



May 17, 2023

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Scrip Code: 504067

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Symbol: ZENSARTECH

Series: EQ

Subject: Q4 FY23 Results Earnings Call - Transcript

Dear Sir/Madam,

In continuation to our letter(s) dated May 2, 2023 and May 12, 2023, please note that the transcript of the earnings call held on May 12, 2023 at 9:00 a.m. hrs (IST) for Financial Results of the Company, for the quarter and year ended on March 31, 2023, has been made available on the website of the Company at <https://www.zensar.com/about/investors/investors-relation#Investor-Corner>

This is for your information and dissemination purpose.

Kindly take the same on record.

Thanking you,

Yours faithfully,

For **Zensar Technologies Limited**



Gaurav Tongia
Company Secretary

Encl.: As above

An  **RPG** Company



“Zensar Technologies Limited
Q4 FY '23 Earnings Conference Call”

May 12, 2023



MANAGEMENT: **MR. MANISH TANDON – CHIEF EXECUTIVE OFFICER
AND MANAGING DIRECTOR – ZENSAR TECHNOLOGIES
LIMITED**
**MR. SACHIN ZUTE – CHIEF FINANCIAL OFFICER –
ZENSAR TECHNOLOGIES LIMITED**
**MR. VIVEK RANJAN – CHIEF HUMAN RESOURCES
OFFICER– ZENSAR TECHNOLOGIES LIMITED**
**MR. VIJAYASIMHA ALILUGHATTA -- CHIEF
OPERATING OFFICER - ZENSAR TECHNOLOGIES
LIMITED**

MODERATOR: **MR. MANIK TANEJA – AXIS CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 '23 Earnings Conference Call of Zensar Technologies Limited hosted by Axis Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manik Taneja from Axis Capital. Thank you, and over to you.

Manik Taneja: Thank you, Yashashvi. Good morning, everyone. On behalf of Axis Capital, I welcome you all to Zensar's Q4 FY '23 earnings call. We have with us today; Mr. Manish Tandon, CEO and Managing Director of Zensar Technologies; Mr. Sachin Zute, CFO; and a few other members of the senior management team. Before I hand over the call to Manish, I would like to highlight that the safe harbor statement of the second slide of the analyst presentation and is assumed to be read and understood.

With this, I'll hand over the call to Manish. Thanks, and over to you, Manish.

Manish Tandon: Thank you, Manik. Hello, good morning, good afternoon and good evening, everyone, and thank you for taking the time to join us today to discuss Zensar's financial results for the fourth quarter of FY '23. As Manik mentioned, we have Sachin, our CFO on the call. And I would also like to welcome Vivek Ranjan, our CHRO, and a very warm welcome to Vijayasimha, for whom this is the first call, who joined as a COO a couple of months back.

In the 4 months since starting this role, I've had the pleasure of meeting many fascinating people, including Zensar associates, industry thought leaders and clients who passionately believe in their products and services. With each interaction over these months, I have been reminded why I was excited to take on this work. At Zensar, we create experiences that put people first. We do more than sell and deliver to our clients. We build relationships with them. And through these relationships, we are always learning more about our clients' drive and desire to serve their customers with greater speed, agility, and purpose.

To increase our addressable market, we are looking from the inside out, identifying our key strengths and capitalizing on a substantial service line investments. With the goal of optimizing execution, we also made a few key changes to our organization structure over the last quarter. Vertical business heads have been given the additional responsibility of driving a service line each helping to create a more collaborative sales environment. The capabilities of Indigo Slate and Foolproof have been consolidated under the umbrella of Integrated Studios.

We also have added a new Chief Business Officer position to lead the Integrated Studios and champion our experience-led offerings, which are very unique by the way. A separate function of net new growth and alliances has been established to focus on strengthening our alliance and hyperscaler partnerships led business. Our sales incentive plan also has been revamped with emphasis on the right incentivization to encourage cross-sell, multiservice line deals with healthier margin profile.

With that, I will turn to the summary of quarterly and FY results.

For the fourth quarter of FY '23, we registered a service revenue of \$145.8 million, representing a sequential Q-o-Q growth of 2% in constant currency. This translates to an overall revenue of \$147.5 million, representing a sequential Q-o-Q growth of 0.4% and quarterly Y-o-Y decline of 0.3% in constant currency. For the full FY '23, we registered revenues of \$604.2 million, representing a year-over-year growth of 10.3% in constant currency.

Let me walk you through the performance of our geographies and verticals for the quarter. All numbers stated here are in constant currency. Banking, Financial Services and Insurance reported sequential Q-o-Q growth of 2.4% and Y-o-Y, year-over-year growth of 16.1% in constant currency. Last quarter, our Insurance vertical saw a decline due to right shifting of milestones at a key client, which we recognized in the current quarter. Hitech and manufacturing, including emerging registered sequential Q-o-Q growth of 4.2% and a year-over-year decline of 4.1% in constant currency, supported by furlough reversal and growth in revenues at some of our key manufacturing clients.

Consumer Services registered sequential quarter-on-quarter decline of 12.7% and a year-over-year decline of 17.2% in constant currency, primarily due to decline in revenues at one of our key clients in the Europe portfolio. We expect to recover this revenue in the next quarter. At a macro level, we are still seeing headwinds in this vertical in pockets as the retail clients have tightened budgets for capital projects in response to continued high inflation and economic uncertainty.

Coming to regions. The U.S. region posted a sequential quarter-on-quarter growth of 1.4% and a year-over-year decline of 3.8%. The Europe region registered sequential quarter-on-quarter decline of 5.7% and year-over-year growth of 1.1% in constant currency. However, for the full FY '23, this region grew by a phenomenal 20% in constant currency terms. The decline in revenue this quarter was due to the right shifting of revenue recognition at a key client.

While there is continued softness in the new business environment, we saw healthy growth at several of our existing clients, and we expect the overall growth in this region to be back in Q1 FY '24.

The South Africa region saw growth momentum with sequential quarter-on-quarter growth of 4.3% and a year-over-year growth of 20.7%. Growth for full year FY '23 is 18.3% in constant currency. In addition to our existing AMS positioning, the region saw sustained positive traction for our experience-led engineering and cloud-native capabilities, which has led ramp-up at some of our key clients.

Our gross margin stood at 31.9% in Q4 FY '23, representing a sequential quarter-over-quarter increase of 460 basis points. Our EBITDA stood at 14.5%, a sequential quarter-on-quarter increase of 320 basis points. The order book for Q4 FY '23 stood at \$174.9 million, supported by healthy renewables and multiple wins across verticals.

I am pleased to share that for the fourth quarter, our last 12-month attrition declined to 19.8%, a sequential improvement of 300 basis points. Attrition continues to moderate due to our strong

employee-centric policy, coupled with easing supply side issues. Our employee happiness index and integral RPG employee satisfaction metric has reached a score of 84%, an improvement of 200 basis points over the last year. Likewise, we have seen a 20% increase in annual average training hours per employee rising from 61.8 hours last year to 74.2 hours in FY '23.

Our service lines continue to scale up and deliver targeted high-value solutions. Our integrated solutions approach, which leverages cross-sell capabilities like experience and engineering is gaining a strong foothold with our clients. Our focused service lines, including advanced engineering services, data engineering and analytics and enterprise SaaS are growing quickly and now constitute 34.4% of our services revenue.

On the ESG front, I am thrilled to share that the global level green energy component for our premises has increased to 17.6% compared to 7% versus last year. With this, we increased our green energy contribution by almost 150% in 1 year.

Moderator: I'm sorry to interrupt, sir. This is the Moderator: here. The voice is a little muffled. So can you stay away from the speaker a little from the microphone.

Manish Tandon: Okay. So as we were saying, as I was saying, with this, we increased our green energy contribution by almost 150% in 1 year. We are also water positive, water regeneration exceeding order consumed by 120% on our Pune campus. Importantly, in FY '22/'23, we touched more than 200,000 lives through fever clinics and other education and communication drives in CSR. The current demand environment continues to be challenging, driven by global uncertainty. This will delay client decision-making and impact tech spend in the near- to medium-term.

As a result, we are seeing some slowdown in pockets, particularly in Hitech and Manufacturing and in Consumer Services verticals. However, as our clients navigate the uncertainties, they are looking to digital transformation to move forward with velocity. As a steadfast partner, we continue to provide design, data and engineering offerings to help meet and redefine the challenges that matter most to the clients we serve.

In conclusion, I want to reiterate that we are on the right path in terms of strategy. We continue to keep a laser sharp focus on execution to deliver added value for all our stakeholders while keeping our clients at the front and center. With that, I will now invite Sachin, our Chief Financial Officer, to provide an update on critical financial data, after which we will open the floor for questions.

Sachin Zute: Thank you, Manish. Good day, everyone, and thank you all for joining this call. In addition to Manish talking about the business, I will take you through some of the key financial metrics for the year and for the quarter ending March '23. For the financial year '23, the reported revenue in U.S. dollar terms stood at \$604.2 million, reflecting growth of 6.1% year-on-year. In constant currency, the growth for the year was 10.3%. The reported revenue for fourth quarter of FY '23 is \$147.5 million in U.S. dollar terms, reflecting growth of 1.1% sequentially. In constant currency terms, revenue growth for the quarter is 0.4% sequentially. Services revenue for the quarter grew by 2.7% sequentially in reported terms and 2% in constant currency terms.

We exited Q4 FY '23 at an EBITDA of 14.5%, an increase of 320 basis points from previous quarters. Improvement in EBITDA for the quarter was primarily driven by positive impact of currency, improved trade mix, ongoing operational efficiencies, including optimization of subcontractor costs, improved productivity and better utilization on account of furlough reversals.

It was partially offset by increasing SG&A cost, increase in SG&A cost was primarily due to reversal of one-time benefit, which we had last quarter. There was a reduction in depreciation expenses. The primary reason is optimization in portfolio of lease assets and intangibles as part of our cost optimization initiatives affected the number. Going ahead, we see some variation, but expect the same to be in the range bound for the rest of the year.

As we have emphasized earlier, our continuous rigor for margin improvement through measures such as increasing fresher deployment, improving commercials, optimizing operational metrics and rationalizing cost has helped in improving the company margin. LTM attrition for Q4 stood at 19.8%, which is lowest among the recent quarters has helped us manage the cost better.

We have had one of the best DSOs in recent quarters as collections were healthy for the company. For the quarter ended March 31, 2023, DSO stood at 74 days as against 80 days in previous quarters. Year-on-year basis, DSO improved by 16 days. For the quarter, cash and cash equivalents including investments stood at \$201.5 million, \$22.1 million increase from last quarter and \$45.8 million increase year-on-year. The effective tax rate for the quarter was 26.2%. The Board of Directors has recommended a final dividend of INR3.5 per share for FY '23, subject to approval from shareholders. With this, the total dividend pay-out, including interim dividend for FY '23 will be 250% of the face value.

With that, I come to the end of my presentation and open the house for questions.

Moderator: We have a first question from the line of Nitin Padmanabhan from Investec.

Nitin Padmanabhan: I think the quarter has been sort of exemplary from an execution standpoint. Now, Manish, just wanted your thoughts from a demand perspective because while margins have done extremely well, the demand commentary is soft in the context of the environment, which is understandable. But we have seen Hitech grow this quarter. So I just wanted your thoughts on what you're exactly seeing within each of those verticals? Do you worry about sequential declines from a demand perspective? Or how should we think about each of those elements for each of the verticals?

Manish Tandon: So I think, Nitin, first of all, thank you for the kind words. I agree that we have executed well as a team this quarter, and hopefully, this trend will continue. As far as demand is concerned, my larger peers has already spoken that the demand environment is soft and so on and so forth.

But I can say that what we have done in the last 1, 1.5, 2 years is to increase the addressable market for our services. So even though the market, as it existed for us might have reduced, the overall addressable market has increased for us. And that is the way I am looking at things and my team is looking at things. We had a very, very good quarter, order booking of close to \$175 million, which bodes well for at least the next quarter.

As far as verticals are concerned, we will continue to see challenges in , Consumer Services and Hitech. BFSI, actually, our portfolio is tilted more towards Insurance. So we are not seeing as many headwinds as some of our competitors.

And the other geographies, U.K. and Europe, we have I think, built very deep relationships over there through the client. So we are seeing continuous growth there, and that is also the case with South Africa. So those 2 remain bright spots from a demand perspective, even now. I hope I have answered the question.

Nitin Padmanabhan: Sure. And just another question on -- you mentioned rightsizing or sort of right shifting of revenue recognition with the customer in Europe, does that pertain to the pass-through? Or should we sort of think about that?

Manish Tandon: No, this is not pass-through. This is services revenue. I mean, we just missed the cut off for receiving a document. So, we had to shift that revenue upshift to the next quarter. And this happens with some accounts or the other we have that every quarter. So it's nothing very material that you should be worried about or I should be worried about.

Nitin Padmanabhan: Sure. And lastly, on margins, just your thoughts on -- but do you think this is sort of base margin and considering the pass-through that has come off quite a bit from what it used to be. Do you think longer term margins can be higher than what it used to be, at least technically speaking, considering that the parcel is not going to be there? So maybe longer term, it can technically be higher? And are these margins sort of defensible from where it is today? That's the last question. And Manish, your voice is a little muffled, I don't know why, but yes, it's a little difficult to comprehend

Manish Tandon: Okay. Is this better?

Nitin Padmanabhan: Yes, it's better.

Manish Tandon: Okay. So on margin, I would request Sachin to provide the commentary. And what was your last question, Nitin? I missed it.

Nitin Padmanabhan: No, it was primarily on the margin on sustainability. Is this sort of the base? And 2, considering that pass-through is significantly lower than what it used to be. And if it is -- if that's going to be the direction on pass-through, ideally, shouldn't margins longer term technically be higher than what it used to be from a company, longer term that is, not talking about a year or any such thing, but just longer term, there is some thought process perspective.

Manish Tandon: So just before I hand over to Sachin to answer your question on margin, I just want to emphasize the point on pass-throughs, where pass-throughs are absolutely necessary for services revenue to accrue, we are okay with that. But where pass-throughs are just serving as fat calories, adding nothing to the bottom line, we don't want to encourage that. So in a nutshell, we have focused much more on services revenue. And pass-through revenue, we take if and only if, it is both margin and service revenue accretive. So that is the change in strategy.

I would let Sachin answer your question on sustainability of margin.

Sachin Zute: Thanks, Nitin, for the question. As you saw, Nitin, our margins improved by 320 basis points during the quarter, primarily due to 30 basis points impact of currency, improved trade mix of another 30 basis points. Ongoing operational efficiencies improved margins by 230 basis points, including subcontractor cost optimization and improved productivity. Given that these are fundamental changes which are happening in the way we are working on our delivery organization, our objective will be to maintain the mid-teens trajectory for our EBITDA margins going forward.

Moderator: We have our next question from the line of Chirag Kachhadiya from Ashika Institutional Equities.

Chirag Kachhadiya: Congratulations on really very good margins in a challenging time. And in terms of revenue growth, I understand the current environment. So I don't want to ask anything on it. But I just want to know, you mentioned that the operational efficiency helped in the margin. So can you throw some deeper light like what kind of operational efficiencies that helped? And also the trajectory going forward, so does these margins are sustainable, and we will see a further momentum in this margin profile?

And another question, you mentioned that the three clients that resulted into lower growth in this quarter. And you also mentioned that in coming quarters, we are confident that we will recover the revenue. So, I just want to know which are those clients? And why are we confident that we're going to recover revenue in the subsequent quarters? Yes, that's a few questions from my side.

Manish Tandon: So margin, again, I will let Sachin take that question. We had articulated the 6 levers that we are using and Sachin can throw out light in it. I typically don't mention clients. So, I don't know which three clients we are saying we will recover revenues. Recovery of revenues, I think I said only for those clients where we couldn't recognize revenues because of lack of proper documentation.

So, as you know, there is a cut off. And if we don't receive adequate purchase orders or statements of work and so on. From a financial prudence perspective, we don't recognize that revenue. So that I'm saying we will recover. That's all. Sachin, do you want to answer the question on margin?

Sachin Zute: Sure. As I said, the subcontractors cost optimization really resulted the margins to improve this quarter. Apart from that, if you see the utilization for the company also improved, which has helped the margin for us. And as we have previously also stated, there are 4 to 5 levers, which currently we are working on inside the company to improve the margins, like improving the service mix of the business, improving the commercial with the customers, we are also improving the pyramid at the company. Also, a lot of focus is being put on optimization of support cost-related activities. So we believe that we want to maintain the mid-teens margin trajectory going forward. And these initiatives, we believe, will help us to maintain it around that.

Moderator: We have our next question from the line of Nikhil Choudhary from Nuvama.

Nikhil Choudhary: My question is regarding the growth in top 5 client, very strong bounce back from last quarter contribution and grew more than 8% this time. I just want to understand, is it what laid back our top clients and that also drove our Hitech growth? Is it a fair understanding? And how sustainable is this growth going forward?

Manish Tandon: So I think...

Moderator: I request you to -- Mr. Tandon, we are unable to hear you clearly. Give me moment, please. Participants are requested to stay connected. We have Mr. Tandon back online.

Manish Tandon: Yes. So as I was saying, one of the basic tenets that we have been working on is improving our client centricity. And if we are doing -- if we do a good job of that, that should be reflected in the growth of our top accounts, top 5 accounts. I am happy to report that some of the efforts that we put in are bearing fruit, and we will continue to have client centricity as one of our core tenets as we go forward.

Moderator: We have a next question from the line of Mukul Garg from Motilal Oswal.

Mukul Garg: Manish, so two questions, one for Manish and Sachin. Manish, just a follow-up on the Hitech and top 5 client growth. You guys have, in the past, indicated that the top account growth will - - given the relationship will remain kind of behind overall business growth. This quarter definitely seems like an exception, but just wanted to get per sense when you spoke about creating greater potential for business and adding newer areas, is that something we should think about from top account perspective as well and that growth can potentially be meaningful going forward?

Manish Tandon: So, we do not comment on individual clients per se and I don't remember at least I have never mentioned about top client growth and so on. We have always talked about top five, top 10, top 20. So as I said, I will not comment on a single client overall. But yes, the answer to latter part of your question is that, yes, if we are taking additional service offerings to the market, then if our existing client base is not willing to consume those services where we have the relationships, then how would we expect others to take up those services. So it's a very good leading indicator if our existing client base is taking up the newer offerings and we are obviously seeing that as we progress through the year.

Mukul Garg: So maybe like if I can just -- for the first half of this question, kind of look at it slightly differently. Hitech has been an area where lot of your peers have really struggled off late because it's very visible the kind of issues the sector has been going through globally. This quarter, obviously, was very good for you and partially, obviously, last few quarters were weaker. So is that something we should think about from a going forward perspective also? Or was that partially a normalization of revenues after a few weak quarters? How should we think about Hitech from next three to four quarters perspective, qualitatively, I don't expect you to give a quantitative number, but how should we think about it?

Manish Tandon: See, Hitech between Q3 and Q4 always should be going up because in Hitech account there are lots of furloughs that happen -- in the last week of December and the first week of January. So the furlough impact is much more in December than in January. So you should always be seeing

growth in Hitech, mostly, you should be seeing growth in Hitech because of having less furloughs in Q4. So if others are reporting de-growth even after that, there is something to be worried about.

Mukul Garg: And the other question was for Sachin. If you look at -- I think the margin performance was really great this quarter, the sub-con number, the percent of revenue is now back to where it was eight quarters back. You guys have also been reporting net declines in employees for last four quarters. While you do expect margins to remain range bound and mid-teens over the next going forward basis, but how should we see the overall mix change? Now will you get back to employee additions as revenue growth kind of comes back over the next few quarters? How should we think about the compensation perspective is sub-con, does it still have some more scope to go down?

Manish Tandon: Yes, I would let Vijay answer that question, Sachin, if you're okay with that?

Sachin Zute: Sure.

Vijayasimha Alilughatta: I hope you can hear me? So, with regards to the headcount, right, I think while it is true that our overall headcount has reduced, our billed headcount has actually increased in Q4 as compared to Q3. So we believe that with the little bit more improvement in utilization, we will continue to right basically add volume growth. With regards to your second point about sub-contractors, we will be very methodical in terms of leveraging sub-cons going forward, so that we leverage only to complement where we don't necessarily have immediately available skills. So there is a little bit of scope for further reduction in terms of subcontractors as we go forward. And that is a lever that we constantly look towards managing because that impacts margins.

Moderator: We have our next question from the line of Dipesh Mehta from Emkay Global.

Dipesh Mehta: One question is about the addressable market expansion which you earlier indicated. So can you just give us some sense about what steps we have taken to expand our addressable market? And if any qualitative quantitative way if you can help us understand it?

Manish Tandon: So yes, of course. So two years back, if you look at it, we had primarily two service lines, one was infrastructure management and the second was ADM, which is application development and maintenance. Over the last two years, we have added some of the newer technology areas as service lines, so software as E-SaaS, for example, is one line and we are doing very well there with Salesforce, which is a brand-new practice with SAP and with Oracle.

The second area that we have added significantly to is data. So there are -- as you know, with AI and even before, AI, data and analytics was one of the key spend areas and we were not addressing that spend area effectively. So we have added that service line and we are seeing good traction there. We also added advanced engineering services, which is basically around using agile technologies and the new technologies that are out there, including cloud technologies. And finally, we created a service line called Experience Services, which helps us design research, design implement and adopt end user experiences. Collectively, these services, as was mentioned add about 35% to our revenues. So that is what I meant by increasing the addressable market.

Dipesh Mehta: And to expand the presence in these expanded service offerings, what portion of it, let's say, through M&A you intend to expand it faster? Or you think organically, largely, we can expand this addressable market? And any new areas where you intend to invest to expand addressable market further?

Manish Tandon: We may add a vertical or two, but we are looking at M&A more opportunistically rather than making it a core part of our strategy because frankly, in my 30 years in the industry, I can tell you, inorganic revenue is no substitute for organic growth. If an organization cannot grow organically, then just adding -- doing more M&A just doesn't help.

So, we are looking at, as I said, execution and improving our execution on our strategy and as a part of that, if we see opportunistic opportunities coming up in M&A and by the way we actively scout for M&A opportunities, which are attractive, which provide attractive returns to our shareholders, we will go for it.

Moderator: We have our next question from the line of Manik Taneja from Axis Capital.

Manik Taneja: I had a question related to headcount metrics, given the moderation that we've seen or the decline that we've seen at an overall level, I was also inclusive about the decline in terms of the sales and support headcount this quarter. So just wanted to get your thoughts as to what -- how do we see this going forward? And the second question was for Sachin, in terms of our segmental margins. We have seen our IMS margins move up significantly through the course of last couple of quarters. So is this just a hardware or the pass-through element that's driving that? It will be helpful to understand that.

Manish Tandon: So on the first part of the question, I can clearly say that we are not reducing sales headcount or sales expenses, we are actually increasing our sales and marketing expense. But whatever cuts or otherwise you are talking about that you see is not in terms of overall cost, but in terms of driving more efficiencies and having the right people at the right positions.

So to answer your question, none of this margin improvement has actually come from reducing sales and marketing expenses because if we need to show -- grow revenue and if we need to be client-centric, which you want to, we need feet on the street and that is a wrong expense to cut. On the overall numbers for employees, I would request Vivek Ranjan, our CHRO, to take that question.

Vivek Ranjan: So on overall headcount, something which Vijay already spoke about, so just touching on what we mentioned, our focus will remain utilization of our available talent. And as Vijay also highlighted, utilization has improved, but there is still some more room in terms of improving that and we will stay focused in terms of ensuring that our billable headcount increases without need for increasing net headcount. However, the net head count is a factor which we -- which is a factor of business and we'll stay focused on that.

Manik Taneja: And the second question was for Sachin on the segmental margins.

Sachin Zute: Yes, so Manik, as you rightly said, given that the pass-through revenue for the company over the last three quarters has been a decline, that is a reflection of improvement in the margins,

which we are seeing. As well as, as you know, that we have seen a reversal of furloughs especially in this quarter. That is also a reflection in the spike in the margin over there.

Moderator: We have our next question from the line of Sandeep Shah from Equirus Securities.

Sandeep Shah: Manish, first question is post you took, you highlighted two strategy in terms of turnaround, first near-term focus in terms of margin turnaround, where we have done a great execution and it looks like the low-hanging fruits could be largely behind our margin. The second, in terms of the revenue growth turnaround, so can you throw some light, how are we making sure that what we have seen the successful journey in terms of margin may even continue in terms of a successful journey in terms of the growth turnaround may not happen in the near term, but over medium to long-term. Just wanted to understand to make the company much more consistently growing on a longer-term level?

Manish Tandon: So frankly, I believe in the quote that in the long term all of us will be dead. So, okay like in the last call, we had promised that we will get mixing margins by Q2 of FY '24. We have actually achieved that number in Q4 of FY '23 itself, which gives, me as a CEO, a lot of confidence in our ability to execute. And again, I would -- I watch the -- watch the short-term improvements that we want to see and one of the things that I saw, which you may not have noticed as much was that our order bookings increased from 135 million in Q3 to about 175 million in Q4. I might be off by a couple of million here or there. Now that is a very positive sign overall as far as I'm concerned.

So, I continue to look at leading indicators and I will continue to make sure that, that we continue to execute on our promise on the revenue side also. As you know, the market is tough, as my larger peers have indicated, we have taken certain steps, there is a push and pull. Hopefully, the push that we are making will win over the pull.

Sandeep Shah: And in terms of your GTM factor, you said the vertical heads would be also responsible for services, it was slightly bit unclear your voice was muffled. So can you throw some light? And second, Zensar has a good quality marquee account place, especially within top 20 clients, but we also hear from peers in terms of a risk for vendor consolidation, which is happening because of the clients focused on a cost account deal. So are we witnessing any such risk in any of our top clients? And how do we see that this two parts going forward in terms of our positioning with those client as a whole?

Manish Tandon: All right. So, I have been in this industry again for 30 years, I can tell you vendor consolidation is always a zero-sum gain, okay? So, if someone is telling you that through vendor consolidation, they are going to grow 10%, I think I would take it with a bag of salt. So when the consolidation happens, you win some, you lose some, normally it turns out to be a zero sum game. And I think we have actually very sticky clients, long-term clients, clients who have been with us for several decades I would say and have been through 2001, 2008 and now through COVID and they have stuck by us. So, I hope to take market share away from others in this vendor consolidation rather than seed market share to them.

Sandeep Shah: And a question in terms of the vertical heads with looking at services?

Manish Tandon: Yes, vertical head, so see actually, if you look at the organization structure, there are five revenue units, think of them as verticals. So we have three verticals in the U.S., then we have Europe and then we have South Africa. So those are the five revenue units and we have five service lines for infrastructure management services, data engineering and analytics and so on and so forth. So what is meant by that statement, is each of the revenue service line leader is also incubating and driving sales for a particular horizontal across the company, right?

So think of it as an additional responsibility that they have not only for their own revenues, but also to drive the revenues of a particular service line across the organization. So think of it as that way.

Sandeep Shah: And Sachin, sir, just wanted to understand when would be the wage hikes as a whole? And despite those hikes, we still believe we can continue to have a mid-teen kind of a margin?

Sachin Zute: So as you know that we have our wage hike cycle starting from Q2 of any financial year. So that will continue to happen during that period. And as I said, mid-teens is a range and we are trying to see that how we can keep our EBITDA margins in that range.

Moderator: We have our next question from the line of Mihir from Carnelian Capital.

Mihir: I understand the top five and top ten accounts have grown really well, so just wanted to understand what is the kind of interaction that we are having in top five and top 10 accounts. So if you can just throw some light, what kind of interaction are we having across these accounts? And my second question was on the pass-through revenue. I mean we saw pass-through revenue declining over the last two, three quarters. If you can just quantify that and quarter-by-quarter as to what was that number, that will be really helpful. And my last question was on the roles, which are being created. I mean in the starting, you mentioned that some new rules which have been created, particularly on the integration side and synergy side. So at that point in time the work was slightly muffled, if you can throw some more light on that these rules that will be really helpful, Yes.

Manish Tandon: Sachin, do you want to take the first two parts of the question? I think one was top 10 and the...

Sachin Zute: Yes. Sure, Manish. So top 10, obviously, one of the major reasons is reversal of furlough revenues, which happened during Q4. That is definitely something which has affected the growth in top 10 clients for us. As far as pass-through revenues are concerned, in Q2, we had \$6.6 million pass-through revenue. In Q3, we had \$3.9 million and in Q4 we had \$1.7 million of pass-through revenue. I just want to clarify one thing that ultimately pass-through is part of our services business. So wherever it's required, pass-through will be there as part of our portfolio as it's linked to any other player in the industry. Thank you.

Manish Tandon: Question on new roles or something, sorry, you spoke so fast, I couldn't understand if you could repeat it, please?

Mihir: So I just wanted to understand, you mentioned about new roles being created largely on the integration side on the delivery side. So which are these rules? And if you could throw some light on that?

Manish Tandon: There are -- see, we have a new Chief Operating Officer, Vijayasimha which is on this call. We have created an experienced service line, which is basically integrated studio services. We have a Chief Business Officer appointed there. We have created a new organization for net new and alliances, so we have created new role for that. So those are the primary roles that I am talking about here.

Mihir: Sir, just an extension to the earlier one. I mean, in the top five and top 10 accounts, sir, what is the kind of interaction that you are having? I know what kind of revenue growth could be there, just from a qualitative angle, not a quantitative question.

Manish Tandon: So we have a very deep relationships typically with our clients. I have listed now all the three main geographies that we operate in. And I can tell you that we have connects at the CXO level in almost all these accounts. So, the kind of interactions that we are having in these accounts are what we normally have at a CXO level, where we talk about what's new and how we can help our clients business succeed and compete and get new revenues and improve margins and so on using the latest and greatest technologies, how we can help them save costs.

So mostly, the discussions have been -- at least my discussions are more at a strategic level and then applying that to the technology solutions that we can bring to them.

Moderator: We have our next question from the line of Amit Chandra from HDFC Securities.

Amit Chandra: So my first question is on the top five and top 10 clients. So is it fair to assume that the top five, top 10 clients growth is largely known largely due to the on a top client? Or is that more like widespread across clients? And also, on the cross-sell opportunities that we have within our top 10 strategic accounts because we have introduced new service lines. So what kind of cross-selling are we doing? And what is the opportunity we see from there in the top, say, 20 strategic accounts?

Manish Tandon: I think, again, as I said, the growth that we are seeing is secular, it is not concentrated growth. So that gives us more confidence that this growth can be more sustainable. So it is not that suddenly one account has woken up and is doing something and no, that's not the case. One of the things that I had talked about in the past, there has been a client farming strategy and I think that strategy has improved. And again, I would take you back to the order book number, which has increased significantly from 135 million or so to about 175 million. And cross-selling is happening. In fact, our service lines, the newly added service lines are growing much faster than the traditional ADM and infrastructure services.

Amit Chandra: And sir on the subcontracting expenses, so we have seen a sharp cut in this quarter. And also, if you see in the past, we have seen such volatility in the sub-con expense then, there has been kind of cuts also in the past and then again scaled back. So how confident are we that this time it will sustain at these levels? And what led to such sharp decline in the sub-con expenses this quarter, so if you can give some more it would be helpful?

Manish Tandon: Yes, so first of all, I just want to emphasize that we are improving margin by cutting fat, not cutting muscle. And, as you can see, subcontractors has improved, utilization has improved. So it is factors like those that are impacting this and hence, I believe that it is more sustainable. At

a deeper and a more philosophical level, the structure now in the organization is that of empowerment and accountability and the targets for margins and the ownership and the accountability goes much deeper in the organization. And of course, I would be remiss if I don't mention that Vijay has done a tremendous job in making sure that all this fat is first found and then cut including subcontractors.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to management for closing comments. Over to you, sir.

Manish Tandon: So first of all, I think thank you for all your questions, all your efforts, all your praise, all your probing, I think it's not only about these questions for us is not only about giving new answers, but also about thinking carefully as to what our investor base is thinking and looking at. And from that perspective, this call was really useful. From a company perspective, I can say that we will continue to work hard to make sure that we service our shareholders and serve them well. Thank you.

Moderator: Thank you, sir. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.