"Coforge Limited
Q3 FY '24 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day and welcome to the Coforge Earnings Conference Call for the 3rd quarter FY24. Please note all participants' lines will be in listen only mode and there will be an opportunity for you to ask questions after the management's opening remark. Should you need any assistance during the conference call, please raise your hand from the participant tab on the screen. While asking questions, request you to please identify yourself and your company. Please note that this conference is being recorded. I now hand the conference over to management for opening remarks. Thank you and over to you Sir.

Vikas: Thank you Vandit. Good evening to all. You would have received our Q3FY24 results by now. They have been filed with the stock exchanges and are also available on the Investor Section of our website.

We have with us today our CEO – Mr. Sudhir Singh; our Chief Customer Success Officer – Mr. John Speight, and our CFO – Mr. Saurabh Goel. We'll begin the call with opening remarks from the Management Team, and post that we'll open the floor for the questions. Before we begin, please note that some of the statements made in today's discussion relating to the future, should be construed as forward-looking statements and may involve risk and uncertainties. Please refer to the disclaimer to this effect in slide number two of company's Q3 results presentation.

With that, I would now like to hand it over to our CEO – Mr. Sudhir Singh. Over to you Sudhir.

Sudhir Singh: Thank you Vikas. A very good evening, good morning, and good afternoon to all of you across the world. At the outset, I would like to wish your loves ones and you a very healthy, happy and successful 2024.

Despite Q3 being a very tough quarter for the industry, Team Coforge has once again turned in a strong performance. During the quarter we faced higher than normal headwinds because of unusually high furloughs in the Banking and Insurance industries. We also confronted a depressed demand environment generally. Despite these challenges, I am pleased to report that at the end of Q3 Coforge has registered an organic YTD growth of 14.7% in cc terms and we have logged a sequential growth of 1.8% during the quarter. The firm closed three large deals during the quarter with our twelve-month signed order book now hovering around the USD 1 Billion mark. With an organic YTD cc growth rate of 14.7% in a tough year like this, we continue to remain amongst the fastest, organically growing IT firms.

Finally, and importantly, before I delve into detailed numbers, I do wish to point out that Coforge this year is likely to be one of the very few firms that gave a clear growth guidance at the beginning of the year and shall deliver within that revenue guidance range. Our ability to deliver on annual revenue guidance commitments in such a tough year is a testament to the tenacity of Team Coforge and in our ability to execute against plans. If anything, our performance this quarter reflects the execution capability of Team Coforge.

With that context, I shall now take you through the quarterly performance and our assessment of the outlook.

<u>QUARTERLY PERFORMANCE – REVENUE ANALYSIS</u>

I am pleased to report that during Q3FY24, Coforge reported revenue of $282 million, registering a sequential growth of 1.8% in Constant Currency (CC) terms, 1.4% in USD terms and 2.1% in INR terms. With a strong CC revenue growth of 1.8% in a seasonally weak Q3, a similar CC growth would suffice to meet our lower end of CC Revenue growth guidance for FY24.

On a YoY basis, Q3 revenues was up by 12.0% in CC terms, 12.0% in USD terms and 13.0% in INR terms.

I shall now detail vertical-wise growth for the quarter under review.

Despite very high furloughs in the BFS vertical, it reported a sequential growth of 3.1% in CC terms and contributed 32.2% to the revenue mix. The Insurance vertical was flat in CC terms and contributed 22% to the Q3 revenue mix. The Travel vertical grew 1% sequentially in CC terms and contributed 17.8% to the total revenue. Other/Emerging Verticals saw a sequential growth of 2.5% in CC terms and contributed 28.1% to the total revenue mix.

During the quarter under review, Top 5 clients contributed 22.7% to revenues, while top 10 contributed 34.3% to the revenues. A majority of our Top 10 clients are from the Banking and Insurance sector which was impacted by unusually high furloughs during the quarter.

Offshore revenues contribution continued to climb and stood at 52.2% of the total revenues. Revenue from Fixed price projects contributed 51% to Q3 revenue.

With that I shall now move onto to the margins and operating profits discussion.

QUARTERLY PERFORMANCE - MARGINS AND OPERATING PROFITS

During the quarter, we delivered an adjusted EBITDA of $50.6 million in USD and Rs. 4,170 million in INR terms. This reflects an adjusted EBITDA margin of 18.0% for the quarter, an expansion of 39 bps sequentially. The current quarter saw unusually high furloughs which had a higher than anticipated impact on margins.

SG&A as a percentage of revenue stood at 15.1% and saw an increase of 20 bps QoQ. We continued to invest strongly in our S&M capabilities to ensure continued and robust growth in the years ahead. We are investing very heavily in newer sub-geos like California and New York as standalone market regions and in scaling up newer verticals beyond the Banking, Insurance, Travel and Public Sector verticals with a focus on Healthcare, Retail and CMT. Investments on scaling up the Alliances, Advisory and Analyst channels continue unabated. We expect SG&A moving forward to stay at around the 15% level.

Reported EBITDA Margin stood at 17.3% and saw an expansion of 201 bps QoQ. Reported margins have also expanded on account of ESOP costs getting normalized in this quarter.

Consolidated profit after tax (PAT) for Q3FY24 stood at Rs. 2,380 million and was up 31.5% QoQ.

ORDER INTAKE

We recorded an order intake of $354 million during this quarter under review. This is the eighth consecutive quarter where the firm has reported an order intake of more than $300 million. In terms of geographic regions, Americas contributed $110 million, EMEA $172 million and Rest of the World $72 million to the Q3 order intake.

While the macros and IT spend environment continues to remain challenging, we signed three large deals in Q3, taking number of large deals signed to 8 in this fiscal.

Our executable order book, which reflects the total value of locked orders over the next 12 months, stands at $974 million and is up 15.8% on a YoY basis.

Coforge also signed 7 new logos during the quarter.

PEOPLE

At the end of the quarter three, headcount stood at 24,607 and saw a marginal decline of 31 sequentially. We have added 1,383 employees until now in this fiscal.

Utilization, including trainees, during the quarter stood at 79.4% compared to 80% in Q2FY24.

Last Twelve-Month (LTM) IT services attrition during the quarter stood at 12.1%.

I shall now request John Speight, Customer Success Officer Coforge, to walk us through capability and Delivery highlights.

John Speight: Thank you, Sudhir.

We continue to embrace our position as an AI-first organization, we cleared a critical Microsoft AI Cloud Partner Programme audit which has positioned us as a recommended partner for shared clients and unlocked dedicated growth funding.

I will now share a few examples of delivery execution in our key verticals.

In BFS, we enabled a leading global bank to "go-green" as part of their initiative to become paper-free in retail banking operations. We have also started successfully delivering AI based solutions to our BFS clients – a good example being a global banking product organization where Coforge is now a strategic partner in their AI Acceleration Hub program.

For a leading middle east commercial bank, we have executed a major legacy modernisation transformation encompassing their HR and financial processes, driving workflow processing efficiency and improving user experience. For a tier 1 Australian bank, we are partnering on their strategic programs to re-imagine and transform their Financial Crime, Fraud, Lending, Corporate and Institutional banking business processes.

In Insurance, we recently built and deployed a Gen-AI-based service for a major "supplemental insurance" provider to supply competitive intelligence for product and policy feature comparisons across client segments. We also added a major brokerage firm as a new logo, one of the world's largest Managing Agents.

In Travel & Transport, we secured an enterprise testing contract with a globally recognized cruise liner firm. We executed a UI modernization program for a leading Middle East Airport, enhancing customer experience across their websites. We have also created a new nearshore engineering capability for a prominent US airline.

In Public Sector, a growing business for Coforge, we secured a $27M TCV deal to implement a unified data hub providing a golden source of data to enable monitoring and provisioning of state welfare benefits to citizens.

In Europe we collaborated with a major Talent Advisory customer to develop their career support system. Using Quasar, our AI platform, we have integrated over 20 LLMs across cloud platforms to help streamline processes and improve client reach.

I will close with couple of notable mentions - HFS positioned us as an "Enterprise Innovator in Low code services, 2023" with a special designation of Trailblazer; while IDC recognized Coforge as a Major Player in their 2023 Worldwide Managed Public Cloud Services report.

With that I will pass over to our CFO, Saurabh Goel for further details on financials.

Saurabh Goel: Thank you John. Let me now provide some more detail on the financial statements. So, profit after tax for quarter 3 witnesses a substantial increase of 31.5% quarter on quarter reflecting 229 bps improvement on profit margin. This was on account of 3 reasons. One, improvement efficiency resulting in increase in gross margins by 60 bps in a very tough quarter which was impacted by very high furloughs. No.2, lower ESOP cost as compared to quarter 2. And no.3, lower ETR (Effective Tax rate) of 17.5% on account of higher profits that got realized in the current quarter in the lower tax jurisdiction although we expect the quarter 4 ETR to be normalized at levels of 21odd percent. As of quarter ended 31st December 2023, our total cash and bank balance today is $57 million as compared to $43 million in the previous quarter reflecting an increase of $14 million than the bank balances. Q3 OCF to EBITDA jumped to 70% or $33.5 million as compared to 50% in quarter 2. We expect to deliver 65-70% OCF to EBITDA for the year which also means that there is a significant ramp expected in Q4 and which is in line with the past trend of the organization.

The debtors at the end of quarter stood at 63 days of sales outstanding compared to 64 days in Q2 of FY24. Capex during the quarter stood at $6.7 million.

With that, I will hand over the call back to Sudhir for his comments on the outlook.

Sudhir Singh: Thank you, Saurabh.

I am satisfied that we ended the first nine months of the current fiscal with a CC revenue growth of 14.7% YoY in a difficult year. We expect continued revenue growth in Q4 and a sharp margin improvement as well during the quarter. The margin improvement shall be on the back of new business ramp-ups from our recently signed large deals and the reversal of the significant furloughs that we have seen.

We gave a very explicit annual organic cc revenue guidance range at the beginning of the year and we remain confident that we shall deliver within that band. That should make us one of the very few firms that have been able to deliver upon their yearly guidance commitment. We also expect to be around the adjusted EBITDA margin range of last year given the sharp margin uptake we anticipate in Q4.

With that, I conclude my prepared remarks, and I look forward to hearing your comments and addressing your questions.

Moderator: Thank you Sir. We will now open the call for Q&A session. We will wait for a few minutes until the queue assembles. We request participants to restrict to 2 questions and then return to the queue for more questions. Please raise your hand from the participant tab on the screen to ask a question. The 1st question is from Sulabh Govila from Morgan Stanley

Sulabh Govila: Thank you for taking my question. My first question is around the opening remarks that you made with respect to some of the additional environment issues in which you mentioned that it was depressed additionally in the December quarter. Just wanted to understand what has additionally come in and if you could provide some context around which areas and which verticals? When would you expect this to reverse or would it be a headwind in the coming quarters. And the furloughs that you mentioned, are they reversing completely in the coming quarter?

Sudhir Singh: Thank you Sulabh. Let me answer the questions in the reverse order. Let me take furloughs which is the shorter answer and then let me take up environment which is likely to be a longer answer.

Furloughs have stopped in our context, at least in the context of our clients. We have lost close to 40-50 bps by our estimate in Q3 margins because of higher than anticipated furloughs. We expect to recoup all of it back in quarter 4. That's answer 1 to question 2.

Answer 2 to question 1. I think it's going to be slightly more involved. Your question was around "how does the environment look".

The demand environment continues to be tough. Clients have finished their budgeting cycles for the calendar year 24. We finished our global sales workshop, a five-day meeting in Princeton between Jan 8th to 12th. Everything that we picked up about budgets from clients globally, does not represent any significant uptick in budgets in CY24 over CY23. Having said that, that's the broad macro environment. We have been investing very significantly on the SG&A side. We talked about the investments even in quarter 3. Given the SG&A increase, given the capability built, given the brand salience now, given the growth momentum, we feel confident that we can continue to eke out robust sustained growth next year and the quarters to come because of where we stand.

More specifically to your immediate question around "how do things look" across the three core verticals that we have - banking and financial services, the tightening of expenses mainly around run-the-bank continues. There is no change that has happened there. In some of the recent studies, I have seen talk about IT budgets in banking go up by about 4-5%. The budgets increasingly are focused on the transformation space and we believe that we are well placed to capitalize on this. The top three drivers within BFSI as we see in terms of budget spends going in are going to be agility in software delivery, it's going to be new product proposition or innovation and it's going to be compliance and regulatory. So those three areas we continue to focus on.

Insurance is a little more nuanced. Most estimates around global insurance premiums being talked about has them going up by about 2.2% annually. But it's spread all over. US is expected to be flat. Asia Pacific, ANZ etc. is expected to grow by about 6% and the focus there continues to be, the spend continues to focus on legacy modernization, cloud migration, digital transformation and also supplier consolidation. What we are doing there is, we are continuing to invest in our core platforms, partnership capabilities with Duck Creek, with Bond Pro, with Origami Risk and One Shield. That's where we expect growth to come from.

And finally the 3rd core vertical for us is Travel. The demand in Travel across the segments is mixed. Airlines, Airports are leading the spend when it comes to Travel. With the kind of spends that are being seeing right now, what we are seeing is, relatively lower demand across Logistics and Hospitality. Within these sectors, these four sub-sectors, the demand is driven out by cost take-out initiatives, it's driven by IT productization and it is driven by focus around security, Cloud and data solutions. There is, and this is important to note, there is we are seeing new interest in insourcing activity from some of the travel mid-caps for Global Captive Centres. Within the Aviation sector, there are new initiatives around One Order and around Digital Retailing which again are areas which we focus on. That Sulabh was the answer to question number 1 that you posed.

Sulabh Govila: Thank you for the comprehensive answer. My 2nd question is on the margin outlook for Q4. If I understand your Q4 margins were closed to 19.5% last year and 19.6%. If I take that as the exit margin, then hopefully your margin will be close to 17.8% on an adjusted EBITDA basis which is 50 basis points lower than last year versus our initial expectation of flattish years, So is that the correct understanding that we have for now?

Sudhir Singh: We intend to not just replicate what we did last year in Q4. because last year Q4 we were not coming up with the tailwinds, the margin loss that we had in quarter3. Why don't I step away. Saurabh, would you like to answer that?

Saurabh Goel: Thank you Sudhir. Sulabh, we are looking at, at least around 150-200bps margin improvement so as Sudhir pointed out, it was a 50bps impact of furloughs in the current quarter. Not only that, the same accounts, we were ramping up and ramping up people for the demand that was there for Q4. So that put together along with the furloughs that were there in the current quarter, we expect the margins to significantly go up from the current quarter and also higher than the levels of what we delivered last year. If you go even 2 years before, so our exit rate that time was more than 20%. So over the last 2-3 years, our exit rate has been an average of 20% in Q4. So it was 20.4% in FY22, in FY23 it was 19.6%. I think we target somewhere in between that.

Sulabh Govila: Understood! Thanks for taking my question. I will get back in the queue.

Moderator: Thank you. The next question is from Vibhor Singhal from Nuvama

Vibhor Singhal: Ya, hi! Good evening Sir. Thanks for taking my question and congrats on a great solid performance yet again in a difficult quarter. So Sudhir, just wanted to pick your brain on the BFS vertical. I think that is one vertical which has been the most talked about. One of the larger players mentioned in their commentary that you see bottoming out. Then we had some weakness not just…..but in many other place also because of the higher furloughs. But yes, you said that of course you expect furloughs to reverse in the next quarter. But from an overall demand perspective, are you seeing any kind of conversations, there are no changes in budgets but any kind of things coming back into the sector or by your experience, when do you think we could see some green shoots in the banking segment down the year?

Sudhir Singh: Thanks for your question. There are green shoots in the context of going for growth in the driving agility in software delivery, the new product proposition/innovation, and the Compliance and Regulatory requirements space. The overall macros are depressed but these 3 sub-segments within the BFS space continue to see increase in spends. Banks, you and I both know this, do their budgets normally around October to November time frame. Budgets now seem to be locked and loaded. Aggregate budgets have not increased. We suspect that if there is going to be a reversal in that situation, it will take another 4-6 months. Somewhere around the middle of the year, we will know in the 2nd half, there is more money to be released into projects. But for now, aggregate spends seem to be flattish. Agility in software delivery, innovation, compliance and regulatory seem to be spaces where money is getting prioritized.

Vibhor Singhal: Got it! Maybe 4-6 months down the line maybe you might seem some pickup but does it ever happen like that, that in the beginning of the year, the budgets have been frozen and locked in but if the situation improves, the client enhances the spend or fix it up by a couple of percentage points or whatever the number is? Does it actually ever happen or is it like because the current scenario is such that you are expecting like that?

Sudhir Singh: I am not expecting it. It very rarely happens. And as we finished our planning for next year in Princeton in the week of January 8th. We had 268 of our leaders and we spent 5 working days just working numbers up, account by account, prospect by prospect. We are not baking-in any improvement in macros into our next year plans from where things are. Unless things change drastically, the macros we are looking at are the macros we should be baking into our planning and we have baked into our planning.

Vibhor Singhal: Got it. That was quite comprehensive. I just have a 2nd question for Saurabh if I may. Saurabh, we have had good cash generation in this quarter and our cash balances also seems to be quite robust. Any plans on reducing the debt that we have in the balance sheet that we have taken up or maybe refinancing in some manner to reduce the interest cost?

Saurabh Goel: So Vibhor, there are non-convertible bonds which are there on the balance sheet of $41 million and there is an offshore debt, rupee debt and the average cost of that debt is 9.9 percentage points. It's an offshore debt. We are looking at, we will pay that off from the cash accruals and in case if needed, we will take a working capital which will come at a 300bps lower than that, 350 bps lower than that cost. So I think we are looking at restructuring the loan in next quarter 1 of next financial year. So the payment is expected in April 2024.

Vibhor Singhal: So that should bring down our interest cost by almost….

Saurabh Goel: The interest cost will come down and the working capital optimization anyways is happening so we will have a significant cash OCF coming in, in quarter 4. So I think interest rates over next quarter 1 because of the structural changes that we are trying to do in the overall debt profile of the firm, one. 2nd, the better cash management will lead to lower interest cost next financial year.

Vibhor Singhal: Thanks a lot. Thanks Saurabh, thanks Sudhir. Thanks for taking my questions. I wish you all the best.

Sudhir Singh: Thank you Vibhor.

Moderator: Thank you. The next question is from Dipesh Mehta from Emkay Global

Dipesh Mehta: Thanks for the opportunity. Couple of questions. Just wanted to get some clarity about the ESOP plan. I think ESOP 2005, again we have raised some scheme. So any implication on likely ESOP cost. 2nd question is about, earlier during the year we always used to maintain that FY25 is likely to be better than 24 in anticipation of some recovery in demand. Considering where we are today, do you think it holds true or do you think some recovery needs to play out for us to see that outcome and last question is about capital allocation. If you look, we hardly have cash on the balance sheet and if in the next 2-3 years, we intend to do some M&A as part of growth strategy, so if you want to tweak some of the capital allocation policy? Thank you.

Sudhir Singh: Dipesh, why don't I request Saurabh to take question no.1 on ESOP and no.3 on capital allocation. After that, John and I will address, FY25 versus FY24. Saurabh, all yours.

Saurabh Goel: Dipesh, currently the ESOP plan for which was created 5 years ago, that's all exhausted and there are no material stocks left in the pool right now. So Board has now approved 3% of the pool to be created which we will come for the shareholder's approval as a part of the postal ballot and after that, the grants will be given for, basically it's for the leadership team for over 5-7 years. So that is where we are on the ESOP cost. Otherwise without that, the cost will remain at where we are at the current levels. So once the new ESOP pool is created, grants are being issued, only then we will determine what the cost will be. We will come back on that once we are there.

No.2 on capital allocation, at least the current intent is that we will continue to pay dividends and we discussed that within our Board today but a formal plan for the next financial year, we will come back end of quarter 4 but as of now, the plan is to continue to pay dividends at the current levels that we have been paying.

Sudhir Singh: Thank you Saurabh. John, would you like to comment on FY25 outlook versus FY24, what we saw?........ John, I can't hear you.

John Speight: Sorry! On the FY25, my view is that there will be continued headwinds with all the macro dynamics going on. Because you mentioned Sudhir a number of times, we are focused on actually do ...inaudible... We are in those areas where banks for example are investing, the the regulatory space and there is lot of regulatory change that is coming on the downstream in the next 12 months. For example, consumer protection in the US is a good example. T+1 the payment transformations, all of those areas which we are heavily invested in. Other areas obviously, our conversation about talking about Gen AI and again that is an area where we consciously decided to invest heavily and we have seen an awful lot of pickup on what we are doing there, which we see driving a lot of growth.

Sudhir Singh: And the only piece I will add beyond the details that John added Dipesh is, growth will have to be clawed out next year like it had to be this year. And those headwinds are real. I don't see them, at least we don't see them abating anytime soon.

Dipesh Mehta: Thank you Sir.

Sudhir Singh: Thank you.

Moderator: Thank you. The next question is from Girish Pai, from Nirmal Bang.

Girish Pai Ok. Thanks for the opportunity. Sudhir, just wanted some comments on what you said in the analyst's meet in June of last year. You talked about a competitive situation where there was a lot of price based tussle going on between various players. Has the competitive situation improved or worsened or it still remains the same?

Sudhir Singh: (Laughs) I don't know how to classify improved or worsened. All I can tell you is that it's highly competitive out there. Everyone is trying to, and I used the word consciously in the last answer, everyone is trying to claw growth out. This year we had to claw growth when I talked about a 14.7% year to date growth, organic growth that we have delivered so far at the end of the first 3 quarters cumulated. It's literally growth that had to be clawed out from competition and as you can imagine in that context, pricing pressure tends to be acute. It continues to be really competitive out there. Nothing has changed over the last 5 quarters. We have seen the same scenario played out and because demand is depressed, pricing pressure has been high. It has happened over the last 5 quarters. I suspect in the next 2-4 quarters, it will likely continue.

Girish Pai: The other comment that you made in that analyst meet was about Generative AI where you kind of hinted that potential deflationary pressures coming from there. Do you see that panning out in the immediate term or do you think it's going to be like somewhere down the pipe?

Sudhir Singh: No, we are not really seeing Generative AI bringing in deflationary pressures at all. If I were to look at what we have been doing, and if I look at just the last 6 months, forget a longer time horizon, last 6 months, we have engaged with 60 customers. For a firm our size that's material. We have undertaken somewhere around 22 to 23 pilots, workshops, assessments, consulting, live revenue generating engagements now. The point that John was making, there has been a clear step-up that has happened. We are not seeing deflationary pressures at all. What we are seeing is, especially in financial services, which is our sweet spot active revenue generating small projects kicking off over the last few quarters. If I were to give you an example around this, there is a very large bank in the US, we did a very successful pilot with them where we used the Gen AI based product called Querier and because of that pilot, it's now part of the enterprise workflow. What that in turn has allowed us to do is, its propelled us to join their customer acceleration hub. So in many ways, what Gen AI is doing is., It's not just the Net New revenue services that's coming in, it's also it's integration into existing revenue stream that is helping us drive growth. We have done something very similar for a US based investment management organization where we actually worked with them on Gen AI in 10 different use cases collaboratively and we have been leading the entire analysis and recommendation. The work that follows may not necessarily be Gen AI only but there is going to be downstream revenue that would keep coming in. We have done something building on that, something very similar for another bank. We have come up with a very novel solution to check fraud detection using Gen AI and that again, is positioning us well for downstream revenues, not just from Gen AI service line but from cross service lines also.

The short answer to your question is 'no,' we have not seen a deflationary impact. We do see a revenue creation exercise at play here. John did talk about the fact that we invested for a firm our size very heavily. When we finished the Princeton meet we decided that 40% of the incremental investments next year will be in AI. And I said that from the stage with 268 of our leaders present there. I think, and I just build on what John said, the work that we have done in creating our own platform 'Coforge Quasar', the work that we have done in terms of creating Gen AI accelerators- the Document AI, the ML Ops, the Predict Graphs, the Speech AI, the Vision AI, so on and so forth, the 120+ jump starter use cases that we created has just proven to us that, a. in the short term, this is not deflationary and b. in the medium term, this can be a significant credibility booster and also potentially a downstream revenue enhancer.

Girish Pai: If I may squeeze in the last question. This regarding leakage of in your TCV numbers, are you seeing any leakage and if there is one, is that higher compared to what you saw 12 months back?

Sudhir Singh: No. If there is one thing that I think we do well, Girish it is that we execute. And if there's one thing that we pride ourselves on as a team, it is execution. Once we bite into a project, once we land at a client site, the one thing that always sets us apart ,and John can talk about it because he's led global delivery. is our ability to deliver on our commitments. It is the nature of our resources and the employees and the SME's and the architects - and so we do not see that leakage. You can look at our order executable numbers over the last four quarters and you will, I suspect, not see that leakage., John, do you want to build on that?

Mr. John Speight: Yeah, that's a good Segway. Execution, execution, execution, and I'll give a couple of examples. In this last quarter, we had one program where there was a large cloud migration going on in a major airline, 18 months this program had been going on, not delivered. We stepped in; eight weeks, done. Another case, which again shows the commitment of our teams. Our team stepped in, even though we weren't contractually obliged to, but as a partner we did and with the teams, we worked nonstop 96 hours, to resolve the problems and turned around saving the plus land to make a major fall back invocation and I think that is key to us, key to our delivery.

Girish Pai: Okay. Thank you.

Sudhir Singh: Thank you, Girish.

Moderator: Thank you. The next question is from Sandeep Shah from Equirus.

Sandeep Shah: Yeah, thanks. Thanks for the opportunity. First question is, looking at the demand commentary, it's slightly mixed across verticals. So, is it fair to assume with the headwinds which we are still witnessing in the macro versus some of your consulting peers are actually talking about discretionary spend revival which could happen in the BFS as a vertical? Is it fair to assume in a worst case scenario also what we achieve in a constant currency growth in FY24, it can actually replicate that in FY25? Why I am asking Sudhir is at the end of last calendar year, the 12-month executable order book has grown at 20% versus this time we are at the end of the calendar year, it is growing at 16%?

Sudhir Singh: Correct. So, what we'll do, Sandeep, is we give our guidance at the end of the year and we've done that over the last three years. We'll talk about guidance after factoring in everything that we see, with hopefully demand settling down a little bit more by the time we have a conversation end of April. At this point in time, I can just tell you what we've always said. We believe that the #1, #2 and #3 objective of Coforge is driving growth as a commercial enterprise. And that is an idea to which we have adhered to very, very, strongly. We expect to leverage the execution that John talked about to continue in the years, not just the quarter or the next year to drive robust growth, sustained growth, and profitable growth. I will, along with John and Saurabh try to give you hopefully, try to give you a broader range next quarter when we give our annual guidance for next year.

Sandeep Shah: Okay, okay. The second question is in terms of margins. I agree there has been a good pickup in terms of the gross margins, but the kind of utilization increase, the kind of offshore increase, is it fair to assume FY25 could see slightly higher tailwinds in terms of average resource cost as well as some amount of SG&A leverage versus the investment which we are doing in S&M?

Sudhir Singh: Absolutely. I think the one thing we're very clear on and we can say straight off the bat without waiting for next quarter end is, next year margins will clearly be higher. They'll be higher because when we start off next year offshore revenue percentage as a percentage of total revenue would have gone up. We've already hit the 15% mark around SG&A, which is where we said we wanted to be at and then stop further investments as a percentage of revenue. And there are clearly tailwinds around what we internally call the average resource costs. Next year margins will be higher, no question about that.

Sandeep Shah: Okay, Just the last bookkeeping observation. One suggestion, please don't stop giving a separate line item on cost of revenue as well as the ESOP cost because we guide on our adjusted EBITDA margin. Yeah.

Sudhir Singh: Point taken. Alright. Thank you, Sandeep.

Moderator: Thank you. People who wish to ask questions can click on the raise the hand button on the bottom of the bar. The next question is from Shraddha Agrawal from AMSEC.

Shraddha Agrawal: Yeah. Hi, Sudhir. Congrats on good quarter. A couple of questions. First is on the three large deal wins that we've spoken about. Can you quantify, is it more of renewals or is there some new deal component involved in it? And if yes, what could be the quantum of new deal signed? And what verticals are they spread across?

Sudhir Singh: Sure. Let me take both questions, Shraddha. Out of the three deals, one is 100% NN, Net New. The second one is EN, but most of it is new revenue, incremental revenue. The third one was an interesting one where we had a certain amount of real estate at an insurance client and we were able to push out the second largest partner there. So, half of that deal is new for us. Just summarizing, one is clearly just new business, the second one again is largely new business and the third one, half of it is new business. Verticals for these three would be Insurance, Banking, and Public Sector in UK.

Shraddha Agrawal: Got it, got it. In terms of our performance geography wise, it seems that the following impact in Europe this time around was not as significant as what we saw in the US. So, if that was the case and if at all in general, how are the growth dynamics between the two geographies?

Sudhir Singh: Furloughs were as always very client specific. So, I won't generalize our experience across what's happened in the broader industry across the two continents. I would say as we finished the first cut of our planning in the week of Jan 8th, I haven't seen our teams come up with materially different numbers across the two continents. They've come up with growth numbers and those growth numbers are not very different from each other, right.

Shraddha Agrawal: Right, that's helpful. Saurabh, just one question. Would it be possible for you to give the breakup of other income?

Saurabh Goel: I will not have that handy, but I'll share that separately.

Shraddha Agrawal: Sure. Thanks.

Moderator: Thank you. The next question is from Ravi Menon from Macquarie.

Ravi Menon: Hi. Thank you very much. Sudhir, you talked about how BFS continues to be having a difficult time, but last four quarters you delivered good growth and BFS. So, could you give us some idea about what sort of programs are you seeing and what's the pipeline looking like over there?

Sudhir Singh: The pipeline from our end continues to be good Ravi. One of the three deals that we signed this quarter was from the Banking space. We continue to see spends, and I think I spoke about this earlier as well, in the Innovation space. We are seeing a lot of interest around introducing Agility in Software Delivery in Banking which is somewhat new for this sector. And we continue to see…. one of the three deals we signed is from Banking. It actually came from the Compliance and Regulatory space with one of the central banks in Europe. So, innovation, speed and agility in software delivery, and compliance reg those are the three spaces where we are finding happy hunting grounds from our vantage point.

Ravi Menon: Thanks. It looks like Europe turned really well this quarter and I think even year-on-year Europe is up a lot better than the US. So, again any color on the verticals what's really contributed to growth there and can to sustain?

Sudhir Singh: Europe for us is essentially a Banking and a Travel play. The Travel vertical for us on the Europe side has done significantly better than it has across the States. Banking has been slightly better than it's been in the US. So that's how I would call out the things that have worked for us. Europe for us has been a very happy hunting ground in the Public Sector space. And that continues to be a growth driver. We are not present in that vertical in North America. If I were to contrast our four key verticals, that's how three out of the four had been now.

Ravi Menon: On utilization, how much headroom do you think you have to improve that?

Sudhir Singh: Best case maybe another 150 bps. Because the way we calculate utilization is we also count our trainees into our calculation. We think we're not going above 81% anytime soon. We're at about 79.4%, so maybe another 150-160 bps.

Ravi Menon: Thank you so much and best of luck.

Sudhir Singh: Thank you, Ravi.

Moderator: Thank you. The next question is from Abhishek Kumar.

Abhishek Kumar: Yeah, hi. Thanks for taking my question. This is Abhishek from JM Financial. Sudhir, as you rightly mentioned, the story of Coforge has been to eke out growth in a challenging environment, but when I look at the performance across verticals even if I look at the nine months of this year, it seems to be again driven predominantly by BFS, while I think at the beginning of the year you had said that probably most of the verticals will grow in a narrow range. So, just wanted to understand, is the demand in other verticals are kind of surprised us negatively or we have not been able to eke out the growth in other verticals as well as we have been able to do in BFS, any color? The question really is because if this trend continues, does it become a headwind next year?

Sudhir Singh: Alright, let me start off by saying, let me just step in there. (Laughs) In our defense, we haven't eked out growth, we've clawed it out and it's been tough. But it's been far better than "eking" it out. Answering your immediate question Abhishek. If you look at our growth…Banking, you're right year-to-date at the end of quarter three is growing 15½%, but insurance also is doing extremely well. Year-to-date at the end of the third quarter, CC terms insurance is growing 11½%. And to that extent, in the environment that we have today, both Banking and Insurance are doing well. Travel is growing 3% and that's largely because of issues that we've seen with some of our largest travel clients, most of whom are based in North America. I would suspect that Travel, especially Airlines, the softening that we saw, in the Travel Tech and the Airline space in North America has bottomed out. Travel should only be rebounding from here. Hard numbers show banking having grown YTD cumulatively the first three quarters 15½%, insurance 11½%, and travel 3%. Travel we would expect to start amping up from here on.

Abhishek Kumar: Okay, that's helpful. Thank you and all the best.

Sudhir Singh: Thank you.

Moderator: Thank you. The next question is from Kawaljeet Saluja from Kotak.

Kawaljeet Saluja: Hey, hi. Thanks for giving me the opportunity and Sudhir congratulations on once again a robust quarter. A couple of housekeeping questions and then a question for you Sudhir, but first Saurabh for you. Saurabh, the couple of questions are like first is that have you locked in on the type of instruments ESOP that you want to give out, you know because the accrual that you're taking is 3% which seems to be largest. So, are you going for an RSU structure or more of a ESOP structure, which is a discount to the market price?

Saurabh Goel: So, Kawaljeet it's not locked in right now. I think before we come for the postal ballot, I think we will have a response to that.

Kawaljeet Saluja: Okay. #2, basically, I have a preference between the two is where would you - what would you prefer?

Saurabh Goel: So, it will be a mix of both this time. So, last time it was more of a heavily discounted ESOPs, this time it will be a mix of both. So, but whatever it will be once it is finalized, we will come back to shareholders with the proper explanation as part of the postal ballot.

Kawaljeet Saluja: Okay. Thanks for that, Saurabh. The other questions for Sudhir. Sudhir, I just saw a couple of changes at the board level, is the board refresh complete post the change in post exit of a bearing or that's something which will materialize or complete at a later date? 2nd is that if there are going to be additions, right, what sort of type of additions you would love to see here? Of course, you will for the board, but nonetheless, I under that. Go ahead.

Sudhir Singh: Sure. The immediate board size that we will be going forward with will be a board constituted of six members. At this point in time, we have line of sight to all six. Yesterday, we announced Mr. Anil Chanana who has joined in as the Audit Committee Chair. He shall take over from Mr. Ashwini Puri, who retires after his second term with the firm on March 31st. Mr. Chanana is already on the Board. He attended the board meeting today and once Mr. Puri steps down, he will take over as the Audit Committee Chair. Mr. Pradhan, as everyone knows, will be stepping down after his second term at the end of June. Mr. Pradhan and the NRC have been working very closely together and we have a clear line of sight to an identified candidate who is going to be stepping in as the Chair after Mr. Pradhan steps down. He will of course be onboarded before Mr. Pradhan steps down. And the third Non-Executive Director that we need, again we've identified the gentleman. He's based in the United States and he is in all probability going to join us in the next - over the next three weeks. So, the immediate plan was to have a Board with six members and everyone has been identified and we should be good to be in that configuration over the next two months.

Kawaljeet Saluja: Okay, fantastic. The third question again for you Sudhir is that, when I look at the composition of our revenue mix, of course you always had a different mix courtesy that strength in Europe, but when I look at the growth in ROW that's been quite remarkable. Just wanted to get a little bit more what I would say insight into type of program that you are winning in the ROW world. This question is more in the context of the fact that for the industry, ROW has never been a very happy hunting ground there, so?

Sudhir Singh: Yeah. So, for us, ROW has compared to other firms, been a happy hunting ground. Because Travel for us has always been a very strong vertical in ANZ. I mean all the way from the Middle East, all the way down to Australia, New Zealand. APAC, ASEAN and ANZ have also done extremely well for us on the Banking side. Especially given our partnership with Duck Creek, we've found Australia to be a very happy hunting ground for insurance as well, increasingly. So, our growth is coming A - from insurance largely off the back of our partnerships with the platform players. It's coming in banking largely off the back of our DPA capabilities and also from the fact that a lot of the European banks have very strong interconnects with ASEAN and ANZ banks and of course, travel has always been a strong space for us in that area. So, that's how ROW is playing out.

We have taken increasingly a very strong geo sales-based approach to how we operate. Verticals continue to be prime, but we're also trying to set up geo-based pods and the establishment of these pods across the world including what we call Middle East, India, ASEAN, ANZ is working well for us.

Kawaljeet Saluja: Thank you so much and all the best in future.

Sudhir Singh: Thank you, Kawaljeet.

Moderator: Thank you. The next question is from Manik Taneja from Axis Capital.

Manik Taneja: Thank you for the opportunity and once again congratulations for the steady execution. Sudhir, while you already answered a few questions around the outlook, let me try my luck once again. So, given the macro backdrop, given the exit arithmetic's this year heading into FY25 and both looking at your order in executable order book, how sure one be thinking about FY25 growth compared to FY24, any initiative marks on that front? That's question #1. The second question was for Saurabh, with regards for segmental margins, while you've provided some outlook around the Asia Pacific business mix, but when I look at your segmental margins, both India and Asia Pac essentially are a drag on, on margins, if you could talk about what's ailing that and how should we be thinking about the trajectory going forward?

Sudhir Singh: Alright, let me take #1 and you take #2 Saurabh. Outlook. (Laughs) You're clearly a betting man, Manik, and I'm a very mulish man. Let me just repeat what I said. I think, we'll wait till the end of next quarter and then we will endeavor to provide the best possible guidance that we can for FY25. And I'm sure Saurabh, you want to pick up question #2.

Saurabh Goel: So ROW, Manik continues to be a drag. It is lower than what we call is Americas and EMEA region and it's coming because of two reasons. #1, there is significant investments that have gone in building the geography because you have ramped up the sales team in Australia. It used to be a geography which was operating with one or two resources and over the last one year or so, we have hired 9 to 10 people there and with Australia head and along with him, we have now a full sales team ramped up across insurance, across travel, across BFS, and focusing on newer sectors as well. So, it's largely coming in from the point that these are ASEAN, Australia, and Middle East. These are three regions wherein we are investing and these are identified as growth levers. So, that is why you're looking at lower margins there. So, initial investment phase and the margins will not be as good as the Americas or Europe, but you will see margins uptick happening over the next six months or so.

Manik Taneja: Thank you and all the best in the future.

Sudhir Singh: Thank you, Manik.

Moderator: Thank you. The next question is from Sudheer from Kotak Mutual Fund.

Sudheer: Hi, Sudhir. Congrats on yet another good quarter. On the budget comments that you said, you were saying budgets in CY24 may be flattish versus CY23, but in CY23, the complete amount budgeted at the beginning of the year would not have been actually spent throughout the year by many clients given some of the macro shocks like SVB or Credit Suisse happened three to four months into the year. So, even if the amounts budgeted at the beginning of the year look optically flattish on a year-on-year basis, is there a possibility that the actual amount spent may see an increase?

Sudhir Singh: Yeah, I hope it does. And of course, our intent, despite whichever way the budgets fall, is not to be flattish when it comes to driving growth from the banking sector. You're right, the scenario that you talked about might play out, but there's a might attached to it, Sudheer. If it does, it'll be great. Even if it doesn't, we'll have to figure out a way of driving growth even in a flattish demand scenario.

Sudheer: Okay, Sudhir. All the best. Thank you.

Sudhir Singh: Thanks very much.

Moderator: Thank you. The next question is from Jalaj from Swan in Investment.

Jalaj: Am I audible?

Sudhir Singh: Yes, you are.

Jalaj: Thanks for the opportunity. Saurabh, so I have two quick questions with regards to the numbers. So, I see that there is a drop in people cost to an account of almost 70 crores. Could you please break down between ESOP cost and the otherwise what is the other component?

Saurabh Goel: Yeah, so ESOP cost has gone down by roughly $4½ million, which would be, Rs 35-40 crores, maybe almost 50% of that.

Jalaj: And the balance would be?

Saurabh Goel: Balance would be obviously we are looking at ARC correction. So, there are levers wherein we are controlling bench, we are controlling average resource cost (ARC) of the people. There was an initiative that we started in the beginning of the year wherein we were looking at controlling the average resource cost because it has gone up very significantly over the last two years or so post first phase of COVID and the balance reduction is the function of that.

Jalaj: Great. In the notes to accounts, it mentions that there is almost Rs 13.7 crores of reversal from an Indian client which has come, so where does that amount sitting?

Saurabh Goel: Yeah, so it is not a reversal. It was an exposure to the firm was sitting at and the amount was not provided in the books of account because there was a dispute with one of the clients and the dispute is resolved. So, there is no more exposure. So, it's not an upside, it's not a downside. There was an exposure to the firm was sitting at, it's gone now. The settlement is done.

Jalaj: Yeah, so no impact on the P&L?

Saurabh Goel: No impact on the P&L in the current quarter.

Jalaj: Thanks a lot and best of luck.

Sudhir Singh: Sure.

Moderator: Thank you. The next question is from Rahul Jain from Dolat Capital.

Rahul Jain: Hello.

Sudhir Singh: Hi, Rahul.

Rahul Jain: Yeah, hi. Just two questions. Firstly, on the travel, of course you gave some insight to us, but would appreciate if you could help us reconcile that why this spends would have taken hit? Is it because there were a lot of one time spend they did in the past there was not getting in this year or this is higher market competitiveness or any other factor that you could highlight?

Sudhir Singh: I'm sorry, I don't think I got the question clearly, Rahul. Would you mind repeating it please?

Rahul Jain: Yeah. So, I'm saying that, in the travel vertical that we have seen relatively weaker performance or flattish performance, is it because there were a lot of spend that happened in the previous calendar, which were like one off / one time in nature and that's why we could see this? Or this is simply a function of higher competitiveness that we observed in the previous calendar, otherwise this has been our strength area, so what explains that?

Sudhir Singh: Yeah. I mean, clearly, competition continues to be high across the space and also equally clearly, you're absolutely right when you say that last year there was a significant rebound in spends and there's been some normalization since. But having said that we didn't expect to be only at 3% YTD growth at the end of quarter 3 when BFS is growing 15½% YTD organic, and insurance is growing 11½% YTD organic.

A lot of it has to do with the two of our largest clients in North America. One of whom has had significant budget cuts and the other one also is currently going through a potential merger. So tech spends are under pressure. That's the fundamental reason.

Rahul Jain: Right. Secondly, since we are at the end of the quarter three, would it make better sense to narrow down on the top end of the band for our guidance given the visibility that we may have for the Q3?

Sudhir Singh: Yeah. We are very clear it's 13% to 16%, but we clearly aren't coming in at 16%. We are equally explicit about the fact that we will come towards the lower end of the margin band. So, it's going to be somewhere around 13% or 13% plus. We are clear that it's the lower end of the revenue guidance band that we gave at the beginning.

Rahul Jain: Sure. That's helpful. Thanks a lot, and best of luck for the future.

Sudhir Singh: Thank you, Rahul.

Moderator: The next question is from Ashwin Mehta from Ambit Capital.

Ashwin Mehta: Yeah. Can you hear me?

Sudhir Singh: Clearly.

Ashwin Mehta: Thanks for the opportunity. Just one question, Saurabh, in terms of other expenses, there was a Rs. 69 crore increase this quarter and this was more than a revenue increase. So, I just wanted to get a sense in terms of the nature of this increase, it more any bought out items or pass through elements which are driving this?

Saurabh Goel: So, Ashwin, what we are doing is in the current quarter, so we are, we actually won contract wherein we are actually building up the treasury module for the clients for a bank in India. So, that's the reason. So, there is a subcon part included into it. There is an implementation cost which is going into the other expenses. There is infra buildup needed for the treasury module that is being implemented for a bank within the India and the ASEAN region. So, that's why you saw even after the furloughs the banking revenue for the current quarter was higher. There was a growth in the current quarter. So, it is to do with couple of contracts that we have got within the banking space in the APAC region, ASEAN and India region.

Ashwin Mehta: Thanks Saurabh, that explains. All the best for the future.

Moderator: The next question is from Ashish Das from Mirae Capital.

Ashish Das: Hi, good evening. Thanks for the opportunity. So, my question is when your top accounts, so last two consecutive work quarters, I see that your top five, top 10 accounts declined sequentially and now though you explained that furloughs follows is one of the reason and also you mentioned that BFS is doing well, your TTH vertical has bottomed out. So, can we expect that these top accounts will start growing in coming quarters?

Saurabh Goel: Ashish, just to correct you, quarter to our top accounts did grow. It's only quarter three that you've seen a very marginal decline. Please don't conflate revenue contribution from top accounts with actual growth, correct. The revenue contribution can come down, but in a growing firm that doesn't mean the accounts have degrown. Only in this quarter, there's been a marginal, very marginal I think for the top 10 accounts -1.2% degrowth and that is largely because the majority of our top 10 accounts are from financial services and the furloughs have been very extreme. It will 100% come back in the next quarter, which is quarter 4.

Ashish Das: Well, thank you.

Sudhir Singh: John, do you want to add anything you that. You might have some more perspectives there?

John Speight: I mean the only other comment I would make on that was the, you've mentioned on a number of other prior questions that we have within the TTH industry a number of US based customers that have struggled a bit which have had a slightly negative effect, but that's it. And I agree what you said.

Sudhir Singh: Sure.

Ashish Das: Okay. Just last question on the gross margin check. In the Investor Day you mentioned that there is a possibility that if I'm not wrong so gross margin would improve 100 bips in FY25. So, that guidance, that aspiration continues?

Sudhir Singh: Are you talking about FY25?

Ashish Das: Right.

Sudhir Singh: Yes, and I said this earlier also revenue, we will wait for another quarter to give a guidance. Margin, we are very comfortable giving a guidance. There will be a significant increase in FY25 over FY24. John, any views on that?

John Speight: No, no other comments on that one.

Sudhir Singh: Saurabh anything from you?

Saurabh Goel: Sudhir, I think we had mentioned that we will grow, we will improve margins in the current - gross margins in the current year and also expand margins next year, so not just at a gross level, but EBITDA level and EBIT level, we will look at coming back with a formal guidance, but yes, the expectation is that gross margin will improve and it will flow down to the bottom line, because the SG&A is now peaked out at 15%, we don't plan to expand SG&A beyond 15% levels. So, it will grow in line of the revenue growth now going forward.

Ashish Das: Thank you.

Sudhir Singh: Thank you.

Moderator: Thank you. The next question is from Chirag from Ashika Group.

Chirag: Hello.

Sudhir Singh: Hi, Chirag.

Chirag: Yeah. So, Sudhir if we exclude the furlough then what will be the sequential growth if you give some rough idea like?

Sudhir Singh: I'm sorry, are you talking about sequential growth in quarter four?

Chirag: In quarter three, let's say furloughs were not there then what would be the numbers look like?

Sudhir Singh: I can't give you a hard number around what the revenue growth would have been. But I can tell you that our margin clearly would have been about 40-50 bps higher in Q3 if the furloughs had not happened.

Chirag: Okay. And for fourth quarter, what we are expecting, is it similar or we might see some recovery in terms of revenue?

Sudhir Singh: No, revenue is still pretty robust. So, I don't think we're talking recovery after a decline.

Chirag: No, I'm asking like a normal trajectory on sequential basis. will be there or will be the repetition of 3Q?

Sudhir Singh: Chirag, we don't offer quarterly revenue guidance normally, but overall, when the year is over, as we've said, we will come within that 13% to 16% band. Towards the lower end of that band.

Chirag: Okay. Thanks.

Sudhir Singh: Thank you, Chirag.

Moderator: Thank you. We have a follow up question from Manik Taneja from Emkay.

Manik Taneja: Thank you again once again for the opportunity. So, Sudhir, just tracking question, when you mentioned that we should be coming in closer to the lower end of included range, that implies almost only about a 1.2% sequential growth, which is going to be lower than what we achieved in Q3 and in the backdrop of what you are suggesting in terms of furloughs going away, some improvement etc. etc., what is dragging the implied or what is dragging the Q4 performance for us?

Sudhir Singh: Right. I haven't said we'll come in exactly at 13%, Manik, but we clearly aren't coming to 16%, right? It is a very broad range that we started the year with, 13% to 16%. We will be towards the lower end of that range. The intent will be to do the best possible of course. We think 1.2% is eminently possible, which is why we started out the call by saying that we are possibly the only firm that gave a revenue guidance which was clear at the beginning of the year and that we have met that guidance. Having said that, within the 13% to 16% band, we will be at the lower end. Exactly where we will be is not something that we can call out very explicitly, but clearly the intent is not to just touch 13%. We might be slightly higher. Difficult to quantify that slightly at this stage.

Manik Taneja: Sure. Thank you for that help me.

Sudhir Singh: Thank you, Manik.

Moderator: Thank you. We have one more follow-up question from Girish Pai from Nirmal Bang. Hi Girish, requesting you to unmute please.

Girish Pai: Okay. Thank you. So, I just a question on color on the spending slowdown that we've seen industry. How much do you attribute this to macro worsening versus the normalization of heightened spending that we've seen during the pandemic and what does this have in terms of implication for a pent-up demand driven pickup in growth say in FY26?

Sudhir Singh: John, do you want to take a stab at that?

John Speight: I actually do believe that both levers had an impact. Certainly, the macro situation has had a significant headwinds and yes, there has been a shift away following the spending during the COVID and post pandemic period. So, to my mind, firms especially BFS, TTH that they're all watching a bit and that is being a bit conservative, but the areas as I said we're focused on are areas in which many of our customers have to invest and then the overlaying all of that is the AI space which is generating significant traction for us. In one area and I'll give one good example, a lot of our customers are actually looking at AI and what they're now realizing is for them to leverage the benefits of that. They're having to relook at their entire engineering platforms, their data layers because those have to be in place and that's where we're seeing quite a lot of traction and growth. Hopefully, that answers your question.

Girish Pai: I was just asking what is the - suppose it's like 100%, how much of that is contributed by the heightened spending that we saw during the pandemic versus the macro concerns that you kind of seen, broadly?

John Speight: Sorry, Sudhir?

Sudhir Singh: No, it wasn't me, John. Go ahead. If you want me, I can step in.

John Speight: No, I would say now significant impact is more on the macro situation.

Sudhir Singh: And I would second what John is saying. We have passed the stage where we can point to normalization as a reason for it. There is still a lot of tentativeness around spend. Macros from a growth etc. perspective clearly are not stressed. But there's just a lot of ambiguity that clients are dealing with in terms of what they believe might be future scenarios. That's what we would point.

Girish Pai: Thank you. Thank you.

Sudhir Singh: Thank you, Girish.

Moderator: Thank you. I now hand over the call to Mr. Sudhir Singh, CEO, Coforge.

Sudhir Singh: Thank you very much folks. I have always said this, and we've always meant it sincerely, that we learn a lot from our interactions with you, from your questions, from your comments, from the follow-ups that you do. Thank you very much for making time for us. Thank you very much for following us and we look forward to seeing you once again three months from now. Happy New Year and I hope it's full of health, it's full of meaning and it's full of success for all of you. Thank you. Bye, bye. Goodnight.

Note: - This transcript has been edited for readability purpose.