eClerx/SECD/SE/2023/059

May 31, 2023

BSE Limited	**National Stock Exchange of India Limited**
Corporate Relationship Department,	Exchange Plaza, Plot No. C/1,
Phiroze Jeejeebhoy Towers,	Block G, Bandra - Kurla Complex
25th Floor, Dalal Street,	Bandra (East),
Fort, Mumbai - 400 001	Mumbai – 400 051

Dear Sir/Madam,

Sub: Compliance under Regulation 30 of the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Reg.: Transcript of the earnings call - financial results for the quarter/period ended March 31, 2023

Scrip Code: BSE - 532927
NSE – ECLERX

Pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of earnings call held on May 26, 2023 with respect to the financial results of the Company for the quarter/period ended March 31, 2023.

This is for your information and records.

Thanking you,

Yours truly,
For **eClerx Services Limited**

Pratik Rameshbhai Bhanushali
Digitally signed by Pratik Rameshbhai Bhanushali
Date: 2023.05.31 11:45:12 +05'30'

eClerx Services Limited
Mumbai

Pratik Bhanushali
Company Secretary & Compliance Officer
F8538

Encl.: as above

eClerx Services Limited
Q4FY23 Earnings Conference Call

May 26, 2023

eCLERX MANAGEMENT:

PD MUNDHRA – CO-FOUNDER AND EXECUTIVE DIRECTOR
ANJAN MALIK – CO-FOUNDER AND NON-EXECUTIVE DIRECTOR
KAPIL JAIN – MANAGING DIRECTOR AND GROUP CEO
SRINIVASAN NADADHUR – CHIEF FINANCIAL OFFICER

CONFERENCE CALL PARTICIPANTS:

AYUSH RASTOGI - B&K SECURITIES
CHIRAG KACHHADIYA – ASHIKA STOCK BROKING LTD
DIPESH MEHTA – EMKAY GLOBAL
HITESH ARORA - UNIFI CAPITAL
KESHAV GARG – COUNTER CYCLICAL PMS
MIHIR MANOHAR - CARNELIAN ASSET MANAGEMENT
SANDEEP SHAH - EQUIRUS SECURITIES
SHRADHA AGRAWAL - ASIAN MARKETS SECURITIES
TEJVINDER SHARMA – INDIVIDUAL INVESTOR
VAIBHAV CHECHANI – ELARA CAPITAL
VP RAJESH - BANYAN CAPITAL

Diwakar Pingle:
Good evening, participants, and welcome to the Q4 and Full Year FY'23 Earnings Call of eClerx Services Limited. Please note that this webinar is being recorded.

To take us through the results and to answer your questions, we have with us the top management of eClerx represented by PD Mundhra, Co-Founder and Executive Director; Anjan Malik, Co-Founder and Executive Director; Kapil Jain, Managing Director & Group CEO; and Srinivasan Nadadhur, Chief Financial Officer. We will start the call with brief opening remarks by Srini, and then we will open the floor for the Q&A session.

I would like to remind you that anything that is said on this call that gives an outlook for the future or which can be construed as a 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 the SEBI and subsequent annual report, which you will find on our website.

With that said, I will now hand over the call to Srini.

Srinivasan Nadadhur:
Thanks, Diwakar. Ladies and gentlemen, good evening, and welcome to eClerx's earnings call for Q4 FY'23 and the full year.

Top-line growth was flat in this quarter, attributable to softness in client demand, impacting onshore revenues and our digital business. U.S. dollar revenues came in at $85.6 million, which is up 0.6% Q-on-Q in USD terms and 0% in constant currency terms. Total revenue for the quarter was INR 6,984 million, down 0.9% Q-on-Q because of lower other income. On the positive side, we demonstrated robust performance on margins on account of lower delivery and subcontracting costs. EBITDA margin for the quarter was INR 2,119 million at 30.3% and net profit was INR 1,325 million at 19%, an expansion of 36 bps Q-on-Q. Overall, FY'23 was a strong year for us, both on the revenue and the margins front. Revenue for the year was $332.7 million, up 17% in USD terms and 19% in constant currency terms. And net profit was INR 4,888 million, also up about 17%.

During the analyst call in Q4 last year, we had presented an insight into our BPaaS portion of the business and the Analytics & Automation business. We are pleased to report that both businesses grew faster than the firm. FY'23 BPaaS revenue was $91 million, which is 17% organic 3-year CAGR. This figure was $73 million in FY'22. Revenue from Analytics & Automation Services was $71 million, 24%, 3-year CAGR and this figure is up from $60 million in the previous year.

I also want to draw your attention to a couple of key metrics. #1, we continue to increase wallet share with top clients. We now have 18 clients with $3 million plus bucket, up from 16% in the same quarter last year. The number of clients in the $0.5 million plus bucket is now 76%, up from 64% in Q4 of last year. And point #2, onshore revenue is down 18% and we expect that this figure will remain in and around this percentage for the next couple of quarters. From our conversations with clients and based on market conditions, it appears that the softness will continue, and it will take at least 1 or 2 quarters for demand to pick up.

And finally, we are very happy to announce that Mr. Kapil Jain is appointed as the MD and Group CEO of eClerx. Kapil is an Infosys veteran and has over 2 decades of experience in scaling businesses, driving growth, and improving profitability. His appointment strengthens our leadership team and will accelerate growth for eClerx.

With this, we come to the end of our opening remarks. We can now move on to Q&A. Back to you, Diwakar.

Diwakar Pingle:
Thank you Srini. The first question comes from the line of Hitesh Arora.

Hitesh Arora:
My name is Hitesh, I'm working with Unifi Capital. Just maybe if you could kindly comment on the demand environment in some detail what is the outlook in terms of revenues and margins for FY'24? If you could kindly delve a bit into that would be very helpful.

PD Mundhra:
I can take a stab and maybe Anjan can supplement. So, I think as Srini mentioned in the opening remarks, we do see some indication of softness in demand, particularly in discretionary spends in Q1 and Q2. So, we would expect that it's entirely possible we may see a small decline in revenue in Q1. Having said that, I think the future trajectory will largely depend on what happens to the Western economy. And one would hope that towards the later part of this financial year, one see some degree of recovery and bounce back in demand and growth.

On margins, I guess, the flip side of the coin is that with some softening in demand, supply side pressures are also easing. You would have seen that attrition has come down, not just for us, but for the industry as a whole. So, we do expect that the supply situation will be more conducive to maintaining margins. And also, as the benefit of currency movements that have happened over CY'22 start playing out in our P&L, that should also provide a little bit of support for margins for FY'24. So, we think the margin is the strongest story. For revenue, we definitely see some softness in the near-term and we hope for a recovery later in the financial year.

Hitesh Arora:
And just next question, if I can ask. Mr. Kapil Jain, who has joined recently, and you mentioned during the introduction as well, is he just based on the U.K. entity or is it on a wider eClerx role?

PD Mundhra:
Yeah, Hitesh. So as Srini mentioned, Kapil is Group CEO for the entire Group. And he has also been appointed a Managing Director in the listed company in India, for which we will go and seek shareholder approval in the next few weeks here. He is based in London because that is where he lives, but he is the CEO for the whole Group.

Diwakar Pingle:
Thank you Hitesh. The next question comes from the line of Shradha Agrawal.

Shradha Agrawal:
Just a follow-up on the previous question asked. So, in terms of growth rate, we saw a significant deceleration in growth rate in this quarter. So just wanted to check, was it a broad weakness across all the 3 segments that we operate in or was it just particularly related to 1 segment that saw significant deceleration and others were still, okay? So some more insights into the demand environment would be helpful.

PD Mundhra:
I think what was hit was more discretionary spends. And therefore, what got impacted was our digital business, which is somewhat more discretionary spend-oriented than the other 2, and also to some degree the onshore work that we do because that is also among the first to feel the effects of any compression in client spends. So those 2 were sort of the areas that got impacted more than others. But broadly speaking, I think we have seen a deceleration across the board.

Shradha Agrawal:
And in terms of sales pipeline, I think we were doing okay in terms of sales pipeline build-up until the last quarter. So, are we seeing some slowness there as well in terms of decision-making slowdown or in terms of pipeline build-up?

PD Mundhra:
Shradha, I think the slowdown is more in terms of conversion than in terms of absolute pipeline. Absolute pipeline still continues to be good and large. But I think where we have seen a slowdown is in decision-making conversion, especially in committing to new spends. I don't know, Anjan, if you would like to add something.

Anjan Malik:
No, I think that's accurate. I mean, you would have seen that at the moment many of our large clients are in large cost cuts, including lay-offs. So obviously, until that cycle is through, you can expect that there will be a fair amount of decisions on new spends. So, we expect, as PD mentioned, that at least for the next couple of quarters to be soft. But we think demand should return thereafter because it doesn't look like long-term projects have been cancelled, it's just anything or some projects getting delayed.

Shradha Agrawal:
Sure. And just one last bit. Congratulations Kapil on this and welcome to eClerx. And just wanted to check, PD, so what will be your and Anjan's role in the new structure in terms of day-to-day operations, management? And how will we allocate responsibilities between yourself and Kapil?

Anjan Malik:
Well, there is the divisional responsibility which is very clear because Kapil is the CEO and he will be the executive in-charge of the company. I think over the next few months, what PD and I are doing, I think we're taking on a broader strategy role. So, we'll be working with him very closely and the rest of our team to integrate him into the management team. So really, he's taking on executive roles over the next few months.

Diwakar Pingle:
Thank you Shradha. The next question comes from the line of Dipesh Mehta.

Dipesh Mehta:
Couple of questions. I think just continuing on that organization changes and responsibility, any change in the growth strategy or if you can provide some more perspective with Kapil in the team, how you want to assign responsibility among all of you? And any change in terms of growth plan?

Second question is about the growth outlook across 3 segments. If you can provide what trends currently are witnessing in across 3 segments; financial market, digital, customer operation? You said digital or discretionary spending is where we are seeing more weakness, but if you can provide more perspective among these 3?

And any plan to diversify overall business mix in any of these pocket or outside of this pocket?

And last question is about what would be your combined BPaaS and Analytics & Automation revenue, excluding overlap? I think last time you indicated about INR100 million in FY '22, if you can share '23 numbers?

PD Mundhra:
So Dipesh, those were 4 questions. I'm not sure I remember all of them, but the last one, definitely I'll request Srini to answer later. I think the first question you had was about changes in growth strategies.

So look, one of the main objectives of inviting Kapil to join in his capacity is to accelerate growth for the business. I think that is the overall objective. He has been about 3 weeks with the firm. So, I think it's unfair to expect him to have formed a fully big view of what the business is, and more importantly, what he would like to focus on and change in the future. I think he will need some time to develop that context and form an opinion. And hopefully, at some point in the next couple of quarters, we will have more to share with you once we've had a chance to do that.

For now, I think it's continuing on the 3 or 4 initiatives that we already had in play, which is around focusing on more of a productized services strategy, focusing on BPaaS, focusing on Analytics & Automation and continuing to use onshore in the way it makes sense for our clients. So those things don't change. And those will continue to be our near-term focus areas, while Kapil sort of builds up an opinion on what he would like to do next.

I believe one of your questions was about the demand environment for the 3 businesses. I think as we indicated earlier, there is some softening across the board for all 3 businesses, primarily around converting new spends. The degree varies a little bit. I think digital being more exposed to discretionary spend has seen a little bit more of the cutbacks upfront in this cycle than the other 2 businesses. But hopefully, when the bounce back comes, one would by the same token expect that the bounce back in digital will also be quick. But for now, at least for the next 3 to 6 months, we do continue to expect to see some softness and hopefully recovery comes thereafter. I know Srini, you might have an answer to the specific question around the combined revenue.

Srinivasan Nadadhur:
Yeah, I'm checking that. I'll get back maybe by the time this call is over.

PD Mundhra:
Dipesh, am I missing any part of your questions?

Dipesh Mehta:
So only I think one thing, you partly alluded about 3 segments, but anything where you want to, let's say, diversify or plan to add in terms of for medium-term growth outlook among these 3 buckets or outside of these 3 segments?

PD Mundhra:
I think for now, we feel that there are enough opportunities and vectors of growth in our 3 businesses. And our idea would be to sort of try and exploit the full potential in those businesses and the concentric circles to where we are today. For something more unrelated, we feel it will probably have to be on the back of some acquisition, and that is unpredictable to a large degree. But for now, we feel that the businesses that we are in offer a significant opportunity for medium-term growth.

Diwakar Pingle:
Thank you Dipesh. The next question comes from the line of Mihir Manohar.

Mihir Manahor:
First of all, congratulations Kapil Jain for your appointment as the MD and CEO, clearly very impactful. So largely wanted to understand, one of the reasons that you mentioned that the appointment of Kapil is largely to extend the growth. So just wanted to understand from a qualitative angle, what kind of business or what kind of relationships are we looking into specifically from the appointment? I also wanted to understand from Kapil, what is the kind of initial interactions you're having with the clients? If you can throw some light, some strategies around that or what kind of business would you like to grow or something around that? So that was my first question.

Second question was about our top 5 and top 10 clients. I mean, we are having a fairly large concentration on the top 5 client side. So, is there any issue which is there on the top 5 clients? Is any insourcing or anything happening? I wanted to understand that thing.

And third part of the question was, the spend mix? I mean, if you can highlight what is the discretionary v/s normal kind of spend at our overall company level, that will be really helpful. So those were the questions.

Srinivasan Nadadhur:
So the question 1 on discretionary spend, that's about 30% or so of the overall business. I think the first question was on if you have identified any growth strategies that you want to focus on now that Kapil is here? What kind of businesses are you targeting? What kind of industries are you targeting?

PD Mundhra:
So, Srini, I think we sort of answered that question in response to the previous person, who was Dipesh who asked that question. I think it's too early for Kapil to form a fully based opinion on what he would like to do with the business going forward. And in the meantime, we'll continue to invest in the areas that we already had in flight, which we talked about around BPaaS, around product-like services, around Analytics & Automation and Onshore. So those things continue for now. And as and when there is a material change in strategy, of course, we'll be happy to communicate it on this

forum.

Mihir Manohar:
And just lastly on the top 5 and top 10 clients. I mean, are you seeing any roll-offs happening because we are having fairly a large concentration? So, I just wanted to understand around that.

Srinivasan Nadadhur:
For the top 5 and top 10 clients that we have, we provide services that are both onshore, discretionary, non-discretionary, run their business and so on. So, in parts of those businesses, especially on the Onshore side and on the wherever it is discretionary offshore spend, we are seeing roll-offs. And that is true for the rest of the book as well. So, the top 5 are not any different from the larger set of clients that we have. It's just that their spend with us is larger.

Diwakar Pingle:
Thank you Mihir. The next question comes from the line of Sandeep Shah.

Sandeep Shah:
Are we witnessing slowdown to continue in the first half and some pick-up expectation from the second half as a whole? And earlier, we were targeting a double-digit kind of a growth scenario possible in the immediate term. Are we still sticking? That is a possibility in FY '24 as a whole? And how should we read a significant material employee decline in the fourth quarter as a whole? That is in anticipation of demand slowdown could accelerate beyond 4Q in first half, which could be higher than 4Q? How should we interpret the same?

PD Mundhra:
So, I'll take a stab and Srini can supplement with his comments. So, taking the last part of your question, the reduction in headcount that you see is a combination of 2 factors. One is, as we've said, we are seeing a slowdown in Q1. We think that it's very possible we'll see a slight dip in revenue in Q1 over Q4. So some of the headcount is rightsizing for that. The other part of that is also some rationalization of benches because now that we've seen attrition come off, we feel that we no longer need to run as much spare capacity as we were running in a much tighter labor environment last year. So, we've also sort of taken that decision to reduce the benches to align with the sort of attrition rates that we are now seeing in the market. So those 2 sorts of factors are responsible for the reduction in headcount that you see.

In response to first part of your question, yes, we hope that the softness that we are seeing will be more limited to the short-term, let's say, a couple of quarters. And one would hope that as we come to the second half of this financial year, we see some bounce back in demand. But obviously, that is a somewhat uncertain outlook given how much time remains between now and the end of the year.

And to your question on double-digit growth, I think absolutely for the medium-term, that continues to remain an aspiration and a goal for the firm. For this year, I think it's a little harder to predict. I think given the entry run rate we have, we still have positive year-over-year compare. As we go into the next couple of quarters, the quarter-on-quarter compares will not look pretty, but the year-over-year will still not be too bad. I think probably by the September quarter, we will have a good sense of whether or not it's possible to have double-digit growth on an accrued basis this year. We at least hope the exit run rate should be strong, but time will tell.

Sandeep Shah:
And my second question was on margin where we have executed extremely well for the whole year, where we are at close to upper end of the midpoint of our comfort range of 28% to 32%, the way we report the margin, including other income. So how do we see that range entering into FY '24? Do you believe the upwards of 30% plus or minus can continue as a sustainable margin going forward?

Srinivasan Nadadhur:
At least in Q1, the margins usually are down because we just completed our incremental cycle. So Q1 additionally is the low point for margins and after that it picks up. At the moment, we see that supply-side constraints are continuing to be in our favor. And we also see that for the next couple of quarters, this should be the case, there's no reason why we could not be near the 30% mark.

Diwakar Pingle:
Thank you Sandeep. The next question –is follow-up from the line of Hitesh Arora.

Hitesh Arora:
Just a quick one. You touched on roll-offs, Is anything big or serious or worrying that we should be aware of in terms of roll-offs?

Srinivasan Nadadhur:
Yeah, not to our knowledge, at least the roll-offs that have happened here in the past quarter and the ones that we have some visibility in the current quarter. Around individual projects that are rolling off, either we have completed the work and the work is not initiating or the client does not have the budget and therefore they said to cut short. But there is no structural or systematic problems that we have seen.

Diwakar Pingle:
Thank you Hitesh. The next question comes from the line of Vaibhav Chechani.

Vaibhav Chechani:
First of all, congratulations to Mr. Kapil. And secondly, my question is around our managed services. So, in this quarter, we have seen our managed services growing a bit on quarter-on-quarter and both on Y-o-Y. So, is it because of some of our businesses moving from FTE to managed services and we can see some cost effect as well in the coming quarters?

Srinivasan Nadadhur:
Usually, if you look at the BPaaS revenue, you will see that it spikes up in the Q4 of every year because there are certain clients who are on a managed service business, they have a lot of volume for us at the end of the year. So the QoQ number, you'll always see a spike. We are making progress and more clients are converting or more processes are converting to managed service, but that is a slow process. So, I think when you're comparing the increase in managed services, you should be looking at Q4 to Q4.

Diwakar Pingle:
Thank you Vaibhav. The next question comes from the line of VP Rajesh.

VP Rajesh:
Kapil, welcome to the eClerx, and I just have a couple of quick questions for you. As you were looking to come into eClerx, what's attracted you to this company? And secondly, as perhaps a competitor in the past, if you can comment on what you saw in eClerx in various deals where you may have competed against eClerx?

Kapil Jain:
Thanks Rajesh. I think during the process, I met with PD and Anjan. And in terms of the asset that they have created along with their team, I think is very unique and differentiated in the marketplace. To the extent that some clients in the last 3 weeks that I have seen, call us as like this is a company that does BPaaS, and a lot of the revenue comes through referencability.

With regards to competition in the last 22, 23 years that I had spent with Infosys, I have not come across eClerx because I think it's a very differentiated set of offerings and space eClerx operates in. And from the people perspective, I've had the opportunity to meet some of the people, and I think very entrepreneurial set of people both on the client side as well as on the delivery side. And last but not the least, the Board also I think swayed me to making that decision in terms of moving to eClerx.

Diwakar Pingle:
Thank you VP Rajesh. The next question is a follow-up from the line of Sandeep Shah.

Sandeep Shah:
The question is to the whole panel. How to look at Generative AI as a medium or longer term risk for the eClerx business as a whole? And how are we preparing ourselves in terms of providing those solutions proactively through to the client rather than waiting for our business getting disrupted? And a second follow-up question to Mr. Kapil Jain, congratulations on your joining. Just wanted to understand because you headed BPO segments of Infosys. Their scale as a percentage to revenue was lower, but the scale is still much higher versus the scale of eClerx BPO business. So, what are 3, 4 important things you would like to do which helps eClerx to scale up this business on a sustainable and consistent basis year-after-year?

PD Mundhra:
So, on Gen AI, I think it's still very early days. What we have done is we have set-up a center of excellence as part of our technology and automation teams. And we are sort of dabbling and trying to figure out which specific models under Gen AI are relevant to our book of work. So, we've done an inventory of all the work and the processes that we run for clients to select those where we think Gen AI may have some applicability. And we at this moment are trying to create proofs of concept and trying to figure out what benefits are we getting in terms of productivity, accuracy, and so on and so forth. We are nowhere near the stage where we feel we can commercialize this and take it to market. But what we do want to do is build-up the capability and the understanding of how Gen AI could improve the services that we deliver to clients. This is not dissimilar to the journey that we went through for things like RPA and machine learning over the last 3, 4 years where the first stage was just about trying to become familiar with the broad horizontal capability. The second stage was sort of trying to figure out where we could apply that capability in our portfolio of services. And then the third stage was taking that back to clients. So, I would say on the Gen AI journey, we are somewhere between 1 and 2. And hopefully, we'll get to Stage 3 in the near future. With that, I would hand over to Kapil to respond to your other question.

Kapil Jain:
So, I think like in the earlier questions, I'm trying to understand the business, meet the people as well as the clients because it would be naive on my part to take a certain strategy that had worked in the past and try and cut and paste it here. And over the next few months, I think priority is accelerated growth, we should have a view in terms of what are the things that we would want to continue doing. What are the things that we should perhaps add which can add to the question that you were asking in terms of sustainable growth and accelerating the growth? So, give some time, we'll come back.

Sandeep Shah:
In this journey of accelerating growth, sometimes is it required to compromise some bit of margins in terms of investment to accelerate the growth or we can accelerate growth with keeping the steady-state margins as a whole?

Kapil Jain:
So, Sandeep, I think like I said, in total, EPS and bottom-line is in terms of the shareholder value that you're creating will determine in terms of what that equation would be. If it's not net accretive and you're just chasing the growth and you're not adding to the bottom-line, then it's not worth it. I think as I was saying earlier, the sort of asset that we have here is very unique. And I think over the next few months, as we formulate our strategy, we will have a view in terms of what that equation will look like. I hope I have answered your question Sandeep?

Diwakar Pingle:
Thank you Sandeep. We have a follow-on from the line of Vaibhav Chechani.

Vaibhav Chechani:
All my questions are answered, so I guess it was best.

Srinivasan Nadadhur:
And while we are waiting for that, the answer to Dipesh's question on the overlap between Analytics & Automation and BPaaS is between $25 mn and $ 30 mn. Dipesh, I hope you got that?

Diwakar Pingle:
I think anyway, he's muted, he'll come back maybe. But next question is from the line of Ayush Rastogi.

Ayush Rastogi:
So most the comments have been discussed about the demand environment. So, I just wanted to understand a bit about how the demand environment commentary is looking like from North America or European countries. First, we have seen the commentary of the global as well as regional service players that they have been kind of providing a stable commentary towards the European region. So, is it the very same for us or is it like we are seeing a kind of a more delay in decision making more in a Europe region or in the North America region or maybe a bit more commentary towards vertical side as well as the regional side is specific?

Anjan Malik:
No, we don't see a regional bias. Remember that 70% of our revenue comes from the United States. So obviously, we've got most of our color from the U.S. clients. They tend to be fast decision makers, but therefore, they also then be faster to not make decisions too. But there's no particular bias one

way or the other.

Diwakar Pingle:
Thank you Ayush. We have a follow-up from the line of Dipesh Mehta.

Dipesh Mehta:
Srini, I just missed the number what you said?

Srinivasan Nadadhur:
Yeah, between $25mn and $30 mn.

Dipesh Mehta:
So, $25 mn to $30 mn is the overlap that one need to subtract?

Srinivasan Nadadhur:
Yes

Dipesh Mehta:
And what would be the Capex which we've envisaged for FY '24?

Srinivasan Nadadhur:
Capex for FY'24, it will be a little higher as we've taken up 2 new floors in Airoli, which will go live in Q1 or maybe late Q1 or early Q2. So, I can get back to you with the numbers offline.

Diwakar Pingle:
Thank you Dipesh. We have another follow-on from the line of Hitesh Arora.

Hitesh Arora:
If you could kindly comment on the financial services side of the business? What are the big banks saying? Any commentary from them that impacts your business?

Anjan Malik:
So, I think the theme from the big banks, to what we've seen over the last 5 years, which is that the largest investment continues to be in automation and digital first. So try and go direct to customers. So I think that's the #1 area of investment. So we've been on that journey since the beginning. I think the second trend that we've seen is that more and more power has gone to fewer and fewer people. So it's the ultimate power loss. So, people like JPMorgan, Bank of America, Wells Fargo control more market share than before. And they tend to see much more volumes. And because a lot of our exposure is to these large banks, we've obviously been able to pick up some of that for you. The spend ability of the large banks tend to be bigger than the small banks, and that's been consistent. And they have also continued to be becoming bigger and having more governance, but it also meant that they have much more regulatory oversight than ever before again, which has meant that their investment and their spend on compliance-related activities the highest than it's ever been. So I think broadly, it's sort of a continuation of a trend that we've been seeing over the last few years.

I think the flip side in the short-term is there's been some reduction in headcount. Obviously, there's a little bit of consolidation in the industry, as you know, which means that there's headcount reductions, there's some nervousness around the recession potentially because of increased interest rates. So hence, sort of our little bit of hesitation around the near-term, but broadly conscious about the medium-term on growth and their spends.

Diwakar Pingle:
Thank you Hitesh. Next question is from Tejvinder Sharma.

Tejvinder Sharma:
I have just one question. These days every BPO is proposing AI, RPA or analytics to their clients to align themselves with their client goals since every client is looking for cost optimization and efficiency. So what's our long-term auto strategy to offer RPA, AI or analytics even to our existing clients because that comes with the risk and reward because as we all know, that if you offer any of these technologies, it might reduce our top-line, but as well as the reward is that the client might want to see us as a strategic partner in that case or they may start looking as a strategic partner and give us some more business that can help us grow our top-line? So, what's our strategy on that?

Srinivasan Nadadhur:
We have always favored the second approach, which is that we want to proactively go in front of clients and offer them solutions that help reduce their costs and it does not matter to us. I mean, in the short-term, there will be some reduction of BPO revenue, but we feel that and we've always said that if we don't automate it, someone else may. Then in that case, we will become less and less relevant for the clients. So, whether 5 years ago it was with RPA or more recently with AI/ML maybe in the future with the large language model and so on, I think we always want to embed technology in the services that we provide, which means technology plus operations is the service that we want to provide not a pure-play people on the seat. So that's always been our approach and that will continue to be.

Tejvinder Sharma
And how open are we in terms of offering these to our clients in the BPO space because we know that we have a high dependency on one of our large clients? So how open are we on that?

Srinivasan Nadadhur:
We are very open. In fact, we are working on some use cases, as PD had mentioned, on what we can do with our existing businesses, how we can possibly use Generative AI, maybe try and eventually move some pilots with clients, get them to adopt it and see the benefit. So, we are working and this is a work in progress.

Diwakar Pingle:
Thank you Tejvinder. We have a follow-on from the line of Mihir Manohar.

Mihir Manohar:
I just wanted to understand the cash which is sitting on the books, INR 700 crores of cash and we are generating INR 400 crores to INR 500 crores of operating cash. So, what is the thought over there? Are we looking at acquiring any capabilities which will offset our service offerings or are we open any large mix? That was my first question. And my second question was to Kapil. I mean, we understand that it is just the initial 3 weeks kind of an experience which is there in the company, but I just wanted to understand the interactions that you are having with the clients, so what kind of sense

are you getting on the demand side and on the capabilities of eClerx side? Yeah, so those were the 2 questions.

Srinivasan Nadadhur:
So, I will answer the first one then Kapil I'll hand over to you. We just completed a buyback in February. In fact, the cash on the books is lower than what it was one quarter back. And our policy has always been to return any cash that we don't need for inorganic purposes back to shareholders. And that will continue to be our policy as well. We continue to look out for possible targets, acquisitions, et cetera. And I mean, if there is no need, no immediate target that we have in mind, then we will return that cash. That is what it is. I think as per the SEBI regulation, we cannot do a buyback any day for the next 12 months. For 12 months from the time, we cannot start a buyback because when we start buyback 12 months after the previous one has been completed. Kapil, I hand over to you for follow-up question.

Kapil Jain:
Mihir, your line was not so clear. Can you please repeat your question?

Mihir Manohar:
Yeah, sure. So Kapil, I mean, given the fact we understand it's only 3 weeks in the company, but just wanted to understand the interaction that you are having with the clients. So, what is the sense that you are getting on the demand side and on the capabilities of eClerx? So, I mean, I just wanted to understand that.

Kapil Jain:
Mihir, I think PD and Anjan have covered the demand side of the equation. So, it is no different than what they had alluded to. On the capability side, it's like I had said earlier, it's a very unique, high subject matter expertise, technology embedded, some of the offerings that are there. So, I think the capabilities do exist. We really have to see where we would want to focus which can help us accelerate on the growth side. PD mentioned that there are 4 or 5 vectors on which our strategy is embedded. The question of do we want to go deeper? Do we want to go wider? Do we want to go and cross-sell, upsell? All these, I will get my head around as I'm interacting with the teams, both onsite and offshore as well as with the clients and then we should be able to layout the plan to you.

Diwakar Pingle:
Thank you Mihir. The next question is from the line of Chirag Kachhadiya.

Chirag Kachhadiya:
I have a couple of questions. I want to understand the cost arbitrage and the offers which Indian BPO gives offer and also the comparison with the other Asian and Western players that why someone choose players like us in the segment which they are present compared to the development and other competitive peers in marketplace. So, the cost equation I want to understand. Second, on the supply side front, what scenario we are estimating for the FY '24?

Srinivasan Nadadhur:
So, I think the first one, the cost arbitrage, roughly, I would think in the U.S., for example, a typical person who does BPO work mostly maybe $100,000 to $150,000, whereas is in India, that might be around between $20,000 and $40,000. Obviously, it's a very broad range, but it depends on the kind

of speeds that offer and what is the specific nature that is required. For second question, I would ask PD to answer.

PD Mundhra:
Chirag, can you please the second question? I could not hear properly.

Chirag Kachhadiya:
Yeah sure. So, my second question was on supply side scenario, what situation we are expecting for FY '24? I'm aware that FY '23 and the second half of FY '22 was not so good, but what do you expect for FY '24 and FY '25 on supply side front?

PD Mundhra:
So I think, clearly, we've seen attrition rates reduced over the last couple of quarters. And at least at this point, our base case is that the supply side should be less tight than it has been in the last 12 to 18 months. So it should give us more opportunities to improve utilization rates at the firm. That is the broad expectation, but we'll have to see how it plays out.

Chirag Kachhadiya:
And one follow-up question, if I can, on the first question, which I asked. Any comparison you have done with the countries like Philippines and other related places in terms of BPO employee cost? As you mentioned that we are I guess 1/4 compared to the U.S., but in terms of Philippines and other Asian peers, what is the cost arbitrage?

Srinivasan Nadadhur:
I would imagine that I think Philippines is about 1.5x to 2.5x the cost in India. Having said that, the kind of skills that the Philippines offer is a little different than what India offers. Philippines is very strong in voice-based work. I think also in finance and accounting. And we ourselves have a center in the Philippines. And because the Philippines people will be trained on U.S. GAAP, it is a lot more easier for them to do finance and accounting work out there. So the voice work is kind of different than what we do out here. It's not directly competitive, but I would say the cost is between 1.5x to 2.5x.

Chirag Kachhadiya:
So, they are higher than us, right?

Srinivasan Nadadhur:
That's right.

Diwakar Pingle:
Thank you Chirag. We have the next question from the line of Keshav Garg.

Keshav Garg:
Sir, I want to understand whether we can viably ship some of our workforce from Tier 1 cities in India to Tier 2 and Tier 3 towns to get the advantage of lower cost, wages, rentals, et cetera?

PD Mundhra:
So, I think we already have a presence across a number of different categories of cities. We have Tier

1 metros like Mumbai and Gurgaon, which is effectively a national capital region. Then we have a large presence in Pune and Chandigarh. And then we have a presence in a smaller city like Coimbatore as well. I think when you look at total cost of delivery, the cost of wages is one part, but there is also the other administrative costs and the cost of infrastructure that needs to be provided in those locations. So, I would say, it's a multi-faceted decision based also on cost, but also on the capabilities that we can source in each of those markets. And we sort of tend to make our sourcing, our fulfillment decisions based on a combination of those factors. For now we think the way our footprint is organized is pretty good because we have a mix of the Tier 1 metros, Tier 2 towns and then sort of even smaller places like Coimbatore and that gives us the flexibility to put work wherever it makes more sense to the plant.

Diwakar Pingle:
Thank you Keshav. We have a follow-on from Sandeep Shah.

Sandeep Shah:
Yeah, just one question. With Mr. Kapil Jain joining, is there any change in role and responsibility of both of you, Mr. Mundhra and Mr. Malik?

PD Mundhra:
Yeah, sure, Sandeep. There will obviously be a change in our roles as we transition executive and operational responsibilities over to Kapil. He has been appointed as the CEO of the Group. So, he will own executive and operational responsibilities for the Group. And our role will become, I would say, more involved in strategy setting and more involved at the Board level. So yes, there will be a change. It will take a few months to accomplish, but there will be a change.

Diwakar Pingle:
Given there are no other questions, I'll hand it back to PD for his closing comments.

PD Mundhra:
Thank you everyone for joining the call. And we look forward to connecting with you again with our Q1 results in the next few months. Thank you, again.

Diwakar Pingle:
Thanks all of you and- have a good weekend. Bye.