eClerx/SECD/SE/2022/077

August 16, 2022

BSE Limited Corporate Relationship Department, Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Fort, Mumbai - 400 001	**National Stock Exchange of India Limited** Exchange Plaza, Plot No. C/1, Block G, Bandra - Kurla Complex Bandra (East), Mumbai – 400 051

Dear Sir/Madam,

Sub: Compliance under Regulation 30 of the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Reg.: Transcript of the earnings call - financial results for the quarter ended June 30, 2022

Scrip Code: BSE - 532927
NSE – ECLERX

Pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of earnings call held on August 10, 2022 with respect to the financial results of the Company for the quarter ended June 30, 2022.

This is for your information and records.

Thanking you,

Yours truly,
For **eClerx Services Limited**

pratik.bhanushali@eclerx.com
Digitally signed by pratik.bhanushali@eclerx.com
DN: cn=pratik.bhanushali@eclerx.com
Date: 2022.08.16 18:50:49 +05'30'

eClerx Services Limited Mumbai

Pratik Bhanushali
Company Secretary & Compliance Officer
F8538

Encl.: as above

eClerx Services Limited
Q1FY23 Earnings Conference Call

August 10, 2022

eCLERX MANAGEMENT:

PD MUNDHRA – CO-FOUNDER AND EXECUTIVE DIRECTOR
ANJAN MALIK – CO-FOUNDER AND DIRECTOR
SRINIVASAN NADADHUR – CHIEF FINANCIAL OFFICER

CONFERENCE CALL PARTICIPANTS:

HITESH ARORA - UNIFI CAPITAL
MANIK TANEJA - JM FINANCIAL INSTITUTIONAL
RUCHI BURDE - BOB CAPITAL
SAMEER PARDIKAR - ICICI DIRECT
SAMEER DOSANI - ICICI PRUDENTIAL
SANDEEP SHAH - EQUIRUS SECURITIES
SHRADHA AGRAWAL - ASIAN MARKETS SECURITIES

Asha Gupta:
Good evening participants, and good evening to the management. Welcome to the Q1 FY'23 Earnings Call of eClerx Services Limited. Please note that this webinar is being recorded.

To take us through the results and to answer your questions, we have with us the top management of eClerx represented by Mr. PD Mundhra, Co-founder and Executive Director, Mr. Anjan Malik, Co-founder and Director, Mr. Srinivasan Nadadhur, Chief Financial Officer. We will start the call with brief opening remarks by Srinivasan and then we will open the floor for Q&A session.

I would like to remind you that anything that is said on this call, which gives any outlook for the future or which can be construed as forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face. These risk and uncertainties are included, but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual report which you can find on our website.

With that said, I now hand over the call to Mr. Srinivasan. Over to you, sir.

Srinivasan Nadadhur:
Thanks, Asha. Good evening, everyone. Welcome to eClerx's Q1 FY '23 Earnings Call for the quarter ended June 30.

Operating revenue for the quarter was USD 79.5 million, which is sequentially up 3% and 3.9% in constant currency terms. And year-on-year, it was up 22.9% and 25.2% in constant currency terms. The total revenue for the quarter was INR 6,398 million, which is up 6.4% sequentially and 29.4% Y-o-Y. EBITDA was INR 1,870 million at a margin of 29.2%. Due to strong double-digit Q-o-Q growth of the Personiv business, we made a provision of INR 215 million in this quarter for final earnout related costs. This led to a PAT of INR 992 million at a margin of 15.5%. Without this one-off provision, PAT would have been INR 1,162 million at a margin of 18.2%. Revaluation income this quarter was higher than usual because of the sharp depreciation in rupee.

Coming to the other key business metrics, we would like to point out that the reduction in offshore seat count that you see on the metrics slide is temporary because of the ongoing seat consolidation in Chandigarh. Once this is complete, the seat count will back to original levels. We have no plans of reducing seat capacity in any location. The other business metrics are more or less unchanged. DSO is at 75 days and top 10 client concentration is at 60%. On the people side, there has been an increase of 1,000 people in overall headcount, most of it in offshore delivery. A key reason for the increase is that we are carrying a higher than usual bench to counter attrition, and the remainder is for future growth. And thirdly, our investments in productized services. This also reflects in the lower utilization percentage for the quarter. As we had mentioned last quarter, we have changed the attrition percent report from this quarter onwards and have excluded attrition in the bottom quartile. So, the reported attrition figure of 39% for this quarter is not directly comparable with those of previous quarters. Between 30% to 40% of our staff are currently work from office, and this figure will go up over the next few months, especially in our SEZ facilities as we ramp up to become compliant with the government's norm of 50% work from home.

The Board has appointed 3 additional independent directors whose appointment will be proposed in the forthcoming AGM. The investor deck carries a brief profile of each of them. The 3 directors have extensive experience in emerging technologies, financial services and consumer industries, respectively. They are very highly regarded in the industry, and we are very pleased to have them on our Board.

With a view to improving the liquidity of the stock, specifically for small investors, the Board has approved a proposal for a 1:2 bonus, and this will also be put up for shareholder approval shortly.

Finally, given the performance in Q1 and the pipeline, we continue to expect to have a strong FY '23 in revenue terms. We expect travel and return to office costs to go up in the near-term, and therefore, EBITDA margin in the next 1 or 2 quarters may be in the lower half of the 28% to 32% range that we typically guide towards. We see some indicators of challenges in the macro environment, and while we believe it will not affect FY '23 revenues, we will get a better indication of likely FY '24 environment in a couple of quarters.

With this, we come to the end of our opening remarks, and we will now move on to the Q&A.

Thank you very much. Back to you, Asha.

Asha Gupta:
Thank you, Srinivasan. We will now open the floor for Q&A session. We have first question from the line of Manik Taneja. Manik, please go ahead.

Manik Taneja:
Yes. So the question was with regards to the significant offshore headcount increase that we've seen in the current quarter, if you could help us understand which particular areas are driving this increase in terms of headcount? That's question number one. The second question was with regards to the broader business outlook. How are you seeing the high inflationary environment essentially impact customer and the location preference in your business?

Srinivasan Nadadhur:
Okay. So, I take the first one, and then I'll hand it over to PD for the second one. So, areas driving the increase in headcount is across digital and financial markets. And part of this is an investment in our productized service. The second part of it, as I mentioned, is an increase in bench. Some of it will be temporary as billing for the services that we are providing will start off from Q2 onwards and some of it is to counter attrition. And that may last for a longer period depending on how attrition pans out. So, the second part of the question, PD, can you jump in?

PD Mundhra:
Sure. So Manik, just to make sure I understood your question, it is about how we see the outlook in the context of high inflation in the U.S.? Is that correct?

Manik Taneja:
High inflation essentially is a problem that most of the world essentially stepping with. I was just interested to understand how is that playing a role in terms of customers' preference for location when it comes to delivery? And if you could help us understand is that driving a lot more work offshore for us as well?

PD Mundhra:
So, I don't think, Manik. If you look at our metrics, this quarter, our proportion of onshore work actually picked up just a little bit from 20% of overall revenue last quarter to 21% this quarter. So as offices are opening up in client locations, there is the opportunity to do more on-premises work, consulting type work, staff augmentation work despite the high inflation that you mentioned. I think the other factor to keep in mind is not so much because of high inflation, but because of the somewhat challenging macro environment. In certain pockets, we are seeing clients take little longer to confirm buying decision than they may have taken in the past. So there is a greater propensity to want to do a pilot or have a higher degree of conviction before they finally pull the trigger. So I think for us, that would mean that sales cycles potentially on some part of the business may be slightly longer going forward than they have been in the immediate past.

Having said all of that to Srini's opening remarks, I think at least for FY '23, given that we are almost sort of in the fifth month of the year, we continue to expect a reasonably strong outcome from a revenue growth perspective. For FY '24, I think in 3 to 6 months, we should have a much better picture of the environment that's likely to prevail. So as of now, I don't think our clients are under pressure, but I think they're being cautious. This is the way I would characterize it.

Asha Gupta:
Thank you Manik. We have next question from the line of Hitesh Arora. Hitesh, please go ahead.

Hitesh Arora:
Yes. So just my question is regarding Personiv. What is the total earnouts that we paid there's one we paid was INR 25 crores almost paid this quarter? In total, how much have we paid? If you could just remind us.

PD Mundhra:
Yes. So, Hitesh, I think in keeping with the disclosures we made, there was a substantial amount paid upfront at closing to all the shareholders of the company. And then there were 2 earnouts linked with performance in calendar year 2021 and calendar year 2022. So, the calendar year 2021 earnout has duly been paid based on the business performance. And I think our provision for that was more or less accurate. We had done a small top-up in Q3 of 2021. I think that number was in the USD 300,000 to USD 400,000 range, but Srini can keep me honest.

For 2022, the performance has been substantially stronger than what we had provided for, which is why we have increased this provision. So, without getting into the specifics of what each of those earnouts were, I would say that the 2021 earnout was more or less along the expected lines. 2022, we are happy, in fact, very happy that the business has been performing soundly. So, we've had to make a value provision.

Hitesh Arora:
And so, is it done now? Or is there any more a contractual obligation to pay?

PD Mundhra:
No. So the actual payment will be made after the performance for calendar 2022 is known so probably, let's say, in the first calendar quarter of 2023. But we believe that the provision that we now made should cover us for that payment because given that again we are in August, hopefully,

there won't be that much change from now and December.

Hitesh Arora:
Okay. Fair enough. And just to clarify on the accounting aspect of it. You expensed all this. Normally, wouldn't you capitalize a payout like this? Or is this a conservative method of accounting if you could just help my understanding.

PD Mundhra:
So again, I'll ask Srini to comment if he wants to add. But in this instance, the earnouts are now being paid to people who are on the management team and employees of Personiv. And therefore, it is in the nature of additional bonuses effectively because they are on payroll of the company. And because of that, my understanding is that it has to be expensed. But you are right, in some sense, it is a capital payment because it's a payment for the business. And therefore, we make the disclosures of showing what it is as a one-off item. But Srini, please, correct or anything I've said.

Srinivasan Nadadhur:
You're right, PD. That's what it is.

Hitesh Arora:
Okay. So, they are payments to employees rather than I would have thought the original owners, they are payments to the management of the company and hence expense.

PD Mundhra:
Who were also shareholders in the company, right? So yes.

Asha Gupta:
Thank you Hitesh. We have the next question from the line of Shradha Agrawal. Shradha, please go ahead.

Shradha Agrawal:
Sir, would it be possible for you to share the like-to-like attrition number for this quarter?

Srinivasan Nadadhur:
Yes, it is around 45%, which typically is not unusual for a Q1 every year because between Q4 and Q1, it generally goes up by 3% to 4% and because of the increment.

Shradha Agrawal:
Right. And sir, also puts and takes for margins this quarter because of this time around the impact of salary hike seems to be a bit on the higher side. So can you call out the impact of salary hike and the other expenses on the margins front?

Srinivasan Nadadhur:
It will be around 250 to 300 basis points. And I think you are right, this time, the salary hikes are higher than what we did last year and the year before last.

Shradha Agrawal:
Right. And possible to share the number of on-site wage hike that we have given out?

Srinivasan Nadadhur:
Onsite wage hikes typically are in the 3% range.

Shradha Agrawal:
Okay. And sir, 1 question to PD. How do you see the CLX Europe business given the chances of a recession in Europe? I mean, chances of recession, Europe are stronger than in the U.S. So in that perspective, how do you see the CLX Europe panning out in the next year per-se.

PD Mundhra:
So CLX has continued to perform very strongly for us. I think the segment that which are the large luxury brands have continued to fortunately perform strongly despite the challenges in China, which is typically a large market for most of those brands, whether it's LVMH Group or Kering group.

I think the challenge has come on the currency front because most of that book is denominated in euros. And given the weakness of the euro against the dollar, if you see the delta between our reported and constant currency growth, most of that is attributable to the CLX book because obviously, all the euro revenue is translating into far fewer dollars. But leave aside the currency and the cross-currency effects, I think the native book continues to do well. And I think underlying sort of pleasing indicators are that the quality of work has improved. It's become more contemporary cutting edge, and therefore, I would think more resilient than future proof in the nature of services that are being provided to clients.

Shradha Agrawal:
So as of now, you've not client specific instances or any deferments or roll-offs from any of the clients in Europe?

PD Mundhra:
No.

Shradha Agrawal:
Right. And no indications of such things panning out at least near-term?

PD Mundhra:
No. I mean I think CLX is on track for the business plan for this year.

Shradha Agrawal:
Right. And 1 question that typically, we've seen that the higher employee addition that we see reflects in a very strong revenue to the next quarter. So do we have visibility for strong revenue growth in Q2 and which is why a very strong hiring that was done in Q1?

Srinivasan Nadadhur:
So as I mentioned, some of the addition in headcount is definitely to the growth in revenue that we think, some of it is in response to attrition, and some of it is due to investment in the productized services that we have made, which we called out as part of our analytics and automation slides in the last quarter. So not all of it will translate into higher billable revenues. Not in the immediate quarter, but maybe in the future.

Shradha Agrawal:
Right. But we can be sure at least of the 4%, 5% CQGR trend that we have been showing for the past many quarters, at least, given the 8% plus kind of strength in employee addition that we've shown this quarter.

Srinivasan Nadadhur:
I guess we'll have to wait and watch.

Asha Gupta:
Thank you Shradha. We have next question from the line of Sandeep Shah. Sandeep, please go ahead

Sandeep Shah:
I look at the BSE listing to arrive at the EBITDA and EBIT margin. And there, if I even adjust for the amount, the EBITDA margin has declined by 410 basis points on a Q-on-Q basis. And this is largely explained because of the wage inflation. And I believe major hikes were due in 2Q? Is it been preponed to 1Q as a whole? And what were the other headwinds as a whole? And when you say lower half of the 28%, 32% band so that you expect in the next 3 quarters, the margins could be between 28%, 30%, right? That is the right way of looking at it?

Srinivasan Nadadhur:
Yes, I'll take that. Thanks, Sandeep So to the last question that you asked, yes, 28% to 30% is what we are talking about, for the next couple of quarters. And to the first question that you asked, our wage hikes are always in Q1, and this time again, they were in Q1 only, and a large proportion of the decline in EBITDA margin that you see is because of wage hikes and some amount can be attributable to the increase in facility cost and some to the increase in travel.

Sandeep Shah:
Okay. And what is the current percentage of work from home? And where are you targeting for FY '23, FY '24?

Srinivasan Nadadhur:
So the current percentage is somewhere between 35% to 40% are in office, but not all 5 days a week. And I'm not sure if you are aware, but there's been a recent notification from the Ministry of Commerce, that from October 15th, a maximum of 50% is permitted work from home, which means that the remaining 50% have to come to the office at least in the SEZ facilities that we have. And therefore, we will be filing in the next couple of months, all the paperwork to get the application processed. But we see that at least 50% will be in office from October 15th onwards.

Sandeep Shah:
And that could be the reason to say that our margin could be at the lower half of the band of 28%, 32% because this may increase the travel cost, facility-related costs.

Srinivasan Nadadhur:
Yes, there is certainly one of the reasons.

Sandeep Shah:
Okay. Okay. PD, just wanted to understand when the macro slowdown happens, how the business reacts, your nature of business because clients may be looking for more cost takeout kind of deals. So, is it fair to say if U.S. does not go into a deeper recession, there could be more outsourcing and more demand for your kind of work?

PD Mundhra:
Sandeep, I will take a stab and I request Anjan to also share his thoughts. I think given a choice, what we found is typically, we do better when clients are doing well because budgets are free-er they are more inclined to take decisions and so on. So certainly, we prefer that kind of macro as opposed to a macro where they are cautious and pulling back on spends, point 1.

Point 2, I would say that compared to, let's say, the IT business, our work on average tends to be less discretionary. So, I would say it's less volatile and lower EBITDA perhaps than the IT business. So it's more defensive even in the context of a slowing macro. But definitely, from a growth perspective, we typically see better growth opportunities in a positive economic situation than our software situation. But Anjan, please add your thoughts.

Anjan Malik:
Yes, PD, obviously, to mirror your thought process on this. I'd say that obviously, if we have clients that are reducing spend, the first thing that tends to go is onshore spend. So, to the extent that we have a larger book today of onshore spend, then that becomes vulnerable. The flip side of it is if you're a vendor that has a large offshore presence, then there is an opportunity to move migrate much of that work offshore. So, you do find in those cost compression times that your onshore book is to migrate offshore. So, there could be an element of revenue reduction, but possibly a margin improvement. But there's a hedge.

The second aspect of it, I guess, is broadly that you could have a reduction on overall spend that happens because of more M&A activity. So certain businesses might shut down, you might have made some acquisitions. And I think that's where vendors come in - for a vendor of our size, you could have events where a competitor gets bought by another company. And that company happens to be your client, then that's great for you. But if you're the guy that got bought, that may have not great for you. Because obviously, in this time, a lot of private equity money that's out there that's buying up assets that are potentially becoming cheaper. So, event risk continues. And I think for guys like us, your first order of demand will ultimately be whether your client stays in business or not and whether or not the businesses that they run, the business line they are continuing to stay active.

And obviously, I would say the third driver of it is volume. So, to the extent that you're doing phases in your plans, volumes are decreasing because of slowdown. You feel that there tends to a third order effect.

Sandeep Shah:
This is helpful. Just a follow-up, Anjan, if one has to put an estimate percentage of revenue, which could be coming for us from start-ups or unicorns or semi established start-ups as a whole, any number you can say? Or is it a big risk for eClerx?

Anjan Malik:
Well, yes, I'm not sure that I guess we have to take some time off-line to calibrate on all the terminology that you use. But I'd broadly say that I think 3/4 of our book of business comes from the Fortune 500. And I think it's something like 80% of our book of business comes from clients we've had for over 5 years. And these guys are a well-established company. So, I wouldn't say that majority or a large percentage of our business comes from guys that would be at risk, right, of just going out of business. But like I said, onshore is a substantial percentage of our business. it's a smaller percentage than it used to be given the size growth that we've had in the business and the acquisitions that we've done. But I'd say there was something that was vulnerable. I would be that the onshore spend is, firstly, the most vulnerable. And then you have to look at your client list and see which one of those guys is likely to be taken up. And that you're sort of going into tarot card reading territory. So I wouldn't want to speculate on that second point.

Asha Gupta:
Thank you Sandeep. We have follow-up question from the line Hitesh Arora. Hitesh, please go ahead.

Hitesh Arora:
Yes. last quarter, you had talked about the funnel you had mentioned. While it was good, it wasn't as great as same period last year. So just wanted to check how has it moved over the last 3 months? Have we improved from the funnel perspective, how things look like?

Srinivasan Nadadhur:
So, I think the pipeline looks pretty much similar as it was 3 months back in the sense that it's about the same size as last year at this time, which means that we may have a good year in absolute dollar terms, but it is on a higher base therefore the percentage growth will certainly be smaller than last year. The remarks that we made in the beginning of this meeting, there may be some slowdown in the conversion as people or clients take more time to think through the trends that they are doing. And so that's on the pipeline. I think roll-offs, we have seen are also lower than last year's this time and last quarter as well.

Hitesh Arora:
Any specific visibility on the rollout?

Srinivasan Nadadhur:
Specifically, what around what?

Hitesh Arora:
Do we see any negative surprises coming in essentially?

Srinivasan Nadadhur:
Not that we are aware of.

Hitesh Arora:
Okay. I mean, any bigger negative surprises now?

Srinivasan Nadadhur:
Nothing as of now.

Asha Gupta:
Thank you Hitesh. Next question comes from the line of Sameer Dosani. Sameer, please go ahead.

Sameer Dosani:
Just wanted to get an outlook around the financial services part of the business. What we've seen typically and maybe you can correct me if I'm wrong, there is a lot of volatility in that business where capital markets go through a very volatile phase. So if you can share your outlook around that part of the business and also help us through what is that we can expect around this business

Anjan Malik:
Yes, sure. So I think if you look back at our business over the last 15 years and both the GFC or the great financial crisis, we sort of went through a period of great volatility, which probably affected the financial services industry much, much more than anything that is anticipated in the current environment. And what we found during that period was a sort of a confirmation of the assumptions we had. And I guess it was a studied assumption, which is that I think our business is much more correlated to the complexity of the functions that we run versus the volume of transactions. And what we find is that when you have some GFC like events, volumes can come down or they can go up depending on which part of the business you support. But what you identified is that there are more sort of remediation projects & programs that come on board, where skill sets are needed in short-term and potentially more automation and reconciliation and regulatory reporting opportunities that come up. Now that certainly happened after the GFC last time. We actually think that probably that volatility in our market certainly in the financial markets industry is generally positive as opposed to a negative, certainly, for type of businesses that we support. So in summary, I'd say that the greater driver of our growth tends to be our penetration, upstream and downstream and in concentric circles are the functions that we support as opposed to sort of any single indicators such as volume, which may be affected by what you define as volatility in the marketplace.

Sameer Dosani:
So our business overall remains resilient despite the volatility in the end market so to say?

Anjan Malik:
Well, I would say that that is subject to the caveat that I made in my previous comment, which is that you could end up in situations where certain clients don't make it through and your borders have to shut in certain businesses. Then all bets are off, right, if you don’t, because you will definitely feel the breadth of it because if there's no business, there's nothing to service. So I would say that it's broadly very positive until sort of the boundary condition that your client no longer exists in the current shape, way or form.

Sameer Dosani:
And that possibility would be much lower because our clients are much larger in size and they are not at the survival risk, right?

Anjan Malik:
Never say never. But I would say that the GFC did a very good job of creating a pecking order I think you saw a lot of clients migrate towards their home markets, migrate to the period today that's their areas of strength. I mean, that process has been going on for 15 years. It's not a new thing. So the people that we today support by definition of the winners in the survivals because you cannot support the guys that there.

So yes, I think you have to make the assumption that this time around, the financial services industry is better set up for it. And maybe the risk exists in parts of the industry that maybe we don't support as much which maybe what we call the shadow economies is just, for example, the private equity shops and distressed debt shops.

So there is risk, but we broadly feel that at least our pool of revenue in that marketplace, I feel that there's more opportunity than there is a downside. But hey if you remember those famous last words – never say never.

Sameer Dosani:
That's good to hear. And I think in a way this question has been answered through questions asked by previous participants. We have generally seen outsourcing to be the major theme when pressures are on clients. Now have you started observing conversations around how clients can give more work to you? And have you started pitching, how can you take more clients, more work out of your clients just to help them go through this volatile period?

Anjan Malik:
So, I would argue that if we're not doing the second bit, then I think we've got a problem, which is that we're pitching to clients all the time to try and take on more work. So, I think that's sort of business as usual. In terms of do we see more demand for outsourcing? I would actually argue that when you get into positions like this that your #1 demand from client is on automation, right? So there, obviously, every client wants to automate everything straight through process everything and have 0 people. For the bits and pieces that are left, you need to try and find the most efficient and the cheapest way of doing that, right? Outsourcing is definitely one part of it. But engineering transformation and all those fancy words that people use, AI/ML, all those things are actually a part of that, too. that's why over the last 5 or 7 years, our focus has been on what we would call end-to-end service delivery, where there's been a focus on building out more consulting onshore, more transformations in this is an overused word, but like more sort of change in design services. So we can help our clients determine what can be taken, what can't be taken and for the bits that can be taken taking offshore, it can run much more efficiently in a much more sort of cost reduced and more efficient way than ever before. So, I think our clients are looking for more automation, and some bits that they can't automate, they're looking for smarter ways to reduce cost and run that in a managed way. So yes, but in a roundabout way.

Sameer Dosani:
And automation, when they need automation, we have the platforms ready that can help them? Or is it like they are turning to ITs? Is it scope of a that we provide? Or is it something which...

Anjan Malik:
Yes. So I think in those areas and those sort of what I would call our productized buckets of services, which we are showing more and more in our managed services breakout. We have, I would say, a multiplier of platforms, people services, right? So those things solve those problems for our clients in a very efficient way. I think what our technology and our automation team allow us to do is build APIs also to market standard platforms and to the platforms that our clients are using, which allows us to be sort of an efficiency multiplier in a way that they can't otherwise be. What we don't do unlike a lot of the big SIs and platform and product companies, is come in and say, look, we're just going to take out this entire stack, and we'll replace it because we feel that's a holy grail and those time periods is just too long to pay for our clients. So again, in periods of volatility, financial stress, cost pressure, they will turn to us because we can help identify what can be automated. What we can do, they'll get an SI to do or they'll do it themselves. But what we can do, we will take those functions, automate away as much as big as possible, run it on more efficient platforms we can. And if we don't have those platforms, run them on platforms that we can build APIs to leverage clients, third parties or whatever.

Sameer Dosani:
And the kind of the work that we have done would have only increased, I mean, the scope of work that we can do has only increased using for that period of time?

Anjan Malik:
I would hope so, it is an early phase right now.

Asha Gupta:
Thank you Sameer. Next question comes from the line of Ruchi Burde. Ruchi, please go ahead.

Ruchi Burde:
When I look at your numbers, over last 2 quarters, the on-site revenue mix has increased by about 2 percentage points. So, can you help us understand 2 things. First, what is driving this? And secondly, as you look into your pipeline of executable orders, do you see similar trends?

PD Mundhra:
So Ruchi, I think one of the names driving this is that in the COVID era when client themselves were working from offices, they didn't see much value in doing work onshore because there was no opportunity to do it on premise, and therefore, over that period of time, over the last couple of years, you would have seen a steady increase in the proportion of offshore work being done by us. In the last few months, as the world has opened up, finance clients have come back to their offices, as there is the opportunity to do more on-premises work with them, we have seen increase in demand for onshore work.

In terms of the future, I would say, I think our pipeline is more or less balanced. So broadly speaking, if you see, our has been in and around that 80-20 kind of range, 80 offshore, 20 onshore for the last few quarters, and I don't expect a significant change in that number.

Asha Gupta:
Thank you Ruchi. Next question is a follow-on question from the line of Sandeep Shah. Sandeep, please go ahead.

Sandeep Shah:
Just a question. I think you answered about CLX, you also answered about capital markets. How is the cable and wireless as a segment doing and any other industries which we are forgetting in terms of a demand outlook?

Anjan Malik:
The cable and telecom industry, you mean. Well, I mean, that industry continues to be under pressure, right? Because I mean, there's, for example, some of our largest clients have seen reductions in subscriber growth. So demographically, the industry continues to be challenged because of what they call over-the-top providers of services, fiber providers, et cetera, et cetera.

But in that context, there's more focus on cost reduction than ever before. So I would argue that. And we're seeing this from our clients that there's the most aggressive plan for offshoring that we've certainly seen in the past. And it's generally a very sort of made-at-home culture or buy-at-home culture traditionally. And I think the past 2 or 3 years has opened eyes, obviously, because of sort of the work from anywhere, I think that happened during COVID, opened eyes on what is possible.

And so I think the offshore providers are especially Indian ones, have generally been a very large beneficiary of that trend. And I think the trend is actually likely to continue and accelerate. The flip side of it is, obviously, we expect more consolidation in that industry. So like the banking space is not really a regulated space except from a monopoly perspective. So we'd expect to see more consolidation over the next 18 months to 2 years.

Sandeep Shah:
Okay. Okay. And Malik, in this industry, how is sort of penetration in terms of some of the new age providers like OTT players as a whole?

Anjan Malik:
It is currently low for what I would call new age providers. It is high with the large multisystem operators.

Sandeep Shah:
Okay. And just a strategic question. I think post the COVID start, we have done extremely well, both organically and also including personnel. So do you believe this is largely to do with the way the spend is happening in the industry on the digital adoption? Or it is also because the way eClerx is now approaching go-to-market, which is helping us to add new business higher versus the rollout which used to happen earlier. How do you put a weightage on these 2 elements?

PD Mundhra:
Yes, I can. I think Sandeep, that's a very good question. It's very hard to do that attribution precisely. But I would say it's a mix of tailwinds for the industry and probably a couple of things that we've been working on. So on the industry side, 2 things that come to mind. One is the tight labor markets in the west. So that definitely help people like us who can provide talent and capacity at short notice.

The second thing I would say is the COVID experience, where clients have come to the realization that a much broader set of things can be done remotely than what they may have previously. And therefore, effectively, the addressable market for people like us have been structurally increased over the last couple of years. So, these 2 factors, I would say, are not specific to they've helped the industry as a whole.

In terms of our initiatives, I would say a couple of things again. One is the focus on productized services, which is a journey that we began in 2016, is to try and pick the areas that we believe we have some and unique capabilities in and try and really add analytics and automation to those service offerings and ideally where possible, come up with a managed service or a BPaaS[Business Process as a Service] model, where you can give clients certainty of the cost per transaction. And I think that's broadly helped. Because if I look at where both our pipeline is as well as where the wins have come from, there's a much larger proportion coming from these focused areas. So, I would say that's one big factor.

And the last one, which is, again, from specific is, as you guys who follow the company for a while will know, between 2016 and 2019, we were unfortunate to have suffered from a couple of very large client-specific events, which hurt us in terms of losing large chunks of revenues in single events. That has not happened in the last couple of years. And therefore, whatever new sales we've made have largely translated to net growth for the firm. So, I would say these 4 things, 2 of which are industry specific, 2 of which are more things specifically, But I can't sort of attribute percentages to those buckets.

Asha Gupta:
Thanks Sandeep. Next question comes from the line of Manik Taneja. Manik, please go ahead.

Manik Taneja:
So, the question was with regards to something that PD already alluded to. So, what we've been hearing from some of the peers who are essentially focused on the digital operations piece is that they are saying there is significant velocity in terms of new deals, new customer wins enabled by greater acceptance of chat as the primary medium for customer care. Are you also seeing something similar with regards to that particular business segment for you? And how do you see that business grow over the next 3, 4 years?

PD Mundhra:
So, I think, Manik, this comes down to how people classify digital. So, for us, that work around chat support, we house more in our customer operations business. And you're absolutely right that there is a substantial appetite for clients to migrate customer support or customer contact more generally from voice channels to chat just because of cost efficiencies. So, the idea is that whatever you can automate and move to self-serve, do that because then you eliminate the cost. For whatever is left do chat and for things that can't be done by a chat, only then use voice. So that sort of is typically the sequence of preferences we see with clients.

And we have been beneficiaries of that as well because obviously chat is accent agnostic, right? So, in that sense, it's easier to deliver from offshore than voice might be. So yes, we've been beneficiaries of that, that has contributed substantially to the growth in our customer over the last couple of years. But we see it within the context of that business. For us, digital is sort of more digital marketing type work that we do for clients.

Manik Taneja:
Do you essentially foresee a scenario that India become from a customer care standpoint, option that had lost out to Philippines when it was with dealing with voice-based work?

PD Mundhra:
I think that's hard to say, Manik. I would say more generally as much as you can make that characterization, India as a destination has done well in the last couple of years in COVID. So, if you compare India and the Philippines and I'm saying this because we have some visibility to both countries. I think India's ability to pivot in March 2020 to a work-from-home model and create the necessary infrastructure and connectivity and maintain business continuity was probably higher than the Philippines. And so, I think clients were also pleasantly surprised because this was an untested capability, unplanned for situation. And so, I think the response of all providers and captives pleasantly surprised plans. So, India already, I think, does occupy a very prime position in their sourcing destinations. I do think that in certain cases, perhaps they're overweight India. So, they may want to balance a little bit by going to other geographies or Philippines then becomes on top of that list. But I think both geographies are attractive. I think India has done well in the past. Going forward, at least with our limited client set, we see more appetite to do non-India as well just to balance out the risk.

Asha Gupta:
Thank you Manik. We have next question from the line of Sameer Pardikar. Sameer, please go ahead.

Sameer Pardikar:
Sir, what explains some muted growth in the top 5 lines for us in the last couple of quarters.

Srinivasan Nadadhur:
Let me take that. So generally, it is difficult to expect constant increase in top 5 clients. What we have seen is that the non-top 5 and the emerging clients have grown faster than the top 5 clients are done. So if you look at what the year-on-year growth for the top 5, top 10 clients is, it's around 20%, whereas the non-top 10 have grown faster.

Sameer Pardikar:
Any particular client in the top 5 you are seeing some moderation?

Srinivasan Nadadhur:
No, not that we can focusing those specific clients.

Sameer Pardikar:
And again, from a territory perspective, we have seen some muted growth in the European territory. So, any particular reason for the growth?

Srinivasan Nadadhur:
That is largely because of currency. So that is showing up because the weak euro, it is showing up as a reduction in the contribution of Europe as a geography.

Sameer Pardikar:
Okay. And can you help us with the corresponding number of attrition we have reported 29% for this particular quarter? What was the corresponding number for the last quarter?

Srinivasan Nadadhur:
So, 29% for this quarter is not directly comparable with the last quarter's number that is there on the deck. So, the comparable number this quarter, comparable to the 42% that we reported for last quarter, is 45%.

Asha Gupta:
Thanks Sameer. We have follow-up question from the line Sandeep Shah. Sandeep, please go ahead.

Sandeep Shah:
Just in the Q4 presentation, we have shared that roughly 21% of the revenue comes out of analytics and the automation and 26% of the revenue comes out of BPO as a platform. So, is it fair to assume both of these does not overlap with each other? And how sticky these kinds of businesses? And any rough cut in terms of how the growth in these 2 things versus the company average where one can expect that these things as a percentage to revenue will keep increasing going forward?

Srinivasan Nadadhur:
So, I'll take that. So, in that presentation itself, we had mentioned there is an overlap between analytics and automation and the gross revenue. And that’s because you can sell technology as a managed service, you can sell analytics services as a managed service. So, there is an overlap.

And to your second question on how that is growing. I think typically, we will go on to give an update again on these 2 areas at the end of the year. So there is a meaningful period of 4 quarters during which we can look at the growth and see whether it has really made sense. So, we'll comment on that at the year-end.

Sandeep Shah:
And is it large part of the business is sticky repeatable business?

Srinivasan Nadadhur:
Yes, the contract and contract durations are more or less similar to the other services that we have.

Asha Gupta:
Thank you Sandeep. We have follow-up question from the line Sameer Dosani. Sameer, please go ahead.

Sameer Dosani:
Can you also speak about integration of Personiv acquisition? Because if we look globally, finance and accounting is an outsourced service growing and doing much better as compared to any other outsourcing horizontals. So can you share some light how are we thinking about this business? And how meaningfully we can scale this business up?

PD Mundhra:
So in terms of integration, I would say it's a loose integration so far because the earn-out period is still happening. And so it's important to be able to measure the performance of that business on a stand-alone basis. So, we are working together where there's an opportunity, as we mentioned in prior calls, there have been a number of successful cross-sell pursuits sharing capabilities and clients across both firms.

From a back-end perspective, also from a delivery perspective, there are engagements, where share deliveries happening between our native facilities and Personiv facilities. And also, on things like standardizing on certain platforms, whether it's internal HR platforms, COVID response measures like vaccination, et cetera, there is a lot of collaboration across the companies.

In terms of the outlook, so Personiv really has sort of 2 or 3 businesses or 2 or 3 segments that we're working. One is quite aligned with our customer operations business, one is more aligned with our digital business and then there's, of course, the authentic piece. We actually think that there are growth opportunities across all those 3 pieces, including F&A. And I think certainly in the last quarter, the double-digit growth that Srini alluded to on the Personiv side, a good chunk of that did come from F&A. So, I think as we come closer to the end of the year now towards the end of this calendar year, we'll be able to draw up a formal plan, goes for integration and the go-forward go-to-market for Personiv.

Asha Gupta:
Thank you, everyone. As there are no further questions, I hand over the floor back to the management for closing comment.

Srinivasan Nadadhur:
Thank you very much. Thanks to all the participants. Thank you, Asha, and we'll see you again in 3 months. Thank you.

Asha Gupta:
Thank you, everyone. This ends the Q1 FY '23 earnings call for eClerx. Thanks, we can join again next quarter.