

June 5, 2025

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400001.

National Stock Exchange of India Ltd.
Exchange Plaza, C/1, G Block,
Bandra - Kurla Complex, Bandra (E),
Mumbai - 400051.

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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 May 29, 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 May 29, 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 Q4 FY25 Earnings Conference Call

8.00am IST, 29 May 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 Q4 FY '25 Earnings Conference Call, hosted by Birlasoft Limited.

As a reminder, all participants' 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 '*' then '0' 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 would have received or seen our results that were announced last evening India Time. Those are also available on our website, www.birlasoft.com.

Joining me on this call this morning are our CEO and MD – Mr. Angan Guha; and our CFO – Ms. Kamini Shah. We will begin the call today as usual with opening remarks from both Angan and Kamini. And after that, we will open up the floor for your questions.

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 involving significant uncertainty and therefore, that must be heard or read in conjunction with the disclaimer that appears in our investor update, which you would have received and is also uploaded, as I said, on our website and also filed with the stock exchanges.

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

Angan Guha: Thank you, Abhi. So good morning, and good evening to everyone wherever you are, and thank you for joining us today as we share some perspectives of our 4th Quarter and Full Year FY '25 performance. But before I begin, I just wanted to apologize that I am slightly under the weather, so my voice modulation may be an issue. But if you have any questions, then I will step in and answer as and when the time comes in.

At Birlasoft, you will recall that over the past couple of years we have undertaken and initiated several actions aimed at securing our long-term profitable growth objectives.

The key among them has been investing in scaling up opportunities and capabilities that will drive our future growth. A classic example of that is our early adoption of emerging technologies like GenAI, where we have created a solid framework and a tool that helps us to deliver to our customers.

We are also using our specialized domain expertise within each of our verticals and sub-verticals together with our technology capabilities to create an offerings and use cases that are very relevant for our customers and prospects.

Another key element of our culture has been to drive greater accountability and swifter action. And towards that end, we have obviously changed a lot of leaders who have not delivered for us. And we are willing to make further changes to our teams if the need comes in. We will become a very performance-driven organization, which we have always been, and we want to continue that. Some of the changes that we have had in the past few months is, we have refreshed our leadership in manufacturing, in the MedTech segment under Life Sciences we have had a new leader. We have also promoted a new leader internally to take up our Digital & Data business. The GCC opportunity clearly presents a very big opportunity for us. We have hired a senior lender in India to look at the GCC opportunity and how can we drive that as we go forward.

Our investments in the ROW business is finally paying off, as I am sure some of you would have noticed from our deal flows, we have been able to win one large deal, a reasonable size deal considering the size of our company in the ROW region, and we have a couple of more deals in the offing that are looking very, very good.

So with that, let me talk a little bit about our full year and Q4 performance. Now FY '25 has been a steady year for us, but it has clearly been disappointing, as I am sure all of you have noted. In the face of soft demand environment, owing to sustained macroeconomic challenges, and as a business we have structurally seen lot of project-based businesses come under a slight amount of pressure, because the discretionary spend is very, very muted at this point in time.

With that backdrop, our consolidated revenues for the year have grown 1.8% from the preceding year to about INR 5,375 crore. In dollar terms, this is about \$635 million, which is, as you will notice, flattish over FY '24. You may recall that we witnessed large amount of furloughs that we have ever witnessed in Q3, and that also was in Q4.

In addition to that, as I had mentioned in our last earnings call, we also saw some project closures and ramp downs in a couple of customer accounts. But I would like you to note that we have not lost any customers. Some of our large customers, we have seen ramp downs. We have seen some in-sourcing. But we have not lost customers. We will still continue to serve those customers and work with those customers for their future tech spend. As a result, our revenue during Q4 has declined to INR 1,316 crore, which translates to \$152.2 million in dollar terms.

On the margin front, however, actions on the operations front and some one-offs have enabled EBITDA margin to rise to 13.2% in Q4, a sequential expansion of 119 basis points. As a result, our post-tax profit was up 4.4% quarter-on-quarter to INR 122 crore.

For us, the year under review also continued to be characterized by strong cash flow generation. And Kamini will provide more color on both the margin uplift and the cash flows in her remarks. On the deals front, I am pleased to observe that after a significant spike in total TCV volume in Q3, we recorded another quarter of sequentially increased TCV during Q4.

We have signed deals worth \$236 million during Q4, which is 4% higher than what we signed in Q3. More encouragingly, the quantum of new deals in TCV is up 75% quarter-on-quarter in Q4, showcasing the fact that we are winning new logos and new deals.

So almost half of our Q4 total deals in TCV have come in from new deals, which augurs well for our future growth trajectory. Among the deals that we have closed during the quarter is a significant multiyear engagement with a new customer that we have added in the U.K. that comes under the ROW region. You may recall that I had alluded to this at our last call. I am pleased to update you that this deal has since been secured and that is reflected in our Q4 deals TCV. For this global communication major, Birlasoft will deploy advanced AI-powered capabilities, including Agentic AI and Intelligent Diagnostics AI to deliver a next-generation IT service model designed to transform the customer's global technology operations through the integration of AI-driven innovation across Americas, EMEA as well as the APAC regions.

As we look ahead, and as you know, over the past few quarters the demand environment has been challenging, marked by a lot of macro uncertainty, exacerbated by the recent news flow around the trade and tariffs. There have also been some project closures that I talked about in my earlier discussion, and we have seen ramp downs as well as we have seen some in-sourcing, which could affect our growth performance in the coming quarter as well. However, we feel our growth will be back in the company starting Q2.

At this point, I will ask Kamini, our Chief Financial Officer, to share her perspectives on the quarter and the year under review.

Kamini Shah:

Thank you, Angan. Good day, everyone. Thank you for joining us. It's a pleasure to talk to you again.

Let me take you through the financial highlights for Quarter 4 of '25, and then for the full year of FY '25:

As you would recall that in our last earnings call, we had called out a couple of factors that were expected to have a near-term impact on our performance. One was the higher-than-usual furloughs that was extending into January and having some residual drag on our Q4 revenues.

Secondly, as Angan mentioned, we have witnessed project closures and ramp downs in a couple of customer accounts. Given the soft demand conditions where customers have been tending to hold back on discretionary spends, it has been challenging to meaningfully mitigate the impact of some of the headwinds. Consequently, for the quarter under review, we have registered a 5.4% decline quarter-on-quarter in dollar terms to about \$152.2 million.

Among all our verticals, Energy & Utilities registered a sequential growth of 1.8% during the quarter. The other verticals witnessed a degrowth on account of the reasons that I just mentioned. Margin performance has been better. It reflects some actions that we have taken to drive operational efficiencies as well as some tailwinds on account of currency and certain one-offs.

The margin tailwinds have largely been on account of lower variable pay and leave encashment for our senior executives and currency benefits, together accounting to about 200 bps.

As a result, EBITDA for the quarter increased to \$20.1 million from \$19.3 million in Q3, which translates to a 13.2% EBITDA margin, which is an expansion of 119 basis points quarter-on-quarter. This has been achieved as we continue to invest into our business and demonstrate our commitment to optimizing and overall trying to improve our margin profile. Consequently, PAT for the quarter has increased from \$13.8 million in Q3 to about \$14.1 million in Q4.

When we reflect back on the full year's performance, we have reported a consolidated revenue of \$635.4 million, representing a flattish CC growth and a marginal degrowth of about 0.3% in dollar terms. In rupee terms, revenue for the year was up by about 1.8%.

As you would recall, during the course of the year under review, we have made significant investments in our business, successfully secured some consolidation deals that required pricing flexibility, we have also grown our Infra business that takes some time to catch up with the overall business level margin. This has had a tempering effect on our EBITDA for the year, which stood at \$82.4 million, translating to an EBITDA margin of 13% for the year. PAT for the year stood at about \$61.1 million, lower than \$75.3 million in the preceding year when we also had the benefit of a one-time insurance claim. The effective tax rate for the year was 25.8%.

When I reflect back on the balance sheet, I am happy to note that we ended the year with cash and cash equivalents of \$259.5 million which has grown by 24% year-on-year. Compared to the preceding quarter, our cash and cash equivalents was up by 8.1%. This reflects consistent good cash generation, which is evidenced by our operating cash flow which for the year FY '25 has been at about 88.3% of our EBITDA. You would agree that our DSO at 54 days is probably among the best in class. We remain committed to staying focused on sustained robust cash flow generation.

In continuation to our track record of prudent capital allocation and rewarding shareholders, the Board of Directors has proposed a final dividend of INR 4 per share, subject to shareholders' approval. This, combined with the interim dividend that we had paid out after our Q2 Board meeting, takes our total dividend for the full year to INR 6.5 per share, translating to a payout of about 35%.

So we have ended the year with a robust balance sheet. We are generating strong cash flows, giving us the ability to make more investments necessary in the business to drive growth going forward.

Thank you very much. Back to you, Abhi.

Abhinandan Singh:

Thank you, Angan and Kamini. Moderator, can we please open the lines for questions and answers?

- Moderator:** Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Ravi Menon with Macquarie. Please go ahead.
- Ravi Menon:** Thanks for the opportunity. Again, good deal wins, but we have seen this, let's say, the offshore revenue declined from Q2 FY '25 where we were expecting this sharp shift on-site to actually start reflecting in an offshore revenue increase. So far, that doesn't seem to have happened. Could you talk a bit about this? This is because we have seen some other deals that are ramping down. Is there still a margin benefit that we expect later on? And then could you talk a bit about why we have seen this decline that's fairly broad-based across the 3 verticals and even like top 5, top 6 to 10 and beyond the top 20 customers?
- Kamini Shah:** So Ravi, let me pick up your question in terms of offshore that we have seen, in fact, some of our discretionary demands largely in on-site. That was coming into play, which is the reason why you have seen in this current quarter, an increase as far as our on-site. But we largely remain equally balanced between on-site and offshore in terms of the differences. We had mentioned earlier saying that our offshore would increase as we kind of consolidate. But I think that consolidation has taken a little bit time in terms of moving work offshore. So which is why you see us operating in this range at this point of time.
- Angan Guha:** And just to add to what Kamini said, Ravi, for us, this trend will continue for may be one more quarter and towards the fag end of Q2 you will start seeing the movement back to offshore.
- Ravi Menon:** Thank you, Angan, and that, I can guess, should be margin accretive, but again, it will be a revenue headwind, right, at that point?
- Angan Guha:** On the revenue, it is hard for me to comment right now in terms of how things will shape up, because there is uncertainty. So, Ravi, for us, the two big issues that have hit us, one is, like I was saying in my commentary, we have not lost the account, but in some of our larger accounts, especially within Manufacturing as well as Healthcare, we have seen some amount of in-sourcing and some amount of project closures, because our clients are also looking at the situation with a little bit of caution.
- And that has resulted in our revenue downtick, if you will. So we are watching the space. We feel currently, as we stand, our Q1 revenues will also be muted. We are trying to keep it flat. There could be minor degrowth as well. We don't know that yet. But our entire endeavor would be that we get growth back in the company by Q2.
- Ravi Menon:** Thank you. One follow-up question to Kamini. The unbilled revenue is up a little bit say by about \$3 million Q-o-Q. Should we see this come down over time? Or what could affect this?
- Kamini Shah:** I think the reason why unbilled revenue has come down is also, Ravi, we are really pushing a lot of our fixed price projects. We have started reaching our milestones and liquidating that, as far as our customers are concerned. So it is more in terms of increasing efficiency from a milestone

delivery standpoint, and also cash generation, eventually converting into cash. That's the only reason.

Ravi Menon: Kamini, but this quarter it is up, right, Q-on-Q?

Angan Guha: Sorry, Ravi, we couldn't hear your question properly.

Ravi Menon: Isn't it up, unbilled revenue, isn't that up Q-o-Q this quarter by about \$3 million?

Kamini Shah: So, okay, I was looking at it from a year-on-year basis, sorry, Ravi, when I explained that to you, right? Yes. So it is part of a normal trend, Ravi, nothing to be very specific about, right? We will essentially liquidate the revenue as we go along. So there's nothing very exceptional from that standpoint.

Ravi Menon: All right. Thank you.

Moderator: Thank you. Our next question comes from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Yes. Thanks for the opportunity. I just want to understand first about margin. I think you indicated about certain one-off in the margin. And if I look at employee benefit expenses, absolute term, it has declined sizably. So if you can provide what were the one-offs in Quarter 4? And do you expect it to continue in quarter 1 or it can provide a headwind to quarter 1 margin. That is question one. The second question is about the overall revenue growth trajectory. Let's say, if you look at FY '25, out of four, in three quarters we had sequential decline, and exit is also fairly weak for us. Now entering into FY '26, are we confident about, let's say, growth to resume from full year perspective, considering whatever pipeline we have seen built up, conversion, and overall client conversations what you have with the major clients? If you can provide some sense about the growth trajectory? And last is about now we have sufficient cash; payout is still 35%. So we are generating good cash. How do you plan to use it, particularly from M&A perspective? And what is broad thought process around it? Thank you.

Angan Guha: Dipesh, let me talk about the deal flow, as well as let me talk about the revenue, the way we see today, and then I will hand it over to Kamini to talk through the cash utilization as well as on the margin.

So Dipesh if you really look at it, and you are right, in the last one year, 3 quarters out of 4 we saw revenue declines. Some of them were a little unexpected. We couldn't expect that at the start of the quarter, and it happened because we got ramp down notices from our clients.

I feel that this quarter too, the Q1, we will have muted revenue growth. Now the deals that we are winning that will start generating revenues from Q2, which is why, Dipesh, I said, we at least believe today that Q2 onwards, we will get some growth. I don't know how much, but Q2 we will see some growth.

Overall, from an FY '26 perspective, our endeavor would be to deliver FY '26 better than FY '25. But, Dipesh, you must also realize which you yourself said that our base revenue starts at \$152 million, right? So we have a lot of headwind. So for me, even to stay flat for the year, it will need exceptional quarter-on-quarter growth going forward.

How much of it we can deliver Q2 starting, I don't know. But the management team's endeavor will be to at least have FY '26 better than FY'25, but that could be only slightly better because of the headwind that you see getting into this financial year.

On the margin front, I will ask Kamini to talk about what we have done and what we intend to do going forward.

Kamini Shah:

Dipesh on your specific question, as far as the margins are concerned and overall on the employee benefit cost, you would have seen a reduction in our overall employee base. So I think that's a reflection of that benefit from a lower cost standpoint that we have seen. Of course, I have also mentioned the one-offs that we had in terms of a reduction in variable pay. So that is a onetime benefit through which we are seeing a reduction as far as our employee-related cost is concerned. Some of it is structural, in terms of the fact that they will continue as long as our employee base remains at the same level to that extent, but some of that may come back next quarter, as we restore variable pay to the normal levels.

From a margin standpoint, our endeavor would be to remain flattish as to where we are. At this point of time, given the current revenue profile that we are in, we are really working to make sure that we take actions on other places to keep it at the same levels.

On the third question as far as cash is concerned, see, if you really look at it from our capital allocation policy, our dividend range is typically between 25% to 35% of payout, and that's what we have done over the last 2 years. We do intend to retain cash for our business investments at this point of time. So I think we will continue to operate in this policy, unless there is anything different that comes into play. So that's where we would be at this point of time.

Dipesh Mehta:

So two follow-up questions. First, on EBITDA margin. Now earlier, we always used to aspire to operate between 15% to 16% EBITDA margin trajectory. We are lower this year. Even let's say your commentary indicates we will be flattish. So roughly around 13% is what we aspire to deliver in '26. So by when do you expect, let's say, to revert back to our aspirational margin trajectory, which is above 15 percentage? And second question is about cash accrual. Now investment is, obviously, there are two ways for investment to happen, one is organic, second is inorganic. Where you expect intensity to increase in terms of next 12 to 24 months, and the areas identified to make those investments? Thank you.

Angan Guha:

Correct. So Dipesh, first let me tell you on the margin front. See, the reason we want to keep the margin at a flattish level is because the entire company's focus is now to win deals and get revenue. We have really, really lacked in terms of revenue growth. We have to get the company back to growth. And that will be our endeavor over the next 3 to 4 quarters.

We will try and keep the margins at 13% because we want to win more market share. I feel if we can get back to good growth trajectory, which, of course, as you can tell, arithmetically, it cannot happen in FY '26. It will happen in FY '27. So FY '27 onwards, as the growth comes back, we will see an uptick of margin. So though we don't give any guidance, we feel that FY '27, FY '28, you will see far more increased margins once the growth comes back.

Second is our entire intensity will be organic, correct? We will continue to make investments. We are changing a lot of leaders. We are looking at newer capability. We are looking at newer partnerships. And those will deliver a lot more organic rhythm.

From an inorganic perspective, Dipesh, we are obviously generating a lot more cash and hopefully, we will continue to generate cash. At some point in time, when we get a great asset, we will definitely look at it. But our endeavor first will be to organically fix the company, even before we look at an inorganic kind of buy.

Dipesh Mehta: Thank you.

Moderator: Our next question comes from the line of Harsh Chaurasia with Vallum Capital. Please go ahead.

Harsh Chaurasia: Good morning, sir. I have a couple of questions from the vertical perspective. So first of all, on the BFSI, where the broader IT is very positive on BFSI, and this is the only vertical which is growing for most of the peers, why has the growth started to decelerate for Birlasoft? That was my first question. And the second question is on Healthcare/Life Sciences. You mentioned earlier about the in-sourcing as well. But in the prior quarter, you called out that there would be some quarter of softness, but we have even hired senior leaders for MedTech and some other verticals beneath healthcare. So wanted to understand when this will start to kick in for growth in Healthcare/Life Sciences.

Angan Guha: Yes. So Harsh, thank you for the question. So first, let me talk about BFSI. If you recollect, Harsh, our BFSI business predominantly is cards & payments business and an asset management business. We don't work with banks, or we don't work with meaningful insurance companies. We probably have just one or two insurance clients. A majority of our focus and our client base is either bank cards and payments or asset management companies. So 12 months ago, 15 months ago, when all the other companies were not doing well in BFSI, we were doing well, because the banks were not spending, whereas the card companies, et cetera, were spending. Now the situation is reversed because the banks spending has gone up, which is why we will see all the other companies who serve banks doing well, but a specialized company like ourselves are having a couple of quarters of degrowth or a couple of quarters of muted growth. Harsh, you will also remember, even in the last call, I had said that BFSI now has grown for us for almost 9 quarters sequentially. It will see a couple of quarters of little muted performance, and then even BFSI will come back to growth.

Now on Life Sciences, Harsh, you must also appreciate that again, just like BFSI, Life Sciences for us is predominantly a MedTech business. I mean we don't work with payers or providers or

any of them. We are a very specialized MedTech company. And MedTech more often than not is a manufacturing business, rather than really a Life Science business. which is where because of the trade as well as the tariffs, et cetera, we have seen a little bit of cautious spending by the customers. But Harsh look, we have not lost a single account. That is a positive. And I hope that over the next 2 quarters, Healthcare, LSS will also start showing growth. But you have to give it a couple of quarters, we've hired a very new leader from a Tier-1 company, give him a couple of quarters to settle down, but I am reasonably confident that we will drive growth in our MedTech portfolio very soon.

Just to let you know, we have been down selected as a preferred partner for a large MedTech company in America. And I am very positive that as quarters go by, you will see some good uptick there.

Harsh Chaurasia: Got it. Thank you very much, sir.

Moderator: Our next question comes from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Yes. Thanks for the opportunity. Angan, the question is more strategic. So I think you joined 2 years back, and we have already done a significant amount of restructuring in terms of churning the leadership, investing in capabilities, expanding partnership. But the revenue growth has been really marginal over the last 2 years, if I compare FY '25 with FY '23. So in your analysis and post-mortem, what is going correct and what is going wrong? And how do we plan to change? Because I think leadership churn has already happened in the last 2 years. So is it more industry specific? Or is it more Birlasoft specific where correction still needs to be done in a significant fashion going forward to avoid such a year ahead, because FY '25 has been one of the weakest year for Birlasoft?

Angan Guha: Sandeep, thank you for the question. So look, FY '23 and FY '24 were reasonably good years for us, right? I mean, we delivered good growth. It is only in FY '25 that we had a flattish growth. And of course, since the operating leverage did not play out, margins showed a negative trend, as you know. But, look Sandeep, I am here to only build the company for the long term. We will continue to invest.

We made a lot of changes. We made a lot of changes in the leadership level, at the account manager level, at the capability level. We are also building a lot of partnerships. It will take a little bit of time. Unfortunately, because of everything that is happening in the macroeconomic situation, all our investments are not yet playing out.

Like I said, some of our customers, and I can't name them, but at least 3 of our customers between manufacturing and healthcare have decided to ramp down a lot of projects, insource a lot of work, that is affecting us. But I still feel our investments are in the right area. Of course, we have to continue to hire some leadership, as you know.

I mean we have some leadership vacancies that we will continue to hire. But we will not cut back on investments, Sandeep, because I feel our investments are in the right area. We may take a little bit of a hit on margins for a year or so, but our entire endeavor is to get the growth back. That is what we will be focused on. I hope Q2 onwards the growth comes back. But we will see how this thing shapes up.

Sandeep Shah:

Yes. Just a related question. If I look at the deal TCV, this year in terms of both total as well as new business has not been that great, though Q4 has been really good. So don't you believe we need to be proactive in terms of, (a) increasing the deal pipeline; (b) in terms of converting the pipeline into deal wins which will help us in terms of compensating a leakage in the existing book. So are we doing any restructuring in terms of creation of large deal pipeline, converting pipeline into deal wins and to actually avoid such unforeseen circumstances?

Angan Guha:

Sandeep, very good question. So if you look at our Q4 deal wins, out of the \$236 million that we delivered, almost \$112 million is new. And that is unprecedented. We have never had almost 50% of our deal wins with new. So that gives me a lot of confidence that the future will look bright, not maybe in the immediate future, but over time, we can fix the company, because structurally, we are a strong company.

To your second question, we have identified an existing very senior leader to take the mantle of opening accounts, and we have identified about 19 or 20 accounts that we are going to go after, so that we can create pipeline and close them. Obviously, that will take a little bit of time, but we are well within that direction.

So, Sandeep, our entire endeavor over the next 4 to 8 quarters is just to focus on the market pipeline and deal closures. That is important. If we can get that right, the others will get fixed.

Sandeep Shah:

Okay. And just a last follow-up question. I think in the earlier quarter earnings call, you said there are 2 or 3 larger deals. One we have already closed in the 4th Quarter. Any update and progress in the balance 1 or 2 large deals which we are chasing?

Angan Guha:

Yes. So Sandeep, thank you for asking that question. And I want to make it very clear. See, another large deal with a high-tech company in the U.S. we have closed, that is also in the range of about \$30 million to \$40 million. We are very close to closing another financial services deal in Europe, which will also be another \$25 million to \$30 million. So these 2 deals you will see in Q1.

The only thing I will say is in Q1, since we don't have any renewals, the overall TCV will look muted, right? So for example, overall TCV in Q4 is \$236 million. I don't believe in Q1, overall TCV we will deliver \$236 million. If you remember, typically in our kind of company, the first quarter, we deliver about \$140 million to \$150 million deals. This year, it may be slightly better, because of the 2 new deals that we have closed. But I am reasonably confident that this year, my overall year TCV will be better than last year's TCV.

And last year also, Sandeep, we delivered about \$735 million worth of TCV to FY '24 at \$837 million. That was pretty much one deal, \$100 million deal that we had got. So I am confident that we will do better than \$735 million for the year when it comes to signings, but it will gradually ramp up. Q1 will be slow, Q2 will be better. Q3, Q4, like always will be much better. [Post script: Total deals TCV was \$758 mn in FY'25 and \$875 mn in FY'24]

Sandeep Shah:

Okay. Thanks. I will come with a follow up, if I have more.

Angan Guha:

Thank you, Sandeep.

Moderator:

Thank you. Our next question comes from the line of Abhishek Shindadkr with Incred Capital. Please go ahead.

Abhishek Shindadkr:

Thanks for the opportunity. My first question is we historically had a high percentage of project nature of the business. Can you quantify what that number is today? And is it also a reflection of our revenue volatility, because of the discretionary spending challenges?

Angan Guha:

So Abhishek, look, if you look at our overall business, right, roughly our discretionary spend and project-based business contributes to about 70% of our overall revenues. Now that is why when the discretionary spend gets cut, we are in the situation that we are in. But if you look at the last quarter, we won lot of multiyear deals, which is more annuity-based deals.

And the two deals that we will win this quarter will also be annuity-based deals. So it will change our situation a little bit. But our project-based business will not go away. It will still continue at that 50%, 60% range. It is 70% today. Our endeavor will be to take it down to at least 50% and 50% business, which is more annuity based, right?

So that will be our endeavor. But that will be a journey, Abhishek. It will take a couple of quarters to get there. But at least the initial indications are the deals that we are winning are all multiyear annuity-based deals.

[Post script: If some of the longer-tenure project work is excluded, then the relatively shorter-tenure discretionary/project-based business revenue would be lower in the 30%-40% range.]

Abhishek Shindadkr:

That's helpful. Just a follow-up to the answer. If I remember it correctly, around 2021, the numbers that were shared that the annuity component has slowly risen from 50% to 65%. But the number that you are sharing today is that project is 70%. Did I miss anything or maybe those numbers don't time?

Angan Guha:

Yes. So Abhishek, look, 2021 was a very different year because in the COVID year, we got a lot of annuity work at that point in time. It all depends upon how you classify. Today, we are classifying annuity work in more in terms of where we will be using Agentic AI to disrupt and deliver new age delivery to our customers to help them. So I was more referring from that perspective, right?

So over '21 to '25, absolutely, our annuity business has actually gone down. The project business has gone up. If you remember, even in '23 and '24, we talked about projects that we were able to win, which is short-term projects, where we would deliver for about 6 months to 9 months and walk away.

Now slowly, we are trying to get away from that and win more annuity work. But it is also a manifestation of the clients we serve. If the clients want us to help them in a particular project, which is 6 to 8 months, then we definitely go in and work with them. So you have to give it some time, Abhishek. We clearly understand that we have to get more annuity work and probably get it back to the 70%, 60% that we once were, and we are working towards that.

Abhishek Shindadkr: Very helpful. Just the last question from my side. So given that you are reporting now, you must have seen the first 2 months, how have they played in terms of conversion in the pipeline. Many of your peers when they reported in April, highlighted that from March onwards, they have seen a material slowdown in terms of conversion or there have been pauses. Given things have improved both from an administration perspective, given that they are more reconciliatory right now, what is your assessment of the past 2 months, especially the month of May? Has it seen any changes in terms of conversions of the booking, maybe for you and also for the industry?

Angan Guha: Abhishek, again, thank you for asking that question. See, like I was saying, our Manufacturing business is roughly about \$160 million-\$170 million. And our MedTech business, which is also manufacturing, is roughly about \$100 million. So technically, about \$300 million, give or take, is very manufacturing dependent, which is prone to tariffs and everything, which is why I said that for us, at least the clients that we serve are treading cautiously, though the administration's views have softened a little bit, but it's a wait-and-watch policy because people have not seen it. Which is why, Abhishek, we also felt considering that we are already closer to 1st of June, I don't see Q1 being a growth period for us. Like I said, I think, to Dipesh earlier, we will try our best to stay flat, but I must say that we may also deliver slight negative growth. But I am confident that Q2 onwards, the growth will be back only because based on our client conversations, people are hoping that in another couple of months, things will become far more clearer, and the projects that we have won or are winning will start showing revenues Q2 onwards.

Abhishek Shindadkr: Very helpful. Just a quick follow-up. For the industry, you think that the pipeline conversations would be high, but are the conversions changing after the administration or the soft stance of the administration, especially in U.S.?

Angan Guha: For us, the U.S. is very important because it's 87% of our business. I feel that that will probably take a couple of more months to get a lot of clarity on. I can't talk about the industry in general, because it also is a manifestation of the clients that they serve. But the 40, 50, 60 clients that we serve, which are our bigger clients and the other 150-200 smaller clients that we serve, at least the sense that I am getting that there is some amount of cautious optimism. It will take a couple of quarters to get full clarity.

- Abhishek Shindadkr:** Perfect. Very helpful. I will get back in the queue. Thanks, sir.
- Angan Guha:** Thank you, Abhishek.
- Moderator:** Thank you. Our next question comes from the line of Girish Pai from BOB Capital Markets. Please go ahead.
- Girish Pai:** Yes, thanks for the opportunity. Angan, you have mentioned that there are still some gaps in leadership and gaps in capability building. Where exactly are these gaps?
- Angan Guha:** So one is, Girish, we are spending a lot more in our front-end sales. We will ramp up our SG&A a little bit, though we will look at the cost reduction in our functions, but we will clearly be investing in sales. So we will put in more focus there. I think like Sandeep was asking, we will focus on net new.
- So we are hiring a team to focus on accounts that we are not present in. We have identified about 19 or 20 logos in the U.S. and some logos in Europe that we will go after. Some of the deals we can talk about as we close between June and July. So that's another area that we are going to keep investing in.
- From a capability perspective, clearly, our ERP business has not done well. The two businesses that have done reasonably okay are our Digital & Data and Infrastructure. But Infrastructure is a margin dilutor. It is very important that our ERP business comes back on track. So we are making some more investments in our ERP space. And when I am ready to talk about it, we will announce it.
- Girish Pai:** Okay. I had a question for Kamini. You mentioned about 200 basis points of positive impact in the quarter, if I remember that number correctly, because of lower pay, currency, and I think some pay due to senior employee-related senior employees. Can you break this down as to what is one-off and what will be there in 1Q?
- Kamini Shah:** So Girish, thank you for the question. If you really look at it from a currency benefit standpoint, it's about 50 bps that we are talking about. Currency has been a little soft. So maybe part of it would continue into Q1. And if you look at the remaining part of it, it's by virtue of lower variable pay to senior executives. So we do expect half of it to be one-off and maybe half of it may come back. Some benefits on leave encashment that we have also got in the last quarter, that may actually be one-off in the true sense. If you ask me, effectively, I would expect that we might be able to recoup back maybe 50%. The balance of it would be truly one-off.
- Girish Pai:** Okay. There was also some mention about consolidation deals that you won, because of some pricing flexibility that you have shown. Does this mean that project profitability on these deals will be lower than corporate margins, at least, say, for the next few quarters?
- Kamini Shah:** Yes, Girish. And we had spoken about that in one of our earlier calls, because from a consolidation standpoint, we had taken in some of these deals in place. And it would take us

some time. That is one of our strategies, to move them a little bit offshore to improve the margins, but that has been a little slow. So yes, for the next couple of quarters, it would be a little soft compared to the overall corporate margins. And then we do expect to use Agentic AI and some other technology to be able to recoup the margins back.

Girish Pai: Okay. And my last question, Angan, U.S. has changed the China tariff from 145% to 30%. Has that changed anything in your customer conversations? Is there a slightly higher amount of optimism around demand?

Angan Guha: So Girish, obviously, it is cautious optimism, because the trade tariff is also limited to a particular time, we need to see how it goes. But again, like I said, as the companies that we serve, some of the companies who've got a larger China exposure are feeling a little better about it. So we believe that demand will come back in Q2. But Girish, we will have to wait and watch, because these things can change dynamically very, very quickly.

Girish Pai: Okay. Thank you.

Moderator: Thank you. The next question comes from the line of Manik Taneja from Axis Capital. Please go ahead.

Manik Taneja: Thank you for the opportunity. While you clarified on the one-offs in Q4, and you were talking about the intent to essentially invest in your sales team to essentially open certain must-have accounts, in that backdrop, Angan, basically, just wanted to understand, should probably we be thinking about further dilution in margins in FY '26 from the current levels? That's question one. The second question was with regard to client metrics. Over the course of the last few years, you kept on cutting the long tail of your customer accounts and trying to focus on a smaller subset of customers. Now is that intent to essentially once again open certain must-have accounts, should we be thinking about an expansion in terms of the client base? How should we be thinking about it?

Angan Guha: So Manik, from our perspective, we still serve almost about 200 or 250-odd accounts, right? So the new must-have accounts that I spoke about is a combination of certain accounts where we have an MSA already. We have to just go and mine those accounts, reinvigorate the MSAs, and start doing business with them. So that is one.

And second would be that some of the large logos that we do not work with, we want to start working with. But our overall set of accounts will still come down. I don't think we want to serve more than, let's say, 250 logos in the long term.

So while in the short term, we may add some logos, but we will also drop some logos, which are unprofitable. Like you mentioned, over the last 24 to 36 months, we have really pruned down our account list, we had 600, now we have 250. We will continue to prune them down. But certain logos that we think that we want to work with, we will add on to our list.

Manik Taneja: Sure. And just one last...

- Angan Guha:** The overall list will not change. Overall, the number will still keep coming down, Manik.
- Manik Taneja:** Okay. Okay. And if you could answer that question on margin outlook and I have another follow-up question as well.
- Kamini Shah:** So Manik, I think your question was as we invest, would there be a dilution of margins? There might be a temporary dilution. Our endeavor is to create space for these investments within our current margin profile. So we are not going to let that significantly impact our margin. Maybe a quarter or so, it might take us some time, but investments happen while the reductions happen as well. So largely from an overall philosophy standpoint, it will not be at a dilution of margins. That's what I wanted to call out.
- Angan Guha:** And just to add to what Kami said, Manik, we do not want to dilute margins further. Like Kamini said, we may have some margin impact in the immediate quarters when the deals come up and we start executing. But our overall direction is clear that we need margin upliftment as we go forward.
- Manik Taneja:** So the other question that I had, if I am looking at your client metrics, if I am looking at your revenue performance by vertical, it appears it's almost a very broad-based revenue decline that you have seen across industry segments over the course of the second half of this year as well as in terms of your top clients revenue performance. So it would be great to understand what exactly is it some amount of faltering in terms of execution that has cost us, because in the course of the last 18-24 months when you were doing well for a certain amount of time, you credited the success to your in-quarter execution. So where have we basically faltered in the course of the last 2-3 quarters to essentially put up a broad-based decline across industry segments or across client portfolio?
- Angan Guha:** Manik, again, a great question. So let me clarify this. I don't think we have lost any client or any project due to execution issues. I mean, of course, there are delivery challenges, which happen in every company in various areas. But broadly, at a company level, I think most of our customers are very satisfied the way we work with them, and what we deliver to them. So that is point number one.
- I also mentioned that while projects have come to a close, the ramp-downs have happened, and in certain cases, as companies build up their own GCCs in India, some of the work has got in-sourced. But that is because of their strategic reasons, not because of our execution reasons.
- On the topic of broad-based revenue ramp downs, like I said, about \$300 million out of our \$650 million is really Manufacturing in nature. In fact, a little bit more, even in our hi-tech business, probably some of the accounts that we work with are manufacturing. And Manufacturing is a large part of our business, which has had the biggest headwind, if you will, in their own businesses.

Now BFSI, I feel is a spot problem. Over time, BFSI will be back to growth. Energy & Utilities, like Kamini said, is still growing. We just have to fix this Manufacturing bit to get this back to growth. If we can get that back to growth, I think our woes will go away. And that is what we are focused on.

Manik Taneja:

Sure. Thank you, and all the best for the future.

Moderator:

Our next question comes from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah:

Yes, thanks for the follow-up. Kamini, just a clarification. So out of 119 bps impact on the margin in the first quarter, we are saying roughly half of that could be a headwind and may not repeat because of one-off nature in the 1Q of FY '26. Is it right?

Kamini Shah:

So Sandeep, just to clarify that, I was talking about the 200 bps that we said were one time. So out of it, maybe 100 bps may not reoccur from a structural standpoint, though we will see how we can make that up as far as Q1 is concerned. So it's not out of 119, it's out of the 200 bps.

Sandeep Shah:

Okay. Okay. So directionally, 1Q margin could be slightly lower on a Q-on-Q because of this?

Kamini Shah:

Yes, Sandeep as of now. But like I said, that we are driving operational efficiencies to see how we can make that up.

Sandeep Shah:

Okay. And Angan, just a last question, if I look at the practice-wise revenue growth. So the major drag in the revenue in FY '25 has been through ERP, which has declined by closer to 6.4% on a Y-o-Y. So while most of your larger peers are talking about increasing demand in terms of upgradation of on-premise to the cloud version of the ERP, both on SAP and Oracle. So why the same is not witnessed by us? Is it a portfolio-specific issue? Or is it that we work with more of Tier-2, Tier-3 in terms of ERP versus Tier-1 accounts, and that is not driving the growth?

Angan Guha:

Sandeep, it's a combination of both. First, you are absolutely correct. We work with Tier-2, not Tier-3, but Tier-2 and slightly lower with the Tier-1 manufacturing companies. And the uptick that you see in SAP and Oracle movement to cloud like S/4 HANA or Oracle Fusion is probably helping the larger companies to begin with. But I can tell you, slowly over the quarters, over the next year or so, it will start improving the smaller companies like ourselves which are very heavily ERP focused. That's point number one.

Point number two, while our ERP business for 2 years have actually degrown, not one, 2 years, we are making some structural changes here. Sandeep, I would like to probably take that offline in terms of what we will do. But there's a lot of focus to get the ERP business back on track. And over the next 2-3 quarters, I will come back and update you on what we are doing there.

Sandeep Shah:

Okay. Thank you, and all the best.

Moderator: Thank you. Our next question comes from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon: Thanks for the opportunity. Again, the whole Invacare deal had been, I think, a great client reference possibly at that time, and that was the largest multiyear deal that you guys have won. Are you looking at something like this where significant cost takeout is there, total IT outsourcing opportunities that is with these companies outside the Fortune 500?

Angan Guha: So Ravi, we have a couple of deals in the hopper, where we are doing cost takeout deals. But look, our endeavor right now apart from cost takeout is to do a lot more domain-related deals. I don't think we will have too many deals in the \$100 million to \$200 million range. The industry is also changing. We have logged \$30 million, \$40 million deals now, which is in our sweet spot, which we are winning, where we are with our customers to deliver services using Agentic AI and the customers are going to pay us on story points, rather than pay us on fixed price outcome or people. So that's a big shift that we are seeing. But to answer your question, we have got a couple of deals, which are large and which are cost takeout. I don't know whether we will win them or not, but at least we are pursuing them.

Ravi Menon: Thank you. And best of luck.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. As there are no further questions from the participants, I now hand the conference over to Mr. Angan Guha, CEO and MD, Birlasoft Limited, for closing comments.

Angan Guha: First of all, I would like to thank each one of you for your interest in Birlasoft, for the time that you have taken to spend with us today, and for the questions, which I always find very, very insightful. The only message I want to leave on the table is, look, I know that FY'25 was a bad year. We accept it. But my only commitment to all of you is we will try and make FY'26 better than FY'25, even though if it is slightly better. Second is, the other message I want to leave on the table is, that fundamentally and structurally, we are a solid company and our cash flow generation year-over-year proves that. Our DSOs are at a meaningful level, and we have no debt on our books. So fundamentally, we are a very, very strong business. And all we need to do is to get the growth back into the company. And on behalf of the management team, I can commit that that's the only focus that we have going forward.

But thank you for your time, and I look forward to speaking to you next quarter. Thank you.

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

(This document has been edited for readability purpose)

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