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Birlasoft Limited Q2 FY27 Earnings Conference Call

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MANAGEMENT:

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(1 crore = 10 million)

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY27 Earnings Conference Call of Birlasoft 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 the conference call, please signal an operator by pressing star then zero on your touchtone phone.

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

Abhinandan Singh: Welcome, folks. By now, you would have received or seen our results that were announced earlier today. Those are also available on our website www.birlasoft.com.

Joining me on this call this evening are our CEO and MD Mr. Angan Guha and our Chief Financial Officer Mr. Chandrasekar Thyagarajan. or Chandru as we call him. We will begin the call today, as usual, with opening remarks from both Angan and Chandru.

But before I hand over the floor to Angan, a quick reminder that anything that we say on this call on the company's outlook for the future could be a forward-looking statement 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 on our website as well as filed with the stock exchanges.

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

Angan Guha: Thank you, Abhi. Good morning, and good evening to all of you, wherever you are, and thank you for joining us today as we share some perspectives on our performance in the second quarter of the current fiscal. As you would have already noticed, we've delivered a revenue growth of 2.1% in both constant currency and dollar terms quarter-over-quarter.

In rupee terms, revenue during the quarter grew by 2.7% sequentially. I'm also pleased to note that the Life Sciences among our verticals and the ERP business amongst our service lines, both, have registered their second consecutive quarter of sequential growth in Q2.

Manufacturing business as well as the BFSI business also witnessed sequential growth. The E&U vertical continued to remain soft due to a particular ramp down of work in one client. Our EBITDA margin for the quarter considers the fact that an organization-wide compensation revision came into effect from July 2026, but remains within the range that Chandru, our CFO, had called out in the last quarter.

We have also seen robust cash flows, collections, as well as our cash balances and the DSO have improved. Chandru will provide more colour on this in his remarks. Deal signings during the quarter came in at 116.1 million TCV, up 9% year-on-year and for the first half at $285 million, which is an uptick of 15% year-on-year.

Our deal wins during the quarter includes several AI-led engagements. To just name a few, we have secured a strategic AI-led transformation opportunity involving large-scale platform

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modernization, cloud adoption, and business transformation from a leading European logistics organization. This engagement showcases Birlasoft's AI-driven delivery life cycle (AI-DLC) approach, combining architectural excellence, AI-assisted engineering, automated testing, accelerated migration, and disciplined program execution to modernize mission-critical platforms at scale.

Similarly, for a global industrial manufacturer, we have won a 3-year AI-led managed services engagement to support their ERP systems and drive business innovation. Similarly, again, we've been selected by one of the largest medical devices manufacturers in North America to provide a range of services from program governance, AI and data CoE, and core digital transformation. This strengthens the company's long-term relationship with the client as a provider of core transformation services to their IT organization.

As I have previously pointed out, we now have a growing base of engagements where we are deploying advanced AI-powered capabilities. We continue to make these investments, both in our technology as well as in our domain areas.

During Q2, the quarter that just went by, Birlasoft earned the AWS AI Services Competency status which recognizes our ability to deliver GenAI and Agentic AI solutions on the AWS platform at production scale. AWS awarded the competency after reviewing several live client programs covering enterprise Agentic AI and AI-led modernization of legacy applications, intelligent document processing and governed analytics. This makes Birlasoft an AWS-validated AI partner, and this is already helping us win many more clients and businesses. The new multi-year AI engagement with a global logistics company that I mentioned earlier was secured on the strength of this competency.

Birlasoft is now also an OpenAI select partner. This will enable us to continue working with OpenAI to help enterprises build, deploy, and scale AI solutions responsibly and effectively.

Our core enterprise Agentic AI platform *Cogito*, our AI-powered test engineering platform *Lynx*, and our Agentic AI Ops and AMS platform *Sigma* together drive our differentiated AI-led offerings.

Around a third of our code today, up from almost 25% a few months ago, is now generated using Agentic AI tools. We have reimagined engineering workflows for 20-plus of our top services offerings with an AI-first approach. At the same time, human-in-the-loop controls remain in place for security, governance, quality, and reliability. We continue to embed AI across our service offerings, reimagining engineering workflows and equip our people to work on Agentic AI through our AI development life cycle (AI-DLC) model.

In terms of the outlook, with the demand environment remaining unchanged, and H2 of our current financial year expected to reflect some furloughs in 3Q, we still remain committed to investing in our tech capabilities and our sales organization. Given the pipeline, ongoing conversations, and seasonal uptick in renewals, we are well positioned to drive better financial performance in H2 FY27.

At this point, I will ask Chandru to share his perspectives on the quarter under review. Chandru?

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Chandrasekar T.: Thank you, Angan, and a very warm welcome to all of you joining us today on this call. Let me take you through some of the financial highlights for Q2 FY27. Our consolidated revenue for the quarter stood at $148.3 million, which represents a quarter-on-quarter growth of 2.1%. In rupee terms, revenue for Q2 FY27 was INR1,416.2 crore, a sequential growth of 2.7%.

Growth during the quarter was led by our Manufacturing, BFSI, and Life Sciences & Services verticals, which grew quarter-on-quarter by 5.2%, 3.6%, and 2.1%, respectively. As Angan noted in his remarks, the E&U vertical, which has historically been a steady growth engine for us, recorded some softness due to ramp down of work for a customer in Europe. While we do not expect any further downside on that front, we do not see a bounce back in the short-term either. Among service lines, Digital & Data grew by 3.4% quarter-on-quarter and ERP grew 2.9% quarter-on-quarter. The Infra service line was affected by the drop in revenue in our E&U vertical, as mentioned earlier.

As you may recall, an organizational-wide compensation increase was rolled out effective July 2026. Considering that, and the ongoing investments we are making in our business, our EBITDA performance has been strong with EBITDA for the quarter under review at INR2,153 million or INR215.3 crore, $22.5 million in dollar terms. Consequently, EBITDA margin for Q2 was 15.2%. This is within the range we had indicated earlier. This robust margin performance was enabled by a combination of factors, including continued focus on operational efficiencies, productivity improvements, and better quality of revenue. These have helped to partly offset the headwinds from higher wage costs.

Our PAT stood at INR159.6 crore, which is $16.7 million. Our effective tax rate (ETR) for the quarter stood at 29%.

Coming to some key balance sheet items, we have maintained our robust track record on collections and our cash flow generation has been good during this quarter too. Collections during the quarter were $164 million, resulting in our DSO touching our 2-year best of 51 days. Our cash and cash equivalent as of 30th September 2026 stood at $300.4 million.

You may have already noted that the Board has recommended an interim dividend of INR 3 per share in line with our continued commitment to reward our shareholders. We remain focused on investing in capabilities for future growth while keeping a close eye on cost and efficiencies. Thank you very much.

With this, I will now open the floor for question.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. First question is form the line of Sandeep Shah from Equirus Securities.

Sandeep Shah: Congrats on good execution. Just one question in terms of earlier quarters, we had highlighted exiting from some of the low-margin businesses. So where are we in that context? And second, is it fair to assume our annuity business could have increased materially versus what it was a year back. So if you can give some clarity on the same?

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Angan Guha: So look, our annuity business is obviously going up. But more importantly, the quality of revenue is really going up. So from that perspective, I think the team has done a good job in executing in terms of getting in higher quality of revenue, and that is reflected in some of the financial parameters that Chandru spoke about earlier.

Now as far as getting out of negative accounts, I think that job is done and over. It's done and dusted. And now, like I had said, Sandeep, even in the last call, the entire focus is to really drive sales, drive pipeline, and drive order book. So we've kind of cleaned up our balance sheet significantly. So that part is now done and dusted.

Sandeep Shah: And when you say better 2H versus 1H, are you implying Q3, Q4 constant currency sequential growth could be better or in line with Q2?

Angan Guha: So Sandeep, as you know that Q3 is always a very soft quarter because of furloughs, lesser working days, holiday season, et cetera. So our job is to execute for Q3 also, but it is a little hard to give guidance. And as you know, we don't give guidance for Q3. But what we can indicate though, Sandeep, we are pretty confident that H2 performance, financial performance, will be better than H1 performance. But as a management team, our complete focus is going to be on sales and delivering a strong order book for H2. I'm sure the revenues will follow.

Sandeep Shah: And the offshore contribution has been going up materially Q-on-Q, Y-o-Y. So if you look at in this quarter also, it has gone up. So the volume growth should be materially higher versus the headline growth in this quarter?

Chandrasekar T.: So Sandeep, on the offshore going up, as Angan pointed out, this has been a concerted effort for over 4 quarters now, working on the quality of our revenue, working through how we actually deliver to our customers to give them the best value. We expect this effort to continue and, therefore, we expect the improvement to stay on as we go forward, Sandeep.

Sandeep Shah: And just last question, Chandru, any view you can give in terms of margin movement in the second half and what was the revision for a higher depreciation and amortization cost in this quarter? And can we consider 3Q level as a normalized level to continue in 3Q, Q4 or ahead?

Chandrasekar T.: As Angan also pointed out, we do not provide guidance, Sandeep. But just to give you some colour on the margin profile, we have, as you know, been very tightly watching our cost efficiency over the past several quarters, right? And there you see us steadily going to an EBITDA margin of around 15%. There could be small ups and downs given some of the seasonal impact as Angan pointed out, but our endeavour is to continue pushing at the 15% level. And this is in spite of, one, the salary increase program, which we believe is an investment in resources that we wanted to do and, second, the investment that we're making in our sales and service line capabilities, which is a continuing effort for us. That's on the margin profile. Now if you look at the depreciation and amortization, there are a couple of factors that lead to it. One, we've started to reinvest in our physical infrastructure, particularly our tech infrastructure. And that investment is obviously driving some increase in depreciation and amortization. We are also refurbishing some of our offices, moving to better offices, et cetera. That's the other reason why

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there's a slight increase. But we expect that this will steady up and get absorbed in the overall business as we go forward.

Moderator: The next question is from the line of Dipesh Mehta from Emkay Global.

Dipesh Mehta: Couple of questions. First about quarter 2, whether quarter 2 revenue performance was in line with management expectation at the beginning of quarter or it surprised you in terms of performance? So that is question one. Second question is about the EBITDA margin. If you can give, let's say, how the some puts and takes in terms of wage hike, investment, and rupee depreciation benefits played out for quarter 2?

And considering the wage hike is behind, should we expect quarter 2 margin to be floor for the remaining part of the year and we can, let's say, try to improve from where we are? And last question is about the deal intake. Net new deal intake, let's say, even on H1 basis seems to be softer. Can you provide some sense how one should look this? And whether it could have some ramification on growth? Surprisingly, this quarter, growth is divergent compared to some of these net new dynamics. If you can provide some colour around it.

Angan Guha: Thank you, Dipesh, for your questions. First of all, the revenue was in line with the management expectation. We knew that the quarter 2 will be a strong quarter, relatively strong quarter. As you might recollect, in our quarter 1 our growth was only 0.3%. So from that perspective, the team did a good job on execution.

But quite frankly, on the order book, I think we did not do a good job. I mean, we expected ourselves to do better. Unfortunately, some of the deals got pushed out to Q3, not that we lost any deals, but they got pushed out to Q3 and Q4, which is why you see a soft quarter in terms of the deal signings. That said, the overall deal signings obviously has grown 15% year-over-year on a half year basis.

Now if I were to look at H2, as you know, that Q4 for us is the quarter where there are a lot of renewals that happen, and we are in discussions. So these renewals will come through. As far as net new is concerned, which is why, to Chandru's point earlier, we're investing a lot more in sales and capability. It's an ongoing exercise and the complete management focus is to create more pipeline and deliver more signings. Now our pipeline is steady. It has actually gone up a little, which is good news. But as we are hiring more and more salespeople, it takes about a couple of quarters for them to show results. But our direction is very clear. Our direction is to completely invest in sales, stay invested in sales, stay invested in capability building so that we can secure our long-term growth.

Chandrasekar T.: Let me take the question on margins, Dipesh. First point you were asking was about what's the quarter-on-quarter walk on margins, right? So I can give you some high-level commentary on that. One, we already spoke about increments. Increment ate up about 170 basis points of margin on a quarter-on-quarter basis. We also had, as Angan talked about, investment in our sales and service line capability where we had some dip in margins coming from that. Now with these two dampeners, if you will, there are two things that played well for us. One, the operating efficiencies that we've been pushing over the past few quarters, that's given us an offset. The

other offset that we also got was from improved quality of revenue, as we spoke about earlier, which is coming from the tail accounts trimming that we've done in the past financial year and also working through our revenue model itself. It's a slow but steady process, as you can imagine.

All of these have somewhat set off the impact of the wage increase and the impact of the investments we are making, but not completely. As I mentioned in the previous quarter as well, we do expect that we should catch up in the next couple of quarters and be able to negate the impact of the wage increase.

Your second question on margin was whether this trajectory, do I see it improving? The expectation is that it will stay in this range as we continue to make investments, Dipesh, and that's an ongoing effort. In fact, I do fully expect that there will be some ups and downs given the seasonality of revenue. But that's a short-term problem that we will get over. But on a steady-state basis, our endeavour is to stay at or about the 15% range.

Dipesh Mehta: Maybe I can squeeze two more. On the furloughs side, do you think furloughs to be in line with last year or you expect any changes in furloughs considering one of the clients where you say indicated some ramp down in E&U side? So that is one. And second is about, let's say, just want to understand whether we have benefited from some short-term projects which ramp up quicker, which led to, let's say, better revenue conversion. I think a couple of -- maybe around 2 years back or 1.5 years back, you'd indicated some of the short-term program, which led to, let's say, some better revenue conversion compared to deal intake. Are we witnessing some of those programs, let's say, started and helping us to have better revenue conversion?

Angan Guha: Dipesh, look, currently, as you know, Dipesh, we've said that for a couple of quarters now that our focus is to drive better quality revenue. So technically, we do not focus on short-term projects. We focus on really long-term deals with annuity deals. But equally, there are certain times when we pick up a project, a project that needs to be implemented within an 11-month period or a 12-month period or an 18-month period. But as a process, we are not focusing on short-term deals at all. So, the benefit that we got in Q2 was true ramp-up, true execution capability that the team showcased and did a lot of work to deliver.

As our pipeline grows and order book grows, we hopefully will continue to see a lot of momentum on that. On the furloughs, we believe that the furloughs will be no different than what we saw last year. It will be in the same range. We don't see -- at least as of today, we don't see any extra furloughs from what we saw last year. But look, it's a dynamic world. If something were to change in the next 30 days, I don't know. But at least as of today, the furloughs are at the same levels as we witnessed in the past fiscal.

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

Girish Pai: Angan, a few quarters back in one of the media interviews you kind of indicated that FY27 is going to be a positive growth year. That is one point. And in the opening remarks, you said 2H is going to be better than 1H. But when I look at last couple of years, FY25 and FY26, 4Q has been a dip versus 3Q, a fairly sharp dip vis-a-vis 3Q. How will things be different this year compared to the past 2 years?

Angan Guha: So look, Girish, like I said, we don't give guidance, but suffice to say that this year, the reason we are more confident of H2 becoming better than H1 is based on what we know today. The last couple of financial years, we got surprised by a couple of clients, which led to a sharp dip in 4Q.

As of today, again, I'll have to say it carefully that as of today, based on all our client conversations and the deals that we are fighting, we do not see a sharp dip in 4Q. In fact, if we can execute order book between now and, let's say, January or February, we expect 4Q to be our strongest quarter, but that is as of today. Now if some surprises come in, then obviously, we'll have to account for it at that point in time. But like Chandru has also mentioned and I have also mentioned, we've invested heavily in sales. We've invested heavily in our capability. And our complete job and the focus of the management team is to work on creating pipeline and deliver good order book growth between October and March so that the revenues can follow.

Girish Pai: A few more questions. On advanced AI services, are you getting better margins? And was that a contributor to your performance, margin performance, in the second quarter? And what is the delivery mix in the advanced AI services? I see that offshore mix has actually improved. And I'm sure that AI services have also been increasing as a percentage of your revenue. So what is the delivery mix in these advanced AI services? And how the margins in the advanced AI service that you're providing? And what's the trend there? Are these margins improving over the many quarters now or are they trending down because of the competitive intensity?

Angan Guha: A great question, Girish. So look, like we've mentioned, and I'll try and answer this question in two buckets, right? So the first bucket is our own efficiencies. Clearly, more and more code is being written by machines with human in the loop, and that is helping us in margin uptick. That's an industry norm, and I don't think we are any different, but we are executing on that flawlessly. Most of the conversations that we are having with existing clients as well as new clients, it is very, very competitive because in so many cases, you will have to commit to a productivity gain or a better time to market for our clients while you do a deal. But what we are confident about and what we are happy about is the kind of efficiencies that we are being able to drive, thanks to using Agentic AI bots to write code is increasing every quarter. I mean even in this quarter, we had a 10% increase in terms of machines writing code. And that is helping us in margins, which we are going to be reinvesting back in our sales and capability.

Girish Pai: I want to inquire about the offshore/on-site mix of advanced AI services. I'm not talking about AI services, which address the core business, which is the legacy business. I'm talking more of the advanced AI services. Is it more offshore oriented? That's point number one. Second is, there has been this move by a lot of the larger players to address the mid-market segment. Accenture and a couple of others have talked about it. Are you feeling more competitive pressure here?

Angan Guha: Girish, look, first of all, advanced AI services, obviously, our offshore intensity is much more than the on-site intensity, right? But quite frankly, with more and more machines driving some of the outcomes, and we sign into an outcome, location is becoming agnostic for us. But clearly, based on the performance that we have seen in the last couple of quarters, advanced AI services, the intensity is far more offshore than it is on-site. Now as far as mid-market is concerned, we play a very significant role in the mid-market, as you know, from our client intensity. We are at least not seeing tremendous pricing pressure. However, when the deal becomes competitive,

right, that is when we see immense amount of pricing pressure. But the capabilities that we have invested in and the differentiation that we are driving today, we are reasonably confident that we will be able to maintain margins. In fact, the margin improvement that we can deliver, we will restart investing in our business.

Moderator: Next question is from the line of Ravi Menon from Axis Capital.

Ravi Menon: If I look at the given trailing 12-month book-to-bill, we've actually had much better book-to-bill, but you seem a lot more confident. You've seen pretty broad-based growth this quarter. And you also delivered good growth this quarter, right? So just trying to understand how you're able to do that despite new deal wins actually still being kind of below high watermarks, even just like 3 quarters back. Is it a lot of smaller deals coming through or if I could call it, framework deals where that doesn't show up in TCV? What explains this?

Angan Guha: So Ravi, it's a combination of the last two things that you -- what you talked about, right? So we've opened a lot of MSAs, right, where we are working with partners as well as our own differentiated capabilities that we've been able to deliver, where we will land and then we will expand. So that is a clear motion we are seeing a lot of interest in. And currently, we are seeing a lot of intensity. But look, the job is half done. I'm not saying that we are out of the woods yet. We need to do a lot more work because we need to win larger and larger deals. Now the framework deals are coming in. We are signing more MSAs. We are opening newer and newer accounts, but they have to eventually land up in terms of delivering the revenues.

The second part is also true that our deal sizes are becoming larger as we go forward and which is why the capability as well as the sales investment we are doing is in order to convert that rhythm for deal making. But equally, like I said right upfront as the call started, we ourselves are not very pleased with our order booking performance. We need to do much, much more, if we need to secure our future growth. We are pretty confident based on at least the conversations that we are having, like we said, Chandru and I said, H2 will be better than H1, but we really need to deliver a lot more order book to secure the future quarters, which is FY28 and beyond, which is what we are working on now.

Ravi Menon: Chandru, a question on the other expenses side, what's led to the increase here, almost like, I would say close to 7-8 per cent quarter-on-quarter?

Chandrasekar T.: Give me a minute, Ravi, I'm collecting the data here. Can we move to the next question? I'll come back to you in a couple of minutes.

Ravi Menon: Sure. One more thing on the healthcare vertical. I know it's a relatively small number and fluctuates quite a bit, but the margins seem to have dropped this quarter. So what led to that?

Angan Guha: So Life Sciences, like you said, Ravi, it's a very, very small business. We believe the margins will stabilize going forward. It is one program that led to this drop, but we are not unduly worried because Q4 onwards, it will get back to where it was in Q2.

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Ravi Menon: More broadly on demand, you're saying that it is pretty similar, that there is no change in the demand. But we've seen at least for a lot of your larger peers, BFSI seems to be doing well. How are you seeing that segment playing out for you?

Angan Guha: BFSI continues to be a strong segment for us, Ravi. As you know, we've delivered growth even in Q2. Q3 traditionally, again, as you know that it is a furlough quarter. So Q3, we expect BFSI to be slightly soft only because of furlough. But structurally, there is no change. Structurally, we will continue to grow financial services strongly Q4 onwards. So we are pretty bullish as far as our financial services growth is concerned, and that is our focus area as well.

Ravi Menon: Now, same -- are those -- yes, sorry, Chandru, go ahead.

Chandrasekar T.: No, you finish asking your question.

Ravi Menon: Yes. I was asking about this Anthropic mid-market focused firm that they launched, Ode. Have you started coming across them anywhere? Are you in partnership with them? Just if you could talk about that?

Angan Guha: I can't talk about that right now because we are under NDA, but we are working on multiple areas as far as some of these partners are concerned. That's all I can say at this point. But you've seen our OpenAI announcement, I'm sure, Ravi, that's a big announcement. We are very excited with that.

Chandrasekar T.: Ravi, to pick up on your question around other expenses, there was one item that drove this increase on a quarter-on-quarter basis. We had an increase in our complementary workforce, which gets accounted for as other expenses. And this was specific to a couple of clients where we had niche skills that were required at short notice. So that's what's driving the increase in other expenses. We have got a revenue uptick in line with the increase in cost as well, Ravi.

Moderator: Next question is from the line of Shradha Agrawal from Asian Markets Securities.

Shradha Agrawal: Congratulations on good execution. Two questions. First is on demand environment. How would you define the demand environment today versus what it was a quarter back? And the second question is on utilization. We've seen utilization moving up to a multi-quarter high number. So how do you see utilization? Do we see that moving back to the previous levels of 85%-86% that we used to do 3 years back or this is a more comfortable range that we are looking at in the near term? And last question, if I can. So on increase in other expenses, you indicated that there was an increase in complementary workforce, which gets accounted in this bucket. So what has been the change on a sequential and Y-o-Y basis in this complementary workforce as a percentage of revenue?

Angan Guha: Shradha, thank you for your questions. Let me try and talk about the demand environment, and then I'll request Chandru to talk about the other two topics, the utilization and the other topic. So Shradha, look, like we discussed right upfront on the call, we don't see the demand environment any materially different than what it was in the last quarter. I think the challenges still remain.

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We believe that we've been able to hold a lot of conversations in the new AI world. We are helping our clients in their AI journey. And we are feeling more and more confident that the clients are having conversations with us and are including us as they build their own AI posture. From a demand perspective, it is still steady. It's not getting worse, but it's not getting better either. Chandru, on utilization.

Chandrasekar T.: Yes. Shradha, two questions that you had, one on utilization and the other on other expenses. Let me take them in that order. Utilization, this has been a result of concerted efforts that the delivery teams have put in over the past year, Shradha, while I am not sure if this will improve because we believe that we are at a point where we got to best in class. We will continue to have incremental improvements. But overall, we see that being steady. We don't see that going back to prior levels. That's one.

On other expenses, you asked about what's driving it quarter-on-quarter, year-on-year. It's pretty much the same in terms of the complementary workforce that I talked about. It's an addition of 50-odd resources that we've had to do. And you will find this kind of similar to what we saw this time last year as well, in terms of the comparison, so the quarter-on-quarter, year-on-year comparison are kind of similar, Shradha. So with furloughs, if any, coming through in the third quarter, we'll have to see how this goes depending on exactly where, what kind of work gets furloughed, et cetera. But this is a continuous balancing act that we will be doing on a quarter-on-quarter basis.

Moderator: Next question is from the line of Vikas Ahuja from Antique Stock Broking.

Vikas Ahuja: Two questions. First one, sir, Q2 growth came in from top-10s largely. Top 20 now makes 70% of revenues. Active clients fell to at 209, 1 million to 68. Do you think this mid-sized client cutting largely over now and going forward, especially in the second half, we should see a broad-based growth?

And secondly, you did talk about that E&U fell because of that European client ramp down. Last quarter, you did say that E&U should turn around from Q3. So how much of that quarterly revenue went away, is a permanent loss and could return? And you said at the starting that there is no bounce back expected in the short term. When do you expect E&U to grow again? And does this client have more work that could ramp down?

Angan Guha: Vikas, first of all, our top 5 clients, our top 10 clients, and our top 20 clients all have grown, which is a very positive news. From our standpoint, like I was, I think mentioning to Dipesh also earlier, that our exit out of nonprofitable accounts is done. That's done and dusted. We are very comfortable at the position that we are in. In fact, the reason why we are investing more in sales because of the 209 or 210 active relations that we hold, we see immense opportunity for us to serve them and grow them. And that is a clear focus. We are also focusing on net new and getting newer and newer logos in the funnel right now so that we can expand our base, considering the fact, over the last 24-36 months, we really cut off a lot of accounts. So we are now back in the investment mode. So that is point number one.

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Point number two, as far as E&U is concerned, like Chandru also mentioned in his commentary, this is a onetime thing. We don't believe that this will structurally change our E&U business. We will still continue to serve our clients here, and this particular client also we will serve. But I can't give any more specifics because this is a client-specific conversation, and we would refrain from talking specifics here. But we believe that our E&U business over the next 2-3 quarters will absolutely turn around.

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

Amit Chandra: Sir, my question is on the continuation of the offshore thing that we have discussed. But if I see, the offshore shift for us has been pretty sharp versus the peers in the industry. So the impact of that is visible in the top line, but that is not visible in the margin. And also, in terms of the effort mix also has changed in a similar fashion in terms of how the offshore mix has changed. And also this offshore is being driven by the top 5 or the top 10 clients or is it more like widespread across clients?

Angan Guha: So Amit, like I said, our top 5, top 10, top 20, all of those buckets have really grown in line with the company growth. So we're pretty pleased with this. Now as far as the offshore versus on-site is concerned, like we discussed in an earlier question, a lot of the advanced AI work is now getting done out of offshore. And there is a lot of intensity in the offshore work rather than the on-site work when it comes to advanced AI, which is why you're seeing the shift. Now these are high margin -- I mean, they are margin-accretive engagements, but we are using this, to Chandru's earlier point, to invest heavily in our capability, both in sales as well as service line. So those investments will continue, and we would like to keep our margins in that band of 15-odd percent that Chandru said.

Amit Chandra: And the second question is, obviously, we have seen strong, like, revival in the Manufacturing vertical. So if you can provide some more colour in terms of how confident are we of continuing this growth in the second half, especially in the Manufacturing vertical? And what's happening in the sub-verticals, like, within Manufacturing?

Angan Guha: So we do a lot of work in discrete manufacturing, as you know, that is a lot of work we do there. We also work with process manufacturing companies, but we do a lot more on the discrete manufacturing side. Again, I will not comment on quarter-on-quarter, but directionally, Manufacturing, we will deliver growth. Now I don't know whether there could be a blip in one quarter or the other. But directionally, I think we are very happy with the conversations that we are having. A lot of new logos are coming in. And the management team feels very confident that directionally Manufacturing is on a bounce back.

Amit Chandra: And sir, third question is, we have a lot of surplus cash on the balance sheet. So I know this has been asked earlier, but any plans to deploy that cash?

Chandrasekar T.: I don't have any new news for you, Amit, just yet. The Board is seized of it and we will come back to you as soon as we hear back from the Board. Right now, we will continue to focus on the work that we're doing, as Angan said, on growth, on capability building, on beefing up our

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sales effort, on driving our AI-led capabilities, and on improving our operational efficiencies, Amit.

Moderator: Next question is from the line of Sujit, an Individual Investor.

Sujit: This is the only question, I have got all the answers from the other person who have answered all the queries. Now I have only related to the AI stuff. Is the artificial intelligence which we -- I mean the company has, is it helping it in internal operation or it is helping in servicing the Birlasoft customers, that is my question, first question.

Angan Guha: Sujit, thanks for asking that question. So the answer is both. One is AI-led transformation that we are driving internally is obviously helping us drive more efficiently internally as well as well as for our clients. Equally, we have AI-infused services that we offer to our clients, whether it is data, digital, ERP infrastructure, all of our service lines now are AI infused. We've also created platforms, which are AI platforms, which we use to service our clients. So it is helping us in building a lot of newer pipelines, newer conversations as we participate in our clients' AI journey. So just to reiterate, it helps in both sides of the aisle. It helps us drive more efficiency as well as helps us serve our customers better.

Sujit: The second question is on AI only. Now as you mentioned, you are deploying AI services, you are deploying Agentic AI services. So the question is only related with this and whether this AI service helping in all domains that is Manufacturing, BFSI? Second question is whether this AI will -- this is only a futuristic one, I am not sure, whether this AI is deployed in internal data centres that is handled by Birlasoft or is it in managed cloud services like Amazon or something or is it, this AI, going to increase the power cost -- power and electricity cost -- going forward if Birlasoft is going to implement its own data centre? And because when Agentic AI comes, in fact work will be staying here only in offshore, that's why I was -- and whether it will help in the near future, I mean, HR and administration costs will come down? I'm not saying now, I'm saying going forward. That's the question.

Angan Guha: So Sujit, we are building AI services to serve our customers. So all our service lines are now AI infused. And we are using those services to sell to our clients to serve them. We are not building our own data centres. So, I mean, that is what it is. We will continue to serve our clients with the services that we build.

Moderator: I now invite our next participant, Mr. Anmol Garg from DAM Capital.

Anmol Garg I have two questions. One is on the hiring side. So, is the hiring done for the few positions which were open earlier, particularly on the leadership side of things or is there any more positions to be filled on the leadership side?

Angan Guha: Anmol, thank you for that question. The hiring is almost done. I mean we always look at talent from time to time as we infuse talent as we become bigger and bigger. We will continue to look at talent. But from the hiring that we set out to do a couple of quarters back, all the leaders are on board now.

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Anmol Garg And with respect to that, since most of the hiring has been done, when can we expect the net new deals to start flowing in with respect to the sales hiring, which has been done? And also you have indicated that some of the deals have been shifted towards next quarter. So from that perspective, can we expect that 3Q deals to be better than the range that we have been having over the last couple of quarters? I'm talking about the net new deals?

Angan Guha: So Anmol, look, I mean, like I said, the hiring is done, but we need to give the leaders to come in and settle down a couple of quarters before they become productive. So I'm not too sure whether we will be able to meaningfully show a difference in 3Q. It will be a little bit of a longer-term journey. But directionally, I can only tell you that our pipeline is looking stronger. A lot of AI-related conversations in our pipeline. And if we can convert some of those deals, then obviously, FY'28 will look better.

On the other point in terms of the deals moving from one quarter to the other, that is, I think, BAU. Some deals do move. As long as we have not lost any deal, we are pretty confident that when the decision gets taken, we will be able to close it. But whether Q3 will be better than the last year's Q3, I can't comment right now because we still have about 60 days to execute, and we will continue to work on that execution plan.

Moderator: Next question is from the line of Sudheer from Kotak Asset Management.

Sudheer: Congrats on a good quarter. So, last one and a half year has been very muted for us because of multiple reasons, be it macro, some leadership churn, so on and so forth. So last quarter, we had seen some stability and September has seen very good growth acceleration. And now you are saying H2 will be better than H1. So with the leadership hiring now being behind and you expecting H2, in particular, Q4 to be very strong, Angan, is it fair to say that sans any major macro shocks, we have turned around the corner and incrementally things should only be better in terms of revenue growth? Is that a fair assessment to make even beyond H2?

Angan Guha: So Sudheer, see, two things are very important here. First of all, you're absolutely right. After many, many quarters, I think almost six quarters, we've been able to deliver some meaningful growth, and we are pretty pleased with it. But equally, like I said, I don't think our order book was in line with what we thought.

Now to say whether beyond H2, whether we will continue the growth momentum will all depend upon our signings in H2. If we can have great signings in H2, then of course, yes. I don't believe that we have turned the corner around yet. I think we have got a lot more work to do. And like I've been saying that our focus as a management team is to get our signings right. If we get our signings right, then book-to-bill ratio, I think we've done a great job. We've also done a reasonably okay job in downside protection. If we can get our signings right, then our company will do well. But we are not yet there. I mean our signings are not anywhere close to where it should be. And that's where the management team is focusing on.

Sudheer: And when you're saying Q4 is actually the strongest this year, you mean to say this year, Q4 on a quarter-on-quarter basis will be the strongest. Is that a fair assessment?

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Angan Guha: Yes, provided like last quarter, we did -- like last year same quarter, we got a shock. If those kind of shocks are not there, then yes. But again, it's -- for us, in today's times, it's a little hard to predict so far out. I think let us just execute on our order booking. Like I said, the revenues will follow. And that's what we will be focusing on.

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

Girish Pai: Angan, you said that you're focusing on signings, deal signings. And a few quarters back, you said you will increase your sales force significantly by now. But when I look at the sales and support staff number, that is actually down on a year-on-year basis.So is it that the sales number -- employee number -- has gone up and the support staff number has gone down because it doesn't give you what has been the salespersons number there. So can you just throw some light there? Has the sales employee number gone up materially on a year-on-year basis? Because that is what you kind of indicated a few quarters back.

Angan Guha: So Girish, first of all, we've done a good job in terms of rationalizing our support staff, no question. We've invested in sales. Sales numbers have gone up. If that was the question, sales numbers have gone up, whereas in the support staff, we've obviously taken some hard calls. But we are continuing to invest in capability and when I say capability, capability also means a lot of service line leadership and capability creators that we are investing in. So there are multiple investment areas. Now is it completed? No, we will continue to invest there. But by and large, 90% of that work is already done. I hope that answers your question.

Girish Pai: I had a few questions on your balance sheet. Your property, plant and equipment number is up significantly year-on-year. I also see that intangible -- other intangible assets have also gone up. Any light you can throw on these two items as to why these numbers are up on a year-on-year basis significantly? On an absolute basis, the numbers aren't too high, but the Y-o-Y growth is pretty substantial.

Chandrasekar T.: Chandru here, and I'll take that question, Girish. I already spoke to you about, one of you asked a question around the depreciation and amortization going up. And this is because of from the tech infrastructure investment that we had made. And what you're seeing in the balance sheet has increased in PPE or property, plant, and equipment as I call it, it's because of this tech infrastructure and tech infrastructure refresh that we've done in the past quarter. Actually, we've been doing it in the past couple of quarters, and that will continue for a while. That's one.

And second, on the other intangibles having gone up, with some of the investments that we continue to make in our capabilities, to the extent some of those investments can be amortized, we taking advantage of that within the accounting guidelines. And that is the reason why you are seeing that intangibles are going up as well on a year-on-year basis. Obviously, they will have a amortization cycle as determined by our internal accounting practices.

Moderator: Ladies and gentlemen, 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: I would like to once again thank all of you for joining us on this call today and for your interest in Birlasoft. The ongoing investments in our tech and domain capabilities and in our sales team

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strengthens our confidence in the outlook for the future. Please feel free to reach out to Abhinandan for any clarifications or feedback. And I look forward to speaking with you again. Thank you.

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

(This document has been edited for readability purpose)

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