

February 18, 2025

BSE Limited
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Dalal Street,
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Kind Attn: The Manager,
Department of Corporate Services

Kind Attn: The Manager,
Listing Department

Subject: - Transcript of Earnings Call held on February 11, 2025.

Dear Sir/Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the earnings call of the Company organized on February 11, 2025.

The same is also available on the Company's website at the link <https://www.birlasoft.com/company/investors/policies-reports-filings#>, under the head - Quarterly Reports → Earnings Call → Transcript.

Kindly take the same on record.

Thanking you.

Yours faithfully,

For Birlasoft Limited



Sneha Padve
Company Secretary & Compliance Officer
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Birlasoft Limited Q3 FY25 Earnings Conference Call

5 pm IST, 11 February 2025

MANAGEMENT: MR. ANGAN GUHA, CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR
MS. KAMINI SHAH, CHIEF FINANCIAL OFFICER
MR. ABHINANDAN SINGH, HEAD - INVESTOR RELATIONS

Note:

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(1 crore = 10 million)

Moderator: Ladies and gentlemen, good day, and welcome to the Birlasoft Limited Q3 FY '25 Results Conference Call. 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 call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Abhinandan Singh, Head — Investor Relations, Birlasoft. Thank you, and over to you, Mr. Singh.

Abhinandan Singh: Thank you, and welcome folks. By now, you should have received our Q3 results. Those are also available on our website www.birlasoft.com. Joining me on this call today are our CEO & MD Mr. Angan Guha; and our CFO Ms. Kamini Shah. We will begin the call today with opening remarks from both Angan and Kamini. And then, we'll follow that up with some time for your questions and responses to those.

But before I hand over the floor to Angan, a quick reminder that anything that we say on this call on the company's outlook for the future could be a forward-looking statement and, therefore, that must be heard or read in conjunction with the disclaimer that appears in our third quarter FY'25 investor update, which you would have received and is also uploaded on our website as well as filed with the stock exchanges.

With that, let me hand over the floor now to Mr. Angan Guha, our CEO and MD. Over to you, Angan.

Angan Guha: Thank you, Abhi. Good evening and good morning to everyone wherever you are, and thank you for joining us today as we share some perspectives on our performance during the third quarter for the current fiscal year. I trust all of you have seen our results.

Our performance during the quarter reflects a seasonally weak quarter with higher furloughs than last year, compounded by the fact that the demand environment has not materially changed. While there are some early signs of improvement in certain pockets such as BFSI, those are a relatively smaller contributor, as you know, to our overall business.

With that context, let me delve into our Q3 performance. On a year-on-year basis, our revenue grew at 1.5% in rupee terms, and in constant currency terms it has been flattish. We've witnessed higher-than-usual furloughs this year, and in some cases the furloughs are even extending into January, and that has resulted in a softer revenue performance.

On the margin front, we have reported an EBITDA of 12%, which is nearly the same sequentially from the Q2 quarter. The fact that we've been able to deliver this margin performance even after absorbing the impact of compensation hikes that became effective from the 1st of October 2024 demonstrates our commitment to and our ability to sustaining and over time improving our margin profile. Kamini will tell more into this detail during her remarks.

We've also seen significant improvement in our cash balance, thanks to continued strong cash generation. As a result, our balance sheet remains very robust. On the deals front, I'm pleased to note that the deal signings during the quarter saw a sharp increase and we delivered \$226 million

worth of TCV signings. This, by far, has been the best quarter in terms of deal signings in the current fiscal. While a large part of this has come in from renewals, which is typical for the time of the year, we've also seen some net new deals.

Looking at the conversations that we are currently having with our clients and including one potential large deal and a new logo in Europe, we also expect a good TCV performance in Q4 as well.

On the operations front, while we already enjoy a solid presence across multiple competencies, I wish to share more on the areas that we have been investing in. Our investments are focused on bridging capability gaps and scaling existing capabilities that we believe are and will remain relevant in the marketplace. In terms of the bets that we are making in our tech capability roadmap, we are particularly concentrating our efforts in AI/GenAI and AI-driven quality assurance services, Data, and Product & App Engineering. With GenAI, you would recall that we had established our Gen AI Centre of Excellence early last year, and then had built our own GenAI platform called Cogito to accelerate GenAI based solutions. We continue to harness the power of AI and Gene AI to transform our operations with new innovative in-house applications, such as B-Hive which is a GenAI conversational bot and Solución, a GenAI-driven solution integrated with ServiceNow.

These initiatives are aimed at bringing about structural changes in our business and that will amplify our competitive advantage, make us more resilient, and enable us to better capitalize as demand conditions continue to improve.

Looking ahead, as I observed earlier in my comments, the demand environment has not changed much from what we have seen over the past few quarters. There have been some signs of pickup in Financial Services, along with green shoots emerging on the discretionary side of customer spends, but it is too early to conclude that demand conditions have indeed turned around comprehensively. Clients' budgets in most cases still indicate a "hold & wait" approach, particularly in verticals like Life Sciences, which as you know and may have noticed, is likely to be more subjected to policy shifts in line with the priorities of the new administration in the U.S.

Additionally, we have seen some amount of project ramp downs this quarter, which might have a near-term impact on revenues. However, needless to say, we are working with our clients to minimize all of it. Ongoing conversations with clients across verticals do give us a sense that demand should gradually pick up as we progress into the calendar year. It will, however, take a couple of quarters for that to start reflecting meaningfully in our deal inflows and eventually in our revenues. Our deal pipeline remains quite healthy and we continue to invest in our capabilities that will enable the next phase of growth in our journey.

At this point, I will ask Kamini, our CFO, to share her perspectives on the quarter under review. Kamini, over to you.

Kamini Shah:

Thank you, Angan. Good evening, everyone. Hope you are doing well. Thank you for joining us.

Let me take you through the financial highlights for the third quarter of the current financial year. As you would have seen, we have reported a consolidated revenue of \$160.8 million for the quarter, representing a constant currency degrowth of 0.1% year-on-year and 1.1% quarter-on-quarter. In rupee terms, quarter 3 revenues have been Rs 13,627 million, a growth of 1.5% year-on-year and a slight decline of 0.4% quarter-on-quarter.

Performance during the quarter under review was led by BFSI vertical, which has grown 1.8% quarter-on-quarter. As Angan mentioned in his remarks, our quarter 3 performance reflects higher than usual furloughs in a seasonally weak quarter, particularly in the Life Sciences and the Manufacturing verticals.

In some cases, the furloughs came in late into the quarter and are spilling over into early Q4 as well. Among service lines, our Digital & Data business that contributes about 57% to overall revenues grew by 2.4% quarter-on-quarter. The ERP business witnessed a sequential decline of about 5.7%, reflecting seasonal weaknesses.

Moving on to the EBITDA performance. Our EBITDA for the quarter was at \$19.3 million versus \$19.7 million in Q2. This translates to an EBITDA margin of about 12%, which is marginally lower than what we had reported in the last quarter. This is despite an organization-wide wage increase that came into effect from October onwards, indicating a 3-month impact of the wage hike. Margin tailwinds that have enabled us to largely offset the impact of wage hike and furloughs include exchange rate benefits from a strong dollar and some operational savings.

Our PAT stood at \$13.8 million, which is 9.3% lower on a quarter-on-quarter basis. This is because we have recorded a lower quantum of Other Income during the quarter under review. Our Other Income was lower primarily because of payables in non-dollar currencies, such as GBP, Euro and others that have depreciated significantly against the U.S. dollar and the Rupee.

Let me briefly touch upon the key balance sheet items. Our cash and balances at the end of the third quarter stood at \$240 million, up 8.2% quarter-on-quarter and about 18.3% year-on-year. We have, over the past several quarters, demonstrated our ability to consistently generate strong cash flows. Our operating cash flow for Q3 was at about \$29.9 million, which is about 155% of our EBITDA. This has been on the back of strong quarterly collections. Consequently, we are happy to say that our DSO stands at 53 days, which is among the best in our industry.

In conclusion, I would like to say that we continue to enjoy a robust balance sheet with healthy cash flows. We are remaining focused on investing in capabilities for future growth as we enter into the last quarter of the current financial year.

Thank you very much. Back to you, Abhi.

Abhinandan Singh:

Thanks, Kamini. Thanks, Angan, Moderator, can we please start the Q&A session?

Moderator:

Sure. Thank you very much. First question is from Ravi Menon from Macquarie. Please go ahead.

- Ravi Menon:** We've seen a bit of offshore shift this quarter, some bit of headwind, I guess from that, a little bit of headwind from the pass-through revenue going away as well. And you talked about a lot of furloughs. So, can we think that some of this is a very temporary headwind, and you said that has continued in January? And -- are you seeing that end? Or should we think about a similar sort of impact from furloughs for this quarter as well?
- Angan Guha:** Ravi, thank you for that question. Like I mentioned and Kamini also alluded to the fact that unlike the previous years, this year we have seen more furloughs than usual. And some furloughs have come in a little late in the quarter, which kind of drove a little bit of muted performance. And the furloughs came in even from the verticals where we had not seen furloughs earlier. So it's a one-off situation but just to answer your question, Ravi, the furloughs are extending into January as well. And since January is already over, the furloughs we've already accounted for. So that will show a little softness in revenue in Q4 as well. But, like I said, we will concentrate on executing in the quarter and see how much we can mitigate from those furlough impacts and see how the quarter goes. Our focus will clearly be on order booking. You saw a good order booking performance in Q3, and we would like to repeat the same order booking performance in Q4 as well.
- Ravi Menon:** If I heard you right, you were talking about a large deal with the new logo, is that correct?
- Angan Guha:** Yes. So we are in discussions, Ravi, with a new logo in Europe where we think we can close a reasonable sized – I will not call it a large deal, it is a reasonable sized deal given the size of our company, from our company standpoint, it will be...but it will be a marquee deal. We are still talking about it. We are confident on that. And if that gets concluded, we are confident of repeating the same performance as Q3 in Q4 in terms of order booking.
- Ravi Menon:** And you had talked when you started with journey with Birlasoft about adding at least one major logo to each of the verticals. Can you talk a bit about the progress there and how you would – how have sales evolved, now that Roop is departing? What's the plan? How are you reorganizing the sales team?
- Angan Guha:** Yes so, Ravi, two questions, and let me answer that. So of course, our endeavour is always to add at least one logo per vertical. And the logo that we hopefully will add, a new logo in the Manufacturing space in Europe will drive us towards that goal. But quite frankly, have we added a large logo in other verticals, the answer is no. But we've added new relationships. We've actually added, I think about 3 or 4 new logos in the verticals that we serve. Now, how much will the logos scale, only time will tell. But the logo that we are talking about adding in Q4 will also come along with a deal. The second question that you asked about Roop departing, yes, Roop has decided to take up an opportunity outside of Birlasoft and we wish him well. So, for now, I am stepping in to run the Americas business as an additional responsibility while we look for a solid replacement. That, we are working on, Ravi.
- Moderator:** Next question is from Shradha from AMSEC.
- Shradha Agrawal:** Sir, you spoke about some near-term ramp down in some deals. So, any clarity on that front would be helpful.

- Angan Guha:** Shradha, thank you for that question. So, there are two headwinds that we're seeing in Q4. One is, of course, like I said, some amount of furloughs in healthcare are spilling into the month of January. Now, of course, our job as a management team will be to minimize that as much as possible. So that's one.
- In terms of project ramp downs, we have seen some amount of project ramp downs, not very large, but a little bit of project ramp downs in health care as well as in manufacturing. So, we will watch this space. That of course is BAU, because if we win some good deals and drive a good order booking, again some of that could be mitigated.
- So, we have to see how that goes. We are already in the month of February. So, the furloughs are already accounted for. The deal signings are in the offing. So, we will see how that pans out, Shradha.
- Shradha Agrawal:** So, these project ramp downs are over and above the furlough impact that we've seen in the month of January?
- Angan Guha:** That's correct. That is correct, yes.
- Shradha Agrawal:** So, given this context, how should we look at revenue in 4Q for us? I mean, it would be a decline quarter, I'm assuming, given we are talking of two such significant headwinds.
- Angan Guha:** So Shradha, again, we don't give a guidance usually. Our job will be to execute for the quarter. I can only tell you that while there are going to be furloughs and there are going to be some amount of ramp downs, equally, we have won \$226 million worth of deals. So, part of it, we will try and mitigate. Our job will obviously be to mitigate as much as possible. So, we would see, Shradha. I mean as the month of February closes and the month of March starts, we will see how that goes. But our job will be to try and mitigate as much as we can, if not all of them.
- Shradha Agrawal:** Right. Sir, secondly, in terms of service lines, if I see, ERP declined by a sharp 6%. This is different from what other peers have been reporting in terms of opportunity in the SAP S/4 HANA upgrade cycle. So, is it something different vis-a-vis competition that we've witnessed in this quarter? And how do you see this service line normalizing to growth trends from the next quarter?
- Angan Guha:** So Shradha, look, again, if you look at the ERP business of ours, our ERP business is equally split between Oracle, SAP. And of course, we have a JDE competence as well. This service line, quite frankly, has not been doing well for the last two quarters. We have brought in more leadership to help this service line get back to growth. The S/4 HANA story will first play out for the larger players. And if you remember, in the last quarter, I had said the S/4 HANA movement actually benefits the larger players to begin with and eventually, it will come down to the smaller players.
- I'm still very confident that the ERP business will turn around. And like I said last quarter, it will take us about 2-3 quarters more. But I remain confident. We have invested in the business. We're getting a leadership in. I don't know whether I will be able to turn it around in Q4 or Q1. But over the medium term, I can tell you, Shradha, this business will start growing.

Shradha: Right. And just last question, if I can. If I look at the revenue growth from the top 6 to 10 accounts, that has shown a sharp sequential decline of 5%. And on a Y-o-Y basis, it's down almost 14%-15%. So, any client-specific concerns to be called out in that client bucket?

Angan Guha: Some of this decline is because of the furloughs that I spoke about. So, furloughs have impacted some of these clients, which was why they have shown a decline. I'm not too worried from that standpoint because some of these revenues will come back. So, if you measure us on a 2- to 3-quarter period when it comes to the top 5 accounts, you will see a normalized situation.

But Shradha look, I and we, as a management team, are acutely aware that we need to do more in mining. We've had 6 quarters of great mining growth. Over the last three quarters, we've seen some amount of decline. So, we are working with our clients, at least our top 10, top 15 clients to see how we can get them back to growth. So that's one of the things that we are sharply focused on as a management team.

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

Sandeep Shah: Sir, the first question, in the last earnings call, clearly called out that the revenue pickup and the margin pickup will start from fourth quarter and the margin pickup may continue over next 4 quarters of FY 2026 as well. And now, we are also calling out 4Q may have some headwinds. So, sir, last 2 to 3 quarters, our predictability in terms of growth outlook even for the immediate quarters has been actually going down. So, what are the reasons, according to you Angan? And how are we looking to improve, that this situation may not continue in FY '26?

Angan Guha: Yes. So, Sandeep, great question. And let me be very candid and honest on this. See, as a management team, the two things that we ourselves are not very proud of is the fact that this year, the current financial year, which is Q1, Q2, Q3 or even Q4, our predictability has suffered, right? There are two reasons for the predictability issue.

One is because our real estate, the clients that we serve, have been impacted slightly from their own performance standpoint. And we have had to get like, for example, Q3, there have been verticals which came and told us about furloughs as late as the 10th of December, which we had never anticipated. I mean, in our history, we never got furloughs for them, but it happened in this quarter.

So, in that kind of a scenario, it obviously becomes quite difficult to give certainty because we are not a very large business to be able to absorb all that furlough. So now let me tell you Sandeep, what we are going to do to kind of make sure that going forward this doesn't happen again. So, two things we are doing. We are expanding our real estate in a significant manner. So, some of the new logo wins that we're working towards to get, will obviously improve the situation. Second, we are also investing in our existing clients, our top 20-25 clients, to make sure that we get the growth back. That is number two.

Number three, the capabilities that we've invested in over so many quarters have actually not started yielding revenues. And at some point, Sandeep, they'll start yielding revenues. So, bottom line, next year, I feel with all the corrective actions that we are taking, our predictability will improve. I cannot comment in terms of how much growth that will I deliver next year, it's

hard to say. I'll probably be able to give you a complete view after Q4 is over. But I can only tell you that predictability will be far better next year. That is something that we are committing to.

On the margin improvement front, again, it's a matter of execution, correct? Now we never knew that the furloughs will happen in January. And it is something very hard to predict, that the furloughs would have happened. But I hope to mitigate some of the furloughs and still continue to work on our margin improvement. So that we will continue to do. And if we can get the revenue back, then some of the margin issues will also go away.

So, these are the two or three things that we will do in terms of improving real estate, working with our existing accounts to get more certainty. And in the immediate Q4 quarter, trying to mitigate some of the furloughs and the ramp downs to see how we can get the business back.

Sandeep Shah: Okay. Angan, just a follow-up, the impact of furloughs which we have witnessed in Q3 would be also similar or higher in Q4? Because if it's similar, at least the incremental Q-on-Q growth impact should not be that big.

Angan Guha: So, I'm saying it will not be as much as Q3 obviously. It will be half of what we witnessed in Q3. So, to that effect, we have some cushion. But look, Sandeep, we've never witnessed furloughs in our business in Q4, let alone even in Q3 in, let's say, Life Sciences business. So, it's a new world for us. But to answer your question specifically, the amount of furloughs we saw in Q3 and the amount of furloughs we will see in Q4, Q4 will be half as much as Q3.

Sandeep Shah: Okay. And Angan, if I look at the new business TCV for the first 9 months, it is down on Y-o-Y by 28%. So where are we going wrong? Because the order book with some of your peers has not given any major headwinds. They have actually shown a Y-o-Y improvement even in some large cap as well as mid caps. So, do you believe this is internal Birlasoft related issue? Or is it more to do with the demand with the set of customers which we serve?

Angan Guha: Sandeep, last year, if you really think about it, there was one large deal that we had closed, if you remember. We closed a \$100 million deal last year, correct? And that actually was in Q2. So that really swung our order book significantly last year. So, if you were to take that one large deal out, then if you compare the order book, then our order book has really grown. But that's no excuse, Sandeep. So even this year, we should close and we -- I mean, we obviously want to close a large deal. We've not closed any large deals this quarter. But if I look at between, let's say, January and, let's say, April, May, June, in the first 6 months of this calendar year, our attempt will be to close at least a couple of medium-sized deals, not large deals. So, things should start improving from there on. So that's answer number one.

The answer number two, Sandeep, it is also a manifestation of the real estate that we hold. Where our real estate, the companies that we serve, our top 20 accounts, though they are financially very stable, there's no problem financially, if their growth struggles a little bit then we obviously have a problem. Which is why I was telling Shradha also that while the focus will be to grow our top 25 accounts, absolutely, and we will get them, we absolutely will get them back to growth, we have a plan to do that, we will also focus equally on creating new logos because our existing real estate at some point in time will plateau out, Sandeep.

- Sandeep Shah:** Okay. And just last two. In terms of earlier calls, which was post 2Q result, we had an aspiration to go to 15%-16% EBITDA by end of FY '26....the growth outlook becoming slightly soft. And second question is in terms of the war chest. The cash and bank balance as a percentage to market cap, if I'm not wrong, it's as big as 14%-15% of the market cap. So, are we looking to return this to shareholders or we are in active discussion in terms of M&A?
- Angan Guha:** So, Sandeep, let me answer the first question, and then I will ask Kamini to also chime in on that, right? So, what was the first question?
- Kamini Shah:** The first question was in terms of our aspirations. So, Sandeep, I'll take that question. In terms of aspiration, if you remember last quarter when we spoke about it, we said we expected our margins to bottom out in Q3 and then we'd slowly start inching upwards from a margin improvement standpoint. Our aspiration remains the same. That's where we want to get to. But I think the path to that could become a little slower given what we have seen -- what we are seeing from a Q4 standpoint, right? So, I think I would say that from that standpoint.
- On your second question on given the cash that we are holding, do we have any plans as of now to return to the shareholders? I would say, no, at this point of time. We're really looking at conserving cash for any potential opportunity that would come up in the future.
- Angan Guha:** And Sandeep, just to add, we have clearly mentioned that we will continue to improve our margins. So, our goal is to absolutely do that. I mean, we have got a lot of internal processes that are sort of laid out now in terms of what will we do and how will we do to cut costs and cost takeout initiatives to improve the margins. But equally, Sandeep, we need to invest in our business, and we don't want to take a short-term measure. Because in the long term, I'm reasonably certain we'll get growth back.
- But to answer your question, we want to improve margins quarter-over-quarter. Q4 some furloughs have hit. And hopefully, we will not have any furloughs in Q1, so margins will see an improvement. On the cash front, we have continued to generate a lot of cash. We will look at an M&A at some point in time. But right now, we want to deliver a couple of quarters of revenue growth. And as soon as we can deliver some quarters of revenue growth organically, then we will look at how we can look at an asset and if we can acquire an asset, et cetera. But right now, the entire management focus is operationally improving margins and delivering quarter-on-quarter revenue growth.
- Kamini Shah:** And I'll just add to what you said, Angan. I think to Sandeep's question, we also consistently reward shareholders with the dividend payout that we do. And that despite being a slightly softer year, we've continued to do so. So, to that extent, I think our philosophy on returning back to shareholders has not changed, Sandeep.
- Moderator:** Next question is from Sudheer Guntupalli from Kotak Mutual Fund.
- Sudheer Guntupalli:** Just a couple of questions. Firstly, you are seeing a bit of an offshoring impact. And you had furloughs in December, and you expect only half of that furloughs in March quarter. And despite that, despite the furloughs and some ramp downs you called out, you're still sounding confident on FY '26 growth and your ability to mitigate the impact of it in Q4. So, is this confidence

coming from your, let's say, confidence that you'll be able to close that large deal? Is that large deal closing the bridge between the current quarter and FY '26 and your ability to mitigate in Q4?

Angan Guha:

So, Sudheer, let me correct that statement a little bit. Look, we have not said that we are confident of overcoming all the furloughs and the ramp downs. Our best effort will be to try and mitigate most of it. Now, how much we will be able to mitigate, how much we will not be able to mitigate, we don't know that yet, okay? So that's number one. But of course, as a management team, all of our teams' effort will be to mitigate maximum. So that is as far as the median Q4 is concerned.

Now again, when I talk about a reasonable size deal, and I will not call it a large deal, a reasonable sized deal considering our company's size, if we close that in this quarter, that revenue will start only flowing from Q1 and Q2. So that gives us a little bit of more confidence for next year. But look, again, Sudheer, like I said, let me close Q4 first.

And after we have closed Q4, I will be able to comment in terms of directionally how next year would look like. Though, we never give a guidance, we will not give a guidance, but directionally you will see and we can comment in terms of how the next year would look like. Right now, our focus is to mitigate the furloughs and the ramp downs in Q4.

Sudheer Guntupalli:

Sure, Angan. And just on margins, right? I think despite the wage hike, you were able to maintain the margins stable quarter on a quarter basis, which is pretty impressive. So, from here on, what are the headwinds that you have which you foresee at this stage apart from the regular investments and, let's say, if the large deal materializes, that you'll have to do certain on-site investments and all. But apart from that, are there any other headwinds that you foresee at this stage? Because I think shuttling back to Sandeep's earlier question, Q3 possibly should be the peak of the headwinds, including the wage hike. And despite that, you are able to sort of show better-than-expected margins.

Angan Guha:

So, Sudheer, let me answer the first part, and then I'll ask Kamini to add as well. Clearly, our endeavour is to keep improving the margins. But like Kamini also said, because in Q4 also we are looking at furloughs, of course, the wage hike is not there but the furloughs will still impact, at least half of it, right? We'll need to see how we can execute through the quarter and see whether we can maintain margins or improve margins. Again, I'm not giving a guidance here. I'm just telling you directionally, that's where we want to go towards.

And like I was telling Sandeep and Shradha, our obviously endeavour will be to continue to improve margins going forward. Now, the other question Sudheer that you asked is in terms of what could the other possible impact on margins be, right? So, the one possible impact is our business mix. If our Infrastructure business continues to outperform our Applications business, then obviously in the medium term there could be a margin impact. So that would be one.

Second is the pricing pressures. Now, up to date, we have not heard from any of the clients asking for a discount. So that's a positive thing. But we don't know what happens in the future, so that we don't know.

The third is, as we fight newer and newer deals, even if it's the medium size, the \$30 million, \$40 million, \$50 million deals, that is very extremely, extremely competitive. So, I don't know how much amount of pricing power we will have in those kind of deals. I'm just giving you a broad direction in terms of where things are going. But look, from our perspective, we will be growth focused.

We need to grow revenues for the company. And I will admit that FY '25 has been a bad year for us. And FY '26, we need to get the company back to growth. And I see with all the investments that we have done and all the optimization that our Chief Operating Officer is driving, margins at some point in time should also be back.

- Sudheer Guntupalli:** And maybe last one from my side. Possible to call out the furlough impact for this quarter?
- Angan Guha:** I can't give you exact numbers, Sudheer, because that is client-specific information. It will not be right to give numbers. But safe to assume it will be 50% of what we experienced in Q3.
- Sudheer Guntupalli:** I meant in December, what was the Q-on-Q growth that got shed off because of furloughs? That was what I was asking.
- Angan Guha:** Yes, Kamini?
- Kamini Shah:** We really don't call out that very specifically, but I would say it would be at least about 150 bps in terms of what has got shaved off because of this.
- Moderator:** The next question is from Dipesh Mehta from Emkay Global.
- Dipesh Mehta:** Couple of questions, first about the quarter 4. You indicated about two factors, one is furloughs which is half of Q3. And second factor was ramp down. Now if I look, half of the weakness in Q4, it itself will give you positive growth in quarter 4 on Q-o-Q basis plus ramp down will negate it largely. So, I just want to understand from directional perspective, whether we are seeing any improvement in business, underlying growth momentum perspective, considering last 2-3 quarters we have taken some steps to accelerate revenue growth, investing in business capability as well as domain kind of thing. So, if you can provide some colour around that?
- Second thing is about the demand, which also you are indicating some early signs of improvement, which is better than, let's say, 2-3 quarters back, which ideally should support growth improvement. If you can provide some perspective on that? That is question one.
- Second question is, I just want to get sector-wise outlook because Life Sciences continues to remain weak for now a long period of time. Manufacturing and E&U is also fairly weak. So, if you can give some sense about the 4 verticals where we are present? How we expect growth to play out in calendar year '25 or some demand trend?
- Angan Guha:** Thank you, Dipesh. So Dipesh, first of all, a demand situation for us has not changed too much. I only said that there are some green shoots of demand coming back in Financial Services. But that, again, is a very small part of our business, number one, Dipesh, and that is a little back ended. So, I don't see demand coming back for our industry and frankly for us as well in the next

2 quarters. It will probably happen in the back ended for the calendar year. I'm not saying financial year but calendar year. So that is number one.

Number two, from our perspective, if you look at Financial Services, that has continued to show growth, that will continue to be strong. Of course, you may see one quarter here and one quarter there where Financial Services also could be flattish or slightly out of degrowth, I can't comment on that. But overall, directionally, I think Financial Services is good for us.

Healthcare on the other side has been hit by client-specific issues where, like I was telling the other members in the call, saying that there are customers of ours who are financially very strong, but they are facing headwinds in their own businesses and their revenue growth. That is in our real estate. And that is simply affecting our performance as well.

I strongly believe that our healthcare business will come back to growth. I understand that it's been 4 quarters of not good performance. And we've done two things, Dipesh. One is, we've hired a very senior leader to run our med devices business. As you know, almost 70% of our LSS business is med devices. So, we've hired a leader from a Tier 1 company who has just joined us to lead our med devices under the healthcare vertical. We are also in the process of hiring another leader to run our balance part of the business, which is the pharma business, again, under the healthcare vertical leader. So, we are strengthening that team. And with some of these investments that we are doing, I'm hoping that, that business will turn around.

Now coming specifically to Q4, Dipesh, like I keep saying, while we are looking at those headwinds, our job is to execute for the quarter. We will try our best to minimize the impact of furloughs and the ramp downs. How much we will do, I can't comment right now. We will wait and see. But that's our commitment.

From underlying business resilience perspective, I have said that Q3 and Q4 will be good in terms of order booking. We've delivered strong order book in Q3. We hope to deliver strong order book in Q4 also. And that has given us a slight amount of confidence that FY '26 will hopefully be a better year. But let Q4 finish, and then we will give directionally a commentary in terms of how FY '26 looks like.

Dipesh Mehta: Angan, I think two things left. I think Manufacturing and E&U, I think you have not covered. And second thing is about deal intake. When you said good, do you think current level of order book is sufficient for you to return to double-digit growth rate?

Angan Guha: No, I don't think so. So Dipesh, quite frankly, the current level of order book is not sufficient for us to deliver double-digit growth. But is it good enough for us to get back to sequential growth? It is. So Dipesh, look, I mean, let quarter 4 get over, then I will give you directionally in terms of how FY '26 will look like.

Dipesh Mehta: Maybe if you can give last piece about the other 2 verticals, how you are seeing the demand trend?

Angan Guha: Yes. E&U, I think will pick up. In E&U we have got a couple of deals that are currently going on. That may not close in Q4 but will definitely close in Q1. So, from that perspective, I think

E&U will be back. Manufacturing will be soft for another couple of quarters. So, if you look at the larger picture, I think E&U and Financial Services will lead growth over the next one year.

Now again, one quarter, you may see Financial Services also impacted. But I think over the next 4 quarters if you normalize, Financial Services and E&U will continue to grow, Manufacturing will take a couple of quarters to come back. Healthcare also, I'm reasonably confident that in a couple of quarters, it will come back.

Moderator: As there are no further questions, I would like to hand the conference over to Mr. Angan Guha, CEO and MD of Birlasoft Limited, for closing comments.

Angan Guha: Thank you, everyone. Thank you for attending the conference call and I truly appreciate your interest in Birlasoft. As I've said, the quarter that went by was a tough quarter for us in terms of revenue as well as in terms of the furlough impact that we saw. But the positives in our performance has been our order book, order book was strong and the ability to maintain margins in a quarter where we gave a wage hike and had the furlough impact. Me and my team will be focused on getting the predictability back. We understand that predictability has been a big issue. So, our big focus will be to get the predictability back as we try and close more deals to enable, to deliver better sequential growth quarters.

So, thank you once again, and I hope to speak to all of you at the end of Q4. Thank you.

Moderator: Thank you very much. On behalf of Birlasoft, that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.

(This document has been edited for readability purpose)

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