Cigniti

27th October 2022

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Name of Scrip: CIGNITITEC

Scrip code: 534758

Dear Sir / Madam,

Sub: Transcript: Cigniti Q2 FY 2022-23 Result conference call on 21st October 2022- Reg

Ref: Company's letter dated 18th October 2022 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 Q2 FY 2022-23 Result conference call held on 21st October 2022. 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

ADIRAJU NAGAVASUDHA
Digitally signed by ADIRAJU NAGAVASUDHA
Date: 2022.10.27 14:36:46 +05'30'

Naga Vasudha
Company Secretary

Encl: as above

Cigniti Technologies Limited
Q2 FY23 Earnings Conference Call
October 21, 2022

Moderator: Ladies and gentleman, good day and welcome to the Investor Call of Cigniti Technologies Limited to discuss the Q2 and H1 FY23 Results. Today we have with us from the management. Mr. Srikanth Chakkilam – Chief Executive Officer; Mr. Krishnan Venkatachary – Chief Financial Officer; Mr. Vinay Rawat - Chief Revenue Officer; Mr. Raghuram Kroviddy – Chief Delivery Officer and Mr. Sairam Vedam – Chief Marketing Officer. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone 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 Irene. And a very good evening to everyone. 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 the currently healthy beliefs 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 attract and retain highly skilled professional and our ability to win 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. I now hand the conference over to Mr. Srikanth Chakkilam for his opening remarks. Over to you, sir.

Srikanth Chakkilam: Thank you Snighter. Good evening everyone. So just some quick highlights for the quarter. The company yet again accelerated revenue in current quarter by 10.2% to 416.65 crores in comparison to the previous quarter, the company has been able to demonstrate this sort of growth for more than six quarters now, and especially in an environment of uncertainty. The company during the quarter has won nine new clients. We have been especially focused on the quality of accounts that we are opening in the last nine months and with more vigilance towards investment in sales and development, and with various optimization measures that have been initiated that we've been updating in the previous calls as well, the company has achieved a higher margin compared to the previous quarter.

EBITDA reported for the quarter stood at 60.76 crores up by about 36% and the company's net profit also has raised to 41.53 crores as against net profit of 31 crores in the previous quarter. In its biggest brand more than a decade Cigniti has unveiled a new brand identity and a new logo reflecting its renewed vision to help its clients in achieving the digital transformation objectives and achieve market leadership. This new brand identity is a thoughtful expression of our continued dedication to advancement and innovation. And we've renewed our vision now calling it together we will build a better future through technology and transformation. And we believe this is what will drive every submission as a as a collective group of people to achieve the mission and vision.

And just some quick updates on the acquisition as well. Following the company, we've largely integrated the acquisition and we continue to invest in people and areas related to data governance, UI, DevOps, digital strategy and architecture. We have been upselling the newer services to our existing clients and we've been getting positive feedback about the new offerings that can be provided for our existence clients. I am excited about the possible outcomes in the next two to three quarters.

Adding up to our industry capabilities, the leading firm, analyst firm ISG has recognized Cigniti for its capabilities and power and utilities and retail sectors. In the previous calls, I've updated such recognitions for BFSI and HCLS. And at a macro level, we are sort of seeing elements of uncertainty especially with a diverse set of clients that we have. We're seeing minor pullbacks in investments, certain tendencies of slowdown, but not in our full blown manner yet we continue to remain cautiously optimistic and we will continue to focus on initiatives that will help us drive our vision and achieve our mission. So at this point, I will hand over the call to Krishnan to cover the financials.

Krishnan Venkatachary: Thank you Srikanth and good evening ladies and gentlemen a warm welcome and advance wishes for Shub Diwali to each and every one of you and your family members. And also good afternoon and good morning if in case somebody has logged in from the overseas locations, considering the time zone. The quarter by large what has been explained by Srikanth has predominantly a great quarter, we have achieved about close to 10.2% growth, if we look at it in terms of rupee term, but on the constant dollar currency term we have contributed 6.5% In terms of where we are, what we are at dollar term. So we moved from 49.17 million to 52.3 million in terms of the revenue on the top line and the bottom line we have been able to do a remarkable recovery as we have planned over the quarters what the investments have been done, there have been some amount of pressures in terms of midterm increments and various things which has only impacted on the last financial year that went through a head and then that started yielding results in terms of onboarding of people or whatever it is, so the cogs could be kept under control. And we were able to get the full blown availability of close to 150 plus resources into the current quarter which has made us realize in terms of the margins where we are. When it comes to the question of the sector and contributions, the revenue sector BFSI continues to dominate the BFSI and retail and e-commerce followed by travel and transport and hospitality.

The heartening fact is basically the travel hospitality sector has started bouncing back and we have been maintaining a good relationship and we are expecting this to really start moving up in terms of contribution. Though we are cautiously optimistic overall in general in terms of the market, while the BFSI contributed about close to 20% to 23%, retail e-commerce have contributed 17% and travel at about 13% and healthcare about 13%. So these are major agent of contribution coming through. While it is so probably the revenue rates in terms of realization, as reminder segment for the quarter with a positive news in terms of most of the negotiations, what we have done basically have gone for a retribution and we expect some amount of cost increase on account of instability in terms of the recruitment retention. Considering the attrition or whatever it is, we'll get priced in with this kind of cost inflation which has come through. So that's a hearting fact that sales team have done a wonderful job in terms of getting ahead for renewal setup and the pricing which has come through.

While we have ensured that the rates remained there, we are very confident that with out digital selling coming through in a bigger way with Aparaa coming on the way, we should be able to realize better dollars in the coming quarters as we have up planned in terms of trying to give a value added services on an end-to-end basis. Coming back to the cost, the attrition which has been there on a higher side and this has been lingering at quite high numbers across the industry. We have stabilized and we were able to see probably not the last quarter is not the measure probably the year could be a better measure, if you look through basically, but we expect the attrition to drop down. We still were there hovering around at the later stage when I'm coming on to the call when you look at it at this point of time for the month basically, we have done better. We are more in the zone at about close to 25%, 26%. But for the quarter it has been hovering around 28%, and then for sure that we are going to catch it up and bring it down when it comes to the year end as an average as to what we are up to the attrition levels.

In terms of the CAPEX, there has been some amount of CAPEX necessitated in terms of the need base with the employee numbers moving and also on account of the accounting which has been necessitated due to acquisition of Aparaa for the value consideration paid in terms of both tangible assets and goodwill and intangible which needs to be classified. And those intangibles definitely get charged off. And that is one of the reasons in terms of the accounting the depreciation is slightly on the higher side, we have controlled on the finance cost and return on the other income, which we have generated fairly a good amount of cash flow over the last two quarters, which is roughly 44% of the EBITDA and what the conversion of cash flow is 44% of the EBITDA. And we have generated a good return equivalent about 66.5% we've been maintaining a cautious vigil in terms of trying to be careful about the investment not only protecting the capital but moving head.

Out and out our receivable days, it has been very, very healthy in terms of about 52 days. And we have not seen the tendency of the customers in terms of either insolvency or kind of a bad debts or whatever it is. And there has been a cautious approach in the overall scheme of things. And given the stance where we are in and given the order book position which is staying healthy as it stands, we are confident of the quarters coming ahead, though we are not in the process of giving a specific guidance into where we are, what we are. But the run rates stipulate very clearly that we are in the territory and galloping ahead. With these few words in terms of the financial number snapshot. I hand over the mic to my colleague and CRO, Vinay Rawat, to give you a glimpse on the sales and strategy and the markets will as to where we are, what we are. Over to you Vinay.

Vinay Rawat: Good morning, good evening, good afternoon to everyone. Thanks for joining this call. Most of the points actually have been covered by Srikanth and Krishnan from finance and demand perspective, I just want to mention few things, last quarter we actually mentioned that we had initiated a new go to market strategy in terms of deepening our relationship and focus on accounts, which we already have. And I'm glad that our strategy actually is leading to a good result, we are actually deepening our relationship, we are expanding our footprint into our existing accounts and that is definitely going to help us in selling additional services which we have acquired through acquisition. It's been a very secular growth, across different industry segments and customer base that certainly is healthy from our perspective. One thing which actually we have noticed so far is the demand for highly skilled and talented people continues to remain strong, which actually seems to put pressure or at least inflation in wages.

We are seeing more that kind of trend on site which is especially North America. The other thing, customers actually have become a little cautious that the cautiously optimistic nevertheless, and what we saw during pandemic especially last year, that demand is something which is softening everyone is very cautious, especially about recessionary pressures, which is being anticipated in the industry, especially technology segment has become soft. There are certain other places where we are seeing, the customers are not they're not pulling off the products right now, but they are definitely being cautious and but from our perspective the demand still continues to be strong and we have enough room to deliver the growth which actually we have planned for ourselves for next few quarters. So that's the commentary on the market demand side. I have from my side. Other questions, I will be happy to answer them. But back to your Krishnan.

Krishnan Venkatachary: Thank you Vinay, that was a good summary. And I will now request Raghu, our Chief Delivery Officer to say a few words on our client experience and the kind of offerings which we have started putting on the table. Over to you Raghu.

Raghuram Kroviddy: Thanks, Krishnan. Good morning, good evening, good afternoon on, in line with what Srikanth, Krishnan and Vinay outlined, in line with the GTM strategy, we have been able to provide additional offerings and services to our existing clients, deepening relationships in the areas of digital engineering, data analytics, AI ML and so on and so forth. Srikanth did speak about our integration largely completed. So that allowed us to increase our depth and breadth of expertise that we can offer to our clients. And we only expect this to grow quarter-on-quarter and we also on the supply side, have geared up in terms of ensure, we have strengthened our training, cross training and up skilling programs that has allowed us to also improve our margins, we have had any takeoff pressures and junior skill limit, which we worked upon over the last few quarters. We are also seeing an early sign of receding attrition, but too early to make the trend out of it. But I am sure that when compared to previous quarters, we are able to hold our talent in a much better manner. With all of these, alignment of GTM integration of the new skills, the company that we acquired and rejigging our supply to meet the client demands, we are able to increase our footprint and our existing clients. Our customer satisfaction score continues to remain very, very strong and it's also heartening to see our existing clients opening the doors for us to participate more deeply into their digital transformation programs. So with that, so far so good and we are in line with progress versus plan. Happy to answer any specific questions any one of you will have later. Over to you Krishnan.

Krishnan Venkatachary: Thank you Raghu, of a great note and I invite now Sairam Vedam, Chief Marketing Officer to go a little bit glimpse on the marketing efforts. Over to you Sai.

Sairam Vedam: Thank you, Krishnan and Srikanth, Vinay and Raghu I hope I'm audible. Good morning. Good evening and good afternoon for everyone. A quick update, most of them have been covered, our reaffirmed, repositioned, revitalized, re-launched brand identity has got noteworthy global mentions across the ecosystem, global media, tier one media globally both in abroad, in the US, both Wall Street and Indian media in particular, the tier one media acknowledge seeing revitalization of the brand. Advisory community and the analyst community took note of the repositioning as an integrated digital player, bringing in both digital assurance and AI led digital engineering capabilities. So, that from the corporate branding perspective, which is in line with our renewed mission and vision and aligning with the overall digital ambitions of the company.

The second update as an outcome of some of these constant endeavors. As a brand we've been awarded as one of the prestigious brands of India, from diverse segments of the business by the leading branding and advertising agency, DARC and our Chairman was also acknowledged for the contribution to the Indo American business corridor on a sustained basis, so that’s from a recognition standpoint. Just couple of points while Srrikanth touched about the ISG recognition, the vertical footprint. I'm also happy to say that Gartner actually mentioned and put Cigniti in the preferred height cycle for managed IT services in the quarter that went by. It is a reflection that we moved the needle from being a pure play quality engineering company to both the digital assurance and as well as the digital engineering services company as an outcome of the recent acquisition that we spoke about, and we continue to get recognized for our API testing capabilities, which is a very deeper aspect in the connected digital economy. So that's more or less and as I agree with all our executive management, we are cautiously optimistic. We are constantly listening to our customers and partner ecosystem and ensuring we cater to the growing needs of talented employee base, which is the most important element of a brand. So, that from my side, happy to answer any questions. And I'll give it back to Krishnan.

Krishnan Venkatachary: Thank you Sai, and I now leave the forum for the question-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of the Ravi and he is an Individual Investor. Please go ahead with your question.

Ravi: Couple of questions from my end, so just wanted to understand the steps taken in terms of margin expansion, which currently we are seeing in average industry margin the range of 15% to 17% for software testing companies, so what are the steps that we are undertaking to reach that kind of margin which are sustainable?

Management: Okay, you have any other question or you want me to answer this question-by-question?

Ravi: Question-by-question would be very helpful sir.

Management: Okay, sure. As you have seen probably the way we have galloped from 11%, 12% margin to 15% almost nearby with bringing in more efficiency in terms of reviewing the utilization buffer and the blocked resources, and also if you look at on a constant basis, where we have been trying to avoid the downtime in terms of the people joining a lag time probably from the time the people joined to, they were getting into the availability role, well that continues to be the endeavor it is, the couple of steps which has been currently taken out clearly or that we are trying to do on a continuous process in terms of a pyramid mix, which is going through. Second is that, for the similar accounts that we are renewing with the kind of cost increases which we have observed over the last say about six quarters. Now we are trying to go through for revision, at least if you look at it, the top 20 accounts contribute about 50%. And the rest of the accounts contribute about balance of 50% approximately. So where we are trying to get through to the top 20 definitely for sure and then getting back to the rest of the accounts in terms of seeing where that the rate revisions can take place. So, the first step is a pyramid composition change and the two is that, we are now trying to look at it in terms of the rate revisions. And the third point in general, that I have explained you very clearly that with the offerings increasing where we are trying to mind more in terms of the depth and breadth of the customer's accounts very clearly, we are trying to get better rates for our offerings like RPA or newer offering. So that shall continue to contribute and where we try to look through the new age technologies, including digital cultivating. So this is a continuous step, we are also clear and ambitious that we need to get to the 17% but we don't put a pen down to say very clearly this is the year we are going to achieve but, our endeavor is that sooner the better and where we need to get there and it's a constant process and therefore what we have done over the quarters have given us benefits now and we are confident of pulling it through and improving it.

Ravi: That's helpful sir. So going ahead like with the things that we hear on the recession and everything just wanted to understand from your perspective, how is the business getting impacted, do you witness a change in the clients requirements?

Management: I'll just answer in brief and probably invite Vinay to answer this, which is addressed in the beginning, Over the last year plus, there's been a change in sales strategy invariably and where we have started focusing on mining the accounts, splitting the accounts into strategic accounts, growth accounts and nurture accounts that paid away foundation where we were also able to move away and capture invariably, predominantly, mission critical applications in most of the cases, and especially on the top 20 accounts. So what happens is that, any kind of a recession, any kind of I would say not a recession it's a cautious approach, what is being adopted out or whatever it is, it will not impact in a greater way to us. While I won't say that we are exempted from this, and we are in the industry and we have to be Roman in Rome. And we will definitely get impacts, but the quantum could be miniscule and we know that with the overall volumes what we are trying to achieve that will get adjusted. And while we are working on a mission critical applications, I don't think that's going to take a toll. While I stop here probably I can ask the expert Vinay to really give the market view in terms of what is the trend on that line and our mitigating this, over to you Vinay.

Vinay Rawat: Mr. Ravi, I've answered the question probably, Srikanth you would like to throw few pointers on this additionally anything?

Srikanth Chakkilam: So, like Krishnan mentioned, the kind of trends we're seeing is first of all, we have a diverse set of clients. So there are some pockets where there is an extreme impact in terms of how they react to recession, in not so good manner and there are pockets of clients who use recession as an opportunity to grow, we have both the set of clients in our current roster. So that will probably provide hedge against the overall scheme of things. If there is an extreme scenario. But having said that, the kind of trends that we're seeing at this point is, like Vinay mentioned it's not too extreme at this point. But there are pockets of areas where people don't want to replace resources if there is an attrition. And there are other areas where we have an opportunity to consolidate the overall IT vendor ship and provide value to the clients. So that is what we're seeing at this point in time.

Ravi: Great, thank you. Just one last question I have from my end, just on the continuation of the same towards the long term vision, are we looking for any more acquisitions in the coming quarters if yes, then what are we looking for like in the same kind of offerings or are we trying to add any new offerings?

Management: We have continuously evaluating companies like I mentioned, we always keep ear to the ground to evaluate companies that rely to our capabilities, to digital footprint, maybe a new jio such as near shore, some of those elements we are evaluating. Obviously, we continuously look at what our clients need in terms of newer capabilities and that is where we usually try and do something different.

Management: Thank you. I request the operator to unmute few of the Cigniti management team members I think that is the reason that they are not able to speak.

Moderator: Thank you, sir, they will be unmuted. The next question is from Anuj Parmar, of Family Office. Please go ahead with your question.

Anuj Parmar: I just wanted to understand in terms of the kind of service that we offer to the client, and are the services customized as per the client requirements?

Krishnan Venkatachary: Okay, thank you Anuj and thanks for the wishes. Raghu, I request you to take up this question in terms of the services what we offer to the customer.

Raghuram Kroviddy: Krishnan, if I understood the question right, what services do we offer to the clients today, right?

Krishnan Venkatachary: Absolutely.

Raghuram Kroviddy: Thanks for the wishes and as you know, we were pure play quality engineering company, everything related to test engineering, everything related to the services catalog that a typical independent testing company offers. So we continue to offer those services to our clients, because that is still at the core of where we are. From a digital engineering services standpoint, we have started offering services around native digital development, AI Ml, data and analytics and also in terms of RPA. So those are the new set of services that we have augmented to our quality engineering services at the core, this is we have play the nine yards of digital while still ensuring that the quality assurance is provided, which is very important in a digital transformation.

Krishnan Venkatachary: Does that answer your question?

Anuj Parmar: Yes, I had one more question. Could you tell me what is the general time taken to onboard a new client and once on boarded what is the timeframe for the execution?

Management: Krishnan you want to take that up?

Krishnan Venkatachary: I think it's a question to sales, probably Vinay I can request you to answer in terms of turnaround time from the proposal to the conversion. That's what understand the question, please go ahead.

Vinay Rawat: So, it actually depends like, there are three types of businesses which we pursue. One is extension of our existing business. The second one is in our existing business; we actually expand which is new business in existing accounts. And the third one is new business. So, I will start with the new-new business, typically the time for a new customer, vary anywhere between 90 to 140 days. So three to four months, is an average sales cycle for a new n ew business. For existing new business, which I was mentioning, the cycle is somewhere around the quarter, and renewals so these renewals depends on the budgeting cycle of the customer. From an overall renewal cycle perspective, it does not take like let's say more than 30 days however we have to keep an eye on that on a continuous basis. So therefore, I can mention that like it's a continuous exercise which actually we can typically remain engaged with the customer. Once we acquire the customer from an execution perspective, it depends on the size of the team. It depends on the service which we offer to the customer, that the execution time actually will vary anywhere between four to eight weeks to begin the execution and of course after that there is a continuous engagement with the customer. I hope I answered your question.

Anuj Parmar: Yes, that was helpful. One last question I had. Also if you can give some color on how the order book has moved to the end of the September and how much of that order book is from the recurring clients. If you can share the number compared to the June quarter, that would be really great.

Management: Just to put it on perspective very clearly, in a year on an average probably yes, about 15% of the contribution comes from the new revenue and the rest of it is invariably from the existing clients. So that speaks the volume probably in terms of where and especially in the current strategy where we are growing with mining of existing clients and as it stands, our order book position seems very healthy. It is sitting at a position very clearly that close to about $100 million in terms of the order book position which we currently have in terms of the closed one positions with a healthy pipeline, which is over there. Comparing to, it has been a progressive over the quarter if you look through comparing to the last quarter to this quarter, there has been definitely a good uptick, in terms of that is that because what happens is that the order book gets billed, and then automatically the order book varies invariably so if I look at it, as a standpoint, as of 30th of June to 30th September, as to where we are to be very precisely, while we are at 30th June, we were there at order book position in terms of about close to say about 85 million or so today, we are there in a position which is roughly at about close to 101 million or so. So there is a healthy amount of trend in terms of where we are, we are trying to cover up our wins and start building up, by a good amount of pipeline it's available to us, I hope to have answered the question.

Moderator: Our next question is from Hiten Bharucha of Joindre Capital. Please go ahead.

Hiten Bharucha: So first of all, pardon me like I'm a non IT guy so just wanted to understand. Can you help me in explaining this digital engineering business in a layman's language like what exactly do we do there and what kind of growth opportunities we have there?

Management: I'll take it. It's pretty simple in the layman's language. If you look at any enterprise any conventional business like a bank or an insurance company or a healthcare organization, they would have had a lot of software applications. They are called typically legacy applications. And today's business mandates them to put such applications on Cloud, there's a lot of data sitting, data it could be from sourced data from inside transaction, data that can come in from external interfaces and these applications will have. So today's companies want to mine such data and make predictive decisions for efficient business outcomes. Core dimension in a lot of these enterprises are productizing themselves, instead of relying on conventional standard applications the legacy, all of that leads to what lead is also the experience in which those applications are delivered and consumed, like how we use an iPhone or how we use an Android phone and pretty much everything happens over that, a lot of these applications today are either voice driven, conversational driven, where you can interact and talk or you can actually pretty much amplify the whole experience. So as culmination of all of this and the ability to build such experiences for customers is a one way of looking at what digital engineering is, building such applications. In the process, you will obviously have to test them much, much, much better than what it was. And it cannot be done slowly, and it has to be automated. And that part is digital assurance where you need to ensure security, you need to ensure that it is frictionless, and you need to ensure that they are well performed. So if you can both of this facility to build new applications, renew the old applications that are there, make them cloud ready, and leverage data and also ensure through the process quality is taken care, not just an afterthought, but from the beginning to the end. So that's in a way you have to look at the digital it's called the Uberization of experience. So, I'll just stop here, and I just hope it gave you a glimpse of what it could be.

Hiten Bharucha: Yes, it was helpful sir. So, what is the current market share here?

Management: Market share or market price?

Hiten Bharucha: Market share sir like.

Management: Yes. So, as a quality engineering digital assurance company, we continue to it's a $35 billion market and a digital engineering market is about $630 billion market. So, we are obviously starting our journey towards being a digital engineering company which is substantially user headroom of growth. So, I would say quality engineering we hold about, we are there in the overall world. Top 10 players in terms of digital assurance, and if it is only independence is probably in the top three, but if you club with digital engineering, the beauty is that current revenue size, we have billions of dollars of market to go on garner for, our market share right now will not be comparable to any of the big company. But the market share that we can garner is significantly larger for us to grow 10 times, 15 times whatever right, so that's how we look at it. A very significant amount of headroom opportunity for us in both places.

Hiten Bharucha: Okay. So just a follow up on this so, do we have any internal target for this market share what are we planning to, what are we planning to do in the next two, three years in this?

Management: I will let maybe Krishnan or Srikanth take that one.

Management: Let me put it, just summarize basically in our growth plan to a billion dollar where we are planning over a period of next five years is that, we are expecting that about 60% will come from the digital and advanced technology areas. And the rest comes from the quality assurance and engineering area. That is just the target in terms of the state where we are going to progress.

Hiten Bharucha: 60% from digital right?

Sairam Vedam: Yes, absolutely on a billion dollar journey.

Hiten Bharucha: Okay. Sir, I have one more question can I go ahead?

Management: Yes, please go ahead.

Hiten Bharucha: So currently, the IT industry is facing an attrition issue since quite a sometime. So you mentioned currently our attrition rate is around 28% and it will go down to around 25% by the end of this year right, so what are the measures we are taking to tackle this problem?

Management: Yes, so I just want to make it very clear that I have not committed any timelines on 25%. The optimism is very clear that it will come down, while the trend today very clearly says that it's a declining trend, but we can't be complacent. So, invariably we are spending a lot of money, dollars in terms of training the existing workforce in terms of up scaling and rescaling so, we are trying to make the workplace which is more attractive, after all money is not that which leads against the life invariably so within to make the workplace better, we are trying to give them their customer experience in terms of trying to interact with the customer. So there are few of measures which we are trying to take out app generally done by people, but in our place, we were trying to give some amount of what you call at a minuscule level some kind of a leadership roles and trying to give them the responsibilities to scale up, we are trying to make it more professional and personal space, something interesting and there's a lot of measures which HR is taking through and which is helping us and which we're very confident that which will help us to run through. Apart from that we also have this variable pay structure which is available in the company where the people get rewarded as the performance they contribute starts moving up. So there is a linear scale in which it oscillates. So, these are the measures which we are doing basically to bring down on the attrition clearly.

Moderator: Our next question is from Deepak Poddar of Sapphire Capital. Please go ahead.

Deepak Poddar: Sir, I just wanted to understand with regard to the vision that you mentioned, now, this five year vision is $1 billion revenue that's what you mentioned?

Management: Yes, that's the vision, this vision we are thinking yes.

Deepak Poddar: Okay. Because earlier we were targeting around $500 million by FY26 right?

Management: Yes, absolutely. Now we are trying to look at it to accelerate it because the kind of opportunities and the kind of offerings getting rolled out on the table, we are trying to look at FY28 or so ambitiously to reach to a billion dollar both organically, inorganically coupled together. So, it's always good to think high and start working. So that's the whole idea.

Moderator: Our next question is from Vikas Verma as an Individual Investor. Please go ahead.

Vikas Verma: My question is, the existing customer mining which we are doing, and the new offering what is it's success ratio of Cigniti?

Management: Success ratio of Cigniti is very nice. I am sorry for the other audience, you are comfortable in Hindi so I am speaking in Hindi. Success rate is so nice and for that we are getting more revenue from mining in the last two, three years so after adding and building new revenue we are getting 10%. 15%, mining success rate and specially after newer things it's easier for us to go to the same client and we have worked so good so they have faith on us and they will give us more work so our success rate is very good.

Vikas Verma: So, we can consider it 70% to 100% with the existing customer?

Management: As per the availability of the existing customers. If the availability is there of Cigniti as per quality, we have a customer satisfaction of 3.9 out of 4 so customers are automatically getting converted so we have no issues as such.

Vikas Verma: There are number of customers who are with us from long time like 5 or 10 years which are with us.

Management: Yes, we have customers from long time and if you will see in top 20 we have at least 15 customers with us.

Vikas Verma: Since how many years?

Management: Yet say around four years at least and more.

Moderator: Our next question is from Keshab Gargh of Individual PMH. Please go ahead.

Keshav Garg: Sir, I wanted to understand that in the light of what you said about the attrition trends prevailing in the industry, which hopefully should reduce going forward. Sir last quarter we had a employee expense of around 240 crores. So going forward for the rest of the quarters of this year you think that our employee expense should remain in this range only around 240, 250, or a significant jump is expected due to any increment or bonuses that you might be planning to give in the third or fourth quarter?

Management: Our appraisal cycle is April. So invariably the next operational cycle falls in April of next year. But coming back to the cost in terms of, it is a variant of business because we are running a business currently which is 97%, linear, 97% linear means it has to be people dependent very clearly. So, our business is increasing invariably and business is growing aggressively so the cost will increase. We have to look at it very clearly as to how do we optimize the cost and enhance the difference control the cogs and then enhance this gross margin, that tips we will take invariably, more or less we also seen that we should be able to retain these and these levels but there will be marginal variations depending on the business growth which is happening out. If we are doing same 53, 52 million cost will be same but if I start moving up the value share in terms of trying to grab it slightly more numbers depending on the orders, depending on the execution time, depending on the need it will happen accordingly. But what is to be seen is that not the salary cost taking it over there, the thought which needs to be looked at is clearly the margin at which we are earning, for example little bit cost if you look at the overall salary cost, which will include even sales and marketing, but that is a factor where I need to invest I might not have invested in six months when I see an opportunity in the market. And if I don't prepare myself by investing into that upfront, which will take a shared in a quarter or so in terms of the cost moving up, which is fine, because that is what will yield me over the next six quarters in terms of the results.

Keshav Garg: Sure, sir. Sir, also wanted to understand that if we see that in the past five years, we have grown by around **15**% CAGR, now in the next five years to expect 45% CAGR, which is three times the growth rate of past five years, and also looking at the headwinds in the global economy. And since most of our revenue is coming from Western markets, which are in probably some kind of economic turbulence, so you think that we have a realistic, it's always good to have to aim high but you think that with realistic and we might not do something reckless to chase this kind of growth, some kind of reckless acquisition which can really hamper our financials?

Management: No, it's a good question definitely we are very cautious while organic growth, the growth what we talked about in terms of the trajectory is not organic alone, it is both organic and inorganic and inorganic has got its own scale of positives and negatives. So, we are well aware and cognizant of the fact being a service delivery company as to work is that kind of an inorganic growth which we need to do and what it can do very clearly. So, while we have an ambition to be a billion dollar, I said that billion dollar is a journey which we are trying to do in that journey, automatically in terms of organic growth, I can come and talk to you at 200 million, grow at about 20% at 400 million, I cannot say that I will still continue I'm confident that I will go at about 20% or 25%, because I need to make my steps and amend over there to get to that level of 20% growth on that day at 400 million. So, while this combinations runs through as a billion dollar journey, we are cautious and we have laid our plan very clearly though we are not in the process of giving any guidance, we are cautious in terms of what comes from organic and what comes from inorganic in the revenue. So, we are sure that we are monitoring the situation and we will not be taking any step which can hamper the business or hamper what we call the resultant valuation or whatever.

Keshav Garg: Sure, sir. And sir lastly just wanted to touch upon this margins that the company has shown dramatic improvement better than expectation especially looking at the sector on the whole and in fact other IT companies are facing a huge margin hit whereas our margins have improved. So, it is all congratulations to the management for pulling this feat. Sir, but again looking at the economic environment, so the kind of price hike that you were talking about that you were expecting from your customers. So, you think that we have a reasonable, clients and customers will be cooperative, since pricing should be under pressure looking at the economic situation, whereas we are looking for a price hike?

Krishnan Venkatachary: No, I like to slightly differ on the pricing, probably Vinay you would like to take up this question in terms of the pricing.

Vinay Rawat: Sorry, Krishnan what was the question?

Keshav Garg: The question is that, there is a recessionary trend and the global headwind and we have talked about price rise signed by the customer. So, the question is that, will we have challenges as against price reduction, we are talking about price increase. So that is the one which is asking?

Vinay Rawat: So, it depends on the kind of services which we are providing to the customer. So, if you take commodity services, commodity services actually do remain under price pressure, because of the competitive nature of those services. However, if you take digital services there, as I mentioned earlier, the demand for high used skilled people continues to be pretty strong, and therefore the pricing power remains to be with service providers. So, the business as usual run the business segment actually will remain under pricing pressure change the business segment actually will continue to provide better price points in respective of the recessionary pressure. As long as the demand supply gap continues to be there in lending services, the pricing power will remain with the providers.

Moderator: Our next question is from Arun as Individual Investor. Please go ahead.

Arun: I have couple of questions. The first question is this digital services are their operational challenges this is coming out as a new business and second, does it require some product investment, does the company run the risk of products write offs in future to invest for these businesses. That's the first question regarding the first one. Second, the American inflation is largely services wage inflation their cost of their corporate is only 10% commodity, 16% traders, with our exposure out clients being largely American service sector companies is they are outsourcing more you find in some pocket customers so that they are able to rein in their inflation.

Krishnan Venkatachary: Yes, just to answer your question probably I will bring both Raghu and Vinay to answer in terms of, what we call the investment into product and also talking about the offshoring model inflation, but just clarify your point basically which I want to do is that, we don't have effective 2017 we don't have as an accounting policy, we don't capitalize any of the expenditure which has been spent on development, it is absorbed in the quarter in which they spent, so with that clarification you can be rest assured that there cannot be any kind of a write offs coming in the future very clearly. So, with that clarification run through I invite probably Raghu to speak on the requirement of investing into this digital offering. And Vinay for the market landscape in terms of more and more customers, optimizing their costs and trying to outsource more which could be proved to be an opportunity, a light on these two could be helpful.

Vinay Rawat: Okay, do you want me to take that first?

Krishnan Venkatachary: Yes, please go ahead.

Vinay Rawat: So, your observation with regard to the wage inflation is obviously so as you know this wage inflation is actually being driven by the inflationary pressure, which is there across the market, predominantly actually being driven by the energy prices. Nevertheless, one other thing which are obviously playing in favor of American client is power being strong. Having said that, the outsourcing generally actually is driven mostly by the supply demand gap. So, there is a dearth of talent, which exists in overall American market, the American corporations actually continue to transform themselves into digital enterprises and therefore, that transformation requires significant amount of workforce, to do that skilled workforce to do that, and that skilled workforce is something which is not available here. So, besides the cost saving part, which is actually mostly used in run the business, but the same business is there where most corporates actually are spending money today. Run the business continues to remain under pressure on a year-to-year basis, that continues to be shrinking, the pie is shrinking. So, as I said earlier that I don't see in short term that demand is actually getting fulfilled and that will continue to drive demand particularly for providers like us who have a global delivery model. And the purely from demand perspective, as I said in my comment, earlier that, we are not seeing that demand is trending down there is a cautiously optimistic approach, which we are noticing, but deposits are not getting shelved. I hope I answered the question.

Krishnan Venkatachary: Yes. Raghu you would like to just chip in to talk about in terms of any blockades in the offerings, which involves huge investments in the products, that's the question.

Moderator: Apology sir, please note that the line for Raghu has disconnected and we are unable to reconnect him.

Arun: Okay. On products the more the question is around is the organization able to adapt easily to the more, when you talk about mining the existing the talent pool say from being a testing company to a digital company, so this is a large transformation in cigniti. Is it happening to see all even the future cost pressures at least for the next two, three years as this confirmation**?** Or the margin expansion provided the revenue comes at the rate our wage inflation keeps up.

Arun: So, just to give you, you heard from Raghu and Srikanth earlier that our predominant engagement to the customers actually have been on the testing as well as digital assurance side. Now, many of these customers says we have deepened our relationship. These customers actually have had many projects which actually have been running on overall development side and they keep actually asking us to provide the help to them, now we are proactively reaching out to them. How we are developing that talent is one, obviously rescaling this resources internally, where we have internal talent development programs where we have to which we are obviously recruiting very actively the market to acquire these skills. In addition to that, you heard that we made an acquisition last quarter which we completed last to last quarter, that acquisition actually has helped us to ramp up our skills into digital engineering skills, and also position ourselves to acquire business into digital transformation projects which our existing customer actually are pursuing. In addition to that, from an overall positioning perspective, most of our existing customers actually have welcomed it. Nevertheless, it certainly there's lots to be done particularly with regard to the pricing for providing digital services as compared to digital assurance which we do. And we are continuously working on that. And as Srikanth mentioned in his commentary that we are seeing a good amount of traction, good opportunity pipeline in our customer base, all of our new customers is actually we are pursuing currently, there, we don't have the challenge of our positioning. And therefore our conversation with those customers actually start at the digital engineering services level, with of course the quality engineering which continues to be our focus, being at the core. So that's where we are I hope I answered your question.

Arun: Yes, sure sir. An extension to that from a product standpoint, we typically don't end up building products, there are point solutions we try and build and try to leverage across delivery and reuse across clients. That is one, and second one is we of course depend on the partner ecosystem to bring in all the deficiencies in case we have any and we have a strong partnership and alliances team that from all these requirements.

Moderator: Ladies and gentleman that was the last question for today's conference. And I hand the conference back over to Mr. Srikanth Chakkilam for closing comments. Please go ahead, sir.

Srikanth Chakkilam: Thank you, everyone for attending this call and clarifying all your questions. We look forward to the next concall. I wish you all a Happy Diwali and be safe. Thank you.

Moderator: Ladies and gentleman on behalf of Cigniti Technologies that then concludes the conference call and you may disconnect the lines.