eClerx

eClerx/SECD/SE/2024/114

August 21, 2024

BSE Limited Corporate Relationship Department, Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Fort, Mumbai - 400 001	**National Stock Exchange of India Limited** Exchange Plaza, Plot No. C/1, Block G, Bandra - Kurla Complex Bandra (East), 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 June 30, 2024

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 August 14, 2024 with respect to the financial results of the Company for the quarter/period ended June 30, 2024.

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: 2024.08.21 12:21:59 +05'30'

eClerx Services Limited Mumbai

Pratik Bhanushali
VP-Legal & Company Secretary
F8538

Encl.: as above

eClerx Services Limited
Q1FY25 Earnings Conference Call

August 14, 2024

ECLERX MANAGEMENT:

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

CONFERENCE CALL PARTICIPANTS:

DEBASHISH MAZUMDAR – SVAN INVESTMENTS
JALAJ MANOCHA – SVAN INVESTMENTS
KRISH BERIWAL – NOMURA SECURITIES
MIHIR MANOHAR – CARNELIAN ASSET MANAGEMENT
NIKHIL CHOUDHARY – NUVAMA WEALTH MANAGEMENT
NITISH REGE – CHRYSCAPITAL
RAHUL JAIN – DOLAT CAPITAL MARKET
SAMEER DOSANI – ICICI PRUDENTIAL ASSET MANAGEMENT
SANDEEP SHAH – EQUIRUS SECURITIES
SHARDHA AGRAWAL – ASIAN MARKETS SECURITIES

Asha Gupta:
Hi, everyone. Good evening, participants. Welcome to the Q1 FY '25 Earnings Call of eClerx Services Limited. Please note that this webinar will be recorded.

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

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

With that said, I will now hand over the call to Kapil. Over to you, Kapil.

Kapil Jain:
Thank you, Asha, and good evening, everyone. Let me start by giving you some highlights of our performance in Q1 FY '25.

Our operating revenue in this quarter was USD 93.5 million, up 11.1% Y-o-Y and 1.5% sequentially, driven predominantly by momentum in our Financial Markets business. All 3 businesses have shown positive quarter-on quarter growth. In INR terms, operating revenue for Q1 was INR 7,819 million, up 1.7% Q-o-Q and 16% Y-o-Y. There is a decline in margin in Q1 because of the wage hike and due to full quarter impact of the management hires in Q4. EBITDA for Q1 was INR 1,873 million at a margin of 23.3%, while PAT for the quarter was INR 1,116 million at a margin of 13.9%. As you are aware, Q1 historically shows a Q-o-Q decline in margin because of wage hikes. We expect margins to improve from Q2 onwards. Our analytics and automation business of USD 16.9 million this quarter has shown both a sequential and a Y-o-Y increase, which is an encouraging sign. Though our overall client life cycle business continues to grow, the BPaaS business was soft due to lower transaction volumes driven by seasonality. New deal ACV for the quarter was healthy at USD 25.7 million. This sets us up nicely for the upcoming quarters.

Financial Markets had a good Q1, demand was driven by both the client life cycle and trade life cycle businesses. We picked up remediation work for several clients, driven by regulatory needs. We continue to see increased demand for onshore and nearshore staffing across change and BAU books. Customer operations and digital businesses grew as well, albeit slower than the Financial Markets business. The growth in customer operations was driven primarily by Field Tech Ops and Care business. In Digital, we are beginning to see early signs of momentum building up. We have a healthy pipeline, though we are still seeing longer lead times for closure of deals. Our pipeline continues to be strong, and we are having a number of conversations with clients. This gives us confidence that our investments in sale and the strategy that we laid out should pay off in the medium to long term.

You will see a seat count increase in our business metrics slide. This is because of temporary facilities going live in Mumbai and Pune. We are creating permanent seating capacity in all 3 locations, which also will go live in Q3. Coming to some of the external awards and recognitions, our GenAI360 Platform was named the Silver Winner for AI Innovative at the 19th Annual 2024 Globee Awards for Technology, out of more than 1,700 nominations, The eClerx GenAI360 Platform integrates advanced foundation models and delivers improved efficiency and creativity to users in multiple use cases. The award is the second of the 2 awards the platform has won in 2024, following our win at the BIG Innovation Awards in 2024.

I would like to thank all our clients for their confidence in us and all our employees for delivering a great quarter. I will hand it over to Srini to take us through details of our financial performance.

Srinivasan Nadadhur:
Thank you, Kapil. Good evening, everyone. I will take you through the financial performance in a little more detail.

So as Kapil mentioned, operating revenue grew sequentially 1.5% in USD terms and 1.6% in constant currency terms to about USD 93.5 million. On a Y-o-Y basis, Q1 revenue increased by 11.1% over Q1 of the previous year. Total revenue for the quarter was INR 8,031 million, up 1.7% sequentially and up 16.1% Y-o-Y. The EBITDA of INR 1,873 million is down 14.3% sequentially, but up 7% Y-o-Y. The PAT of INR 1,116 million for the quarter is down 14.5% sequentially and up 5% Y-o-Y. Other income for the quarter was INR 212 million. The wage hikes and the full quarter impact of the S&D investments are the major reasons for the 437 bps Q-o-Q decline in EBITDA. The 30-bps increase in G&A is because of the increase in rent and electricity costs of the temporary facilities that we have taken up.

Our head count has grown by about 400 to 17,749, which is higher than the revenue growth. And therefore, there is a drop in utilization in this quarter. We expect utilization to increase back again next quarter. Attrition is at 18%, down from Q4, but we expect Q2 to be higher as Q1 has always been lower as normally seen in the past. A couple of call outs on the key business metrics slide, top 10 concentration is down to 62%, a marginal dip from the 63% of the previous quarter. The DSO is 81 days as compared to 84 in the previous quarter. As I'm sure all of you are aware, we concluded the buyback of INR 3,850 million in July.

And lastly, I will end with update on CSR and ESG. So as part of our CSR program in FY '25, we will support 3,500 underprivileged and deserving students from early childhood through university. Under our employability initiative, our work with Sampark and Lighthouse Communities Foundation will support about 3,000 youths. On the ESG front, we are strengthening our ESG framework by undergoing certifications and assessment. We are increasing transparency to stakeholders and have increased disclosures across various environmental aspects, including emissions, waste and water in our BRSR and sustainability reports, which will be published next month.

Thank you, everyone. With this, we conclude our prepared remarks We can now move on to the Q&A. Back to you, Asha.

Asha Gupta:
Thank you, Srini. We have first question from the line of Shradha Agrawal from AMSEC.

Shradha Agrawal:
Congrats on the good show on the revenue front. Srini, you mentioned that margins will recoup from 2Q onwards, but any extent to which we are looking at margin improvement? And will it be more gradual towards second half of the year? Or will it start coming in a big way from 2Q itself since normalization of wage hike will happen from 2Q itself?

Srinivasan Nadadhur:
Normally the margin recovery is through replacement hires for the attrition that we see. We expect that recoupment to be largely linear from Q2 onwards to Q4, assuming all other factors stay the same. So, we should see an improvement starting from Q2 itself.

Shradha Agrawal:
And any indication as to what type of margin improvement? Will it be like what earlier years used to be or because of aggravated investments that we had in this quarter, will margin recovery be more intense this time around?

Srinivasan Nadadhur:
I think it will be similar to last year.

Shradha Agrawal:
Right. And Kapil, one question on the client mix. We've seen good growth in the emerging client portfolio on a Q-o-Q basis. But when I look at our Y-o-Y basis, the emerging client portfolio is up only 2% despite our overall revenue being 11%. So, any thoughts on how should we look at this portfolio performing in coming quarters?

Kapil Jain:
So, I think if you look at the client segmentation, our growth has been broad-based and the top 5 clients have grown 1.6% Q-o-Q, the top 6 to 10 clients have shown marginal decline. The good news is that 0.5 million plus clients have grown as well as emerging others, which are less than that. So I think it's been more broad-based. However, you will also see that the number of clients in 0.5 million have come down, which also reflects the focus we have had on clients that will grow and clients that we would divest that are not growing, so that's fine. It's good to see the growth has been secular and broad based.

Shradha Agrawal:
Right. And just last bit on the ACV. We've seen a very strong growth in the ACV of new deals. So, against this backdrop, how should we look at growth number for FY '25?

Kapil Jain:
We are seeing healthy pipeline. Our Q1 conversions have been good. Like we had said at the end of FY '24 that we had laid out our strategy in terms of cross-sell, upsell with key focus areas. And we had given a margin guidance between 24% to 28%. And we had also said that sequentially, we will show a growth in EBITDA and PAT, which we continue to maintain, and we'll deliver the same in FY ‘24, ‘25.

Shradha Agrawal:
Right. If you could quantify more on the revenue growth, given the very strong growth in the ACV number?

Kapil Jain:
So typically, we have not shared the revenue growth guidance, and I wouldn't want to give given the volatility in the business. But I think you can see in terms of the 2 numbers that I have given that sequentially, we will show an increase, and we would be in 24% to 28%, and we will see a linear increase in our EBITDA margin. Maybe in Q2, we will be able to give you a better view in terms of where we would land in numbers. Right now, we are giving you a wide range between 24% to 28%. Post H1, we may be able to come and give you a better, a tighter window if we have the visibility.

Shradha Agrawal:
So just to again persist on this question, I think you had indicated that a double-digit revenue growth is what is doable for this year. So, we will be sticking to that broad indication of a double-digit growth in revenue in '25.

Kapil Jain:
That's what we are aiming for, yes. That's correct.

Asha Gupta:
Next question we have from the line of Mihir Manohar from Carnelian AMC.

Mihir Manohar:
Kapil you made a comment that all 3 businesses are now showing momentum on a Q-o-Q basis. So, if you can throw some more light on the luxury segment. Has that come out of the woods? So, some more color around that would be helpful.

Kapil Jain:
So, our high-end fashion and luxury, because of some of the headwinds we have seen in the China market, still continues to see the pressure. But like I mentioned in my opening remarks that analytics

business has seen growth. So, our Digital Business, Customer Operations and Financial Markets all have seen sequential growth Q-o-Q. We are cautious on the luxury segment given what we are seeing in the China market.

Mihir Manohar:
Sure. You mentioned that pipeline is doing up well. If you can provide some quantification around the internal KPIs post the investments that we have made? How is the progress over there on these KPIs? And also, the pipeline, if you could quantify that, that would be helpful.

Kapil Jain:
Our pipeline is robust. Internal KPIs in terms of cross-sell, in terms of ACV of the deals that we have closed, in terms of average size of the deals, large deals, like above USD 2 million ACV, all these have shown positive momentum, but I think it's only one quarter. We would still wait to continue and sustain this momentum. But so far, whatever strategy we have laid out is showing positive results. But like I said, it's only for one quarter from the time that when we laid out the strategy and what we have delivered.

Asha Gupta:
Next question we have from the line of Sandeep Shah from Equirus.

Sandeep Shah:
Congrats on a good execution. The first question, Kapil is, looking at the run rate of the ACV, which we are adding last few years as well as the first quarter, it could be predictable that USD 90 million to USD 100 million ACV can be added in this year? And if I'm not wrong, yearly roll-offs could be USD 40 million, USD 50 million. So, there is a huge possibility we could be higher than lower double-digit kind of growth in this year itself. Is it the right way of looking at it?

Kapil Jain:
Sandeep, broadly, what you're saying is right. That's the right way to look at it. But as you have also seen that we haven't given revenue guidance. I'm still maintaining and I'm repeating that we are saying that we will be in the margin range of 24% to 28%, and we'll show a positive movement on EBITDA and PAT and EPS Y-o-Y.

Srinivasan Nadadhur:
And the reason for the caution, Sandeep, is that sometimes, things are unpredictable. Like we've seen roll-offs last year in Q3 and so on. So, assuming that everything else goes as smooth, then what you're saying is okay.

Sandeep Shah:
Okay. Okay. Just a follow-up. When you say linear increase in margins, is it fair to assume we are targeting Q-o-Q increase from 2Q to 4Q?

Srinivasan Nadadhur:
In margin terms, you're saying. Percentage margin terms, right?

Sandeep Shah:
Yes.

Srinivasan Nadadhur:
Yes, that's right.

Sandeep Shah:
Okay and just a last thing, on depreciation and amortization, is it a new run rate? Or this is a seasonality where 1Q depreciation is lower and then it increases in 2Q to 4Q?

Srinivasan Nadadhur:
It is the latter. It's because the fresh WDV is used every year for the calculation of depreciation. So therefore, 1Q depreciation is always lower than Q4.

Asha Gupta:
We have questions from the line of Sameer Dosani from ICICI Prudential.

Sameer Dosani:
So, any color you can give on what kind of investments you have done in last 3 to 6 months and is the investment phase is at least over for us? Or we will see more investments in coming quarters?

Kapil Jain:
We predominantly made investments in sales, in marketing, in presales function. And in terms of whether we will make additional senior leadership hires we have already made. I think we will continue to add more hunting capacity on the ground as we see more traction. Like I said, in terms of cross-sell as well as in terms of deals that we are getting, I think we have seen increased inflow, and that is also reflected in our robust pipeline.

Sameer Dosani:
Got it. And investments are majorly over in the senior management, you will hire below the line managers, et cetera.

Kapil Jain:
Yes, broadly, the senior management hires are over. If and when if we do make, it will be on the back of revenue or an opportunity. But from a strategic perspective, our senior leadership hire is over, and we will be adding capacity under the senior hires that we have brought in.

Asha Gupta:
We have next question from the line of Jalaj Manocha from Svan Investment.

Jalaj Manocha:
So, first question was with regards to the margin improvement. Historically, we see that there is an improvement of 1.5% around across the quarters, the trends basically historically have been. So, can we expect similar sort of up move during the year for FY ‘25?

Srinivasan Nadadhur:
Yes, assuming everything else remains equal, then yes.

Jalaj Manocha:
Okay. Okay. Fine, that answers that. And secondly, we do see that there is an increase in the on-site revenue, which has been far higher than the offshore. So, is it sticky or eventually there is a possibility of it moving to offshore? And a second question to it or the second part of it would be the incremental revenue, majority of it is, what sort of margins are we getting there? Is it more of an onshore driven right now or an offshore driven?

Kapil Jain:
So Jalaj, I think the margin drop that we have seen in Q1 has nothing to do with the onshore component. It's predominantly led by the wage increase as well as the hires that we had made, where the full cost is reflected in Q1. In terms of the on-site demand that we have, we do expect it to continue in Q2. And like I said, we are working on other opportunities, which will also give us in terms of conversions of that and will give us more headroom. At this point in time, I think we do expect it to continue in terms of business as usual.

Jalaj Manocha:
Okay. And on the incremental business, the margins, are they similar to the company historical margins

or are they slightly on the lower side?

Srinivasan Nadadhur:
For onshore business, it will be slightly lower.

Kapil Jain:
Yes. The incremental business that we have received at onshore will be lower, but it's a portfolio approach that we take. It's not high. I think if you look at our historical on-site average, it has stayed at around 20%, 21%, which is where it is, and we are comfortable in maintaining that number, delivering the onshore margin and delivering the overall portfolio margin that we have guided this time.

Jalaj Manocha:
Got it. And one last question, maybe if I may. So, I understand that digital business forms broadly 40% of our top line. What is the trajectory we see going forward from here? Broadly, could you talk a little about it? Would it be company average or a separate because ideally it should be growing faster?

Kapil Jain:
So digital business, as I mentioned, the pipeline is decent, and we are seeing cross-sell opportunities there as well on the long run, but we are seeing still longer lead times to close larger deals is what we are still seeing because it's more discretionary budget. And so that's really what we are seeing and experiencing in digital business.

Debashish Mazumdar:
One small question that I have, which is also a kind of continuation what Jalaj was asking. So if I see one of our luxury client in Europe that has come under pressure, which is visible into our numbers. And according to me, that is possibly impacting our BPaaS business and discretionary business also. Any thoughts there? What is the kind of growth that you were seeing or the trajectory that you were seeing on that side? And also, is there any alternative plan that what is the impact that is coming from that particular client will be able to manage that business from other clients? And overall, which is visible in this quarter, incrementally, we are able to build in growth despite that client come under pressure. Are we going to see the similar trajectory going forward from the client and the rest of the other businesses?

Kapil Jain:
So overall digital business, like I said, has shown a sequential growth in Q1 over Q4, and we continue to see the same trend in Q2. Now specific to the fashion business, I earlier commented that, yes, we are seeing some headwinds from the China and overall, that may have an impact on the luxury segment, though we are seeing an increased demand, which you have seen in the sequential growth in our analytics business. So, I think that's the overall on the digital business, specific to a particular client, I'd rather not comment. It's a portfolio of business and clients that we are managing, and that's what I'd like to stay with.

Debashish Mazumdar:
One last question, sir, sorry, for multiple questions. So, if I see that growth in on-site business, this is not only this particular quarter phenomena, this, we have seen for the last 2, 3 quarters now. It seems that there is a trajectory shift or thought process shift as a company under your leadership and guidance in targeting new businesses more into on-site, we're taking margin under pressure. So just trying to get some sense that what is the growth trajectory and margin trajectory of new businesses that you are looking at, especially when there is a shift in thought process and paradigm that seems to be coming in.

Kapil Jain:
So, like I mentioned that the onshore business, if you look at last 4 quarters moving average, we are at about between 19% and 21%. So that's something we can manage and still deliver the overall company margin. So that's where it is. It's not in terms of that we are focusing more on on-site business. The only thing I would say is that the business that we are getting on site reflects that we are being more relevant

for our clients as we are doing work, which can only be done in the client geography.

Debashish Mazumdar:
Sir, I was not saying that focusing on on-site is bad. In fact, I'm more excited that you are focusing more on on-site because that directs towards more growth going forward with a better margin possibility. So the question was not that why are you focusing on on-site? In fact, the question was what is the change in thought process in focusing on on-site? And what is the trajectory of margin that you are looking at when you were building this new business in a new way as compared to the previous eClerx]? That is what my question is.

Kapil Jain:
Understood. So, trajectory of margin, like I have said, will be between 24% to 28%. And we will continue to take business, which is in line with the productized services that we offer to our clients, and which helps us also deepen our relationships with our existing clients.

Asha Gupta:
We have next question from the line of Rahul Jain from Dolat Capital.

Rahul Jain:
I have one question specific to the head count addition and utilization. Since we are pretty confident on the growth side, do you think this could be the operating leverage here on and giving support to your margin outlook assumption? And apart from that, the cost of technical services that we report, do you see, given the stronger hiring there would be some leverage here? Or these are some different kind of talent, which we cannot easily augment with?

Srinivasan Nadadhur:
So, on the first part, usually, we hire just in time. So, if we have seen business, then we probably hire 1 or 2 months or maybe 3 months in advance. So maybe there might be some improvement in utilization in the immediate next quarter. But beyond that, I think at the moment, we do not have any visibility on whether that improvement will continue to stay or whether it'll improve for one quarter and stay flat. So that's on the utilization bit.

The cost of technical services or subcontractor, again, this demand is driven by the kind of work that we see. So, if there is some specialized skill requirement, then we will go for subcontracting. Otherwise, usually, we prefer not to subcontract. So that increase or decrease you will see only when there is a specialized need for our services. I hope I was able to answer your question.

Rahul Jain:
Yes and one more question from my side was related to the growth side. Of course, one part of the strategy was to hire the relevant or basically broadening the bandwidth on that part. But you think there is a meaningful expansion in terms of the broadening of the pipeline also that has happened? Or it’s just more like more foot on the ground that is expanding the pipeline?

Kapil Jain:
So, it’s a combination of both in terms of both broadening of the pipeline as well as more feet on the ground, more rigor is what is reflected in the pipeline and in the conversions.

Rahul Jain:
And historically, we were also facing some bit of issue in terms of rolling off, what is the sense out there on the current deal portfolio?

Kapil Jain:
So, our roll-off typically have been in the ratio of around 15% to 17%. We don't expect on a Y-o-Y basis that to be any higher than what we have historically seen. So, we should be able to maintain that at that level.

Asha Gupta:
Next question we have from the line of Nitish Rege from ChrysCapital.

Nitish Rege:
So Kapil had mentioned that he's trying to make the business more predictable. So where are we on that journey? And what exactly are we doing to make the business more predictable if you could share some light on that?

Kapil Jain:
In terms of the pipeline increase, large deals, deal inflow, secular growth, which I spoke about in terms in all the segments, except clients, 6 to 10, we have seen growth are on reflection of bringing in more predictability. Directionally, it's only been one quarter. So, I think you have to look at predictability over medium to long term is what I would say. But directionally, I think we are making progress.

Nitish Rege:
Okay. And any updates on M&A, any opportunities we are assessing currently?

Srinivasan Nadadhur:
So, we continue to assess opportunities, but nothing to share at this point of time on M&A.

Nitish Rege:
Okay. Okay. And what kind of assets are we generally targeting? Which segments do we target when we're assessing these M&A opportunities?

Srinivasan Nadadhur:
So, one is on extensions of what we already do. In digital, typically, that would be a creative agency. On the technology side, it would be assets like folks who are doing Salesforce implementations because we do a lot of operational work on some of these enterprise platforms, like Adobe and Salesforce, and we would like to be able to add the capability of being an implementation partner as well. So that is that. The third thing on the customer operations side, we'll be interested in something that gives us the ex-India presence. So something in LatAm or other geographies would be of interest to us. And on the financial market side, finally, either onshore consulting business or something which does more work that augments our client life cycle business. So, something in fraud or anti-money laundering, those would be selective areas of interest for us.

Asha Gupta:
Next question we have from the line of Nikhil Choudhary from Nuvama.

Nikhil Choudhary:
First question is regarding the demand environment. What you have highlighted that you are not calling outgrowth because of demand uncertainty. Just want to check here a little bit. We have seen some positive commentary from IT services companies, especially demand revival in Financial Services. So I just want to understand what we are hearing from our client? Have you seen some improvement, but given macro remain uncertain, therefore, we don't want to call out, or it remains status quo?

Kapil Jain,
So, like I have mentioned that we have seen increased and positive momentum quarter-on-quarter on all 3 businesses, but this quarter growth is predominantly driven by Financial Markets. So, we are also seeing green shoots in overall financial services sector. So, this is in line with what you're hearing from your other clients that you follow.

Nikhil Choudhary:
Understood. Second is regarding attrition being quite low. This is one of the few period historically. We haven't seen attrition being at 20% for such an extended period. So, is it impacting our ability to

manage the pyramid and thereby the margin? And any color how we are seeing outlook perspective?

Srinivasan Nadadhur:
So, the first thing I would like to call out is we exclude bottom quartile attrition. So, I don't know how long you've been following the company, but 2 or 3 years back or maybe even a little earlier than that, we usually show all attrition. So, if you take in that context an apple-to-apple comparison, then attrition is lower certainly in Q1, but you should not be comparing with what attrition that we saw about 3 to 5 years back. Even more specifically, Q1 tends to be our lowest quarter of attrition as people are waiting for the wage increments to hit. So, we will see an uptick in attrition. Having said that, your observation is pretty much spot on that it is lower than what you have seen in the past, maybe reflective of the larger lack of opportunities in the ecosystem.

Asha Gupta:
Next question we have from the line of Krish Beriwal from Nomura.

Krish Beriwal:
My question is on the medium-term margin outlook. So, should we look at the 24% to 28% margin range as a new normal with growth becoming a priority? Or we plan to recoup this 400-odd basis point contraction this year over the medium term?

Kapil Jain:
Right now, we should look at between 24% to 28%. And as and when we get more visibility in terms of medium to long term, we will come back to you.

Krish Beriwal:
Sure. Second, in terms of growth acceleration, given that now 4.5 months has already passed this year, do we expect growth rate to accelerate from 3Q onwards? Or there is some more time, which it will take before growth acceleration?

Kapil Jain:
For Q2, in terms of what we said that our overall pipeline, Q1 conversions are healthy, which should reflect in our Q2 momentum. So, we do expect the growth momentum to pick up and continue as we move forward in the quarters.

Krish Beriwal:
Sure. So, any data point that you can share with us in terms of the effectiveness of the investments that you are making on the sales team? And what are the key indicators that you are looking at?

/Kapil Jain:
Like I said, we are looking at overall pipeline conversions, cross sells, average size of deals, inbound flow so these are some of the parameters we are looking at. And I think clearly, 2 metrics that you have seen, the healthy pipeline as well as the conversions are a clear reflection. In terms of the directionality, we are moving in the right direction.

Asha Gupta:
We have a follow-up question from the line of Shradha Agrawal.

Shradha Agrawal:
Just one question on GenAI. So how many GenAI-led POCs are we working on? And what are the expectations of clients in terms of productivity improvement on the GenAI project? And how has the pipeline buildup been in terms of any quantitative number that you can show in terms of Y-o-Y growth in the GenAI led pipeline?

Kapil Jain:
So Shradha, thanks for asking. I think what we have decided is because I think instead of reporting

GenAI projects or pipeline or revenue separately because our unique strength is in delivering productized services and as I have mentioned in previous earnings call also that services that we deliver, for example, KYC, client life cycle, compliance manager is our underlying platform, Market 360 for competitive intelligence. For our ATR business, we have an underlying technology platform. So, what we are doing is we are ingesting GenAI into our platforms, which is making us more relevant for our clients. And we are passing on the benefits to the clients as and when we are able to realize them. So that is what we are doing. And I think we are in a unique position to bring GenAI to our clients because of our ability to bring domain, process and tech we bring together and the underlying technology we are bringing in. Sanjay and his team, our CTO, they are working, and they have prioritized the products that we have to ingest GenAI in all our products, thereby all our services will have GenAI component built in.

Shradha Agrawal:
Yes, that's right. But in terms of client expectations, when you ingest GenAI into any of their existing projects, so what are their expectations on pass-through or productivity benefits?

Kapil Jain:
It's not like specifically, they are saying that you have to give a certain productivity benefits like where it's feasible, we are giving the productivity benefits, and it depends in certain cases, they are significantly higher. In certain cases, there's no productivity benefit, but it's scalability that you're bringing in. In certain cases, it's the experience you are enhancing. So, it's not just productivity because there are different dimensions in which GenAI can come and have an impact, be it in experience or efficiency or effectiveness. And that's really what we are bringing to bear. We are also in line in terms of meeting or exceeding our expectations as far as GenAI or underlying technology construct is concerned.

Asha Gupta:
We have a follow-up question from the line of Sandeep Shah.

Sandeep Shah:
Just the first question, Kapil, in terms of large deal, can you share some metrics in terms of how we define a large deal? How is the pipeline shaping up? Any closure or you expect closure to happen in an accelerated fashion, maybe second half of next or the next financial year?

Kapil Jain:
So, what we have defined is like USD 25 million ACV that we have closed, anything above USD 2 million ACV is what we are saying is a large deal for us, for our business. We have a pipeline, which comprises of USD 2 million-plus deals. And we are looking to see how we can accelerate closures of some of those deals between now and the subsequent quarters.

Sandeep Shah:
Is it fair to assume, Kapil, this USD 25 million ACV, which we have closed in the first quarter, could be the floor and there could be more upside going forward?

Kapil Jain:
I hope that is the case.

Sandeep Shah:
And just on the GenAI, Kapil, you continue to believe this would be an opportunity for eClerx rather than a threat. Why I'm asking is, it has started disrupting some of the voice centric BPO company. I do agree for us, voice is very minimal. So, can you share experience where you said when you start sharing productivity gains, how much percentage in terms of productivity gains, which we have to pass on, if you can share an example?

Kapil Jain:
Which is what I'm saying, it's not like the value that we deliver to the clients. We are not in traditional BPO business, where you are saying, look, Y-o-Y, what is the productivity. We are in a business, which is high end, more complex in nature. So, it's the value that client drives. While in BPaaS business, if I am delivering a transaction at X by virtue of bringing technology and ingesting Gen AI, yes, I will pass on the reduction to the client, and I'll say that Y-o-Y. But it's not that clients are saying I'll give you only business because the value that we are able to deliver is far more than like 5, 7 because we are maintaining and managing on the risk and compliance side and so on and so forth.

In terms of your first question that do you see that for us, will it be accretive? See, first of all, we will not shy away from losing revenue because of Gen AI or cannibalizing our own revenue. But I think it's an opportunity for us. I have said this in the past as well because of 3 reasons. One is that we have productized services. And by that, what I mean that the entire service stack has underlying technology on which we are delivering our BPO for our clients. And Sanjay and his team are working to ingest GenAI into all our technology platforms that we used to deliver our services. Second, our domain intensity is very high. And third, our process knowledge. So given all these 3, I see that GenAI will be an opportunity for us and not a threat.

Sandeep Shah:
Okay. Fair enough. And just last 2 bookkeeping, Srini, just wanted to understand why cash and bank has been flat in this quarter. I believe the buyback and the dividend payment will happen in 2Q. And second, what is the reason for a higher finance cost? Is it this base will continue maybe because of the higher leased amortization costs, which we may have incurred for the additional seats?

Srinivasan Nadadhur:
Yes. The answer to your second question is, yes. It will continue for that period. The cash and bank, I have to check. I don't recall it being flat. Let me just check that, I'll get back to you Sandeep.

Asha Gupta:
That was the last question for the day. Srini, back to you for closing comments.

Srinivasan Nadadhur:
Thank you, Asha. Thank you, participants, for joining the call, and we will see you again back next quarter. Thank you, everyone. Goodbye.

Kapil Jain:
Thank you all.

Asha Gupta:
Thank you, everyone. Goodbye.

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