

Onward Technologies Limited
Q3 FY23 Earnings Conference Call
January 23, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY23 Earnings Conference Call of Onward Technologies Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' followed by '0' on your touchtone phone.

Please note that this conference is being recorded. At this time, I would like to handover the conference to Ms. Chaiti B. Gujarati - AVP at Valorem Advisors. Thank you and over to you, ma'am.

Chaiti B. Gujarati: Thank you. Good evening everyone, and a warm welcome to you all. My name is Chaiti Gujarati and from Valorem Advisors, and we represent the investor relation of Onward Technologies Limited. On behalf of the company, I would like to thank you all for participating in the company's earning call for the third quarter and nine months ended of financial year 2023.

Before we begin, a quick cautionary statement. Some of the statements made in today's Con-call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on the management's beliefs, as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue Reliance on these forward-looking statements in making any investment decisions. The purpose of today's Earning Conference Call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now I would like to introduce you to the management participating with us in today's earning call and hand it over to them for opening remarks. We have with us Mr. Jigar Mehta – Managing Director of Onward Tech. Without any further delay, I request Mr. Jigar Mehta to make his opening remarks. Thank you and over to you, sir.

Jigar Mehta: Thank you, Chaiti. Good evening everybody. It is a pleasure to welcome you all to the earnings call for the third quarter and nine months ended financial year 2023. I hope you all keeping well and safe. I'd like to congratulate and share with all of you our team performance for

delivering another quarter of consistent growth and achieving the highest ever quarterly earnings of 115.8 crores.

We continue to see very robust demand in the market in our focused materials in our focus verticals. One is the highest being the industrial equipment and heavy machinery, and second being the transportation and Mobility. Third, new vertical healthcare continues to grow at a good place, and we are seeing very good momentum there as well. Both our international and Indian businesses over the last 90 days have strong growth visibility and which was evident last quarter in the midst of a lot of holidays and both in India and North America and Europe. Our core regions, our focused markets continue to only be North America and Europe, which includes the UK.

Now, let me take you quickly through the Q3 financial performance at a consolidated level. Operating income from our customers was at 116 crores, which grew at a remarkable 50% year-on-year basis. Our EBITDA was also reportedly at approximately 6.6 crores with EBITDA margin standing now at 5.7% with continuous improvement every quarter which you should expect. Net profit after tax is at Rs. 2.5 crores.

We experienced substantial growth of revenues as I mentioned earlier from our focused industry verticals, and we are continuing to invest both in our TAP program, which we have shared earlier, which is the talent acquisition program and in a lot of natural hiring to meet the customer demand.

Our Industrial Equipment vertical now contributes 55% of our revenues, and the Transportation and Mobility, which is mainly the automotive industry vertical contributes 30% of our revenue. Healthcare is at a good place at 8%, and we see that increasing quarter-on-quarter or at least on an annual basis in 2023.

Our revenues which comes from the others category continues to decline as a lot of the projects come to a natural end, and we are channelizing all the resources and our investments towards our focused vertical. Digital line of business, which is our core and the biggest focus area and the biggest investment area of the company continues to see very good traction and deliver double-digit growth now contributing 16% of the consolidated revenues for the nine months FY '23.

We now have 97 active clients of which 15 contribute \$1 million per year in terms of revenues, and our top 25 customers now contribute 80% of the consolidated revenue as well. We have a diverse global team spread across Canada, North America, UK, Europe, and India and have now approximately, not now, at the end of the quarter Q3 we ended at 2,973 employees with 20% women engineers and employees on a full-time basis.

And lastly, to conclude, we continue to see starting 2023 or in Q4 very strong positive demand from both our existing customers, our top 25 customers and the balance 70 customers which we have recently won over the last few years, and we continue to believe that we are well aligned to deliver double-digit margins in 2023.

With that, we can open the floor for questions. Over to you, Chaiti. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2." Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ravi Kumar Naredi from Naredi Investment. Please go ahead.

Ravi Kumar Naredi: Thank you, Vikramji, to giving me the opportunity first in first number. Sir, again, congratulations for nice result. My question is, Digidrive Distribution Limited in Saregama what is happening, will Saregama's shareholder receive anything in this company?

Jigar Mehta: I am not sure whether this question is for Onward Technologies.

Ravi Kumar Naredi: Okay. Again, I am repeating in simple words. Digidrive Distributors Limited in Saregama, one EGM was happens some days back where you are doing some NCLT provision. You are doing some changes. So, will the Saregama's shareholders receive any share of this new company?

Jigar Mehta: Mr. Naredi, hi. Jigar Mehta from Onward Technologies. I am not sure this has anything to do with us. We are not associated with them.

Ravi Kumar Naredi: Okay. So, there is no --

Moderator: Thank you. Mr. Naredi, may we request that you return to the question queue for follow-up questions? The first question is from the line of Pratap Maliwal from Mount Intra Finance. Please go ahead.

Pratap Maliwal: Thanks for taking my question. I was just wanting an update on the TAP program. And I think last quarter you had said that you are not planning to add to the program in Q3 but in Q4 or Q1 of next year as soon as we see that those robust margins. So, what is the update here? And what level of margins are we looking at to restart the program?

Jigar Mehta: Hi, good afternoon. So, our TAP Investments continue to gain lot of momentum, and we have started investment in the TAP program. As shared last quarter and reiterated this quarter as well, our margin of improvement this quarter we are all driven with a very focused goal of delivering double-digit margins. I believe it should happen now very soon. And the TAP investment is our investment in both the fresher and the lateral hiring where we train them on

new areas has already kick-started. So, recently, we have started a good batch in Bangalore and Chennai for Power Electronics. Similarly, we will keep doing it based on the customer demand.

Pratap Maliwal: So, can you just provide the number of the net additions in Q3 to our workforce?

Jigar Mehta: So, for Power Electronics, we started with a batch of 25 engineers. This is for one of our customers. So, the total investment for last year was, the total people new additions we added here was about close to 300 plus, and we believe we will add that this year that number, if not much more.

Pratap Maliwal: Sure. And in Q1, I think we are called out that we were awarded a large multi-year deal from one of the largest global automotive companies in the digital space which will reflect in our result in the coming quarter. So, just wanted to ask have the revenues kind of started flowing in? And what is the nature of the work that we are doing for them? I just wanted an update there.

Jigar Mehta: Yes. So, the growth momentum that you are seeing in Q3 we did about, in Q1 of last year when we signed the contract, we are doing about 93 crores of revenue per quarter. We are now at 116 crores a quarter, and we continually see a very good momentum going up, and all the revenues, the majority of the growth that we are seeing is coming both from the digital space and the red software space. And in this particular Automotive OEM, the entire revenue is coming from data analytics and data science. That's where the customer had outsourced the work to us.

Pratap Maliwal: Thanks for taking my question.

Moderator: Thank you. The next question is from the line of V. P. Rajesh from Banyan Capital Advisors. Please go ahead.

V. P. Rajesh: Just a couple of questions. One on the growth side, you know, this 5% quarter-over-quarter growth seem light in comparison to what you have been doing in the prior quarters. So, is it primarily furloughs which led to this? Or was there something else that you want to call out?

Jigar Mehta: It was better than what we expected at the start of the quarter, and especially because of the nature of the holidays, and we were not sure whether especially in the manufacturing sector, Automotive in particular, whether the customers will have furloughs and or they will have global shutdowns, especially in their factories, and a lot of them did have that. But customers did because of the ability to work remotely, we were able to do lot of work. Delivery team was able to do lot of work remotely, and that gave us the boost especially in the last couple of weeks.

V. P. Rajesh: The second question is regarding the standalone results versus the consolidated. So, if you look at your EBITDA margin, it's 8% for standalone in this quarter, and 5 and change for the consol. So, the question is that for the delta, do you expect the margins to start getting better from here on? Or how should one think about the non-standalone business?

Jigar Mehta: So, great question. No, absolutely. So, if you look at our standalone revenue, which is mainly our revenues which comes from the India business unit or the work that we do for the capital centers in India, and second, it comes from the offshore revenues. That's where the majority of our TAP investments went in. That's where the majority of our lateral hires would go in and in upgrading all the infrastructure. So, all the costs were included there last year in 2021 and for the initial few quarters of '22. Now they all are matured level that everybody is building at full capacity. So, that's where the margins are improving, and you will see an IV improvement quarter-on-quarter.

On the consolidated level, it comes mainly from North America and Europe where we count the revenue on site for the work we are doing at the client sides or remotely in Europe and US. That's where majority of our investments went in in the last two years as well where we added a lot of leadership and sales manpower cost there, and that also is now the same people are getting productive. They are settling down well. We are getting a lot of traction. We have signed a lot of new clients, a lot of new MSAs, and you will continue to see a beautiful momentum as we take this company from 370 crores to 100 million, which is our first taken goal. So, as soon as we see more traction on the onsite, our margins will improve there as well.

V. P. Rajesh: Great. And lastly, you know, a few quarters back, you had talked about the vision of having 10 clients with \$10 million each so as to get to your \$100 million goal. If you get this update on that how is that coming along? I know you gave some stats on 1 million plus clients, but just trying to understand how many clients have started to get into that 5 to \$10 million dollars at new range or even 10 million plus?

Jigar Mehta: So, great question. We are not sharing that detailed information here yet because we are still a very young company in terms of size and from the competitor perspective, but we are seeing as we have already shared 80% of our revenues comes from our top 25 clients, and from next financial year we do hope to share much more information, and we have seen a lot of clients which last year which were at 1 million have already crossed 3 million. We have clients which have now crossed \$5 million as well, and very soon we will have our first one or two clients crossing \$10 million. So, we hope to share much more detailed information with all of you very soon, probably next financial year.

V. P. Rajesh: Great. Wonderful. I have more questions, but I will just get to get back in the queue.

Moderator: Thank you. The next question is from the line of Yash Somani from Girik Capital. Please go ahead.

Yash Somani:

Hi, congrats on your numbers. I had a question on, you know, margins. You have obviously spoken about getting to double-digit margins. I just wanted to get a sense of what margin lever you see in the near future and be, you know, more from a longer term perspective? And, you know, how should we tie that in as to with what percentage offshore we can eventually get to?

Jigar Mehta:

So, in terms of margin, our focus continues to be, so let me just talk about margins, how we are looking at margin. For us, margin Improvement came from in a very simple four particular areas. One was our massive investment that we did on the TAP side, which is now running in a full maturity, and more and more customers have seen the success and are proactively asking us to fund a particular new batch, right, so they deal jointly or collaboratively with us. So, that upfront huge investment is coming down.

Second for us, margin or the big cost came in from instead of adding one month sales for people that we did traditionally as a young company, we added a lot of 30 plus people in the same time last year. All of them, I would say majority of them are doing a fantastic job, settling down well. They all came from tier one companies, and we are going after new clients and new OEMs in particular in North America and Europe. So, now a lot of them that we have actually done the pilot projects, we have been selected as a new supplier, and now we are providing services to them whether it's on site or offshore. So, there is traction there from zero revenue again to a particular cost. Now they all are reaching a good stage.

Third is for the last three years in particular, we had no client for annual rate increase, which is a very normal trend or a particular trend in a services company. We have seen that majority of our customers who we supported during COVID times have all started proactively giving us the rate increase or the discounts that they had in COVID times are all going away, and that's also affecting the margins as well, and that's why we saw positive improvement last quarter, and you will see that next quarter as well. And we do believe it will be quarter-on-quarter for the rest of the year.

And fourth, as you rightly mentioned, is the expansion of the offshore business. You know, for us as a young company, and we discussed this in the last quarter or last couple of quarters is offshore does not start from day one. Initially, for us, what we have seen when we work with our largest companies in the world, initially, a lot of the work starts with on-site because customer wants to get to know you. We have to prove our capability. We have to prove our customer engagement to understanding or the working relationship between large companies. And once you build that initial trust, that's where the offshore starts, and that's where again the margin expansion will happen. And we are seeing that maturity quarter-on-quarter right now. And what we also see is we don't need to invest too much more to get from current let's say 50, \$55 million of revenue where we will be end of Q4 which we are projecting to the 100 million mark, that we have won the customers.

Now it's about just focusing on execution, about delivering, about adding value to the customers. And eventually, all these companies being headquartered in the U.S and Europe are leveraging Onward Technologies mainly from obviously the offshore, the cost arbitrage, the value that we can bring in on the digital side. And that's where you will see double digit margin.

Yash Somani: Awesome. Thank you so much for explaining this to me in detail. Thank you so much.

Moderator: Thank you. The next question is from the line of V. P. Rajesh from Banyan Capital Advisors. Please go ahead.

V. P. Rajesh: Thanks again. So, Jigar, one question on the revenue side, if you can talk about how much is coming from mechanical versus embedded system and the bifurcation on that side?

Jigar Mehta: Sure. So, we club our revenues if you see the earnings deck into three categories today. There is the ER&D space where we have clubbed the mechanical and the embedded which is about 70% for the last nine months.

The second is the digital revenue, which is now which was close to zero last year is now at 16%, and then the traditional old school IT Services work that we do, which is the application maintenance contracts, which is now on a nine-month trading period is on at 14%, and that number continues to go down as both our digital revenue and uh our revenues from the software piece or the embedded piece continues to grow.

V. P. Rajesh: So, if you can share the number for the ER&D revenue between mechanical and embedded?

Jigar Mehta: So, again, Rajesh, we are not sharing that yet, but we hope to start doing that from next quarter, from next year, next financial year.

V. P. Rajesh: And you know, in the last Con-call, you had talked about the 25 crore investment that has gone into building capabilities over the prior 12 months. So, any update on that how much more investment are you making like that? Or is that kind of investment starting to come down?

Jigar Mehta: Again, it's a great question. So, the investment that we made was again in three areas, right? So, one was on delivery capabilities. The second, which is continuous, and every quarter we will do that, and I will touch base a bit more about that a bit later. The second is on the sales side where I think we are in a very good space where we are today in terms of head count. And third was the TAP part where we were showing to our new customers in particular that we have the ability to invest, train, deploy, and actually deliver for the client, right. So, the last two I don't think we need that huge investment going forward from where we will be by end of Q4 to where we want to be in the next two, three years. So, the first part is a continuous investment where we are investing proactively.

So, in this quarter, Rajesh, in particular, our big investment right now, our entire team is focused on that is to expand our embedded software piece because we are seeing a huge traction from our clients there. We are getting huge RFPs. We are getting a lot of demand from not only our top 25 clients but all the new clients that we have recently signed the MSAs in US and Europe both for offshore and on site. And that's where we are going to invest really big. So, as we speak, we are looking at adding a lot of depth at the leadership level on the embedded side, and that investment will continue, and that's an investment which will directly impact on top line and bottom line.

Moderator: Thank you. The next question is from the line of Amit Mittal from Blue River Capital. Please go ahead.

Amit Mittal: Hi, Jigar sir. Congratulations on the good Q3 numbers. Just had a couple of questions. So, one is our head count has declined quarter-on-quarter, right. I think we are down some 70, 80 employees. Just wanted to understand, I mean, just trying to tie that with your commentary on the growth that you will see this year. I mean, how do we read this, the declining head count versus the commentary?

Jigar Mehta: Sure. So, our head count came down by 63 employees last quarter, and that was in particular for one of the large projects, multi-year project that we had traditionally in our IT Services part of the space in India which where the revenues come from the Others category where the contract was coming to an, like it was an opportunity for us to extend the contracts by multiple new years or it was an opportunity for us to sort of exit the contract. And we with the support of the Board made a decision that we should exit the contract. So, we took the entire team of 180 odd engineers. We transitioned, and we allowed the customer to do a re-badging because, obviously, the customer was very important, and we have a 10-year relationship with them. And hence, the overall head count came down. Otherwise, the number would have gone up by 120, 130 people.

Amit Mittal: Understood. And would you also like to highlight any, I mean, any contract, new contracts or deal wins, or any market client additions over the last three to six months?

Jigar Mehta: Again, seeing a lot of traction, you know, especially in the US market for us. We have signed, and again, mainly in the industrial equipment space, we have signed an amazing three new, I mean, we signed a lot of customers in the last six months. They all are at a post-MSA stage. None of them are contributing substantial revenues today in the 116 crores that we have invoiced in Q3, but as soon as it reaches a certain stage, which gets it either close to \$1 billion, and we would be very happy to share. We do believe that by end of calendar year, this year, with the customers and the MSAs that we have signed, our 15 customers which have \$1 million will be close to 25, if not much more by end of this year. So, that's the kind of traction that we are seeing. But what we have decided to do internally is, you know, let them at least get to a good run rate of \$1 million before we start sharing where we are.

Amit Mittal: And lastly, any update on the CFO process?

Jigar Mehta: So, on the CFO side, two points. So, one is we are doing a lot of interviews and amazing candidates we had the opportunity to meet, and we hope to announce a new CFO this quarter, which is in Q4. But at the same time, we have a very strong account and finance team of almost 25 people, like a lot of them chartered accountants and MBAs. So, you know, it's not an internal efficiency improvement per se as of today, but it's definitely something that we want to bring on board from a larger perspective. So, we will announce that in Q4.

Amit Mittal: Sorry, sorry. At least because I was just wondering, I mean, this could be a great opportunity to get a heavy hitter or we can always use our grace of pool that we talk about. I mean, we get a heavy hitter on board.

Jigar Mehta: Absolutely. As I said, we are in midst of the interview process, and we hope to announce that. We will announce that in Q4.

Moderator: Thank you. The next question is from the line of Manas Kapasi, an individual investor. Please go ahead.

Manas Kapasi: Congratulations on a great set of numbers. So, just wanted to get the sense on the order book, you know, or the quantity of your unexecuted deals as currently. So, you know, we can kind of gauge the potential growth rate for onward for the coming years.

Jigar Mehta: Hi, good afternoon. Good evening. So, on the order book, we are not sharing the order book details as of today, especially because of our ER&D revenues because our customers are giving us long-term contracts but not a small, small, small, small POs. But in terms of the growth trajectory, we do believe that we will this year we are on track to grow 40% plus in terms of organic revenues just from our customers, and we do believe even next year we are seeing a good visibility to not only beat the NASSCOM or industry estimates but continue to grow at a very good pace. But from a focus perspective, please keep in mind, next year, our goal, as we have shared, is to prioritize double-digit margin on a quarterly basis, at least on the annual basis. And yeah, everything is looking pretty exciting as of today, and we hope to share more positive information with all of you very soon.

Manas Kapasi: Great. Also one follow-up on the previous participant's question on the new client deal wins this quarter. So, you know, can you describe a bit more in detail as to what are the nature of work of these projects? What are we doing to help them? And we just want to get a better idea on what, you know, Onward is doing there for these clients?

Jigar Mehta: Sure. Let me explain the business model of Onward Technologies, you know, how sort of the transition post-Covid. Our vision was that we would try to focus only on 10 customers where we can do \$10 million of revenue per year which means we had to focus on customers which

usually have \$500 million of R&D budget, if not much more, or billions of dollars, right. So, we are one of the suppliers to these customers and not the only supplier. And hence, we changed our entire sales model and our delivery model towards these customers. So, a significant portion of the 97 active clients that we have fall into this category today, and the rest of the smaller tail accounts is what we are evaluating what we do next.

But coming back to your question, so all these customers, we provide three levels of services. We provide digital services. We provide electronics and embedded services, which is EE. And third is we provide the mechanical services. Mechanical engineering continues to dominate or be the substantial portion of our revenues where we provide from product engineering, change management, manufacturing engineering across various parts of the industrial equipment or transportation or the automotive company.

Then comes the embedded and electronics piece, and the digital piece. So, we on the embedded piece, we are focusing on ADAS. We are focusing on hardware engineering and software engineering. We recently invested in Power Electronics. We are investing in telematics. But these are very, the way I would like you to look at how I look at it is these are very focused ways on how the customers want us to build capabilities, right. So, where they have existing suppliers for some of the other work that they do, but in some areas, they are looking for a new young supplier, and they come to us to build capacity. These are multi-year time and material contracts so that we get paid based on hourly on a monthly basis.

And the third is on the digital side where our entire focus has been on the whole digital transformation journey, but in particular has been on the automation side on data analytics and data science. So, each of them continues to grow double digit month-on-month, and it's all about adding capacity at a very, very fast pace for an existing client.

Moderator: Thank you. The next question is from the line of Pratap Maliwal from Mount Intra Finance. Please go ahead.

Pratap Maliwal: Thanks for letting me back in the queue. I just had a the question on the presentation. Under the revenue by contract type in FY '23, I can see that the time in material revenue which used to be in the range of around 75% has gone close to 90% for nine on FY '23. So, is there any reason here, anything to call out? And is there any change in the maybe the nature of views that you are giving or the type of work that we are doing? Anything to call out here?

Jigar Mehta: No, absolutely, good observation. You know, we have shared this before last year as well. And again, for me in particular to sort of rebuild Onward Technologies from our history and legacy to where we want to go and build the customer trust and attract a high level of extremely competent talent, we decided we will focus on time and material as a business model from 0 to \$100 million in revenue. So, as a nature we are focusing only on time and material, but a majority of our deals, I would say 95% plus new deals are all T&M only, and we are not actively

pursuing or participating in large fixed bid projects. That gives us the ability for regular, sustainable, recurring quarter-on-quarter revenue. That helps us improve our cash flows. And I think it will help us improve and build a solid company if we can build the first, get to the first milestone of 100 million. And post that is when we start bidding for the larger fixed price deals.

Pratap Maliwal:

So, that helps thanks. And just another question I wanted to kind of get some more understanding on our cost structure. Now related to a previous participant's question under 25 crores kind of investment, so you said that we have investment in the delivery capabilities, sales price and the TAP program. So, as you said that we are still investing in the delivery capabilities, earlier you pointed out that I think we are also going to be investing in the TAP program. So, how much of this investment of 25 crore cost is actually going to come back into a cost structure? Because I think in earlier quarters, it was pointed out that with these investments largely done, most of the revenue will flow to the bottom line. So, how much of the cost structure is actually coming back in?

Jigar Mehta:

So, let me give you how I look at the company, right. So, basically, we are growing from, we have gone from again, you know, if you look at Onward revenues, same time, last year, we were at 77 crores in terms of revenue per quarter. We have jumped from 77 crores to 116 crores, and we have to get to let's say about 200 crores a quarter of revenue to hit the first milestone of let's say 800 crores, let's say if the dollar is at 80 bucks. Maybe it goes up and down. But that's how we are looking at, right. So, when we started planning, we looked at from 77 to let's say 200. And that's how we are still looking at it.

Traditionally, we would invest in the old areas where Onward was where 9% of our revenues came from, which is the mechanical space. All the new investments are going on the software side or on the digital side, right. And those areas we are still in a very, very nascent stage. So, we are investing to build capabilities, to build the client trust, but this is not happening with us sitting in a conference room or a team's call making decisions, happening on a collaborative level with the customer, with the OEM where the OEM comes back and says, "Okay, can you guys build capabilities around this particular area?" And then we will go back and work on a business plan, and go back and join teamwork with them.

So, now coming back to your question from 25 crores, how much is the investment? I think not substantial in terms of, I would still say, it's going to be about 30 to 40% of that, but it's all on the delivery side. And that's why for me, it's a very good investment because that goes straight to the top line and the bottom line, moment those people start getting productive.

Pratap Maliwal:

Thanks a lot. And just one last question on the demand side. Have you seen any stress in any maybe jobs you see any vertical? Because I believe other clients, I mean, the other peers also calling out that the demand side the macro uncertainties are there. Have you seen any stress in any geography or vertical that we operate in?

Jigar Mehta: So, we are not seeing any stress or we have not seen any slowdown in terms of, obviously, there was slow down last quarter because of the holiday period, and all the various news articles out there, and a lot of the layoffs happening all over North America and California, especially the big tech of a lot of companies. But from a services perspective, outsourcing perspective, or US and Europe companies leveraging India cost advantage, we are actually continuously increasing demand, and it's all about us in terms of prioritizing whether we are going to grow, you know, top line or bottom line or balanced, and then we as a company, as a management team as a Board will decide to balance growth. And hence for us, the demand continues to be there, but I think we are going to start, you are going to see start seeing a very different Onward starting next quarter.

Pratap Maliwal: And did you see any higher-than-expected furloughs this quarter which affected the revenue growth? Did something like that anything happens?

Jigar Mehta: Sorry, can you elaborate? Because everybody has different definition of furlough, if you can just add bit more?

Pratap Maliwal: The peers are actually calling out that they have seen some clients, maybe some client specific issues or maybe in general, just some greater number of furloughs than expected in certain verticals. So, I just wanted to understand that has anything of that affected us?

Jigar Mehta: So, it's a very natural thing.

Pratap Maliwal: Unusual things, sir?

Jigar Mehta: So, you know, we are not seeing anything unusual in terms of this quarter compared to what we saw last year or even what we saw pre-COVID. I think for us as a young company, it's very natural. And then always the 10% of clients which will have shutdowns, which will have furloughs, which will have layoffs because keep in mind for them it's the last quarter in US October to December where they deliver their numbers. So, I think it's based on client strategy, but you know, and that's the reason we are not dependent only on few customers. We have a lot of customers where okay, there is some slow down somewhere, you can do that, you know, the revenue growth will come from some other clients. And that's what we are seeing.

Pratap Maliwal: Thank you. And best of luck for the quarters coming ahead.

Moderator: Thank you. The next question is from the line of V. P. Rajesh from Banyan Capital Advisors. Please go ahead.

V. P. Rajesh: Jigar, just a follow-up question on the demand side. So, you know, in this current quarter as you are out there doing business, are you seeing any softness? And secondly, if the clients are

shifting business from other vendors to you, or they are just you are just winning new business? If you can just throw some light on these two aspects as to what you are seeing currently?

Jigar Mehta: So, Rajesh, we are seeing in terms of demand, we are seeing, again, for us, there are two types of customers, just to clarify. So, for some customers where we are already doing a lot of revenue with them and we have a multi-year relationship with them, now with those customers, we continue to see a lot of traction in terms of new opportunities, new areas, or new where our teams are forming or building relationship, showcasing new capabilities. So, we are definitely seeing a lot of traction from those things, and those areas, there could be our customers could be moving work from other tier one suppliers to us.

And on the other side, the majority of our new customers, I would say, people who are between let's say the top 15 clients and the 97 clients, which are new customers to us, now there we are seeing a demand that we have never seen before. And I think it's a bit too early for us to share whether it's coming from replacing other supply work or new demand. We would like to believe it's a new demand because it's all digital demand, right. It's not mechanical work which the customers that are outsourcing or hiring us to do. So, definitely we are seeing a very optimistic and positive momentum in terms of what customers want to do or what they are talking to us about.

Moderator: Thank you. The next question is from the line of Jatin Soni from AGI Capital. Please go ahead.

Jatin Soni: Hi, Jigar. Thanks for the opportunity. Can you talk more about the organic growth for the company? What is the demand?

Moderator: Sorry to interrupt you, Mr. Soni. The audio is not clear from your line. Please use the handset mode.

Jatin Soni: Hello.

Jigar Mehta: Yes. Hi.

Moderator: So, the line for the current participant has got disconnected. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Jigar Mehta: So, thank you again everybody for joining in today. Last quarter was special in spite of all the holidays and negative news in the world. I believe our team was able to deliver good growth, and 116 crores a quarter is the highest that we have delivered in our history. Moving forward, we continue to see very positive momentum in terms of the demand from both our existing customers, our top 15 customers, and the new customers that we have signed over the last 12, 18 months. We continue to invest in building our capabilities in digital and embedded. And

lastly, our focus as an organization, as a team is to deliver double-digit margin in this financial year, and we are all very excited in talking and reconnecting with all of you guys next quarter. Thank you again and have a lovely day.

Moderator:

Thank you sir. Ladies and gentlemen, that does conclude this conference for today. Thank you for joining us and you may now disconnect your lines.