# InfoBeans Technologies Limited
# Q3FY22 Earnings Conference Call

## January 27, 2022

**INFOBEANS TECHNOLOGIES MANAGEMENT:**
**SIDDHARTH SETHI - CO-FOUNDER AND CEO**
**AVINASH SETHI – CO-FOUNDER AND CFO**

**MODERATOR:**
**SURBHI JAIN – COMPANY SECRETARY & COMPLIANCE OFFICER**
**ASHA GUPTA - CHRISTENSEN ADVISORY, INDIA**

**CONFERENCE CALL PARTICIPANTS:**
**HETAL SONPAL**
**VARUN AGARWAL**
**NIRAV**
**B.A SHARMA**
**ARCHIT**
**ANKIT GAUTAM**
**ARTHIYA**
**VP RAJESH**
**PRIYANK**
**PRAJUL**
**GARVITH**
**RAGHAV**
**JAIKISHAN**
**ASITH KOTHI**
**RICHA AGARWAL**

### Asha Gupta

Good afternoon, friends. Welcome to the Q3FY22 earnings call of InfoBeans Technologies Limited. I will now hand over the call to Surbhi Jain from InfoBeans to do the formal introduction and get this earning call start. Over to you Surbhi, Thanks.

### Surbhi

Thank you. Welcome everyone and thanks for joining this Q3 and 9MFY22 earning call for InfoBeans Technologies Limited. I request all the participants to please mute their mic. The results are available on the InfoBeans website, in case anyone does not have a copy of the same please do write to us, we will be happy to send it to you. To take us through the results of this quarter and answer your questions we have today with us Mr. Avinash Sethi - Co-founder and CFO, Mr. Siddharth Sethi - Co-founder and CEO.

We will be starting the call with a brief overview of the company's performance and then will follow up with a Q&A session. Any question in the chat box after the brief overview by Avinash is over and then we will address all the questions one by one. I would like to remind you all, that everything said on this call that reflects any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction with the uncertainties and risk that we face. These uncertainties and risks are included but not limited to what we have mentioned in the prospectus filed with the SEBI and subsequent annual report which you will find on our website.

With that said, now I turnover the call to Mr. Avinash Sethi. Over to you Avinash.

### Avinash Sethi

Thank you, Surbhi. Thank you everybody here for joining this call. So, for the sake of new participants, InfoBeans is a digital transformation and product engineering company. We create innovative software solutions for our customers to solve their complex business problems. We are present across the globe in places like US, Europe, Middle East, and India. This is a quick glance of InfoBeans, a company founded in 2000, 22 years in the making, 75 active clients. So far, we have a 200 client list as of now but 75 are active right now. We are about 1400 people’s team now. 10 active fortune 500 clients, so we have a list of 17 odd clients but 10 are active as of today. Financials last year was Rs 196 crores in FY21, PAT and cash reserve are pretty good and we have been growing at 43% CAGR year-on-year. Several partnerships and awards have been received in the past. We're particularly proud of Great Place to Work, Asia’s Best Employer and Dream Companies to Work for.

Quick timeline from 2000 to 2021, in the process, we went public in 2017 and then migrated to NSE main board in 2019 and in the same year we acquired Philosphie in the US and then in 2021 we did our first buyback and also acquired a company called Eternus Solution which is a Pune based Platinum Salesforce consulting partner.

These are some of the esteem Clients which are marquee names like Facebook, ViaTech, IQVIA, Ola, InMobi some of the Indian names as well and then a couple of them are Fortune 500 company are under NDA and can't disclose the names here, but these are the customers who are trusting us for offering them the business solutions, for their business needs.

Board of Directors at InfoBeans, there are three founders are the top and Mr. Santosh Muchhal, Mr. Sumer Bahadur Singh and Ms. Shilpa Sahoo as independent directors.

Slide # 7, this is a particularly I am very proud of and very happy and very blessed that we have a very experienced core team and they've been with InfoBeans for a very long time. Slide # 8, we have next team of founders from Eternus and Philosophie who are also part of our core team. They've been helping with the strategic direction of the company and executing vision statements that we make together.

Slide # 9 shows key indicators that are been growing in last 4-5years, a CAGR of 23.5%, EBITDA margins in the range of 22-25%, PAT margins have significantly jumped up in FY21; CAGR of 35% on the net worth side; Dividend payout has been healthy last year.

Slide # 10, is all about financial performance for this quarter. We reported operating revenue of Rs 71.6 crores as compared to Rs 44.2 crores in the same quarter last year, which is 62% growth year on year and 26% growth quarter over quarter. Same goes with the other parameters where we have been growing happily, healthily - EBITDA has grown 22% year on year and 40% quarter on quarter. Same goes with PAT 18.7% year on year and

45% quarter on quarter growth, so we are doing a PAT of Rs 17 crores this quarter as compared to Rs 12 crores in the last quarter.

Slide # 11, this is a comparative between QoQ and YoY, if you look at the revenue numbers, its Rs 74 crores as total revenue, 40% up YoY and 14% up QoQ. PAT is 18.7% up YoY and 45% up QoQ. Whereas another important number is the quarter-on-quarter revenue growth in USD term which is 27.5%.

Slide #12, this is an interesting data point. If you look the first slide it talked about revenue for fiscal 2021 as Rs 196 crores, we touch almost that number in the first nine months of this year, so pretty solid growth year. And you know other numbers are also in line, EBITDA is also growing well, and PAT is also growing well.

Slide # 13, here are the comparative for the year ended March 21, as well as the QoQ and YoY actual numbers. Rs 71 crores in revenue from operation and total revenue Rs 74 crores for December 2021, Rs 44 crores and Rs 53 crores corresponding numbers of December 2020. Similarly, if you look at EBITDA, it is Rs 23 crores versus Rs 19 crores in December 2020 and PAT Rs 17 crores versus Rs 14 crores, so PAT margin has dropped slightly from 27% to 23% but as I keep telling that we have margin at this point in time but with the increasing cost structure right now we'll probably come down on those numbers.

Slide # 14 - some of the investors were seeking breakup by geography, by business and by segment. This time we tried to bring those data points to you. If you look at the revenue by geography, 77.5% comes from the US, then there is a significant portion that has come up because of India and let me tell you, we have been working with Indian customers very recently and the three prominent names that I can recall which is BYJU'S, Ola and InMobi and each one of them is a unicorn and they are growing very rapidly. So, India base was insignificant in the previous year, but this quarter this is jumped up very, very quickly into a high number. And also looking at subsidiary, Eternus and PGI, they are also contributing to the business decently well. One thing to note here is, Eternus - only December month is counted here and for all three months it will be in the March quarter, Eternus acquisition happened on 30$^{th}$ November. So, the consolidation includes only December as a month of this quarter for Eternus. Similarly, by segment we see a significant jump in digital transformation business, so earlier it used to be 55%, 45% kind of ratio, now this has jumped to 73% for Digital transformation and 27% in Product Engineering.

Slide # 15, these are the growth strategies that we've been following year after year, and thankfully it is yielding results for us. Building capabilities on new technologies, building the team organically, investing in our people, investing in right type of clients, and building relationship there all of these have been helping plus inorganic growth through 2 acquisitions, we have done 2 acquisitions so far, which is also building the momentum.

Slide # 16, this is a typical Investment Rationale slide, were we've been telling that we're doubling ourselves every three years. We certainly want to fast pace that further from here. And if you look at the CAGRs for last 5 years, these are all healthy numbers from 26% to 35% range. Another important point here is we have a decent pipeline which is visible for next 12 months over US$31 million.

Slide # 17 - some of the key updates, one of the fortune 500 client, Waste management was recently signed in this quarter and there are multiple unicorns in our portfolio from India, which is interesting. Integration with Eternus is going on. Philosophie is going to be merged from January 1, 2022, so we will not be showing as a separate business anymore from next quarter. Investment continues in people and practice and another important update which is not for the last quarter, but we have onboarded 60 fresh graduates in January 2022.

Slide # 18, this is the market data as of 31st of December 2021. So, I just wanted to highlight the pie of promoters. The promoters are not selling their shares, it is the ESOPs which is causing the dilution for everybody, including promoters. So, just wanted to highlight that fact.

Thank you very much. We can now open the floor for question and answers. I also have Siddharth with me, so will be happy to answer your questions. Please feel free to put it out and then maybe Asha / Diwakar can coordinate in the sequence of questions.

**Asha Gupta**
Thanks, Avinash. We'll start the Q&A session now. Participants, please raise your hands whoever is having questions. First question is from Hetal Sonpal. Hetal, I have unmuted your line please go ahead.

**Hetal Sonpal**
Hi guys, congratulations on a great quarter. So, my question was with regard to be contribution of the acquired companies seem significant, I think it was 24% in the quarter out of the Rs 72 crores. So organically are you also beating last year numbers, if you're not supposed to consider these numbers?

**Avinash Sethi**
Definitely, yes. We've been growing organically as well at a fast space. So, one of the ways to look at it is InfoBeans and PGI are together for quite some time, for us the inorganic contribution is only 8% right now. So that number is around Rs 6 crores, if I remove Rs 6 crores out of Rs 74 crores I'm still at Rs 68 and last year I did Rs 64 crores which after including Rs 8 crores of other income.

**Hetal Sonpal**
You're including Philosophie as well, right?

**Avinash Sethi**
Philosophie is organic now because we acquired it in 2019, so it is organic. So, inorganic component in this slide is only Rs 6 crores.

**Hetal Sonpal**
The second point was with regard to the breakup between digital transformation and product engineering. My experience tells me product engineering is more niche but low margins. Is that true?

**Avinash Sethi**
I would say it is actually two ways. We have some clients where there is a low margin and there'll be a client where we have good margins. So, it depends on when we sign the deal if it was signed up early, let's say 4 or 5 years ago the margins will be lesser because the rate revision cannot happen so frequently. If we have signed up last year or in last 24 months their margins would have been better. So, it’s a mix bag.

**Hetal Sonpal**
The growth in digital transformation is because of the acquired companies contribution coming in, which would mean basically you're not losing clients and product engineering but digital transformation is where the company is growing?

**Avinash Sethi**
We are not losing any clients, it is more that is happening on all sides organic and inorganic.

**Asha Gupta**
Thank you, Hetal. Next question comes from the line of Varun Agarwal. Varun, please go ahead.

**Varun Agarwal**
Hi Avinash and Siddharth. Congratulations on the great set of numbers. I just want to know what are the areas in which we are looking for new acquisitions?

**Avinash Sethi**
I think the acquisition strategy has been well defined and we're on that path. So I keep sharing that and there are two 2 major aspiration for InfoBeans, that we want to work on cloud side of it which is using ready platforms like ServiceNow or Salesforce and UiPath. So, these are the three areas where we are actively looking for these companies. We are also looking for user experience as a specialized skill set and we want to enhance the

capabilities of those. So, these are the aspiration areas that InfoBeans is very clear and very focused on. We are also very clear that we don't want to go into things like product companies or SaaS companies or ecommerce companies or digital marketing companies or infrastructure play, we don't want to do that. One more area which I forgot was automation, so we are happy to go into RPA type of companies, which is UiPath related companies. So, that way we have a very clear focus areas and that's where we are following our journey and it takes time to figure out the right candidate and not take the plunge. So we have been very choosy about where we want to go.

**Siddharth Sethi**

So just to add to that anything that would help us to traverse this product engineering and digital transformation journey better, that would be a good fit as a very general thumb rule. Even that Avinash has mentioned some other things, but all of those things help us to do our existing services around product engineering and digital transformation, that maybe a new generation of technologies, maybe expanded scope of technologies and so on. So, this is the overall rationale, very high-level rationale.

**Varun Agarwal**

Is blockchain included in that?

**Siddharth Sethi**

Yes, blockchain is definitely included in that.

**Varun Agarwal**

Okay, understood. Thank you so much and wish you the best for the coming quarters.

**Asha Gupta**

Thanks Varun. Next question comes from the line of Nirav, please go ahead.

**Nirav**

Hi, thank you for the opportunity. Couple of questions, one is that in the organic piece, you have seen very strong growth. So, if you could just explain to us in terms of what has driven this sharp revenue because over the last couple of quarters, we've grown in dollar terms about the 8%-9%, so anywhere between 7.5%-9% quarter on quarter, and this quarter if I were to exclude the Eternus acquisition we've grown at about 14%-15% So what would have driven this sharp revenue increase? And second question is regarding this new client that you've added on the waste management side, if you could just explain to us in terms of what would be the profile of work that we would be doing with them. Thank you.

**Avinash Sethi**

Thank you for coming on the call. The growth in revenue is primarily a factor of the demand and our ability to fulfill that demand. So, one such example is we signed up with BYJU'S and within three months, we have increase the team size very rapidly to take it to a million dollar plus run rate. So, we've been able to go aggressive and I think I mentioned in couple of our last calls that we are willing to take this talent crunch battle aggressively, and not really worry about margins, but worry about the top line. So, that strategy is playing out where we are able to grow organically. Plus, I think other factor is that utilization levels are also increased for the business, so that is helping us. Siddharth, you want to take respond to this question.

**Siddharth Sethi**

So, regarding Waste Management, we are building digital products for their internal consumptions. So, Waste Management if you know is a very big organization Fortune 500 and present in 60-70 countries and in India as well. So, we are trying to help them with their digital transformation products, specially using .Net and some other technologies.

**Nirav**
Just on the previous question, if we were to bifurcate the growth in the quarter between the top 10 clients and others. So, what would be that split? And going ahead if we could share that split, it would be great. And sorry, one more question in terms of what would be the headcount for the company at the end of the quarter?

**Avinash Sethi**
We are close to 1400 people now including Eternus. Including Eternus we have added more than 300 people in the last quarter. So, on the split between top 10, I don't have the data right now but all I can say is every other client is clamoring for people where they need a lot of work to be done. So, demand is pretty high everywhere, including new clients, existing clients. Obviously, this quarter might be different, but usually we generate 90% business from the existing customers. So, point is taken, we'll put it down and we'll try to give some break in future between new and existing clients.

**Nirav**
And just one more, you said that you'd be adding fresher in the fourth quarter, any number in terms of what would be your net hiring in the quarter.

**Avinash Sethi**
So, net hiring is going to be close to 100+ between 0 to 1 year, or maybe 18 months kind of window. So fresh graduates are 60 and we are going to add another 40 people around one year kind of experience. So, we are hiring in that band, so that the bottom of pyramid gets supported. For the year, we target to add more than 200 people.

**Asha Gupta**
Thanks, Nirav. So the next question comes from the line of B.A Sharma. Please go ahead.

**B.A Sharma**
Hello Avinashji, congratulations for an excellent result. So, a couple of questions are there but 1-2 are already answered. So, I will limit myself only two questions now. We have a treasury of Rs 129 crores as of December 2021 and I would like to understand what is the pending acquisition cost to be paid assuming all the milestones are achieved, that's number one. Number two, what are the taxation implications on the profit both at the standalone level and on the consolidated level if you can briefly explain that?

**Avinash Sethi**
Taxation of what?

**B.A Sharma**
Taxation - I mean corporate tax, the profits generated by Indian companies and the profit generated by the overseas companies for consolidated balance sheet and the P&L that you are showing tax.

**Avinash Sethi**
I think we did mention during Eternus acquisition that the total cost is going to be Rs 130 crores plus Rs 20 crores as incentives. So, out of that we have paid Rs 65 crores already and remaining is to be paid over 3.5 years. Now, the Rs 129 crores balance that you see in the cash and cash equivalents includes account receivables as well and the taxation part that you talked about, we are evaluating that right now. So Eternus is 100% taxation bracket company, InfoBeans still has a window. Eternus has to pay taxes which is the biggest slab that applies to the corporate. So there would be some tax implication but the margins are more than enough to cover up with that kind of extra cost.

**B.A Sharma**
In the P&L that is published, the taxation comes to hardly 9.5%-10% of the pre tax. So how is that calculated and on what basis that was my question?

**Avinash Sethi**
So that is because of the MAT entitlements we have or the advanced tax that we paid in the previous quarter, all of those adjustments. So we are a MAT paying company and for next 3-4 years we will still be a MAT paying company.

**Siddharth Sethi**
We are in SEZ. So we have a new SEZ office also in Chennai, started last year and currently also in our Indore SEZ we still enjoy some tax benefits.

**B.A Sharma**
So, what part of Indian profit is going to be tax exempt?

**Siddharth Sethi**
Nothing is tax exempt. I think we still have to pay MAT.

**Avinash Sethi**
So what happens is, we have SEZ operation and we have a non-SEZ operation. But the SEZ operation is significantly large to still let us fall into bracket where we have to account for MAT as a taxation. So, that is where I think for next 3-4 years we are fairly covered. So, I would say until 2025 we are fairly covered.

**B.A Sharma**
Thanks Avinashji and all the best. Thank you.

**Asha Gupta**
Thank you, Mr. Sharma. Next question comes from the line of Archit. Please go ahead.

**Archit**
Hi, Avinash and Siddharth. Firstly, on the margin, so wanted to understand what led to the margin improvement this quarter, given that the industry is facing supply constraints. And with that, if you can also answer what are the sustainable margins that the company is looking at. I guess in the last call, you did mention a number of 24%. So that's the first question.

**Avinash Sethi**
I will stick to that 24% target and anything more is better. The margin improvement has happened from two fronts, one is Philosophie has been doing well, InfoBeans itself is doing well because of the increased demand and I think all businesses even Eternus is doing well. So, everywhere the margins are showing well because the utilization levels increased as well as the rate revisions are also showing up in some cases, not all but might be in some cases. So, this is a cumulative effect that increase in revenue utilizing rate, revise pricing, all of those are showing up. But, I'm still not very confident that this will going to sustain for long. 24% is where we feel is a steady state that we are comfortable.

**Archit**
Understood. Thanks, Avinash. Second question is, there was a mention in the last PPT that the company wants to double in every two years. So I mean, is that target intact? And what is the company doing differently, which is going to lead to that kind of a growth? Maybe you can also talk about what is the sales strategy, are you expanding the sales team or maybe acquiring new clients which will lead to that kind of growth?

**Avinash Sethi**
It is a combination of two things Archit. We are growing organically, we are investing in our organic growth at various levels, there is a slide where I talked about growth strategies. We have been actively pursuing that, you know, we went public in 2017 and in the RHP also, we talked about these growth strategies. We've been following

those strategies and we're seeing results. Secondly, we have an active strategy to grow inorganic also. So, combination of both of these will work. It has actually worked in last 4-5 years and we want to continue to repeat what is working for us. So, if you look at it organically, we attempt to grow at around 20% year-on-year, inorganically we attempt to a grow at around 25%-30% year-on-year, that is the ideal scenario. And if you look at the past numbers, we have been doubling ourselves every three years for almost 10 years now. So, this combination is working so far for us.

**Archit**
That's helpful Avinash, and the last thing from my side. So, it seems that the client concentration is bit on a higher side. So wanted to understand how strategic is InfoBeans to these clients? And do you see further scope of wallet share gain with these existing top 10 clients?

**Siddharth Sethi**
Yes, absolutely we are extremely critical to many of these top 10 clients, even Fortune clients. Let me say with the utmost humility that we stopped working for some of them than some of their business lines might get affected, we are that critical. For the unicorns also we are very critical, we are helping them as a strategic partner. For the logistics company that we are working with, we are very critical and we cannot be replaced easily in any of these clients. And in fact, our strategy is to start off small but then when we enter a client, we make sure that we become critical to them, to the extent that we have internal champions that if InfoBeans is doing this job, then nobody else should touch it. And this is not a phenomenon only over the past 1-2 years, but this has been the case for the past 15 years of our journey, where in we make a very conscious strategic effort to enter the heart of any client that we work with. Having said that, we still have tremendous opportunities to grow in many of these clients that we have, because we choose our clients in such a manner where the wallet share is something that we can grab. First of all, the wallet itself has to be large and the second the wallet share is something that we should be able to target and grab over a period of one to two years. So lately, what we've been seeing is some of the work that we're doing, we are able to get to the million dollar mark or the million dollar run rate in a few months or a couple of quarters at the most which 2-3 years ago was maybe 1-2 years so we have reduced that cycle as well.

**Archit**
Thanks, Siddharth and Avinash for answering my questions. Thank you.

**Asha Gupta**
Thanks, Archit. Next question comes from the line of Ankit Gautam. Ankit please go ahead.

**Ankit Gautam**
I'm 22 years old and I've been your shareholder for the past two years and you have benefited me a lot and this was my first share which I have researched and bought. So thank you so much, and congratulations to all for growing your business this wonderfully. I just wanted to know what's the attrition rate in this quarter because this industry is facing much issue in this side. And in your slide, you said that you're investing a lot on each of your fresh employees and hiring in training a lot. So, what's your spend on that and what's your loss on attrition rate if many people are going away? And what's your target to maintain that attrition rate?

**Siddharth Sethi**
So, attrition rate we have to look at it and first of all it’s a very good question industry is facing it but how tackling it that is what the differentiator is going to be. If you go to one of those slides where we have our key team members and if you just take a closer look there. When are we worried? We are worried when some of these highly experienced core team members think about leaving but if you see here with us we have our team members for 14 years, 15 years, 13 years, 11 years, 12 years, 18years and more than that, it is only 6 that are being shown here but 10 plus is actually even much more than this. I think it goes up to 200-250 people who have been with us for so long, and they are rock solid in organization, so that attrition level there is not close to zero or I would say actually zero. That is something that we're extremely proud of. We are facing a little bit of attrition at the bottom of the pyramid or people who have joined in last two years where they have not experienced the culture

of the organization because offices are practically closed and there's very less person to person interaction and that is when there is some sort of attrition but we are working very hard to ensure that attrition also is under control. And we are replenishing and training our resources very actively. So this is something that is of course is an area of concern, but an area where we never want to lose good people, but people who do not have affinity with the organization do not understand the culture well, have not spent a lot of time six months or a year and if they want to leave for a better paycheck, that is when I will not worry too much. If they have to leave for a better paycheck to get 30% jump just after six months working here than there is not much that we can do there.

**Avinash Sethi**
To add to that, we have over 300 people who have completed 5 years with us. That's a significant strength that we carry and I think we're building on top of it. The attrition rate has increased definitely so I mentioned last time also that we are 25% which is pretty high but that continues, and it is there for everybody. So, we are building the bottom of pyramid right from fresh graduate, from the college versus hiring a one year experience people and then grooming them into the new technologies that we need them for plus there is lot of learning and development for the existing team for growing them to new ones and spending on their training. So, that is all investment that we are making, I would not have that number on top of my mind but it is around Rs.8-Rs.10 crores that we are spending only on training these fresh graduates and existing once.

**Ankit Gautam**
Thank you. I just have two more questions. What do you think, are we same like Happiest Mind? So in future do you think we can get a PE like Happiest Mind and we can be valued like Happiest Minds? And second thing I just wanted to know that we have cash of Rs.120 crores after acquisitions and how many acquisitions we are looking for the next financial year?

**Siddharth Sethi**
We are happier than the Happiest.

**Avinash Sethi**
So we have cash in the bank and we are looking for acquisitions. There is no way I can tell how many, we are making attempts and if it happens, it happens and we continue to make our attempts. So there is no way I can tell you whether 1 or 2 or 3 or may be 0, I don't know.

**Ankit Gautam**
Thank you so much. Good to talk to you.

**Asha Gupta**
Thanks Ankit. Next question comes from the line of Arthiya. Please go ahead.

**Arthiya**
Thank you for the opportunity and congrats on the results. So my first question is on your capital allocation strategy, I just want to know are there any metrics you look at when acquiring a target maybe like an IRR or a margin target or to do just look at increasing your value proposition. Also, relating to the capital allocation as you have said in the past that you're not averse to raising money. So, if there is an acquisition in the future and you need to raise money, would you raise debt or would you dilute the shares? That will be my first question.

**Avinash Sethi**
So, it is depended on so many factors. What we look at is the capabilities that we're bringing to the table, IRR is probably the last thing in the mind as because numbers can change dramatically. And we've seen it quarter over quarter we've seen it in the business so many times. So, we believe that if a team is core and the capabilities that they are offering is good, they are profitable whether they are 10% or 30% it is variable. What we are looking at is the quality of the team and the capabilities and whether it is fitting in our vision or not, so that is our focus. On the acquisition side, we are not averse to take debt but only a very small amount of it. Secondly, you know if the

deal is attractive and the sizes is wanting more capital to be raised, we'll be doing that. So it is all subjective depending upon that point in type time but I can tell you that we're open to multiple combinations of debt and fund raise.

**Arthiya**
Alright, thank you. So, I just had another question. I noticed that the other expenses have actually reduced in the current quarter compared to the previous one. So can you just elaborate on that?

**Avinash Sethi**
So, couple of things I think the other expenses was a combination of spent that was done on performance bonus as well, which was a significant component. So, performance bonus is a major component that will contribute more than Rs 2.5 crores of difference between these two quarters.

**Arthiya**
And also, I noticed in your last year's balance sheet and the P&L there was around Rs 10 crores of impairment in the intangible assets. So may I know the reason for that also?

**Avinash Sethi**
So this is a tranche that we need to pay towards Philosophie as a last tranche which is due in January 2022. It was based on the target and their fiscal ends in December 2021. So therefore, this was intangible asset, not asset I would say there is a liability that you have to pay off as last tranche payment.

**Arthiya**
Alright, thank you so much.

**Asha Gupta**
Thank you. Next question comes from the line of VP Rajesh. Please go ahead.

**VP Rajesh**
Thanks Asha. Congratulations, Siddharth and Avinash for great set of numbers. First question is just on this P&L slide that you have. You are saying that total expenditure including tax and OCI, so I thought the tax will be below EBITDA, right. So am I missing something or just the labeling is incorrect here?

**Siddharth Sethi**
It's a labeling issue, sorry for that. It is the total expenditure including all of that.

**VP Rajesh**
Okay, and just a suggestion on this slide, it will be helpful if you do not include other income in your EBITDA calculation, because if you think about it, your December 2022 EBITDA percentage was much lower compared to this quarter if you take out other income and then calculate it. So just a suggestion if you can start not putting other income as part of EBITDA. Now, on to my questions, number one is, given the growth we are seeing, do you have a sense how much it's coming from volume versus pricing. And I'm just wondering if you don't have the data, are you able to get price hikes with your clients that'll be helpful?

**Siddharth Sethi**
We are able to get price hikes from the clients. Our new rates wherever we go to a new client are much higher than what we were charging let's even six months ago. So volume and pricing, I think both are going hand in hand right now. We have some pricing power and we are getting work in significant volume. So, our strategy as I said earlier also has been that we have to go to the heart of the patient and not stay on the fringes. And that is something that we've been able to do and that has allowed us also to retain business, increase business and increase our rates.

**VP Rajesh**
Okay. And if I were to compare year over year what has been the growth in the Philosophie business?

**Avinash Sethi**
So, Philosophie is doing very well. I think the numbers I wouldn't have handy but year on year, quarter comparison if I do they would have probably have grown 30-40% because 2020 was washout year for them. And that is where I think there is a slight technical debate, maybe for the interest of the participants I wanted to highlight that fact, that if you look at December 2020 and September 2021 on this slide right now, the other income component was high in both the quarter because of the grant that we got from the US government. So that was a conscious call that we took as a company that will not lay off anybody and since we didn't lay off anybody, we made the losses in the year 2020 and that is what was paid off by the government as compensation. So, it is within the plan and that's where I tend to feel it is more of a business income or a business compensation soto speak because if I were not save those jobs, I would have not made those losses and since the government has paid me only because of that it is all squaring up in that in the sequence in both the quarters. So that is where my sense is that it is still business related stuff and it is okay to have been part of that calculation. It's not a technical thing, but it is more of a business thing. So I think the intent and fair comparison will only have when have these two things are in place.

**VP Rajesh**
Yeah, understood and I will take it offline with you. My second question was regarding the practices we have, so what kind of growth are you seeing in different practice areas and the acquisition that we have done, are you seeing more growth on the Salesforce side incrementally?

**Avinash Sethi**
We are seeing good growth in the Salesforce side. We are seeing good growth on ServiceNow also, but at this point in time, we're not doing a practice wise segregation and tracking that growth. But the anecdotal version is that, yes we are seeing growth on these practices.

**VP Rajesh**
Okay. And then my last question is, what is the percentage of revenue from Fortune 500 companies and the percentage of revenue from the unicorns?

**Avinash Sethi**
We don’t do that, but I will try to see that if there is a data which is of significance will share that.

**VP Rajesh**
I think it's important because what it highlights about our businesses is that for a small company that we are, you know, we are really punching above our weight and I think it's worth highlighting that point.

**Siddharth Sethi**
It’s a good point and you're absolutely right. I think part of it is also because of our strategy, being a small company it is very difficult to get into a fortune 500 company. In fact, it takes months if not years to get into one of those. But if you look at our strategy, our acquisitions, and our internal strategy, if you look at Philosophie, it allows us because it is a design company and it allows us to get into fortune 500 company. If you look at our core competencies on cloud, on digital transformation, that also allows us to get a foot in the door. For example, technologies like Salesforce and ServiceNow, they have been big enablers for us to get into some of these companies. Again, you will not probably see this too much with companies our size in this space. And this is been a conscious effort not only during COVID but before COVID and actually it happened before COVID. So all of those strategies are now paying some dividends.

**Avinash Sethi**
We try to slice and dice in those formats and try to see if we can come up with more meaningful segregation here.

**VP Rajesh**
I'm very impressed that you're adding fortune 500 clients and that roster is increasing every quarter or the revenue from that particular client base is increasing. So, congrats again and all the best. Thank you.

**Siddharth Sethi**
So just want to add for the benefit of all investors, the strategy here as I said earlier is to go into larger wallets. This market is not going to last forever but what it will help us do is if we are able to grab all of these larger clients then when the market is not so hot, not today, but let's say 2-3 years down the line we will be able to then mine these accounts and it will be a much more sustainable and profitable venture going forward. So, this has been a very conscious effort on our side.

**Asha Gupta**
Next question comes from the line of Priyank. Please go ahead.

**Priyank**
Hi, my question is on employee cost. So, if we look at the employee cost on standalone as well as consolidated basis, as a percentage of revenue, the employee cost has gone much lower compared to the previous quarter. So just wanted to understand how should I see that number? Is it the operating leverage thing or is something other thing and how sustainable that changes is?

**Avinash Sethi**
Let’s not worry too much about the employee benefit cost in the last 2 quarters and future 2 quarters because it is not benchmarkable, there are so many moving parts here. It is actually confusing us all the time and don’t want further to increase that burden on you, there are too many moving parts going on. So, I think probably 2 more quarters and things should stabilize, that is when it will be the better way to do it. I keep seeing that the employee cost is increasing dramatically, and the good component is also getting into the contractor cost which is not into employee benefit expenses. So, it is not a valid comparison.

**Priyank**
Okay and on a standalone basis I see there is a good increase in other expenses compared to previous quarter or December 2020 quarter. So, what is driving that thing?

**Avinash Sethi**
So, I think the other expenses typically increase because the travel costs, facility expenses. Travel started so we have people travelling across the geographies, so that was one primary reason. I mean travel is a big component and other component is consultancy fee for Eternus acquisition, sales and business promotion is another expense which has increased. There is not much of an increase I would say it is probably Rs 1 crore or so. The recruitment charges are so much these days that is also adding.

**Priyank**
Okay. And in the other income side there is no one time incomes?

**Avinash Sethi**
No, we are done with other income and US government grants.

**Priyank**
Okay. Thank you.

**Asha Gupta**
Thanks Priyank. Next question comes from the line of Prajul. Please go ahead.

**Prajul**
Hi, first of all thank you for taking my question. And I just wanted to know, you have plans to hire quite aggressively the fresher and less experienced guys, what is the strategy you have in place to train them. Do you have an internal training capabilities or do you depend on an external provider which adds to your expenses?

**Avinash Sethi**
So, we do both, we have internal training programs and we also have external programs where we need expertise on a particular client, and our team is busy in delivering projects so they can't afford that time we otherwise we will lose billable revenue. So we do both.

**Asha Gupta**
Thank you Prajul. Next question comes from the line of Garvith. Please go ahead.

**Garvith**
Good evening sir. My question is regarding the Eternus. I want to ask what amount we can expect it to add to our top line on an annual basis?

**Avinash Sethi**
So, we mentioned that Garvith last time. For fiscal 21-22 the target was Rs.60 crores, for 22-23 the target is Rs.80 crores. So that is the projection that they have given to us and we are going by that.

**Asha Gupta**
Thank you Garvith. Next question comes from the line of Raghav. Please go ahead.

**Raghav**
Hi, I have only one question. We have any strategy of going into India, tier II, tier III cities where employee cost will be less. But we have plenty of engineering colleges and a talent pool because mostly they migrate into high cost cities like Bangalore.

**Siddharth Sethi**
We are already in tier II city, Indore.

**Raghav**
So you have other tier II cities like Lucknow where you have a huge population talented people but eventually they have to move out from your house and actually work in Bangalore. Obviously, they get paid more, but I think there is some potential which IT companies can leverage to further reduce their employee cost and remain competitive. What are your thoughts on that?

**Siddharth Sethi**
We will definitely explore that, and we are always constantly looking out for good talent. In fact, we came out with an advertisement in Jaipur I think it was a couple of weeks ago. We are constantly exploring it, at this point we are not very interested in spending money in setting up a physical office. But if we're able to get talent, then we'll definitely take it from anywhere and everywhere. In fact, we're also looking at countries like Bangladesh and Philippines to get talent from there.

**Asha Gupta**
Thanks Raghav. Next question comes from the line of Jaikishan. Please go ahead.

**Jaikishan**
First of all, congratulation to promoter, it's really decent numbers company is reporting. So, the question is that I just wanted to understand your perspective in acquisition, like have you set up any parameter like we will acquire 50% of our size company, I mean Rs 50 – Rs 60 crores or we are open to acquire a company which has the revenues more than us. So, what you think when you acquire on sizing perspective, revenue size?

**Avinash Sethi**
Usually, I think you're right. The comfort factor for us lies around 20% - 30% kind of range of our size. So, if we are a US$50 million company probably we would like to acquire a company which is US$10 - US$15 million. So that's the comfort.

**Jaikishan**
Okay, and one another question would like to ask, what kind of service you provide to InMobi because that company itself is a digital company, kind of IT company. So, what service you provide to them?

**Siddharth Sethi**
So, we provide product engineering services for them.

**Avinash Sethi**
Even a company like that will be needing help in order to really work and we work with Facebook also.

**Jaikishan**
Last question. Avinash sir, when you say 24% sustainable margin that include other income or it's a pure EBITDA margin?

**Avinash Sethi**
It is more of a technical thing, but I would say it includes other income.

**Asha Gupta**
Thanks Jaikishan. Next question comes from the line of Asith Kothi. Please go ahead.

**Asith Kothi**
Congratulations and my question is, if you could give us some insight onto the revenue breakup in terms of business segments. What are the business segments you are servicing in these 3 segment, that is one and the second is in terms AI, ML, blockchain and digital transformation are the major areas where you are operating supposedly, in that area how much each areas are contributing to your revenue?

**Avinash Sethi**
So, Asith there is a breakup slide in the presentation, and we don't work in AI, ML. We work in digital transformation and product engineering, that segment is already there in the slide, 73% on digital transformation and 27% on product engineering.

**Asith Kothi**
I suppose AI, ML something has been mentioned in the slide.

**Avinash Sethi**
We don't do currently.

**Asith Kothi**
Rationale for doing buyback in April 2021? Is that not too many opportunities for acquisition were available?

**Avinash Sethi**
Asith you didn’t like it.

**Asith Kothi**
It not a question of liking it, it’s something like liquid cash which you have and there are no better opportunities available to acquire and grow business than to go for buyback.

**Avinash Sethi**
So, this is a technical thing. We did a buyback and then we acquired a company. So, Rs 10 crores was the money that we parked for buyback because we had a good profit last year, we wanted to reward our shareholders. And after that we did an acquisition in November and we signed the term sheet somewhere around July August time frame. So, there is no such thing and the quantum of Rs 10 crores was too little to make a conclusion that there is not a good opportunity out there.

**Siddharth Sethi**
Avinash I would like to add one more thing we paid the dividend as well and that is nowhere interlinked.

**Asith Kothi**
Thank you.

**Asha Gupta**
Thank you Asith. Next question comes from the line of Richa Agarwal. Please go ahead.

**Richa Agarwal**
Thank you very much for the opportunity. My question is regarding this breakup of digital transformation and product engineering. So as an analyst I want to understand what implication this mix has, for example had it been 50:50 or 60:40, what would be an ideal mix, what kind of implication it could have on the overall margins?

**Avinash Sethi**
Honestly no idea Richa.

**Richa Agarwal**
So basically, wherever the industry is growing, you're trying to capture the opportunities and that's a strategy is the right way to understand?

**Avinash Sethi**
It is natural, if there is lot of Salesforce who are coming in, we continue to do that. There are lot of customers demanding the services that we offer we will build on top of it. At this point in time everything is selling.

**Richa Agarwal**
Right, and contribution of top five clients in this quarter if you could share that number and maybe going forward, if we could have some kind of continuous representation of what kind of client concentration is there?

**Avinash Sethi**
So, top 10 customers give us more than 70% of revenue. Top 5, I would say in 45% range.

**Richa Agarwal**
Okay, thank you so much. All the best.

**Asha Gupta**
Thanks Richa. This was the last question for today. I'll hand it back to management for closing comments.

**Avinash Sethi**
Thank you very much. The questions have been pretty good, and we'll try to go take your feedback. And upgrade the presentation with kind of information that you're seeking, we keep a note of those things and we try to improve every time. Thank you for staying invested. I was happy to note that the first investment that one individual made was in InfoBeans, I was happy that he was here and we could talk to him. Feel free to reach out to us through investor relationship portal on the website. There is an email that you must have got, you can respond to email address mentioned in the email itself. Feel free to be in touch and look forward for your continued support. Thank you very much.

**Siddharth Sethi**
Thank you very much everyone, appreciated.

**Asha Gupta**
Thank you, everyone. Please take care and stay safe. This ends the call. Thanks!