

# eClerx Services Limited Q3FY25 Earnings Conference Call

**January 30, 2025**

**eCLERX MANAGEMENT:**

**KAPIL JAIN – MANAGING DIRECTOR AND GROUP CEO  
SRINIVASAN NADADHUR – CHIEF FINANCIAL OFFICER**

**CONFERENCE CALL PARTICIPANTS:**

**GIRISH PAI - BOB CAPITAL MARKETS  
GOKUL MAHESHWARI – AWRIGA CAPITAL  
JALAJ MANOCHA - SVAN INVESTMENTS  
JASDEEP WALIA – CLOCKVINE CAPITAL  
NITISH REGE - CHRYS CAPITAL  
RAHUL JAIN - DOLAT CAPITAL  
SAMEER DOSANI - ICICI PRUDENTIAL AMC  
SANDEEP SHAH - EQUIRUS SECURITIES  
SHRADHA AGRAWAL – ASIAN MARKET SECURITIES**

**Asha Gupta:**

Good evening participants, and welcome to the Q3 FY25 earnings call of eClerx Services Limited. Please note that this webinar will be recorded.

To take us through the results, and to answer your questions we have with us, the top management of eClerx represented by Kapil Jain - Managing Director and Group CEO and Srinivasan Nadadhur - Chief Financial Officer. We will start the call with brief opening remarks by Kapil, followed by Srinivasan, who will be sharing the financial update and then we will open the floor for Q&A session.

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

Having said that, I will now hand over the floor to Kapil. Over to you, Kapil.

**Kapil Jain:**

Thank you, Asha, and good evening everyone.

Let me share highlights of our performance in FY25 Q3. Operating revenue in Q3 was \$100.7 million, up 1.8% sequentially, driven by growth in our Digital and Financial markets business. For the nine-month period, dollar revenue was up 11.7%. In INR terms, Q3 operating revenue was INR 8,538 million, up 2.6% quarter-on-quarter and 14% for the nine-month period. As we had indicated, margins in Q3 were lower and in line with our Q2 commentary, this is because of the removal of one off in Q2 and the lower utilization in Q3 which is in line with our long-term average. EBITDA for Q3 was INR 2,281 million at a margin of 26.1%, while PAT for the quarter was INR 1,371 million at a margin of 15.7%.

Our Analytics and Automation (A&A) business was at \$20.8 million this quarter, up 9% sequentially, driven by pickup in change and transformation work. We saw growth in the non-top 10 clients in this quarter. The Analytics and MarTech services within Digital grew, and we also saw growth in Creative Services, albeit on the lower base of Q2. Growth in Financial Markets was predominantly in the Trade LifeCycle segment. ACV of the deal wins for the quarter was \$33 million, up sequentially. We continue our efforts to further strengthen the pipeline, to focus on our technology business and on large deals and cross-sell efforts.

Let me also provide some commentary and outlook for the three businesses. We continue to see opportunities in Financial Markets in Client Life Cycle, compliance, onshore delivery and technology services. In the Digital business, after a challenging Q2, fashion and luxury showed a minor recovery in Q3, with the industry expecting demand in the low single digits for CY 2025. Hi-tech, retail and manufacturing & distribution performed in line with the industry growth. In Customer Operations, we are seeing momentum around new logo acquisition and are seeing early success in cross-sell of our Care business into other verticals. An important strategic initiative of geo diversification is successfully underway - we have set up a subsidiary in Peru and will launch operations in late Q4. We also expect to start providing Care support from our Manila delivery center. As I have mentioned earlier, the cable and telecom industry continues to be under pressure and there is a lot of focus on the subscriber retention by our clients. On Technology and analytics, we see continued traction with banking, hi-tech and retail clients with wins in change, data engineering, and productized services.

Finally, I'll conclude with awards and recognition and hand it over to Srinu for more detailed commentary. We were recognized as a Major Contender in the "Experience-Driven Integrated BFS Operations PEAK Matrix® Assessment 2024". We are also now certified for ISO 42001, a very recent

standard focusing on AI management systems which was only introduced in December 2023. As of last month, we were one of the five global companies to have received the certification and recognition.

In conclusion, crossing the INR 400 million run rate is a significant milestone for us. We are immensely grateful to our customers, employees, investors and partners for their trust in us. And we look forward to the support of all our stakeholders as we navigate the future. Thank you, and over to you, Srin.

**Srinivasan Nadadhur:**

Thank you, Kapil. Good evening, everyone. Just to provide a little more color on our financial performance.

So, the operating revenue was \$100.7 million, up 1.8% sequentially and 2.2% in constant currency terms. On a Y-o-Y basis, the revenue increased by 11.2%. Total revenue for this quarter was INR 8,752 million up 3.6% sequentially and 13% Y-o-Y. Other income for the quarter was INR 214 million largely due to revaluation income on the back of INR depreciation.

The EBITDA of INR 2,281 million and 26.1% margin is flat both sequentially and in Y-o-Y terms. The PAT of INR 1,371 million for the quarter is at 15.7% margin. The reasons for sequential reduction in EBITDA percentage are largely because of the one-offs in Q2 and the lower utilization in Q3 as compared to Q2. We also incurred higher legal fees related to setting up the new entity and to tax consulting services. You would have noticed in the business metrics slide that the seating capacity has increased by 1,800 seats, as new facilities in Mohali, Pune and Mumbai have gone live. This has also led to an increase in facility housekeeping security and associated transportation costs. The three facilities went live in the latter part of Q3, so the full impact of this cost increase will be felt in Q4.

The exit head count increased by about 400 to 18,642, attrition is at 19% well within control. Top 10 client concentration is about 62%, DSO is 83 days as compared to 77 in the previous one.

Thank you everyone. And with this, we conclude our prepared remarks. We can now move on to the Q&A. Over to you Asha.

**Asha Gupta:**

Thank you, Srinivasan. Thank you, Kapil. We will open the floor for Q&A session. We have first question from the line of Sandeep Shah from Equirus.

**Sandeep Shah:**

In last conference call we said that the roll-offs have started in Q2 which will have a full impact in Q3. So, can you give us some update whether this roll-offs may continue in Q4 at a higher or lower level? And that may give us confidence in terms of fourth quarter growth could be better because the ACV deals as well as employee addition has been good?

**Srinivasan Nadadhur:**

So yeah, roll-offs in Q2 as we had noted were on the higher side, and that has come down in Q3 and everything else being equal and that should result in better performance in Q4 than in Q3.

**Sandeep Shah:**

Okay. Srin, do you expect a further margin downside because of the new facility which has been commenced, both in terms of G&A as well as in terms of depreciation in the fourth quarter? And when do you believe those costs would normalize? Is it fair to assume those costs will be stable to increase with the revenue increase from Q1 of next year?

**Srinivasan Nadadhur:**

To answer your first question first, the G&A cost would be nearly the same or maybe 10, 20 bps higher than Q3. And the reason for that is why the housekeeping transportation, etc costs will go up, but that will be offset by a reduction in the rent of the temporary facilities which we have given up. But below the EBITDA level, there will be I think somewhere around 50 bps impact because of the new facilities, the normalization should happen in line with the revenue. So, we're looking at least one quarter away if not two.

**Sandeep Shah:**

Okay. And just last question and then I will come in a follow-up. Kapil sir, because some of your IT services here are saying clients are asking for productivity gains because of the automation. So, what is our experience? And is it possible to quantify GenAI related revenue scale up as of today and where it can go on a going forward basis? Will it impact the sales growth, or it can increase the volume?

**Kapil Jain:**

So Sandeep, like I had mentioned in prior calls also, all our services have an underlying technology component in-built in it, and we're required, and we are able to drive the productivity and efficiency, and we have passed on the benefits to the client. So, in terms of GenAI, we have had a number of pilots but the potential monetization in terms of, are we seeing a significant uplift in terms of monetization and getting revenue that we have not seen. But all our services are staying relevant because of the underlying technology that we have and enhancements we have done to bring in GenAI and we are also using it in delivering our services to our clients.

**Asha Gupta:**

Thank you, Sandeep. We have a question from Shradha Agrawal from AMSEC.

**Shradha Agrawal:**

Hi sir, congratulations on a very strong new deals ACV wins. Two questions from my side. First is, if I look at the growth, the growth has come through largely from the non-top 10 clients. So, anything to read for the top clients as to why have they not grown? Was the roll-offs impact felt higher in these top 5, top10 accounts?

**Kapil Jain:**

I think if you look at the portfolio mix, Shradha, I think quarter on quarter, there will be some aberrations and also given the size of our book, which is relatively small. This is the first quarter where we have crossed the \$100 million mark. So, I think we always take a view of medium to long term. We haven't seen any aberration in terms of what the norm is. And our focus on driving cross sell opportunities and also where we had invested earlier in the sales are resonating well in the market and with our clients. So, I wouldn't take anything in terms of any directional view in terms of the whether the top 10 growth or non-top 10 growth.

**Shradha Agrawal:**

But there's no weakness in any particular account in the top 5 or top 10 categories that you would want to highlight?

**Kapil Jain:**

No.

**Shradha Agrawal:**

Right. And on the ACV of new deals, which is at a multi quarter high number. So, any qualitative commentary on what drove this kind of a strong ACV win and what is the pipeline looking like versus what it was a quarterback and any commentary on the deal win, pipeline to order book conversion that would be helpful.

**Kapil Jain:**

As mentioned in my opening remarks, we are seeing the change work on the discretionary spend. I think that it's slightly opening up and pipeline continues to be healthy. And across our service lines is where the pipeline is around as well as the winds have been across financial markets, digital and customer operations. So, I think in terms of the service portfolio mix that we have and the client that we have, we feel that we have a healthy pipeline, and we are cautiously optimistic about the future.

**Shradha Agrawal:**

That's helpful. I'll come back in the follow-up questions if required. Thank you.

**Asha Gupta:**

Thank you Shradha. We have a follow up question from the line of Sandeep Shah from Equirus.

**Sandeep Shah:**

Yes, sir. Thanks for the opportunity again. Kapil sir, this would be the almost fourth quarter of Q-o-Q increase in ACV of new business. So, looking at your pipeline, looking at your investment in sales, marketing, branding, do you believe this trend may continue year after year or quarter after quarter, till the time we hit the peak based on whatever investment we might have done and that help us to enter FY26 with a very high confidence?

**Kapil Jain:**

Sandeep, like I said, we are cautiously optimistic because of three reasons. One, our pipeline is healthy, our service kit of where like every service that we sell has an underlying technology, productized services is resonating well with the clients as well as the cross-sell opportunities which I had laid out as one of the strategic pillars, when we had made a presentation to all of you in May 2024. We are seeing some green shoots around it, it's still too early. So that would be my comment and like I said, I think it's difficult to predict in terms of what the future outcome would be, but we are cautiously optimistic about the future.

**Sandeep Shah:**

Okay. And sir, any investments trying to bring the results are bearing fruit in terms of better pipeline and the conversion of pipeline into buildings which is leading to better order book? Do you believe this margin range of 24%, 28% which we have given in FY25 can have upside entering into FY26 because FY26 may not see an incremental investment like FY25?

**Kapil Jain:**

So, Sandeep, I think we will continue to make investments in the business, because the view we are taking is which is what I told you earlier is medium to long term. Be it opening up of new centers which will again enhance our ability to cross sell, upsell with existing clients, bring new clients. We'll continue to invest in sales. The leadership hiring we had said we were done with. So, I think at this point in time, I would say that we will continue to stay in the range that we had given you 24% to 28%. And predicting beyond that, given the overall size of the book, which is about \$100 million a small movement can have

a big impact on the EBITDA. So, I think we'd like to stay in the range and look at medium to long term view, from our growth and EBITDA perspective.

**Sandeep Shah:**

Okay. Fair enough. And Srinu sir, I think DSO has increased materially which has led to slightly below, though it has been still healthy in terms of cash generation. Do you believe it may normalize in the fourth quarter?

**Srinivasan Nadadur:**

I think we'll have to take a look. Some of our invoicing processes are manual. We're trying to strengthen them. We're trying to put more governance on how we can consistently keep these numbers down. But I think we have to see if we are able to bring it down consistently.

**Sandeep Shah:**

Okay. And the last question sir. With the change in the President in the US and election headwind behind, is it client are more open in terms of discussion and conversion of pipeline into deal wins or they are slightly cautious on outsourcing now?

**Kapil Jain:**

I think the clients are also waiting. I think if you look at from an H1B perspective, we don't have any reliance on H1B because we are able to hire local talent, so that is not going to impact us. In terms of client decision making, we haven't seen any shift. I think it's still too early for us to exhibit any view of the clients to change, any of their behavior in terms of the decision cycle times.

**Asha Gupta:**

Thank you, Sandeep. We have next question from the line of Jasdeep Walia.

**Jasdeep Walia:**

During your previous remarks, you mentioned that you have implemented GenAI to deliver some services to your clients. So how has been your experience? What kind of productivity gains were you able to achieve? And with respect to that, what do you think will be the deflationary impact of AI on your sales going forward?

**Kapil Jain:**

Jasdeep, it's difficult, it's not the productivity. See productivity, people were talking about in olden days, right? It's more in terms of effectiveness on a BPAAS. If let's say you were charging a client X dollar of Z, because of technology, now, how are you charging a fraction of X? Those are the discussions we are having not like at 20 FTEs and now I can deliver with 18. I think the discussion has moved to a very different level and a lot of work that we do impacts the business and involves a lot of domain.

So, I think to quantify that what is the benefit of productivity? It's not like if you ask me, what is the incremental value we have been able to add to the clients, which is reflected in our pipeline, which is reflected in our growth momentum. That's I think is what we are focusing on as opposed to driving productivity. Because the business that we are in, clients are looking at, can you reduce my risk? Can you ensure that I am compliant with the regulation? Can you help me increase my sales? Can you help me increase my product launches? Can you help me get better, right? today if I have X number of SKUs, can you get me to 10x? So, I think if I'm able to deliver that by using technology and bring that alpha, that's what clients are looking at us.

**Jasdeep Walia:**

Got it. So basically, GenAI as of now has broadly helped you increase your pipeline with your clients, is that would be the correct understanding?

**Kapil Jain:**

I wouldn't say just GenAI alone, I'm saying technology, GenAI, domain - a combination of all this together is a unique value proposition which has helped us to enhance our pipeline and the ACV of the deals.

**Asha Gupta:**

Thank you, Jasdeep. We have next question from the line of Rahul Jain from Dolat Capital.

**Rahul Jain:**

I just wanted to understand how our onshore delivery mix is working. If I see the number of people that we have onsite versus our total strength of based delivery staff, it is much smaller number versus the contribution from the onsite. So, is it that a significant amount of subcon is happening in the onsite market or any other reason to reconcile that?

**Srinivasan Nadadhur:**

So one is that the onshore staff that we have are, for the most part, they have consulting skills. So, they are also problem solvers. They are providing much higher value typically than what you'll see in an offshore agent. So, the billing rates are definitely much different when you adjust for these skill difference. And that explains most of the difference between the head count and the revenue. It is also difficult for us to find good quality resources onshore. So, our subcontracting is also higher onshore. So, there is both reasons are in play. I would say the first one is the more meaningful reason.

**Kapil Jain:**

And Rahul, just to add to what Srini said, we also keep a healthy mix between subcon, and employees and we monitor it very closely and we believe that we are in that range, given the projects and the work we are delivering for our clients. And we always have the option to bring subcons as an employee. And hence, it's also the portfolio view that we take.

**Rahul Jain:**

Right. So just to Srini's your remark of you know, average profile of those would be much better. But a basic thumb rule of 3x on a like to like basis and slightly more because of better service mix is that the right way to look at that number to understand what should be the ideal billing rate in global market?

**Srinivasan Nadadhur:**

I'll have to look at that number in more detail, but maybe I will come back to you offline.

**Rahul Jain:**

Sure. And the reason of getting into this is to understand that how much margin of this could be because our understanding from other companies is that generally onsite, third party is significantly premium in terms of manpower cost or is it more a leverage for us because of the volatility in the requirement of the talent mix or till the time we scale it up, we might have to be dependent on such an arrangement?

**Srinivasan Nadadhur:**

So, Rahul just to answer the question which I said, I'll come back, the onshore rate for us is actually more like 3.5x, 4x. Obviously, the subcontractors are more expensive and therefore, we are very judicious about when we use them and how we use them. And it really depends on a case-to-case basis and how much growth are we supposed to deliver and whether the client has urgent requirements that we are trying to fulfill at very short notice. So, we engage subcontractors when we feel that there is really a necessity for us to do that.

**Rahul Jain:**

Right, of course, I understand. And last bit for Kapil, of course, you alluded your response to Sandeep's question, but still, it would be just a thought that if you are able to refine that band slightly more when we announce it in the Q4 or any subsequent period, because it gives a very wide point as you could understand that it may operate. I'm sure you now will have a much better grip on that investment versus revenue potential versus what you might have four quarters back. So that's just a thought.

**Kapil Jain:**

So, Rahul, if I heard you correctly, you are saying for us to revisit the EBITDA guidance, which currently we are giving between 24% to 28%. Can we narrow that range is what you ask is?

**Rahul Jain:**

Yes, that's a small thing because I'm sure you have a much better handle than that and that uncertainty for quarter back, we could clearly understand because it's like your first few steps of gauging the situation. But I'm sure the way ACV has responded, the way we are investing, I think you have a far better understanding of it in terms of what would be the two end of it. So that's what the thought. Thank you.

**Kapil Jain:**

Sure Rahul, we will consider your request.

**Rahul Jain:**

That's it from my side.

**Asha Gupta:**

Thank you, Rahul We have next question from the line of Jalaj Manocha from Svan Investment.

**Jalaj Manocha:**

Thanks for the opportunity. Sir, I have one question particularly with regards to the deal win. Has there been a change in the tenure per se of the of the deal wins or the nature of the deals we are winning as such indeed. So, let's compare them a few quarters back?

**Kapil Jain:**

Sorry, what are you saying? Has there been a change in the tenure?

**Jalaj Manocha:**

Yeah tenure, the nature of the deals?

**Kapil Jain:**

I think some like small, but I wouldn't say that there has been a directional shift in the tenure of the deal. There has been marginal increase in per deal, per ticket size but not something which is substantial to talk about.

**Jalaj Manocha:**

Okay. And nothing per se the pipeline also the as in the short-term deals are getting more of discussions around the short term is nothing of that sort?

**Kapil Jain:**

No, it's not changed in either direction. So broadly, I would say it's neutral to positive, not only that there are more short-term deals.

**Jalaj Manocha:**

Okay. And just one more point, if I were to check looks like the BPAAS as a practice, there has been a sort of degrowth, or the pace isn't as great as the company's average growth rate. So how should I understand this? Is it by choice or the offering or the acceptance is reducing in the market or there is some client specific issue there?

**Kapil Jain:**

No, I don't think there is any client specific issue or there is any lesser acceptance. I think we are revisiting in terms of how we would like to report for FY26 onwards because like I said, if you look at how the street reports on digital revenue or BPAAS, every of our services we are using underlying technology, every service kit that I have an underlying technology, either deployed at the client site or our employees are using it to deliver that alpha to the clients. So, in that sense, I can say 100% of our business has its digital and has like akin to BPAAS, but we were very conservative in the way we were reporting BPAAS. So, we will revisit the definition. It doesn't concern me in terms of that number is going up or down. What we are looking for is, am I using technology to deliver value to the clients along with the domain that I have? And as long as that is there and that allows us to win the deal, that's really what our focus is on.

**Jalaj Manocha:**

Understood. And could you talk a little more about the discussions we are having in the digital vertical specifically? Because I guess there was some client specific issue or the slowdown per se in some specific pockets there.

**Kapil Jain:**

I think on the overall digital, like as I said, we are having discussions with clients in terms of how do we make them more efficient, effective, how we can help them grow their top line, how we can help them stay more relevant by having a higher and a better product mix that they are selling to their end customers. How we can help them on their campaign operations, how we can help them get better ROI on their marketing spend, how we can help them on their customer journeys and reduce the friction points. So, what we are beginning to see is which I alluded earlier also on the cross sell, some of these services are resonating well, outside of the digital industries that we were traditionally selling them to, and it's still very early days, but I think we are cautiously optimistic in taking some of our digital service kit into other industry verticals.

**Jalaj Manocha:**

Understood. Thanks a lot, Mr. Kapil.

**Asha Gupta:**

Thank you, Jalaj. We have next question from the line of Gokul Maheshwari. Please go ahead.

**Gokul Maheshwari:**

I just wanted to understand that of the three verticals which you are present in, the objective of hiring sales leadership was to get better to sell these products to your clients, cross sell etc. Have you been making any pricing changes to accelerate this growth rate or what you were charging, you are charging the same?

**Kapil Jain:**

Gokul, we always have said that we have to look at total cost of ownership. It's not like price for FTE or because I'm the cheapest cost provider and hence I should get the business. No client gives business because of cost, it's a value game and particularly in the services that we are offering to our clients. The sales team, I think you asked two questions. One was on the pricing. So, I think yes, we are pricing efficiently and in terms of what will help us win the deal. But we're not seeing any downward pressure on the pricing because tech, we are pricing, tech people domain the block and then pricing it efficiently and effectively.

To answer your first question on the sales team in terms of how we are hiring and who we are hiring. See, we have a lot of capability that exists within the organization from a domain perspective, practice perspective, we are hiring people who are a little more generalist and who can take our services across the client segment along with the people and capability that already exist within the organization.

**Gokul Maheshwari:**

Okay. So, in that context, if you are assuming you're successful, in terms of the investments that you're doing that brings in more business and there is better cross sell, which is pretty evident given the growth in the pipeline in the last few quarters. Logically speaking, over time, your profit should grow faster than your sales. Once you get the benefits of the operating leverage for the investments made. I'm not putting on a number but more just as a broader direction from the next two to three year perspective.

**Kapil Jain:**

Absolutely. I think if you look at two to three years point of view, Gokul, we do expect the bottom line to have a better gradient than the top line, right? That's what we are also working towards.

**Gokul Maheshwari:**

Great, sir. Thank you and all the best.

**Asha Gupta:**

Thank you, Gokul. We have next question from line of Nitish Rege from ChryCapital.

**Nitish Rege:**

My question is on the EBITDA margin. Now the majority of our investment phase is done. Should we start seeing an increase in operating EBITDA? I'm talking about EBITDA excluding interest income,

EBITDA margins over there from Q4 and FY26?

**Kapil Jain:**

Nitish, I wouldn't agree [with] that. See we are not a mature business that all investments are done and now grow up. So, you have to see, are you putting us as a mature business or a growth business now? So, I wouldn't say that all investments are done. We spoke about the new centers that we have opened up. We are exploring opening up another center as well. So, we will continue to invest for growth for us to stay relevant for our clients and that will continue to happen. And however, like as I have said, we will ensure that we operate in the margin band that we have given you. I have also noted the request that you guys have asked us, and we will continue to be sequentially positive on EBITDA and the bottom line will be higher than the top line.

**Nitish Rege:**

And what kind of growth are we envisaging, doubling the revenues in around 4 to 5 years from here?

**Kapil Jain:**

I think Nitish, it's a little difficult to predict 4 to 5 years in terms of what the outlook would be. But I think yes, we are working towards accelerated growth, firing from all cylinders and also cross sell the franchise we have of our clients and delivery is very strong, strong referenceability. But to predict 4 to 5 years depends upon a lot of macroeconomic factors which are beyond our control.

**Nitish Rege:**

Got it. And just a suggestion, could we start giving our operating EBITDA margin guidance, that would be quite helpful because you know to compare with other peers?

**Kapil Jain:**

I think, Nitish the guidance, we have given a band and like as I was telling earlier because of the small book and high volatility that we encounter, we have traditionally not given guidance both on the top line and the bottom line.

**Srinivasan Nadadhur:**

Nitish, I think what you want is for us to give the guidance on operating EBITDA and not EBITDA including other income.

**Nitish Rege:**

Yes.

**Kapil Jain:**

No, what I'm saying is, even for operating EBITDA, Nitish because of the volatility that we have in our business. At this stage, we are not looking to give quarter on quarter guidance. We have given you a broad range and we will revisit the request that you guys have made that when we come for our full year results, whether we can look at giving you a smaller band than what we have given.

**Nitish Rege:**

No. The request was that if we can give an operating EBITDA band as a full year margin, removing the other income.

**Kapil Jain:**

Okay. For the full year, you're saying instead of the full year EBITDA, can we give an operating EBITDA? Yeah, that's something we will revisit and come back to you in our next earnings call.

**Nitish Rege:**

Okay. Thank you and all the best.

**Asha Gupta:**

Thank you, Nitish. We have our next question from the line of Sameer Dosani from ICICI Pru MF.

**Sameer Dosani:**

Sir, any color on what's happening on partnerships and alliances, that is also one of the focus areas. If I remember correctly from your strategy presentation, any updates on that?

**Kapil Jain:**

We are continuing to work on it, Sameer, but nothing substantial that we would like to report currently. And as and when we have some developments, we will inform you.

**Sameer Dosani:**

Okay. Also want to know like our sales and distribution expenses are at same at 12% to 13% range, which is same as last year. So, what is that? We have made investment in that this number should have has gone up or are we think it will go up from here on?

**Kapil Jain:**

Sameer, if it had gone up and we would have gone below FY'24 then you would have said, what have you guys done? So jokes apart. I think we do expect the S&M to be in the range in which you are seeing it currently. So, we don't expect it to go up.

**Sameer Dosani:**

Okay. No, if it's required for the business, I mean, it's your prerogative actually. Thanks.

**Asha Gupta:**

Thank you, Sameer. We have next question from the line of Girish Pai.

**Girish Pai:**

Okay. The commentary on GenAI seems to be a little circumspect. So, do you think you're investing enough in GenAI capability building? Because a lot of your peers seem to be waxing quite a bit on that. So, I was just wondering whether you're investing enough.

**Kapil Jain:**

Girish, yes, we are investing in GenAI, Agentic AI. So, we are investing, we are taking use cases. What I said was there is investments in GenAI, there is investments in enhancing our product in bringing in GenAI. We are also investing and have built our Agentic AI platform. What I said was that we are not seeing deals in that area or monetization of the investments and efforts that's going in. In terms of direct

that look, you have won X million dollars in GenAI business. Are we seeing the value lever in the pipeline or winning additional businesses because of the underlying technology? The answer is yes. So, I hope I have answered your question.

**Girish Pai:**

Okay. Regarding budgets for 2025, since we're close to end of January. What are you hearing from your clients for 2025?

**Kapil Jain:**

I think the budgets, we are hearing neutral to positive momentum. I think if you see in financial markets, a lot of our clients have delivered excellent results on the street. I think what they are worried about is the policies and that's what they are cautious about. And which is why I think there is a think tank in every company that is working in most of our large clients, to understand, analyze the impact of the current administration and the policies it will have on their businesses. So that's really on one side, the tailwind is that the results were very good and the headwind is the policies and what some of the surprises can come from there. So that's really what we are seeing. And I think it's a little too early because it's just about 10 days from the time the new administration has come in.

**Girish Pai:**

My last question is on your financial market's clients, a lot of them have operations in India through the GCC format. Are you working with any of these GCCs setups?

**Kapil Jain:**

Yes, we work and collaborate with all our clients GCC. So that's an opportunity and we are in a unique position to work and the value they see in our coexistence is huge.

**Girish Pai:**

And the collaborative work you're doing with the GCCs, how much would that be of your financial market's revenue?

**Kapil Jain:**

It's not collaborative work. The work is like in terms of they see us as a value player in terms of the services they are entering and the services we are providing. It's not that like there is a Venn diagram in terms of where there is an intersection, that intersection will be very small. That's what you were asking. But I think the clients, the GCC and us co-exist in the ecosystem and there is a value for the three players to exist.

**Girish Pai:**

So, you're not directly doing any business with GCCs.

**Kapil Jain:**

We are doing very little. But it's not like that GCC is a separate entity. It's a like clients seeing GCC as an extension of themselves. They see our ODC as an extension and the three co-exist in an equilibrium manner.

**Srinivasan Nadadhur:**

I think if your question Girish is whether we are directly contracting with the GCC. That's not the case. I mean, our preference is in any circumstance would be to directly contract with the client entity, which is US or UK based.

**Asha Gupta:**

Thank you, Girish. We have a follow up question from the line of Sandeep Shah from Equirus.

**Sandeep Shah:**

Sir, just on the Agentic AI. You said you have developed one platform. So, is it still in a pilot phase or in terms of production phase? And if it goes into production phase, what is our savings we are able to generate for the client?

**Kapil Jain:**

I think it's not at a stage where we can comment in terms of the savings we will be able to generate for our clients. As you know, we had our Roboworx platform, which was an RPA platform. We have enhanced its functionality and build the Agentic AI platform on that. And we have called it Roboworx CogniFlows. And I think the use cases that we will be working on are on internal, like in terms of shared services functions to see how we can enhance value as well as on the digital side, we would be leveraging it. It's not at a stage where we are like saying that this is the level of productivity we can deliver to our client because I think see the difference, Sandeep in the way we sell our services versus the other players is that we are not selling Agentic AI as an offering that look, I'm giving you Agentic AI, I'm giving you BPO, I'm giving you technology, I'm giving you, I'm giving you change. Our ability to bring it all together and sell it as a service is the unique value proposition that we deliver and that's what resonates well with our clients. So, I think it's difficult to answer your question in terms of exactly how much productivity benefit we can get.

**Sandeep Shah:**

Okay, thanks. Sir, generally we speak that roll-offs are 15%, 20% of the top line whether that range remains same or further increase, decrease and why I'm asking is now the ACV of new business roughly on a yearly basis, 30% of the top line. So, 30% minus 15% or 20% we can still achieve a double digit kind of a growth CAGR in the coming years. Is it a fair way directionally in terms of thought process?

**Kapil Jain:**

So Sandeep, you asked two questions. One is we are not seeing any substantial change in the roll offs in around what your number you said 15% to 20%. And in terms of to answer your second question, yes, if the pipeline continues to be in the range in which it is and like I had mentioned earlier, we are cautiously optimistic about it then yes, the way you are looking at it is the right way to look at it.

**Sandeep Shah:**

Okay. And sir last question, if I could. You mentioned pressure in the cable and wireless business. So, can you explain what kind of a pressure is it more like a competitive pressure or it's a client specific pressure?

**Kapil Jain:**

It's across the industry, see telecom industry has been going through a tough time, right. Because most of the technology cost is declining exponentially and all of us as subscribers want to pay, want higher

bandwidth and pay lower cost. And that's the challenge that all tech companies are facing and they're trying to reinvent themselves by looking at more as a tech solutions provider as opposed to just being a cable provider or a tech company or a telecom company. I think in terms of the subscriber shift that is happening because of the price competitiveness is what that's not a particular client of ours that they are facing. It's an industry wide phenomenon. So, they are doing efforts on client retention and ensuring that the client churn does not happen.

**Sandeep Shah:**

Okay. Thanks, and all the best.

**Asha Gupta:**

Thank you, Sandeep. We have next question from the line of Girish Pai.

**Girish Pai:**

Thanks for the opportunity again. Kapil, I just want to pick your brains on Agentic AI, not so much on eClerx question but an industry question. Does Agentic AI mean that reliance on software packages kind of go down say Salesforce or any ServiceNow any of those kind of packages now.

**Kapil Jain:**

When you say reliance, what do you mean?

**Girish Pai:**

Usage of these packages. Do you think that is going to go down or rather it's going to be more customer application development which is going to come to the fore?

**Kapil Jain:**

No. I think to answer your question, I think wherever applicable, like if clients have already deployed sales force or copilot, they will want to leverage that and use it as opposed to building, to build custom built applications because it's easier to build on the top of what already exists. The foundation layer, the pipelines is already all built in. But where salesforce or CoPilot, Microsoft is not there, then obviously you would build custom applications. But I don't think that because of Agentic AI, the usage of these software will come down, but I'm not an authority in this area, but that's my personal view.

**Asha Gupta:**

Thank you, Girish. We have next question from the line of Jalaj Manocha.

**Jalaj Manocha:**

So, Kapil just one point on to if I were to look at this utilizations of the staff delivery staff in particular, since the past three, four quarters, they have been on a decline and still we have been adding people. So has there been a shift actually the way the way delivery is being done right now as we are keeping bench on the higher level right now or how should I understand this?

**Kapil Jain:**

So I think Jalaj, our utilization in Q2 was higher, but what we have reported in Q3 is in line with our medium to long term average, are we investing and bringing people ahead of the demand when we see, So as not to cannibalize any top line growth, the answer is yes, but it's not that utilization is lower

because there was a lot of investments that were made for the demand because I think it is in line with our medium to long term average.

**Jalaj Manocha:**

Got it. And one last question, margins I know there's been a lot of discussion, and you have given us the direction of 24% to 28%. But the investments until when do you see that they'll continue in the system. So, sales and marketing eventually will start to show up in revenue. So as a percentage that start to fall, but other investments in the delivery or the other guys tech side, when do you feel that they'll keep the margins as a drag down, and what sort of timelines are you seeing? I'm not asking for the next quarter or something. Maybe you can talk about the next year or somewhere in '27. When do you see the impact coming in?

**Kapil Jain:**

So, like I said, we are a growth business until such time we see growth, we will continue to invest in the business. And we will stop investing when we see growth momentum coming down and I hope that doesn't happen. So, we will continue to invest in the business till such time we are seeing growth by expanding into new geographies, bringing new capabilities, new offerings. Like I said again, to stay relevant for our clients and also to all the stakeholders that we deliver to.

**Asha Gupta:**

Thank you, Jalaj. As there are no further questions, I would now like to hand over the call to Srini for the closing remarks.

**Srinivasan Nadadhur:**

Thank you, Asha. Thank you everyone for joining the call today, and we'll see you again next quarter.

**Kapil Jain:**

Thank you, everyone.

**Asha Gupta:**

Thank you, everyone. Have a good day, and you can disconnect now.

*Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.*