HEXAWARE

Hexaware – Q2CY26 Earnings

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Moderator
Ladies and gentlemen, good day. Welcome to Hexaware Technology Limited's conference call for the Q2 CY26 earnings call. We'll begin today's session with a presentation from the Hexaware Management Team, followed by a Q&A segment. I'll now hand the conference over to Mr. Niraj Khemka, Head of Investor Relations. Thank you. Over to you, Mr. Niraj.

Niraj Khemka:
Thank you. Hello everyone. Welcome to Hexaware Technologies Q2CY26 Earnings Call. In the call today, we have with us Mr. R Srikrishna, CEO and Mr. Vikash Jain, CFO. In the course of this call, we will make certain statements which are forward-looking and may involve a number of risks and uncertainties. All forward-looking statements made herein are based on information presently available to the management and the company does not undertake to update any forward-looking statement that may be made in the course of this call. In this regard, there is a full disclosure which has been included in the investor presentation and the press release. We consider that as read. With this, I'll hand over the call to Keech. Over to you, Keech.

R Srikrishna:
Thanks, Niraj. So, hi, everyone. Good to talk to you. At the highest level, I would say that I think the adoption of AI and where it works and where it doesn't work, especially in IT, I think is settling down.
And again, I believe that the level of compression that we have in the worst-case scenarios thought about, I don't think are going to happen.
Let me give you maybe two examples to bring out how this is settling. So just yesterday, we had this client for whom like five-six applications had to be rebuilt to build a portal, which went live in production in under three months from ideation. That's a great example of the use of AI. And in this case, the customer and the business is ready with what to do next once this program is done. But yet we have another larger enterprise customer where we finish what has to be done in eight weeks in less than four weeks. But when we went back to the business for the next set of requirements, they said, hey, you want to come back in eight weeks? We're not ready. And we don't need this velocity. We're not quite ready, in fact, thinking about what we want next. So, what this means is that adoption is definitely not about just technology, but it's not even about change management just in the tech teams, them coming up to speed and knowing how to deliver. But it is a larger change across enterprises, especially in the business side, which I think is going to slow things down in several scenarios. On the other hand, I think, you know, whenever Glasswing and Mythos gets out of stealth, or even before that, when the lesser models, which are now available, people start discovering vulnerabilities at machine speed, I think it's going to unleash a massive amount of need for tech modernization.

What we already know is that the vulnerabilities are coming from older systems. Open source especially is a known area. And our belief is that it will become a critical imperative to fix everything that is old.

So there's no way to manage the velocity and volume of vulnerabilities that will get discovered and get organizations to a safe place without modernizing all their systems. So we think that'd be a massive set of opportunities that is around the corner.

Given all this, we continue our pivot to AI. Every day, every week. Now, I'm going to keep this light because we are doing an AI Day in our Chennai campus on the 21st. We had earlier planned for it to be shortly after today, but we just wanted the cycle to get over and all of you to be fully free. So, it's on 21st August in Chennai, and we will go into more details on several facets, but I wanted to give you a few highlights.

We continue to launch one new service per month. And that's one of the core principles we defined last July, that we will launch one new service every month and also knock on 100 customers in 90 days after launch for every new service. Now, we are well on target for the first one. We are getting close to meeting the second goal of 100 customers in 90 days for the second.

We're not just launching; we are scaling what we launch across all of our customers. We form these champion squads for each business. In our case, the range is between 30 for the smallest unit to 75 AI champions for the largest units. Who then are ensuring that we are executing proactively in all customers the things that we're bringing to market.

“Zero License”, which we launched earlier this year, is seeing outstanding traction, first, in terms of conversation. Last quarter I said—that AI and SDLC is the biggest driver of conversations and deals. That's still true for deals. But conversation, actually, Zero License is rapidly getting to the same spot as SDLC.

We've closed the first few deals, and I'm going to give an example or two later today. But we have quite a large number in the pipeline. We built, by this time, and this number is going up on a weekly basis, 65 parsers in our platform for Zero License. What these parsers do is that the 65 different SaaS platforms we can discover the business logic underlying the SaaS platform.

We published earlier in Q2 our first AI impact series. It's a book of case studies. There are dozens of case studies covering every vertical, every service line, showing the impact to clients. In fact, we will have our second book when you come and visit us in campus.

We've been talking about Tokenomics. Tokenomics, not using that word, but we've been talking about AI economics to our clients since April last year. It has suddenly become center stage for clients over the last three months. Not only is the cost of tokens being center stage, it is also, I think, in some ways at the center of the battle for IT budgets. How much will go to labor? How much will go to tokens? And I'm going to talk a little more on this as well.

Now, I think you would have seen last quarter we announced or late Q1 we announced that Shantanu is taking over an additional role as North America hunting head, apart from his role as H&I vertical head. A few weeks ago, we announced that Param Iyer and Vijay will respectively take over our Europe and Asia geographies. All three of them are in what I will call a phase 2 transformation of our hunting team. Our phase 1 happened over the last year or so, where we redid our hunting team to regain momentum and that has paid off results. But I think there is more work to do.

So, really, three focus areas: large and proactive deal creation, significant expansion of the team, and extensive use of AI in the sales process. And that's again been there for a while, but really democratizing it, making sure every single salesperson across the world is able to use AI in every stage of the sales process effectively. So, those are the three focus areas for transformation.

We continue to add headcount. This is the third quarter of addition in IT, and our overall headcount addition was 708 for the quarter, about 179 in IT. Our attrition is very good, and our utilization rate has ticked up to what we think is a good spot for us to be in. We added a new center in Gift City, and we added a new center in Bogota, Colombia during the last quarter.

On financials, I think we had a solid quarter in a difficult environment across revenue and profitability. You will hear more on it from Vikash. The underlying EPS growth is solid, but there are some hedge and translation losses that led to a compression in EPS. Those will recede shortly. And again, you will hear more details from Vikash. As always, we have a solid cash position.

But the highlight for us this quarter on numbers was something at the back. We've had, a three-year-long ERP program. We cut over finally and fully. We've been going live with modules, but all modules, including the last one being our financial modules, went live in the course of the quarter that just ended. And this is the first set of reporting that we're doing all from the from the new system completely without a hitch.

I said I'm going to talk a little bit about tokenomics. So, what we're doing is experimenting with a lot of different models, and I've hidden out some here because of confidentiality reasons. We are experimenting with different models with two objectives. One, how do you maximize value for clients. We don't want to be in the side where, hey, we'll keep pushing token usage up for you. And yet find a way to participate in the token economics. With those dual sets of objectives, we are experimenting with eight or ten different pricing models for customers. Input, which is the majority of the traditional model, output, but also outcomes, which are different, right? Output is, hey, I will build something for a fixed price, but outcome is that it'll drive X amount of revenue. So we are experimenting with all of them.

The key difference in approach, the most fundamental difference in approach, is what you see in the two columns here, right? The historic proposals included human cost. Occasionally, they'll include licenses, hardware, and cloud usage. The big shift now is that our proposals are also providing options for including token costs, but in a way that brings value to clients. Now, let me give you an example of value. Somebody using Claude, we built a harness and Claude that has nine different ways in which token consumption can be optimized within Claude by using different models of Anthropic. This is an early stage, but I think the impact for us will be twofold. First, it will allow us to participate in what is going to be a significant portion of clients' budgets, which is tokens. Second, it will improve our profitability over time. So those are the two impacts, but we are in early days of experimentation with these models. Next slide, please.

The second topic that I want to talk about in AI today is partnerships. I wanted to highlight philosophy more than the specifics today. The philosophy is this: that we believe at some time, and that is happening even now, that the functionality and capability of LLMs will converge. So, the differentiation is not going to come from there for our customers or for us. The differentiation will come from what sits above them, the vertical depth, and the client-specific context. So, we are adding, we are forming three lanes of partnership. The first, the bottom lane is the foundational example, anthropic LLM layer. But the differentiation is going to come from the layers above it. Domain models, whether they are SLMs or fine-tuned LLMs, which bring the context or domain-specific semantic into organization processes and IT. The layer above is not just about the domain; we also need a deep understanding of how you work on a daily basis. And that's the third layer of partnerships. And all of this will still be underneath the platforms and what we take to market, which historically has been service line focused: Tensai for ITO, RapidX for SDLC, and Amaze for data transformation. But what you will also see from us very quickly is an increasing range of vertical products and platforms. And in the platforms, horizontal platforms, I forgot to mention Agentverse, which we launched during the course of this quarter. Next slide, please.

We continue to have solid momentum in deals. As always, there's a mix of very cool transformation work, outsourcing, and consolidation. So let me pick a few examples here. The first one is, a German biotech firm. In the first phase of this two-year program, which we're doing for them, is to consolidate all the vendors that are currently handling clinical data right now. Shortly after, we're going to start transforming how the clinical data environment is built and convert that to an agentic platform.

Second example is a large capital markets firm. They have a product which they feed securities to, and they get cash flows. Now, what is happening is that for years, data is given, but all they get is a PDF as an output. There's nothing more they can do with the data, they have given to this platform. This is, I think, a key archetype for Zero License. Hey, you're giving your data and renting intelligence back from the platform. So, we have a program which will happen in just a few months to exit them completely from this very core platform into a modern core that we're building using AI and agents.

Another large capital markets firm, AI-led middle office transformation in cash and settlements. I'm going to talk about a couple of modernization deals. Scale modernization deals are more and more in a pipeline and deals. So this is a client which is an interesting business model. You go to a restaurant, you hear music, somebody gets paid a bit of money for it. And that whole thing is managed by an organization. In this client, two years ago, we had lost an outsourcing deal because the client is very wary of handing over a legacy system from their incumbent.

What we're doing now is to completely exit them out of this legacy system. And this is a north of $10 billion deal, a double-digit modernization deal.

I'll just stick to the modernization theme. If you look right below there, a leading CRO, CRM transformation—again, a double-digit million modernization deal.

And then we have three outsourcing deals, but one of them also has some other interesting things.

So let me speak about each of them. A large university based in London. There are three parts to the program. There's outsourcing, all their tech work and BPO work. There's transformation. But the third part is the most interesting, which is that universities in many parts of the world are under stress because of political issues. Enrollment from foreign students is going down, which puts stress on their numbers, their enrollment, and fees. And we are creating a shared service tech and BPO organization for the entire industry, which will be a joint effort between one leading university and Hexaware

The second one is a reflection of our increasing momentum in APAC, a large financial services firm in ANZ, a digital ITO. The third is again in APAC, a fintech payments firm where we're doing outsourcing and transformation of their entire payment systems.

So, that's some of the deals that closed in the quarter. With that, I'm going to hand over to Vikash.

Vikash Jain:

Thanks, Keech. Can we move to the next page, please? As Keech mentioned, we are now live on the new ERP system. And this was our first quarter of financial reporting from the new platform. Now, this transition required significant cross-functional effort. And I want to acknowledge the strong execution from various teams that enabled us to complete the quarter close and reporting cycle successfully.

In terms of the financial highlights, revenue for the quarter was $405 million, reflecting a 4.4% sequential growth. The sequential growth was primarily volume-led, supported by a higher number of billable days during the quarter. In dollar terms, approximately $9 million of the sequential growth came from volume and around $5 million came from calendar benefit.

Volume growth was supported by net headcount additions that you heard Keech speak about, the full-quarter impact of the hires we made in the previous quarter, and an improved utilization.

On margins, reported EBIT for the quarter is 13.6%, up about 60 bps sequentially. If you look into the various puts and takes, the sequential EBIT movement was driven by a 160bps tailwind, which was from a combination of FX and calendar. We had an operational improvement of close to 30 bps, primarily driven by utilization. And these tailwinds were partially offset by Q2 seasonality and investments, what we made of close to 70 bps and higher people investments of close to 50 bps.

Now, when I speak about the seasonal expenses, those are primarily our annual client event that we do. And I've also clubbed one of the M&A related diligence expenses as part of this and higher CSR. Moving on to the next one.

Some color on the unit level performance: growth was broad-based. Five out of the seven verticals delivered both sequential and YoY growth. YoY growth was led by Healthcare and Insurance, M&C and Banking. Sequential growth was led by Healthcare and Insurance, M&C, PS and Banking. Sequential softness in GTT reflects a tighter external environment, particularly in the Middle East.

If you go a bit on the unit level: Financial Services continue to deliver both sequential and YoY growth. Revenue from the GSE client remains stable, and we expect healthy volume growth in

Financial Services over the coming quarters. Healthcare and Insurance, strong sequential and YoY growth driven by large deal ramp-ups and broad-based growth across Europe.
In our prior earnings call, we indicated that H&I would grow faster than the company average, and this has been playing out consistently quarter after quarter. M&C, deal closes are now converting into revenue with growth coming from both existing accounts and new logos. Now, M&C, if you recall early part of last year because of tariffs and everything was facing a lot of headwinds and we started seeing some green shoots in terms of the demand and getting converted into revenue. M&C has delivered YoY growth since H2 of last year. We expect M&C to be a full-year growth contributor.
Professional services, what you see on a sequential basis, reflect a bit of seasonality. The largest client in this vertical follows a July to June calendar, and the year-end cycle typically drive higher budget utilization and revenue tailwinds. Banking delivered strong sequential and year-on-year growth. The vertical has shown consistent momentum in the last few quarters, and we expect it to remain strong throughout CY26.
Travel and transportation: as I spoke about earlier, remain impacted by macro conditions, particularly in the Middle East. On geos, the good news is every single geography delivered sequential and year-on-year growth. Europe returned to strong growth and is expected to lead full-year growth driven by account ramp-ups and new logos. APAC delivered a strong sequential and year-on-year growth, despite a challenging external environment in the Middle East. It's driven by other sub-geographies which continue to perform well. More commentary on the full-year outlook will be provided by Keech later during the call. Let's move to the next page.
We continue to add meaningful clients to our client base. And one of the ways we track broad-based growth is by looking at the number of clients contributing more than $10 million in annual revenue. We now have 34 clients contributing more than $10 million in annual revenues, an increase of three clients on a year-on-year basis.
Let's move to the next one. This slide summarizes key operating metrics for the quarter. In terms of our revenue mix: onsite mix moved up slightly during the quarter, driven by rebadge deals. On a year-on-year basis, the offshore mix has improved very meaningfully. The net headcount addition was 708 with close to 180 additions in IT and close to 530 additions in BPS. This marks the 12th consecutive quarter of IT headcount addition. BPS headcount addition is an anticipation of seasonal volumes increase in H2, with revenue realization expected in H2.
Attrition remains stable at around 11%. Utilization closed at 84.8%, up to 220 bps sequentially. Now, starting this quarter, we have made a change in the utilization reporting methodology to exclude employees working on platforms. This improved utilization by about 80 bps, and prior rates have not been restated. However, even excluding this change, the utilization remained very healthy, upwards of 84%. We expect utilization to remain broadly range-bound in the 83% to 84% range going forward.
Let's move to the next page. Closing cash balance: Keech spoke about was close to $176 million. Now, as you are aware, during this quarter, we went with ERP transition. In the period of ERP transition, as would be expected, there is a blackout period when there are data transitions taking place from one system to another. That did have an impact at the early part of the

quarter in terms of invoicing. However, the account teams worked proactively with clients to support cash conversion. Quarter on quarter: you see a cash balance reduction of $45 million, but that's after making close to $105 million of payout: $55 million in dividend, $27 million towards acquisitions, and close to $24 million towards incentives pertaining to CY25. The DSO for the quarter is a bit elevated, but it's in line with what we had expected given the ERP transition. We expect DSO to normalize to the 70 to 75 days range by year-end.
Cash conversion: despite all of this, remains very strong, and our LTM OCF to PAT was close to 125%. ETR for the quarter was at 25.1%. We reiterate our full-year ETR expectations to be between 25 to 26%. On EPS, we delivered strong operational performance for the quarter, and EBIT margin expanded by 60 bps. However, this was not fully reflected in EPS because the quarter had material hedge and translation losses of approximately $8 million. Now, this was driven by the forwards which were taken in line with our hedge policy. One call out from a future perspective: based on the current hedge book and June-end exchange rates, we expect these losses to reduce over the next two quarters with approximately $5 million in the next quarter and $3 million from a Q4 perspective.
Those were the financial highlights. With that, I'll hand it over back to Keech. Let's go to the next page.

R Srikrishnan:
Thank you, Vikash. We feel very good. I feel very good about where we are as a business and we will continue growth momentum. But yet, we are reducing our guidance for the calendar year, primarily because of a narrow runway left. I'll talk more on that. Deals—like I said—we feel very good about where we are. Outstanding pipeline, outstanding wins, and continued every month. I've spoken about some of the deals that closed, but I'll speak about some of the patterns here.
One... We are seeing increased momentum in legacy modernization deals greater than $10 million. In the past, I spoke, "hey, we've got lots of deals in the one to two million kind of range, and some of these will get to larger ones." And we have begun to see both in closures and pipeline that we're seeing more deals in the greater than $10 million legacy modernization. We won a consolidation deal in another top 15 client. We are now down to three strategic vendors in this client.
There is a new category of deals that have begun to emerge. I would say a handful of RFPs that started in Q2. These are very quick. The ones that we've seen so far are quick decision cycles. We've already won two. I expect this pattern to go up. The pattern is that customers are doing an RFP to pick a strategic AI partner. This is decoupled from people that may be doing other work. And the first one we won, for example, they said, hey, here are three use cases or four use cases, basis which we will evaluate the capabilities, but who we pick, basis this, is essentially going to be our strategic AI partner. And in this example, we won it. The first four use cases, I think, will get delivered in two months. And these are small currently, but we expect that we will spread our wings substantially across the enterprise, not just in IT, but also in the business, and we think there'll be more archetypes of these deals. I gave one example of a win in Zero License and one archetype. There are three archetypes that we are currently

seeing with traction. I won't talk to three archetypes, but we'll be seeing three specific archetypes where there's solid traction. Many of these deals are currently small. But again, we expect that most enterprises are picking one or two to prove the value, but we think they will scale across the enterprise as we deliver on proof of value for the current cases.

Now, Revenue Outlook: like I said, we feel very good about where we are on deals, but a pathway to 7.6% is narrow. Specifically, I will say two things. One, deals that we won earlier in the year, there is a ramp delay. In some cases, due to the Middle East situation, or other reasons, in other cases—but there's a delay in ramp. Now, much of that ramp up is going to happen late Q3 through Q4, and of course, a worsening macro. Now, you have seen our GTT numbers, right? They are materially worse than what we thought they would be. And that's the place where potentially macro has the biggest impact.

Given this, we are reducing our guidance to a range of 6% to 7%, including 50 bps from the CP rebadging deal that we announced earlier. Quick point about that. I mean, we announced it as an M&A deal. That is how the deal was done. However, it was done in that way for tax structuring reasons. It's a single client where we took over a contract and rebadged the people associated with that contract or set of contracts and took over the people associated with that set of contracts.

The new guidance implies at midpoint, a 2.7% CQGR from this point, which we're very confident of delivering. You heard detailed commentary on verticals from Vikash, but just to summarize, this is actually the same set we put you in last time. H&I Banking and M&C are expected to lead growth. The only change is, H&I was second on the list. We have put it on first. PS and FS will follow, and travel will lag materially due to macro.

On margin, we are reiterating the margin guidance of an EBIT margin of 13% to 14%.

With that, we will pause and do questions.

Moderator:

Thank you very much. We'll now begin the question-and-answer segment. To ask a question, please click on the raise hand button at the bottom of your Zoom interface to enter the queue. Once announced, kindly unmute yourself, state your name and organization, and proceed with your question. If your query is addressed before your turn, you may press the lower hand button to exit the queue. We'll pause briefly to allow the team to assemble the list of participants. Our first question comes from Vibhor Singhal from Nuvama Equities.

Vibhor Singhal:

Thanks for taking my question. A couple of questions from my side. Interesting that you mentioned that what clients are interested today is an application layer which sits on top of the various LLM models, which provides them the flexibility to switch from one model to another model. There's also this angle of optimization that we've been doing. So in terms of those, just wanted to check—are these conversations more at the superficial level itself at this point of time or are we seeing these conversations kind of converted into some deals also? And when do you think these could actually translate into real large deals? The kind of transition that we probably saw in 2018 when we had similar deals which started coming through for the cloud adoption, which had multiple facets of technology that we were taking care for the client. So, do you think there's a similarity between what happened then and what is happening now? And when could we see anything, let's say, material which could basically give growth or boost on that part? Any color on that would be really helpful, and then I will have a follow-up.

R Srikrishna:
So, I'll say kind of two or three quick things. First is "harness," or scaffolding that sits on top of model or models. This is the term that is for picking the right models. We built, as have many companies, but even labs themselves have built harnesses. They need not necessarily be only for picking across providers; they could also be for picking within, say, Anthropic has many models, or OpenAI has many models. So you could use a harness to pick different models for different types of use cases. I don't know if this will translate in itself to large deals by itself. So, I think deals could come from different patterns, but I don't see this particular “harness” leading to large deals in itself.

Vibhor Singhal:
And you also mentioned a part in which very interesting kinds of deals have evolved, in which the clients are asking you to basically develop a use case and then basically decide on the basis of that. So, what are the selection parameters which the clients are looking at? Is it usual that how many people do you have certified on Anthropic or other platforms if those certifications are available as yet? Or is it how robust the use case solutions that you've provided are amongst the service vendors? So, how does the competitive intensity here work, or let's say, how does the competitive differentiation work for us service vendors?

R Srikrishna:
So, I will tell you what we are doing. And I spoke about the use of AI in our sales process. So, we've been doing this for, I'll say, a year and a half, maybe two, but we are now kind of scaling it. So, our preferred model of selling is no presentations, no proposals for transformation programs. We build a POV or some small version of what the customer ultimately wants built through the selection process and we show it to them. This is how our sales process works today. So, it's not about how many certifications you have and whatever else. We are saying, hey, there are four use cases the client defined to pick. We build solutions for the four use cases and take it for our solution defense. And that's through show and tell of that. And of course, this demo uses synthetic data. But we say to them, hey, if you kind of give me real data and if I can integrate with XYZ systems of yours, we can get this in production pretty quickly. This is a model for how we are selling. And then, of course, right now, this way of selling is, I'll say, like with some percentage of the company, we want to make that 100% of the company.

Vibhor Singhal:
Got it. On the guidance part, the narrowing basically part of the guidance which we've done from 7.5% earlier to now the midpoint being at 6.5%. Is it mainly driven by some of the deals

which we expected to ramp up and they have kind of maybe there's a delay in ramp up of those deals, or is it also driven by the fact that the overall macro has kind of either remained the same or worsened, and so some of the deals which we might have expected have also not come through?

R Srikrishna:
So, It is both. But the second macro, I would say, is largely restricted to travel transportation. It's not that deals haven't come through; customers have cut. Existing clients have cut their spends and budgets in the airline's business. So, you saw that GTTs shrunk 18% year on year. The deals are, I would say, not even delayed decision-making, but there was some delayed ramps. There were three- four deals for us that we expected would start ramping in Q2, which are now starting to ramp in mid to late Q3. So, we don't have the runway left to make up for it. So, we called hence the narrowed guidance.

Vibhor Singhal:
Thank you so much for taking my questions, Keech. And I wish you all the best.

R Srikrishna:
Thank you.

Moderator:
Our next question goes to Aditi Patil.

Aditi Patil:
Thank you for the opportunity. I have three questions. My first question is: How much of our business has already gone through a cycle of AI-led deflation during renewals, and could there be multiple cycles of AI compression as the technology advances? My second question is: The delays which we are facing in deal ramp-ups, they are in which verticals? And my third question is: On the deal sizes in the new AI-led demand areas such as zero license and the new emerging areas which you mentioned about strategic AI partner-related deals, what are the deal sizes in this area?

R Srikrishna:
So, on the first one, I'll say two different things. First, we have, I think, gone through an intense phase, which is 4x normal of consolidation in our top 20 client base. 13 of our top 20 clients have gone through a consolidation in the last five quarters. That is, I would say, four to five times the usual what we will see in this period. Now, that is not to say that this accounts for all of AI, but one of the big drivers for doing that is AI. Hence, we feel like more is behind us than not.
Some of the AI impacts is continuous and ongoing, but one of the ways in which customers are discovering this was through renewals and consolidation. And, like I said, 13 out of 20 clients, which is 5x the normal. And we feel like we've been through the ringer and come out

of it looking good. On the second and third questions, the deal sizes are currently small. They are in the several hundred thousand range. Occasionally, they're above 1 to 2 million. But we think, again, these will scale as the initial proof of value gets established.

Aditi Patil:
And the delays which we are seeing in deal ramp-ups, those are in which verticals?

R Srikrishna:
They're not actually necessarily in verticals. Two are in the Middle East. There's one in North America, one in Europe. There isn't a pattern by verticals. If at all, there's a pattern, it is the Middle East.

Aditi Patil:
So it's like a first-order impact because of the Middle East? You mentioned airline clients.

R Srikrishna:
Middle East is not specific to airline. There are also airlines' clients in Middle East, but there's one telecom deal that we announced in Q2 or even Q1. That was, you know, we were supposed to rebadge a set of people that got delayed. That has started now. The ramp will happen slowly through Q3, fully through Q4. There's another banking client in Middle East where there is significant delay again. So, it's not necessarily sector; it's the geography, but there are also airlines' clients in Middle East.

Aditi Patil:
Okay, got it. Thank you for answering my questions.

Moderator:
Our next question is from Anmol Garg.

Anmol Garg:
Thanks for the opportunity. Just a couple of things that I wanted to understand. First, is on the deal wins. If you can qualitatively or preferably quantitatively indicate how our ACV looks like versus at the start of the year. Just wanted to understand if things have gotten better or worse in terms of the overall deal signings for us.

R Srikrishna:
It's definitely got better. We don't put out ACV win data, but it's definitely got better. And the momentum we're seeing is moving better as we continue the year.

Anmol Garg:
Understood. Second key is on our GSE client. So last quarter, we indicated that the vendor consolidation there has been completed. So how do you see incremental growth over in that

client and when can we sort of start to see growth over there, given that now there are only three vendors serving that particular client for us?

R Srikrishna:
Yeah, so what I said was that there was a scenario in which we could have grown substantially. That is not the scenario. There was a negative scenario in which we could have lost. That is also not a scenario. But we are kind of in a neutral scenario where there'll be stability first and potentially growth opportunities later. So, we're in that phase right now of stability. Frankly, what they set out to do, and how they're executing as often in these kinds of deals is quite different. So, right now, it's still on a wait-and-watch mode in that client, but the wait-and-watch is not negative. It is some modest growth and there's stability, which is great for us. I mean, through the last two years, we've gone from lost enormous amount of business, so stability is actually very good for us.

Anmol Garg:
Understood. And just one last one is that, you know, we have indicated that there has been some delays in the ramp schedule and it has been shifted towards Q3 and Q4. So will this time we will have a different sort of growth levels, how we typically have in our fourth quarter where fourth quarter can also see, you know, relatively higher growth versus the usual.

R Srikrishna:
So, you know, we have put a CQGR of 2.7. I think, you know, don't expect that all of it will happen in Q3. That's for sure. You know, there'll be something in Q4. I'll also say this, that I think, we've been increasing our YoY rates for the first two quarters this year. I think we will exit the year with double-digit or more YoY growth. So that's what it is. But at the highest level, I'll say it's not like all the growth has to happen in Q3. There will be growth in Q4 too.

Anmol Garg:
Thanks. Understood.

Moderator:
Thank you, ladies and gentlemen. That brings our Q&A session to a close. I'll now hand the conference over to management for closing comments. Over to you.

R Srikrishna:
Hey, thank you all. And I look forward to seeing all of you on 21st in Chennai.