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

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

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Series: EQ

Kind Attn: The Manager,
Department of Corporate Services

Kind Attn: The Manager,
Listing Department

Subject: - Transcript of Earnings Call held on January 24, 2024.

Dear Sir/Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the earnings call of the Company organized on January 24, 2024.

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

Kindly take the same on record.

Thanking you.

Yours faithfully,

For Birlasoft Limited



Sneha Padve
Company Secretary & Compliance Officer
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Birlasoft Limited Q3 FY24 Earnings Conference Call

5.30pm IST, 24 January 2024

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

Note:

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2. Any of the statements made herein may be construed as opinions only and as of the date. We expressly disclaim any obligation or undertaking to release any update or revision to any of the views contained herein to reflect any changes in our expectations with regard to any change in events, conditions or circumstances on which any of these opinions might have been based upon.

(1 crore = 10 million)

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '24 Post Results Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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. Abhinandan Singh, Head – Investor Relations, Birlasoft. Thank you, and over to you, sir.

Abhinandan Singh: Thank you and welcome, folks. By now, you would have seen our Q3 results. Those are also available on our website www.birlasoft.com.

Joining on this call today with me are our CEO and MD Mr. Angan Guha, and our CFO Ms. Kamini Shah. We will begin the call today as usual, with opening remarks from both Angan and Kamini. But before I hand over the floor to Angan, a quick reminder that anything that we say on this call on the company's outlook for the future could be a forward-looking statement and therefore that must be heard or read in conjunction with the disclaimer that appears in our Q3 FY24 investor update, which has already been sent to you 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. So good evening and good morning to everyone wherever you are. And I take this opportunity to wish all of you a Happy New Year. Thank you for joining us today as we share some perspectives on our Q3 FY '24 performance.

Before I get into a discussion on our quarterly results, I would like to take a moment to note that this quarter also marks the completion of 1 year for me as the company's CEO. And it has been a very rewarding year in every way. I want to express my deepest gratitude to our Board, each member of the team Birlasoft, our customers and partners and, of course, all of you for your trust and support.

I would also like to take this opportunity to welcome Manjunath Kygonahally, or Manju as we call him, who recently joined our leadership team as the Chief Executive Officer for the Rest of the World (ROW) region. The ROW region comprises of all geographies outside the Americas. It includes Europe, U.K., Asia Pacific, including India. The Americas, as you already know, is led by Mr. Roop Singh, who serves us as the CEO for the Americas region.

Manju is a seasoned tech services industry professional and possesses an exceptional leadership record, with a unique knack of fostering and lasting client's relationship and have successfully guided large-scale digital transformation programs for customers. Over his 25-year tenure, Manju has served at multiple leadership positions where he has conceptualized and spearheaded numerous strategic programs across various business units.

Prior to joining us, Manju held a leadership position in a Tier 1 tech services firm with P&L ownership and client relationship and management responsibilities. He will be based in our

London office. Together as a team, we are committed to transforming our company to become sharply focused on select verticals and service lines, and to culturally become more nimble and execution-oriented.

Now let me come to our Q3 results. I trust that all of you have seen our Q3 results and we are very pleased to report a strong and well-rounded operating performance. We have delivered robustly on each of the key fronts, whether it is growth, whether it's margins, cash flows and deal wins during Q3.

Our revenue for the quarter grew at 1.8% in constant currency terms and 1.9% in dollar terms. This is Q-o-Q growth, to reach a figure of \$161.3 million. And as you know, this is a seasonally soft quarter. The growth performance also comes on the back of a very strong Q2 performance. In rupee terms, our revenues for the quarter increased to Rs 1,343 crore, a growth of 2.5% quarter-on-quarter and almost 10% year-on-year.

We have recorded an expansion in our EBITDA margin, which now stands at 16%. We delivered this margin performance even after absorbing a large part of the organization-wide compensation hike and promotions that became effective from the 1st of September 2023. So while we had 1 month of impact of that in Q2, we took the full impact of the wage hike and that is reflected in Q3.

Our PAT performance has also been strong. We delivered 11% Q-o-Q increase in our profit after tax, taking the figure to Rs 161 crore. I would like to call out that this is for the first time in our history, we have crossed the Rs 150 crore net profit mark. In addition to that, we have also seen our cash flows and cash balances improve. These continuous improvements are a outcome of both operating leverage as well as our sustained push to enhance our operational efficiencies.

Our deal wins in Q3 have also been very encouraging. As all of you know, it's a short quarter. And even though it was a short quarter, we were able to deliver total signings of a total contract value of \$218 million.

Now coming to some operating performance. Our robust operating performance through the course of this financial year reflects our sustained execution of multiple sales and efficiency initiatives. Once such initiative, Optimus, is an internal tech transformation program that we rolled out across Birlasoft a few months ago. We have undertaken this initiative to scale ourselves as we pursue the next generation organization capability.

As part of Optimus, we are focusing on the next wave of profitable growth, industrializing our delivery, becoming a partner of choice in emerging technologies, enhancing our employee experience, and building a best-in-class talent pool. When Kamini talks about the detailed performance, she will touch upon the Optimus program in a little bit more detail.

So in conclusion, our strategy of leveraging our strength and retaining and mining existing accounts has been playing out very well. And this is visible in our deal flows as well as our top account growth. Our total TCV for the first 9 months of FY '24 is 9% higher than the total TCV during the same period in FY '23. Our effort is to wrap up Q4 with sequentially higher deals TCV signings, and that will position us very well for the next fiscal.

However, I would also like to state that there has not been any material change in the macroeconomic environment as compared to a quarter or two ago. So, we see our customers optimizing their spend. The deal sizes are getting smaller and the customers are very cautiously optimistic when it comes to their spend.

In the immediate term, because we were able to offset the impact of the furloughs in Q3 with some short-term projects, that will also reflect in any bounce back in the fourth quarter that one usually expects. We believe that our focus on actively driving and creating proactive deals, on execution, and on capability building will enable the next phase of our growth journey.

As we have said before, we continue to remain very focused on execution as we go forward, and we will obviously take one quarter at a time.

At this point, I would request Kamini, our CFO, to share her perspectives on the quarter.

Kamini Shah:

Thank you, Angan. A very good day to all of you. I would like to wish you a very Happy New Year and thank you very much for joining our call. Let me take you through the financial highlights for the third quarter of the current financial year. As you would have seen, we have reported revenues of \$161.3 million for Q3 '24, which is a growth of 1.9% quarter-on-quarter in dollar terms.

On a constant currency basis, the same growth translates to about 1.8%. This strong growth in a seasonally weak quarter has been driven by ramp-ups as well as our attempts to pursue and execute short-term projects and change requests in order to partially offset the impact of furloughs during the quarter.

Hence our operating performance for this quarter does not reflect the full extent of headwinds from furloughs as normally is expected. We've also sustained our account mining efforts during the quarter, resulting in growth across our key accounts with our top accounts growing at 3.2% quarter-on-quarter.

Amongst the verticals, Energy & Utilities has delivered the highest growth and has been up 7.9% due to new deal ramp-ups. Both Manufacturing and Life sciences have grown at 1.7% and 1.3% quarter-on-quarter. BFSI as a vertical tends to be relatively more affected by furloughs and hence it has registered a quarter-on-quarter decline of 0.7%.

As far as our service lines are concerned, we have seen growth across all of them although that has largely been driven by Infrastructure, which was up by 9.6% quarter-on-quarter. Digital & Cloud was up 2.1% quarter-on-quarter, reflecting ramp up in a few new cloud deals as well as some one-time revenues. The ERP service line continued its sequential growth trajectory in Q3 and has been up 0.5%, whereas Data & Analytics has recorded a growth of 1.1% sequentially.

I now move on to our margin performance. EBITDA for the quarter stood at \$25.7 million versus 25 million in last quarter, which translates to a 16% EBITDA margin, which is a marginal expansion of about 20 basis points quarter-on-quarter. Angan has already touched upon the fact that we have absorbed the impact of two incremental months of wage hike during the quarter under review, and this has been achieved despite that.

A lot of operational efficiencies and better utilization and the benefits of the project work and change requests enabled us to maintain our margin performance.

Our Other Income has shown an increase quarter-on-quarter. About 1.5 million of that has been on account of restatement of forex, on account of branch results. As a result, our PAT for the quarter has increased to \$19.3 million. This is up 10.4% quarter-on-quarter, translating to a PAT margin of about 12%.

I will now briefly touch upon some of the key balance sheet items. We have seen a sequential improvement in our quarterly collection during Q3 resulting in DSO at 51 days. This is the best DSO level that we have seen in the last eight quarters, and sustained strong collections are also a testimony to our execution and delivery capabilities.

Our operating cash flow during Q3 has been at about 141% of our EBITDA. As a result, our cash and bank balances have increased by 17% quarter-on-quarter to \$203 million.

Before I conclude, I would like to elaborate a little bit on our tech transformation initiative Optimus that Angan had earlier alluded to. Over the past few months, we have been undertaking multiple operational efficiency initiatives while also making the investments which are necessary to drive growth in our business. Optimus, which was conceptualized and rolled out earlier during the current financial year, simplifies and scales our processes, emphasizing automation at the core.

So this program is aimed at enhancing workflows to simplify processes, cashless operations, persona-driven dashboards, data insights and decision intelligence. This, therefore, in essence is both a business and technology transformation initiative that strengthens our foundation for scaling and efficiently running our businesses, showcasing possibilities to our customers, and bringing operations and strategy closer together.

With that, I would like to hand back to Abhi.

Abhinandan Singh: Thank you, Kamini. Moderator, can you please start with the question-and-answer session?

Moderator: Sure. Thank you very much. The first question is from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon: Thank you, and congrats on a really good quarter. I wanted to ask about the onsite revenue proportion reducing. Is that something that was impacted by furloughs or holidays, leave, etcetera taken more on-site or is this an operational shift that will endure?

Angan Guha: So Ravi, from a furlough perspective, we saw some amount of furlough coming up on-site, in the on-site work that we deliver, but we also saw furloughs offshore. And specifically in a segment like BFSI, we saw furloughs. But we were able to mitigate some of it because of short-term project work that we were able to pick up as well as the change request that we will be able to drive from customers. But definitely, we got impacted by furloughs. Kamini?

- Kamini Shah:** Yes. And Ravi, the only thing I would like to add is that some of our new ramp-ups have actually happened offshore, which has also resulted in the marginal shift that you are seeing between on-site and offshore.
- Ravi Menon:** Thank you. Appreciate that. And it looks like the new deals are also more fixed price in nature because I see the fixed execution is also going up. So could you give us a little bit of sense of what sort of projects these are in specific areas, large programs where you're seeing traction?
- Angan Guha:** Our fixed price portion of the overall business is definitely going up. We are able to work with our customers to deliver work, which is more repeatable in nature, which is why you will see a little bit of more traction on the annuity business side. But look, as we mature our relationship with our clients and as we do more digital work as well as more AI work, the kind of work that we do and the kind of commercial models that we work with for our clients, will essentially vary from client to client. Our anticipation is it would most likely be T&M as we deliver more AI work for our clients, but the repeatable work will be more Fixed Price.
- Ravi Menon:** Thank you. I appreciate. And one last thing on the SAP HANA, I know that you guys have a strong SAP practice. So is that deadline for HANA transformations or change into HANA, is that giving you some traction in the market?
- Angan Guha:** It is. And I think that's a big opportunity for us. I mean, we have -- like I have said in the last quarter as well, we have a new leader who leads our ERP practice right now. And our relationship with not only SAP, but the other partners are also improving. And I think that will represent a big opportunity for us over the next couple of years, Ravi.
- Ravi Menon:** Thank you so much. Best of luck.
- Moderator:** Thank you. The next question is from the line of Abhishek Bhandari from Nomura. Please go ahead.
- Abhishek Bhandari:** Angan, congrats on a good quarter. I had a few questions. First is, despite the furlough headwind, you were able to grow -- pretty strong growth in Q3. So should we think that now from here on, the growth to accelerate in Q4 and the rest of fiscal '25?
- Angan Guha:** Fiscal '25 is a little hard for us to comment on, Abhishek, because the macroeconomic situation has not really changed, right? It is still quite challenging, and we have to take one quarter at the time. I think the team has done an incredible job on execution in Q3. We were pleased with how we were able to kind of mitigate furloughs with a lot of short-term projects, a lot of change requests, like Kamini spoke about earlier, and that enabled us to deliver some solid results.
- Now, how will Q4 look like or how will FY25 look like is hard for us to say. And as you know, we don't really give guidance. Our commitment to all of you is that we will be focused on execution, and we will take one quarter at a time.
- Abhishek Bhandari:** Sure. Thanks for that Angan. And then second and last question is, is your senior leadership hiring largely done? Or are there any roles left to be filled? And two, with all the senior

leadership being done in place, is there any material impact on the costs, what we should be thinking about from a forward perspective?

Angan Guha:

So Abhishek, first of all, at the senior most levels, all the hiring is done. I mean, we will, of course, hire for some strategic roles like the Chief Strategy Officer, etcetera, but that is one or two other senior leader hires. But apart from that, whether it's our vertical heads, whether it's our service line heads, our client partners who manage some of our largest relationships, the CXOs are all hired.

But remember, Abhishek, that we need to continue to do our investments, like I have said, in technology, in the transformation that we have embarked on, we will do investments there. We will do investments in our domain capability. I still think that we have got a long way to go in building out world-class domain capability, and we need to do a lot of investments on that side.

So one is the people hiring, which is important, but we must also understand that we are investing not only in people but processes, tools, technology. So that we know we can deliver growth over a period of time and not just quarter-on-quarter.

And Abhishek, I've always said this, and let me repeat this again, that we are building the business for the next decade, not only for the next quarter. So we will continue with our investment phase over the next few quarters or even few years even.

Abhishek Bhandari:

Got it. Thanks a lot, Angan, and all the best for calendar '24.

Angan Guha:

Thanks, Abhishek.

Moderator:

Thank you. The next question is from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal:

Thanks for taking my questions and congrats on a very solid performance in the seasonally weak quarter. So two questions from my side. One for Angan and one for Kamini after that. So Angan, just wanted to basically understand a bit more on these short-term projects that you mentioned, which helped you tide over the furloughs in this quarter. So if you could just elaborate a bit more about -- I mean the kind of duration of these projects, which specific verticals or service lines these projects were from? And do you believe that this could be your strategy going forward that would continue, to take on these short-term projects? Or was it just a kind of a one-time effort to tide over the furloughs which we had expected in this quarter?

Angan Guha:

So, Vibhor, let me first take this question, and then maybe I'll ask Kamini to take your next question because I think that was for Kamini. So look, from our perspective, we have a clear laid out strategy to mine our accounts and essentially work with lesser number of clients but do meaningful work with our clients and grow our clients over time. And as we start doing that, what we've realized is the clients trust us to even execute programs that could be short term.

Now the short-term program, it's a little hard to say, could be six months, it could be nine months, it could be a year or whatever. But I think we are now getting into a situation where it will be a sustained strategy for us. Customers trust us to deliver those programs for us. And it is also a

manifestation of the fact that customers are willing to work with us on their change requests, if they have any. So I think it's a combination of the ability of us to take some programs and deliver it in a short period of time, which are very time bound.

But equally, our ability to work with our customers from a change request perspective, which adds a lot of value not only from a revenue, but from a margin standpoint. So hard to say what is the timeframe because that varies from customer to customer. But will it be a strategy for us going forward? Absolutely. And as we scale up our accounts, you will see a lot more traction around short-term projects as well. And so your second question for Kamini, that was...?

Vibhor Singhal:

So before that, if I could just have a follow-up on the short-term projects. So as you mentioned, it's going to be a strategy for us going forward. Now assuming these projects are also captured in our deal flow numbers, so would that mean that our deal flow numbers could be a bit volatile, because these short-term projects would not be recurring every time. There could be some more in one quarter and a few less in some other quarters. So would that be -- I mean, of course, it's just on a continuity basis that I'm asking. So would that be lending some volatility to our deal flow numbers?

Angan Guha:

No. So Vibhor, you must stop looking at it from that perspective. Look, we have a steady business, the annuity business that we run with our clients. We also are working with our clients on their debt transformation work, on their digital transformation work. So that kind of work continues. The short-term projects are -- if a customer wants help in executing a particular program, which is very important for the customer, we jump in and help them execute the program.

Now that's going to happen every quarter. And it would vary from customer to customer. Maybe there is one quarter where some of our manufacturing customers want help with that, and we will be able to step in and do that. And in certain quarters, even financial services customers would come and help us.

So I can't really comment on volatility from a future quarter perspective. But all I'm saying is we are very pleased with this because for the first time in our history, customers are actually working with us to do the short-term projects, which also tells us -- tells you rather that we are going up the value chain with our customers.

Vibhor Singhal:

Got it. Perfect. I think that's a great -- thanks for this explanation. My second question for Kamini. I think in this quarter, we've seen margins being very strong despite two months of wage hike. And I think one of the reasons probably is that our utilization already is at around 87%. So basically, do you believe that the levers that we would have, let's say, for further margin expansions are pretty much exhausted? And going forward, we could probably have margins stabilizing at current levels? Or do you believe there are some still left up your sleeve, which can probably lead to potential margin expansion over the next few quarters, not as a specific timeframe, but over the, let's say, medium to long term?

Kamini Shah:

So, Vibhor, you're absolutely right. I think we have really stretched our utilization quite a bit, as you can see at 87% and the other operational levers. So I think a lot of the initial bits have already

been taken. While we will still continue to find opportunities, I don't think we have so much of a difference that you would see from a margin standpoint. As Angan mentioned earlier, we will continue to invest back into our business. In addition to all that Angan spoke about, we will also be investing in the Rest of the World business with Manju coming on board. So I would think that you should probably expect it to be stable at this level.

- Vibhor Singhal:** Got it. Thank you so much for taking my questions and wish you guys all the best.
- Kamini Shah:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Mohit Jain from Anand Rathi. Please go ahead.
- Mohit Jain:** Just two questions, both related to revenue. One is -- did you guys mention in the opening remarks that there's some one-time revenue, which has come in this quarter? And therefore, growth should be a little less compared to what would be the case usually?
- Angan Guha:** Yes, so Mohit, like I was explaining in the earlier conversation with Vibhor, the one-time revenue is more to do with the projects that we are delivering for our clients. So you should not look at it as one-time, it is more about project-led revenue that we have been able to get. But apart from that, we were also able to drive a lot of CRs, change requests, with our customers and that has helped us not only on the margin side but also on the revenue side.
- Now whether these change requests will continue in Q4, the onetime revenue, which is really project revenue, whether that will continue in Q4 or not, it's hard to say. But I can only tell you that now, like I was telling to Vibhor earlier, our customers are now willing to work with us on specific projects where they believe that we can add a lot of value.
- Mohit Jain:** So they are not really onetime, but we should say that possibly it is part of our strategy and we have to see how these change requests happen in Q4, right?
- Angan Guha:** That is correct, which is why I told Vibhor also, Mohit that, it is not one time. It is more project-driven work. So -- and it will be a part of our strategy going forward.
- Mohit Jain:** Right. And second was on the slight TCV decline on a Y-o-Y basis. What will you attribute this to? I'm looking at next year. And then your comment on Q4 being slightly higher. I thought Q4 is seasonally very strong for us when we look at total TCV.
- Angan Guha:** It's a great question, Mohit. Signings or TCV, as we call it, also depends upon the clients or kinds of clients that you serve and whether the clients take a decision in a particular quarter or not. All I can tell you is we have not lost a single deal. Our pipeline is only improving. And if you look at our 9-month performance, our signings are about 10% higher than the corresponding 9 months in FY '23. So I think we are only improving.
- I agree with you and I take your point that for this particular quarter, which is a short quarter, we had a little bit of a decline in signings. But I'm not so worried about that, Mohit, this is only because the deals are getting pushed out. And as you know, the macroeconomic situation is

where it is. And we are looking at it very closely. But we've not lost deals and our pipeline is improving, which is very pleasing for us.

Mohit Jain: Got it. And on 4Q being slightly higher? Because last year, we did very well on the TCV front in 4Q. So should we expect some Y-o-Y growth? Or do you think it will be very similar to third quarter?

Angan Guha: Again, hard to say. See, because unlike revenues, Mohit, signings is a manifestation of whether the client is going to sign in that particular quarter or push it out to the next quarter. So I don't think signings can be compared the way you're comparing it. I know traditionally Y-o-Y, we need to show some growth. So we will see. I can only tell you that our pipeline is strong. We will work with our customers to help them in their transformation journey. And our endeavour will be to sign as much as we can. I mean, that's all I can say. Now whether it will be far better, a little better, compared to 3Q or last year 4Q, I can't say at this point in time, Mohit.

Mohit Jain: And last year on margins, earlier we were of the view that potentially our margins should go up, this is from a longer-term perspective, more towards 2 years to 3 years perspective. But right now, we are seeing that we should be at 16% more or less, and then we have to see how things progress. Is that the right?

Angan Guha: Yes. And Mohit, you must look at it from a perspective in terms of what we are building for the long term. Margin is one way to look at it. But the other way to look at it is what investments are we making to build up our capabilities, to build up our domain, to build up our front-end teams which will go and mine accounts. So like Kamini suggested, our endeavour will be to keep margins in a narrow band. But you must also look at it in conjunction with the fact that we will invest a lot more in our business. So that we can build for the long term.

Mohit Jain: So band can be considered like 16% to 17%? Or will that band...

Angan Guha: Hard to say. Hard to say. We will focus on execution, Mohit, for sure. Our endeavour will be to keep it in a very, very narrow band as we continue to invest in our business.

Mohit Jain: Perfect. Thank you and all the best.

Angan Guha: Thank you Mohit.

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 Angan for the splendid performance. I had a couple of clarification questions. First question essentially is with regards to our client metrics. If you look at our total client base that has been coming more for the course of last 12 months since you joined. So just wanted to understand where are we in the journey to essentially cut the long tail of accounts so that we can focus on customers who we can mine and grow with? That's question number one.

The second question was for Kamini with regards to our margin performance. Given the significant increase in offshore revenue mix, and I do understand we have given some wage hikes in the current quarter, despite that, our gross margins essentially seem to have come off. So what could have driven that change? And also, if you could talk about the factors that drove the decline in terms of non-manpower expenses?

Angan Guha:

So let me talk about the clients first. If you remember, 1 year back when I joined, I clearly laid out a strategy of working with fewer clients but building long-term relationships with clients and mining our clients to get their revenue profile to different bands. And as you know, in our industry, we can build \$10 million clients, \$25 million clients, \$50 million clients, \$75 million clients. So you will be happy to know that our top 20 or even our top 10 and top 20 client list have actually shown 3.5% growth quarter-on-quarter, which in my mind, has been a solid performance, tells you that our client mining strategy is playing out.

So we obviously want to work with lesser number of clients, which is why we are strategically trying to reduce our tail as much as we can. Now I believe, are we there yet in terms of the number of accounts that we want to serve as we continue to grow our business? I think we are almost there. We may probably cut back another 10 or 15 clients. But I feel that the 250 number -- anywhere between 200 to 250 number is the right number.

But again, this number may vary from time to time or quarter-to-quarter depending upon how we have seen the market and we are keeping a very close eye. But we have very significantly cut our tail over the last 12 months, and that is showing up in the number of clients.

So I'll just make one point on the margins, and then I will hand it over to Kamini. Look, we've been saying it all along that we will continue to invest in our business, right? And in the quarter that has gone by, we have taken 2 months of wage hikes, which is why you are seeing a little bit of a pressure on the gross margin side. But we have been able to execute very well. Kamini also mentioned that our hit was almost 1.5%. And because of the strong execution that has been done by our teams, we have been able to mitigate all of that. So you must look at it from that conjuncture. On the people cost, I will ask Kamini to comment.

Kamini Shah:

So Manik, I think, Angan has covered that to an extent, if there is an increase as far as our people cost is concerned, it's largely been because of the wage hike. We have been able to use our bench a lot more effectively. That is how our utilization has gone up. And we have also started moving out a lot of subcontractors and started having our employees do it. So with all these aspects, our gross margin has been flattish quarter-on-quarter. And I think that is the endeavour that we will continue as we go forward, while continuing our investments. That we spoke about earlier, whether it is domain or it is in building our leadership or it is in terms of the Rest of the World (ROW) organization and asset transformation. So we will continue with that.

Manik Taneja:

Sure. If I can get in one more question. In the recent past, you have spoken about the SAP upgrade cycle essentially being beneficial to our business that you could talk about what are you seeing on that front? And how should we be thinking about growth in the segment over the next 18, 24 months?

Angan Guha: We are pretty pleased with our performance around the ERP side. I mean, I will not just comment on SAP but in general, ERP in our bucket. You have seen even in this quarter, which was a short quarter, our ERP business actually grew by 0.5% quarter-over-quarter. We are feeling very confident. We've got a great leader who runs this space. We have hired a lot of new leaders in this business -- in this unit. And I think there is a great opportunity for us in the market.

Now as far as SAP is concerned, that is clearly an opportunity, whether large companies or mid-tier companies in the United States and in Europe as well as in the U.K., there will be enormous amount of spend going forward in terms of the S/4 HANA movement as customers move from on-prem to cloud. And we will capture our fair share. We cannot obviously talk customer-specific wins or share of business. But suffice to say that this business is seeing a lot of traction. Our pipeline is going up and you will only see this business growing going forward.

Manik Taneja: Sure. And one last one, basically, when we are thinking about a business from a longer-term standpoint and you guys break up your TCV wins between both renewal and new business, while at an overall level TCV growth in 9 months potentially has been extremely strong, it is largely led by the renewal business. So how should we be thinking about medium-term growth rate given the fact that new business continues down on a 9-month basis?

Angan Guha: It is a great question. So look, first of all, when you look at our renewal business, our renewal business also has a component of new. I mean, we measure our business between existing renewals, existing new, and net new, right? These are the 3 buckets.

If you look at our second bucket, which is existing new, we have been able to add a lot of new revenue from our existing clients. But I buy your point, that there is an opportunity for us to win more net new deals and we are working on it. But equally, we are incredibly pleased about the fact that whether it is our top 10 accounts, top 20 accounts, we've been able to mine and get new business from our existing accounts and existing projects and that has shown up in our revenue uptick.

I am thinking that that will be a strategy for us, and we will continue to drive that strategy and look at that very, very closely because that is a good growth engine. As I am sure you know that any time you keep scaling up your account, it also has a direct impact on your margin profile.

Manik Taneja: Sure. All the best for the future.

Angan Guha: Thank you Manik.

Moderator: Thank you. The next question is from the line of Shradha Agrawal from AMSEC. Please go ahead.

Shradha Agrawal: Congrats on another strong quarter. Most of my questions have been answered, just a couple of questions. Firstly, the residual impacts of short-term projects, do you see that things is having some impact in our profit number as well?

Angan Guha: So Shradha, again, when we say short-term projects, you must look at it as project work rather than short-term projects. I mean, short term is just by definition, it would be 6 months, it would

be 1 year, etcetera. I do not see that there is an impact. In fact, I think that is a strategy for our company to kind of work with our clients and our clients want to do short-term work.

And that business, like Kamini also mentioned earlier, would also be quite profitable. So it will be a strategy. It will be something that we will continue to do with our clients. And as we start growing and mining our clients, I think it is a big opportunity for us to do it. Now obviously, there will be volatility from quarter-to-quarter. I am not so worried about it as long as our overall account size keeps growing.

Shradha Agrawal: And another question is on the segmental margins. When I look at the margins for the E&U vertical, it has come off quite a bit--despite, you have been mentioning that the large deals ramp up was predominantly offshore. So I just wanted to check why the margins in E&U come down?

Angan Guha: We do not report segment margin from that standpoint. But I will tell you that you must look at margin uptick based on two things. One is the kind of work that we do with our clients and the kind of impact that we can give our clients, right? So the E&U business, as you know, has shown a tremendous uptick in terms of the top line growth. And because of the top line growth and ramp-up of new deals, the kind of work that we do with our E&U clients can help us deliver a tremendous margin impact in a positive direction.

Now whether it's sustainable, not sustainable, hard for us to say. But Shradha, like I keep saying, our commitment to the street is we will be focused on execution. We will play a significant role in our customer's transformation journey, whether it's through project work, whether it's through annuity work. And my strong belief is if we can continue to do that, we will only see upward trajectory, both on revenue and margins.

Shradha Agrawal: Perfect. And then one last question. We've been doing well on client mining for the past few quarters. But if I look at the number of \$10 million on account which came down two quarters back from 13 to 11, that number has been -- not moved up despite you being doing very good in top accounts. I'm talking about the number of accounts currently in dollar bucket. So we've been doing very well in our top accounts mining. But despite that, the \$10 million clients number is stable at 11 for the last two quarters. So how should we look at the client revenue buckets?

Angan Guha: I'm not going to be too worried about that, quite frankly, because one way to look at it is whether the 10 plus million clients have declined by maybe one. And there is a -- there's an Invacare situation that was baked in there. So if you -- I were to look like-to-like, maybe there is a difference of one. But I think, Shradha, the better way to look at it would be to see how our top clients have performed. Our top clients have grown. The top 10 clients and even the top 20 clients have actually grown 3.5% quarter-on-quarter, and we are pretty pleased with that performance. So I will not be too worried about that one number going down overall.

Shradha Agrawal: Right. Thank you so much. And wish you all the best for future.

Angan Guha: Thank you, Shradha.

Moderator: Thank you. The next question is from the line of Sudheer Guntupalli from Kotak Mahindra. Please go ahead.

Sudheer Guntupalli: Congratulations on another quarter of great execution. Just one question from my end. Last three, four quarters, we have done quite a few fixes in terms of strategy, leadership, etc. And the benefits of it are already reflecting in our growth performance over the last nine months despite opening balance or some problems like client bankruptcy, etc. So one year down the line, do you think now Birlasoft has all the ingredients to be in the leadership quadrant in terms of mid-cap IT companies' growth? Or do you think some more fixes are needed or some more time is needed for us to be able to say that with confidence?

Angan Guha: Sudheer, great question. Absolutely terrific question. I will try and answer the question in two buckets. One is, have we done a lot of investments in the past nine months? Absolutely. I mean, we've hired a lot of leaders. We've built a lot of capabilities. But as you know, this journey never ends. So we will continue to invest. And Kamini also said this, we will continue to invest in our domain. We will continue to invest in our technology capability in terms of people, in terms of training. So there are a lot of investment areas that we need to put money in, including tech transformation of our own operations. So those investments will continue to happen.

Now whether we are in the top quartile of growth or not is a manifestation of not only the investments but also our execution capability. And our execution capability has significantly improved. So I'm quite pleased with what we have been able to do over the past one year. But am I here saying that everything is done? I don't think so, far from it. We've got a lot more to do. But we need to really do this so that it's not a one quarter or one year journey, it's really a journey over the next decade, Sudheer.

Sudheer Guntupalli: Yes, Angan, I agree that there is always scope for further fixes. What I meant to ask was relatively, on a relative basis versus, let's say, where our mid-cap peers have been in terms of capability, in terms of leadership, mining, etc are you now satisfied enough to feel that possibly we can be in the, let's say, top two, top three companies in terms of growth performance going ahead?

Angan Guha: I think so. I think so, Sudheer. We are confident that we have built a strong team, I'm at least feeling much more confident than I was feeling one year ago, if that's your question. But look, we still have a long way to go.

Sudheer Guntupalli: Perfect, Angan. Thank you so much sir. All the best.

Angan Guha: Thank you, Sudheer.

Moderator: Thank you. The next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Thanks for the opportunity. Just looking at the offshore revenue scale up which has happened in this quarter, a clarification: is it fair to assume the volume growth in this quarter on a QOQ is much higher and material versus the reported growth of 1.8% in CC terms?

Angan Guha: Volume growth for us is a combination of two things, Sandeep. One is, it's a combination of the T&M business and also combination of utilization. Correct? So if you look at our utilization, our utilization is at an all-time high, at 87%. And some of the revenue growth is also happening

because of higher utilization. Now are we happy with the volume growth that we have got? We are. But is there an opportunity to improve that further? Absolutely, there is an opportunity to improve that further, given the client mining rigor that we have put in.

So I know it's not a straight answer, but I think the big uptick has also happened because of higher utilization.

Sandeep Shah: Okay. And the second question is in terms of the 2Q earnings call, Angan, you clearly said 3Q would be softer because of furloughs but we can see a bounce back of the growth in the fourth quarter. Versus that, now your commentary is slightly mixed about the fourth quarter growth pick up. Am I wrong in assuming that? Or do you still believe the growth bounce back could be solid in the fourth quarter versus third quarter?

Angan Guha: I can't give a guidance. And the only reason I can't give a guidance is because the world is very uncertain, right? And Sandeep, I've said this before, even in the 2Q earnings call, I said that we will be sharply focussed on execution. So we will see how the next quarter goes. Q3 was obviously softer than Q2. In Q2, as you would remember, we delivered 3% plus QOQ. Whereas in 3Q, we've delivered about 1.9% -- to round up. 2% QOQ. So, obviously, it was softer because it was a shorter quarter. Now how Q4 pans out, we will see. We are focused on execution. We are working with our clients. And we will try and do our best. That's all I can say at this point in time, that's the view.

Sandeep Shah: Okay. And the update in terms of the larger deal win of the last quarter, where we said the ramp-up will happen from April of the coming year, which is 2024. So any status update, any delay in that ramp up schedule?

Angan Guha: No, we are on schedule as far as the next fiscal is concerned.

Sandeep Shah: Okay. And the last question, Angan, these short duration deals, smaller projects, is it that the nature of the deals is employee ramp-up deals? Or these are slightly like digital kind of deals which are short duration agile based or which convert faster? If it's the first one, then why are we wanting to increase that scale of business, which has lower predictability and leads to volatility in the revenue growth QOQ?

Angan Guha: Sandeep, it's not the former. It's the latter actually. You said it very rightly. We do not want to do people ramp up deals. We want to do deals which are shorter in nature only and only if we can impact our clients' outcome. Otherwise, we are not interested in doing some T&M deals which are people-based deals. The deals that we are talking about is where we actually create an impact for our clients' business outcomes. And that is something we want to proceed to do, because that helps build our domain as well.

Sandeep Shah: And is it fair to say clients are spending on these deals with some amount of green shoots happening on this side of the business, because these deals are not heard through other vendors. You are the only one who is talking about it. Is that part of green shoots on the discretionary short-duration projects?

- Angan Guha:** No, I don't think that we should make that assumption just yet. Only what I'm saying is, Sandeep, because we are able to serve our customers better and the customers now are beginning to trust our execution capability, they are willing to do deals with us which are more domain orientated. But does that mean that we will get multiple deals like that or big deals like that? It's hard to say. Because the macroeconomic environment has not changed. But I think within the situation that we are in today, because of our understanding of the clients' business or the clients' domain, we want to definitely capitalize on this, Sandeep. That's all I can say. Now, has this become a big revenue generator for me? May not be. It's hard to say. But can this be a great area for me to learn, for me to get some good revenues and make good money? Absolutely.
- Sandeep Shah:** Okay. Thanks and all the best and congrats on great execution.
- Angan Guha:** Thank you, Sandeep.
- Moderator:** Thank you. The next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.
- Dipesh Mehta:** Thanks for the opportunity and congrats on a very strong execution. Two questions just continuing on these short-term projects. So just want to understand the nature of the short-term projects, whether clients prefer not to commit for longer duration and that's why we are seeing such projects coming to us? Or if you can provide some more color on it? And the sustainability of that trend. Now partly, you touched upon about the relationship and trust when we deal with clients. But still I'm not very clear whether client is not deciding and prefers to wait for some clarity to emerge and that's why these short-term projects or it is the way business works? If you can provide that clarity. Second question is...
- Angan Guha:** Sorry, Dipesh, let me answer that question first. See, the second part that you mentioned is pretty right. So it's not that the customer is giving us a short-term project because the customer doesn't have predictability. It is about some amount of business impact we can create by using some technology transformation, and that is where we are playing in. And do not consider short-term project is a one, two-month project. Short-term project could also be a one-year project, right? It is not necessarily one month or two months, it could be one year. But it is still time bound. I would rather call it as a time bound project. So, that's point number one.
- Point number two, it is not so much about predictability of their revenue as much as it is their trust in a company like Birlasoft to be able to create that impact. Now I can't give you more details than that because we are bound under NDAs. So we can't talk too much about that. But suffice to say that for the first time in our history, we are playing more on the domain side rather than just on the technology side.
- Dipesh Mehta:** I understand. And the second question is about Other Expenses. In other expenses, I think we have seen good leverage this quarter. So first is, were there any one-offs in that? And second thing is subcon optimization might have played out. So if you can give some color about how subcon has played out maybe Q-o-Q, Y-o-Y comparison?
- Kamini Shah:** Dipesh, this is Kamini here. You are right. Our other expenses have shown a decline. I think that's partly because of two reasons that you called out. One is, of course, in terms of subcon

being lower because of the furlough which was there. The second thing is that you also started utilizing more of employees to deliver our projects, moving away a little bit from subcontractors, right? So I think these are probably the reasons that have driven this. Other expenses have also been lower given that it's a short quarter as far as some of our overhead line items are concerned. So I think these are all the factors as to why our other expenses are a little lower this quarter.

Dipesh Mehta: So Kamini, a broader question was, whether this 25-odd number, let's say, 25% is here to stay, or we expect it to again normalize? Nine months is the right way to look at it or Q3 is more reflective from a trend perspective?

Kamini Shah: It's a slightly broader piece, Dipesh, because while some of it would go up, some of that has actually been made up through increase in costs and employee benefits. So I think it will be a combination of both.

Dipesh Mehta: Understood. Any quantification you can give for subcon? What percentage of our revenue would be subcon now?

Kamini Shah: We don't actually call out specific numbers but suffice to say that we're kind of reducing it and making an effort to build in those capabilities in-house.

Angan Guha: So Dipesh, let me add to what Kamini said. Look, we had stated a clear strategy right at the start of the year that we will work on reducing our subcon. And we are very focused on reducing our subcon and building capability internally. That's good for the business. So clearly, that has moved on a positive direction. But we will also have to work with certain amount of subcon, which is the need of the hour, if the business needs it. But clearly, that will continue to show reduction as we go forward.

Dipesh Mehta: Understand. Thanks.

Angan Guha: Thanks, Dipesh.

Moderator: Thank you. The next question is from the line of Apurva Prasad from HDFC Securities. Please go ahead.

Apurva Prasad: Thanks for taking my question. Angan, do you expect a jump in that EN plus NN bookings in Q4? And I'm asking this basis your comments on the deal pipeline and the new deal flat performance over the nine-month period.

Angan Guha: Apurva, look, our pipeline is strong. I can tell you that much, even from a EN and NN perspective. We have a lot of deals on the table from a EN and NN perspective in our existing clients and our pipeline is strong in net new clients as well. Now whether they will convert in Q4 or not, I cannot say. But our endeavour will continue to be to close as much business as we possibly can and not lose any business to competition. Now because of the macroeconomic headwinds, if clients decide to push out signings, then it is what it is. But like I said, Apurva, our focus will be to maximize signings in 4Q.

- Apurva Prasad:** Thanks for that. And just finally on -- any comments on the BFSI vertical, Angan, anything in terms of the investments made here and opportunity to target larger tech pools?
- Angan Guha:** Apurva, great question. We've been very bullish on BFSI, as you know. The last three or four quarters, we've seen growth in BFSI. As you know that October-November-December is a seasonally weak quarter as far as financial services is concerned. There is a lot of furlough. But you must look at our year-on-year growth. Our year-over-year growth still continues to be double digit in BFSI, and we are very bullish on that. I strongly feel that we will bounce back well in 4Q as far as BFSI is concerned. I don't see fundamentally any problem in that business.
- Your second question of targeting large budget pools, that have always been our endeavour. We are having a lot of conversations with some big clients, both in Americas as well as the Rest of the World region. But it's a question of converting. Like I said, those pipelines are strong. We will need to close those deals and convert them. And that is what we'll be focused on as far as financial services is concerned. But overall, we are pretty bullish on that segment.
- Apurva Prasad:** Got it. Thank you. And I wish you all the best.
- Angan Guha:** Thank you, Apurva.
- Moderator:** Thank you. The next question is from the line of Abhishek Shindadkr from InCred Capital. Please go ahead.
- Abhishek Shindadkr:** Congrats on a good quarter and Happy New Year. Just one question. If I look at your commentary about short duration projects and tie-in with the large energy deal that we have mentioned in the press release. And combine that with the intra revenue growth in this quarter. Is that one of the key reasons for the sharp growth in the quarter?
- Angan Guha:** So it is a combination of both, Abhishek. Look, our Infrastructure business is doing incredibly well. Our large deal that we closed last quarter, we've not seen a ramp up yet. We will see a ramp up going forward, that could contribute. But again, on the short-term projects, I have clarified this earlier, let me clarify: do not please look at the short-term projects like a time & material, 1 month or 2 months kind of a program. It's proper domain-led work. It could be long-term work like a 1- or 2-year work, but it's definitive work. Right? It could also be a one quarter work. The point we were trying to make is, in this quarter Q3, which is a short quarter, which is driven by furloughs, some of the short term, like we called it, which would be 6 months' work, 1 year work, has enabled us to kind of ride through the furlough quarter. Now, will it add revenues going forward? We are hoping for it does. We are hoping that this continues to be a good revenue generator for us because by nature, this is high-margin business. So we're very pleased with this revenue stream and we will continue to focus on it.
- Abhishek Shindadkr:** Perfect. That's helpful. And just a request, historically, we used to call out subcontracting percentage as a revenue. If you can share that, that would be really helpful.
- Angan Guha:** So Abhishek, look, I can't comment on it right now. Let me and Kamini think about it. One of the reasons we've gone away from reporting that is because it gives a wrong picture. In a lot of our work, subcontractors may be an essential part of our work for various reasons. Because of

the geographical reasons or the kind of work that we need to do for a short-term basis, for which we would like to continue subcon. Our only commitment to you, Abhishek, would be, that we will continue reducing our subcon going forward, and that is clearly showing up in our margin profile.

Abhishek Shindadkr: Absolutely. The reason I asked, sir, is because other expenses put together has seen a very sharp improvement as a percentage of revenue. And within that, I think subcontracting gets captured there. So any color would be helpful but not necessarily on this call, maybe later. Thank you sir.

Angan Guha: Thank you, Abhishek.

Moderator: Thank you. The next question is from the line of Ms. Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

Jyoti Singh: Congratulations on the impressive set of numbers despite a slight decline on the TCV side. That raised my concern...earlier, you discussed on the earnings call that TCV is going to be better in the upcoming quarter. So sir, if you can explain TCV to me, segment wise. That will be really helpful. And another question on the revenue mix side, earlier, you separately disclosed Europe in the mix. This time, you have not. So if you can comment on that. Thank you.

Angan Guha: On the TCV front, again, segment-wise reporting, we will -- we'll think about it. But look, it is a little hard for us to report segment-wise, because certain deals could be cross segment, cross technology. So a little hard for us to report segment-wise. But look, again, Jyoti, I don't think that's too much of a matter of concern as far as I'm concerned. Our signings have grown 9% year-on-year on a 9-month basis. That's a strong performance and you must appreciate that the December quarter was a short quarter.

We will try and maximize signings in 4Q and we will see how that goes. And I keep saying that as long as I don't lose any deals, that if the deals are getting pushed out because of client issues, then I'm okay. Then it's not so much of an issue, but we will try and maximize what we can. What was your second question? Can you repeat that, please?

Jyoti Singh: Yes. Second question was on the revenue mix side. It seems we have not separately disclosed revenue for Europe this time. So could you explain on that front? Or could you tell me how much percent that we are contributing from Europe?

Angan Guha: So Europe, we did not report. But we reported what is the revenue from the Rest of the World, and we will continue to report Rest of the World and Americas separately. So Americas still contributed about 85.7% of our overall revenues, and the Rest of the World is about 14.3%. Now within that, how much is Europe, I mean that is -- that I do not think we will report. I mean, our policy is to report the Americas and the Rest of the World, Jyoti.

Jyoti Singh: Yes, that is fine, sir. And last question is on the ERP side, which earlier we discussed on the call, on that if you can give us a picture of how much traction we are seeing on that segment?

Angan Guha: We are seeing good traction on that segment. We've turned the corner. This quarter that went by, we delivered 0.5% quarter-on-quarter growth. We are confident that this business will

continue to grow going forward. We believe that our partnership with all our partners, whether it's JDE, whether it's SAP, has improved, and you will see this in our numbers going forward.

Jyoti Singh: Okay, thanks a lot.

Angan Guha: Thanks Jyoti.

Moderator: Thank you. Management, we the last question coming from line of Mr. Krish Beriwal from Nomura. Please go ahead.

Krish Beriwal: Thanks for taking my question. I just had one question on the Rest of the World part of our business. I understand that it is still very early days, but with Manju joining us, Angan, can you share with us some initial color on how we plan to expand our presence in this geography? And what kind of margin headwind can we expect from this in the initial period?

Angan Guha: Krish, look, Manju has joined us just one week back, right? So we have to give him some time. But what I can commit to you, Krish, is once Manju is ready with his plan, we will come back to you and we will have not only Manju, but both Manju and Roop talk about their regions in terms of what they will do, what customers they will target, what investments they are making.

We will continue to invest in the Rest of the World. That's our commitment, because that's a business that we are very clear that we want to scale up, which is why we are hiring a lot of leadership, and we will continue to invest. So it will not be fair for us to look at margins from a regional perspective, because for the next foreseeable future, Europe will be on an investment phase, not only Europe but Asia too. So I would request you to look at margins at a company level, while we continue to invest in the Rest of the World.

Krish Beriwal: Got it. Got it, sir. That's helpful. And I'll wait for that update. Do you share the number of Fortune 500 or G 2000 clients that we have?

Angan Guha: Sorry, what was that again?

Krish Beriwal: Do you share the number of Fortune 500 or G 2000 clients?

Angan Guha: No, we don't. As a policy, we don't share, Krish, in terms of number of Fortune 500 clients that we work with. But suffice to say, like I've said it in the past, our top 10 and our top 20 clients have grown upwards of 3% quarter-on-quarter.

Krish Beriwal: Got it, sir. Thank you, sir, for that, and best of luck.

Angan Guha: Thank you Krish.

Moderator: Thank you. I would now like to hand the conference over to Mr. Angan Guha, CEO and MD of Birlasoft Limited for closing comments.

Angan Guha: Thank you. I first want to thank all of you for joining the call today and for your questions. I really appreciate your interest in Birlasoft. Over the course of this financial year, Birlasoft has experienced consistent revenue growth, as you all have noted, quarter-after-quarter.

And we've achieved some significant milestones along the way. As we make our way through the final quarter of FY '24, our commitment to you is that we will be very focused on execution. We will continue to build on our customer-centric organization that can take us to the next phase of our growth journey. I would obviously look forward to speaking with you again next quarter. But in the meanwhile, if you have any questions or comments, please feel free to reach out to Abhinandan for any clarification or feedback. So thank you once again and have a good evening.

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

(This document has been edited for readability purpose)

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