“Zensar Technologies Limited

Q4 FY '25 Earnings Conference Call”

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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: **MR. AMIT CHANDRA – HDFC SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Zensar Q4 FY '25 Conference Call hosted by HDFC Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Chandra from HDFC Securities. Thank you, and over to you, Mr. Chandra.

Amit Chandra: Yes. Thank you, operator. Good evening, everyone. On behalf of HDFC Securities, I welcome you all to the Zensar Technologies Quarter 4 FY '25 Earnings Call. We have with us 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 second slide of the earnings presentation is assumed to be read and understood. Thank you, and over to you, Manish.

Manish Tandon: Thank you, Amit. Hello, good morning, good afternoon, good evening, everyone. First of all, thank you all for taking the time to join us today to discuss Zensar's financial results for the fourth quarter of FY '25. With me on this call, our CXOs, Pulkit Bhandari, CFO; Vijayasimha, COO; Vivek Ranjan, CHRO.

I am pleased to share that Q4 was a solid quarter for us, marked by overall growth in all geographies and sustained profitability. While geopolitical uncertainties and cautious client sentiment influenced the broader market, our teams remain agile and committed, staying true to our purpose. Together, we shape experiences for better futures.

In Q4 FY '25, the company reported revenues of $156.8 million, a sequential quarter-on-quarter growth of 0.9% in constant currency. For the full year FY '25, the company reported revenues of $624.5 million, yearly growth of 5.4% in reported currency and 5.1% in constant currency. In Q4 FY '25, our gross margin stood at 30.3%, sequential growth of 20 bps quarter-on-quarter.

In constant currency terms, on a quarter-on-quarter basis, our revenue in Telecom, Media and Technology grew by 1.7%, Banking and Financial Services saw a growth of 3.4%, Health care and Manufacturing & Consumer Services witnessed a decline of 1.4% and 2.6%, respectively.

In the current dynamic environment, we are partnering with our clients to deliver the best value for their investments, resulting in healthy traction. Our order book stood at $213.5 million year-over-year growth of 17.6%. And this is the third quarter in a row that our order book has exceeded $200 million. Our differentiated propositions in the AI space across all verticals and service lines have enabled us to capture client mind share and our AI-led pipeline continues to grow.

The Board of Directors have reviewed the dividend policy, and considering the financial performance of Zensar, have decided to materially increase the dividend payout ratio to 40% to 50% of consolidated profits from 26% to 35% over the past 5 years. This is subject to overall performance and any strategic initiatives that Zensar may take.

In line with the new policy, the Board of Directors have recommended a final dividend of INR 11 per share for FY '25, subject to approval of the shareholders. With this, the total dividend, including the interim dividend for FY '25 will be INR 13, which corresponds to 650% of face value and 45% of consolidated profit after tax of FY '25.

With that, I will now invite Pulkit Bhandari, our Chief Financial Officer, to provide an update on critical financial data. Over to you, Pulkit.

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 March '25. Revenue for the FY '25 stood at $624.5 million in U.S. dollar terms, reflecting a year-on-year growth of 5.1% in constant currency terms.

Reported revenue for the fourth quarter of FY '25 stood at $156.8 million, reflecting a growth of 0.9% sequentially in constant currency terms. On a Y-o-Y basis, revenue grew by 6.3% in constant currency terms. We have sustained EBITDA of 15.6% in Q4 FY '25 on back of cost management and improved utilization, which absorbed the continued impact of furloughs and Q3 FY '25 benefit of lease utilization. Our PAT for the quarter stood at 13%.

Some of the other key highlights are: we added an order book of $213.5 million in this quarter. One of our key customers moved into $20 million bucket due to deeper farming efforts. Our voluntary attrition stood at 9.9%, which has been lowest in recent years. Consistently adding headcount throughout the year, 353 net headcounts added in FY '25. BFSI continues to grow as a result of strong farming and hunting efforts, announced strategic partnership with Tesco.

On ESG front, we continue to retain our water positive status in FY '25 and 100% hazardous and non-hazardous waste is diverted from disposals. In line with our global renewable energy share goal of 50% by end of FY '25, we have achieved 56.9%. We have currently invested in additional renewable energy sources in Pune campus and augmented the existing rooftop solar with carport solar.

We delivered a balanced performance on all operational and financial parameters. Revenue grew along with sustainable margins with a strong focus on verticalization, deepening service line capabilities and investing in AI solutions. We believe Zensar is well poised to capture upcoming opportunities.

And with that, I will now invite Vijay, our Chief Operating Officer, to comment further on our FY '25 results.

Vijayasimha Alilughatta: Thank you, Manish and Pulkit. Greetings, everyone. I will share details about our operational efficacy, service line performance, annual client experience survey and AI journey. Our utilization increased by 170 basis points quarter-on-quarter and by 90 basis points year-on-year.

Rigor associated with accelerated fulfilment and capability enrichment continued in Q4. We had a gross addition of 873 employees in the quarter and a net addition of 185 people.

Our voluntary attrition reduced to 9.9% in Q4, which is a 10 basis points reduction sequentially and a Y-o-Y reduction of 100 basis points. The offerings from our service lines and industry services groups continue to resonate well with our clients. The share of revenues from our service lines (Advanced engineering services, Data engineering and analytics, Experience services, and Cloud Infrastructure and Security services) increased to 54.6% in Q4, which is 240 basis points higher Y-o-Y.

On Q-o-Q basis, in constant currency terms, Data Engineering & Analytics grew by 8.7%. Cloud Infrastructure and Security Services grew by 1.5%. Application Services and Enterprise application SaaS grew by 0.5%, Experience services dipped by 1.0%, Advanced Engineering Services dipped by 2.1%.

The annual client experience survey was conducted in Q4. Our experience index continues to be in the top quartile of the industry. We clocked our highest ever scores on satisfaction, advocacy and business value dimensions. Our four major AI solution stacks, namely enterprise AI solutions, responsible AI solutions, enterprise cognitive hyper automation solutions and multimodal micro vertical solutions continue to resonate well with our clients.

Some examples of value delivered to clients are: we modernized enterprise applications of a large U.S. retailer from outdated technology to cloud by leveraging our unique GenAI solutions. This resulted in reducing TCO by 40% and reducing time to market by 50%. Similarly, we empowered a global human rights organization to build a smart decision engine powered by GenAI integrating organizational assets across 170 countries, thereby improving efficiencies of knowledge workers by 50%.

In FY '25, we upskilled more than 50% of our workforce in AI or GenAI by leveraging the multilevel training programs of our Ignite Academy and as well as the various certification drives that we have instituted in collaboration with our alliance partners.

With that, I now hand it back to Manish.

Manish Tandon: Thank you. Thank you, Vijay and Pulkit. Over to the conference call.

Moderator: Shall we open the line for questions.

Manish Tandon: Yes.

Moderator: The first question comes from the line of Sandeep Shah with Equirus Securities.

Sandeep Shah: Congrats on a good execution in a difficult macro. Just wanted to understand, looking at the volatile macro and higher macro concern because of tariff, Manish, if you look at portfolio mix, we have concentration in manufacturing and consumer, which is 27% and Healthcare and Life Sciences is 10%. So roughly one third or slightly higher as a percentage to any other portfolio may have a direct impact of the tariff-related issue or other measures announced by the U.S. administration.

So, are you worried in terms of growth entering FY 2026? Or you believe the order book, which has been really great in this year will help us to navigate these challenges?

Manish Tandon: Sandeep, first of all, thank you for the kind words on the results. See, as far as the macro is concerned, I mean, you would have heard from others also. So, there is the first order effect, which is likely to impact much more on manufacturing rather than consumer services. And fortunately, or unfortunately, our exposure to manufacturing and automotive is fairly limited. While for retail, it is slightly more. Of the 27%, I would say, majority is retail. So, we don't expect to be impacted as much.

Healthcare and Life Sciences, again, I don't think there will be a significant downshift from a pricing from overall perspective, primarily because these are relatively price inelastic. I mean a person who has to get a shot has to get a shot irrespective of whether it costs $10 or $15. As far as the overall thing is concerned, I would say our order book is going to take us through first quarter or second quarter max of this year.

And in fact, towards the end of the previous quarter, we started seeing some rightward shift of demand, not really cancellations, but rightward shift of demand. So from a demand perspective, I wouldn't say I'm concerned, but I would say that there is a lot of uncertainty, and it is the uncertainty that is concern.

Sandeep Shah: Very helpful. Manish, last conference call, you also called out if there are no major macro headwinds, we may aspire to grow at double digit or close to double digit. That aspiration remains because macro headwinds has gone up. So is there a new outlook or aspiration target you want to disclose?

Manish Tandon: No, Sandeep, aspiration is always there. Whims and fancies of 1 quarter, 2 quarter or 2, 3 months here and there, I don't think we should be changing our aspiration. We might be changing what is realistic, but at least at this stage, I don't want to change my aspiration.

Sandeep Shah: Okay. Okay. And last question, if I can squeeze in. Pulkit, just entering FY '26, margins could be maintained at close to mid-teens. What I wanted to know, apart from wage hikes, there could be incremental headwinds through ESOP cost. So, can you give inputs and takes in terms of entering FY '26 in terms of margin visibility?

Pulkit Bhandari: So FY '26, I think our triangulation is to basically stick with mid-teens. And we would like to believe that mid-teens will give us adequate headroom on either sides. And hopefully, things will basically improve in the later part of the year, which should kind of further help us stick to this mid-teen outlook.

Sandeep Shah: And any clarity on ESOP cost?

Pulkit Bhandari: Yes. So, I'm calling out mid-teens, including ESOP cost.

Manish Tandon: Pulkit -- the question is, have you taken anything on Q4?

Pulkit Bhandari: Yes. So Q4, there is a marginal impact on account of ESOP, which has been absorbed and what you see is after ESOP being accounted for.

Moderator: Next question comes from the line of Nitin Padmanabhan: with Investec.

Nitin Padmanabhan: Congrats on the strong deal wins. So, see, from a deal win perspective, if you could just lay some thoughts on how the pipeline has been looking like after the strong wins over the earlier quarters? And considering the environment, do you think that you will still be able to sort of deliver maybe 180 to 200 range? Or do you think that becomes a risk on a going-forward basis? The second is just a follow-up to what Sandeep was asking. Your thoughts from a TMT perspective as well.

Manish Tandon: Yes. So, on the first thing, our order book -- see a lot of this things started only in March or so. Things were very hunky-dory till end of January, mid-February or so. And we started seeing some rightward shift in demand when this started. The problem is that Nitin, as I said, problem is much more to do with uncertainty than -- I mean, nobody knows how the demand scenario will pan out because every day, things are changing.

So one thing we are -- I'm quite sure that the capital allocation investment dollars, which used to come to IT are going to reduce in the short term because when the environment is uncertain, you don't want to do capital spending too much and which we are seeing even in TMT.

Moving the needle to TMT. You would have seen that a lot of the cloud providers have cancelled or postponed their new data center projects. So the problem, Nitin, as I said, there's uncertainty. And it's very difficult to figure out what is going to happen because of the continuous change in shift in policies that we are seeing.

So, I wish I could answer your question definitively. But I am -- I just go back to my original thinking, let's forget about the environment, let's make sure that we are executing to the best of our ability and let things play out.

Manik Taneja: Sorry for the technical issue. Manish, basically, I wanted to get your sense on a couple of things. Over the course of last couple of years, you have focused in terms of improving the mining within your existing customer base as well as expanding into or pivoting the high-tech vertical towards a new set of customers. Could you talk about the progress on this front through FY '25? And how should we be thinking about this aspect going forward? And that's question number one.

And the second question is with regards to our on-site offshore mix. Once again, that is a metric we've continued to show progression. How should we be thinking about this now given you've got to a level where we're almost on par with peers? Does it leave more room for improvement? Those would be my two questions.

Manish Tandon: All right. So question number one, how are we progressing. I think we are progressing well on account farming, and that is reflected in the fact that the number of $20 million account has increased from 4 to 6, if I'm not mistaken. And 5 to 10 also, there has been some increase. So we are pleased to see that we are making progress on cross-selling and account farming, but it remains a work in progress, and we have to continue to execute on that front. Your second part of your question was -- what was the second part?

Manik Taneja: Manish, this was about the on-site/offshore mix, we've seen continued improvisation of the...

Manish Tandon: Yes, I have said this before. Ultimately, we are a client-centric organization. We want to be a client-centric organization, and we are a client-centric organization. I am not going to push offshore if my client doesn't want it. I'm not going to push on-site if my client doesn't want it.

So, it's not a parameter that I try and control too much. I would prefer that this be determined by what my customers need rather than by what we are trying to achieve. So I prefer to keep an eye on the margins rather than trying to marry too many parameters, looking at too many parameters and getting confused. And frankly, our on-site offshore ratio is not something that I consciously drive towards.

Moderator: Next question comes from the line of Shradha with AMSEC.

Shradha: Congrats, Manish and Pulkit on a good quarter. A couple of questions. First of all, how should we look at our South Africa portfolio given recent developments of U.S.A being stopped there and in light of the exchange movement also in that particular country?

Manish Tandon: Yes. So South Africa is a key, it's an important market for Zensar. It's one of the few markets in the world where we are in the top 3. Actually, our revenues from that market are higher than most of our peers, so to say. So we view the South Africa market is strategic from 2 perspectives. One is, a, we have a larger market share there and mind share there.

So, we have the brand permission to do interesting and new things and try out new things and which then we use as case studies and so on to open new logos or existing logos within U.S. and Europe. So, from that perspective, South Africa remains a key market for us as per plan. And we continue to grow there. This year was a bit of an aberration. But otherwise, we continue to do well in that market.

And we have made a change also. We have moved someone from India to take over that senior executive, Kaushik Chatterjee, has moved to South Africa or he is moving to South Africa to oversee that market.

Shradha: Right. And in terms of demand, you indicated that you saw some right shifting of demand towards the latter half of March. But was there any change in demand trends in the month of April so far versus March?

Manish Tandon: No, so as I said, I mean, because of the uncertainty, I mean, even my clients don't know what is coming down the pipe, right. One day, there are reciprocal duties. Second day, there are no reciprocal duties. So most of my clients don't know what is coming down the pipe. And as I mentioned in the call earlier, at least from a first order impact perspective, our exposure to manufacturing and auto is fairly limited, okay.

So, we are not impacted as much as some of the other players might be as of now. But the second order impacts, nobody knows just now. So as I told Nitin also, as much as I would like to be able to predict what is coming down the pipe, I don't think we are in a good position to see what is coming down the pipe.

Shradha: Right. Just one last question, Manish. We've seen three back-to-back quarters of very strong TCV. I understand the macros have turned a bit volatile. But given if we see some improved macro conditions, do we expect a better TCV to revenue conversion maybe a quarter or two down the line?

Manish Tandon: Our TCV to revenue conversion is pretty high actually. So, if you look at last full year, the TCV reported is $774.6 million or something. And our revenues are in the $625 million range. And of this $770 million, I think $600-plus million has happened in the last 3 quarters. So, our bookings to revenue conversion is pretty phenomenal.

Shradha: So, you would expect to maintain the same range rather than further improvement on this metric?

Manish Tandon: It's very good already. I don't think we should be looking at improving this metric.

Moderator: Next question comes from the line of Amit Chandra with HDFC Securities.

Amit Chandra: Sir, my question is on the strong TCV number that you've reported. Obviously, the third quarter of strong TCV. So, in this number, was there any impact of any macro changes that started to happen at the end of March? And in terms of how we're progressing in April, you said that if we maintain this kind of TCV number, then obviously, our growth number would be like better than what we did last year. So, in terms of TCVs, if you can also indicate how is the pipeline looking in terms of large deals? And like what part of the pipeline is AI related?

Manish Tandon: So I don't know how many of you noticed there was this press release that we did on Tesco infrastructure thing. So that was a large deal by our definition, and that's why it was a material deal, so we reported, in the press release. So one reason for the good performance on the order bookings is that deal overall.

Regarding April, I mean, frankly, I have not looked at the April numbers very seriously as far as order bookings are concerned because mostly these numbers get finalized towards the end of the month when we close our books. So I cannot give you a very definitive answer on that. But from a pipeline perspective, I don't think there is any significant material change that we see as of now.

Amit Chandra: Okay. And on the AI part, what part of the pipeline or deal TCV is linked to AI-related initiatives?

Manish Tandon: So incidentally, we have just started tracking this metric and I wanted to do it for 2 quarters before I start announcing it to the street as to what percentages we are looking at. Because currently, this was the first quarter we did it, and there was no benchmark available to do it. But needless to say, that in every deal, we are tracking how much -- whether the deal is AI influenced or whether that deal is selling of AI-related services and so on. And we are tracking it closely. Hopefully, over the next couple of quarters, we will start reporting that number also.

Amit Chandra: Okay. And on the TMT vertical, obviously, we have started to see some kind of stability there. So, is it fair to assume that the issues related to top line is mostly behind? And in terms of the macros, which is not deteriorating, we will not see any further issues in the TMT vertical. And also in Healthcare, Life Sciences and MCS, like you mentioned that we don't have exposure to the verticals which are directly stressed to a higher extent. So like what's the reason for weakness in MCS in this quarter?

Manish Tandon: So MCS reason for the weakness, see, again, this is all relative. So first, I'll take TMT. Don't read too much into TMT numbers because the growth there is furlough related, okay. Q3 has a lot more furloughs in TMT than Q4. So please do not read too much into those numbers. MCS, we were coming off a growth of about 6.5% sequentially quarter-on-quarter. There was a budget flush and holiday retail-related spending at a couple of accounts, which helped us. And obviously, things caught up a little in this quarter, and the same was the case with Healthcare and Life Sciences.

Amit Chandra: Okay. And lastly, on the margins. Obviously, you said that the margins have been stable at around 15 % levels, and we are planning it to take it to mid-teens. So in a scenario where we don't see any growth acceleration, then also in that scenario, we have levers to maintain the margin at these levels?

Pulkit Bhandari: Mid-teens

Manish Tandon: See I don't mention. Yes, Pulkit, go ahead.

Pulkit Bhandari: So, they are in mid-teen range. And I think we plan to basically keep them in the same mid-teens range going forward as well. And anything over and above that will get invested back in the business. And that's what we've been kind of working towards, yes.

Moderator: Next question comes from the line of Sandeep Shah with Equirius Securities.

Sandeep Shah: Yes, Manish, just wanted the update in terms of how many large deals we have signed in FY '25. And if I'm not wrong, the definition is about $25 million. And how do you see the pipeline of large deals entering FY '26? And do you believe FY '26 could be a better year in terms of large deal closure versus FY '25 because that effort and focus has just started in between FY '25?

Manish Tandon: Yes. So, I would say two, is what I remember and I definitely hope that FY '26 will be better than FY '25.

Sandeep Shah: Okay. And any commentary on our pipeline? How does it look like on a large deal?

Manish Tandon: See large deals, see there are two types of large deals. One, where things are coming as RFPs in the market. And second is where you have to create large deals. So the pipeline for where we are trying to proactively create large deals is very good. The pipeline for RFPs where anyway the probability of selling is very low, that is fairly muted, and that has been muted for us for quite some time.

Sandeep Shah: Okay. Okay. And just on clarity, is later part of the March has seen some delay in decision making and right shifting. Do you believe this may have a full quarter impact in April, May, June? Or you believe deals which we have signed, scheduled to start on a desired dates in terms of ramp-up?

Manish Tandon: So the short answer is that what I was expecting, say, in January to do in Q1, I don't think that we will be doing that number in Q1, okay. But when you look at the next quarter, you always have an aggressive number in mind subject to conditions being stable, but the conditions have changed. So, I don't think that we are going to do what we thought in January that we will do in this quarter. But whether we are going to have growth or not, I can say that at least as of now, I see growth ahead in Q1 also.

Moderator: Next question comes from the line of Nitin Padmanabhan with Investec.

Nitin Padmanabhan: Sorry, I kept getting disconnected. So I don't know if you have answered these questions. But broadly from a -- I just wanted your thoughts on whether the deal pipeline has sort of increased or gone down? And second, I wanted your thoughts on how is the uncertainty sort of manifesting in your portfolio right now? Are you seeing sort of pauses, delays?

And is that quite meaningful in April? So that's the other bit. And yes, so those are the 2 basic things. I think you did mention that as of now, it looks like we have growth. But if you could just contextualize these 2 things, it will be helpful.

Manish Tandon: Yes. So I answered Nitin, unfortunately, you got disconnected at that time. So I answered that pipeline as of now and pipeline is a very large number that we track. So there is not much of a material change in the pipeline situation. But there is some amount of right shifting of demand that we saw in March which we are continuing to see in April, okay. So hopefully, all this trade-related stuff is going to get resolved soon enough. But as I said right in the beginning, the macro is not very strong. And that is reflecting in what we are seeing also.

Moderator: Next question comes from the line of Girish Pai with BOB Capital Markets Limited.

Girish Pai: Manish, you guys have struck a deal with Tesco. I think you mentioned it is an intra deal. Was it a vendor consolidation deal? And if so, what were the considerations that led Tesco to choose you versus an existing vendor, an incumbent vendor?

Manish Tandon: No, actually, this was a business separation that Tesco Money Services still was doing. And so there were some existing vendors or whatever, but we are actually setting up a complete greenfield environment for the separated business. So, you can think of this as, if you do a separate business, you do a transition service agreement, and then you get time to get the new thing going before you switch off from the transition service agreement. So that is what exactly we are doing in this.

Girish Pai: So will there be investments onboarding or...

Manish Tandon: It's a greenfield implementation.

Girish Pai: Okay. Will you be onboarding the employees of Tesco? And will that -- or will there be any knowledge transfer period...

Manish Tandon: This has no re-badging. This is a new implementation.

Girish Pai: Okay. Okay. Any vertical outlook you can give for FY '26? How do you think various verticals will play out?

Manish Tandon: Well, at this moment, we seem to be doing very well in BFSI. We seem to be doing quite okay in MRCL, which is manufacturing, Consumer Logistics and Healthcare, Life Sciences. And we seem to be flattening out in TMT. So this is the situation as of -- as things stand today. Things might change over the next couple of months, but that is how things look like as of today.

Girish Pai: Okay. My last question has to do with compensation. Have you decided to increase compensation this year? And would -- if that does happen, would it be around the same time you generally do it? And will the quantum be the same?

Manish Tandon: No. We announce our compensation salary hikes effective 1st July. And typically, unless the sky falls on our head, we try to make sure that we take care of our employees and give adequate salary hike as we go along. So yes, we have budgeted some amount of salary hike for this year, but let's see how the market turns out in the next couple of months.

Girish Pai: Okay. One last question, if I may squeeze that in. Everybody seems to be interested in an initiative on the GCC side. Do you people have anything on that particular front?

Manish Tandon: They are invested in GCC now. We have been doing GCCs for the last 2 years. And at least we are partners with at least 3 or 4 GCCs. And we have a very unique proposition on GCC, which is resonating very, very well with our customers. And we have success stories, case studies to prove why we are the best in GCCs that are out there. And if there is a GCC deal in which we are invited, there is a very, very high probability that we end up in the top 2, if not win it outright.

Girish Pai: Okay. I just wanted to understand, if GCC more about staffing and staff augmentation or you said you'll do something unique? What exactly would that be?

Manish Tandon: So I think see GCCs, I don't want to give out a secret sauce. But it is -- I would say, while our competitors look at GCCs as staff augmentation, we look at it as creating the right experience for the parent organization and also for the employees of the GCC. So that is what we do in this, but I don't want to let out a secret sauce. If you have any clients who are interested, I'm happy to walk them through our proposition.

Moderator: Next question comes from the line of Naveen Baid with Nuvama Asset Management.

Naveen Baid Just wanted to check, I joined the call a little late. Was there any component of pass-through revenue for the quarter?

Pulkit Bhandari: I'll give you...

Manish Tandon: Pulkit, you want to take that?

Pulkit Bhandari: Yes, I'll take that. So while you may see traded goods, but it's not pass through because it's part of the overall deal construction, mostly managed services kind of transactions. I'll give you the exact number in few seconds. Do you have any other questions apart from that?

Naveen Baid No, that's it.

Pulkit Bhandari: 1.6 million.

Manish Tandon: In general, we don't recognize resale revenues. So what we do, if you're doing some resale and all we are doing net accounting. In cases where we are doing complete managed services where licenses etcetera also in scope, in that case only we do account.

Moderator: Next question comes from the line of Manik Taneja with Axis Capital.

Manik Taneja: What was the adverse impact of lower number of working days in JFM. And how does this arithmetic stack up when you think about the same dynamics for April, May, June compared to...

Manish Tandon: Vijay you are the specialist on this, I guess. So, you will have to take this.

Vijayasimha Alilughatta: Yes. So, look, I think in the Q1, there is a higher number of working days. And the impact is very difficult to predict right now given the fact that I think there are still a lot of volatility in terms of client budgets and stuff like that. And for us, I think many of the things that we have is fixed capacity/fixed milestone-based stuff. So that will not be impacted by the number of working days.

Manik Taneja: Sure, Vijay. I understand that. But if you can just help us understand because my sense is there is at least two more working days in April, May, June. I know there are a lot...

Vijayasimha Alilughatta: So, look, the working days is different across different geographies. If you look at Europe, this quarter, much lower. U.S., I think, is whatever, one extra days. And in India, we have 2, 3 days. So yes, it varies. And depending on the business mix, where the work happens, yes, we will obviously get the corresponding benefit of the revenue numbers because of the higher working days in T&M.

Moderator: Next question comes from the line of Devendra Vikharankhar, an individual investor.

Devendra Vikharankhar: I just wondering your partner with Tesco, that Tesco, how much revenue will be generated and when it will be commissioned?

Pulkit Bhandari: So, we do not give revenues.. We do not call out any client-specific revenues. So sorry, we'll not be able to take that.

Moderator: Next question comes from the line of Girish Pai from BOB Capital Markets Limited.

Girish Pai: Yes, Manish, with the uncertainty that is there, has the competitive intensity gone up? And have players started bidding more aggressively on whatever business is out there?

Manish Tandon: If the demand shrinkage happens, then the competitive intensity will go up without a doubt. So -- but again, it is too early to call it out. Remember, the tariffs first major disruption has been caused by tariffs, which were first really announced at a global level only on April 2. And today is April 25. So, it is difficult to -- and there also, there is a lot of uncertainty. But I can tell you that if there is a demand compression, then competitive intensity will increase.

Girish Pai: Okay. You also take some examples of Gen AI where you've generated significant amount of productivity gains for customers. So, are the savings being plowed back into something new? Or are the savings going somewhere else like giving out big dividends or buyback of shares and something like that? Or it still remains in the IT services spend area?

Manish Tandon: So, it depends, first of all, whatever are the benefits, we will always share it with the client. We will not -- I mean no client will allow you to -- the industry is relatively mature. No client will allow you to make abnormal gains overall on a consistent basis.

So, we are using AI primarily as a differentiator and as a competitive tool to win against competition and to create an enriching experience for our clients and our employees. So, at this stage, it is too early to say that there are some significant benefits which are coming to our bottom line. If that was the case, we would have actually increased our margin percentages, but that is obviously not the case.

Girish Pai: No, no. I wasn't discussing about benefits to you. I was talking of savings generated for customers and the customers are reinvesting that into IT services? Or is it going somewhere else?

Manish Tandon: So, what AI is doing really is one is projects which are marginal from a business case perspective. If you lead with AI, then it is easier to make the business case for them. So, for clients, certain marginal projects become attractive to do if you use AI. So that is one thing that is happening.

Second is the savings that the client is generating is mostly going towards IT itself. It is not that it is going towards -- I mean, it depends on the business case, obviously. But mostly, it is. I mean, nobody is saying -- nobody -- no client is going and -- no CIO is going to tell -- going and telling his Board that you can cut my budget now that I have started using AI. So, at a macro level, you can say that mostly if there are -- if you're delivering IT savings, that is being reinvested in the IT side of the business.

Moderator: Next question comes from the line of Nitin Padmanabhan with Investec.

Nitin Padmanabhan: Manish, in the current context, how are you looking to sort of being use this opportunity for anything specific maybe in terms of acquisitions or any standout situations or opportunities that sort of come across to you that you could do in the current context considering the weakness?

Manish Tandon: We are actively looking at acquisitions, but the uncertainty works both ways. And if there are attractive assets available because of the uncertainty, then I also need to take care of the uncertainty on my side, right. And we are a publicly listed company. We have to deliver quarter-over-quarter. We are not a private equity-driven enterprise where you take 2, 3 years to turn things around.

And hence, you can buy assets from the cheap and turn them around. So, uncertainty works both ways. While you might get assets on the cheap, but we also need to make sure that the cheapness is temporary, not permanent. And that is a difficult call to take. But to answer your question, we continue to look at assets on an ongoing basis. And if we find anything attractive, we will go for it. We have the cash on the balance sheet to make it happen.

Moderator: Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Manish Tandon for closing comments.

Manish Tandon: Thank you. I think, first of all, thank all of you for being here on this. I know it's a Friday evening in India, and I'm sure you have many more much better and interesting things to do. But as we close this year, I want to take a moment to acknowledge the well-rounded performance that we have delivered in a landscape marked by geopolitical uncertainty, shifting client priorities and macroeconomic pressures.

Our organization derives confidence from our strong client satisfaction scores, robust order book and a healthy pipeline. Thank you very much, and please enjoy the rest of your evening, and have a great weekend. Thank you.

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