



“Small Investor Group Meeting of
Expleo Solutions Limited”
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**MANAGEMENT: MR. BALAJI VISWANATHAN – MANAGING
DIRECTOR AND CHIEF EXECUTIVE OFFICER
MR. DESIKAN NARAYANAN – CHIEF FINANCIAL
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MODERATOR: MS. ASHA GUPTA – ERNST & YOUNG LLP

Asha Gupta: Hi everyone and welcome to the Small Investor Group Meeting of Expleo Solutions Limited. Please note that your lines will be in listen only mode and to ask any questions please click on '*' and '1' on your touchtone phone. Please note that this call will be recorded and hence request you all to mute your lines if you are not asking any questions.

Today we have on the call Mr. Balaji Viswanathan, Managing Director and CEO and Mr. Desikan Narayanan, Chief Financial Officer of Expleo Solutions Limited. As most of you have been tracking this company and are invested, we will be starting this call directly with the Q&A session. We have a question from Anuj Sharma from M3 Investment. Anuj, please go ahead.

Anuj Sharma: Yes, thank you. Balaji, may be you could just start off with the current environment as to how it is looking. We had a muted Q1, so how was that? And my second question is, could you also talk about how we are developing competencies in the direct business, both in engineering and BFSI? I'll ask more after these two questions.

Balaji Viswanathan: Okay. The current environment, you know, it's not bad. I wouldn't say, it's bad in any ways. It's just that the decision-making is getting a little slower. The number of large deals, when I say large deals, it's in the range of anywhere between \$2 million to \$5 million or \$5 million and above, are getting smaller and smaller and those decision-making cycles are even getting longer. All the customers have either postponed their larger decision engagements or at this particular point of time said that they will look at it next year.

But apart from that, our existing customers, most of the customers are growing, there are barring a few, but to very limited. The prospects of what they're talking about in terms of what they want to do in that transformation journey is also quite exciting. And, you know, we are confident that this is only a temporary pause and watch given the current inflationary pressures and the cost pressures that they are going through. But apart from that, we don't really see any systemic or fundamental challenges per se.

This looks like, you know, probably two, three quarters of cost before the customers will start spending more on change and transformation. And on the competency part, we've been focusing on what we call it as a digital assurance and digital transformation, which is primarily a DevOps automation and looking at working with some of the key technology solutions available in the market, whether it's bigger banking solutions or payment solutions or ERP solutions.

We are building capabilities and partnerships around that. That's the journey that we've been trying to do for the last almost 18 months. That is still continuing and it's actually helping us in increasing our digital footprint, which also gives us better career prospects for the team and also more foothold to the customers as well.

Anuj Sharma: Okay, but specifically on the engineering business wherein a large part comes from the group, what is our plan to develop a direct business because there is buoyancy in the environment at least from a capital investment viewpoint? So these are technologies but how do we gain this opportunity in the engineering part for direct business? Or will it be led by the group entity?

Balaji Viswanathan: So engineering, I would once again try and split this into those three components of engineering services that we do, what we call it as mechanical engineering. Then the other one is digital engineering services, which is combined with other technology services as well. And the third one is electronic and embedded services.

If I look at the mechanical engineering piece, there is a significant amount of work that we get from the group. Embedded engineering is partly group and partly direct as well, which primarily works on the aeronautic, the aerospace industry, what we call it as avionics, which is also part of MDRT, is mostly direct business, not so much in the group business. And the other one is the digital piece within the engineering services, which is now primarily driven by what the group is providing. So you know, what we are looking at is how do we sell the mechanical and the production-based engineering services to some of the direct customers as well, considering the kind of work that is actually happening in the Indian and Asian markets.

We have had some small successes, but that's a long journey because it's not a small project. Normally these projects are multi-year projects and we need to, you know, have the right level of presence in those particular geographies as well. So we are looking at that as an option. But electronics and embedded or avionics is what we call it as, and also the embedded services that we do within the automotive space, whether it's infotainment or navigation or software, which is within the automotive segment.

MDRT business is something which we have already started selling in all the direct markets, particularly in the Southeast Asian space and also in India. We have had some successes because it's been only one year since, not even one year actually, it's been around 10 months or so since we have started selling in this market. We have a couple of customers. Once again, reference through our group clients. But that's the plan of trying and building some of this capability for the domestic market as well.

Anuj Sharma: Okay, and one last before I come back in the queue. So our number of clients from \$0.5 to \$1 million came down from 29 to 15 in Q1 and corresponding active clients also came down by roughly the same number. So what exactly happened during Q1? Thank you.

Desikan Narayanan: 29 customers to 15, yes. That is a combination of things. We take the last 12 months rolling and we do it. And this is more based on the billing, what we do in the last quarter and also corresponding 12 months. So that's the reason it may look like it is dropping. The revenue may drop a little bit small but we have not lost the customer. So, it is more from the revenue what is generated from the customer is what we take it and prepare it. So that, there may be some period where we have a lower revenue coming in and once, they go for a bigger project, it will go right from that. So, that's the reason you see that fluctuation in the revenue but as such we have not lost any of the client. It is more a revenue fluctuation just showing that the drop in the number of customers.

Anuj Sharma: Alright. Thanks. I'll come back.

- Asha Gupta:** Thank you Anuj. Reminder to the participants to click on ‘*’ and ‘1’ for asking questions. We have next question from the line of Udit Bokaria from Catamaran. Udit, please go ahead.
- Udit Bokaria:** Thank you sir for giving this opportunity. So, if we look at your top five client revenue mix, so quarter-on-quarter, it has declined by around 5%. So, if you can just help us understand which client we saw decline and what was the reason for the same?
- Balaji Viswanathan:** Yes. Udit, the way our business works is it's actually a cyclical business. Typically, the Jan to June is when the customer starts or the project actually starts taking off and then after that, this quarter, that is the July to September quarter is normally better and then once again the December quarter because of the number of working days it probably goes down a little bit then Jan to March once again it gets better. There isn't really any big drop also because we haven't really lost any customers and even the top five customers contribution is also not dropped specifically in terms of, what we are getting a customer.
- So, we have looked at active clients, active clients dropped from the last quarter to this quarter, primarily because we were looking at some of the smaller engagements and we were also rationalizing some of those engagements. But from an overall revenue per customer or profitability per customer or the contribution from the customers hasn't changed much.
- Of course, if you look at it from last year to this year, it has significantly changed after the merger because earlier to the top five, top 10 customers were contributing to almost 55% to 60% of the revenue. Now it has come down primarily because, we have now more customers because of the engineering business and that's the reason why the profile of top 10, which is good as well to some extent because the concentration risk is lesser. But as such we haven't really seen any of our top customers reducing or declining peruse. But Desikan, you want to add anything?
- Desikan Narayanan:** No, I think you have covered it. Even if I look at the trend of last quarter to this quarter the top 5 customers from 34% have dropped to 33%. That's the combination what we have. So, there's no huge drop and more from the revenue fluctuation rather than anything else.
- Udit Bokaria:** Understood, understood. And how big is Credit Suisse and UBS as a client for you? As percentage of revenue contribution?
- Balaji Viswanathan :** We don't work for either of them in India.
- Udit Bokaria:** Understood, understood. And so, if you can help us understand, so the parent has been growing at 20% growth rate, right? So, if you can help us understand which customers of parent are driving that growth, is there any relating to aero auto industry or is it widespread growth that they are seeing? If you can elaborate on that.
- Balaji Viswanathan:** It's primarily the aero and auto and also to some extent -- the acquisitions that we did in Germany, which is a digital consulting company called UMS and the healthcare business that we acquired between Germany and Belgium or rather France and Belgium it's also helping the customers but mostly driven by Aero and Auto. Aero more than the Auto business offers because Aero has

seen a significant turnaround in the last couple of years. And that's what you can see is the biggest driver at least at the group level.

Udit Bokaria:

And for the parents, Aero customers, are they now comfortable on outsourcing most of their business activities to explore India? And how should we see their projects ramp up? If you can give an example as well, like how do you see like what is a like 50 people working in the project how big can that become?

Balaji Viswanathan:

Yes. So the contribution from the group on the Aeronautics and Aerospace, both Avionics and the Aerostructures business has been growing in India and that is one of the significant growths that we have seen in the last 12 to 15 months as well. Two large customers of the group whose work is actually getting moved to India. They already have an India presence through their own captive as well. But they are some of the niche segments which we are working on. They are ramping up the test in India.

And what we see is that the customers are interested in moving work to India primarily because of scalability and also the costs that they are able to drive. And we see that as our, even when we talked about when the merger happened, the growth of group business is going to be more than what the growth of the direct business is likely to be. It's not that direct business will not grow. Our expectation is the group business will grow in significant double digits, while the direct business might not grow at the same rate as what our expectation is. And that's what the commitment from the group's management team as well. And we see that happening right now with primarily in the aerospace business, but also partly in the automotive business as well.

Udit Bokaria:

Understood, understood. And we have increased our RPT with the group for approval for the group from INR 210 crores to INR 360 crores, right? So what percentage are we confident of achieving for the current year and which segments again, is it primarily driven by more work in the aero segment for the group or any other segments also which is driving that growth?

Balaji Viswanathan:

It is, you know, aero and transportation is what we are expecting, what is contributing to the growth at this particular point of time for this year. But the expectation is that it will, all the three segments, that is automotive, aerospace and transportation will, you know, will continue to see significant growth in the coming years.

Udit Bokaria:

And are we evaluating healthcare as a segment as well because the parent has made some acquisitions. So are we planning of healthcare as a segment in India as well?

Balaji Viswanathan:

So, we do work for some of the healthcare companies in the direct business. So, based on that particular capability, we are pitching for those businesses, but the business that the group has acquired is actually a more localized French and Belgian business, rather than moving offshore.

But at some point of time, some of the core digital capabilities or engineering capabilities within those within those particular businesses could move but at this particular point of time, because of their own you know data security and the kind of work that they do specifically in those hospitals and you know closer to the patient care facilities, not all those businesses are conclusive

to move offshore at this particular point. But we are looking at growing in the healthcare business and we are also looking at, you know, as part of our data business, we also do some work for healthcare companies in the US. And US healthcare is probably more amenable or more conducive for doing work from offshore as well. And that's, we are looking at healthcare but not so much from the group at this particular point of time.

Udit Bokaria: Understood. And if you can highlight how you have arrived at that INR 360 crores of RPT number and what is the target for revenue contribution for this year?

Desikan Narayanan: The way we do the RPT is more from an angle of how many, what will be our future i.e. forecast, what we think as, as what we will be getting from the group. Currently, if you look at it, out of our total revenue, we have around 33% or 34% of our revenue coming from the group. And the expectation by the end of the year, we are picking around a range of 40%. One aspect also from an RPT perspective for getting approval is, generally we do it once in three years. So, that's the reason we got for a higher number so that it covers for the next three years. That's the way the RPT number has been prepared. But on the actuals what we are is around 33% 34% is the current trend and we must be in the range of 35% to 40% is what we will be ending up by the end of the year.

Udit Bokaria: Understood, understood. Thank you I will get back in the queue.

Asha Gupta: Thank you Udit. Reminder to participants please click on '*' and '1' for questions. We have a next question from the line of Anuj. Anuj, please go ahead, he is from M3 Investment.

Anuj Sharma: Yes, Balaji, can you just help us as to how does the sourcing model work with the group? So is it that there is a roadmap and you just have to pick business, or you have to convince the group that these are businesses which we can do. So, how do you come up with this number? And can there be meaningful deviations from what you guide?

Balaji Viswanathan: So, the way we've operated right now is that we are, we have a solution, you know, team which is actually based out of India. And for every opportunity that comes, we all have one single CRM solution, which we use across the group and we get to see what are the opportunities that are there in the pipeline and what are the opportunities where we need to bid together and the solutions are normally built along with the India-based solutions team as well.

And when we win those opportunities, then we work together to make sure that we get whatever is the right share, that we have solution as part of the proposal. And the existing business which have to move, that is what is being delivered currently in Germany or France, to move, there is a specific team that we have, which is based out of France, but we also have a team sitting in India, who look at each one of these opportunities, assessing how much of that existing work could actually move.

And given the sensitivities around replacement of work, we look at wherever we could find other alternative work, which could be done only on site for that particular team as well, and then try

and move the work to India. So, will there be meaningful deviations? yes, if there is a significant business, you know, deviation that happens, yes, it could be possible.

But otherwise, in a normal BAU, we don't see that to change significantly in terms of the working model, per se, because right now, the teams are all joined at the hip. So, we have one global delivery team for each one of those competencies, whether it's digital or whether it's engineering or whether it's technology or whether it's software development.

And those teams are all distributed across different locations. And we also have a couple of them, a couple of the senior leadership or heads of those particular businesses sitting out of India as well. So it won't significantly change the model.

Anuj Sharma: That's helpful. My second question is, between client engagement, between technology and engineering services division, how material is the duration of engagement difference between the two set of customers?

Balaji Viswanathan: The current technology engagements are all primarily project engagements. So, it works from a start date to an end date and if the project gets extended. And typically the project engagements could range from anywhere between six months to one year. And some of the larger, legacy modernization projects could go for a couple of years.

But if you look at engineering, typically the mechanical engineering projects run for two to three years kind of timeframe because most of them are around design and execution and after that handholding till it goes into production as well. And the other embedded services is very similar to what the technology services is.

Anuj Sharma: Okay, okay. But you know, given that is the case, post the merger also, in the active client list, we see continuous, I mean, significant variations in the active client list. Now, if the engagement of engineering is higher, then shouldn't we see a more or lesser variations in the active client based over a period of time? And this is, maybe I'm just referring to a small part, but going forward, is that a fair assumption that the active client won't materially differ and it will keep growing at a steady pace?

Balaji Viswanathan: Okay, so I'll probably try and clarify this and basically please correct me if I'm wrong. So the active client list at least as far as the group business is concerned will not change much because our engagement is with each group entity not with every individual customer person and that's how the engagements are signed.

So, most of the fluctuations is something which you would see from within the direct business where there will be one project which will get closed or one project which will get going to unfold where we may not build for a couple of months and then after that you know we start again. But from a group business perspective the number of customers will not fluctuate much. Desikan, do want to add anything more.

Desikan Narayanan: Yes, what you mentioned is right from a group perspective to be the entity which we involve will be our client rather than the client which they signed. But as far as the direct customer is

concerned, it is built to each customer. That way the fluctuation will be more from the direct customer rather than the group.

Anuj Sharma: Okay, okay. See, one more point, in the press release of the parent, they have said that their margins are inching closer to 10%, and for us, our margins are now in the range of 15%. Do we see, we have given a guidance of 16%, 18% or a range maybe post consolidation. But can we see the margin inching beyond given that the parent itself is at a significant delta in its margins?

Balaji Viswanathan: You're talking about the margins going below the 16% mark or are you talking about...

Anuj Sharma: So, I'm saying the parent had negative margins and it has had a significant delta to plus 10%. Our margins have been lower than what we guided of 16% to 18%. So, first of all, shouldn't the delta between parent and us be large because we are primarily a delivery center? And do we see us crossing that 16% to 18% margin in the near future?

Balaji Viswanathan: So, one thing I'll split this into two parts. The first one is, as far as the group business that we get from the group, that is a standard, transfer pricing based on which we do it, and which is approximately the range of 15% to 17%. So, the direct business is where, and the group business at this particular point of time, like what Desikan mentioned is approximately one-third of our current business. The remaining two-thirds of the business is what we expected to drive between that 16% to 18%. So, the other businesses should ideally drive anywhere between 18% to 19% so that we are in the 16% to 18% mark.

But the best part is that the Group business is relatively stable, lesser riskier engagements and the direct business obviously will see some amount of fluctuation and will also have a direct impact on the market. Even the Group one will have a direct impact, but will probably be a slightly muted one rather than the direct impact.

So, the direct business is where we are more focused on how do we manage our costs, how do we make sure that we are able to increase our profitability given the kind of markets that we operate in. But the Group business is fairly stable and predictable in terms of what the profit margins will be.

Asha Gupta: Thank you, Anuj. We have next question from the line of VP Rajesh from Banyan Capital. VP, please go ahead.

VP Rajesh: Thanks, Asha. Hi, Balaji and Desikan. This has been just on the client list, one clarification. So when you're saying that some of the customer in \$0.5 million to \$1 million may have had revenues lower than \$0.5 million, that's why they're not showing up in the list, but you haven't lost any of those clients, is that the correct?

Desikan Narayanan: Yes, yes. Correct.

VP Rajesh: Okay. And then the question is that in the total client list that you published, what is the number of clients that are Group entities that you are doing business with?

Desikan Narayanan: Group entities will be around six to seven entities.

Balaji Viswanathan: No. Desikan, we have all the subsidiaries as well. The last one which we got approved in the RPT related party entity list, I think around 21 or so, which I think 14 or 15 are the ones which are active, the others are yet to give us any data.

Desikan Narayanan: Yes, yes. Thanks, Balaji. yes, you are right.

VP Rajesh: So, sorry, so what is the total out of, let's say, 20 or 19 clients we have? What is the number?

Balaji Viswanathan: Around 14 or 15, yes.

VP Rajesh: Okay. So, I guess, it means that the 19 clients you don't have this quarter, most of them went away because you didn't want them. Is that the way to think about this?

Balaji Viswanathan: No. Not all of them. Not all of them. Some of them might have been just stopped because of the project getting over and other stuff. But there are three, four of them who are in the less than 100,000 range where we are not making profits as well, where we had also exited from those industries. But not all the 19 of them.

VP Rajesh: I understood. Okay. And then the...

Balaji Viswanathan: We are not in that position as yet.

VP Rajesh: No. See, because there is so much of volatility on the demand side, one doesn't really know exactly what's going on. And then on the supply side, Balaji, if you can just give some update on how are we ramping on the 10,000 people that you are looking to hire by I think December '25 is what you were saying?

Balaji Viswanathan: So this is one question where I get bombarded with most of the places. So we are, so the 10,000 aspiration targets still stays, but whether it is going to be done by December of 2025, or whether it will be six months down the line, because this year was certainly a little bit of a disappointment compared to what we were expecting, because this year we were supposed to cross 6,000-plus numbers for us to get to that 10,000 mark by March 2026.

So, it's just something which we'll have to figure out how we will be able to ramp-up. But if we were to see the same kind of bumper years as what we saw between 2020 and 2021, when during the course of COVID, if we see the same kind of demand, we should probably be able to reach our target as per what we were expecting to reach in March 2026. Otherwise, it may probably get delayed by six months to nine months. But we are still working towards that particular aspiration target.

VP Rajesh: And once you reach the target, what will be the revenue mix that you will have between the Group and the Direct business? Like you said earlier, it is right now one-third, two-thirds. So will that change materially? I assume it will, but I was just curious how do you see it?

- Balaji Viswanathan:** Yes. 45%, 55% is what we were expecting, Rajesh. So, that's what we were trying to mention as our target when we were talking about the merger as well. 45% of the business coming from the Group and 55% of the business coming directly. If the 45% becomes 50%, we should be happy. But the 45% is what we are targeting.
- VP Rajesh:** And still you will be able to maintain your 16% to 18% EBITDA guidance, will that still be valid in that scenario? Because your Group business is lower margin compared to the direct business?
- Balaji Viswanathan:** If we are able to drive most of the digital businesses within the direct business, what we are doing right now, we should still be able to maintain that 60% to 80%.
- VP Rajesh:** Okay. Good. I'll come back in the queue. Thank you.
- Asha Gupta:** Thank you, VP Rajesh. We have next question from the line of Mithun Aswath from Kivah Advisors. Mithun, please go ahead.
- Mithun Aswath:** Yes, I just wanted to check, any reason for the margin decline in quarter 1 and were there any one-off merger-related expenses? Just a continuation on that itself. Despite the sluggishness in headcount has increased by 7% quarter-on-quarter during Q1. So does that mean the utilization was lower and we are looking at better things from Q2, Q3?
- Balaji Viswanathan:** Desikan, do you want to take the profitability question?
- Desikan Narayanan:** Yes, with respect to profitability, we have an one time revenue items which hit in the last quarter. That has contributed to the flattening of the or reducing of revenue in the quarter-to-quarter number. Plus, a little bit of travel has increased compared to what we had last quarter, which all contributed to EBITDA drop. On the merger expense, we didn't have any major expenses hitting in this quarter on the merger related expenses. There may be something small amount but it's not very significant to mention. So, those are the things which has contributed to the lower margin compared to last quarter.
- Mithun Aswath:** What is that one time hit?
- Desikan Narayanan:** One time is more from last quarter. We had a revenue which came in and the engineering side of the business which has contributed around INR 50 million. That if you remove it from the last quarter, we will have a little bit small increase in the revenue compared to last quarter to this quarter. This is more which was negotiated at that time but we had the cost previously, but we didn't have the revenue. It was in the process of negotiating and getting that, we call it a change request, which we wanted to, we have been talking to the client for a longer time, which came in last quarter, so which didn't have any cost. So, it would directly go to the EBITDA. So, that's the one reason for the revenue to be flat.
- Mithun Aswath:** Right. And just wanted to understand, the headcount has increased by about 7% quarter-on-quarter. So, do you see things improving from here because you've hired more people? So just wanted to.

Balaji Viswanathan: So, this is actually, we hired a batch of trainees in the beginning of the year. And they complete six months and then after that, they become part of the employee workforce. And that's probably the reason why you see that increase. And we are still going ahead and hiring some of these trainees and imparting training for them in the digital capability space. And the reason is that, we are quite hopeful that the market situation should change.

And we don't want to be stuck with a situation that we saw during the COVID time as well where the situation improved and we did not have people to deliver for, people who are required to deliver the services. So we don't want to be caught in that anticipation. So that's the reason, why we are still hiring people.

And if you look at our utilization percentages, we are certainly above what the expected standards are and the bench strength is not that high. So, we want to be ready for future growth whenever that's likely to come up. And that's the reason, why we are investing and most of these resources are at the lower levels rather than senior levels.

Mithun Aswath: Sir, lastly you had already guided around 3% to 5% quarter-on-quarter sort of growth. Do you anticipate, we could see some recovery in the second half or do you think, it will remain quite sluggish in FY '24?

Balaji Viswanathan: We think that things should change in either the beginning of '24 or in the calendar quarter 2 of '24 at best. But we are waiting, we are keeping a close watch on how things are changing at this particular point of time. But at this particular point of time, I think so, we expect that the financial year '24- '25 should certainly see the turnaround once again.

Asha Gupta: Thank you, Mithun. Reminder to participants to limit your questions. Next question is from the line of Udit from Catamaran. Udit, please go ahead.

Udit Bokaria: Sir, if you can help understand, whether some of your group companies had seen a decline in revenue and the viable reason for the same were because they had European banks as their customers?

Balaji Viswanathan: Sorry Udit, one caveat to what Asha said, it is Catamaran rather than Cataraman. I'm assuming that that's what you mean. That's what your company is, Udit. And thanks for staying invested. I'm sure that, your big boss knows my big boss. So obviously, that's one of the reasons, why you guys are invested with us as well. On the question on the group business, the group business has been fairly, I would say that after the COVID hit here, which is the 2020-2021, the whole of calendar year 2021 and 2022, they have seen positive growth and across all segments.

They don't really have, the group doesn't have much of banking and financial services per se. The banking and financial services is only in Germany, to some extent, UK, and us, that is what we do in this market. France, which is the largest market for the group, we really don't do much work in the banking and financial services space at all.

So, what we are trying to do is from the legacy period, we have had some really good large customers in the European region, in particularly Belgium, UK and some customers in Germany

and that's where, we have been growing. So we even earlier we did not have any exposure towards Credit Suisse or any of those larger Swiss based financial institutions or sort of things. Most of our engagements have been customers like Allianz and those kind of customers rather than the Swiss banks.

Udit Bokaria: And what was the reason for the accounts receivable days to increase? Like for the last two quarters, it has been increasing, right? From 85 days to now it's around 118 days. So what is the reason?

Balaji Viswanathan: Two reasons. I'll probably have Desikan to cover the details but there are two reasons one is that, when we did the changeover from the particularly the other two entities which merged with us, which merged with Expleo Solutions are the customers who had signed the deals with them. We had to undergo a certain amount of process, particularly the larger customers, the engineering customers, which we had signed directly. They had to go through a larger procurement process of re-empaneling us, changing of the banking details and other stuff.

So, that took us almost 60 odd days, and that was one of the reasons why, that particular segment saw increased days of sales outstanding. But most of that is, right now, we are in the declining trend and we expect that we should be getting to the closer to the 80 days to 85 days mark from the current quarter onwards. Desikan, do you want to add anything more?

Desikan Narayanan: Yes, okay, that is one of the main reason in case of engineering contracts, these people have a very stringent procurement and vendor registration process, which has taken us a lot of time to get to that. So that is one reason, which has. They don't pay until they get the vendor get registered. So, that has created a gap. Secondly one other reason is also compared to the technology client, engineering client has a little bit more DSO period as in the technology side.

One of the reason is also that the output which goes to them, they get verified and then sign it off. All this thing happens a little delayed compared to technology. So, that also has contributed to the increase in the DSO. My view is, we will see the decline in the DSO number from what we have in Q1 FY '24 in this quarter. Q2 will have a reduced trend of DSO.

Udit Bokaria: Thanks a lot, sir.

Asha Gupta: Thank you, Udit and sorry about the name thing. We will take last question for today, that is from line of Hiten Jain from Invesco. Hiten please go ahead.

Hiten Jain: Yes thanks. So, two questions. First is that there have been some media news that the promoter is looking to exit, but whereas on the other hand the strategy is all about driving synergies for the group. So, would you like to comment anything there like how is the promoter think, how are your conversations with the promoter there?

Balaji Viswanathan: So, actually, yes, our promoter, the 60% owner of the company or at the group level is a private equity and exiting that investment portfolio is something which they would evaluate if they are able to get the right valuation and if they have spent enough time. So, they have been invested in us for almost six years now.

And they may be contemplating exit, but that does not change the business model or the engagement or any of those for that matter unless otherwise somebody in their wisdom thinks that we should split the business and start selling which is certainly not better than from whatever we are aware of.

We are focused on as a group and as India entity we are focused on how do we help the group get more work done from the best your location where we contribute and also look at how we have to grow. I don't see any change, even if the investor were to change, because the investor is changing will -- their expectation will be for us to deliver more or deliver better. I don't think there is going to be any change in those expectations for sure.

Hiten Jain:

Sure, that's useful. Second question was, so this is a time where there is a lot of cost and people are thinking of reducing cost, driving efficiency in their businesses and that is where the parent having an India arm is quite interesting. But despite that, we are not seeing good growth in the group business.

While on the earlier participants' question, you did say that it's more of a stable business on margins and even on growth it's less volatile. But ideally, shouldn't it be a very important growth driver and that should drive a lot of growth maybe the number that you said 40-60, shouldn't that number be actually be better than what you would have expected at the start of the year before this uncertainty kind of came into the market?

Balaji Viswanathan:

It has actually significantly changed if you were to look at where we were to where we are. So, if you look at the previous only the listed entity one, which was still the last financial year, the group contribution was around 18%. When the merger happened, we were at around 27%, 28%, or closer to the 29 odd percent and now we are close to the 33% mark in the last six months or so.

So, the group business is certainly growing. Our challenge in not growing enough is primarily from our direct business. But there is a lot of other dynamics as well in terms of how the earlier transfer pricing was to where it is now and that stuff, but I'm not getting into that detail.

But if I were to look at the total number of headcounts that we had for the group business, the beginning of the year to where we are right now, that's probably the segment which has seen the significant amount of growth per se and it will continue to do so. That's what we are also focusing on so that we get a larger base and also a relatively stable base as such both in terms of revenue and directly able to build all the costs that we are incurring.

So, our focus is to try and see how we can turn around the direct business versus where there will be some amount of fluctuation depending upon the market. Desikan do you want to add anything more?

Desikan Narayanan:

No, Balaji. I think I'm good.

Hiten Jain:

Okay, thank you.



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- Asha Gupta:** Thank you, Hiten. Thank you to all participants. This was the last question and I will now hand over the floor to Balaji for his closing remarks.
- Balaji Viswanathan:** Thanks, Asha. Thanks so much for all the questions that you got and I really appreciate the interest. We decided that we'll probably have only two interactions, but I could understand the interest primarily because we showed a decline in this particular quarter and we could have probably proactively had this call even earlier, but thanks for the patience and I really appreciate all your interest. And hopefully, we should have better numbers to show in the coming quarters probably we'll have to bear the macro situation for a couple of more quarters, I guess. Thank you so much.
- Desikan Narayanan:** Thank you so much.
- Asha Gupta:** Thank you everyone. Thank you, Balaji. Thank you, Desikan. You can now disconnect your lines. Thanks.