Cigniti Technologies Limited
Q3 FY23 Earnings Conference Call
February 03, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Investor Call of Cigniti Technologies Limited to discuss the Q3 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. Sairamprabhu 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, Michelle. Good evening 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 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. I now hand the conference over to Mr. Srikanth Chakkilam for his opening remarks. Thank you and over to you, sir.

Srikanth Chakkilam: Thank you Snighter. Good evening everyone. Thanks for joining the Q3 concall. Just to give you some quick highlights. The company accelerated its revenue in the current quarter by 2.7% in INR terms to 428 crores, in comparison to the previous quarter. The company won a few notable logos in the quarter, which will have positive outcomes in growth starting next quarter. However, we did face some headwinds, especially in our retail and technology exposure related clients. While we continue to remain cautious, we have seen traction on our digital service offerings, where we believe we will see some positive outcomes in the coming quarters. We are on track to meet our revenue targets for the year and finish the year on a good note. Our renewals and order book for the year also are on track and we will continue to invest to strengthen our pipeline through multiple initiatives. We intend to leverage our near shore presence, and in this regard we have also initiated the process of opening a near shore center in Costa Rica where some of our clients are already keen on leveraging it's presence.

We also continue to invest in elevating our digital positioning and seeing good traction with the rounds for acquisition both for upselling services and also moving up the value chain for more stickiness and also rate improvement which again should be positive outcomes in the upcoming quarters. We already begun expanding into competencies like cloud migration, Dev setups**,** SRE, cloud native application, data analytics and so on. And even our in-house platform BlueSwan also continues to see some traction, especially with the low core platform iNSta and Coso also the AI based stacks for Verita. In this regard, we also started engaging with the IT analysts coming to Gartner, IDC, Everest and so on, to position our digital engineering storyline and also to build momentum on this process. Coming to the margin profile, the EBITDA also continues to improve, we've been able to get rate increases within our existing clientele and also continue to focus on pyramid improvement. We are investing in training and reskilling, focusing on selling services on the Digital engineering services side which has shown improvement on EBITDA in the last few quarters. This focus will continue with the aim for profitable growth in the quarters to come. The EBITDA for the quarter stood at 15%, which is about 64 crores up by about 5.4% to the previous quarter.

Overall, we're sort of positive about our growth for the upcoming year. And I will be happy to answer any questions in this regard. For now, I will hand it over to Krishnan to talk specifics on the financial side.

Krishnan Venkatachary: Thank you Srikanth and good evening ladies and gentlemen, and thanks for your time. And I know that it's a hectic time, amides the budget and various happening in the global market, Indian market and the economy, thanks for the valuable time. We have retreated as what Srikanth said is that, tradition of Cigniti invariably is that from always we work on a T&M with a number of days going up and down, down the slide with statutory leaves. We always have a Q2 to Q3 in terms of a flat revenue, but then this time we have done a pulled our socks up in terms of trying to get through to the margins in terms of trying to improve the trajectory both in terms of EBITDA and PAT where the numbers are visible over there. I leave it on the table at about 154 million what we have achieved in the nine months. And if you look at it in the last whole year we have done about 168 million in terms of dollar terms. And that is taking us with a good run rate, which very clearly you all can calculate as to the ending up for the year which is a promise the sizeable percentage growth compare to the previous year in terms of the second consecutive year coming through. While we have made all the steps to really enhance the EBITDA, in terms of trying to optimize for the investment and knock up the one off expenditures or whatever it is made previous here. But, if I rationalize the EBITDA in terms of removing the one of legal charges, or which we expect not to continue beyond a level, this sizable amount and then currently for the nine months, that stands at about 14% plus in terms of the total EBITDA, normalize basis with a PAT at about (+10%).

Our top 20 accounts continue to contribute in a big way at about close to 49.8% and there has been a shift in the onsite to offshore revenue, and we have been able to get that shift very systematically and the focus is to get that close to 55%, as it currently stands at about 52% to 48% for the quarter. While it is so, the top 20 accounts we were able to get about at least 11 accounts for our rate increase effective January. We have rolled over 92% of the contracts including the headwinds, which Srikanth talked about on the retail sector. And further renewals are coming up in March and we are confident and by that we should be able to tide over these renewals.

This year has been a digital push while on account of the capability acquisition which you all know that ended in June and then effective July it started. And while that contribution could be miniscule coming through but they have a bigger plan for the next year in terms of the ammunitions available where the investments needed is miniscule. And so we are pretty confident that the digital is going to swing over weigh because the kind of encouragement and the kind of negotiations which are happening around which I will leave my colleagues to cover up basically so that is going to take us into the next orbit and coming to the contributions in the sector. As you'll see that basically BFSI continues to be about 22% as the contribution followed by retail and e-commerce at about 16 and travel has bounced back at about 14% on enhanced volume, comparing to two years back or probably six quarters back in terms of where we were on the travel, we have bounced back. We have been able to keep the cost fairly under control, and there has been a good amount of cash generated. And if you see that we have generated EBITDA to free cash we have generated about 49% in terms of which is an encouraging trend, and we hope to continue to deliver similar number in the coming years.

There has been encouraging business wins. And we have won notable about 13 accounts. Order ticket size of about close to 28 million on that and we do expect to continue the trend in the coming quarters, while the industry talks about recession, while the economy talks about inflation, all that. But, we are sizing our pockets in a systematic way very clearly that we have embedded ourselves into the customers in such a way that we are difficult to be dispensed with in terms of where we are. So, the strategy in terms of the sales, which has been adopted by the management in terms of the thinking process is to focus on nurturing the accounts and growing the accounts and working well and then continuous thrust is being provided on that which my colleague will cover on that. And having said that overall, we are cautiously optimistic in observing the market. But internally, we do feel that we have a great opportunity for us to really what you call move up the curve and well chained basically with respect to the existing customer. With these few words, probably I invite Vinay to talk and give his perspective on the market and on our digital transformation journey as well. Over to you Vinay.

Vinay Rawat: Thanks, Krishnan. Good afternoon, good evening to everyone. You heard the overall micro and macro situation as far as our business is concerned, I just wanted to mention that when we started this financial year, we started with a change in go to the market strategy. And I'm happy to report that our go to market strategy changes actually are working very well. You heard our top 20 accounts actually are getting almost 50% of revenue, we will continue to actually keep that focus. And we believe that focus actually will lead not only higher strategic level relationship with our customers, but also enable us to actually provide high value-added services to them. And therefore, moving up the value chain with those customers. In addition to that, we added high value-added services within our menu cards so that we can actually offer those services to our existing customers and improve not only the ticket size, from a deal perspective, but also our engagement with our customers, and that's something which actually have yielded very good results, we find very positive traction, our customers, overall our execution strategy actually continues to be very good. Our customers continue to impose the confidence in us, trusting us and therefore that result is something which is actually showing up in our financial results.

One other thing which I want to mention here is that, despite macroeconomic uncertain situation, our order book actually has been fairly robust, though as Srikanth mentioned, and Krishnan mentioned that we continue to be cautiously optimistic, and therefore we believe that we have tailwind to actually deliver a significant growth. But nevertheless, market conditions can certainly decide that. However, given where we are currently with our customers in terms of order book, we believe that we are in a pretty strong situation to deliver growth and continue to grow not only our financial returns but also our relationships with our customers.

With that, I will actually hand it over to Raghu.

Raghuram Kroviddy: Thanks Vinay, thanks Krishnan. Good afternoon, good morning all. So, we heard about the revenue and how the clients are looking at our digital engineering services and related transformation just from that point this year, in the previous call also we alluded to the fact that our focus will be on expanding our service portfolio to help the clients into end-to-end digital transformation. We have seen good success of that in the previous quarter, and have more than ever before clients resonating to capabilities and services that we would like to offer them. We will continue to build capabilities in this space and take it to the next level. Specific areas like DevOps, SRE, cloud, AI ML continue to be areas of interest, areas of focus and areas of spend. From an overall delivery standpoint we are at an extremely good position, in terms of building that capability and sort of harvesting existing clients more and more. From a margin perspective, we took several initiatives this was also something that we discussed in the last call as what we were trying to do. Wherever and appropriate and however meaningful it could be to our services and clients, we ensure that we focus on the bottom line as well as, as much as the top line is. And that's why you see the margins also moving back. We continue to stay focused on the job and the next few quarters we will be continuing to get our strategic clients portfolio and see how we can accelerate our digital services expansion. With that over to you Krishnan.

Krishnan Venkatachary: Thanks, Raghu for that delivery perspective and offering prospective**.** Over to Sairam, Sairam can you just give a briefing in terms of the marketing initiatives and our analysts and other reach outs. Thank you.

Sairam Vedam: Sure, thank you. Thank you, Krishnan, Srikanth, Vinay and Raghu. The three buckets that I wanted to call out. We have been able to successfully resonate a lot of positive feedback on the field from a set of relied analysts firms on our repositioning. We recently did a two week roadshow, where the CEO of the company and some of our senior leaders participated in engaged discussions. I'm delighted to let know that the first official recognition for Cigniti Digital Pivot has actually come. IDC has put in its market grants for digital engineering and operational technology services providers. And I'm glad to update you all that Cigniti has been positioned in that. In the pure play digital engineering and OT services provider category, where I have the recognition and report in front of me and these are companies which are fulcruming themselves on their core strength, in our case as a quality first digital product engineering, edge that we are able to maintain it's something that IDC has called out and hopefully we will grow on strength to strength as all my fellow colleagues and leaders have alluded that's number one.

On continuing on our IP lead market acceleration, where iNSta all the efforts that we put in has achieved the hyper niche, segmented positioning in terms of one of the unique tools to have a quality first approach to scriptless loco dev test automation which is a very hyper niche categorization called out by Nelson Hall. Continuing on our vertical strengthening, we have energy and utilities and retail where we've been positioned as contenders by ISG and we are also expecting a similar recognition for our healthcare expertise, which again strengthens our vertical story. So, these three in a nutshell summarizes that our continued leadership on digital assurance, DevOps, test automation, quality engineering as the base, leading us to the digital engineering side of the business has been well recognized both from a positioning as well as the business standpoint. And to summarize all of this, the market commensally though we are all cautiously optimistic, McKinsey called out very recently, every enterprise today is a software organization. And going by the fact that Gartner called out in the latest report that came in at end of 22 for 2023 projection. Every company today use digital technology to primarily reshape the revenue streams adding new lines of services, which means that for vendors like Cigniti, it adds a dimension of strength because global CFOs and CIOs in such organizations are looking for a 12 to 24 month period of payback for their digital initiatives, which results to a good factor for organizations like Cigniti, because the number of smaller deal sizes between $5 to $90 million in ACV or more in the market, according to ISB research, which in the research they elucidated should favor companies like Cigniti for the size ability and customer intimacy that we demonstrate. So, that is from my side and happy to join my team to answer any questions. Over to you Srikanth and Krishnan.

Management: Thank you Sairam and Snighter we can open the platform for the questions. Thank you.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. We have the first question from the line of Ritvik Sawale from ARK Investments. Please go ahead.

Ritvik Sawale: So, what is the amount of order in hand as of 31st December and what is the execution timeline for these orders?

Krishnan Venkatachary: Okay, so it's a good question probably, I can take the question and answer it gentlemen. I would put it this way that, we have order on hand to the tune of about close to 185 million to be executed for the next financial year April to March, Jan to March, I have my small amount of renewals coming through which I am confident through to run it actually which will take my order book as of March for renewals which is happening around, should take my execution for April to March, additional 30 million so which should take me to about close to 210 million or so for execution. If you look at my tenure, invariably, barring one or two clients in a bigger way basically, mostly it is annualized contract or 18 month contracts. So, if I split that up as an internal order book which I have to execute beyond 2024 March, I have about close to 72 million which is executable. So, to answer your question in a nutshell is that, I am confident of the next year revenue of about close to 210 million in terms of the including the renewals which would happen during January, Feb, March.

Hrithik Sawale: Okay. So, also, do we have any threshold limit as to the contribution from any particular sector in our revenues?

Krishnan Venkatachary: Okay. So, if you look at in terms of my BFSI, as a sector is contributing. And we expect that the BFSI as a sector will continue to contribute while the retail gets balanced out while we're winning on the newer accounts. There are some amount of cautious approach in the existing accounts. So, probably the bigger contribution we expect, basically is going to be from the BFSI and travel.

Hrithik Sawale: Okay. And in terms of like feedback, so what are the feedbacks currently are we getting from the customers like in terms of how is the demand looking and are the customers demanding any change in the services, there is any pressure on the pricing that you are feeling so any comments on that front?

Krishnan Venkatachary: Vinay, probably can take this question.

Vinay Rawat: Yes. So, as I mentioned, the comments when I was giving earlier, as of now baring some incentives, we have not seen any significant pressure on pricing or demand, we actually been able to renew our very, I would say almost all contracts, which actually were up for renewals, and we will see the same thing for this quarter. So, that's the current situation though I will say that that most of our customers actually continue to be very cautious. So, the discretionary spend is something which is definitely under pressure. But beyond that, the business as usual is something which is going ahead.

Krishnan Venkatachary: Just to supplement the data, 11 out of the top 20 and probably if you can count on top 50 accounts, about close to 23 accounts we have gone for a revision anywhere between 6% to 10%. And that's a continuous process which will be trying to do wherever the renewals come through in between in some form or another it could be due to the inflation cost, it could be due to something else or the other. And there has been an encouraging trend coming through over there.

Hrithik Sawale: Alright. So, last question would be, what is the component of recurring revenues if any and going forward how much will it contribute to our top line and what kind of margins will we generate when it comes to recurring service?

Krishnan Venkatachary: So, in terms of the quantum of numbers, I'll take this question. As a composition for Cigniti basically, if you look through over the period the net new revenue has been at about close to 7% to 8%. So, will it significantly change in the coming year in terms of the net new revenue, which I talk about is that completely a new account coming in and a new client contributing about 7% to 8%. The threshold is about 10% which you can look at it clearly. But predominantly the 90% comes in the form of existing clients, in that if I have to give a split in terms of mining versus the existing set of clients, if you look through normally so for example, the current run rate which looks at very clearly where we have done about 50, 55 million a quarter, which translate to about close to the way it is happening at about 200 million plus, I will have a recurring revenue of that which is coming through will be about a close to 80% of that coming through as a recurring.

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

Danesh Mistry: Sir I had a couple of questions which were there, if you can just help me out. The first was at sir, in terms of our revenue growth we've quarter-on-quarter done about 2.7%. You did mention in your current window to the previous question that you have seen some degree of pricing improvement. So, is that already in these revenue numbers or do you see that continue to improve that is question number one, and then I'll come a little bit on the cost side as well.

Krishnan Venkatachary: Yes, the majority of the pricing impact you will be seeing will be from this quarter because most of the renewals which come through in December the pricing effectiveness is from January, while having said that if there are few contracts which have come through in November, December, but that is very miniscule in terms of the total revenue model book through, then it can lead to the next question as to what is that growth which is there at about 2.7% contributes by way of a rate increase, which is insignificant in my opinion in the current quarter. The major impact will be seen because of the kind of holidays or whatever it is we have and the number of days working. The full-blown impact will be seen from JFM quarters.

Danesh Mistry: Thank you, so understood that. A little bit on the employees end, I've basically been tracking the company for some time remember you were at 2000 odd Cigniti and then now you're at 4000. So, over last quarter, have we added employees because I don't have the actual numbers, but we only have 4000 so have we added employees or have they remained the same or are we net negative?

Krishnan Venkatachary: So, we have added employees and it's a continuous process. But then you also know basically with working from home and various kind of aberrations that you also have what you call the kind of attritions which went through and things like that. So, net - net positive, but I would say that during the quarter the additions have been very marginal.

Danesh Mistry: Got it understood. And so that comes to the third question which is essentially the utilization part which is there. So, offshore utilization went up pretty smartly to 79.2% obviously that would be, I would assume to be a little better margin for us. So, in that sense sir where do you see that going, how much utilization can we do at a system level?

Krishnan Venkatachary: At a system level probably I will put it very clearly in fact we took a conscious call during the quarter in terms of our transformation initiative to have the right kind of bench in having the contracting or attacking probably the digital businesses when it comes to clearly. While we went to effort to completely clean the slab in terms of the and people who were not able to scale into the newer set of businesses. So, that is probably 79.2% or 79% whatever we have come through, but if we look through we have stretched ourselves on the utilization if you look through basically because on an expansion when we come through with a new set of technologies coming through, we need to jumpstart and clients are looking at for jump start and especially in these environments we can't afford to delay things and we need to get to a jumpstart. So, we are conscious that we are trying to keep 96%, 95%, 96% or even 97% onsite which is a bigger chunk of cost, and also compliance issues. But when it comes to offshore probably my utilization at 78, 79 will remain the norm invariably. And I don't expect this to dramatically go to 85 which is counterproductive for the organization to grow. So, it's always good to shave a little bit of margin and have an accelerated growth at about 30% plus, if at all. That's, a better way of looking at the business clearly. But to answer your question straight, yes the quarter we did a very effective management to bring it on a systematic basis to re-churn and rework the global pool, that this will be the number which will be there at about 78%, 79% remaining.

Danesh Mistry: Got it sir. And sir last question, in other expenses is this the stabilized number now or do we see some further reduction or increase. We are currently at about 36, 37 crore last quarter was 36. So, do you see that now stabilizing at this level?

Krishnan Venkatachary: Yes, it will be in similar line where we would like to see it, it's like this Danesh that. As a CFO, I would like to keep it and barley it at the same level. But as a business people, probably they would like to spend the money out over there on the field, basically because it's an arbitrage where we get there, but I don't see a deviation. But I expect as the business grow, the investment as well will definitely start moving in. But, that will be within the parameters, so I don't see an aberration in a bigger way coming in.

Moderator: Thank you. The next question is from the line of Rajesh Gupta from SBI Cap Securities. Please go ahead.

Rajesh Gupta: I have a couple of questions. Sir just wanted to understand your current employee headcount and what are that addition that you're looking in the near term?

Krishnan Venkatachary: Absolutely, we have close to about 4000 plus employees globally, and then the additional that we are company with respect to the revenue, which is going to be very linear. So, definitely, as we start targeting our growth, clearly, the addition will depend on the revenue planned out in terms of linearity. So, we are not in the process of giving any guidance, but they have buoyant in terms of our internal targets to grow into higher double-digit growth. And we are confident that, with that numbers coming through you can just do a mathematical calculation that we need to really move up on what you call, in terms of the numbers which needs to get added. One conscious thing which we are trying to do, if you have observed over there is that, we have come down on the contract hire in terms of trying to get more into securitizing by hiring full time employees, which is beneficial for me to move up. So, that is a conscious thing, but there's a linear business and this will continue. So, if you ask me in terms of expectation, probably based on mathematical calculations, in terms of the numbers, it will start moving up to the X number, Y number, which is quite easy for any of us to calculate.

Rajesh Gupta: And sir how has the composition between the enroll employees and the contractual in the last let's say two quarters or so?

Krishnan Venkatachary: Last two quarters I've seen a decreasing trend invariably. So, if that spent about $75 million on cost probably, I would have spent about close to 22% on contractors, and then the rest on the full time employees. But the trend, quarter-over-quarter has been reducing, and especially in the last quarter, we have tightened the bucket and so now that the global pool available, coming through probably yes, that's a continuous exercise.

Rajesh Gupta: Okay. And can you also give us some sense as to what has led to this improvement in the margin on both sequential and the volume basis**,** if you give us one or two reasons behind that?

Krishnan Venkatachary: I'll give and I'll also ask my colleagues Raghu to supplement because I've been talking about the term mostly on numbers and just taking all the questions. So, one of the major improvement basically is that there has been a shift in the business to offshore which naturally improves the margin, two is that the utilization in the offshore has increased. So, these are the two major contributions which has made Raghu if you can supplement in terms of the elaborating the reasons what I've quoted or anything else will be helpful.

Moderator: Sir, he is connected, but we are not able to hear him.

Krishnan Venkatachary: That's fine. These are the two broad reasons probably Vinay, you have anything else to add up in terms of the margins because this is what is translated in the numbers?

Vinay Rawat: You covered all the margin results, in terms of rate increase, in terms of moving a business from onsite to offshore, periodic collection, everything actually was covered during the call, so I don't have anything else to add.

Krishnan Venkatachary: Thanks Vinay.

Rajesh Gupta: Thank you sir. One last question from my side would be the industry size, etc., that industrial segment that you cater to, so what is the growth outflow that you see and looking at the current macroeconomic situation. As the interest rate is not picking out, do you see any signs of softening in the budget from the client base that will help them?

Krishnan Venkatachary: Vinay can you go ahead with this question?

Vinay Rawat: Yes. So, the only segment that we have shown a little bit of softness is the technology segment. Fortunately, we don't have a lot of exposure to that particular segment. But that's the segment which actually has shown the highest amount of softness so far. And you've heard earlier about largest business segment is actually BFSI, followed by retail, followed by travel and hospitality. And these segments also continue to be fairly resilient so far. So, as far as our business is concerned, that's the reason we have not seen any headwinds so far.

Rajesh Gupta: My second question basically was on the client side, have you seen any kinds of delay in decision making or softness in the IT budget, etc in the near term. Do you have any, have you got any sense or any idea about that?

Vinay Rawat: So, the discretionary budgets have definitely come under more I would say, claim configuration, from the perspective that discretionary spending is actually being spent much more cautiously. What we saw, let's say in 2021, and 2022 is something which is actually not happening. Clearly, customers are actually cautiously optimistic, but they have not completely, pull back all the initiatives. So, business as usual continues and even the new business initiatives continue of course they have been privatized, and therefore it is not a situation where we are slowing down the spending.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: Sir I missed the number that you gave in your initial commentary about FY24 top line, I thought you said something like 203 million or thereabout if I am not wrong?

Krishnan Venkatachary: If I understand your question, you're talking about FY24 top line. Okay?

Keshav Garg: Yes. Is it 203 million?

Krishnan Venkatachary: No, I have not committed anything on the numbers.

Keshav Garg: You talked about the order book right?

Krishnan Venkatachary: Yes, I just talked about the order book over there. But if you look through the three quarters, what we have done at about 154 million, and with the kind of run rate what we have now, it looks to be a very reasonable growth for the current year and we are optimistic and confident to continue the high growth in the coming, couple of years at least. And that is backed by the order book which I have explained earlier.

Keshav Garg: Right sir. Sir also, when our next round of wage hike due and what approximately will be the quantum of the hike?

Krishnan Venkatachary: In terms of the salary revision. So, salary revisions invariably we have a cycle between April and March of the financial year basically. So, the revision will go through in April and we are just working out the numbers. We're trying to work through the budget for the next year. And we will be presenting it to the board and the quantum depends on couple of factors, one is inflation, one is attrition, one is in terms of what the markets that we talked about, the HR is doing a pretty good job in terms of the analysis, we will getting that covered in the next couple of weeks in terms of where it is coming through. But as it stands probably the estimates to come to my table, probably there is a deadline at about 15th or so. So, when we get there probably we will be there, but we need to consider all these factors which we are trying to look through and we also have a positive factor that there is an availability of pool which is coming through on account of certain layoffs in the industry and things like that. So, it's a combination probably. So, with these factors we'll look through but over an onsite, if you look through it will give you the, we are looking at it purely inflation based. So, which is be a miniscule numbers. So, that's it, that is what it is as of now.

Keshav Garg: Right sir. Also, sir like you mentioned that most.

Krishnan Venkatachary: Probably I can answer your question in terms of whether these hikes will affect the my margins, in terms of asset spreads over the next year. In business its common basically, and especially in the Indian business it's quite common really go for the increases year-over-year. But it gets evened out over the quarters basically, but if you look at a year view, I don't think that this is going to impact.

Keshav Garg: Yes, sir. Sir also you mentioned that most of our clients are existing contracts, and also we could get a price hike of around 6% to 10% from around 11 of our clients. So, putting all this together is that in the fourth quarter, quarter-on-quarter we will be able to surpass the top line that we did in the third quarter, is that a reasonable assumption?

Krishnan Venkatachary: You people are the best guy to calculate on the numbers, basically because for our size, it may not be good basically to really come out and talk about the numbers, we can only give you what is the current run rate, what is that we have performed as against 158 million of last year, we have already done 154 million. There has been a lot of consistency and we have been trying to be buoyant in our talk. So, I will leave it to your judgment in terms of but one-on-one you would like to talk to me separately about all the numbers and their assumptions. I'll be more than happy to talk to you.

Keshav Garg: And sir also what is the net cash on our balance sheet as of 31st December 2022?

Krishnan Venkatachary: In the net cash as it stands basically, as of 31st December we have about close to 219.25 crores to be very precise.

Keshav Garg: And sir also, any visibility on inorganic size, whether we are looking for any acquisition opportunities?

Krishnan Venkatachary: Are we aggressive, Yes. Are we in for it, Yes. I'm answering on behalf of the CEO itself but yes, we are aggressive, we are reviewing, but the board has to evaluate, we are evaluating various proposals, the board has to evaluate, it will be a combination where they will have to look at both value and volume and then they will look at appropriate time to really come through on a uniform basis through the exchanges. But to answer your question, we are open, as we talk to you we are evaluating proposals.

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

Swechha: Sir my first question is regarding the 13 clients that we have added. Can you give us some color into which geography these clients would be and which sectors are these clients from?

Krishnan Venkatachary: Vinay would you like to take it up, the 13 new clients added in the quarter?

Vinay Rawat: Sure. So, majority of these clients actually have been added in North American market followed by our UK market. That's where we have actually added the majority of our new clients. As far as the segment is concerned, they are actually spread cross, but I can give you like a spread across of retail, spread across BFSI. So, these are the two leading segments where we have added these new clients.

Swechha: Okay. And sir you said you have added a few clients from the UK also. So, just to follow up on this, how do you see the situation in the UK? In the sense do you see lot of spends happening because you also mentioned that discretionary spend, people are being very cautious on it so, do you see UK being impacted?

Vinay Rawat: There was an eco, I could not hear.

Krishnan Venkatachary: So, I will repeat the question Vinay, we have clients in UK, so probably she would like to know the current outlook of the UK clients in terms of the current situation they are in their economy and things like that. So, how responsive or how hard it is to get a new client or whatever it is?

Vinay Rawat: Okay. So, relatively speaking our UK business actually has been softer this year. However, when our new business acquisition generally does not necessarily start with a very significant the size, we focus on establishing ourselves in terms of credibility with the customer with some specific area and once we actually do that, then our relationship continues to expand, within the clients space, to your specific question have we seen anything impacted specifically because of UKs economic situation right now. Not necessarily it is more related to the macro-economic situation where in the customers actually have become fairly cautious in spending their discretionary spend. And that's the behavior we have seen across the markets. Not necessarily the UK market, but as I said, our UK specifically our UK business actually has been softer this year.

Swechha: Okay, got it. And sir I believe you also mentioned that the average ticket size for these 13 accounts was 28 million, am I correct?

Krishnan Venkatachary: Yes, absolutely.

Swechha: Okay. And sir just one more clarification, I kind of missed the numbers, you were given the numbers of the order book. So, what I heard was order book was 185 million for FY24?

Krishnan Venkatachary: As of 31st December, for executable for April to March.

Swechha: Okay. Sir you were also mentioning in the order book some renewable amount which generally happened between Jan to March?

Management: Roughly about 20 million.

Swechha: Okay. And sir regarding employees how do we see us hiring new employees going forward. Do we have any plans?

Krishnan Venkatachary: 100% I answered this question that we are a linear revenue model earning company. So, as the revenue goes up, invariably people have to move in, we still have not moved up into a different segment of business where there is non-linearity. So, today it is linear, there are plans for hiring, the hiring will continue, but as my colleague Raghu reinstated very clearly that there will be a pyramid mix changing where we will have more fresher's coming through with managed services contract being handled, which could improvise our margin positions, and also it will be easy for securitizing the employees clearly. So, all those methods will be happen while internal training will happen to up skill the people, while cross cultural pressures will bring in, but it is essential in order of the day that we need to have people in tandem with the business growing very clearly.

Swechha: Okay. Sir just one last question regarding the margin, could you give some guidance as to for the next one or two years, what kind of margins can we expect?

Krishnan Venkatachary: Two years we are trying to get to the industry standard margin. What are the industry standard margin which we are trying to look at is couple of basis points plus or probably 300 basis points from here on to the stage basically or a mid-cap industry of this type of a business basically. Now, in about a couple of years' time so we should be there. This I have talked about the margin on the EBITDA level.

Moderator: Thank you sir. The next question is from the line of Surabhi Saraogi from Smifs Capital Markets Limited. Please go ahead.

Surabhi Saraogi: Sir my question is that we just read through some of your documents and it states to be one of the largest player in the industry. So, just want to understand in terms of the total industry size, and how much share do we cater to and how fast we can increase our share even further from current offerings?

Sairam Vedam: Let me take this. It's a very interesting question. See, we have two dimensions to our business. World of quality engineering and digital assurance perse is actually a $40 billion industry, when we say we are one of the largest, we have been a pure play company even now in the IDC report we have also been categorized as a pure play digital quality first digital and sharing services company. So, we generally have, we are in the top two when it comes to pure play offerings from a quality engineering perspective. The market share that we have let me put it the other way around, we have so much of market to go and garner, you know the revenue size of the organization. I mentioned the total addressable market. Now we have added the digital engineering portfolio offering which is a $300 billion conservative is five times or six times the digital assurance marketplace. And they're just scratching the surface there. We have a lot of, market to go and garner. But to summarize, as a quality first digital engineering player, we are one of the very unique companies to be playing that. And we will continue to be in the top three equivalent of that. While we definitely compete with the midsize in the larger organization, I can give you a drilldown of each vertical sub segment and all of that, I'll be happy to provide you all of that information. But I hope this answers and also the digital assurance, software quality engineering lead automation is growing at 9.5% which is much, is almost double the overall growth rate of IT services industry, and the digital engineering is growing at about 13% to 14%, which is fastest of all the segments. So, we have picked and choose the right combination to accelerate the growth that we have had in the past.

Krishnan Venkatachary: Yes, Surabhi to answer your question probably the second part of it is that, when do we plan to increase our offering I will put it this way, when do we plan to expand and grow. It's a continuous process, in the last two years we move from 120 million to 200 million plus, so we have an internal target to reach $1 billion in about a good timeframe which is a very short time frame. So, that can happen only with our offerings expansion within the space as my colleague Sairam mentioned, and we are growing aggressively. So, that is to answer.

Moderator: That you. The next question is from the line of Rahil Shah and Individual Investor. Please go ahead.

Rahil Shah: Sorry, if I am repeating this, but coming back to the revenue growth for FY24, just a very direct and simple question. Will we be able to achieve considering the current run rate of revenues we are getting, will we be able to achieve 30% plus revenues for the next year or if not, then in what range do you think we can have this?

Krishnan Venkatachary: Just to answer purely basically is that, on a direct question is that we don't give on a year-on-year guidance very clearly, but the confidence level to achieve the current year set of growth is quite high.

Rahil Shah: Okay. So, considering what you're doing so far in terms of the nine-month revenue, run rate, you're confident you will be able to keep up with that?

Krishnan Venkatachary: Yes, absolutely.

Moderator: Thank you. We have the next question from the line of Sanjay K, an Individual Investor. Please go ahead.

Sanjay K: This is more from the investors perspective, I just want to understand what different initiatives you're taking to improve, one it's like a visibility of the company, are you hosting any investor meets or more analysts should be covering your stock. So, that is one point like what different initiatives are taking to make it more visible and adding. Second is about, are you planning as I heard the good cash in hand and maybe evaluating some maybe acquisitions or some targets but are you planning to do any share buyback or issuing any dividend in the near future?

Krishnan Venkatachary: Yes, I'll take your questions. Thank you Sanjay, I will answer your questions one by one is that the investment meet. Yes, it is in the carton we're working with IR and PR agencies to do it post our annual results. And as regards the analyst coverage, yes, you will keep seeing because there are a lot of efforts going on that directions. And we are also participating in road shows. And now, you will see some coverage's coming through in the coming month or two, or in the next 45 days. And then that could be consistent coming through. With regards to cash in hand, you answered yourself very clearly that we are providing with idea in terms of trying to go through for an organic as well basically. But when it comes to buyback, I will put it that the board and the management is not ours buy back in terms of what we have signaled our initiative in the last year itself. But they will take an appropriate call because there's a 12-month lag between what statutorily between what is being already done and what is to be done or whatever it is, but we will take an appropriate call at that point of time management and the board, but as regards to the dividends, it will be there and in two years consecutively we have done and we will continue that basically. And that is definitely is something as a policy we have published in our website also in terms of the dividend as a policy. So, it will be very consistent very clearly that we will go with the policy and we'll be doing it.

Moderator: Thank you. As that was the last question for today. I would now like to hand the conference over to Mr. Srikanth Chakkilam for his closing remarks. Over to you sir.

Srikanth Chakkilam: Thanks again everyone for your interest and participation in the concall. We look forward to giving you more updates on the company's progress in the upcoming con-calls and investment briefs. Thank you.

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