InfoBeans Technologies Limited

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Management

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Transcript

Surbhi Jain

Good afternoon, ladies and gentlemen. Welcome, everyone, and thanks for joining this Q2 FY '25 Earnings Call for InfoBeans Technologies Limited. The results are available on the stock exchange. In case anyone does not have a copy of the same, please do write to us, and we will be happy to send over it to you. To take us through the results of this quarter, we have with us Co-Founder, Mr. Avinash Sethi.

We will be starting the call with a brief overview of the company's performance, and then we will allow the Q&A session. Kindly ask your questions by raising your hand after the brief overview by Avinash is over, and then we will address all the questions one by one. I would like to remind you all that everything said on this call that reflects any outlook for the future can be considered as a forward-looking statement and must be used in conjunction with the uncertainty and risks that we face. These uncertainties and risks are included, but not limited to what we have mentioned in the prospectus filed with the SEBI and the subsequent annual report. With that said, I turn over the call to Mr. Avinash Sethi. Over to you, Avinash.

Avinash Sethi

Thank you very much, Surbhi, and thank you, all shareholders, investors and potential investors for attending this call. Thank you for your time and attention. This is the presentation around the last quarterly numbers and also we will cover half yearly numbers. Those who are new to InfoBeans, those who are not aware, I'll quickly run through the standard commentary about the company first, and then we'll talk about the financial numbers, and then we'll open up to question and answers.

InfoBeans is a company founded in 2000. Today, we are a 1,500 people team across all the locations that you can see on the screen. We are present in India in 5 locations: Indore; Pune; Chennai; Vadodara; and Bengaluru. In Europe, in Germany, we are in Frankfurt. In Middle East, we are in Dubai. And in U.S., we are in Bay Area, Silicon Valley, and New York. Next, please. This is a quick roadmap of how we have progressed over the year. The first 10 years were more foundational, as we are first-gen entrepreneurs.

So we spent a lot of time holding ourselves and understanding and establishing the business in the initial 10 years. Real growth started only after that when we started building the organization and having professionals run the show. And then we went public in 2017, we acquired our first company in 2019, then the second one in 2021. In 2023, we reached a revenue of INR 399 crores. And this year, we onboarded Phaneesh Murthy, who was with Infosys and then IGATE as a CEO of IGATE, and he retired and left IGATE.

So he's helping us as an adviser to the Board trying to grow the business to the next level. Next, please.

A quick overview on the numbers. One of the biggest strengths of InfoBeans is direct relationship with very large customers. And we have added 4 more to this kitty. So put together, we have 29 plus 4, 33 large enterprise customers. 90% repeat business is what, again, another strength that we have. Our clients stay with us for long, and we generate repeat business year after year. We've been successful in acquiring 2 companies to grow the size of our business.

And another interesting point is that we have a large number of team members who are with us for 5 years or more, that is very unique to metric which is very difficult and unique to us as a part of the IT industry. We've been able to retain so many professionals with us. We are listed on both NSE and BSE. Half yearly snapshot, we have INR 202 crores in revenue in the first 6 months. INR 42 crores EBITDA, which is about 21% EBITDA now. Our aim is to reach a 24% size on EBITDA. PAT is INR 20 crores, which is about 10%. Cash and equivalent that includes AR of INR 75 crores is about INR 231 crores. INR 157 crores is the cash that we have in the bank. And 26% is our revenue CAGR in the last 5 years.

We are very, very gung-ho about the partnerships that we have in place, right from Microsoft from the early times to the latest one, which is agineo, which is a German company working in ServiceNow. Then we have partnerships with Salesforce and ServiceNow also in place and Microsoft Azure also comes in as a cloud partnership. We are very proud and happy to have achieved multiple accolades and recognitions from the third-party institutions. The latest one being Top 100 Best Companies for Women in India, and Dream Companies to work for, Great Place to Work. We have also got Asia's Best Employer Award very recently.

This is what we do. These are the set of services that we offer.

We do customized development for enterprises, and we build applications for them for their usage as well as we build products for them. We also have a specialized capability in terms of user experience and rapid prototyping where we build early stages of application before it goes into full-scale development. Then we are exploring and building solutions around AI capabilities. We also are helping our developers use tools to generate code while they are developing software. So we are trying to improve our efficiencies using AI tools. We are also trying to help our customers deploy AI-enabled solutions so that they can do their job in a much faster way. At the same time, they are more efficient in terms of their outcome, and the quality of their outcome. We are also partners to Salesforce and ServiceNow, as I mentioned, and we help in implementing and consulting our customers on the solutions around these 2 platforms. Then we have automation around robotic process automation, improving the speed of operations for our clients. We also do a lot of test automation so that any time software needs to be tested, we don't have to do it manually, it just goes through test scripts, which run on an automated way. Which again, makes the GTM very, very fast for our existing customers. Next, please.

Key updates. Our revenue has grown to INR 102 crores, which is an 8% growth Y-o-Y and 3% growth Q-on-Q. EBITDA margins jumped from 19% in Q1 to 23% in Q2. We onboarded 4 new clients, one Fortune 500 company, two U.S.-based large enterprises, one from India b.sed M&A pipeline, where we continue to evaluate companies, specifically focused on ServiceNow and Salesforce. And we are finding that there is some moderation in valuation expectations now. Still I'd say it's not as close to what we would have expected, but we are still pursuing those opportunities and working towards it. It is a constant exercise that happens all the time, but the closure takes a lot of filtration and a lot of due diligence before we come to a term sheet signing stage.

Our Events and applauds, I talked about it. ESG and CSR. InfoBeans Foundation continues to go well. We had 2 batches that underwent the placement program. And again, 90% of them got placed successfully. We also did a very specific program for women leaders in the organization called Shakti. And 25 out of those 60 people enrolled in a year-long program is advancing to the next level, it is an empowerment program for women leaders. 25 of them have now proceeded to the next level, where we'll again focus on them and work with them towards their career progression.

Next, please. The 3 founders on the top, Siddharth, Mitesh and Avinash, myself, then we have independent directors, Shilpa, Sumer sir, and Mayuri. Shilpa and Mayuri live in the U.S. Sumer sir lives in Punjab. Again, a very senior leadership, Emerson looks after sales and marketing. Amit is our Director of Delivery now. Kannan is handling delivery efficiencies, process implementations. And Denise is the heading design function. Manish looks after operations, Ram, client success in the U.S. Darshana looks after Salesforce business development in Pune. Kanupriya is VP of People. Arpit, is heading design.

If you look at it, they have been with us for so long. Tarulata looks after sales and marketing in the U.S., Geetanjali, sales in the Middle East market. Chaitanya looks after delivery and Salesforce Practice in Pune. For the clients that we talked about, ALM is one of the longest relationship that we have, more than 22 years. We continue to work with them. They do legal content publishing in the U.S. IQVIA is one of the large healthcare services provider. Co Advantage is one of the HR solutions. Then we have clients which are under NDA, again, a very large company on the logistics side. SMBC is a financial institution based out of Japan, but we work with their U.S. firm.

There's a cloud data services and storage company that we work with. And there's a German client, which is a multinational conglomerate in the technology space. And there is a wireless communication company, which is again one of the largest players, and then the pharma company again a very, very big name out of Germany. So our large enterprise clients is our strength. We have direct relationship with each one of them. And on an average, if I look at the average age of my top 10 customers, it will be easily crossing 9 years. So we generate a lot of repeat business from our customers.

This also shows the amount of strength in terms of delivery and the trust that we have gained from our customers. Let's jump on to the financial snapshot. This is a quarterly snapshot, September '23 to September '24, 8% growth in revenue, 52% growth in EBITDA margins, EBITDA and a 200% growth in PAT margins. When I look at quarter-on-quarter comparison, 2% on revenue, 25% on EBITDA and 63% on PAT. In constant currency terms, which is particularly, let's say, USD, we have grown by 7% Y-o-Y. Some detail here. We have seen demand improvement from September '23 to September '24.

And we've also been able to control expenses so that we have a better gain in terms of margins, both on the sales and marketing expenditure as well as finance cost has reduced slightly. We also have been able to improve our utilization, and also reduced the salary cost, and therefore, a higher utilization led to a better margin.

Here, we see the H1 comparison between September '23 first half to September '24 first half. The revenue has grown by 7% from INR 190 crores to INR 202 crores and EBITDA has grown by 39% to INR 42 crores and PAT has grown significantly from INR 8 crores to INR 20 crores, 166% growth. Next, please. This is the P&L for 30th September half year ended. Some details here in terms of how revenue has changed, how expenses have been able to maintain constant between first half and therefore, the increase in EBITDA and PAT margins.

Let me also tell you that we continue to invest in sales and AI technologies. So there would be a certain amount of expenses which are going in the right direction towards the growth of the business that will continue. Next. Quick snapshot on the balance sheet. So we saw last time one of the founders have resigned from InfoBeans Cloud Tech. And therefore, the earn-out portion attributed to that founder has reduced our liabilities and also reduced our asset portion, noncurrent asset portion.

So that has reflected in the balance sheet right now. The profits have added to the assets and the equity portion. And yes, the current liabilities have reduced from INR 56 crores to INR 41 crores. And similarly, the noncurrent assets have reduced from INR 189 crores to INR 167 crores.

Next, please. Almost equivalent split between Digital Transformation and Product Engineering. InfoBeans Cloud Tech is contributing 15% to the overall revenue. U.S. market has reduced to 63%. And interestingly, Europe has jumped to about 20% in revenue, in Germany. And this is the quarterly number, by the way. UAE has grown to 11%. So both the markets, Europe and Middle East have grown well for us.

India has shrunk. And for right reasons, we curtailed all the low-margin accounts from India. That might have further reduction in future. But yes, interestingly, we used to have 80% U.S. revenue just a year ago, and we are now at 63%, which is a good sign. We are not overly dependent on one market and that we're seeing Europe is growing and Middle East is growing very well.

Next. One quick snapshot of the award that we received, eighth time in a row, Best Employer Award. And we have got the best companies award for top 100 companies in India for women. So certain events that we attend and invited to. This is the ServiceNow event in Mumbai. This is the Shakti empowerment picture where we have women running through the entire program and 25 of them are now to the next level in terms of leadership. So out of the InfoBeans Foundation students, 73 students have got placed. And one remarkable achievement that we've seen here is 40 of them got placed into one company called Softude. And this is the picture of that team in their office. Very happy and proud of that.

Next. So Indore has a recent event where they planted 11 lakh trees and saplings in a single day. We contributed to that. We participated in that exercise. This is a picture from there. Market data, you would be knowing it already.

Thank you. Thank you, Surbhi. We can open up for question and answers.

Mridul Maheshwari

The first question comes from the line of Rajesh Chaudhry. Rajesh, kindly ask your question. Rajesh, we are not able to hear you.

Avinash Sethi

Okay, go to the next in line. Rajesh can come back again.

Mridul Maheshwari

The next question comes from the line of Rohit Singh.

Rohit Singh

No, I am audible, sir?

Avinash Sethi

Yes, Rohit.

Rohit Singh

Considering the recent uptick in the IT job index alongside the U.S. Federal Reserve rate cuts, what are the projections for the demand environment in the coming quarter over the next year?

Avinash Sethi

Thank you for asking, Rohit. I think what you're asking is with the rate cut in U.S., what is the demand scenario for us, right?

Rohit Singh

Yes, sir.

Avinash Sethi

Okay. So Rohit, let me tell you, honestly, we are a micro company and such changes at a macro level does not really affect us much. It does change the sentiment in the market, which is a good news for us. But our business typically is affected by the customers that we work with. And those customers, if they come up with new work, new demand, then we grow irrespective of the macro environment. We do take 6 to 9 months to sign up a new client.

So that process continues. I would say that there's not much of a change in our cycle with such changes in macro environment, particularly in the U.S. and there is another factor which is elections. So it just slows down certain things, but our clients don't see any such impact per se.

Rohit Singh

In light of the anticipated market recovery, are we aiming to achieve a strategic growth target that will result in double our performance in every 3 years?

Avinash Sethi

We do want to do that. I think I've been telling in the past also that it is a combination of organic and inorganic growth. In last 2 years, we have seen certain setbacks in terms of our top clients trading out very, very quickly. And therefore, we lost a lot of revenue from those few names. But I'm happy that we've been able to recover that.

Plus the last couple of years, the valuation asked by companies, seller companies was very, very high. And it was not logical or rational to purchase those companies. So we have kept on the sidelines. We keep accumulating funds. And as and when there's a right opportunity, we will go ahead and acquire. So the target remains the same. We want to grow at a faster pace. We are not happy with the current pace of growth. But all said and done, there are certain factors which are out of our hands. But we are still assertive and aggressive in that space. We want to grow fast.

Mridul Maheshwari

The next question comes from the line of Rupesh Tatia.

Rupesh Tatia

Am I audible?

Avinash Sethi

Yes, Rupesh.

Rupesh Tatia

Yes, I've got a few. So first thing is this margin performance that we did for this quarter, is there some one-off? Or this is now the kind of like base going forward?

Avinash Sethi

It has come after a lot of effort, Rupesh. So I would not say it is a one-off. You see we have increased our revenue. We have decreased our cost. So there was a constant effort on all directions. I think it is a good sign that we are turning around. Will it be constantly upwards from here? There might be slight ups and downs. But I think directionally, we are on the right path in the right direction. So I would be not saying that this is a one-off. Definitely we are going to build on top of it.

Rupesh Tatia

Okay. Okay. So it is sustainable. Okay. So other question, sir, is, can you update on the agineo partnership? How is it going? What is the revenue contribution in the half year? How is that scaling up? Is it scaling up as per your expectations?

Avinash Sethi

Yes. agineo is going well. We have not published any revenue numbers as such. But yes, we are going in the right as per the projections. So for a year-long projection, we had that we would be having a team of about 45 to 50 people. I think we are already at 30-plus team size. So by the end of the year, we'll be reaching there. So we are on track. We've attended a couple of events in the U.S. and Germany with agineo. And if you are following our LinkedIn portal, we do post those developments there. So it is going strong. And we are talking more business. We are talking other things also. So yes, it is on the right track.

Rupesh Tatia

Okay. Okay. And sir, I think in the last quarter, you said in the Cloud Tech, some issue happened with one of the clients. Has that been sorted? Is Cloud Tech now back to track? I mean, have we recouped the lost revenue? And are we on a growth track now?

Avinash Sethi

No. So that client has gone totally, and we are not able to recover from that drop. However, we are inching towards increasing the revenue, but not able to recover completely from that. So it is a slow process. It will take its own time.

Rupesh Tatia

Okay. Okay. And this explanation on balance sheet, some founder-related Cloud Tech, I didn't understand that. Maybe can you throw some light on that?

Avinash Sethi

So when you acquire a company, there is always this mechanism where you pay a certain portion of the payout as a part of yearly achievement. Now since one of the founders has left midway, yearly achievement, which would have otherwise been due by the end of this fiscal is not payable anymore. And therefore, that needs to be rewritten in terms of the asset value as well as the liability that we had towards that founder.

Rupesh Tatia

I see. I see. Okay. Okay. Understood, sir. And I mean, Avinash, you have always said that macro doesn't matter. We're a small company, 1 or 2 deals can change our growth trajectory. So are you now in a position to say that our trajectory has changed and over next, let's say, 4 to 6 quarters, double-digit, high double-digit growth kind of will return? Are you now in a position to give that kind of directional guidance?

Avinash Sethi

Rupesh, we don't offer guidance, but I'm positive now. I'm much positive than probably 2 quarters ago. So things have shown good signs, there are businesses that we have, the clients that we are seeing are generating a lot of work and a lot of demand. So yes, I think we are going in the right track. Whether it will convert into a 20% growth, 30% growth, I don't know. But we certainly want that. That is the hunger, that is the need that we have. So yes, we are striving for it. We would want that to happen.

Rupesh Tatia

Okay. And then finally, sir, suggestion, I know you look up to best in the industry in terms of practices, corporate governance and all that. So I would also suggest you maybe look at their presentation, maybe if we can start showing up total contract value, deals win, some other by product, by industry segment, some revenue because a lot of details are there given by other industry players. And I know you want to follow the best practices in the industry. So I would urge you to look at that.

Avinash Sethi

Sure, Rupesh. Point taken.

Mridul Maheshwari

Avinash, there are certain questions in the Q&A.

Avinash Sethi

So a very good question from Vipul. We have been saying from the last few quarters that we're actively working on potential deals on the acquisition side. So he's asking what are the challenges that is preventing us for a successful acquisition?

So Vipul, the fundamental point here is that we are very selective in choosing the targets. Second, we want the customers only from the U.S. market.

We don't want the customers from the other markets, primarily because we understand the U.S. market better than the other markets. Just because we've been there for a much longer period, plus one of the founders live there. So when you look at the filters, we have a very strong filter. And therefore, the number of deals that we come out through that filter is less. Plus, when we look at acquiring company, it's not just the financial transaction. It is a much more detailed work in terms of how the integration will happen, what are the cultural alignment, what are the synergies, how are we going to make 1 plus 1 more than 2. So all of those analysis are being done.

And therefore, it takes time. Third is the valuation itself. If there is an illogical ask, then we will not be able to pursue that. So we have dropped a lot of deals where we have given a term sheet based on the value that we estimate for the business and we make an offer to the seller company, but then they would drop it because their ask was much higher than what we have offered. So we do our work. And obviously, if it doesn't close, it doesn't close. We are not willing to make any irrational choices here. We're not willing to make any acquisitions just for the sake of growth numbers by being a much higher dilution for the company because we want the ROI to happen in 4 to 5 years.

And if the ask is such that the ROI will happen in 10 years, then there's no point in acquiring that company. We are better off building that capability eventually. So that build versus buy analysis happens. And therefore, these acquisitions are tough to happen and it's not very, very simple transactions.

The second question you have is we hold more than INR 180 crores in cash. Should the acquisition opportunities are not available, has the management considered share buyback in the open market?

I think one of the things that I would request all the investors to understand is we are a tiny company. So the comparison that you make of ROE or ROCE from large IT companies is not comparable. That's the first thing. Second is all of those presentations and ratios that we see of the larger companies may not really apply appropriately to us. Therefore, having cash in hand is a good thing. We saw that in COVID times. It gave us a lot of strength even in the severe adversity. And even though it is nothing if we compare to the kind of companies that we're looking at, let's say, INR 100 crore company typically would be available for more than INR 200 crores in value.

If I have to acquire INR 100 crore company today, I'm actually short of money in that sense. So it is a business of large companies to do buybacks and give hefty dividend. But for a company which is growth-hungry, giving back money to the community doesn't really help. right? I mean, it doesn't make sense. If we are trying to grow the business, there's no point in giving back in terms of share buybacks or dividends. We'd rather grow the business and deliver that growth, which becomes a multi-bagger return for the investors rather than a tiny buyback. So I've answered Vipul. Do we have a next question?

Mridul Maheshwari

The next question comes from the line of Rajesh Chaudhry.

Rajesh Chaudhry

Am I audible, please?

Avinash Sethi

Yes, Rajesh.

Rajesh Chaudhry

Yes. First of all, congrats for an excellent set of numbers. My question would be. What is the attrition rate at the moment? And has the salary hike been taken care of in this quarter?

Avinash Sethi

Most relevant question, Rajesh. Attrition rate is at around 16%, which is fairly healthy for us. The appraisals have happened from 1st of October onwards. So yes, we are on the track in terms of what we committed to our team. So we don't see any tough times in the coming quarters. Therefore, we delivered on what we committed in terms of appraisals to happen from 1st of October. That has already happened.

Rajesh Chaudhry

Okay. And can we expect this kind of a run rate now because like since now we are pretty much growing and growing decently, especially in this quarter, can we maintain this run rate going forward?

Avinash Sethi

Yes. As I mentioned earlier to Rupesh, we do want double-digit growth annually as well, so we are unhappy with single-digit growth, let me tell you. But yes, we do want to continue on that path. And we are investing in sales. We are bringing more salespeople, more teams across the geographies, investing there. We're investing in AI technologies trying to understand how we can implement those AI tools and technologies for our customers. So that is an exercise that we continue to invest in.

So yes, we are, in a sense, unhappy with the current rate of growth. We certainly want a higher rate of growth from where we are. So we are investing in that direction

V.P. Rajesh

Congrats, Avinash, on a good set of numbers. So a few questions for you. When you're talking about the salary hikes, so that increment will show up in Q3 in your employee cost, right? It is not in the Q2 numbers?

Avinash Sethi

It will show up in Q3 onwards, yes.

V.P. Rajesh

Okay. So then the related question is that when you have done a wonderful job that your 100% of your revenue increment has flown through to EBITDA, which is very rare. So congrats to you and your team. But my question then is that will you be able to keep this 21% EBITDA margin or as you have always said your target is 24%? Or should we expect a dip in the margin in Q3?

Avinash Sethi

I think we are seeing good traction in terms of the demand. Therefore, we hope that we'll be able to maintain the same margins going forward. But 1% or 2% here and there, I would not really bother much about it. But directionally, we are going in the right track. And with the demand showing up and with the cost control measures, I think we are able to recover from what we saw in the worst times.

Yes, I think as you rightly said that all the revenue growth more or less trickled down to the profit because we were running a tight ship. And I think I mentioned earlier in the previously quarters also that the capacity was much higher when the revenue was not trickling in. And with now demand showing up, we are showing better margins. So there is a cost to run the operation, you can't just cut to the bone when you have to run a healthy show.

V.P. Rajesh

And so what was your utilization for Q2, Avinash?

Avinash Sethi

I think it's inching towards I don't have a number exactly, but it's inching towards 80% more or less. 79% to 80% is, I would say, is the comfortable number right now.

V.P. Rajesh

Okay. So in Q2, you're saying it was around 80% and which means that you will still have some slack room before you have to start getting into the hiring more to improve the bench. Is that right?

Avinash Sethi

I mean we do continue to hire. I think that never stops because if you look at 16% attrition rate, we still have to continue to hire. So that happens. That replacement process continues.

V.P. Rajesh

No, no, I was talking about the net gain in employee count, the question I'm trying to understand is that do you think you have enough buffer to not add net headcount unless until the certain projects require you to do so? Or you think like very soon, you will have to start hiring more people and build a bench. That's what I was trying to understand.

Avinash Sethi

Correct. I think probably this quarter, we don't have to hire any new. Next quarter, we would probably have to.

V.P. Rajesh

Okay. And then on the M&A side, 2 questions. What is our cash balance at the end of the quarter without the account receivables? And then the second thing is, do you foresee doing anything in the 6 months, given the way things are with these 2 transactions that you highlighted? Any announcement that is possible in the next 6 months before the end of this year?

Avinash Sethi

For acquisition?

V.P. Rajesh

Yes.

Avinash Sethi

Again, difficult to say that. We do have good pipeline right now, that is ServiceNow company, Salesforce company. We are debating on the valuation and other things, but we don't know whether it will fall through the right thing, the right places or not. So difficult to say that.

V.P. Rajesh

But have you issued LOI to either of them or not as yet?

Avinash Sethi

No. We will announce the LOI whenever that happens.

V.P. Rajesh

I see. Okay. Fair enough. Got it. And then the other question was on the cash side. What was our cash at the end of the quarter?

Avinash Sethi

Yes, INR 180 crores more or less, plus INR 75 crores in terms of AR.

V.P. Rajesh

Sorry, INR 180 crores, you said?

Avinash Sethi

INR 160 crores is it? Sorry, INR 160 crores in cash.

V.P. Rajesh

Right.

Avinash Sethi

And about INR 75 crores in AR.

V.P. Rajesh

analyst

Wonderful. Great quarter.

Mridul Maheshwari

We'll take the last question from the line of Manish Karwa.

Manish Karwa

Can you hear me?

Avinash Sethi

Yes.

Manish Karwa

Avinash, can you hear me?

Avinash Sethi

Yes. Manish.

Manish Karwa

Okay. Sorry about this. So I was just asking and again, this may be a repeat of the previous few questions, especially on the margin front. So there are a few things which are happening. First is that you are saying that there's a decent amount of cost cutting that you had done. Now what is the nature of these cost cutting? And will this benefit continue to us as growth starts to come in?

And second, the salary hikes, you obviously deferred the salary hikes over the last 2, 3 quarters. Now with salary hikes coming in, I assume there will be growth as well. But is there a risk to margins once the salary hikes happen? Or they've already happened, I assume, but would it reflect negatively on the margin front as we move forward?

Avinash Sethi

See, it will certainly impact the cost, definitely, yes. But at the same time, we're seeing demand showing up. So that should cover up. The second thing is the cost-cutting measures that we have taken is we have optimized our bench where we've aligned our sales funnel with the bench and everything else that is not aligned to that funnel, we have cut that out.

So that has helped in a sustainable, I would say, cost protection there. At the same time, we are also actively building the talent pipeline so that we don't have a lot of idle time before the project starts. So these are some of the, I would say, tough things that we have done in the past. We've also cut down on clients which were not growing in margins, particularly Indian clients. So that also has been reflected. Some of the clients have been converted into a better rates so that now we have a steady revenue pipeline without hurting the margins.

So these are some of those bigger things that have happened. So yes, I think we should be able to recover.

Manish Karwa

Okay. Second thing, on the growth front, I think partly you answered. It seems to me that while you are bullish on new business coming in, but still the numbers that show up do not reflect a very high growth. Given a small size, I guess, we probably could have grown a lot more. What it seems to me is that some clients are running off.

And as you also alluded, some Indian clients, you are also letting it go because of the margin issues. Now if the runoff were to reduce, I guess, the growth number should look very high because the new client acquisition seems higher. In this quarter also, you've seemingly added 4 new clients. And I assume these are large clients. So as the project starts to ramp up, you will probably see a much faster growth. So is this thought process or assumption right that as we move forward?

The runoff will reduce some of the margins we've already recouped. And as the new acquired clients starts to ramp up more, the 3% growth number on a sequential basis that you showed this quarter should actually start to look much higher as we move forward.

Avinash Sethi

That's correct. That is how technically services model work, and that is what we are also trying to do. New client comes at a higher rate. Obviously, there's a ramp-up in mind in terms of how things will progress.

So all of these things help in terms of recovering the margins. Having said that, we are still conscious about our cost we incur. I mean, as basic as we have avoided giving Diwali gift this year. So we are keeping things like that in order to save every penny from wherever we can. So we are conscious about those things. And yes, I mean, you're right in terms of how things are visualized in terms of whether the growth momentum will continue or not. So yes, I think positivity is seen. And with these new businesses and existing clients giving more businesses, things look sustainable from here.

Manish Karwa

Okay. And just a last small question. How do you define the new client acquisition when you get an order or when you actually start doing business with them, when you start billing them?

Avinash Sethi

I think there are 2 instances. One is there's an MSA that gets signed with a new client. We don't call that as a client onboarding. Then there is an SOW, which is a particular project that is assigned and when the team starts working, I think that is where we say the client has finally arrived. So when the real work starts, I think that is where we say we have onboarded a new client and there might be a gap between 2 weeks between SOW and actual work, but that is the time when we say that client is finally arrived.

Manish Karwa

Okay. So then the 4 new clients that you have mentioned you have acquired this quarter, they have started to do business with us, right?

Avinash Sethi

Yes, yes. SOW is done for all the clients

Manish Karwa

Yes. So logically, they should start to ramp up as they keep moving forward?

Avinash Sethi

Correct. The only hit here is some might grow faster, some might not. So it's all the client-dependent situations. But yes, ideally, ramp-up happens, eventually.

Mridul Maheshwari

We are at the top of the hour. I'll request Avinash for the closing remarks.

Avinash Sethi

Thank you, everybody, for your interest and attention to this call and to the company. We are thankful and we show a high amount of gratitude for that. And since the festive time is around, let me wish you a very happy and prosperous Diwali. Thank you. Thank you very much.

Surbhi Jain

Thank you, everyone, and now you may disconnect your lines.