

To,
The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No - C/1, G- Block,
Bandra- Kurla Complex, Bandra (East),
Mumbai- 400051

Date: 27/10/2020

Sub: Key business notes on September, 2020 results

NSE Scrip ID: INFOBEAN

Dear Sir/ Madam,

With reference to the results announced by InfoBeans Technologies Ltd for the Quarter and Half Year ended on 30th September, 2020 on 26th October, 2020, we wish to inform you about the key business notes update related to the same.

You are requested to please take the same in your record.

Thanking you,
Yours faithfully

For InfoBeans Technologies Limited



Surbhi Jain
Company Secretary and Compliance Officer

Key business notes on September 2020 results of InfoBeans Technologies Limited

Revenue

Revenue in the September quarter is impacted by two main factors, about \$800,000 drop in revenue for its US subsidiary, Philosophie (acquired in Sep 2019) from \$2m to \$1.2m and sudden drop in USD/INR from 76 levels to 73.5 levels.

On reviewing consolidated numbers for InfoBeans minus Philosophie, there is a rise of 8.7% in dollar terms from \$4.1m to \$4.45m.

The drop in revenue for Philosophie is due to the nature of their core business offering. In Covid times it is difficult to reach out to businesses for design and new product/process innovation services.

December quarter onwards, it is hopeful of recovery.

Paycheck Protection Program (PPP)

The US government offered Small business support under the Paycheck Protection Program.

Philosophie received an amount of \$0.81m (INR 6Cr) to cover 8 weeks of payroll and rental expenses. It is eligible for forgiveness and likely to happen in the next 2 quarters. This covers for all the losses so far leading to break even for Philosophie in this fiscal.

US subsidiary InfoBeans Inc, received \$0.14m (INR 1Cr)

Other income

Drop in other income reflects the drop in USD/INR conversion rate

Hedging

Hedging policy mandates hedging 50% of the monthly revenue taking into account expected date of receipt.

Employee Expenses

Payroll expenses have been maintained in this quarter too. Next quarter onwards, it will increase owing to aggressive hiring and annual salary appraisals offered to the team.

Appraisals

InfoBeans announced annual salary appraisals for its India team, effective 1st October 2020. It will increase the payroll cost by 9%.

Rental expenses

Lease of two offices totaling 17500 sq ft in Indore and Pune has been surrendered, which will reduce about INR 1.2Cr per year from October onwards.

New lease rental of INR 0.5 Cr will come into effect in December quarter, it is in use in Indore but under moratorium.

For offices under Philosophie, focused efforts are on to sublet it. These offices are under long term lease until 2025. If that happens, it will help reduce expenses further.

Provision of bad debts

To maintain conservative stance and improve predictability of margins in the post Covid world, a 2% of quarterly revenue will be marked under provisions towards bad debt. Note that in earlier years bad debts were close to zero, but with the increase in size of the business, some bad debts have started to show up.

In standalone results for September quarter, bad debt provision of INR 1.4Cr from subsidiaries is taken into account owing to the pass through revenue arrangement under transfer pricing agreement. It will not have any impact on the consolidated numbers as it was provided for as bad debt in subsidiaries in the June quarter.

Tranche 2 payment

Philosophie founders are unlikely to meet their annual revenue and EBITDA target for Jan-Dec 2020, therefore will not qualify for Tranche 2 Earnout payment of USD 1.3m This will reduce acquisition cost by the same quantum. Under the share purchase agreement, founders are required to drive the business until December 2021.

