

# eClerx Services Limited Q1FY26 Earnings Conference Call

**July 25, 2025**

**ECLERX MANAGEMENT:**

**KAPIL JAIN – MANAGING DIRECTOR AND GROUP CEO**  
**SRINIVASAN NADADHUR – CHIEF FINANCIAL OFFICER**

**CONFERENCE CALL PARTICIPANTS:**

**AASHRAY VASA - NIPPON AIF**  
**DEBASHISH MAZUMDAR - SVAN INVESTMENTS**  
**DIPESH MEHTA - EMKAY GLOBAL**  
**GIRISH PAI - BOB CAPITAL MARKETS**  
**JALAJ MANOCHA - SVAN INVESTMENTS**  
**MIHIR MANOHAR - CARNELIAN ASSET MANAGEMENT**  
**PRATIK DHARMSHI - UNION MF**  
**REHAN SAIYYED - TRINETRA ASSET MANAGERS**  
**SANDEEP SHAH - EQUIRUS SECURITIES**  
**SHRADHA AGRAWAL - ASIAN MARKETS SECURITIES**  
**VIKAL GUPTA - INDIVIDUAL INVESTOR**

**Pratik Jagtap:**

Hi, everyone. Good day, and welcome to the Q1 FY26 Earnings Call of eClerx Services Limited. Please note that this webinar will be recorded.

To take us through the results and to answer your questions, we have with us the top management of eClerx represented by Kapil Jain, Managing Director and Group CEO; and Srinivasan Nadadhur, Chief Financial Officer. We will start the call with brief opening remarks by Kapil, followed by Srinivasan, who will be sharing the financial update, and then we will open the floor for Q&A session.

As usual, I would like to remind you that anything that is mentioned on this call that gives any outlook for the future or which can be construed as forward-looking statement, must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties are included but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual reports, which you can find on our website.

Having said that, I will now hand over the floor to Kapil. Over to you, Kapil.

**Kapil Jain:**

Thank you, Pratik, and good evening, everyone.

We are pleased to share the highlights of our performance in FY26 Q1. It was a good quarter on both the revenue and margin fronts. Operating revenue for Q1 was USD 109.2 million, up 4.2% sequentially and 17.1% YoY. In INR terms, Q1 operating revenue was INR 9,346 million, up 4% sequentially and 19.5% YoY. Margins came in stronger as well, despite the impact of the annual wage increase, which we see in Q1. EBITDA for Q1 was INR 2,346 million at a margin of 24.8%, down 6.3% sequentially, but up 25.3% YoY. PAT for the quarter was INR 1,417 million at a margin of 15%, down 6.9% sequentially, but up nearly 27% YoY.

Our deal wins were at \$32 million for Q1. We are happy to note that Analytics and Automation went up 6% over the previous quarter, stronger than the firm growth rate and that emerging client growth has outpaced top 10 client growth. Growth has been broad-based across all our verticals, other than Fashion and Luxury segment. On the new centers, we have recently opened our Lima operations, which went live this quarter, and operations in Cairo will be going live in Q2.

I would like to share some commentary and outlook about our businesses. On BFSI, clients in that segment have reported strong results on the back of high volatility. There are broad opportunities across large and small clients, both new and existing. We are working on several interesting KYC client onboarding opportunities with new clients as well as expansion of existing clients. These opportunities are a mix of tech, data and operations.

On the Fashion and Luxury [segment], there has been no change in the outlook from the previous quarter. This segment continues to remain weak with U.S. market underperforming, weakness in China and appreciation of the euro. Both Hi-Tech and M&D and our Emerging businesses grew strongly in the last quarter, and the outlook remains broadly positive. Our Market Intelligence platform and tech services are resonating well with clients.

On Communication, Media and Telecom, we see good traction on both new logo wins and in cross-sell of CX services, omnichannel services that we provide. We will leverage the new delivery centers to grow footprint with both existing and new clients. Clients continue to remain focused on cost control and operational efficiencies.

On Technology and Analytics services did well in Q1. We see interest in our productized services offerings around compliance, compliance manager, market intelligence and in low-code/no-code

services.

I'll now cover some of the brief awards and recognitions that we have received this quarter. We have been included in the Leaders Quadrant of Everest Group's Financial Crime and Compliance Operations Services Peak Matrix Assessment 2025, a recognition that demonstrates our commitment to delivering innovative and effective compliance solutions to our clients.

eClerx Chief Technology Officer, Sanjay Kukreja, has been honored as the Evangelist 100 by the Chief Security Officer Award, CSO100 by Foundry and IDG Inc. Company for his outstanding leadership in driving technology transformation and fortifying cybersecurity strategy.

eClerx has also been honored with the prestigious Financial Express CFO Award, FE CFO, in the Medium Enterprises Services segment, underscoring the company's commitment to financial discipline, risk management, sustainable growth and having the highest set of corporate governance.

As many of you know, learning and development forms the foundation of our delivery model. Six months ago, we introduced a cutting-edge Gen AI training course in collaboration with the Technical University of Munich, one of the world's top universities in computer science and engineering. I am proud to share that as a result of this initiative, 8,000 employees have successfully upskilled, which represents roughly 40% of our employee count. We are also upskilling the entire technology team on GitHub Copilot in line with our CTO's vision to drive 25% productivity gain by leveraging AI code generation tools.

FY26 has started on a positive note, and we will continue to build on this momentum. We are grateful to our clients and partners for having placed their trust in us and for giving us the opportunity to be part of their journey. We look forward to their continued support in the future.

Thank you, and over to Srinu for more details.

**Srinivasan Nadadur:**

Thank you, Kapil, and good evening, everyone. I will provide some additional detail on our performance this quarter.

So, as Kapil mentioned, the performance this quarter has been strong on both the revenue and the margin fronts. In constant currency terms, operating revenue was up 3.3% sequentially and 16.4% YoY. Including other income of INR 105 million, total revenue was INR 9,451 million, up 3.1% sequentially and 17.7% YoY. On a QoQ basis, there was margin decline in both EBITDA and PAT of about 250 and 160 bps, respectively, owing to the annual wage hikes and the impact of the new delivery centers. This is lower than the decline usually seen and was achievable, thanks to the strong top line growth in BFSI and CMT Offshore, enabling us to hire at the bottom of the pyramid.

You will notice that we have added a couple of slides, one on key performance indicators and the second on balance sheet metrics, which show a long-term view of our performance in a graphical format. And we hope that you find these slides useful.

One thing that I'd like to call out on this slide is the net operating cash flow of INR 223 million and the EBITDA conversion metric, 9.5% in Q1, are much lower than usual. There are a couple of reasons for this. Number one is that DSO has gone up from 80 days to 86 days. This is because of system and process changes in some of our large clients, resulting in invoices being held for some time. These are clients with whom we have tenured relationships, and I want to emphasize that there is no risk to collections. The second reason is that we made a large contribution to our gratuity fund basis advice from our auditors. The contribution is tax deductible, and the returns are tax-free, and this will reduce our liabilities in future. Without these 2, the Q1 net OCF would have been higher than that of last year. Another point to note is that we pay annual bonuses in Q1. So Q1 in general does tend to be lower than

Q2 to Q4.

Coming to the P&L, I had mentioned last quarter about a reclass of 120 bps from delivery to sales. So that reclass, last quarter had resulted in a higher S&D cost last quarter, 14.1% of revenue and excluding that, the Q1 S&D of 12.3% is roughly down about 60 bps QoQ. D&A as a percentage of revenue has gone down, as happens every Q1, because of the recalculation of WDV in the new financial year. And on the other key metrics, top 10 concentration has reduced by 1%. We have added about 750 seats in our Airoli facility in Navi Mumbai. Attrition at 18% is lower than Q4 and about the same as Q1 of last year. Staff utilization is down by about 0.5%. And I have already touched upon DSO earlier.

So that concludes our prepared remarks. We can now move on to the Q&A. Back to you, Pratik.

**Pratik Jagtap:**

Thank you, Srinivasan. Thank you, Kapil. We will now open the floor for Q&A session. We have first question from the line of Sandeep Shah from Equirus Securities.

**Sandeep Shah:**

Congratulations on a great execution, both on revenue margin as well as employee addition. Just the first question, sir, is there a seasonality in the ACV booking from Q4 to Q1? Though on YoY, we have done well, but do you believe the decline QoQ is seasonal and may continue in future? Or there are some delayed decision making?

**Kapil Jain:**

Sandeep, thanks for the question. As I had mentioned in the last quarter as well, QoQ there will always be some amount of volatility up or down. If you look at full year ACV of last year, we did roughly about \$140 million. We expect to do higher than that on a full year basis.

**Sandeep Shah:**

Also, some commentary about roll-off, it continues at the scale of 15%, 20% of the top line?

**Srinivasan Nadadhur:**

Yes, about the same, there is no significant change in roll-off percentages.

**Sandeep Shah:**

Okay. And last few things. In terms of employee addition being robust, so that implies we also have a healthy growth visibility at least in the near term. Is it the right way of looking at it?

**Kapil Jain:**

Yes. Sandeep, I think we do see client demand and the overall strategy that we have laid out for the company is working well in terms of service line capabilities and the verticals that we have created.

**Sandeep Shah:**

Okay and just last 2 questions, Srini, generally, Q1 margin is lower for wage hikes. But if we compare the full year margin versus Q1 margin, it improves by 3% to 4% points. So, in this scenario, do you believe this time we could be near the upper end of the comfort guidance of 24%, 28% in this year?

**Srinivasan Nadadhur:**

We don't know. The year has just started, and it's possible that we may want to invest more in the business if we see margins trending up. So, I mean that is the decision that Kapil and the executive team will take during the course of the year.

**Sandeep Shah:**

Okay. And the last question, last year the buyback was concluded in the second quarter. So, when we come out with the Q2 results, mandatory period of 12 months would have been completed. So, in a fair scenario, one can expect the buyback can be considered by the Board in the near to medium term?

**Srinivasan Nadadhur:**

It's possible, yes.

**Pratik Jagtap:**

Thank you, Sandeep. We have next question from the line of Mihir Manohar from Carnelian Capital.

**Mihir Manohar:**

Congratulations on the great set of numbers. Largely wanted to understand on the margin side. Generally, 1Q is a period where we have 200 or 300 basis points kind of drop in margins. But however, this time that is not the case. If you could quantify the headwinds and tailwinds for margin on a QoQ basis for this quarter, that would be helpful.

**Srinivasan Nadadhur:**

Yes. So roughly about 250 bps has come through because of wage hikes, and about 20 has come because of the new delivery centers that we have opened. On that, we were able to recoup margin because of the strong growth, especially offshore and as I mentioned, when the growth happens in a couple of our areas like BFSI and CMT, we are able to replace at the bottom of the pyramid, which results in the overall wage cost going down.

**Mihir Manohar:**

Understood, sure. Second question was on the DSO side. I mean, you mentioned systems and processes, some change in some of the clients. What is this change exactly? And for what part of the business is this change happening? And will we revert back to our original number?

**Srinivasan Nadadhur:**

So, some of our clients want to change the processes and their internal system that they use for tracking purchase orders. While they are migrating to the new system, some of our invoices are on hold. This is in a couple of our BFSI clients and a couple of our Retail and Emerging clients. And DSO, you want to talk about it?

**Kapil Jain:**

Yes. I think definitely this year, the DSO moved from 80 to 86. We do expect it to bring in line with what it has been on average in the previous quarters between 80 and 82.

**Mihir Manohar:**

Understood, sure. Third question was just on the GitHub Copilot. So, what number of people are broadly we trying to train on GitHub Copilot and trying to drive productivity?

**Srinivasan Nadadhur:**

The Technology team is about 1,700. So, I would expect that maybe about half of them will be doing pure technology work and the other half may be doing analytics kind of work. So rough assumption is about 60%.

**Kapil Jain:**

Also, I think the work that we do on the technology side, broadly, we classify in services that we are rendering on top of our IP and there our technology team that's working on the same. If they are able to get trained on GitHub, you can realize the productivity immediately, because that's something on our infrastructure, on-prem, and we are able to realize the productivity.

Technology folks that are working on client systems where we are delivering services of the client systems or we are providing low-code/no-code or doing tech work. There even if we are trained to apply that productivity is a function of clients' infrastructure, security and other parameters. So, I would take 25% of 60% of 1,700 as the number. Immediately, I think what we are looking at is people who are working on the back of our IP, that's something is, yes, we will see benefits as we move along.

**Mihir Manohar:**

Understood, sure. And lastly, on the margins on Analytics division, does Analytics have higher margin for us versus the company average?

**Srinivasan Nadadhur:**

At a gross margin level, the percentage gross margin is lower, but the dollar gross margin is higher.

**Pratik Jagtap:**

Thank you Mihir. The next question is from the line of Dipesh Mehta from Emkay Global.

**Dipesh Mehta**

Two questions from my side. First about the Emerging client revenue, if I look at it, after relative softness for previous quarter, largely because of Fashion and Luxury related and digital spend where you indicated some softness. But this quarter, it bounced back. While your commentary remained largely similar around that Fashion segment. So, if you can provide what is driving growth in Emerging client this quarter? That is question one. And how do you expect that momentum to continue in coming quarter?

Second question is about sales and distribution. Partly you indicated about the reclassification, but even adjusted for reclassification it is down. So, if you can provide some sense how one should look at the sales and distribution investment going forward?

**Kapil Jain:**

I think growth in Emerging clients is a function of a few things. One is average deal size going up, our ability to sell more services to our existing set of clients, cross-sell, upsell that I spoke about. In terms of high-end Fashion and Retail, I think what you're seeing margins is on account of the constant currency, I think we still are cautious on that segment of business. And what was your last question?

**Dipesh Mehta:**

Sir, sales and distribution even adjusted for reclassification is down, when I look sequentially as well as YoY perspective. So how one should look at it as a percentage of revenue going forward?

**Kapil Jain:**

I won't look at QoQ like I said, we will continue to let go of the bottom performers, continue to hire at the top end, continue to hire where we see growth momentum either across service lines, vertical, geos. So, I wouldn't look at a trend line QoQ. On a yearly basis, we should be around the number that we had last year.

**Dipesh Mehta:**

Understood. And last question is about overall demand scenario perspective. Let's say, from the beginning of year, considering the way deal pipeline shape up happened as well as quarter 1 performance, are we more confident about growth acceleration or you think things are largely stable? So, if you can provide some context compared to where we started versus now?

**Kapil Jain:**

We are cautiously optimistic, Dipesh, in terms of what we are seeing. Like I said, our overall strategy is working well in terms of cross-sell, upsell, as well as in the financial services space, compliance, KYC seems to resonate well. We have recently been acknowledged by Everest on the Peak Metrics. I think all these things definitely are the tailwinds that we have. But overall macroeconomic environment continues to be volatile and hence, we are cautiously optimistic.

**Pratik Jagtap:**

Thank you, Dipesh. We have next question from the line of Shradha Agrawal from AMSEC.

**Shradha Agrawal:**

Congratulations on another great quarter. Two questions. Last quarter you had indicated that the pipeline for FY26 looks better than what it was at the beginning of FY25. So, with strong conversions coming through this quarter also, do we still have a stronger pipeline compared to what it was at the end of FY25?

**Kapil Jain:**

Yes, Shradha, pipeline continues to be strong. As I was mentioning that our deal sizes have gone up, which is taking longer from a conversion point of view, which is why Q1 you saw a decline over Q4. But YoY there is a growth. And like I said, that on the ACV basis for the full year, we do expect to do higher than what we did in FY25.

**Shradha Agrawal:**

Right and in terms of GCC, IT companies at least have specific GCC approach now, and they have carved out business units to focus on GCC as a focus area. So, what is our strategy around GCC? Are we doing anything different now compared to what historically we have done around that space?

**Kapil Jain:**

So, Shradha, we have been working with GCCs from the very beginning. I think every client we work with has a GCC in the financial services sector. So, for us this is an opportunity, and we have a dedicated

team as well. I think it's just doubling down on what we were already doing to capture market share from the GCCs.

**Shradha Agrawal:**

Sir, last question, what drove a very strong growth in our Analytics and Automation practice this quarter?

**Kapil Jain:**

There were a couple of things. One is, again, on the Analytics, MarTech, and some of the other capabilities that we have, our ability to cross-sell, upsell that into a wider set of clients. Second is we have made a structural change to bring Analytics and Technology under one umbrella. So that was other reason. So, we are able to bring in a more synergistic view for the clients across Data Engineering, Analytics, Insights. And it's broad-based across capital markets, financial services clients, hi-tech and customer operations.

**Shradha Agrawal:**

Right. And sir, last question, I know you had not commented on revenue growth guidance for FY26, but you had indicated that the deal ACV number would be higher. But given how we've started off the year, and given the kind of hiring momentum that has happened in the quarter, would you be comfortable in saying that on the revenue growth as well, FY26 could be better than FY25?

**Kapil Jain:**

Shradha, I won't comment on that. I think what I can say is because, as I said, there are a lot of macroeconomic uncertainties that we are living in. Definitely, [in] Q2, we are confident of showing sequential growth over Q1 and then we will give the further guidance as and when we meet in the Q2 earnings call.

**Pratik Jagtap:**

Thank you, Shradha. We have next question from the line of Vikal Gupta an Individual Investor.

**Vikal Gupta:**

Congratulations for yet another fantastic quarter. So, my question is, when the results are coming so fantastic, don't you think that are looking for revising the guidelines to the upside? Or is it too early to comment on that? And the second question is, in the near future can we see that consideration for the bonus share?

**Kapil Jain:**

Yes, so I'll take the first question, and let Srinu answer on the bonus share. As I said, we don't give guidance for the future. What we have indicated is that pipeline is robust. We have seen sequential growth in Q1. And Q2 we are reasonably confident to deliver sequential growth.

The margin guidance we continue to maintain between 24% to 28%, despite opening up 2 new centers, one in Cairo, one in Peru. And as you know, when you are opening a new center, it takes time to break even. So, I think we are not going to change the guidance on our EBITDA and margin front, and sequential increase in EBITDA is what we have said. So, I'm continuing to maintain the same guidance.

**Srinivasan Nadadhur:**

On the bonus, it is something for the Board to decide. And we are, of course, cognizant of the fact that we want more retail investors to participate, and therefore, we would like for the share price at least from a psychological standpoint to be in a certain low range where people can actively trade. And therefore, when the time is right, we will propose it to the Board, and I'm sure the Board in their wisdom will take the right decision.

**Vikal Gupta:**

And my main idea was request for the bonus share for making more availability in the market and the liquidity for the retail shareholders.

**Pratik Jagtap**

Thank you, Vikal. We have the next question from the line of Girish Pai from BOB Capital Markets.

**Girish Pai:**

One of the running themes in this result season has been vendor consolidation that most companies have been talking about. What has been your experience with regard to that?

**Kapil Jain:**

Yes, we have seen vendor consolidation and in larger clients where, as I had mentioned that our delivery continues to be strong, backed by productized services and technology. So, if anything, we have benefited from the consolidation in the industry.

**Girish Pai:**

Okay. Can you give us an outlook vis-a-vis verticals and the service lines that you have, especially Retail and the Consumer-oriented side of the business, how is that kind of working?

**Kapil Jain:**

Sorry, I said that the growth this quarter, except the high-end Fashion and Retail, was broad-based. On Financial Services, we see healthy demand and outlook, and so is also true on the Communication, Media and Telecom. Hi-tech and M&D also we see a growth in Q1 and as well as in Emerging markets. So, except for high-end Fashion and Retail where we are still seeing some headwinds, which I mentioned in my opening remarks, we see positive momentum across all of the 4 verticals.

**Girish Pai:**

Any outlook on how order inflow is going to look like in the coming quarters?

**Kapil Jain:**

The ACV as I said, QoQ, is a little difficult in terms of the timelines. What I'm saying is that we are reasonably confident to close the year higher than what we closed our ACV in FY25.

**Girish Pai:**

Between H1 and H2, which will be a stronger half?

**Kapil Jain:**

I'm hoping that H2 should be stronger than H1. But like I said, there is a lot of overall macroeconomic

uncertainty, which we are living under. We will give you a better outlook when we meet in Q2 earnings call. I have already mentioned about Q2.

**Pratik Jagtap:**

Thank you, Girish. We have the next question from the line of Rehan Saiyyed from Trinetra Asset Managers.

**Rehan Saiyyed:**

As most of the questions were already answered, so I am left with 1 or 2. Yes. So, my first question is regarding this, sir, can you share an update on new client wins in North America and Europe and the pipeline visibility from these geographies? If you could please put some light on this?

**Kapil Jain:**

Rehan, we don't give client names. As I said, our pipeline is robust across U.S. and Europe, and across verticals that I just mentioned, and pipeline remains healthy.

**Rehan Saiyyed:**

Okay. So you have tell that majority of your client concentration coming from the U.S. and Europe markets, right? Am I right, sir?

**Kapil Jain:**

That's correct.

**Rehan Saiyyed:**

My second question is on the Capex side, sir, what was the Capex plan for this upcoming year going forward? Could you just mention the numbers?

**Kapil Jain:**

Srini will you take that?

**Srinivasan Nadadhur:**

Number we don't usually mention, but our Capex is led by demand. So, demand for facilities and demand for computing equipment. So, to the extent that we see growth in the business, the Capex will follow.

**Pratik Jagtap:**

Thank you, Rehan. We have the next question from the line of Jalaj from SVAN Investments.

**Jalaj Manocha:**

First of all, congrats on a great set of numbers. So sir, I had a few set of questions. First question was around AI, the general discussions around it. What verticals or service lines are supporting us in terms of the offerings? And where is it impacting us negatively? Because there is a lot of noise around BPM businesses being negatively impacted by AI, because the operational work is getting replaced. So how are we using it to our favor? Could you put some light around it?

**Kapil Jain:**

Okay. So Jalaj, as I had mentioned that the productized services that we provide, which are on our IP, for example, compliance manager in the KYC space, we are extensively using Gen AI for client outreach, entity summarization, and some of the other functionality that we provide.

On the quality audit function that we provide on the Care side, we are using Gen AI for speech to text, sentiment analysis, and providing insights. The insights that we provide, our clients are using it to drive elimination and automation and because of our superior delivery, we are net gainer in terms of the overall top line, right, in terms of the numbers. Also we are also looking at passing on the some of the benefits that we are getting in terms of the work that we are doing by bringing in GenAI, Agentic AI into the products that we use to deliver the services, some of those benefits we are passing on to the clients.

In terms of Agentic AI, we are leveraging our Roboworx platform that we have, where we have integrated our Agentic AI framework, and we are building on top of the entire ecosystem that we have. We are using it as an opportunity because we understand the domain. We have underlying technology, our IP on which we are delivering services, and we have the process knowledge. So, if you bring it all together, I think it's an opportunity for us and yes, industry is there, but those are like traditionally the models which has gone on a seat model. But I think the services that we are providing is an integrated offering across tech, domain and process.

**Jalaj Manocha:**

Understood. Makes sense. Fine, sir. That answers it. My second question was around, if I look at the Europe numbers quarterly, there was some abrupt fall last quarter, and it has recouped now. So, I'm talking about the run rate. It is running in \$16 million quarterly run rate in the Europe geography. It had gone to \$14 million levels, and now it is back. So, were there some changes we did? Or was it a one-off? How should we understand what is the reason behind it?

**Srinivasan Nadadhur:**

There is a reduction in CLX in Europe. So, most of our European revenue is based on CLX. Are you looking at euro numbers or are you looking at USD figures for the Europe geography?

**Jalaj Manocha:**

I'm looking at the USD numbers.

**Srinivasan Nadadhur:**

So then that is the effect of the currency depreciation of the USD against the euro. So, if you look at constant currency numbers, I don't know whether you'll be able to work that out, but Europe is largely flat for us and that is largely driven because of this weakness in the CLX business.

**Jalaj Manocha:**

Okay. So, any plans or any focus area specifically on the Europe geography?

**Kapil Jain:**

Yes. In terms of U.K. and Continental Europe, we do have plans to invest in sales hunting capability. And as and when we find the right leadership, we will continue to invest in Continental Europe and U.K.

**Jalaj Manocha:**

Okay and verticals would still continue to be same?

**Kapil Jain:**

Yes.

**Jalaj Manocha:**

Got it. And sir, my last question was around specifically BFSI. So we were talking about predominantly, we have been working in B2B so far, a flavor of it. So, there were some discussions that we were trying to get into B2C vertical of the banking. And specifically, it looks like the numbers have been very strong, the growth numbers in banking. So could you put in some flavor from where has the growth come in? And has there been something we have been able to crack on the B2C part also of the business?

**Kapil Jain:**

So, the growth, I would say, predominantly has come from the institutional side, which is B2B. However, we have made some inroads and success on the consumer side as well on B2C in certain areas. We do hope to continue our focus on the consumer side as well.

**Jalaj Manocha:**

So currently, it's not a sizable part.

**Kapil Jain:**

As the overall size of the business, you're right. But I think it's good to see that we have had some success on the consumer side of the banking as well.

**Jalaj Manocha:**

Got it. And just an extension of you also been mentioning one part of banking, banks reporting better numbers because of the volatility in the markets. So, what attribution of our growth would go to or would be due to the volatility in the markets? Because I understand that we do a lot of processing of back-end derivatives also as a part of our offering. Has that also been helping the growth in our banking vertical or something else?

**Kapil Jain:**

Yes. Some of it is attributed to the growth in the volatility that we have seen. But I think I would only ascribe a small percentage to that.

**Pratik Jagtap:**

Thank you, Jalaj. We have a follow-up question from the line of Sandeep Shah from Equirus Securities.

**Sandeep Shah:**

Kapil, just your qualitative and expert view regarding Capgemini announcing acquisition of WNS, especially during times where people have a concern that BPM can be impacted more through GenAI and Agentic AI. So, do you believe what has driven this? And second, do you believe this may create a competitive pressure, may not be near term, but in the next 3 to 5 years?

**Kapil Jain:**

I think Sandeep, I would suggest the best people to answer this question is Capgemini who has acquired WNS. And only time will tell. I have told you our strategy, how we are using GenAI, Agentic AI, and how we are able to bring in technology domain and process layer altogether. I wouldn't want to comment on the competition.

**Sandeep Shah:**

Okay. And just a second question, when you apply the Gen AI or Agentic AI in customer live projects, how the budget shapes up post that for you as a particular vendor with that client? Does that lead to better outsourcing because of the saving in other areas or how to look at it this as a whole budget within the client once you execute the GenAI and Agentic AI?

**Kapil Jain:**

What I'm saying is that the products that we have, which we are leveraging to deliver services to our clients, we are enabling them GenAI and also now Agentic AI, right? So there, as I was telling you, it's on-prem on our infra, and I'm able to deploy Gen AI, Agentic AI and get the benefit and pass some of that benefit to the clients. It is helping, a, both on the efficiency side as well as effectiveness side because that's allowing me to deliver a better outcome for the clients because my agent is now able to focus in enhancing the overall experience as opposed to looking at data and bringing data together. Because lot of traditional tasks we are using our productized tools and which are enabled by Gen AI. So those are the 2 reasons which are helping us both, enhance the experience, efficiency and effectiveness.

**Sandeep Shah:**

Okay. And just last thing on a lighter note, sir. When you are cautiously optimistic, you are delivering mid-teens or higher growth. So once macro recover, I think Street may expect more than 20% growth. All the best.

**Kapil Jain:**

Thanks for letting me know the Street expectation, Sandeep.

**Pratik Jagtap:**

Thank you, Sandeep. We have the next follow-up question from the line of Girish Pai from BOB Capital Markets.

**Girish Pai:**

I just want to dig a little deeper into the GCC situation. So, you've been saying that you've been working with GCCs for a very long period of time. What would be the percentage exposure as percentage of your total revenue now? If you can give that number, would it be mid, high single-digit type?

And has the work changed over the years? I mean, what you're doing now, can you compare that with what you were doing for the GCC 5 years back? And the other thing with GCC's in-sourcing threat, how has that played out for you in the last 5, 10 years that you've been working with GCCs?

**Kapil Jain:**

So, you asked 3 questions. One was the percentage of revenue. When you said percentage of revenue coming in from GCC versus the clients, like the same client from U.S. or Europe?

**Girish Pai:**

No. As a percentage of the total turnover, how much is coming from GCCs?

**Kapil Jain:**

We don't count in terms of revenue that is coming from GCC. We count revenue on client index vertical and geography-wise. When I said we were already collaborating with GCCs in ops, KPO, if you look at, we are working with clients in financial services space, which majority of them have a GCC in presence. So, we are collaborating, cooperating and working along with GCC and delivering the value to our clients. That gives us an edge to leverage the GCC. I think the question that was asked that a lot of SIs have created a separate unit vertical. So, we also have a dedicated team to sell into GCCs now, which is what I said that we are building on top of what we already existed from a collaboration point of view in GCCs. Did I answer your question?

**Girish Pai:**

I think 2 other questions regarding the kind of work you do now versus, say, 5 years back on the GCC side?

**Kapil Jain:**

The work that we do today versus 5 years back, obviously, we have moved up the value chain because repetitive task, which is there, it has either got eliminated or automated either by client or by us. So, the nature of work, the complexity of work has increased.

The nature of work with GCCs, as I said, I think it goes back to the previous answer that I gave that we are not differentiating that, look, this is the work specifically I'm doing for GCC or for the client. It's like what we are delivering it as a service.

And we have created a dedicated team. So, the nature of work, the only thing I would add is we are also working on the technology side with GCCs, which, let's say, 5 years back, we may not have been working.

**Girish Pai:**

Insourcing. In-sourcing threat, have you seen episodes of in-sourcing happening? And how have you handled it?

**Kapil Jain:**

We haven't seen that in terms of except I think when in Q3 of '24, one of the clients that we were working with, did look at in-sourcing. But other than that, we have not seen that impact.

**Girish Pai**

Okay. My second question has to do with margins and the impact of Gen AI on margins. You said you keep some of it and then you pass on some back to the client. So, does that help in the overall context of margins, does that help?

**Kapil Jain:**

I think it's difficult to say whether it's margin, we are looking at the overall top line and bottom line. And then we take a business call along with the client in terms of what are the benefits we would pass on to the client. And I think it's a discussion that we have with the clients and then we make a call. It's

not like you would only look at margin. We'll also look at what is the value we are bringing to the client? And are we helping them get better? Are we helping them enhance their end user experience, retention of their clients. And in a holistic manner then we take a call.

**Girish Pai:**

No, I'm asking in recent quarters, has Gen AI helped you add to the margins that you have now?

**Kapil Jain:**

We don't look at in terms of whether Gen AI has helped. I think from an overall perspective, what we are looking for is, am I staying relevant for the client? Am I helping clients to stay in compliance with the regulators and the jurisdiction in which they are working from, our compliance and KYC practice that we have. To say whether Gen AI has helped me on the margin, I think we cannot quantify. But I would think that GenAI and our technology ability is helping us both on the top line as well as on the margin.

**Pratik Jagtap:**

Thank you, Girish. We have the next question from the line of Aashray Vasa from Nippon.

**Aashray Vasa:**

Congrats on the results. Sir, I was of the opinion or, correct me if I'm wrong, macro uncertainties impact KPOs and BPO or our offerings slightly lesser than IT services. But you have kind of mentioned twice about macro uncertainties. Is it just delay decision making, more roll offs, just any color on that, how to connect the strong performance of our company over the last few quarters versus the macro uncertainties that you are kind of seeing?

And just second question on the gratuity transfer, Srini, sir, just when was this last done I know you called out the auditors mentioned it but this. Can you give any more color on that or is it just a regular practice time to time?

**Kapil Jain:**

Aashray, I'll answer the first question, and I'll pass on to Srini for gratuity. I think we are not seeing any increased uncertainty from an overall macroeconomic environment. However, and which is what is making me say that we are cautiously optimistic. You don't know what you don't know. In terms of the actual thing is the only thing we have experienced is a delayed decision-making, which you're right. Other than that, I think, like I said, on Q2, which is short-term, we are optimistic to show QoQ growth. Beyond that, we will let you know as we meet in the next earnings call. Does that answer your question?

**Aashray Vasa:**

Yes, sir.

**Srinivasan Nadadhur:**

So, on the gratuity, we had applied to shift our gratuity from LIC to HDFC way back in 2019. And then COVID happened and somehow that application got lost, we lost track of it. And when the auditors brought it up, then we realized that this hadn't been completed. And we did that process, we got it approved and we got the fund approved, transferred and then we made a big payment in this quarter. For the last 4, 5 years, we've been paying as we go. So, this is a significant contribution that we have not made in the past.

**Aashray Vasa:**

Okay. Understood. So, I mean, the cash conversion will again be back to our normal range going forward.

**Pratik Jagtap:**

Thank you, Aashray. We have the follow-up question from the line of Dipesh Mehta from Emkay Global.

**Dipesh Mehta:**

I think partly you answered, but I will just try to get more detail about the delay in decision making because you said we expect a full-year deal, ACV, to be better. Now earlier is better for revenue conversion in that year. The delay in deal closure obviously has implications for future growth, not in the immediate period. In that context, I just want to understand whether delay in decision-making could have some bearing on your growth expectation for the current year? Or do you think things are fairly stable and it is as per plan kind of thing?

**Kapil Jain:**

So Dipesh, as I said, we don't comment QoQ for full year, we expect, and as you would have seen we have shown growth on ACV on a YoY basis. If you look at Q1 of last year versus Q1 of this year, we have shown growth. Sequentially, yes, we have declined. We continue to expect the same momentum as we had last year across the quarters. So, we don't see a major change in the overall mix. And that's all I can comment at this point in time. And in addition to that, I've also said that we are expecting a higher ACV than what we delivered in FY25.

**Dipesh Mehta:**

So, sir, let me ask it slightly differently, whether this delay in decision-making is an area of concern for you, which could have some bearing about plan or you think it is broadly stable in last 3, 4 months, nothing unusual?

**Kapil Jain:**

The delay in decisioning is happening. As of now, I'm not concerned with the delays that are coming. However, if there is a further delay in clients' decision-making, yes, that can have an impact. But as of now, we don't see the delay, whatever has happened will impact the trajectory that we are on.

**Pratik Jagtap:**

Thank you, Dipesh. We have the next follow-up question from the line of Jalaj from SVAN Investment.

**Jalaj Manocha:**

Sir, with regards to the margins, I wanted to understand one thing. So, while you had joined in post that, there was a discussion around margins being under slight pressure because of the investments which we were trying to make. Would it be fair to assume that we have made those investments and from now this higher margin should be a new normal?

**Kapil Jain:**

So Jalaj, like I said in my previous earnings call, we are a growth business INR 400 million growth business. So, we'll continue to invest in the growth and margin guidance we have given will stay

between 24% to 28%.

**Jalaj Manocha:**

Okay. So, I just wanted to understand, has the investment phase been over or it's a continuous process for us. That was the agenda I wanted to understand.

**Kapil Jain:**

Investments will continue. We'll continue to invest to drive the top line growth in the business.

**Jalaj Manocha:**

Okay. More so from a perspective of propensity of those spends they would have reached to a certain level. That was the directionally I wanted to understand. And then have we reached to a threshold of where the incremental spending would not be as much as required?

**Kapil Jain:**

When you say as much as required, meaning? Whatever is required, we will continue to invest to drive the top line growth. But as long as we are delivering through the guidance that we have given on the sequential growth, on the top line growth that we will be in the top quartile of the competitor set. We'll continue to invest in the business. And if we are not, then investors should be concerned that why are we delivering a higher margin, why are we not investing for growth.

**Jalaj Manocha:**

Just trying to understand the intensity, but that answers. And sir, just one more question with regards to M&A. Sir we are sitting on a decent amount of cash right now. And every few years, we have been doing a few tuck-ins. So what are your thoughts around the M&A? Are we looking actively and any spaces we are specifically looking out for them?

**Kapil Jain:**

Yes, we are looking. We have a dedicated senior person who is focusing on M&A. However, we are very clear, we are not going to do an M&A to just get the top line revenue. We need to look at adjacent areas, which is what we are looking at, and bring in synergistic value, either on the service capabilities that we have or on the client access. And as and when we find the right opportunity, and obviously, the valuation has to be right, we will consider it and look at it. So, we are absolutely looking at inorganic and M&A assets on a continuous basis, but we will only do it when it makes right sense for us.

**Debashish Mazumdar:**

Hi Kapil, this is Debashish. Just a follow-up on the acquisition point. So if I see the history of eClerx, every 3 to 4 years we used to do a comparatively larger size acquisition as compared to the size that we used to operate into. And largely, we use those acquisitions to enter into either new geographies or completely new verticals or completely new capabilities. So just trying to understand what would be your strategy? Your strategy would be a tuck-in acquisition or kind of acquiring a larger sized company to get into a new business altogether? So that is the agenda of this question.

**Kapil Jain:**

So Debashish, whether it's a tuck-in or larger size, I'm more focused on the other attributes. If I acquire a company, can I deliver an alpha basis, either the capabilities that I'm delivering to the client or the vertical access that I have access to, the clients have access to, right? So, either it enhances my capability

side or it enhances the client access that I can take a new capability and take it to the client, right? So that's the synergistic value.

Is it both top line and bottom line accretive? Can it continue to give me the growth. If I am delivering the growth that I'm delivering, it should deliver an alpha on the growth that I'm delivering. And third is the valuation has to be right. So instead of size, whether it's a tuck-in or a large-sized acquisition, these are the attributes or framework on which I'm evaluating the assets on the acquisition side.

**Pratik Jagtap:**

Thank you Jalaj & Debashish. We have the next question from the line of Pratik Dharmshi from Union MF.

**Pratik Dharmshi:**

I Apologies if I'm repeating this question, I was slightly delayed in the call. How should one see Gen AI to impact our business or we benefiting out of it? How should one see the overall scheme of things, Gen AI for us?

**Kapil Jain:**

So Pratik, like I have said in the previous earnings call, as well as I think this question was asked earlier as well, we see this as an advantage given the way we deliver services to our client. And we are embedding Gen AI in our domain-specific applications, IP that we use to deliver services, be it KYC, Compliance Manager, QA 360 that we are bringing in to deliver services to the clients. And this will help deliver value to the clients on efficiency, effectiveness as well as enhance overall experience.

**Pratik Dharmshi:**

Got it. And just a second one on hiring trends, we have seen incremental net hirings at our end, which is contrary to what we have seen with other IT names. So how should we see hiring trends evolving, considering we have a strong ACV? It's a precursor basically that this should continue to be robust going forward?

**Kapil Jain:**

As I said, for Q2, we are reasonably confident to show sequential growth. Beyond that we will give more color on Q3 and Q4. There was also a question on H2 versus H1, which I answered. If you look at companies that have delivered 3% to 4% growth QoQ I think the hiring is in line with the demand that we see as well as the expansion that we are seeing in the new geos.

**Pratik Jagtap:**

Thank you, Pratik. We have next question from the line of Sandeep Shah from Equirus Securities.

**Sandeep Shah:**

Sir, just wanted to understand what can go wrong in your consistent growth journey over the last 8 quarters despite the weak macro? And this question is outside macro concern, what other things which can go wrong in terms of, A in terms of client-specific issue and B in terms of any technology-related risk?

**Kapil Jain:**

Sandeep, it's like a Johari window. I don't know, I don't know. So, what can go wrong, I think there are

things that I can have control on. So, I think we are focusing in terms of what we have to do to drive the growth, continue to drive value for our clients, continue to stay ahead of the curve from a technology point of view. In terms of what can go wrong is like in an infinite set of outcomes. I don't want to comment in terms of what can go wrong. But I can comment in terms of what we are doing and what our focus is and what our strategy is.

**Sandeep Shah:**

Okay. And sir, last thing, when you took a control as a CEO, you also highlighted one of the area of investment would be larger deals. If it requires some investment in the larger deals, we won't shy out to do that. Any such deals are shaping up in the pipeline?

**Kapil Jain:**

There are a mix. I won't comment on specific deals. But yes, I continue to maintain what I had said that we will not shy away in investing for our clients, with our clients on deals and which I also mentioned earlier that some of the benefits that we are getting due to bringing technology, Gen AI, we are not shying away from passing that on to our clients.

**Pratik Jagtap:**

Thank you, Sandeep. As this was the last question, I will hand over the floor to the management for closing comments.

**Kapil Jain:**

Thank you, everyone, for your continued support. And as you know, this is our 25<sup>th</sup> year of existence, and we are celebrating it in a big way. Thank you for all your support for all these years and look forward to meeting you in the next quarter.

**Pratik Jagtap:**

Thank you, everyone. Thank you, Kapil and Srini.

**Kapil Jain:**

Thanks, Pratik. Thanks Asha.

*Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.*