

11th August 2021

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Name of Scrip: CIGNITTEC

Scrip code: 534758

Dear Sir / Madam,

Sub: Transcript: Cigniti Q1 FY 2021-22 Result conference call on 26th July 2021- Reg

Ref: Company's letter dated 23rd July 2021 regarding Intimation for Earnings call under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Please find the attached herewith Transcript of Cigniti Technologies Limited for Q1 FY 2021-22 Result conference call held on 26th July 2021. The same was displayed at our company's website: www.cigniti.com.

This is for the information and records of the Exchange, please.

Thanking you.

Yours Faithfully,
For Cigniti Technologies Limited

A. Nagavasudha
A.N.Vasudha
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Encl: as above

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Cigniti Technologies Limited
Earnings Conference Call
July 26, 2021

Moderator: Good day and welcome to the Investor Call of Cigniti Technologies Limited to discuss the Q1 FY22 Results. Today we have with us from the management Mr. Srikanth Chakkilam – Chief Executive Officer and Non-Executive Director and Mr. Krishnan Venkatachary – Chief Financial Officer. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your telephone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Snighter Albuquerque from Adfactors PR. Thank you and over to you, sir.

Snighter Albuquerque: Thanks Margaret. Before the call we would like to point out that certain statements made in today’s call maybe forward looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. The investor call may contain forward looking statements based on current beliefs, health, and assumptions of the management of the company which are expressed in good faith and in their opinion reasonable. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, financial conditions, performance or achievements of the company or industry results to differ materially from the results financial condition, performance or achievements expressed or implied by such forward looking statements.

The risks and uncertainties relating to these statements include but are not limited to risks and risks of expansion plans, benefits from fluctuations in our earnings, our ability to manage growth and implement strategies, competition in our business including those factors which may affect our cost advantage, weight increase in India, our ability to track and retain highly skilled professional and our ability to win new contracts, changes in technology, availability of financing, our ability to successfully compete and integrate our expansion plans, liabilities, political instability and general economic conditions affecting our industry. Unless otherwise indicated the information contained herein is preliminary indicative and is based on the management information current plans and estimates. Thank you I now hand the conference over to Mr. Srikanth Chakkilam. Over to you, sir.

Srikanth Chakkilam: . Thanks for joining the Q1 Earnings Concall. Just quickly summarize the company has accelerated its revenue in the current quarter by about 13.4% to Rs. 264.36 crores in comparison to the previous quarter. Revenue growth has shown momentum with run rate in

June by Rs. 92.54 crores which is USD 12.5 million and the company in this quarter has won 28 new clients which include Fortune 500, 1,000 and global 2,000 clients. The notable factor here is we have two large clients with approximate total contract value of \$14.1 million and the company has invested in additional manpower in line with its business transformation initiatives and commencement of outcome-based contracts, which has partly subdued the EBITDA.

New hires made for execution of this outcome-based project and deployed in knowledge transfer has resulted in reduction of EBITDA by about 1.5%. The two large client addition has also mandated us to hire laterally and there is a slight delay in billing, which has had an impact on the utilization, this is just a temporary aspect of the business. We have also made hires for centers of excellence and expenditure incurred for marketing in line with these business transformation initiatives. These have also resulted in reduction of EBITDA by about 1%, but all the new offerings that the company is making all at higher rates than the existing business and this will subsequently improve our margins.

Other factors that also had an impact on EBITDA are salary revision and replacement of resources. The demand for some of the employees are at unprecedented levels, but again we will be able contain it as it is not really sustainable. This has had an impact on the EBITDA, that some of the measures that we are taking we are hopeful that we will come out of the situation soon. Some of the measures that we are taking are - improving the bottom of the pyramid hiring, we are attracting some of our former employees and we are also trying employees to long term innovation along with offering attractive compensation opportunities.

So finally, EBITDA for the June quarter is at Rs. 24.3 crores and the EBITDA margins stood at 9.2%. The company also expanded its footprints with opening offices in Singapore and Czech Republic and representative offices in Mumbai and Chennai. This was all in line with the business plan and we have had client wins in due diligence and some of the requirements are that we have offices in these areas and based on that outcome of open offices in these areas. We have also seen a revival in the travel transport and hospitality sector, and we have seen travel and hospitality improve in the utilization in these area and I think this trend will continue to pick up in the upcoming quarters as well.

Some of the initiatives that we have taken in the last few quarters have started paying off and we are seeing revenues in the areas of RPA, cloud and other digital areas. We will consistently report the progress in the days to come on this. Overall, I think our planning and execution in terms of the bigger picture to become a digital assurance company is on track and even in terms of short term for the year we are on track to achieve the desired outcome for the company. So at this point I will have Krishnan take over for key financial updates and then we will have the floor open for questions.

Krishnan Venkatachary: Thank you Srikanth. The quarter has begun very well in sales number, however I will take you all back to the two quarters behind and considering the pandemic wave and the nature of the business we did revise the strategy while there has been a growth plan to become a half a billion company over the next four years., but I think the main strategy has been in terms of how do we really accelerate our offerings and try to supplement the revenues sustain flow to the last year.

So to this effect in the last two quarters the kind of investment what we have made and the investment what we have continued and spilled over in the current quarter is what is the effect which we have seen in the EBITDA and PAT. While technical terms probably the EBITDA reported 9.2% on normal basis has given a breakup in terms of where we have really priced in and the surprising element which has come through for us which was necessitated for the business is that winning a TCV on an outcome base for two of the contracts which has necessitated to do a deployment of 120 people on a knowledge transfer basis and this what is necessitated in this cost and we expect this to get evened out as it starts moving up and we expect net-net to be very confident that one on the investment front that we have done front-loaded marketing and sales reorganization for gearing up the company.

The transformation initiatives what we took over the last two quarters I think is really paying dividend and we are very confident with cost optimization and what we are trying to look at it in terms of growth in terms of revenue I think we will be neutralizing the entire set of cost and becoming net-net equal to on comparable to previous year as we start moving up the quarters and end the year very positively. As it stand basically the revenue in terms of dollar term is about USD36.04 million comparing to USD 32 million, which is about close to 13.5%- 14%. The onsite offshore mix has been steady in terms of contribution from revenue mix of 51:49 and the effort mix in terms of people is about 21:79 while it is I think it has put the new accounts to accelerate on ramp up has definitely put a bit of pressure invariably.

We have gone for few of the hiring which has necessitated one in terms of technology, one in terms of jumpstart projects to convert into an FTE because it is a continuous process while doing that I think the cost have really jacked. We hired about close to 98 consultants and also the preference of highly technical qualified people trying to operate as a consultant they prefer on tax neutralization in terms of the overseas countries. So that is what in the other expenses the major differences which is coming true about close to INR 7 crores is on account of that and INR 2 crores are going to the marketing spent which was necessitated in terms of segregating, hunting and forming. While it comes to the salary cost I think we have given an average roll, which has increased for two years is about close to 10.5%. In the scheme of things which we have planned and stand it out over 6 months criteria then we introduced a variable pay scheme across the company ranging from level 4 to level 8 employees starting from 10% to 30% depending on the performance of that we can upraise in slight better increments in terms of retention because the turnover stood at about close to 25% while the industry average stood at about 22%- 23%. This necessitated for us and we know that this is an estimated cost,

but I think instead of spreading through a couple of quarters it got spill over into the front loading quarter.

The heartening point basically is that because of our focus on the digital and transformation initiative and other technologies the contribution came about 37%- 38% from that segment and 62% came from the normal quality segment which has facilitated for me because of the people front my utilization and offshore has dropped to 76% and onsite reminded about 95%. My realization in terms of offshore has moved up by about a dollar to \$22 and in offshore about close to \$2.5 to about close to about 75 plus dollars which is a very heartening point. The number of active clients is about close to 233. We won 28 clients during the quarter. The last quarter has been noted at about 22 clients.

The confidence with which the way the margins will move, new clients have been coming up in newer areas and at a higher margins- with cost optimization. I think we are very confident that we will be able to pull this back. The sectors which contributed are retail and ecommerce continued to be our giant at about 26%, - 28% and we also have about 22%- 23% from BFSI marginally moved up comparison to last year, and we see an uptick of about 1% point in terms of travel which is slightly showing trends. We expect this sector to really bounce back and that is where the composition in terms of where we stand really work through. We and completed the AGM as a part of the corporate governance on June 4th on completion. On completion the year we distributed the maiden dividend with all the support of the shareholders and members.

The cash flow generation has become net neutral invariably because we have to apply on all these investment costs, which has not been carried out in the balance sheet as any kind of deferred expenditure which as 4 years back, ~~was~~, was decided that it is not that the company will be absorbing it in the year in which it has been done. These two contracts necessitated the specific spending, especially to grab this from a competing SI to really get through a TCv. So from there we are poised for a good wicket to move on from a year-to-year basis. We are confident that we will be on a comparable basis, we will be growing up on the top line while the bottom line could remain the same or north of that in terms of the PAT level, but we are very comfortable that we are moving in for a good growth in making all efforts to really stitch the business together. With this opening remarks, I leave the floor open to the members for asking questions and will be more than happy to take your questions. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Has Mukh Gala from Finvest Advisors, LLP. Please go ahead.

Has Mukh Gala: Very interesting and frank discussion in opening remarks by our CEO and our CFO, Just would like to understand that what is basically now changing the very complexion of the IT industry. You said that you have got this outcome-based through contract which are quite large, so what does it entail in terms of the efforts , Say for example in future as you get the more and more these kind of contracts what kind of revenue and margin trajectory we can expect that is my

first question. My second question is that apart from this increase in salaries and the operating expenses and marketing expenses, hiring of the consultant etcetera, was there any other sectors which did affect the margins which has fallen down like we were expecting that in last year FY21? We have made margin of about 17% including other income and we maintain that probably the margins will slightly go up now my question is that in this current quarter we have the margin of only 9%- 10% which implies that if we have to grow at about say 15%- 16%. Although we have grown at 21% in Quarter 1, we will have to earn 20% EBITDA margin in the remaining three quarters, so do you think it will be a tall order given the current situation pandemic, still continuing the third wave fear and you know more importantly what you described about the employee. I do agree with you that I think all IT companies are facing the same issues that is higher attrition and people are demanding very high salaries, so just give us an overview of what is likely to happen during the current year and then how do we proceed to meet our target of 500 million in next four years or five years and what will be the margin profile you will be expecting as you said these outcome-based contract are having a higher margin. Then what you have been hitherto earning, so if you can give some clarification it will definitely help us?

Srikanth Chakkilam:

I cannot give you any guidance, but I can just give an outlook. So if you look at some of the number just say some numbers which must be slightly out of context, but we mentioned in some of the previous earnings call that this year is a year of investment and some of those investments has already started paying in terms of growth, but we have front loaded all the investment so of course there is an impact on margins in the short term, but definitely even out in the long term. In the previous years and previous quarter some of the revenues that we are getting, the relation that we maintain with client was not at the highest level. This is something however that is changes. The company that we are actively pursuing relationship at the highest level and that will definitely have a positive impact yet in terms of growth and revenue and some of the time and material aspects of business were in little control on margins is also changing with the outcome-based models. So we will be responsible for the entire delivery end-to-end for the clients that will have given us lot of control in terms of pricing utilization, etc., and that too something that has changing for the company. In terms of investments I think whatever we want to invest we are more or less done. So we have front loaded all the investments and I think we are in control of that and I think the outcomes have also started paying. RPA , cloud assurance and all that we have started seeing revenue and we have seen our offering that we are bringing out to the market and all these will be at higher rate so definitely I think in the overall mix of things we are seeing improvements in terms of margins.

Krishnan Venkatachary:

In terms of the outcome-based model the basic difference is that we take the ownership in terms of the outcome-based model, which means that I have confidence in my business and technology. What I deliver to the client and I go to the client and say that I have reduced my cost by 20% and increase throughput by another 30% I mean just giving it as an example and

that is what is becoming the industry's trend, is that even to be a service recipient at some point of time whether in daily part of life we try to look at what is the differentiation which somebody can bring in we are able. So we are trying to do that to the client is that as an independent QA vender if I go and talk about giving me more and more time and maybe I will stretch doing what they wanted or what the standard set of books which they try to help us I mean asked us to do. Whereas what we tried to do is that we will take a QA department we will try to get that entire project out we will be able to bid you at a better cost so that we will bring in efficiency, and we get gain all the value. So that is what we have been trying to do. So that definitely fetches me a premium because when I go in there and when I start doing such thing for me basically for any point of time your question is definitely valid that are we going to continuously to do these kind of investments in every quarter and keep looking at negative surprises in terms of trying to award it over the subsequent quarters. The answer is no, because we have to survive in business and grow and once we have got one or two referral where deals coming through in a big way I think it is very easy for us to bring that through and bring it up. So that is absolutely not essential for me to really give this kind of a surprises and start investing, but I think outcome-based model is what the industry is moving to in terms of the business that is lucrative. Why it is lucrative is that irrespective of the result cost it is that we are at free will because we have reach end goal and we are at free will to really manage internally in terms of the resources what we try to do mix and match. It is not an end sources where each and every results the interview provided lines and that is fixed for the project from end to date. So these are the reasons on the outcome-based. So one on outcome-based one is why it really fetches me a margin in terms of efficiency. Two is that the challenge is that it is interesting business to showcase and demonstrate my strength and confidence that is what I have my belief in my system so that is where I am trying to make the client impress out and start moving out and which is a win-win situation. Third point is just coming back to the quarter in terms of what it happen is that if you ask me anything extra yes that extra is nothing, but that we have recruited about close to 589 people in line with the business out of which about 160 people are replacement cost for me that has come at 20% higher cost and which we believe that basically as we are revising our rate got on the parallel which we believe that this phenomena should end in about a quarter or maximum four months' time in terms of what the industry with the third wave coming through we already see a traction people are trying to settle down. It's anybody guess in terms of the market, but I think have you baked in these cost in terms of trying to get to the margin? Yes we have baked in these cost, we have done about 9.4%- 9.5% say about 10% technically. If you look at it in the last year we have done at about 16.4% EBITDA and we have been committing that we will be equivalent to North of 16.4 for that the average seems to be at about 17%- 18% on a gradual basis. It is achievable on the ground, that my efficiency and utilization moving away from 76 to 82 which will come back which has already come back. I would prefer I would say that it is already notched about 80% in the current quarter because already transformed people into billability and then the newer offerings at a better cost and these kind of outcome-based and inflection of fresher into the system and neutralizing my cost. We are very confident that we will be able to really bounce

back into these numbers, of course there is a variation in business always plus or minus or 2% here and there, but I do not think that is going to be a worry because we are pulling all our socks in terms of the cost and we are very confident that we will be able to get there. It is not a simple Math in terms of trying to just divide the difference and then say that for three quarters we are going to give an average of this much, but I think it will be successively moving up because what we committed we have not really given any guidance, but we thought we grow at about 20%- 22% could be a slightly higher growth rate what we are seeing, but that could neutralize and then get us back to the same margin levels.

Hasmukh Gala: Just one question in this outcome-based models just for example for some reasons we are not able to deliver the benefits to the clients as per the contract. Do we have to pay any penalty? How does it work out?

Krishnan Venkatachary: That question does not come because of the prototypes delivered and verification by the client in terms of client references, what is happening around in terms of the background and then they also have an independent verification with the research analyst like Gartner and Forrester... We do not have a penalty clause in terms of the outcome-based. We have a 90-day closure clause, but all these contracts are price sensitive. There will be two contracts what we have signed have got a minimum one-year commitment term in terms of the deliverables. The efforts spend will be audited and the cost will be reimbursed and that will be subject to audit in terms of the based on the deliverables to margin that is the clause what we have.

Hasmukh Gala: A Are we still confident that in the next four years we will be able to reach \$500 million? This is what you had earlier guided so I just wanted to know that whether we are sticking to it or do you see that the market the outlook has changed materially, so either you may be able to do more or you may be able to do less??

Krishnan Venkatachary: We are absolutely confident that all our plans will materialize and we are very positive on the next four years as we start moving up.

Moderator: Thank you. The next question is from the line of Ritesh Gandhi from Discovery Capital. Please go ahead.

Ritesh Gandhi: Just wanted to understand there was a whole host of criteria which impacted our profitability in this quarter, is there any way in which you can quantify and breakup how much of an impact was because few of these it is like increase in I mean in peoples cost, etc., are actually here to stay and there are a few which maybe exceptional., So how should we been looking at and what is the existing run rate, if you could quantify for us how much of this is exceptional, how much of it is here to stay and how we expect it to normalize?

Krishnan Venkatachary: I have given three breakups over there 3% reduction in EBITDA on account of salary revision and replacement of businesses that will normalize over a period of the next three quarters. The

newer hires made for execution of outcome-based project is one off cost and it is not going to get repeated out there that one and a half percent cost. . The hires made for center of excellence and expenditure will pay it out over the next three quarters in terms of the marketing and other initiatives because these have been front loaded as against spreading over the four quarters, so it just gets evened out.

Ritesh Gandhi: If we have to look at the SDV of effectively the projects which are outcome-based as opposed to time based, how should we even look at in terms of the returns to us as actually there were pervasive risks we take in terms of commitment of time?

Krishnan Venkatachary: There is a normal variance of about 15% to 18% more in margins comparing to what normal margins on a normal per day insurance contract. For example we have signed up a huge set of contracts now and we are moving in that direction. So we cannot count these set of margins over immediately that certain percentage of revenue is going to come through in this year in outcome-based and that is going to jack up my revenue. While that will be an add impact, but I think in terms of the differential it is anyway between 15% - 18% or even more.

Ritesh Gandhi: And are we doing this because the clients have asked for it because the industry is doing it or this is an initiative which we feel we would like to put our credibility on line and to earn high returns if you are able to deliver higher quality?

Krishnan Venkatachary: The latter is true that we would like to stamp over credibility is one. The industry is also slowly converting and moving towards that and there are opportunities and it is a combination effect.

Srikanth Chakkilam: Sorry I lost part of the question.

Krishnan Venkatachary: He was asking about outcome-based this is the industry demand or we are stamping our credibility?

Srikanth Chakkilam: Like you mentioned it is both.

Ritesh Gandhi: Last question is that if occasionally when we asked people in the industry some people view the testing angle as being slightly commoditize and being already offer by 31.28 part of their overall package., How should we looking at that, from an overall perspective and are there any messages or studies to show the growth rate of the independent testing industry in lot of market?

Srikanth Chakkilam: Again we have been really consistently against very large, even though there has been offering consolidated services that is one. Secondly our focus is now on digital assurance not just quality assurance. We have moved away from quality assurance to quality engineering, now we are talking about digital assurance. So growth rates are much higher than the traditional growth rate.

Ritesh Gandhi: How it is the industry in which we are playing in how much in your estimate would beat the growth rate of that industry of the markets where we have played?

Krishnan Venkatachary: I can add a point here basically that to answer your question in terms of software testing as a market. There are two type of testing what we are trying to look at that is that traditional testing and specialized testing. Specialized test done by the independent players while the growth rate over there has been at about 7%, the traditional testing in terms of vendor SI role is slightly coming down as more and more focus people are trying to look at on specialized testing. These are from research reports like Gartner, Forrester etc. Having said that, the industry out there is they are about \$22 billion and is likely to move up to \$40 billion in the next 5 - 6 years. I think what we are doing is only a miniscule scratch in terms of what we are trying to pick up. So there is good amount of growth, it is only the quality and differentiation which is very important for us and what we do. Having said that, the bigger side if you look at another top four-, five people, they contribute \$12 billion towards the testing industry. So, packaging could be a possibility, but still testing remains an independent part. We have been witnessing that wherever people have taken software development and testing together, the testing portion is kept separated. I am talking a sample size from global 2,000 clients on a very systematic basis... So that market is out there and they want to grow. Adding to Srikanth is that while the quality assurance in engineering space reminds of a growth, I think showing a differentiation in terms of trying to get into a digital assurance player and trying to do an outcome-based with a value addition, there is enormous potential so we do not see any deficiency in that.

Moderator: Thank you. The next question is from the line of Surabhi Saraogi from SMIFS Capital please go ahead.

Surabhi: Sir I have just one question that is the employee expense and other expenses have increased significantly this quarter, so can you just elaborate the reason behind this?

Krishnan Venkatachary: The employee expenses have increased where I have explained in my opening remarks itself is that on account of salary revision at an average at about 10.5% of the total cost to the company, which was obviously spread over two by half yearly portion... Second is that we have done some new hires in terms of the investments and also, we have won two new projects which was necessitated as an investment to do about close to 122 people in terms of trying to do a knowledge transfer and with that necessitated as an investment is one thing and we have also done a leadership hiring in sales and marketing and non-billable manager as a part of our growth at transformation strategy. On the other expenses the differentiation is that to jump start the project and do refill the replacement cost we have gone for contract hires of about close to 98 people and that contributed about 7 crores as an expenditure and then the 2 crores expenditure is on account of the marketing spend which is front loaded.

Moderator: Thank you. The next question is from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.

Nagraj Chandrasekar: Just anything typical sort of DevOps engagement at 6-to-12-month engagement. How large is the testing component of the total order value, typically for an SI?

Srikanth Chakkilam: You asked in DevOps engagement how long is it testing component.

Nagraj Chandrasekar: How large is a testing component if you were to unbundle it out of the total engagement typically?

Srikanth Chakkilam: 25% it really depends on the kind of projects, but overall 20-25%.

Nagraj Chandrasekar: And then when we say we are doing quality assurance including RPA testing, do we have partnership with the likes of UiPath or Blue Prism or others?

Srikanth Chakkilam: We do with UiPath, Blue Prism automation, Mintex, amongst others.

Nagraj Chandrasekar: When we use their platforms, the client is not aware of what is basically used. Kind of their products are used to automate certain testing methods to the clients and then their testing cost are brought down by us quoting lower outcome-based fee versus what they were doing earlier themselves. The client is sort of not aware of what is being induced by you guys?

Srikanth Chakkilam: No not necessarily aware. In fact some of the license fees are procured by the client we are already have them it is the execution fees that help him. Sometimes even the licenses we have been able to procure at a better cost than the client themselves, but clients are aware of what we are using it, it is not like we are white labeling the products and doing it.

Krishnan Venkatachary: What Srikanth is trying to tell just for the audibility sake I am just repeating that is that all our contracts are transparent contract and well written. The client is aware in terms of what the licenses and there we have partnered with and what is going to come then. We insist most of the times the clients to buy the licenses, but we negotiate a better cost because of the partnership relationship, however there are cases where we need to do a little bit of investment in terms of the licenses, we do not go back we already price it in the contract and when we try to go ahead and take it up, but everything is transparent the client is well aware of as to what it is. So, we provide services around it we do not really camouflage or do any while labeling on that.

Nagraj Chandrasekar: And just the other growth aspects within quality assurance in your slide. You talked about cloud assurance and IOT assurance, how large are these markets and typically what is the scope of work? Doesn't a digital transformation SI get this as scope of work along with their engagement or is that in this particular cases there is less bundling because it is probably very mission critical for customers?

Srikanth Chakkilam: Sorry I could not fully understand the question how large are they?

Nagraj Chandrasekar: How larger are the Cloud assurance and IOT assurance markets? Typically what is the scope of work and is there less bundling here than in typical SI engagements so, that you have a better right to win?

Srikanth Chakkilam: These are large markets for sure, we are really cannot confirm the numbers on top of my mind, but they are really large which one of the reasons with few areas is. The bundling here is not very different from a typical DevOps projects. We do not see lot of difference at least from previous point we do not have I mean we have not seen lot of difference maybe we do not have enough data to tell you that the bundling is different here. But up until this point we have not seen typically very different from what it is today. In fact, we already have a few projects running from the past and it is not very different from what we have seen.

Moderator: Thank you. The next question is from the line of Ganesh Mistry from Investor First Advisors. Please go ahead.

Ganesh Mistry: I just had few questions. If you were to just segregate your results from consolidated and standalone you know it is evident that we kind of hired a lot of employees in standalone which I reckon is in India., So our standalone employee cost has gone up by about 50% year over year approximately, the question is that I know you touched upon with the other caller and does that essentially if you take out two, three quarters to kind of run these cost down, but when we see that we have recognized these cost upfront are we seeing that we have recognized it in the P&L and going forward it will be a cash flow impact or will we see the same 74 crore number in the next few quarter that is my question then I will come toother ?

Krishnan Venkatachary: To answer that question probably in terms of the cost which is committed, these are cost which has been committed. I will only be able to translate this in terms of the top line, in terms of the revenue. While I will be optimizing few of the investment what I have made in a rush to see because anywhere there will be a variance of 2% - 3% and that 2% - 3% will be a continuous monitoring, in terms of trying to remove the bad apples., But will discuss it in terms of cost as to what we have committed and spend, we will translate that in terms of the revenue going forward and to hit it straight, whether we will reduce this 74 crores back to 50 crores or 60 crores I think that is not the way we are looking at things, we are looking at it in terms of relation to the revenue.. Also, I have highlighted also that if you look from the profitability perspective, we are taking into consideration the cost perspective I answered your question because if you look at the profitability point on standalone we have changed the transfer pricing methodology and that is going to stand benefitted and on the cash flow perspective more cash flow in India if we look at it in the moving quarter as our EBITDA start moving over-the-counter product will start moving to about 11%, because I have moved away from a cost-plus method and I have gone into a distributed method in terms of the revenue markup method in terms of the retaining revenue markup in terms of respective region I am just complying with

the EV provisions over there. So while your expenditure could be remaining our revenue will be more because I expect overseas expenditure to be optimized and I will have more money coming in so that the net result is that it will have an impact in terms of the profitability and also the cash flow will be high..

Ganesh Mistry: Just one question sir also is that if you were to see you mentioned that we have hired I think about 589 people of which 160 were replacement. So I reckon that the other 420 would be new additions to our stable which is pretty strong because essentially if you are looking at 3,100 employees we have added around 14% - 15% of our employee base in the last quarter, so do we see that kind of strength in the business because that is what it is showing at least to us investors sitting on the outside and number two is that when do you think that these employees would be productive employees, so it kind of fits into your revenue and growth?

Krishnan Venkatachary: I think from our budgeted number for Q1 of about \$32 - 33 million, I have moved to 36 million, roughly about 4 million moving away from last quarter 32 million to 36 million. , Essentially out of the 400 odd people I have engaged people. To be very precise to answer your question about 123 people are the one which has been invested and which has started into billability from July 10th to July 20th, they have moved out of the billability. Another 60 people which we have been kept us investment out are in different set of projects. So, I have already knocked off close to 25 people into billing, the balance 35-40 people are translating on 1st August. So invariably I am in a good healthy wicket, in terms of improving my utilization from 76 to 82 in terms of the offshore utilization. So very clear that I have a good legroom and I have a plan. While this is still a linear business, the additional substantial in an accelerated growth momentum is what we are looking at. All of this has been necessitated for us to really take it up, while the non-linearity may come at the end of fourth year, but as it stands I think about 3% is only non-linear of the total revenue. So, invariably I think this linearity is there to move on. Having said, that is it is something which is going to affect me on the infrastructure and other cost. Yes, on the IT infrastructure it gets depreciated in terms of the laptop, but not on any other infrastructure costs. We are working from home, as the office has still not started up, however even when it starts I think we will be commencing with 25%- 50% over a period of two years. So invariably with the same space and in fact we are re-negotiated the entire lease days to bring in a substantial amount of savings about a million dollar over next three years in terms of what it is on the infrastructure cost. So we are conscious of the fact in terms of the numbers we are also confident and optimistic.

Ganesh Mistry: We have our offshore utilization at 76, versus last quarter 81. As you mentioned it is because of the new employees that we have added, so when do you think we will go back to the 80% plus utilization?

Krishnan Venkatachary: We have already moved into the 80 digit utilization.

Ganesh Mistry: I may missed that.

Krishnan Venkatachary: We are already there in the 80s and we should be moving towards the end of the quarter to the upward percentile...

Ganesh Mistry: I know you did touch upon a bit on the transfer pricing, so is it just from the cash flow perspective or is there any other taxation framework that we are planning for this change in the transfer pricing model?

Krishnan Venkatachary: One being a listed company and listed holding company I think I think it is very important to hold the cash check within the holding company. One it can be a reward to the shareholders, two it can act as a deployment mechanism for the company. Two also on a perspective in terms of our five year transfer pricing assessment, which has been done over there where the US authorities and the other country authorities feel that the cost plus 17 could be a slightly higher percentage in terms of disallowing and we getting into audit every year in terms of getting this disallowance made, we thought we did a complete study through EY and we made it more practical in line with what the other industries peers are doing in terms of retaining a sales plus 49:21 so that we can have a predictability on the taxation over there and then bring in the money out to India. Also, we have adopted the concessional rate of taxation from the current year, so it makes more life simple and then turns to make the money. So if you look at it the cash at the corporate level makes me the king to really see that what best can be deployed out so that is the strategy and also the compliance becomes more comfortable.

Moderator: Thank You. The next question is from the line of Piyush Mehta from Capri Global Capital. Please go ahead.

Piyush Mehta: So my first question is in terms of when we have interest in EBITDA margin target of course we have seen a big fall this quarter where we book two years, three years out what is the minimum of that the management is comfortable with in terms of the margins that you are looking for the business over a longer term?

Krishnan Venkatachary: If you look at it in terms of the transformation business what we are trying to do over a four year time we are targeting and then we are nothing wrong in committing that we are optimistic to be there along with the industry peers at a higher-teens plus margin. While we are not committing any numbers out there so we have a planned out that we will be at par with the industry standards.

Piyush Mehta: If you could tell me what is the current cash equivalent on books as of this quarter Q1?

Krishnan Venkatachary: We continue to hold about close to about INR 190 crores in terms of cash and cash equivalent in the book even after distributing dividend and observing these expenses out.

Piyush Mehta: And are we looking at any acquisitions actively or any in pipeline?

Krishnan Venkatachary: Inorganic strategy has been one of the key strategy for us and we will come in the market if something concrete takes shape, but I think the CEO, the CMD and myself, we all are illustrating a lot of opportunities., Overall, we will be able to comment on it as and when we get to a stage when the board evaluates it and then we move it to the agenda. In larger scheme of things this will definitely be a part of the growth strategy over the next four years.

Moderator: Thank you. The next question is from the line of Dipen Sheth from Crystal Investment Advisors LLP. Please go ahead.

Dipen Sheth: So I can see that you know you have started moving very serious strategically wise as committed in the recent past, naturally it was taking a toll on shutdown reported numbers and frankly that is not a bother it is a little bit of a slippery path and we have to read it carefully and as an external observer all I can do is monitor you very closely. You have added more than 550 people this quarter, the foreign utilization is mostly attributable to that all those dots are joining up. Couple of things that do not join up for this are: one that the growth in which you get in this quarter is coming from the UK, EU and rest of the world geographies and not from your 53:33. It is just a timing thing or with respect to certain client that you are ramping up or is it that you are trying a new business development or go-to-market more aggressively in the geographies where you have lesser at state what is the color here that will be my first question?

Krishnan Venkatachary: There is a marginal shift in the quarter if you look at it as a composition in terms of the UK and EU. The last year has been subdued in terms of mining, be it reduction and revenue from that region which is bouncing back, but as a strategy if you look at it in terms of our overall scheme of things the days is also moving up and as we are talking about \$120 million- 123 million as to what it was at about 8% or so I think there could be a natural slippage in terms of the percentage as the competition starts moving up in terms of close to about \$140 million- 150 million when we are talking. So the room of provisioning has to be provided, but I think the natural condition out over there is that we have definitely had our share of slippery in terms of what it is in the last year which is now moved back in terms of the client converting back and winning new ones. Having said that in terms of the forecast if you look at it we have been successful over the last quarter in last two quarters especially on the Middle East and the Asia Pacific region as well, but we are also conscious in cherry picking as to what it is because it is not the end of our margins because the general tendency over there is slightly less. So I think as we speak as traction out we still expect our balance to be in such a way that we will at about 85% coming up from the US and other region which is a bigger market and which is also comparatively easy market for me as against the other markets.

Srikanth Chakkilam: The two large clients that we signed are both from the US, so that will definitely skew in almost towards US possibly next quarter.

Dipen Sheth: I think as investors we just need to look beyond quarterly fluctuations

Krishnan Venkatachary: I agree with you are absolutely right in overall scheme of things. Yes nothing wrong in me really to move ahead and expand the UK and European region, keeping in the mind the entire regulatory aspects and the cost aspects. I think we are conscious of the fact, but one quarter could be a blip but I think in overall scheme of things still we will remain and balance out at about 85 - 100 in terms of where we are.

Dipen Sheth: The second bit is little bit of discomfort on the outcome-based approach on the contracts under this regime of approach that we are taking up. Are you sure that you are inclined that some of the EBITDA drop is because of revenue is coming in from more from these contracts where the revenue booking would be back ended is that one of the reasons for the EBITDA margin firm?

Krishnan Venkatachary: To answer your question probably we have just taken a baby step in terms of trying to win a: one the purpose of winning a deal is basically to prove a point that we will be able to deliver the second point is that we are trying to compete with the bigger SIs and try to take the existing and also the expansion of the business by way of RFP. So what it necessitated is that if one is a 36 month contract, one is a 24 month contract and while moving ahead with those set of numbers when we have to take it up and when we have started pushing through sometimes it calls for certain investments is that is what is the discomfort factor is that where we need to do the KP to demonstrate out that the frustration is that I will invest and I will do the key and then I will start delivering the entire set of numbers for you. So sometimes it is a business decision and it has to be taken really to demonstrate and start moving up and considering the logo, considering the volume of business which is going to come up and which can be mined I think it is a calculated risk which has been taken, but otherwise it is nothing to do because normally these type of contracts if it is a 36 month contract normally the revenues as per AS 115 are accrued over a period of 36 months, but the KT is something which has not been really allowed out basically because the commencement starts of the work of most KT. So this is element we have to factor in. We have started learning in terms of our effort estimates so that we are trying to price in these things so as to start moving into the contract, but otherwise in terms of deliverable of the contract and the quality of the contract it has got a much higher norms comparing to what we are trying to do out on a routine quality assurance business.

Dipen Sheth: Just for clarity sake we have done about \$36 million revenue compute a console level in this quarter, right now the outcome-based contract of revenues have we started flowing into this \$36 million or is it a while now?

Krishnan Venkatachary: The \$36 million outcome-based contract is commencing from July.

Management: So some of the reason why your EBITDA margins are depressed this quarter apart from the other reasons such as up fronted business development or manpower spend is also little bit of upfront spend on these contracts which shall going to be very lucrative.

Moderator: Thank you. The next question is from the line of Shweta Jain from ANS Wealth. Please go ahead.

Shweta Jain: Sir my first question is if you could share some details about the 28 new clients that we have added. Typically of what industries do they cater to, what kind of work are we going to do for them and what type of contract are these if you could share some details around it like the value, is it a onetime contract and also I just wanted to understand typically what happens with our clients like the clients that we get, are those contracts renewable or it is just like a delivery based kind of a contract?

Krishnan Venkatachary: Shweta just to answer your question is that 28 clients what we have brought in includes the two clients which has been signed at a TCP total contract value of \$14 million., In terms of the rest of the client as against the balance 26 clients I think the TCP has been ranging between \$9.6 million - 9.7 million.. In terms of vertical which has come through predominantly, if you look at it splits over I think predominantly the new has come from the BFSI on the retail sector and these are the two areas which have been gung-ho about in terms of trying to win and these have come through lot of other cross-selling and references. . Few clients have moved in from the healthcare side, so this is just the combination. If you have to cherry pick and tell in terms of a percentile it may be varying from 10% out of these 28 clients from in terms of number of clients I am talking about could be from the healthcare side and predominantly about 50%,- 60% is from the retail and the rest on the BFSI as a segment., But coming back to your question in terms of what is that I am just trying to re-track one is that in terms of number of clients, in terms of the services lines where it has come.

Srikanth Chakkilam: The kind of services that we do are on automation, we are doing RPA. One of the clients so that we landed as a significant portion of RPA, we hope that will grow into a large RPA accounts in coming years. But automation predominantly and for healthcare companies, the kind of work we are doing is around medical device testing.

Krishnan Venkatachary: In terms of duration we take the contract duration range anywhere between 6- 18 months. We invariably set a benchmark in terms of trying to look at it as a 6-month contract. We sign an MSA for three years and within that there are different SOWs. Just to quantify in terms of where we are around, 40% of our business get renewed automatically year over year and these are the contracts which come over year over year in terms of the 40 percentage of the total revenue., Also, we are trying to really improve that out while we balance it out client. While having said that the rest of the client has also huge potential in terms of trying to get through with a set of mining based on the IT budget. We discussed that out and we started trying to looking at pitching in terms of mining for the set of clients.

Shweta Jain: Sir just one clarification when we say 40% of our business gets renewed year over year, so what typically is the nature of the renewal business I mean what typically we do on that side, is it like continuous testing or continuous updating that we do for them?

Srikanth Chakkilam: Along with quality engineering right now we are trying to maximize the potential of each account so that where the hunting-farming model that we have implemented will come into play and what more can you do to maximize digital opportunities in these accounts, what else can you do to become a digital assurance partner for these companies is what we try and explore. If we just take quality engineering with our aspects of functional, automation, performance, security, testing etcetera, mobile but if we want to do more than that when we look at areas around our play then cloud assurance etc.

Krishnan Venkatachary: The renewal comes from these large conglomerate which has got a huge project running so it will be continued testing when it gets renewed. If you just map it up to the renewals we are continuously testing. We have projects with are lined up for expansions and new projects coming in in addition to the renewals. .

Shweta Jain: Sir basically testing and some kind of cross selling in our own field that we try to get this business with the same client, is my understanding correct?

Krishnan Venkatachary: Yes.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question. I now hand the conference over Mr. Srikanth Chakkilam for closing comments.

Srikanth Chakkilam: Thank you everyone for your time. We will certainly note with some of the observations and see you all next quarter for the next earnings call. Thank you.

Moderator: Thank you. On behalf of Cigniti Technologies Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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