

May 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.

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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 April 29, 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 April 29, 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
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Sneha Padve
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Birlasoft Limited Q4 FY24 Earnings Conference Call

4.30pm IST, 29 April 2024

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

Note:

1. This is a transcription and may contain transcription errors. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.
2. Any of the statements made herein may be construed as opinions only and as of the date. We expressly disclaim any obligation or undertaking to release any update or revision to any of the views contained herein to reflect any changes in our expectations with regard to any change in events, conditions or circumstances on which any of these opinions might have been based upon.

(1 crore = 10 million)

Moderator: Ladies and gentlemen, good day, and welcome to the Birlasoft Q4 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in 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 touch-tone 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. Over to you, sir.

Abhinandan Singh: Thank you, and welcome folks. By now, you have received or seen our results. Those are also available on our website, www.birlasoft.com. Joining me on this call today are our CEO & MD Mr. Angan Guha and our CFO Ms. Kamini Shah. We will begin the call today 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 could be a forward-looking statement and therefore that must be heard or read in conjunction with the disclaimer that appears in our fourth quarter and full financial year FY '24 investor update, which has already been sent to you 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. Good evening and good morning to everyone wherever you are, and thank you for joining us today where we will share some perspectives on our fourth quarter as well as our full year FY '24 performance.

FY '24 actually marked the first full financial year since I've taken over. And while we've made multiple improvements across our financial and operating parameters, I'm also very encouraged by the actions that we have taken to secure our long-term profitable growth objectives. This includes building a team that excels at execution and fostering a culture that drives greater accountability and swifter action. It also entails creating or scaling up capabilities that will drive future growth.

An example of that is our early adoption of the opportunities that are emerging out of technologies like Gen AI. We are using our specialized domain expertise within each of our verticals and sub-verticals, and together with our tech capabilities, we are creating offerings that are very relevant for our clients.

With our new leadership firmly onboard in our Rest of the World business, we are also actively exploring opportunities to grow our geographies which is outside of the Americas. I believe that a few years from now, when we look back at FY '24, we will look at it as a year where we laid a solid foundation for both our domain as well as our capability-led expertise as an organization.

Now with that context, let me come to the Q4 performance. So I trust all of you have seen the results. Our quarter 4, we have grown revenues by 1.6% in constant currency and 1.6% in reported currency quarter-over-quarter. On a year-on-year basis, we have grown our business

10% Y-o-Y. The growth becomes even more emphatic once we recognize that it has come on the back of a very strong Q3, and in the process we have continued to rationalize our tail accounts. This quarter, we have further rationalized our tail accounts and now our active accounts stand at 259 from 272 from a quarter ago and 288 from a year ago, so that we can free up resources and our capabilities to focus on high potential accounts.

Along with the healthy revenue growth, we've also witnessed further expansion in our EBITDA margin. Our EBITDA margin for quarter 4 stands at 16.3%, which is a 31 basis points growth quarter-over-quarter. You may recall at the start of the financial year, we have indicated that we would like to exit the year with 16% EBITDA margin, and I'm happy to note that we've been able to deliver above that number. You would have also noticed that our PAT, profit after tax, growth quarter-over-quarter is almost 12%. We touched INR 180 crore of PAT for the quarter.

Our deal momentum also has been strong. We signed deals worth \$240 million TCV, and 45% of this \$240 million have come in, in new deals. We've closed two rather significant deals: one in an existing BFSI client and another in a Healthcare client where we are rolling out JDE engagement for our ERP service line. The deal flow trajectory also reflects the shift of customer priorities and longer decision cycles, which I have said even in my previous commentary. The clients are taking longer time for decision-making, but equally our pipeline is at an all-time high.

Now coming to the full year. Full year in terms of rupee terms, we've delivered INR 5,278 crore of revenue for FY '24. It is 12.7% growth in rupee terms and 9.5% growth in dollar terms outside of the Invacare situation. Our EBITDA margin for the year stood at 15.8%, up from 14% last fiscal. Our profit after tax has grown 88% to INR 623 crore for the fiscal FY '24. We've also generated good cash flow during the year, and Kamini will talk a little bit more about it as we go forward.

We find that emerging technologies like Gen AI are now a part of almost all our conversations with our customers and our prospects. In this area, we have been early adopters. You will recall in July of last year, we've set up a Generative AI Center of Excellence with collaboration with Microsoft. Initially training 500 of our consultants on Gen AI. We had later extended that to cover all our technical resources. I'm happy to share that now we are a Gen AI-ready workforce. Recently, we also launched our comprehensive Gen AI platform, Cogito. This platform, with accelerators tailored for every stage of the enterprise Gen AI journey, enables us to deploy Gen AI at scale.

We now have multiple success stories around Gen AI. In many such cases, we've been able to layer Gen AI on top of our analytical AI, creating greater insights to drive decision intelligence. I look forward to sharing more on our progress in the subsequent quarters.

As we look forward, the past few quarters the demand environment has been quite challenging and marked with a lot of uncertainty. And the situation going forward is not going to change. We see the situation in the market nothing different from what we saw in the past 4 or 5 quarters. We continue to see clients' decision-making becoming slower, and uncertainty continues.

While our clients continue to realign budgets, taking the money away from discretionary spends and pushing decisions out, we continue to be focused on our execution capability. We've demonstrated solid execution capability over the past 6 quarters, and we will continue to focus on our execution capability going forward.

In that backdrop, as you will appreciate, the markets are going to be tough, but we feel confident that with our execution capability we will be able to serve our customers much better.

At this point in time, I will ask Kamani, our CFO, to share her perspectives of the quarter under review.

Kamini Shah:

Thank you, Angan. Good day, everyone. Thank you for joining us. It's a pleasure to talk to you again. Let me take you through the financial highlights for the fourth quarter of FY '24 and for the full year. As far as quarter 4 is concerned, as you would have seen, we have reported a revenue number of \$163.9 million. This represents a dollar term growth of about 1.6% quarter-on-quarter and about 10% year-on-year. In rupee terms, it's a sequential growth of about 1.5% and a year-on-year growth of 11.1%.

Our revenue performance during Q4 comes on the back of two consecutive strong quarters. This includes a fairly robust growth, as you would recollect, in a seasonally soft third quarter where we had been able to compensate for the furlough impact to some short-term projects that have got over and with also more offshore base. This has helped us smoothen the revenue trajectory that one normally sees during the H2 quarters. The top line in Q4 also reflects the challenging macros affecting not just transformational but also discretionary engagements.

Our growth in Q4 has been largely led by BFSI, E&U and Manufacturing among the verticals, which have grown at about 4.4%, 4% and 3.6%, respectively. From an offerings standpoint, our growth during the quarter has been largely driven by ERP which grew at 7.6% and Infra services which grew at about 6.1%. The strong performance delivered by these segments in the prevailing demand conditions and even after some more rationalization of our tail accounts have been driven by ramp-up in some of our earlier won deals as well as sustained account mining. Our ERP business has also benefited from opportunities unfolding in the system of record space that is witnessing a gradual shift towards the Cloud, while the Infra business continues to see traction in network takeouts, AIOps, and cloud infrastructure services.

At the same time, services that are more correlated to discretionary spends and where spending is getting a little readjusted as customers evaluate leveraging Gen AI, such as Data and Analytics, had a relatively tepid performance during the quarter. This, to some extent, also explains the softness of our Life Sciences & Services vertical, which tends to have a relatively heavier skew towards such engagements.

Now moving on to the EBITDA performance. As you would have observed, our EBITDA for the quarter was at \$26.7 million, which translated to about 16.3% EBITDA margin and an expansion of about 30 basis points quarter-on-quarter. And this also translated to a year-on-year improvement of about 265 basis points. This margin expansion has been achieved despite all the ongoing investments that we are making in our business as well as the sequential drop in both

utilization and offshore revenues as some of our projects got over. We have been driving significant operational efficiencies, including lean and automation, which is part of our Optimus initiative. On a year-on-year basis, a significant improvement in our attrition rate has also been a contributing factor.

During the quarter under review, we have received a sum of \$2 million relating to an insurance claim that we had made with regard to the erstwhile Invacare engagement. This has resulted in a higher Other Income for the quarter. This insurance claim, of course, as you would be aware, is onetime in nature. As a result, the PAT for the quarter has increased by 12% quarter-on-quarter and about 58.9% year-on-year to about \$21.7 million. Our effective tax rate has been at about 25.7%, and we do expect our ETR to stay in the range of 25% to 26%.

Now let me move on to the full year performance. We have reported consolidated revenue of \$637.2 million, which is a growth of about 7.1% in dollar terms and 6.7% in CC terms. However, if we exclude the contribution of Invacare in FY '23, the revenue growth for the year under review would have been much better at about 12.7% in rupee terms, 9.5% in dollar terms. EBITDA for the year was at \$100.9 million. In fact, this is the first time we have crossed the \$100 million mark as far as EBITDA is concerned versus 84 million in the previous quarter, and this has been a growth of about 20%.

Our EBITDA margins have expanded by about 180 basis points to 15.8%. Again, this is a comparison of our FY '23 EBITDA before the onetime provision that we had made for Invacare. Factors that have contributed to the EBITDA margin, in addition to the ongoing Optimus tech transformation initiatives have been better manpower metrics, including attrition and utilization and an improvement in the quality of deals that we have been securing.

Our PAT for the year was at \$75.3 million, up at 81.2%. PAT margin was at about 11.8%, making a significant improvement of about 490 basis points year-on-year. Our Other Income, as you would have observed, has been higher. This is largely because of higher interest income, forex gain and onetime benefit of the insurance claim that I just spoke earlier of. Our earnings per share for the year for FY '24 stood at about INR 22.54. This was versus 11.96 in FY '23, and that's a growth of about 88%.

Now let me quickly touch upon some key balance sheet items. Our cash and bank balances at the end of Q4 stood at about \$209 million. This is an increase of almost 52% from the \$137.3 million that we had a year ago. DSO continues to be a focus area for us, and we believe that we are one of the best in the industry. We are currently at about 55 days. As a result, for the year FY'24, our operating cash flow has been at about 86% of EBITDA, which reflects our ability to consistently generate strong cash flows.

In line with our track record of prudent capital allocation and rewarding shareholders, at their meeting today the Board of Directors have proposed a final dividend of INR 4 per share, subject to shareholders' approval. This is on top of an interim dividend of INR 2.5 per share that was paid out during the preceding quarter.

In conclusion, I would like to state that we have significantly invested and reinforced our teams and our capabilities both at the front end and at the back end. While we will continue to make investments that are required to create and scale up our capabilities for long-term growth, we will also be driving multiple initiatives across the company to increase our operational efficiency. We believe we are entering the new financial year with a much more stronger operating profile than a year ago, and we will remain focused on execution while navigating the prevailing macro environment.

Thank you very much. Back to you, Abhi.

Abhinandan Singh: Thanks, Kamini. Moderator, let's open the floor for questions.

Moderator: The first question is from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon: Congrats on a pretty good progress, growth. Could you talk a bit about -- you said that the macro is still very challenging and the demand outlook not very encouraging. So how do you say this changed through the quarter? And how do you think this is compared to where we were last year?

Angan Guha: From our perspective, the clients that we serve, we don't see any material changes from what we were seeing about one year ago. There was a lot of volatility about one year ago, there was volatility two quarters ago, there was volatility last quarter, and we saw a lot of volatility this quarter as well. Going forward, Ravi, our belief is the volatility will continue. It will be more of the same. So there is no material changes.

But you must also appreciate, this is a year where 60 countries are going into election, right? The big countries that we serve, the United Kingdom, the United States, India are all in an election mode. So it is very difficult for us to kind of conclude in terms of how the economy will move. When we speak to our clients, our clients say that it's more of the same, it's not improving. Whether it will deteriorate or not, it is hard to say. So our endeavor, Ravi, will be to continue to focus on execution. We've delivered a strong year and we want to continue to focus and try and deliver above the industry average growth.

Ravi Menon: And saw that you've done well in BFSI, and this has not been something that Birlasoft was very strong at. Could you give us a bit of color on what's working for you in BFSI?

Angan Guha: So Ravi, from a BFSI perspective, clearly, account mining is working. We're creating larger and larger accounts. Now we have a very large account in BFSI which is doing well for us. We are also opening a couple of new logos, which has helped us bounce back in 4Q. If you remember, in 3Q, we had a little bit of softness in BFSI because of the seasonally weak quarter, a lot of furloughs happened in 3Q. But in 4Q, we have bounced back.

I'm bullish about BFSI, in general, I've always have been bullish. I think BFSI will continue to drive a lot more growth. But like I keep saying, for us, BFSI is a very small business. So from that perspective, we need to win much more, and we will win much more. But we are quite pleased with our performance in BFSI last year.

- Ravi Menon:** And one last question on the Life Sciences, the decline. I'm not sure I missed something, but could you talk a bit about that?
- Angan Guha:** Yes. So the majority of that is really Invacare, if you really to remove Invacare, then even Life Sciences has grown 7% year-on-year, right? So I don't see that to be an issue. But let me just talk about 4Q. 4Q Is a seasonally weak quarter to the clients that we serve in healthcare. You would have seen the last two quarters, 2Q and 3Q, we had strong growth in healthcare space. Q4, seasonally weak. I feel we will see two more quarters of pain in healthcare but the growth will be back. Fundamentally, I don't think there's anything wrong with the business. I think we are happy with where we are going. We're continuing to invest in the business. We are winning more deals and more clients. So over a long-term basis, we are very bullish on healthcare, Ravi.
- Moderator:** The next question is from the line of Manik Taneja from Axis Capital. Please go ahead.
- Manik Taneja:** Angan, while my question pertains to certainly seeking some clarification on the Life Sciences vertical in the current quarter, was this weakness as part of the business plan? Or this came as a surprise to you? That's question number one.
- The second question was with regards to the client rationalization that we've been doing at the bottom end of the pyramid. This has been an ongoing journey over several years. And just want to essentially understand what do you think or where do we essentially start to think about new customer logo additions or there might be more rationalization to go with?
- Angan Guha:** Thank you, Manik. First of all, the Life Sciences softness in 4Q is a part of the plan. It is not a surprise. We knew it all the while. And if you look back in history, 4Q has always been a little softer for healthcare barring the three years or four years ago when we won the large deal with Invacare. But outside of that, if you look at it, always 4Q has been soft for healthcare. So just to clarify, it is a part of the plan and I don't think there is anything more to it. But equally, healthcare business, I continue to see -- at least the clients that we serve, we continue to see softness, at least for a couple of quarters. So Q1 and Q2 will be soft. I'm stating that upfront. But after that, we will be back on growth, and that I'm pretty confident about.
- On the rationalization, look, we will continue to rationalize. If you remember us 18 months ago when I joined the firm, we had about, what, 299 clients we used to serve and I said that we want to get to 200. Now we've got to 259. We will continue to rationalize more. But in the set of the 250 or 220 wherever we end at, Manik, we will have good logos that we can really scale.
- And I think at our size, if we can do a good job with even 200 clients, we can be in a very different space. And by the way, some of the margin uptick that you're also seeing Manik, is thanks to rationalization. We've been able to get out of some logos which gave us revenues but did not give us too much margins. So I'm quite pleased in terms of the way the team has executed, Manik.
- Manik Taneja:** Sure. If I can ask one more question, this was with regards to our cost breakup between employee expenses and other expenses. If you could help us understand what drove the decline in employee manpower expenses despite the fact that we added headcount, we had an on-site centric growth? And what drove the increase in other expenses?

- Kamini Shah:** So Manik, this is Kamini. I'll take that question. We've had a reduction in our employee expenses. I think it's largely because it's cyclical in quarter four from our standpoint, where I think leave encashment is probably one of the areas where we do a true-up, largely in the U.S. market. And that's the reason why we are seeing a benefit as far as the current quarter is concerned.
- Angan Guha:** And that will be only for the quarter, Manik. As you know, that we are completing the year -- we completed the year. So we wanted to do the leave reversals. So that will not sustain. Obviously, employee expenses will go up because we continue to invest in our business.
- Manik Taneja:** But is that an annual phenomenon? Because I don't see that playing out in the prior years.
- Angan Guha:** Yes. That is an annual thing, you're correct.
- Manik Taneja:** Okay. But is it something new that you have adopted because we don't see that phenomenon playing out in the prior years?
- Kamini Shah:** The only reason, Manik, that you see, I think the impact has been a little higher this year. That's the reason why it's a little stark for you. In addition to it, we've also been driving our operational efficiencies. So I think it's a combination of both the factors, which is the reason why you're seeing it a little starker from that standpoint. So you would have seen some aspect of it also last year also. But I think some of the operational initiatives, lean automation that I spoke about is also helping us optimize our employee cost. So it's a combination of both the factors.
- Manik Taneja:** Sure. And if you could just clarify on direct expenses part as well?
- Kamini Shah:** On the direct expenses, you would have seen an increase overall. There are two reasons, as Angan had called out in the past. We are investing in our ROW – we've got a new CEO who joined us last quarter. So we're building that organization and investing in those capabilities. I think that's the reason why you would see some of that cost aspect going up as we are building that organization. But that's overall in line with the plan that we have set up, that would be a significant reason for the same.
- Moderator:** We have the next question from the line of Sudheer Guntupalli from Kotak Mahindra Asset Management.
- Sudheer Guntupalli:** My first question is, even in FY '24, to adjust for that Invacare impact, I think we are almost at industry-leading growth, that being your first year where we were going through many of the structural changes within the company. Now, your prior comment from your prepared remarks about in FY '25 being higher than industry average growth, how should we read that statement? Does that refer to the worst case expectations? Or is there something else that we may have to know at this point?
- Angan Guha:** Sudheer, thank you for the question and it's an important question. The only reason we say this is because we do not know what the future holds. Because the future is very uncertain. But there are two things we know. What we know is the discretionary spend is actually going down for most clients.

And you would have seen that commentary coming from all companies that discretionary spend is really getting pushed out to future quarters and we are no different. We are seeing essentially the same thing, but what we can commit to you is we will be focused on execution every quarter and we will, of course, aim to deliver industry-leading growth.

Now what that number is, we can't guide. It is very, very hard to guide. And especially in a year which is so volatile, it will be very hard to say. But all I can commit to you, like I said, is that we will be focused on execution. We will, as we have done over the last six quarters, take one quarter at a time. And we will try and put our best foot forward in terms of executing. You must also appreciate, Sudheer, that we are building the business for the long-term. We are not building the business for quarter-on-quarter. I know quarter-on-quarter performance is important and we will keep a focus on that. But I'm going to really go ahead on a limb and invest much more for the future including building up more domain capability. We've done a lot. We've got a lot more to do, a lot of technology capability under Selva our new COO. Again, we've done a lot, but we've got a lot more to do. So we want to truly become a world-class company and for the next 2 to 3 years, we will continue our investment model, Sudheer. So that's probably all I can say at this stage. I mean, we'll be focused on delivering industry-leading growth.

Sudheer Guntupalli: Sure Angan. Thanks for that clarification. And my second question is in terms of margins. So you are ending the year at a high note of 16.3%. So what is the outlook for FY '25 in terms of margins and what are the puts and takes to it?

Angan Guha: So Sudheer, again, like I said, we will continue to invest in our business. And I've always said that we will be in the narrow band. I mean, if you remember last quarter when we spoke Sudheer and I remember you had asked me the same question. We said that we will be in the narrow band and we've been in the narrow band.

Now, we don't give a guidance. So I can't tell you exactly what my Q1 margins would be or Q2 margins would be. But we would be very happy as a management team if we can continue to invest, build a lot of capability, keep our margins in the narrow band and deliver industry-leading revenue growth. If we can get to that situation I think we'll be pretty satisfied.

Sudheer Guntupalli: Thanks Angan. All the very best and have a great year ahead.

Angan Guha: Thank you Sudheer.

Moderator: Thank you. The next question comes from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal: Thanks for taking my question. Angan two questions from my side. The growth in ERP of course was very strong in this quarter. So if you could just maybe talk a bit about the sustainability of this growth, how do you see it playing out over FY '25. Of course in the long-term we've talked about a lot about the ERP refresh cycle. So any early signs of that setting in or do you think it's still a good time away? And on the counterpoint, anything to worry about the growth being not so great in the other service lines that we have and then probably I have a follow-up for Kamini.

Angan Guha: Sure. Vibhor, ERP business, like I had said in Q2 you would remember that we are bottoming out. Q3 we showed slight growth. Q4 has been exceptional for us. Is that sustainable at that growth level? I don't know, I can't comment. But I can only tell you that we are pretty pleased with the kind of leadership that we are building in ERP, the kind of relationships that we are building with SAP, with Oracle.

I think we are very pleased with the kind of investments that we have done on all of that. So I would suspect that our ERP business will continue to do well. Now how much would it grow? I can't really comment because like I said the market is so volatile, it's hard to comment, but we are pleased with the investments that are going in. What was your second question, Vibhor?

Vibhor Singhal: The question was, I mean, on a similar note the other service lines data analytics, digital and infra, they all reported a modest performance. So anything to read into that or just a seasonality thing?

Angan Guha: No, I mean, our Infrastructure business actually did very well and the Infrastructure business almost grew 6.1% sequentially. So they have done very well. Our Digital and Data business, our Digital business has grown 20% year-on-year. I still -am not very happy with our Data business performance and now we have new leadership to run our Digital and Data which will also create a lot of AI capability.

So I would say that by and large I'm bullish about our Digital, Data, our ERP and our Infrastructure business. Now the question is when do we get to industry-leading growth in Data and we are putting a lot more investments, we have hired a lot more people to just look at our Data business. Because, Vibhor, as you will realize, unless we've got a great Data business, we can't build a great AI business. So that's a clear focus for us. But I will admit that in Data we've not done well, but in Digital, Infra, ERP, I think we've done exceptionally well.

Vibhor Singhal: Got it. Thank you Angan that's for the detailed explanation. Just one follow-up question for Kamani. So I mean, if I look at the margins and I think, Sudheer also mentioned margins in this quarter was quite great, and as we continue to invest into the business the margins will be in the narrow band, but from a longer-term point of view what is the aspiration going to be? I mean will this 14% to 15% kind of a band be our long-term target as well or over the next couple of years do you see some, let's say, levers and scope for margin expansion taking it to maybe some different desired levels and if whatever they could be, if you could throw some light on that?

Angan Guha: So Vibhor, let me take that question and maybe Kamani can add if Kamini has a different point of view. From our perspective like I said, for the next 24 to 36 months we will be in an investment mode and we would love to keep the margin in a ramp narrow band. And if you realize that when we invest we will invest upwards of 1% or 1.5% of revenue in our business. So even if we can keep the margin at a narrow band, we'll be incredibly satisfied. But in the longer-term once our business crosses a billion dollars, we clearly see margin improving.

Because our business is high on operating leverage and as the revenue becomes larger and larger our margins will only continue to improve. Now you may not see that improvement over the

next year or so because we want to invest, but once we become a larger company, which we will very soon, you will see our margins inching up to higher levels from now.

- Vibhor Singh:** Thanks for taking my question and wish you all the best.
- Angan Guha:** Thank you Vibhor.
- Moderator:** Thank you. The next question is from the line of Shradha Agrawal from Asian Market Securities. Please go ahead.
- Shradha Agrawal:** Congratulations on a great quarter again. A couple of questions. First is if I look at the revenue growth number it looks a bit muted despite a 200 bps increase in our on-site revenue contribution. Just some clarification there?
- Angan Guha:** Let me start and maybe Kamini can add. So, look, we also have some runoffs in terms of project sending offshore which is why you will see the on-site revenues going up this quarter, but that is not a sustainable thing. I mean, it will probably correct a little bit as we go into Q1 and Q2.
- So from that perspective you should read the numbers from that standpoint. Now one can argue whether 1.6% was a little muted or not, but it has come on back of 1.8% in 3Q, almost 3% in 2Q and almost 4% in 1Q. So from that perspective we are pretty satisfied with the way the year has panned out and with the margin expansion of almost 1.8% the combination of revenue growth and margin expansion at least I feel that we've executed very well, Shradha.
- Shradha Agrawal:** And another question here is, last quarter, you had indicated that on revenue growth to some extent...
- Moderator:** The line for you -- the volume is very low. If you could please speak into the mic or use the handset mode.
- Shradha Agrawal:** Revenue growth last quarter was helped by some short-term...This time also did we have any such help from short-term projects?
- Angan Guha:** No, we didn't. Shradha, last quarter when we talked about the short-term projects that was only to offset some of the furloughs that we had last quarter, it was a seasonally weak quarter. Not to say that we will not pursue short-term projects, because short-term projects is a way for us to showcase our capability on the domain side, on the technology side. So we continue to pursue that. But in this quarter we didn't have too many short-term projects because as a company we also want to pivot ourselves to long-term, sustainable, annuity-based revenue and that's a big focus of the company. So in the third quarter, we did what we did in terms of overcoming the furlough quarter because we wanted to execute well, but this quarter we did not see too many short-term projects. It was there for sure, but not as much as we saw in 3Q.
- Shradha Agrawal:** Last question if I can ask. You have indicated that you would be growing at industry-leading number in '25, but how should we look at that number given the context of deals TCV being flat on a Y-o-Y basis?

- Angan Guha:** So Shradha again a terrific question. Look, our deal TCV though has been flat you must also appreciate that our new deals wins have been strong. Clearly, our focus is to win more and more deals. Our pipeline is currently growing. The one thing however I will tell you Shradha is the decision-making is getting pushed out because the discretionary spends are getting pushed out.
- So I can't really comment in terms of what that growth number will be. I'm sure nobody can really comment, with the kind of volatility that we are seeing in the market, but with the execution engine that we have created within the company I feel reasonably confident that we will drive industry-leading growth. Now what that number is is hard for me to tell, Shradha.
- Shradha Agrawal:** That's very helpful. And all the best, sir. Just one question for Kamini if I can squeeze in. Ma'am, the segmental margin manufacturing segment has moved up by almost 500 bps on a Q-on-Q basis. So anything there to read into?
- Kamini Shah:** No, Shradha. I think there's also been some ramp-up of projects that we've had at that point of time. So I think transition revenue has given us some benefit on that, but other than that there is nothing that is very significant for you to look at.
- Shradha Agrawal:** Sure Kamini. Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.
- Sandeep Shah:** Thanks for the opportunity and congrats Angan for a great execution in the last 1 year under your leadership. The first question is, I think in FY '24 despite macro pressure, ex of Invacare we have done upwards of 9% constant currency growth and FY '24 being a tough year with some emerging green shoots highlighted by some of your large peers I do agree, you commented that the industry leading growth is again possible in FY '25, but do you believe we can be slightly better versus a high single-digit growth in FY '25? I just want an answer on directional basis, I do agree we don't give any guidance.
- Angan Guha:** So Sandeep, I'm not trying to sandbag or say something that -- trying to hide something. The reality, Sandeep, is the markets are really very volatile, right? The companies who have said that this year, FY'25, will be better than FY'24 are companies which have delivered lower end of the revenue growth, as you know. For us, we've already delivered 9.5% dollar revenue growth and 12.7% rupee revenue growth.
- And by all set of imagination, we may not be the best mid-tier company but we are right up there. So for us, when you look from our context, right, can we repeat that performance? Of course, I want to repeat that performance. But can I commit to it today? I cannot commit, because we don't know what we don't know.
- Our endeavor will be to continue to focus on execution, serving our clients well, delivering well to our clients, driving our internal technology transformation, and winning deals, converting the pipeline into deals. If we can focus on that, revenues will follow. And that is what we will focus on. But how much growth will we deliver, Sandeep, quite frankly, if I knew, I would have told you. But quite frankly, I don't know.

- Sandeep Shah:** Angan, a follow-up. It looks like, if I'm wrong just let me know, my assessment is incrementally on your outlook on discretionary IT spend has become slightly more bearish versus 3 months back. So is it coming because of some sudden change with client negotiations in the last 2 to 3 months? Or this is my wrong assessment there?
- Angan Guha:** Sandeep, I can only tell you from the clients we serve, right, because we serve a completely different set of clients, maybe from some of our larger competitors. So I can only talk about my client base. In my client base, nothing has really changed from a discretionary spend perspective. Only, like we talked about in our earlier call, decisions are getting pushed out. Look, we've not lost a single deal in the last 2 quarters, which are large. We may have lost some smaller deals here and there, but we won our fair share of deals. But our problem, though, which continues to kind of keeps me awake at night, is decisions are not being taken and some of the deals are getting pushed out quarter-after-quarter-after-quarter. Which is why I feel the discretionary spends are getting pushed out and that may have an impact in terms of how this year pans out for us and for the industry as well, Sandeep.
- Sandeep Shah:** Okay. And just in terms of large deals which we have closed in BFSI, is the ramp-up schedule on schedule for the first quarter of FY'25? Because that itself may drive close to 1.5% Q-on-Q growth. And the second question is -- yes, go ahead.
- Angan Guha:** So Sandeep, let me answer -- let me take that question right up front. So first of all, the deal is large but it has a combination of at least 70% renewal and 30% net deal, right? So that's number 1. And this is not a very -- when I say large, large deal from my context perspective, I can't give you the exact figure because we are under NDA. But I can only tell you, lot of it is renewal. But the only reason we are pleased is because we've been able to renegotiate the deal etcetera. So it's a positive sign for us.
- I don't think that will generate 1%-1.5% growth. That is counting in way too much. But you must also appreciate, Sandeep, a lot of projects are also getting over. right? So from that standpoint, it is important for us to realize that the balance has to be bought in, which is why I keep saying that it is really hard for us to comment on revenue growth quarter-on-quarter. But we will continue to stay focused on execution, as we have always done.
- Sandeep Shah:** Okay. And just last few clarifications. In the notes to accounts, there are disclosure about whistleblower complaints. So can you provide details? Is it more behavioural or something else? And in terms of margins, when we say narrow band, are we comparing with the Q4 exit? Or are we comparing with the FY'24 EBITDA margin?
- Angan Guha:** Sandeep, first of all, thank you for asking the first question which is the whistleblower, because it helps me clarify. So first of all, we have had two complaints. Both complaints are behaviour in nature in terms of the way some of our leaders have conducted themselves and the way some of our leaders have used language, etcetera, etcetera. So we don't see any financial impropriety at this stage. But look, the investigation is still on. Keeping good corporate governance in mind, we thought we should put that line in our income statement because we want to be open and we want to be extremely transparent. But based on what we know today, there is no financial impropriety. So what was the second question again, Sandeep?

- Sandeep Shah:** Yes, in terms of margin, when we say narrow band movement, are we comparing with Q4 exit rate of 16.3% or 15.8% that we delivered in FY'24?
- Angan Guha:** Again, if I say that, that would be like giving a guidance, which we do not give. So I can't really say that. But I can only tell you that it will be in -- you've seen our last 3, 4 quarter performance, so you have to make a judgment call on that. But it will be within the narrow band. That's all I can say right now.
- Sandeep Shah:** Okay. Fair enough. Thanks and all the best.
- Angan Guha:** Thank you, Sandeep.
- Moderator:** The next question is from the line of Mohit Jain from Anand Rathi. Please go ahead.
- Mohit Jain:** Sir, three questions. In Q4, we had a big decline in TCV on a Y-o-Y basis. And then when I look at it on both sides, like net new as well as renewals, if you can just help me understand why would we see such a decline in renewal as well. And second is when do you expect this trend to reverse on the TCV side given that pipeline is strong and your win rates appear to be high?
- Angan Guha:** So Mohit, again, great question. And let me also try and say in terms of how we as a management team feel about it. Look, our revenues have grown 9.5%. Our profitability is growing, but our TCV signing have not really grown. It is pretty much 1% growth year-on-year. So are we proud of that? We are not really proud of that. We would have loved for the TCV to be much, much higher. But equally, Mohit, I can only tell you that the reason for it is not that we are losing deals. The reason for it is the deal decision-making is getting pushed out. So from that perspective, you must always look at a year-on-year performance rather than just 1 or 2 quarters. Our endeavor this year would be to deliver higher TCV growth going forward. Now, when will the tide turn, I can't tell you. But rest assured, as a management team, we are completely focused on signing more and more deals as we go forward.
- Mohit Jain:** So this last 6 months of decline, you do not think it is a trend? It is just reflecting...
- Angan Guha:** I don't think so, Mohit. The reason why I say I don't think so is because you must also remember that a lot of our projects keep closing and we are winning newer deals to not only fill up the runoffs but also grow from there on. So look, I'm not saying that we are happy with where we are. We want to deliver much more TCV work. But as long as we can get the mix right, where our revenues can continue to grow, I think we are in a good position.
- Mohit Jain:** Right. And in tenure terms, was FY'23 TCV any different from FY'24?
- Angan Guha:** No. So it is pretty much the same. But you have a valid question. Do we need to sign more longer-term deals? We need to. I don't think we have signed too many longer-term deals barring maybe one large deal. But yes, the focus is to sign more longer-term deals.
- Mohit Jain:** Sure, sir. Thank you. That's all from me.
- Angan Guha:** Thank you, Mohit.

- Moderator:** The next question is from the line of Anmol Garg from DAM Capital. Please go ahead.
- Anmol Garg:** I have a couple of questions. Firstly, you have talked about expansion outside of U.S. Now would this happen organically? Or are you also looking at acquisitions? And are you also looking to expand outside of Europe?
- Angan Guha:** Anmol, thank you. First of all, the reason why we want to focus on outside of the United States is because today, as you know, 86% of our revenues come in from the U.S. But that doesn't mean we will not focus on the U.S. The U.S. is a key market. It is a huge market. We are probably a very small player even in the U.S. So there is a lot of opportunity to do much more in the U.S. But equally to get a little bit more global, we want to expand our business outside the U.S.
- So our focus is going to be in the United Kingdom, our focus is going to be in Switzerland, our focus is going to be in Germany, these three markets in Europe. But we will also focus on India. And India, we will have some specific focus. And once Manju, who's our Rest of the World leader settles down, he's just joined about 2 or 3 months ago, I will also make sure that he is front and center in front of all of you talking about his strategy. But clearly, we want to focus on those markets.
- Now organic versus inorganic, look, like I have said earlier, we've had now 6 quarters of reasonably good performance. We are generating a lot of cash. Like Kamini said, our operating cash flow is almost 85% of our EBITDA. We have zero debt on our books. So we feel confident now that we will go and do an acquisition.
- Now when that happens, I can't obviously commit. Right now, nothing is on the table. But we will look at acquisitions not to aggregate revenue. We will look at acquisitions only if it adds value to either our domain or to our capability and is at least margin equal, if not accretive. So we have to look at all different parameters before we deploy our cash. But we are definitely looking at all parameters there, Anmol.
- Anmol Garg:** Sure. And I have a second question. So you had talked about Gen AI in your opening remarks. From that perspective, I just wanted to understand if clients are asking us to use tools like co-pilot, and it might increase the productivity for them but maybe reduce our overall T&M contracts for us. If you can indicate if that is happening and if -- any of it is getting compensated by better pricing?
- Angan Guha:** Great question, Anmol. So first of all, we are using Gen AI to disrupt our own company. Under Selva's organization and Kamini has spoken about it, I've spoken about it in the past, we've embarked on a program called the Optimus program. Now the Optimus program is going to be a 2-3 year program where we will use AI and Gen AI technologies to not only disrupt our own processes but also automate our processes within the company, reduce the number of processes and make it a more technology-enabled organization.
- Now that will do two things, Anmol. One is it will help us to improve our profitability because we are investing so much in our business and we need to have the money to invest and still maintain profitability. That is what it will do. But equally, it will help to make our lives of our people much more easier. That is the two things. Now, because we are building all this capability

internally and we are driving this great transformation within our company, we have also gone to our clients, right? And we today have done POCs and we've done so much work for our clients.

Are we generating revenue from AI today? We are not. But very soon, we will. Because we are very close to closing a couple of deals. But eventually, your point is extremely valid that we will disrupt a lot of our revenue stream. But I'm also hoping that this will help us generate newer revenue streams and more. And we're pretty excited about that which is why I don't see this in a negative connotation. I look at it in a very positive way.

Anmol Garg: Sure. Thanks, Angan. Thanks for the clarification.

Angan Guha: Thank you, Anmol.

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

Dipesh Mehta: Yes, thanks for the opportunity. A couple of questions. First, I just want to get clarity about the \$100 million deal, which we announced in Q2, which was supposed to start from April, so whether we are on track for that deal from a ramp-up perspective and the contribution will likely to start from Q1.

Second question is about BFSI. This quarter also, we have received a significant new business from existing BFSI client, which in a way indicates net new portion is also decent size. So just want to understand contour of the deal and what played out well for us in BFSI success? Second question is about Life Science. You indicated softness to persist for next 2 quarters. So can you help us understand what is playing out in Life Sciences sector and particularly clients who we serve.

And last question is about relative performance. I think in one of your comments -- because the steps which we have taken to improve overall organization structure, leadership augmentation plus client mining effort, do we think we are now on track to improve relative performance in FY '25 compared to where we are in FY '24?

Angan Guha: So Dipesh, 4 questions. First of all, the large deal that we won in Q2 is on track. But again, I must be careful of saying this because the large deal is on track. There is no problem. We will continue to start seeing revenues from them. But it is not such a direct correlation. Because equally, we will finish some projects as we go into Q1, and those projects have to be re-won. So please do not take it as a linear thing where linearly some amount of revenue will come in. Because on the other side, we may finish some projects. Which is why, because of the uncertainty, I cannot really comment in terms of the numbers. But to answer your question, is the \$100 million deal on track? Absolutely on track.

The second question on BFSI. BFSI, we are winning deals, but you must also appreciate, like I said very openly that 70% of that deal is a renewal. We have 30% of net new. That net new revenues will probably keep coming in, maybe Q2, maybe Q3 or Q2 onwards, maybe right, depending upon when we transition and how we do it. So I'm not so concerned about that. In fact, what's working for us in BFSI is our ability to mine accounts as well as our ability to open

new logos where we can land and grow. Now will BFSI continue to deliver growth? I'm hoping it will continue to deliver growth. I'm reasonably confident, in fact, that it will continue to deliver growth.

In health care services, again, you will, like I said in an earlier comment, that we will see a couple of quarters of softness. But fundamentally, there's nothing wrong with the business. Our clients are strong. The clients that we serve are seasonal clients. And in a couple of quarters, growth will back. Is our pipeline in health care improving? Our pipeline in health care is improving. Are we opening newer and new logos? We are very close to opening three new logos in the health care business, which will start delivering revenues maybe 3-4 quarters out. So I think overall, we are reasonably okay in the health care business, but it will continue to be seasonal, Dipesh. I forgot your last question. Can you repeat your last question?

Dipesh Mehta: Relative performance compared to let's say where we were in '24.

Angan Guha: Yes, so Dipesh, look, this is a very hard question because I don't know what competition is going to do. I can only tell you that more than looking at competition, I want to deliver industry-leading growth for ourselves. Am I confident that we have the right leadership? I'm absolutely confident. Are we done hiring people that we need for our business? Well, we are never done, but we've hired the majority of the leaders. We'll continue to hire more leaders to augment our current leadership. That's an ongoing activity. But I'm confident that we've got an execution engine going. Now, we may have a couple of quarters of muted growth or a couple of quarters of excellent growth, I don't know. That will be a manifestation of the market. But yes, as a management team, we are reasonably confident that over the next 1, 2, 3 years, we will be a much stronger company than we were 1 year ago.

Dipesh Mehta: Understood. Just last clarification, this \$100 million deal is likely to start from April, right? That is how the timeline was as it has contributed in Q4.

Angan Guha: It will -- no, it does not contribute -- well, it would have contributed a little bit of transition revenue in Q4. But yes, it just start contributing from April onwards. That's correct.

Dipesh Mehta: Thank you.

Moderator: Thank you. The next question is from the line of Apurva Prasad from HDFC Securities. Please go ahead,

Apurva Prasad: Thanks for taking my question. Angan, if you have to look back over the past year, how would you characterize the performance, what you've delivered as compared to what you expected? And which areas would you characterize to be better than your expectations and then what has not played as per your expectations?

Angan Guha: Apurva, that's a tough question. And I'll be honest with you, I mean we did a lot of heavy lifting over the last 16 months. And I will not look at just the last 1 year, but from the time I am in the firm, So over the last 16 months or 18 months, we've done a lot of heavy lifting. So I'm pretty pleased with that. Now could I have done better? Sure, I could have done better. Am I satisfied

with my performance? Well, yes and no. Yes, because we've got to at least 9.5% in a relatively tough year. But could we have done better? I think we could have done better.

So to that effect, am I satisfied? I'm not satisfied. Apurva, the other question, I think somebody else asked, I think Sandeep or even Shradha had asked, that are we satisfied with our TCV performance, we are not. We could have done better in TCV. So there are a lot of areas that we could have done better on. We could have done better in our Data business, we've not done a great job in our Data business. So there are a lot of areas we can do much better on. But we can take one step at a time, we'll take a year at a time, because we are here for the long-term. We want to really build a long-term, healthy, growth-oriented, cash-generating business. That's our commitment. I can't comment one quarter could be good, one quarter could be bad. But our commitment is to deliver, build a long-term growth orientated business, which generates good cash flow for the company and delivers good profitability.

Apurva Prasad: Got it. And any comments on the pipeline? Because the net new would need to accelerate meaningfully if you have to even replicate this year's performance.

Angan Guha: I agree, Apurva, and that's one place again like I said, we've not done well. But our pipeline is strong. We've got about \$1.8 billion worth of pipeline and we want to improve it to about \$2.4 billion to \$2.5 billion. We are working on it. Are we there yet? We are not. But yes, a lot of effort over the next 6 to 8 months will be on order booking.

Apurva Prasad: Thanks and all the best.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to Mr. Angan Guha, CEO and MD, Birlasoft Limited for the closing comments. Over to you, sir.

Angan Guha: Thank you very much and I thank you for your interest in Birlasoft and for the time that you've taken to spend with us today and for the questions that you've asked which I really find very insightful. The fundamentals of our business remains solid and our intent is to build an organization for the long-term. I admit, there are certain areas we could have done better. We will continue to focus on them that we have discussed over the past one hour. But I can only tell you that our endeavour as a management team is to build a long-term, growth-oriented, sustainable business that generates a lot of value for all our stakeholders.

So to that extent, we will continue to invest and invest in our business. And I hope to see you again next quarter. And in the meanwhile, if you have any further questions, then please do reach out to Abhinandan for any clarification or feedback. Thank you very much, and have a great evening.

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

(This document has been edited for readability purpose)

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