



July 29, 2024

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Scrip Code: 504067

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Symbol: ZENSARTECH

Series: EQ

Subject: Q1 FY25 Results Earnings Call - Transcript

Dear Sir/Madam,

In continuation to our letter(s) dated July 23, 2024, please note that the transcript of the earnings call held on July 23, 2024 at 8:45 a.m. (IST) for Financial Results of the Company, for the quarter ended on June 30, 2024, has been made available on the website of the Company at <https://www.zensar.com/about/investors/investors-relation?result=Quarterly-Results#Investor-Corner>

This is for your information and dissemination purpose.

Kindly take the same on record.

Thanking you,

Yours faithfully,

For **Zensar Technologies Limited**



Rajiv Mundhra
Authorized Signatory

Encl.: As above

An  **RPG** Company



“Zensar Technologies Limited
Q1 FY'25 Earnings Conference Call”

July 23, 2024



MANAGEMENT: **MR. MANISH TANDON – CHIEF EXECUTIVE OFFICER
AND MANAGING DIRECTOR – ZENSAR TECHNOLOGIES
LIMITED**
**MR. VIVEK RANJAN – CHIEF HUMAN RESOURCES
OFFICER – ZENSAR TECHNOLOGIES LIMITED**
**MR. VIJAYASIMHA A. – CHIEF OPERATING OFFICER –
ZENSAR TECHNOLOGIES LIMITED**
**MR. NIMESH KHEMKA – GLOBAL FINANCIAL
CONTROLLER – ZENSAR TECHNOLOGIES LIMITED**

MODERATOR: **MR. AMIT CHANDRA – HDFC SECURITIES**

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

I now hand the conference over to Mr. Amit Chandra from HDFC Securities. Thank you, and over to you, sir.

Amit Chandra: Thank you, Michelle. Good morning, everyone. On behalf of HDFC Securities, I welcome you all to the Zensar Technologies' Q1 FY '25 Earnings Call. We have with us Mr. Manish Tandon, CEO and Managing Director, and few other members of the Senior Management Team.

Before I hand over the call to Manish, I would like to highlight that the safe harbor statement of this second slide of the earnings presentation is assumed to be read and understood. Thank you and over to you Manish.

Manish Tandon: Thank you, Amit.

Hello, Good morning, Good afternoon, Good evening, everyone. First of all, thank you for joining the call today on the Budget announcement day. I appreciate your energy and interest in Zensar. With me on this call are a few of my colleagues, Vijayasimha, Chief Operating Officer; Vivek Ranjan, Chief HR Officer; and Nimesh Khemka, Global Financial Controller.

Client centricity has been a core tenet for us at Zensar. Our highest-ever Customer Survey score in FY '24 shows that we have made significant progress in establishing ourselves as strategic partners of choice amongst our clients. We have started FY '25 with green shoots across key parameters and have witnessed good momentum across our portfolio.

Our employee happiness score has been at an all-time high of 84% for the last two consecutive years. Average Annual Variable payout was 100% for FY '24. Effective July 1, we have announced the annual salary hike for all our employees as per schedule, unlike some of our industry peers. LTM attrition further improved to 10.6% from a very low of 10.9% last quarter.

With our EEE proposition and our domain-led approach, we have enabled our clients to achieve their transformation goals. We continuously enhance our service offerings to meet the evolving needs of our clients with tailored solutions.

As a part of our strategic investments, we are pleased to announce that Zensar will acquire BridgeView Life Sciences, a Pennsylvania-based technology and consulting solutions company in Life Sciences industry, specializing in pharmaceutical commercial segment. This move reinforces our focus on the Healthcare and Life Sciences vertical and bolsters our end-to-end pharmaceutical commercial quality and regulatory capabilities.

For Q1 FY '25, our revenue stood at \$154.4 million, which is a sequential quarter-on-quarter growth of 4.2% in reported currency and 4.3% in constant currency.

For the second consecutive quarter, we have registered sequential Q-o-Q growth across all our verticals. In constant currency terms, on a Q-o-Q basis, our revenue in Healthcare grew by 6.9%. Banking and Financial Services had a growth of 6.8%. Manufacturing and Consumer Services grew by 2.7%, and even TMT, Telecom, Media and Technology, grew by 1.2%.

With that, I will now invite Nimesh, our Global Finance Controller, to provide an update on the critical financial data. Nimesh?

Nimesh Khemka:

Thank you, Manish. Good day, everyone, and thank you for joining this call. In addition to Manish talking about the business, I'll be taking you through some of the key financial metrics for the quarter ending June '24.

The reported revenue for the first quarter of financial year '25 is \$154.4 million in U.S. dollar terms, reflecting a growth of 4.2% sequentially. In constant currency terms, the revenue grew by 4.3% sequentially.

The gross margin for the quarter stood at 30.4%, a drop of 20 basis points quarter-on-quarter basis. The decline was primarily due to increase in operational costs including travel, visa, licenses impacting margins by 150 basis points, which was offset by the exchange benefit of 20 basis points, increase in utilization and volume positively impacted the margin by 40 basis points and onetime benefit of 70 basis points on account of the R&D credit received during the quarter.

SG&A has increased by 110 basis points on a quarter-on-quarter basis, primarily on account of a provision created for doubtful debts for one of our customers who had filed bankruptcy under Chapter 11.

We exited Q1 FY '25 EBITDA at 15.2%, which is in line with our given range of mid-teens. Our PAT stood at 12.3%. Order book for the quarter stood at 154 million.

Cash and cash equivalents increased further by \$19.2 million to \$280.9 million, and DSOs improved by 1 day to 72 days on account of healthy collection contributing to overall financial health and operational agility of the company.

With that, I now invite Vijayasimha, Chief Operating Officer, to comment further on Q1 FY '25 results.

Vijayasimha A.:

Thank you, Manish and Nimesh. Greetings, everyone. I will share details about our operational efficacy, service line performance and capability enrichment initiatives.

We are continuing our journey on the operational excellence and making good progress. Our utilization improved by 20 basis points sequentially and 140 basis points year-on-year. The rigor associated with accelerated fulfilment and capability enrichment continued in Q1. We had a gross addition of 855 employees in the quarter. Our overall head count increased by 47 compared to Q4 of FY '24. As described by Manish, our voluntary attrition reduced to 10.6%.

Service lines, the offering from our Service Lines and industry services groups continue to resonate well with our clients. The share of revenue from our Service Lines, that is Advanced

Engineering Services, Data Engineering and Analytics, Experience Services, Cloud and Infrastructure Services increased to 53.2% in Q1 of FY '25, which is 100 basis points higher sequentially.

On a quarter-on-quarter basis, in reported terms, Data Engineering and Analytics grew by 17.9%. Advanced Engineering Services grew by 9.3%. Cloud Infrastructure and Security, which was previously called as Foundation Services, grew by 4.0%. Application Services and Enterprise Applications grew by 2.0%. Experience Services revenue dipped by 3.1% coming off a stellar previous quarter growth of 9.1%.

On the capability enrichment front, we are continuing to build upon the strong outcomes of FY '24. Our talent transformation effort is focused on accelerating the shift towards T and Pi shaped skills through gamified learning events developed by our Service Line Academies. We deepened our focus on Healthcare, BFSI and MCS domains by expanding multilevel domain training and certifications.

Partnerships with key technology providers have been instrumental in delivering cutting-edge certifications and collaborative learning experiences in AI, GenAI, Data Engineering and Cloud. Our continued innovations in AI/GenAI have enabled us to deliver significant benefit to our clients. We are helping clients build a robust cognitive infrastructure and collaborating with them to effectively leverage our innovative AI solutions like Engineering Buddy, Data Buddy, Business Avatars, Responsible AI framework, etcetera to deploy secure, scalable, and sustainable solutions for their micro-vertical level business challenges.

With that, I hand it back to Manish.

Manish Tandon:

Thanks, Vijay and Nimesh.

The macroeconomic situation, along with geopolitical threats and cybersecurity challenges continues to make the environment volatile. We expect the markets to remain unchanged in FY '25. Our strategic focus and investments in key areas have helped us drive resilience across our business. While concentrating on growth trajectory, we are constantly working on to develop the skills and resources necessary to support our clients in reaching their objectives.

With that, we can open the line for questions.

Moderator:

First question is from the line of Nitin Padmanabhan from Investec.

Nitin Padmanabhan:

Congrats on a strong quarter. Manish, I had a few questions -- you did mention that the environment remains unchanged and can be volatile. The current quarter, the deal wins have been relatively flattish year-on-year and the book-to-bill is 1. And I think as an outsider, basically, what we have seen is there's a reasonable correlation between the wins and the revenue generation in the following quarters.

So just wanted your thoughts there in terms of is there a reasonable backlog that could help in the near term? And two, how is the pipeline looking? And does that sort of give confidence? And also, from a large deal in the pipeline, how does that look?

Manish Tandon:

All right. So, Nitin, first of all, we are very happy with the order bookings that we had this quarter. If you compare it to the same quarter -- this is a seasonal number. And if you compare it to the same quarter last year, it is almost flat, which is a good sign because, I think, last Q2, we delivered some decent results. So hopefully, we'll be able to do something equivalent this time also based on order book.

And again, from a pipeline perspective, the pipeline is okay. There is a lag in order booking because, last quarter, we did \$180 million or so in order books. So, some of that is already there. With that said, Q2, I think we have not seen the full impact of this cybersecurity outage. In the past, when this has happened, some of the dollars allocated towards project suddenly got diverted towards more cybersecurity. That is one.

And the second thing is that we are seeing some furloughs in the tech sector, which are happening in this quarter, which is the first time that it has happened in the last few years that I know of. So, there is momentum definitely, but there are also headwinds. So we are cautiously optimistic about Q2 based on our order bookings, based on our pipeline and based on what we are seeing in the market.

I know you have not asked about the margin, but I'm sure that the next question is going to be on the margin. So, I just want to make clear that the 15.2% EBITDA margin has an one-timer of 1.1%. And hence, the effective normalized margin should be 16.3% EBITDA margin. This is because of Chapter 11 reorganization filed by one of our clients. And in line with prudent accounting, we have taken the entire receivables of that client and put them -- provided for them, although there is a reasonably good chance of some recovery. So effectively, the normalized margin of this quarter is also 16.3% instead of the reported 15.2%.

Nitin Padmanabhan:

Great. Just a follow-up on the margin, right, so when you look at it, going forward I think this quarter, we also had some reasonable on-site shift. And do you think that sort of files in the second half of the year? Do you think there are some offshore shifts in the second half? Second is, from a wage increase perspective, what do you think would be the broad kind of impact? And finally, on the travel and visa and licenses, which is the 150-bps impact, how much of that is sort of nonrecurring? If you could just isolate that portion out, will be helpful.

Manish Tandon:

Vijay, you want to answer?

Vijayasimha A.:

Yes. I think the wage increase, as Manish said, we have given, I think, industry-level wage increase. That is likely to have a \$3 million impact on a quarterly basis going forward. But we are talking, perhaps, in terms of operational efficacies like pyramid optimization and so on and so forth to, like, help minimize the impact of the wage increase.

With regards to your question around visa, travel as well as licenses. Licenses is going to be recurring, whereas visa and travel are one-timers that we saw in Q1. And I think the third point was around on-site ratio. While the on-site mix, in terms of revenue, increased by 1.4%, the effort mix only increased by about 0.4%. We think that it will be in that range. It's a small range. Depending on the type of projects, there'll always be a 0.5% here and there that will happen. So those are the 3 factors that did impact the operating margins in Q1.

- Nitin Padmanabhan:** Sure. The visa and travel, what would be the one-timer, if you could just quantify?
- Vijayasimha A.:** I mean, we have some travel for whatever, projects starting and stuff like that. So those things were why it increased a little bit.
- Nitin Padmanabhan:** Yes. I'm just trying to figure out the tailwind from that in the following quarter. That's all.
- Vijayasimha A.:** No, I think it's too small to, like, talk about a tailwind from that.
- Moderator:** The next question is from the line of Nikhil Choudhary from Nuvama.
- Nikhil Choudhary:** My first question is regarding the furloughs. Manish, what you highlighted, it's relatively usual to see furloughs in this quarter. So can you highlight any particular vertical or geo you are seeing this kind of furloughs.
- Manish Tandon:** These furloughs usually happens in TMT as a vertical, which is telecom, media and technology. So that is the vertical where it is happening.
- Nikhil Choudhary:** And any quantification, Manish, if possible?
- Manish Tandon:** No, we wouldn't like to comment on the quantification.
- Nikhil Choudhary:** Got it. Moving on to the Chapter 11, which one of the clients had filed, how much will be the impact on receivables, the write-off?
- Manish Tandon:** Receivable was -- the write-off was \$1.7 million, 1.75 million, right?
- Vijayasimha A.:** Yes, yes.
- Manish Tandon:** \$1.75 million, which translates to about 1.1% in margin dilution because of that. So that's our impact. The normalized EBITDA margin should be around 16.3%.
- Nikhil Choudhary:** And just one follow-up, Manish. Generally, when this kind of event happened, companies continue to serve the client for some period till they reach some agreement. So, is it fair to assume even in next quarter, you will have impact from this client?
- Manish Tandon:** No. As per Chapter 11 norms, whatever you do after the bankruptcy is filed, those receivables are covered by the bankruptcy financing laws. And we are also one of the -- we have also positioned ourselves as one of the key creditors or strategically important critical vendors, so we have a better chance of receiving.
- I hope it was not another CrowdStrike incident. But we were discussing bankruptcy. And see, first of all, this is a small client, about \$300k per month of billing or so. And what I was trying to tell you is that the receivables that we have post-bankruptcy filing, the work that we do post-bankruptcy filing, as per the bankruptcy laws of the U.S., they have to be paid.
- And there is bankruptcy financing arranged for that by the client, and we will get paid for that. Anything that was before that, which is that \$1.75 million or so that we are talking about, has

been already provided for in the books. So, there is no further risk associated with this as far as shareholders are concerned.

Moderator: The next question is from the line of Manik Taneja from Axis Capital.

Manik Taneja: Manish, just wanted to understand this comment around furloughs in the High-Tech vertical. If you could elaborate in terms of what's driving this. I presume this is largely true within the top customer. And how should we be thinking about our earlier thought process about seeing sequential revenue growth every single quarter through FY '25 in the backdrop of some of these challenges? And the second question was with regards to margins while you alluded to the onetime impact in the current quarter. How should we be thinking about -- some of our operating levers...

Manish Tandon: So first...

Manik Taneja: Sorry, there are some background noises. So, I was just requesting to understand about your margin outlook for the year.

Manish Tandon: Yes, margin outlook for the year remains unchanged as before. We have said mid-teen EBITDA margins. We are still there in that range, and we will continue to maintain that outlook, number one. Number two was your point about furloughs. I do not comment on individual clients. So there are furloughs in the TMT sector. You are free to gauge whatever you want to gauge from it, number two.

Number three was growth quarter-on-quarter irrespective of this, I mean, that's what I get paid for. But we are committed to making sure that we deliver. Irrespective of the environment, we continue to deliver growth quarter-on-quarter to our investors. And until now, since we have been there as this new management team, we have delivered growth every quarter, except for Q3 of last year.

Moderator: The next question is from the line of Chirag Shah from White Pine Investment Managers.

Chirag Shah: Just one small follow-up on this after-revenue provision that you made in your P&L. One, you said that the revenue account was \$300K annual, right?

Manish Tandon: Per month.

Chirag Shah: Per month. Okay. Sir, my question is can you talk a bit about what is the size or a broader indication of what kind of customer that was, one and what is the tail risk that we have if the U.S. cycle turns for -- not turns around on the negative side. What is the tail risk we have for the smaller accounts that we have? If you can just speak about these, it would be helpful.

Manish Tandon: So, first of all, we don't want to comment on the sector or the client. It'll be inappropriate for us, number one. Number two is you talked about tail risk. As you see, our DSO is the best that it has been in the last 10 years, okay? And our provisioning policies remain very robust. So, there is no -- I mean, look, 1 or 2 clients might go under sometimes as a part of creative destruction

of capitalism. You will continue to see growth -- clients growing, clients falling off the way. And as your management team, it's our responsibility to manage it.

We are trying to manage it. We will manage it in a relatively efficient and risk-free fashion for our shareholders. And as I said, the best way of looking at it is in terms of DSOs, and our DSO is best in class or best for us in the last 10 years. So, our quality of revenue is solid.

Chirag Shah: Okay. So just to clarify on this thing. We are seeing that we don't have many smaller accounts, which could be vulnerable. That is the way to understand. There could be one of ways I understand -- I'm not even denying that it's an important part of business, but there is no major tail risk as such, where every quarter or once a quarter for -- we may have -- once a year, we may have to make this kind of provisions or bigger provisions. That is the way to understand, correct?

Manish Tandon: I have been here for 6 quarters now. This is the first time that we are making provision and that also 1.1% of revenues.

Chirag Shah: Yes, sir. The quantum is very small, I agree. I'm not even debating that. I'm just trying to understand our customer profiling because, most of the time, we focus on top 10, top 15, maybe top 20, 30 customers. We don't talk about the Tail, which could be aggregate level, 8%, 10% of revenue, 15% of revenue.

Manish Tandon: The Tail risk, from my perspective, see, there are Tail accounts. The first question to ask as a service provider are the Tail accounts because of us or because of the client. So, there are lots of logos in the Tail accounts, which we have not been able to farm effectively. And the focus there is to farm them.

There are tail accounts where we don't see too much potential, so we restrict our commitments to those accounts in order to maintain our basic servicing. So, you have to look at it at a portfolio level. From a financial perspective, as I said, we have very, very conservative provisioning policies. And I don't see much risk in terms of...

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

Sandeep Shah: Manish, in the last Analyst Meet, you said you are aspiring to add a large deal across just the vertical segment where we operate. So, any update on that? And what are the prospects of improving traction on the large deals in FY 2025?

Manish Tandon: Only 1 quarter -- Sandeep, only 1 quarter is over in the FY '25. So, we are still gunning for it. There are a few in the pipeline. And hopefully, we should be able to convert 1 or 2 of them.

Sandeep Shah: Yes. So, what I meant is do you believe the pipeline creation and the growth on the large deals is increasing because of the efforts and the focus?

Manish Tandon: Yes, of course. I mean, as -- like any good operating team, you have to keep looking at the data and looking at -- to see if there are -- if whatever you're doing is making sense and having an

impact. And we definitely see the impact -- the positive impact on our pipeline as far as large deals are concerned.

Sandeep Shah: Okay. And sir, based on the revenue run rate of the bankrupt account, it looks like it's 0.6% to the top line. And there would be also furlough in the TMT in the Q2. So is it fair to assume this, too, could be a headwind on the growth in the Q on a Q-on-Q basis, despite that, you are saying we are cautiously optimistic? So, do you believe a 4% growth scenario can be maintained? Or there would be headwind and those momentum may not be maintained because of these headwinds?

Manish Tandon: Sandeep, I wish I could answer your question. I have asked the Board that we should be able to give guidance in quarters, with that analyst calls will be shorter but there's still -- the Board is deliberating on it. But yes, I mean, it's my job to tell you that -- what the headwinds are and what the tailwinds are. And that's what we are trying to do there, and you can make your own assessment.

Sandeep Shah: Okay. But this bankruptcy account could have a tailwind on the growth in the Q2, right?

Manish Tandon: Bankruptcy, whatever was a tailwind of ours is already gone. We already had renegotiated the contract. So, this was baked into our numbers. And as I said, whatever we are going to bill post-bankruptcy filing, which was July 7, I think, from July 8, that is, anyway, going to come to -- will get paid on priority. So, there is no headwind per se, whatever is the headwind was in terms of a receivables and that we have provided for already.

Sandeep Shah: Okay. Okay. And Manish, with furloughs being there in the Q2, is it fair to assume this time, Q3 could be slightly better? Or there will also be a seasonal softness in Q3 because of furloughs continuing in Q3 over the year?

Manish Tandon: So, the fundamental nature of the industry has not changed, Sandeep. Q3 has been furlough for the industry for very long, and I don't see that changing in a hurry.

Sandeep Shah: Okay. And last question, in terms of second quarter, we have called out \$3 million worth of wage hike impact. That would be roughly 180, 200 bps to the margin. Is it fair to assume most of it could be compensated? Or we believe flattish margin is the best-case scenario? Or a base case scenario?

Manish Tandon: That's a 3-billion-dollar question. We are working every day to mitigate the impact of the wage hikes. We are taking lots of actions. And there's a whole bunch of actions like permanent optimization, the on-site offshore ratio, all sorts of things are there. And we are working on making sure that, that is mitigated to the extent possible.

Moderator: The next question is from Amit Chandra from HDFC Securities.

Amit Chandra: So, my question is on the BFSI vertical, obviously, we have seen a strong recovery there. So, if you can throw some more colour what is happening there. Are you seeing some increase in the discretionary spend there? Or is it more structural? Or is it more due to some shorter-term projects there?

Manish Tandon: So, Amit, BFSI vertical, for us, has been relatively strong throughout, and our underperformance has been primarily due to the TMT vertical. So, over the period, if you look at -- over the last few quarters, every time, in BFSI, there has been a positive momentum. And this quarter, it is showing up very well, but that momentum has continued to build for us, and this sector has done well for us. Regarding your question on is it onetime projects or is it going to continue, well, I hope it is going to continue because even where we are doing projects, we have larger projects, which we don't see ending quickly.

Amit Chandra: Okay. And sir, we have been investing in the Healthcare and Life Sciences vertical, so we have also seen a strong recovery there in terms of growth. So, if you can throw some more colour on the acquisitions that we have done in terms of the BridgeView health care, which is in the Healthcare consulting space. So, what kind of synergies will we see there? And what are the earnout targets there?

Manish Tandon: So, Amit, financially, whatever we had to communicate on the acquisition, we have communicated in the filings. But the Strategic rationale, I can spend a little bit of time to explain that. See, first of all, as you know, we started the Healthcare and Life Sciences vertical in Q2 or Q3 of last year 2024, so one-way was to look at small tuck-in acquisitions in the right area, so we actually created a Go-to-market strategy.

We figured out that this is the space that we want to go after, which offers quick returns, and it's more strategic. And so, we zeroed in on BridgeView Life Sciences. And in the charter, it might have been lost, but this is basically we are going after Pharma Commercial area, and this is Veeva related.

And as you know, those who follow this industry, that Veeva has decided to move away from Sales Force, and we expect a lot of work to be happening on these movements, both in Sales Force and in Veeva. So that is the Strategic rationale for doing this acquisition. We are getting some very good talent with it. We just had our first town hall with the BridgeView Life Sciences team. They are very excited about joining us, and we are also very excited about having them as a part of our team.

Amit Chandra: Okay. And now if you can comment on the Africa as a geography because it has been weak for 4-5 quarters now. So how do you see that geography? Is it still strategic to us? Or we are trying to...

Manish Tandon: South Africa is a strategic geography for us, and it has not been -- see, the problem there, it has not been weak for us. In fact, actually the volume growth in that geography has been very good and constant currency growth has been good. It is just that the rand has declined by 10% or so from \$16 to I think \$18-point-something, and that gets reflected -- that does not show up in the numbers.

But South Africa is doing very well for us from an organic growth perspective. We have the who's who of that country as our client, and this is one country that Zensar actually has a larger presence than most of its Indian, larger peers also. So, it's a very strategic industry for us, and we will continue to invest in it, and we will continue to invest for growth.

- Amit Chandra:** Okay, sir. And on the furloughs that you mentioned, obviously, we are seeing for the very first time. But in this quarter, we had the full quarter impact of furlough? Or we'll see the full quarter impact in the next quarter, specifically furloughs?
- Manish Tandon:** Furlough is about -- mostly it varies from 1 week to 2 weeks based on listing and it happened in July. So, you have not seen the furlough impact in this quarter.
- Amit Chandra:** Okay. And in terms of the hiring plans, how do you see that in -- like we are running at 84% kind of utilization and what are the hiring plans? How many freshers do you want to hire in this year?
- Manish Tandon:** This is the first time that the actual net head count has increased.
- Vijayasimha A:** Second quarter in a row.
- Manish Tandon:** Second quarter in a row that the net head count has increased. So, we are being -- first of all, I mean, when you see utilization of 84%, we have to give credit to the COO and the delivery teams and this thing, that they are -- it's not just about hiring. It is about cross training so that we can utilize the people that we have already. It is one of the most people-friendly policies that we have as a company.
- We invest a lot in training, cross-training of our people so that we can re-deploy those people first rather than trying to hire new people from the market. And wherever possible, we are looking at onboarding freshers I think we onboarded about 50 last quarter, and we will onboard maybe 100 or so in this quarter also.
- Moderator:** The next question is from Nitin Padmanabhan from Investec.
- Nitin Padmanabhan:** Manish, from the other verticals, which is, I think, TMT, Manufacturing, Consumer, how has the cross-sell sort of initiatives sort of helped so far? And how is that done? So that's one part. And I think the very fact that you are even thinking of our guidance means and this not -- that has improved structurally, which was in the case earlier. So, thanks for that. But just some thoughts on these 2 verticals on the cross-sell and the pipeline and all of that would be helpful.
- Manish Tandon:** So, in MCS, most of the -- in fact, growth, as you remember what Vijay said, growth has been coming primarily from cross-sell only. And that is reflected that in our TAM, in our Service Lines. Between Q4 and Q1, we have a 100-basis point increase in revenues on service line, right? What used to be 52%, 53% is now, whatever, 53%, 54%. And that itself is an indication that the cross-selling mechanism is working well.
- The other mechanism that we also track is account planning and to see how we are using our Service Lines to penetrate accounts, and I'm happy to report that those are also doing that.
- Nitin Padmanabhan:** Sure. Perfect. And just one last question. On BridgeView, any thoughts on how margins are versus the rest of the company?
- Manish Tandon:** It'll not to be margin dilutive or EPS dilutive this year is all I can say.

- Moderator:** The next question is from the line of Sandeep Shah from Equirus Securities.
- Sandeep Shah:** Yes, sir. Just a question, Manish. I think, earlier, you indicated that this year, we aspire to be in line with the industry growth. And next year, we can be in the leaders' quadrant in terms of the growth rates. So looking at the current macro environment, do you believe we are on track for this? Or anything else you would like to highlight, which will take us in that growth path?
- Manish Tandon:** Sandeep, you are best positioned to answer that question. Yes, all the quarterly results are coming this year, this quarter. Almost everyone is through. And you know our quarterly number, the quarterly number of the industry. So, you are in the best position to think and comment on it. We are committed to making things happen, which are in line with what we have promised to the market.
- Moderator:** The next question is from the line of Chirag Kachhadiya from Ashika Institutional Equities.
- Chirag Kachhadiya:** So, Manish, I have 2 questions with respect to Telecom and BFS vertical. So how do we see, for the next 3 remaining quarters of the fiscal? And what sort of discussion going on for these 2 verticals?
- Manish Tandon:** We are very positive about all our verticals. So, as I said, we are seeing -- this is the second quarter in a row where all our verticals have shown sequential growth. And we are hoping that we will continue to maintain that momentum going forward.
- Chirag Kachhadiya:** Any pecking order, like, which verticals do that, like, who do well in incoming quarters, and you have more expectations from one of them?
- Manish Tandon:** All these verticals are like my kids. So happy with success of each one of them. There's no favourite amongst them.
- Moderator:** Ladies and gentlemen, that was the last question for today. I would now hand the conference over to Mr. Manish Tandon, Chief Executive Director and Managing Director for closing comments. Over to you, sir.
- Manish Tandon:** Thank you. And first of all, as I said before, today is budget day. This is a very small event in - compared to what big event is going to happen today. So, appreciate your interest in attending this call with us. As the management team, we remain committed to making things work for our shareholders and look forward to talking to you again next quarter. Thank you very much.
- Moderator:** Thank you, members of the management. On behalf of HDFC Securities, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.