a more deeper explanation. So, which is why I said, let Komal settle down. When Komal gets a complete handle on the business, he can allude at strategy. But, to answer your specific question, I see softness in Manufacturing in 3Q, as well as in 4Q. Next year onwards, Manufacturing can get back to growth. But the other verticals will overcompensate for the Manufacturing business, as we see it, in 3Q and 4Q.

Moderator: The next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: No, thanks. My question has been answered.

Moderator: We will take our next question from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Just one question in terms of, you also said that TCV wins would be better in 3Q and 4Q, both on a Q-on-Q, or that is only a comment for the revenue growth?

Angan Guha: So, revenue, we feel, and revenue, again, we can't obviously give guidance. Like I said, if the furloughs remain at the current level, as we know, which is equivalent to the last year, Q3 we definitely see a Q-o-Q revenue growth. Q4, a little too early to comment, but we feel structurally our direction is that even in Q4, we will deliver quarter-over-quarter growth, which means our revenue for H2 will be better than H1. That is comment number one.

On TCV, I said, please measure us on a year basis. Our endeavor is to deliver higher TCV than what we delivered in FY'25. That is a given. FY'25 whatever we delivered, our endeavor will be to deliver a higher TCV. But the comment that I had also made is that our endeavor is to try and take the TCV past that 800 million, closer to 850. But I don't know whether we will achieve that or not because that is our internal aspiration. I may not achieve that. I may end up at 800 or 790 or whatever. I don't know that yet. But our endeavor will be to get there.

So, today, we are taking baby steps at a time. We are building our pipeline. We are trying to increase our conversion ratio. We are trying to move work from rather than staff-aug kind of work to more managed services, managed outcome-based model work. So, most of the deals that we are now contesting are towards that region. So, that is the overall comment, Sandeep.

Sandeep Shah: And sir, last thing on Time & Material, a follow-up question, when it goes up from 39% to 51%, will it be a hurdle for higher impact through furloughs, because those businesses are being stopped versus fixed-price project businesses continue even if clients ask for a furlough?

Angan Guha: So, Sandeep, like Chandru also mentioned, that is a commercial model. We don't believe that that commercial model will impact our growth because of furloughs. And by the way, we are in the month of November. We already have a fair idea in terms of what will be the furlough that we will go with. Currently, I can tell you, it is in the same levels as last year. But again, we don't know. Anything can happen. If it changes, we will come back to you. But currently, we don't believe furloughs will be any different than what it was last year, whether it is T&M or what have you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Angan Guha, CEO and Managing Director, Birlasoft Limited, for closing comments. Over to you, sir.

Angan Guha: Thank you very much. So, first of all, I would like to thank all of you once again for joining us on this call today and for your insightful questions. I appreciate your interest in Birlasoft. Our fundamentals, like I said earlier and Chandru alluded to as well, remain very solid. It is very strong. We now have a very reinforced team. We have added a lot of leadership to our team who can take us to the next phase of our growth journey.

Despite the challenges that our industry is facing, we expect the second half of FY'26 to be operationally better than the first half. I look forward to speaking with you again next quarter. And in the meanwhile, please feel free to reach out to Abhinandan for any clarification or feedback. Thank you once again. And have a good evening, good morning, wherever you are.

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

(This document has been edited for readability purpose)

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