

July 28, 2025

BSE Limited

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National Stock Exchange of India Limited

Exchange Plaza, Bandra Kurla Complex,
Bandra (E),
Mumbai 400 051

Scrip Code: 504067

Symbol: ZENSARTECH

Sub: Q1FY26 Results - Earnings Call Transcript

Dear Sir/Madam,

In continuation to our letter dated July 15, 2025, please note that the transcript of the earnings call held on Tuesday, July 22, 2025, at 4:30 P.M. (IST) w.r.t discussion on the Financial Results of the Company for the quarter ended June 30, 2025, has been made available on the website of the Company at <https://www.zensar.com/about/investors/investors-relation#Investor-Corner>

This is for your information and dissemination purpose.

Kindly take the same on record.

Thanking you,

Yours sincerely,

For **Zensar Technologies Limited**

Anand Daga
Company Secretary



An  **RPG** Company



**“Zensar Technologies Limited Q1 FY '26 Earnings
Conference Call”**

July 22, 2025



**MANAGEMENT: MR. MANISH TANDON – CHIEF EXECUTIVE OFFICER
AND MANAGING DIRECTOR, ZENSAR TECHNOLOGIES
LIMITED**
**MR. VIVEK RANJAN – CHIEF HUMAN RESOURCES
OFFICER, ZENSAR TECHNOLOGIES LIMITED**
**MR. VIJAYASIMHA ALILUGHATTA – CHIEF
OPERATING OFFICER, ZENSAR TECHNOLOGIES
LIMITED**
**MR. PULKIT BHANDARI – CHIEF FINANCIAL OFFICER,
ZENSAR TECHNOLOGIES LIMITED**

**MODERATOR: MS. SHRADHA AGRAWAL – ASIAN MARKETS
SECURITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Zensar Technologies Q1 FY '26 Earnings Conference Call hosted by Asian Markets Securities Private Limited.

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

I now hand the conference over to Ms. Shradha Agrawal from Asian Markets Securities. Thank you, and over to you, ma'am.

Shradha Agrawal: Thank you, Huda. Good evening, everyone. On behalf of Asian Markets Securities, I welcome you all to Zensar Technologies Q1 FY '26 Earnings Call.

We have with us today from Zensar Management Team, Mr. Manish Tandon – CEO and Managing Director, Mr. Pulkit Bhandari – Chief Financial Officer and few other members of the Senior Management Team.

Before I hand over the call to Manish, I would like to highlight that the Safe Harbor Statement on the 2nd slide of the earnings presentation is assumed to be read and understood. Over to you, sir. Thank you.

Manish Tandon: Thank you, Shradha. And hello, good morning, good afternoon, good evening, everyone. Thank you all for taking the time to join us today to discuss Zensar's Financial Results for the 1st Quarter of FY '26.

Pleased to have with me senior members of my Management Team:

- Pulkit – our CFO
- Vijayasimha – our COO, and
- Vivek Ranjan – our CHRO.

This quarter, we proved what's possible when trusted relationships meet strong execution. Artificial intelligence has become central to our strategy, driving 30% of our active pipeline and reshaping how we deliver value. With over half of our talent now upskilled in AI and Gen AI, we are not just adopting to change. We are engineering it.

In addition, 20% of our order booking consists of AI-influenced wins. Some of you may have noticed it already, but all wins and case studies in our releases this quarter showcase what we have done using AI.

For Q1 FY '26, Zensar reported revenues of \$162 million, a sequential Q-O-Q growth of 3.3% in reported currency and 1.9% in constant currency. On a Q-O-Q constant currency basis,

revenue rose 5.5% in Telecommunication, Media & Technology. 2.9% in BFSI, 5.2% in Healthcare, while Manufacturing & Consumer Services declined by 4.1%.

Effective July 1st, we have announced the salary hikes for all our employees as per schedule, unlike some of our industry peers. Our LTM attrition further improved to 9.8% from 9.9% in the last quarter. Our gross profit stood at 30.5%, sequential growth of 20 bps Q-on-Q and order book remains healthy.

We saw continued resilience in our key accounts and a healthy pipeline of AI-driven deals fueled by our ongoing investments in emerging technologies. Looking ahead, while we anticipate some macro-driven variability in client budgets, our diversified portfolio and focus on high-value offerings positions us well for sustained momentum.

With that, I will now request Pulkit to provide an update on critical financial data.

Pulkit Bhandari:

Thank you, Manish. Good day, everyone. Thank you all for joining this call.

I will take you through some of the key “Business and Financial Metrics” for the quarter ending June '25:

Overall, macro environment remains challenging with growth slowing in both U.S. and Europe, along with business capital expenditure showing only marginal improvement. We are seeing CIOs pausing on net new spending due to macroeconomic uncertainties.

However, GenAI remains in demand. 62% of CEOs and senior executive identified AI as defining the future of competition for the next 10 years. We are committed to fostering sustainable relationships with our clients by leveraging robust farming strategies, enhanced with AI-driven value propositions and cost takeout deals.

The reported revenue for the 1st Quarter of Financial Year '26 stood at \$162 million in U.S. dollar terms, reflecting a growth of 3.3% sequentially in reported terms and 1.9% in constant currency terms.

Our EBITDA this quarter stood at 15.2%, a drop of 40 basis points quarter-on-quarter. Decline was majorly due to:

- Investment in sales and marketing, and
- Increase in travel and other spends.

Our PAT for the quarter stood at 13.1%.

Some other key highlights:

- Quarter-on-quarter growth in all key service lines

- Added order book of \$172 million in this quarter, which is 11.7% growth Y-o-Y. Average tenure of our order book is increasing with more complex and high-quality engagements, including managed services.
- Cash, including investments, stood at \$315.7 million
- DSOs improved by 1 day sequentially and stood at 72 days.

On ESG front:

- We have successfully completed reasonable assurance audit for BRSR, core and limited assurance for selected GRI parameters for FY24-25 for the first time and submitted the same core assurance report on stock exchange.
- Our CDP score for 2024 has been revised from C (Awareness) to B (Management) level post score appeal.

With that, I will now invite Vijay – our Chief Operating Officer, to comment further on Q1 FY '26 results.

Vijayasimha Alilughatta: Thank you, Manish and Pulkit. Greetings, everyone.

I will share details about our “Operational Efficacy, Service Line Performance and AI Journey”:

Our utilization for the quarter stood at 84.3%, which is 40 basis points higher year-on-year. The rigor associated with accelerated fulfillment and capability enrichment continued in Q1 FY '26. We had a gross addition of 728 employees this quarter. Our voluntary attrition reduced to 9.8%, which is 10 basis points reduction sequentially and a Y-o-Y reduction of 80 basis points.

Service Lines:

- We have reorganized some of our service lines to deliver additional value to our clients. Our Advanced Engineering Services, Experience and Engagement Services practice have now been reorganized into Products & Platforms, including CMO services.
- The share of revenue from our service lines increased to 68.9% in Q1 FY '26, which is 170 basis points higher quarter-on-quarter and 380 basis points higher year-on-year.
- On a quarter-on-quarter basis:
 - Products & Platforms, including CMO Services, grew by 10.1%.
 - Cloud Infrastructure and Security Services grew by 5.2%.
 - Data Engineering and Analytics grew by 2.5%.
 - Enterprise Application Services grew by 1.3%.

On the AI Journey:

We launched **ZenseAI**, our GenAI accelerator platform. Our clients have been extremely appreciative of the key features of this platform, namely **Connected intelligence, multi-modal search and enterprise-grade agentic AI models**.

ZenseAI increases engineering velocity, enhances value realization and legacy modernization programs and helps optimize AMS and IT operations cost. Underpinned by a solid responsible AI framework, prompt guards and agent observability engines, this platform ensures transparency and **helps democratize AI**.

We continue to deliver significant value to our clients in key AI engagements. A couple of examples:

- We partnered with a leading global fintech company to develop a GenAI-powered solution that helps customers identify a wide range of suitable investment opportunities by aggregating data from multiple stock exchanges and financial data sources.
- The innovative use of model context protocol enabled implementation of streamlined workflows and unlock smarter decision-making in the retail operations space. Leveraging this, a South African retailer has been able to reduce manual efforts by 65%.

In Q1, we significantly accelerated our AI capability building initiatives by enhancing our **Ignite AI Academy** learning programs across Foundational, Deep Tech, Techno-Functional and Thought Leadership dimensions. The enhance programs have received highly positive feedback from our clients and are driving meaningful outcomes. **GenAI capability enrichment** has now been made mandatory in every employee's annual learning and development plan.

With that, we can now open the line for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Hi, good evening. Congrats on the quarter. It is nice to see good growth in most vertical, especially TMT. Do you believe the headwinds on TMT are largely behind us? So, that is the first one. The second is just your thoughts on MCS considering we have had two relatively softer quarters, how do you see that going forward? And I have a few more.

Manish Tandon: Hi, Nitin, thanks for the question, and thanks for your message on the results. Yes, we are very pleased with the results based on what we are seeing in the industry. I would say on TMT, again, I think the worst is behind us, but will there be consistent growth? I am not sure at this stage because as we see every day, some of the larger players are announcing layoffs and so on. So, I would say the worst is behind us, but will we see consistent growth? I am not sure at this stage.

On MCS, we were coming off a very strong Q3 of last year. And hence, it has been slightly muted. Also, the impact of the Liberation Day is felt much more on Manufacturing and retail sector than in others because this is the first order impact, so to say, on these sectors. And hence, we are seeing a little bit of impact there. With that said, I think we should see growth in MCS in Q2 is what we are projecting.

Nitin Padmanabhan: So, from a pipeline perspective, do you think it still looks good? And do you think it sort of get backs to that \$200 million kind of a range that we have had in the past? Or does that look challenging at the moment?

Manish Tandon: Yes, see, again, it's the uncertainty in the market that will ultimately reflect in the pipeline. And also, there is a seasonality associated with the pipeline. So, that's why when we do pipeline comparison and order booking comparison, we try and do it with the same quarter of last year. And there, we have grown about 12% or so, which is a good sign. Hopefully, we will continue to see growth in order bookings and in pipeline year-over-year in subsequent quarters also. But the uncertainty is definitely having an impact.

Nitin Padmanabhan: Just one last question for Pulkit. Pulkit, how should we think about margins on a going-forward basis considering the sub-cost and other things?

Pulkit Bhandari: So, I think one of the costs which is going to play out next quarter is definitely going to be ASR. As Manish called out, that we are probably amongst a few companies which have done the salary hikes across the organization and which is a very reasonable hike, I would say, that we have taken up. So, to that extent, there will be an impact on margin.

Again, on the ESOP side, it is still outstanding. The scheme is out there for consideration. And as and when basically that comes into play, that will have some impact on margins next quarter.

So, I would urge and request you to kind of have these two factors into consideration when you triangulate the overall mid-teen guidance that we gave on margins. So, I would not be able to give you the exact number today, but I would say these two factors are definitely going to have some impact.

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

Manik Taneja: Thank you for the opportunity and congratulations for the steady performance and heartening to see the sequential growth on the TMT side. Manish, basically, since the time you came on board, we have seen a steady increase in our on-site, in our offshore digital revenue delivery and while you have said that we don't plan for a particular number, but if you could help to understand as to how much room do you see in terms of further optimizing our offshore revenue delivery? That is question one.

The second question was with regards to the sequential increase in subcontracting expenses that you have seen. If you could talk about what's driving that?

And the third one is, we continue to maintain a very steady utilization rate while hiring numbers haven't gone anywhere. When should we probably be thinking about hiring, essentially catching up with the revenue growth? Those would be my three questions.

- Manish Tandon:** Yes. So, first question, Manik, is, as I said, I will repeat what I said before, I don't solve for offshore percentage or on-site percentage. I base it on the client's demand more than anything else. It, of course, helps us that our offshore revenues are going up as a percentage. It helps the margin, but please also remember that it puts pressure on the top line also because then the top line doesn't grow as fast as it could be. And I hope you guys are noticing that.
- Your second question was on subcontracting costs. So, Pulkit, do you want to take that?
- Pulkit Bhandari:** So subcon costs will basically come back in line with what it has been previously. There were third-party costs, which have got incurred this quarter, which will kind of get normalized. And there have been some headcount increase as well there, which will also get normalized.
- Manish Tandon:** And what is the third question, Manik?
- Manik Taneja:** The third question was with regards to headcount. Basically, during the course of last several quarters we have just been optimizing our utilization, head count largely been unchanged or moved in a very small range and to start with revenue catch up with regards to our revenue growth.
- Manish Tandon:** We don't want it to catch up with our revenue growth. If we are doing a good job on AI and so on, then actually we should be able to deliver higher revenues with less headcount. That is what AI is all about, right, to some extent.
- And second is we put in a lot of hard work and effort in maintaining, optimizing our cost model and improving our utilization. And as I said, the lead times for hiring, et cetera, have come down, and we have tweaked our model to be in line with the lead time in hiring also. So, this is a very good thing, something that Vijay, I, Pulkit and others are very proud of.
- Manik Taneja:** And the last one is question to Pulkit with regards to the ESOP impact. If you talk about the potential impact on margins from the proposed ESOP plan. If you could just help us understand that from a modeling standpoint on a go-forward basis?
- Pulkit Bhandari:** So, if you are talking about the historical plan, it is a different thing, but the current plan is still under consideration. It hasn't been approved as yet. And a lot will depend in terms of how the plan gets improved, how also the grants happen because the charge starts happening from the date of the grant. And a lot will be dependent on that.
- Manish Tandon:** But we remain committed to making sure that we are in the mid-teens margin range.
- Pulkit Bhandari:** Yes.
- Manik Taneja:** Inclusive of some of these cost basically or the investments whichever you want to say --
- Pulkit Bhandari:** Yes. Despite this, basically, it should be in the same ballpark range, yes.

- Manik Taneja:** I will get back to the queue, but just if you could clarify on the wage hike that you have implemented from July, if you could call out the extent of offshore and onshore wage hikes and is it for all our population?
- Pulkit Bhandari:** So the wage hike is across the board, including offshore and onshore, but we don't give a split in terms of how much is where. Of course, the wage hikes in India will be slightly higher versus what you will see in U.S. and U.K. and South Africa. So, it is all dependent on that particular geography, but we don't give a split in terms of the quantum of the wage hike.
- Moderator:** Thank you. The next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.
- Sandeep Shah:** Congratulations again on the execution in difficult times. So, just within TMT, is it the top client that has also contributed to the growth and what has driven? Is it the earlier areas which we used to target as higher budget, or are we mining that client in terms of entering into new area? So, I just wanted some clarity.
- Manish Tandon:** We have opened new locals. We are mining them. And obviously, for the large client also, we are trying to open new areas. So, I mean, it is very difficult to say exactly how much has come from renewals versus this thing, but if you are seeing growth, then that is primarily coming from existing new and net new. So, that is where the growth is coming from in TMT.
- Sandeep Shah:** And any progress in terms of large deal? I do believe we have done well in the second half of the last financial year. And in one of the analyst meets, you said we are targeting for one large deal every quarter. So, can you give some color in terms of closure, if any, in this quarter? And how is the pipeline looking on the large deal, both on Q-on-Q and Y-o-Y?
- Manish Tandon:** Y-o-Y, it is definitely looking good, I think, the pipeline closure depends on a lot of things, including luck. And all I would say is we are working hard and just watch this space, is all I can say.
- Sandeep Shah:** And sir, just a related question, one of your large peers have said large deals are coming more on cost takeout and vendor consolidation and there is an extreme pricing pressure. So, are we also witnessing that kind of pressure in some of the large deal pursuance?
- Manish Tandon:** We don't go after existing large deals. We create large deals. So, for us, large deals is about being innovative and solutioning, not about bidding for things which have been bid for rebid and bid for 15 years in the past. When you do that, then it is always a race to the bottom. We don't want to be in that race.
- Sandeep Shah:** And just on margins, few questions. Pulkit just wanted to understand, is there any onetime R&D credit which generally happens in this quarter. And second, in the second quarter, we may have a headwind from wage hikes as well as ESOP. And in the third quarter, because of furloughs, generally margin gets impacted because of the higher bench cost. So, in that scenario, you

believe the margin walk could be slightly tougher in the next 2 quarters and still, we believe we could be closer to 15% for the full year?

Pulkit Bhandari:

So, let me give you some qualitative aspects for next few quarters. But more importantly, for this quarter, the first question that you asked, if there is any R&D aspect to it. All I can say is that if there is something which is, say, one-timer, there may be like a compensating element to that. And to that extent, basically, what you see is more normalized margin than anything else, at least for this quarter. And we would rather not go into any small one-timers here and there because that is part and parcel of the business may happen, may not happen. So, that you can ignore for now. That's a response to your first question.

Second, going forward, I think, as I have mentioned before, there are two factors which are going to play out, right? ASR and ESOP as and when it gets approved and implemented. The time frame of approval is what we know. The time frame of implementation is something which we do not have full clarity as of now, yes. And that will also determine basically what the next quarter looks like and the quarter after that.

Also, will these two factors have some impact on margin? Absolutely, they would. At the same time, right, are we taking actions on costs? Are we tapping on to other levers? Yes. And to that extent, there may be a lead lag effect, but you should factor these two aspects. At the same time, we will exercise those levers over a period of time, but they may not be a matching concept on everything all the time, right? So, you have to be mindful of that.

Sandeep Shah:

And just a last clarification to what Manish sir said in our opening, in one of the replies, I think offshore has increased materially. So, is it fair to assume volume growth is actually much better versus the headline growth of 1.9% on Q-on-Q?

Manish Tandon:

Yes. Volume growth, not in terms of number of people, but our PPR and PPC has been increasing slightly, so to say. So, the whole idea of using AI and all this is trying to do more with less. So, it is kind of difficult to break up and say, because if I say volume, then you will say oh, last year, last quarter, you had 10,700 people, this time you have 10,600 people. It is not pure volume, but it is a factor of several things, including improved productivity, improved utilization and better PPR and PPC.

Moderator:

Thank you. The next question is from the line of Shradha Agrawal from Asian Markets Securities. Please go ahead.

Shradha Agrawal:

Congratulations on another good quarter. Two questions from me. Last quarter, we highlighted our aspiration of double-digit growth in '26, given 1Q has been a broadly good quarter for us. So, I am assuming we stay with that commentary of aspirational double-digit growth this year.

Manish Tandon:

That was a question or hope --

Shradha Agrawal:

That is the reaffirmation that I want from your end on the double-digit growth guidance.

Manish Tandon: No, no. That was before Liberation Day happen in the U.S. But first of all, I never have said that we will do double-digit growth. All I said is that we are committing to showing growth every quarter. And that is what we are focused on from an execution perspective that we want to be predictable, we want to be sustainable in terms of our margins, predictable in terms of our growth. And that is what we are focused on.

I never promised double-digit growth. But yes, I did promise that we will try and grow sequentially every quarter, which has been the case by the way for us for the last 12 quarters, except one, quarter Q3, where there was large furlough.

Shradha Agrawal: So, on that aspect again, so with steadiness in the top accounts, so do we expect the lesser seasonality of furloughs in Q3 that might happen this year?

Manish Tandon: See, the furlough is not just about top account or this thing. Furlough happens in sectors, including Banking, Technology, there are certain geographies where furloughs happen. So, it is too early. I mean, we are in July. Furlough happens in December. It is too early to make any predictions on that. The only prediction that we can make is that furlough will happen. To what extent, we don't know.

Shradha Agrawal: And sir, just a last question, our top accounts have done very well this time around with the top 5 clients growing almost 5% and Top 20 growing 7%. So, is it more broad-based across the top client portfolios or driven by one, two accounts that we have seen such strong traction?

Manish Tandon: No, it is more broad-based. In fact, if you noticed, the number of \$20 million accounts have gone up from 4 to 6 same quarter last year was 4, this quarter, it's 6. Similarly, \$10 million-plus accounts have gone up and similarly \$5 million to \$10 million accounts have also gone up. So, overall, this is more broad-based, and that is the way we like it to be.

Moderator: Thank you. The next question is from the line of Girish Pai from BOB Capital Markets. Please go ahead.

Girish Pai: Manish, 3 months back, you had talked about a right shifting of demand, especially in the month of March. Has that demand come back in 1Q? Or has it been right shifted again into the next quarter or the quarters ahead?

Manish Tandon: There is a right shifting of demand. I mean, that is why if you look at the order bookings, they are less than the previous quarter. And as long as the tariff uncertainty prevails, people will focus on only the essential projects. They will not focus on new capital projects, for example, and so on. So, uncertainty is having an impact, definitely. And you have seen it in the results of IT companies across the board. So, I don't know whatever has right shifted has come back or not, but the uncertainty continues to persist.

Girish Pai: On this aspirational double-digit number, you didn't want to kind of commit to that. But would FY '26 be a better growth year compared to FY '25?

Manish Tandon: We hope so. But again, we try not to give forward guidance and we take the Safe Harbor statement seriously. So, we will not give forward guidance. But as a management team, we are committed to make sure that for our shareholders, for our employees and for our customers, every quarter is better than the previous one.

Girish Pai: You talked about a salary hike starting 1st of July. What will be the impact from a basis, I mean, the number of the basis points impact? And what are the offsetting factors that you kind of think about either in the next quarter or the quarters ahead? What are the levers that you are kind of working on?

Pulkit Bhandari: So, I think this question has come up now multiple times. So, rather than giving you an impact in terms of percentage terms because the revenue is still something which is under work, I can give you a quantum in terms of salary hikes. So, we are looking at somewhere close to \$3 million of wage hike impact, which is going to come in Q2.

And as regarding absorption, something similar to what I said earlier. It is a lead lag situation where the hikes are implemented now. The recovery on the basis of prices, on the basis of growth happens over a period of time. So, that is the only framework that you will have to work with. But yes, so if there is a number that you are looking for, it is \$3 million in terms of quantum.

Girish Pai: My last question, Manish, is regarding talent cost. And while the supply side seems to be like pretty good right now, attrition is low, is there a pocket on the supply side where there is a cost pressure still there, like AI talent, is the AI talent cost inflating at a faster rate than it used to say, I mean, than the normal inflation in salary costs?

Manish Tandon: Fortunately, we don't need people like Facebook needs where you have to pay \$10 million and \$100 million to attract AI talent, some super genius, or whatever super-intelligent or whatever. AI, we are creating our AI talent ourselves. It is not that all this talent is available in the market. So, AI is such a new technology that we have to create talent from within.

So, I would say that AI is an area where we are going to spend a lot on talent, but obviously there will be pockets where the technology costs will be higher. There is the cybersecurity staff, for example, or there will be one or two hot technologies here and there where there will be talent will be more expensive. But that is part of the industry.

Moderator: Thank you. The next question is from the line of Jalaj Manocha from SVAN Investment. Please go ahead.

Jalaj Manocha: So, Manish, this was one thing, one observation specifically as you talked about the slowdown specifically in retail and Manufacturing, specifically you gave a flavor to the U.S. economy. But when I see for sequential growth, it appears that Europe as a economy has degrown and U.S. has done better. So, where is this mismatch coming from? How should I read these two things together?

- Manish Tandon:** U.S., we are executing well. Europe, we have not executed as well as we wanted to. Also, there were certain one-off revenue things because of the large deal that we signed in Europe, which might be creating a bit of distortion here and there. But overall, we are very bullish on Europe.
- Jalaj Manocha:** So, I just wanted to understand...
- Manish Tandon:** They have a fairly aggressive target for this year.
- Jalaj Manocha:** No, so, I was just trying to understand that you had told about that Manufacturing and retail not performing so well because of the tariff issues in the U.S. But then the degrowth has happened in Europe economy or Europe as a geography, and vis-a-vis if I compare it with the verticals, it happens to be in Manufacturing. So, just trying to have a geography flavor there.
- Manish Tandon:** Yes. So geography flavor, as I said, see, we have signed a large deal which was announced in March, April, April or May. Yes. So, there have been some distortions because of that in revenues from Europe. But overall, as I said, this will get cleared pretty soon and you should see revenue growth back in Europe very quickly.
- Pulkit Bhandari:** So, I think the point is that don't link Europe macroeconomics with basically our Europe performance, as Manish is calling out that we could have done better in terms of execution, which is what we are pushing to do now.
- Jalaj Manocha:** Understood. That explains. And my second question was with regards to deal wins. So, should I consider it that you also alluded in the commentary or prepared remarks that we have had a managed services flavor coming to our deal. So, the average tenure is increasing. So, shouldn't we have higher growth or accelerated growth in the deal wins in that scenario? Just wanted to have your thoughts around that? And basically, would it give us the top quartile, or the one quartile move each year as we had discussed at the start of when Manish had joined? So, are we comfortable with the current set of deal wins we are having right now?
- Manish Tandon:** We can always have more deal wins. Are we comfortable? Based on what I am seeing in the industry, we are, I think, pretty well-placed as compared to others. But can we do more? Yes, we can and we will do more. And yes, as we do more managed services, we will see larger deal durations, which will be reflected in the order bookings. And as you can see year-over-year order bookings are seasonal to an extent. And as you can see, our order booking has year-over-year gone up by 12%.
- Pulkit Bhandari:** Managed services that you just spoke about in terms of how is it reflected in the order book, don't see it for just this quarter. You have to see it for last, I would say, few quarters and then look at the managed services part. So, in the last 3 quarters we were more than \$200 million in terms of order book. And that also, it is not that managed services or deal duration is specific to this quarter. It has been the case over last, I would say, 4 quarters. So, the deal duration has gone higher than what it was before.

- Moderator:** Thank you. The next question is from the line of Nikhil Choudhary from Nuvama Wealth. Please go ahead.
- Nikhil Choudhary:** Manish, just want some clarity on Manufacturing and Consumer verticals. You have rightfully called out at the beginning of last quarter that this is the vertical which will get impacted. But what's ahead from here on? Is it fair to say that this vertical will also start growing, although maybe lower than company average, but will deliver growth from here?
- Manish Tandon:** At least Q2, I am predicting growth in this vertical. Beyond that, again, there is a lot of, and this Manufacturing and Consumer is the industry which has the first order impact of tariffs. So, what will happen post that, I don't know. But at least in Q2, we are projecting growth in this vertical.
- Nikhil Choudhary:** And second one, in Africa, we have been growing slower than the company average, right? In last quarter, you have highlighted you have made some strategic investments, also hired some senior leaders. So, any update there? Or has that geography now bottomed out and you are seeing incremental momentum, especially in deal win and pipeline?
- Manish Tandon:** Yes. The new leader has taken over as of 1st April, and he is on the job. All of us in the company are supporting him. And we are seeing some green shoots, but green shoots turning into flowering plants takes some time. So, hopefully, in the next couple of quarters, we will see the impact.
- Nikhil Choudhary:** Just one more time trying my luck on deal win side. So, the comment you have made that the tenure of the deals are improving, the complexity of deal is improving. So, is it fair to say that your ACV is also showing basically accelerated growth, maybe high single digit, low double-digit type of growth while we have overall deal win number?
- Manish Tandon:** No, the ACV is not, if the deal duration is actually increasing, then the ACV is actually going to come down, right? It is not going to increase.
- Nikhil Choudhary:** No, Manish. So, what I mean is with the deal itself is growing, is the ACV is also growing, let's say, a high single digit. Obviously, it will grow lower than overall deal win because of the tenure, but is it growing faster, let's say, in high single digit?
- Manish Tandon:** You mean the ticket size of the deals, right? From an ACV perspective, the ticket size of the deal is increasing, yes. If that is your question, the answer is yes.
- Nikhil Choudhary:** Basically, Manish, I wanted to understand if ACV is growing on Y-o-Y basis in, let's say, high single digit more or less giving us an indication of...
- Pulkit Bhandari:** No, no, that guidance we will not give that is ACV increasing at a particular percentage or not. But structurally, ACV is going up versus last year, but we will not give any percentage around that or any number around that because that is a direct reflection to the revenue as well.

- Moderator:** Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.
- Nitin Padmanabhan:** Thanks for the follow-up. Manish, for my question, you alluded to some headcount cuts by large tech companies. So, just wondering, are you worried about any risk to the Experience Services business from this?
- Manish Tandon:** Yes. We are worried about some of the impact that it might happen on particularly the marketing side of the Experience Services business because one of the areas where AI is disrupting significantly is in the marketing space because a lot of content generation is happening using AI. And while we are also using it to our benefit, but there is a downward pressure on the budget because of that. And yes, it is a good catch, Nitin, that you are right, that Experience Services, particularly on the marketing side or the Indigo Slate side of our business may get negatively impacted because of that.
- Nitin Padmanabhan:** But is it a significant portion of the overall Indigo Slate business or just a part of it?
- Manish Tandon:** It is a part of it. It is not a significant part of it, but it is a part of it. I mean, it depends on how you define significant. The business is \$7 million, \$8 million a quarter business. So, in the overall scheme of things, it is not that critical for us.
- Nitin Padmanabhan:** Got it. And last year, we won two large deals is what I remember. Have those started converting to revenue? Or you are yet to see them begin to convert or reach a steady state?
- Manish Tandon:** No, they have started to convert into revenues.
- Nitin Padmanabhan:** Right. But have they sort of achieved steady state or will continue to have benefits from this even on the following quarters?
- Manish Tandon:** Steady state, the deal structure that we use is try to annualize and straight line the revenues to the extent possible because we don't want too many ups and downs, right?
- Moderator:** Thank you. The next question is from the line of Dhanshree from Choice Institutional. Please go ahead.
- Dhanshree:** My question is regarding the last time you had said 44% of the pipeline is AI driven. So, if you can give more color on, is there any change in that commentary and how is our conversations with the clients with regards to AI pipeline? And more if you can tell something on agentic AI or agentic AI focus and how these things are leading to our growth in focus services, as you spoke about like you are transforming the Advanced Engineering Services and all into Product and Platform. So, what is the future or long-term plan we have set in for this, like if you can just throw some more light or elaborate on the strategy, that would be helpful.

- Manish Tandon:** As I said in my opening comments, as far as AI and GenAI is concerned, we are not just adapting to change. We are engineering the change. And we are one of the few companies who have reported this time formally as to what percentage of our pipeline is AI-infused or AI-led and also what percentage of our order bookings is AI-infused or AI-led.
- So, we are playing this game to win. This is a fork in the road. And the way we see it, it is the fork in the road for industry. And we want to win this time as the industry turns. And we are doing everything in our power to make sure that we take the right fork and come on the winning side.
- I would encourage you to read our press release and our analyst, this thing, the case studies and so on that we highlighted. That is showing, as I said in my opening remarks, this is the first time that I told the team to give all the case studies that need to be of critical projects, need to be AI-led or AI-infused. So, all the projects are AI-led and AI-infused and it will give you an idea of the kind of work your company is doing.
- Dhanshree:** And if you can just let me know out of the total TCV win, what was net new?
- Pulkit Bhandari:** We don't give a bifurcation of net new.
- Manish Tandon:** You are breaking up on that. I didn't hear the question, sorry.
- Dhanshree:** Yes, out of the total TCV win, what is the net new percent, if you can share?
- Pulkit Bhandari:** Net new.
- Dhanshree:** Net new wins percent?
- Pulkit Bhandari:** Order book, we don't give.
- Manish Tandon:** We don't normally give those breakups.
- Dhanshree:** And the last question is on our top client account. So, last time when we had interacted, you mentioned that has come down from a certain percent to around high single digits. So, is this maintained, or it has further come down or increased, if you can share?
- Manish Tandon:** It is around 10% or so is what I remember. I am not tracking it very closely, but it is around 10%.
- Moderator:** Thank you. The next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.
- Sandeep Shah:** Just if I look at the cash generation led to a war chest of closure to around 15% of the market cap. So, any expected usage of the cash? Are we also looking for a slightly bigger size M&A to accelerate our journey to \$1 billion, which may help us to grow even faster once we achieve \$1

billion? And second, in terms of outstanding hedges, if I look at, it has declined on a Y-o-Y basis by closer to 75%, 80%. So, is there any change in the strategy in terms of hedging?

Manish Tandon: Right. So, a great question. I think, first of all, you guys should do something about the market cap. Rather than me trying to do something about the cash, you should do something around the market cap.

Sandeep Shah: So, you commit double-digit growth then it will automatically happen.

Manish Tandon: Second thing is cash is an asset, not a liability. And thirdly, I will ask Pulkit to take that question as to how, what he wants to do with all the cash that we have.

Pulkit Bhandari: Yes. So, I think when you look at the current cash balance, of course, there is a dividend, which is outstanding. And the dividend roughly to the tune of \$29 million will get paid out, I would say, sooner than later. So, you should adjust cash for that. Despite that, our cash balance is good. More importantly, our cash conversion on a yearly basis has been pretty good for the last few years.

As regarding future plans, I think we are open. We want to invest. We want to invest in terms of large deal creation. Also, capital allocation from an M&A perspective, we are always looking for ideas, right? And for the right idea, we would go in. Of course, there are far and few right ideas. So, we have to be patient and kind of wait for the opportunity to come our way.

But I would say that, yes, I think it is something which is going to help us in fueling growth in many ways. And when I say large deal creation, I mean to say that basically, we can structure deals, we can invest upfront in order to create large deals, which makes sense. But at the same time, we will be extremely prudent in whatever we do.

That is why the cash has got accumulated because we have been very prudent, and we have been very mindful of the usage. And we will keep you posted in case something comes up and there is an update for all of you.

Sandeep Shah: Yes. And sir, just on hedges?

Pulkit Bhandari: Sorry, what was the question there?

Sandeep Shah: Outstanding hedges have declined Y-o-Y by 75%, 80%. Any change in strategy?

Pulkit Bhandari: So, the market is, the FX is like extremely volatile, right? And to that extent, it makes sense to just be as conservative as you can, and that is what we are doing. So, we have moved from certain positions, and we are just focusing on I would say, balance sheet hedges. That is what we are doing because in the current environment, taking positions either ways is as per us is not advisable.

- Moderator:** Thank you. The next question is from the line of Girish Pai from BOB Capital Markets. Please go ahead.
- Girish Pai:** You had mentioned that in the EU, U.K. market, you had some issues with some large deal. Was this the Tesco deal that you won? And has the revenue kicked in, in 1Q? Or will it kick in starting 2Q?
- Manish Tandon:** We don't answer questions on specific clients, Girish. You know it well.
- Girish Pai:** Okay. You spoke about MCS being impacted on because the first order impact of tariffs. Manish, in your opinion of which particular sectors would have a second order impact, I mean, according to your thoughts?
- Manish Tandon:** I mean, second order impact, see, again, then second quarter impact, if Manufacturing and consumer have the first order impact and the second order impact is, as you know, the U.S. economy, 70% of the U.S. economy is driven by consumers. And if there is a consumer weakness on the consumer side, then everything becomes fair game including Banking and financial services, credit card debt, mortgage default, everything becomes a fair game. So, as long as the consumer is resilient, as far as the US economy is concerned, second order impact will be limited. But if the consumer is not resilient, then everything is going to be fair game.
- Girish Pai:** My last question is sort of with vendor consolidation deals. In the market, are you seeing them becoming more competitive compared to, say, from a pricing standpoint, a productivity passback standpoint compared to, say, 6 months back?
- Manish Tandon:** See, vendor consolidation deals are a race to the bottom. We don't want to get consolidated out definitely. And we have created, in most cases, we have enough client relevance and mind share that we will not easily get consolidated out. But proactively going after vendor consolidation deals is a race to the bottom. I don't think I am ready for it.
- Moderator:** Thank you very much. As there are no further questions from the participants, I now hand the conference over to Mr. Manish Tandon.
- Manish Tandon:** Thank you, everyone. Thank you, Shradha, and all of you for attending this call. As always, it is a pleasure to interact with you, get your perspective as valuable investors and shareholders. From a management perspective, as I have said, we are deeply committed to executing well and trying to outperform the industry to the extent possible. And hopefully, we will continue with the same momentum as we interact for Q2 and beyond. Thank you.
- Moderator:** Thank you very much. On behalf of Asian Markets Securities, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.