

InfoBeans Technologies Limited

Q4FY22 Earnings Conference Call

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INFOBEANS TECHNOLOGIES MANAGEMENT:

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NIRAV

JAIKISHAN

Asha Gupta

Good afternoon, everyone. Thanks for joining the call. Welcome to Q4 and Full Year FY '22 Earnings Call of InfoBeans Technologies Limited. I will now hand over the call to Surbhi Jain from InfoBeans for the formal introduction. Over to you, Surbhi. Thank you.

Surbhi Jain

Good afternoon, ladies and gentlemen. Welcome everyone and thanks for joining this Q4 and year-end earnings call for InfoBeans Technologies Limited. The results and investor update have been mailed to you. And it is also available on the stock exchange. In case anyone does not have a copy of the same, please do write to us. We will be happy to send it over 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. We will be starting the call with a brief overview of the company's performance, and then we will follow with a Q&A session. Kindly ask your question by raising hand and also put on the chat box. Any question in the chat box will be answered one by one after the brief overview by Avinash is over.

I would like to remind you all that everything on this call that reflects any outlook for the future can be construed as a forward-looking statement must be viewed in conjunction with uncertainties and risks 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 reports, which you will find on our website.

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

Avinash Sethi

Thank you, Surbhi. Thank you, Asha. And thank you, everybody, for joining this call. We appreciate your time and attention to InfoBeans. Let's move on to the results, which is already published on the NSE website.

As you all know, InfoBeans is a global services company focused on digital transformation and product engineering. This is the overview for the company and this year. We were founded in 2000. And recently, I realized that we need to break up our journey in 3 phases. The first 10 years was mostly around building the foundation. And the next 4-5 years, we were setting up the team, setting up the IPO and getting the clients. And the third phase is where we are seeing the rapid growth where we are growing very, very rapidly with the use of external capital that we got as well as by way of 2 acquisitions that we did. Plus, we also ran very well organically as well.

The active client as today, we're seeing that 80 plus are active clients. They are actually more than 150 clients, but this is where we see most of the value coming from. 1,500 plus team member, so if you look at this year, we have added more than 450 people on a net addition in the company. So pretty aggressive hiring that we have done this year. Plus, we also acquired a company last quarter, which was Eternus Solutions. We have currently Fortune 500 customers, we are seeing that we have 10 active ones, and we have 6 active unicorns as well. So, this is a new thing that we have added at this time because quite a good number of unicorns are our clients now.

Our financials as of this year, we have done Rs.289 crores as compared to Rs.196 crores last year. PAT has increased to Rs. 57 crores as compared to 37 last year. Cash and cash equivalents remain at the

same, probably lesser, because we have paid 1 tranche to closing payment to Eternus. And then revenue has been going at 42% CAGR since inception.

Several awards and partnerships have been received in the past, a great place to work for 7-8 years. Dream Companies for 6-7 years. We are a gold partner with Microsoft for 15-16 years already. Salesforce partner with Eternus relationship, it is about a 10-year-old relationship. ServiceNow 4-5 years partnership now. Asia's, Brand Employee Brand Award a couple of years, Auto Mattic last year.

As I said, in the first 10 years, more or less these are foundational years from 2012 to 2017, let's say, it's more of a growth rate or most of building the team and building the infrastructure phase and then 2017 onwards, we are moving rapidly towards faster and aggressive growth, I would say, both organic and inorganic growth.

I'm proud of this team. If you look at the association that the improving is pretty large, and they are the ones who are driving this business. This is primarily by virtue of acquisitions. We have founders like Emerson, Skot, Jitendra, Shreyas joining the Board, and they have been contributing to the growth of the business. Tarulata and Geetanjali also helping and marketing in the respective space.

Some of the esteemed clients, some names we can't take, but there are impressive long-term relationships like IQVIA and ALM is a 17-18 year old relationship, IQVIA is another 10-year, 12-year close relationship it. Facebook is a recent addition because of the work that we're doing in the Philosophy group. InMobi is a new unicorn. Ola is already a unicorn and 3 more names in it. So, this is where I think we should spend more time.

On the operating revenue side, we have grown from Rs. 51 crores to Rs. 95 crores and on EBITDA side from Rs.13 crores to Rs.29 crores. The margin percentages have increased for both EBITDA, PBT and PAT. So, the PAT that's around quarterly basis of Rs. 17 crores, a slight increase there on a yearly basis, and it is flat as compared to March quarter.

EBITDA, as we're talking about it, increased from Rs. 13 crores to Rs. 29 crores. There is a significant jump of 123% Y-o-Y and 26% Q-o-Q. I keep repeating here also that PAT margins and EBITDA margins will be rationalized. It will normalize to a 24% for EBITDA and 15% for PAT as a steady state margin. It is better right now, which means that we have cushions on this year in terms of increasing costs and increase in salary expenses and travel expenses that are going to incur on this year. So more or less we are well prepared for this, hoping to maximize the demand that we're seeing.

The revenue increased to Rs. 95 crores. It is 86% jump from Y-o-Y and about 28% jump from quarter-to-quarter. Same with EBITDA, significant jump Y-o-Y. PAT is flattish as compared to what we did last quarter, mostly because there are year-end expenses that come up like leave encashment and some of the promised bonuses, year-end bonuses that we had to pay to our quarter. And then EBITDA margin, we more or less there from what it was in the last quarter and this quarter.

So yearly level, I think that's a significant jump in all the 3 metrics. Revenue 47% increase from Rs. 196 crores to Rs. 289 crores. I think EBITDA was about Rs.54 crores or so in last year, so Rs. 85 crore now. And PAT was Rs. 37 crores, which is 54% growth in PAT and 57% EBITDA.

By the way, if you look at the quarterly terms, the revenue growth on Q-on-Q is 28%. And on a yearly basis, it is 47%. So, there's one that we have grown both organically and others not just by way of

acquisition. But just to remind the audience, Eternus numbers are added only for 4 months, from November to March, this year. Next year, there will be a full 12-month addition because we acquired the company by end of November, and we started adding up in the books from 1st of December onwards

So these are consolidated numbers. I think we talked about it again. So total revenue for the quarter is Rs. 95 crores. Last quarter, it was Rs. 74 crores. And March quarter '21 was Rs. 51 crores, significant jump there, same is the case at expenses. Expenses have also increased dramatically. EBITDA margins remained same on a quarterly basis at 31%, but year-on-year basis, it has increased pretty well. PAT from Rs. 10 crores to Rs. 17 crores on a year-on-year basis. Margin has strategically depressed from 20% to 18%. As I said, for our steady-state margin is more or less like 15%. So, we still have some room here. On a yearly basis, Rs. 196 crores to Rs. 289 crores, Rs. 54 crores to Rs. 85 crores on EBITDA and Rs. 37 crores and Rs. 56 crores on PAT.

So, on our revenue breakup, we see that this year, there was no India contribution last year. But this year, there is a 16% breakup by India and a little bit of Singapore there. But most of the revenue is coming from India as a new geography. And U.A.E. and Europe remains at 3% to 4% each, and 77% is coming from U.S., which is our primary market.

So, if you look at the segment-wise thing, we are doing a digital transformation and product engineering transformation a higher percentage as compared to...

Mridul Maheshwari

This is quarter 4 number only.

Avinash Sethi

Sorry. Okay. So this is my bad. This is quarter 4. And for the quarter, we have done better in product engineering, less compatible transformation. In InfoBeans, as I said Eternus is 18% to the top line as compared to revenue for this year.

This is a slide which is common in all our presentations. Right from starting a set of strategies that we are working towards has been delivering the results and business for us. And we continue to follow those same practices with a more defined version of it. So, we are continuing to spend and invest in organic growth, both while we are building the sales team and delivery team as well as working towards automating a lot of delivery processes and functions so that we can improve the efficiency aspects of it. We also have been exploring new set of technologies to see if we can use add that as a new portfolio into our portfolio in new reps and capabilities. We are also looking at inorganic growth continuously to manage the capabilities. We have state-of-art infrastructure, the office I'm talking about is one of the beautiful places that people love to work at. It is a lot of other facilities like cricket net, pool table, table tennis, and cafeteria and so on. And we have open air gardens as well.

We continue to invest in our people in terms of both cross training and training grounds up. Our people are also registering for senior leadership in various courses from IIM Ahmedabad, from global industries like IMT. So we're investing in our teams so that they are more capable and they find value in working with InfoBeans.

So this is a new addition to this set. A lot of investors give us feedback that they want if there's any other information there and at the deck, we are coming up with. So we added a few interesting slides here. One is how is the cash reserves going growing for InfoBeans in the last 10 years from small

reserve of Rs.4.4 crores to a higher Rs.107 Crore. And how we have invested into 2 companies, Philosophie and Eternus. By the way, in 2018, we had IPO of Rs.37 crores.

On the net-worth side, we have grown significantly from Rs.9 crores, almost to Rs.232 crores in 2022. At a CAGR level, if you look at our 10-year horizon, on a 5-year horizon, or 3-year horizon, we are doing phenomenally well in each of those parameters.

So here, if you look at the investment rationale, which is provided by our IR team. From 2010 onwards, we've been doubling ourselves every 3 years. And it's prominently, we can always say we grew at a lower base but now we are even at a larger base post IPO, we've been growing up and we've been doubling ourselves every 3 years. Even if you look at the chart right, FY '17 to FY '20, FY '18 to FY '21, FY '19 to FY '22, we have doubled ourselves each of those years. And we believe that we can continue to do that moving forward, provided we continue to grow both organically and inorganically. So, a pretty strong pipeline that we see going forward, decent cash reserves in the bank and we are very highly committed and focused.

Some of the business updates I wanted to give all of our shareholders because we believe that our shareholders are also stakeholders. And therefore, they should be knowing about what we're doing in the business. So here is one of the most coveted events of the year, which is the leadership retreat. Because COVID, we couldn't do it in 2021. So we did that in 2022. The key of the event was the re-group, realign and recharge. And we had the entire of the picture that you've seen here, in leadership team from all the 3 major locations, U.S., which is Philosophie group, Pune which is Eternus group and InfoBeans Indore where we have all the leadership. 74 people from these 3 leadership groups came together with the idea of focusing on the next vision for 2025 and work towards learning from each other, energizing and getting motivated to attain that bigger goals that we have set up for ourselves. And it was a 2-day event in Bhopal we did and were benefited from what we have reoriented, realigned and recharged for the next big task.

A very interesting innovation that we asked our leaders to shortlist their performers. And we've put up full scale holding on the main street in Indore which is the Agra Bombay Road, which is the main city area. And we've been really, for the last 2 months already, every week a new or new performer sets on the screen and that person becomes celebrated for a week. It has been taken media as well. It got published in The Hindu, got published in ET and also in local news, which is Dainik Bhaskar, both on the online and the off-line versions. It also got viral on LinkedIn where each of these performers, they definitely spread the word and, at the same time, a lot of HR community took notice and appreciated us right from NASSCOM to other bigger HR forums. People really appreciated this innovative idea, saying thank you our performance. So I wanted to bring this up to stakeholders as well, so that they know that we are very, very people-friendly in a company which is ready to go an extra mile to recognize our performance.

Another innovation that we did in terms of attracting talent was trying to see if we can reduce the hiring cycle. It usually takes weeks for people when they apply and finally get an offer from the company. What we said was let's cut the crap. Let's do it in 90 minutes straight. And we did 2 such walk-in drive in March and in April where we rolled out the entire interview panels, HR people and everybody in the office where we did the walk-ins. And right from a candidate walking into the company, walking into the office and until the time the interview is done, the offer is handed over, in 90 minutes. Also included a 15-minute tour to the office. So both the walk-in drives were very, very

successful. We rolled out 35-40 offers in each one of them in writing to these candidates. So a pretty interesting idea. A lot of people appreciated it and particularly the candidate who had a wow experience end to end from applying and getting an offer within 90 minutes. So yes.

Another thing is for the year, we spent about Rs. 62 lakhs towards corporate social responsibility. One of the unique programs we're doing is one-year software programming and intense programming. The name of the program is ITEP (Information Technology Excellence Program), where we trained 20 people who are underprivileged kids and fresh graduates from college training successfully. We did a full day training for one year on software engineering and English communication and motivate them. As a result, each one of them has got the job last year. This year, we have increased the batch size to 60 people. The 60 students, which are from under privileged platforms, we are training them for 1 full year. And we are confident that each one of them will get the job after the end of the course. So by the way, the second batch of 40 students is already towards completion. 3 months left and they're starting to get offers already as we speak. So pretty happy that we are able to change lives of not just that candidate and it's a fulfilling experience.

This is the end of the slide. Thank you very much. We are ready for questions and answers.

Asha Gupta

First question is from the line of Mohit Jain.

Mohit Jain

First of all, I'd like to congratulate for the good set of numbers. My question is about the acquisition. So what I was looking for is when we acquire a company, what are the set of multiples we look when we set up the values?

Avinash Sethi

So Mohit, it's very difficult to give out a formula here. There is no way we can do that. We take it case by case. Usually, ServiceNow, Salesforce kind of companies with specialist skill set companies, they are anywhere between 8 to 15x of EBITDA. And regular IT services companies would be typically in the range of, I would say, 5 to 10x EBITDA. So again, it is a very broad range, but we usually go case by case. We look at the margins. We look at the profitability of the business, the kind of clients that they have. Overdependence on 1 client obviously kills the value. What are the founders are going to do after the acquisition? Are they going to retire? Or they're not going to join the business, or there are multiple combinations that decide what is the value that we are going to offer for the business.

Mohit Jain

So can I presume that for too fast, that is around these numbers?

Avinash Sethi

Yes, I think we talked about Eternus in the last call. Yes, it is a fair valuation that we can think.

Asha Gupta

Next question comes from the line of Garvit Goyal.

Garvit Goyal

So my first question is, in spite of 28% growth in our top line, net profits are flat. So sir, any specific reasons for that?

Avinash Sethi

I did mention that. Usually year in expenses like given cash that is contributing to it, plus there are typically travel and other expenses.

Asha Gupta

Next question comes from the line of Devansh.

Devansh

Congratulations for a good set of numbers.

Avinash Sethi

Thank you very much.

Devansh

Just wanted to understand rationale for entering the Indian business and first starting to service Indian clients. What's the rationale behind that?

Avinash Sethi

There was no active sales efforts from our end. It happened to land in our lap, and we cut our rates that we quote to our U.S. customers. So we started working with those clients. And interestingly, a couple of those clients, they have grown very, very rapidly. So we made zero sales effort, to be very honest.

Devansh

Okay. And just to understand, could you please repeat your steady state net profit margin expectation? I missed it on the call for the net profit margins.

Avinash Sethi

Usually, the EBITDA margin will be in the range of 24% and PAT margin will be in the range of 15%.

Asha Gupta

Next question comes from the line of Nagesh.

Nagesh

Congratulations to you and team some outstanding job there. And I also missed the opportunity of meeting you in BKC. E&Y had scheduled a meeting, but I couldn't make it. But I'm glad to hear you. And I also liked some of those people-related initiatives, which you and team have been working on, truly outstanding and commendable.

I have three/four very simple questions. To begin with, pardon my ignorance, I really want to understand what do you do in your business exactly? What do you mean by digital transformation and product engineering? I know it could be very basic, but if you could just brief for a minute, that's number one.

Number two allow me to understand more about your Vision 2025. Are there any quantifiable objectives of your vision?

And the third question I have is, you seem to have been growing close to 40% CAGR, which is phenomenal. So how do you see the growth, let's say, over the next 3 to 5 years?

Avinash Sethi

I'll take the last 2 questions first. What we have done Nagesh is, we have understood that any future prediction is more of a fiction. So any 5-year-10-year plan is not going to really materialize because

there's so many parameters, macro and micro, which will affect it dramatically. So what we have been trying to do since 2017, or maybe prior to that, is trying to look at 2 or 3 years in front of us and see if we can double ourselves every 3 years by way of organic and inorganic means. So that is where we went public and raised capital so that we can add the inorganic flavor to the business. And we have been able to add 20% odd from the organic side and 20%-25% on the inorganic side.

On a little longer basis, I mean you can't do it every year, so if you look at the last 5 years, we acquired only 2 companies. But even then, our pace has been like that where we've been able to double ourselves every 3 years. So if I were to look at Vision 2025 we would certainly want to see if we can deliver more than that doubling of our sales every 3 years. So that is one. There is no quantifiable number I would immediately be able to give you but the idea is if you can you know continue that pace even at a larger pace because now if we close to 300 crores today I had to you know aim at 600 crores in next 3 years which is increasingly difficult that is one way to look at it now to come back to your question on product engineering and digital transformation, I will try to keep it simple because so many people waiting in the queue we can probably have a separate conversation around it but you know typically we have companies which are either software companies or hardware companies or you know companies which sell their products or bundle their hardware with software as a part of the package. So for example we have Net App as a client which is a storage client which has the hardware the storage devices then they sale and we write APIs which is a middleware connecting the database server or database software's like Microsoft SQL Server Oracle or SAP or somebody else to allow to talk to these hardware devices which is a storage device so there is a proprietary operating system from the client Net App and then there would be layer on top of it which will talk to each of those 3rd party database software so we write those middleware for our clients life and attack and there is a healthcare compliance company in the US which is like the presence in India also IQVIA they sell lot of products to pharma companies on clinical trials and other things and we help build those products for our client. So is it's a combined effort on building those products. They also have product engineering team we also have product engineering team and we work together to build those software products for the pharma companies of the world so this is the product engineering side. On the Digital transformation side again in layman language it is trying to automate the existing process which is either manual or online but it is legacy application. So for example one of the client which is ICC, which regulates the real state standards, building standards in the US, there was a need for them to publish those guidelines in form of a booklet. Then there is a process where they govern the regulations based on workflow for regulations where it needs to change, it needs to be read from what it was last year versus what is going to be you know next year, there is a voting mechanism, there is a approval mechanism, publishing mechanism. So we created multiple such solutions for this client where whatever was done manually or partially done through online systems we have now brought it to a new age platforms like mobile apps, tablets, and put the solution on the cloud so that is what you would call a digital transformation. They already had let's say those catalogues into PDF or word or HTML but we have to transform that into XML format so that it is readable for by all of these you know devices which are available now plus we created several applications for them where they can sell those one is to publish those online second is to sell those online 3rd is to also create a reader where you can buy and sell only capsule or a module of a booklet plus there was a workflow mechanism where we allowed them to govern the entire process of change in regulation right from voting to approval to know getting it published all of those things so this is the digital transformation example.

Nagesh

Thank you thank you so much I'm really appreciated. One last question I am assuming that you know whatever you do is sector agnostic and what could be the addressable size of the market which you have targeted

Avinash Sethi

Its huge Nagesh I think we're behind the same pie by that the entire IT business in India. So Indian IT industry is already a \$200 billion industry. And we have just scratched the surface.

Nagesh

Awesome. Avinash, I will connect off-line with you.

Asha Gupta

Next question comes from the line of Amit.

Amit

Avinash, I wanted to understand the separate numbers for Philosophy and Eternus since this was our first full quarter with Eternus and what kind of margins did we achieve?

Avinash Sethi

So Philosophy doesn't exist in a separate form any more, Amit. It is integrated with InfoBeans from 1st of January. Eternus did about Rs.17 crores in this quarter and about Rs.5 crores of PAT in this quarter.

Amit

Okay. And could you discuss a little bit on the attrition rate that's happening on your industries? Is that a problem that's gone behind now? Or are you still facing it in this quarter?

Avinash Sethi

It is a problem. It is a problem that persists for last 4 quarters, I would say. What we have also done is we tried to slice and dice the data and try to understand how risky or difficult it is for us. So one thing that has come out very prominently is that people between 0 to 2 years of tenure at InfoBeans are the ones who are most likely to be volatile. And there is a 14% attrition there. Ironically, these are the people who joined us virtually and who left us virtually. There was no connect whatsoever. They would have never visited our office either in Pune or Indore. And that is where I think we see a lot of challenges. But when I flip the coin and I see the other side, those who are with us, let's say, 5 years plus, we see only 4% attrition there. So that's a good news in that way.

But overall numbers are bad. There is a great amount of attrition. But as I said, we have hired more than more than 450 people this year, which is net additional after whatever attrition we had. We were able to counter that by adding a big chunk of team. Plus we have 300 people from Eternus as well. So yes, we are countering with various means and ways. But yes, it is a challenge that continues to bother us.

Amit

And one last question. So the natural acquisition would be in more futuristic like blockchain, AI, ML? Or would it be like more industries, which are what InfoBeans already does, where there's already a big market?

Avinash Sethi

Difficult to say, Amit. We certainly aspire for certain things. But there has to be the right target coming for us, the right valuation, the right size. Anything that is experimental, for example, new age technologies, we would want to take up that if the team is small and easily digestible without any risk. But let's say there's a blockchain company, a \$10 million blockchain company, I'll not be able to touch it because that carries a lot of risk for me as a business. But if it is on \$1 million blockchain company, I would certainly want to experiment that. So I mean I can't say that we are looking at various opportunities across the, I would say, cross section. And whatever, whichever comes across as the right fit, we will jump on it.

Asha Gupta

Next question comes from the line of Prabhu.

Prabhu

Jai Shri Ram Sir first of all from my side to the entire InfoBeans team. Congratulations to you sir, you have given a growth of 50% in last year in revenue or 54% in profit after tax. I believe that you will touch around Rs. 410 crores in this next year so without any organic revenue. Can we set any target of Rs.500 crores for next year? Any target for inorganics growth?

Avinash Sethi

Jai Shri Ram Prabhu. For Inorganic growth, if you set such a target, then we might end up buying a company forcefully. We cannot buy a company in pressure. For example, if we have come with IPO, but we didn't buy a company for 2 years because we could not find a right fit.

Prabhu

Because sir in next year. Your complete revenue of internal solutions will be reflected in this next year, so you will reach around Rs. 410 crores without inorganic growth. Sir.

Avinash Sethi

I can't comment on this Prabhu, but you have done a great Analysis on our company.

Prabhu

My second question, particularly the profit margin of InfoBeans Technologies. Why it's getting low every year. Why this is happening, sir?

Avinash Sethi

Because that's read wrong. On a sustainable basis, we would be able to do a margin of 15%.

Prabhu

You should keep it a little high.

Avinash Sethi

To grow the business we will have to invest. Costs like travel expense, infra expense were not there in COVID. What we see today is an artificial margin.

Prabhu

My last question, for how many years we have tax exemption?

Avinash Sethi

5 Years.

Prabhu

Congratulations sir. Keep growing. We see small Infosys in you.

Avinash Sethi

Thank you.

Asha Gupta

Next question comes from the line of Sachit.

Sachit

So my first question is that you've been alluding to margin decline. So is it going to be a function of, a, let's say, more on-site work coming that you are seeing in your order book? Or is it because Eternus seems to be at a very high-margin business where you expect some moderation and given that your India and Singapore proportion of the business are also growing? So what would be the reason for that? And also like on similar lines, do you think this 30% PAT margin for Eternus seems I mean it looks too high compared to, let's say, InfoBean's numbers.

Avinash Sethi

That's right. Eternus margins are good, very good margins at this point in time because they were able to increase their rates and utilized levels post our acquisition. So that is working in the favor. So yes, the margins will probably higher for the next few quarters, I would say. They're also facing cost pressures definitely as InfoBeans. So yes, as I said, steady state is going to be there in, say, next 4 quarters, so to speak. So the margins we are working towards protecting the margins in many ways, I spoke last time. This time also, we are working towards increasing the rates with the customers. So we are increasing towards working towards increasing the utilization levels. We're working towards cross-training and scaling our people more, so that the same person can deliver more value. We are building bottom of the pyramid so that we can, again, rationalize the cost structure. So all of these effects are going to show up in this year. But at the same time, I must also caution, the costs have dramatically increased, and there's a lot of impact that we're going to see this year also. So net-net, I'm confident that we'll be able to protect our (PAT) margins at 15% kind of level. But anything more than that is bonus. Anything less, we will protect it very, very stringently, I would say.

Sachit

Just on this, is there more on-site work also coming now when you talk to your clients compared to like more offshoring earlier?

Avinash Sethi

I don't think so. I mean on-site, again, it is a factor of project and work. But customers are happy doing it remotely, even in geographies which was not friendly to remote work, like Middle East and Germany. They are also open now for remote work. So I don't think on-site is a big demand at this point in time.

Sachit

Okay. My other question is on the balance sheet side. The other intangible assets come out to be Rs.172 crores. And simultaneously, there is a high depreciation also in this quarter. So, I just wanted to understand what the reason is for this sharp jump in other intangible assets was. And also, have you done any goodwill amortization this quarter?

Avinash Sethi

So let me break it up into pieces. So there's a purchase price allocation that we did for Eternus. And for a software company, everything is intangible more or less minus the cash. So there is, therefore, a significant addition on the intangible side, which is to be paid - I mean, from March '22 to March '25, each year we have to pay a certain amount. Amortization has started for Philosophy, which got merged into InfoBeans Inc. So that is showing up. Depreciation got added up for Eternus also in this balance sheet. So it is also adding up.

Yes. So all the acquisitions bring in intangible assets. And there will be a small component of goodwill also that we have carved out. But yes, we try to minimize the goodwill as much as we can.

Sachit

Okay. Got it. Last question is if you can tell us, just give us a qualitative color on how is the performance in Philosophy. We know that you're looking at it as an integrated entity, but if there is anything that you can highlight about Philosophy, that would be great. This will be my last.

Avinash Sethi

It is doing very well.

Sachit

Okay. But would they be like at a good margin as well? Like one is obviously, revenue would have.

Avinash Sethi

They are giving good margins right now. But let me also warn you, they're also facing the same challenge of talent.

Sachit

Yes, that's across. Those were my questions and all the very best.

Avinash Sethi

Thanks, Sachit.

Asha Gupta

Next question comes from the line of Athreya.

Athreya

So could you just throw some light on the demand environment and the pipeline for the next year?

Avinash Sethi

So demand is very good, Athreya. There are customers who are actually waiting for our confirmation for starting a project, which is a bad situation to be in because we have a demand of at any point in time, in the last 12 months, we were down or we are short of 300 people at any point in time. And that is a bad situation. I mean despite hiring 450-plus people, we are still short of a good chunk put together. So yes, there is a good demand moving forward. And I don't see I mean I would see some sanity, some rationalization in demand as well in this year. But we are still a handful of work coming

in from each of those relationships that we carry. So we are in a good state as far as demand goes. Talent, we are obviously trying out new ideas, new things and trying to build a team in whatever possible ways we can. So yes, it is continuing to be a struggle going forward.

Athreya

Sure. So I also noticed in the financials the cash flow statement seems to be an income tax refund of around Rs. 26 crores. Could you just highlight what this is about?

Avinash Sethi

Rs. 26 crores?

Athreya

Yes. I think so.

Avinash Sethi

No, no, it cannot be. I will actually investigation as to why this money went out in the first place. There's no such thing. I think probably, I don't know if you're referring to...

Athreya

The income taxes paid. So in the cash flow statement, after the cash flow from operating expense, the Rs. 2,616 lakh the number.

Avinash Sethi

Okay. So it might be related to MAT Credit if at all. No? It is paid, it is not different, right? If income taxes paid or maybe some years. We will come back to you, if you can you may address, we'll come back.

Athreya

Sure, sure. And my last question is there's also like a subsidy income, which is around Rs. 5.6 crores. So just wanted to know what that is in the cash flow statement.

Avinash Sethi

So this is -- this was 2 quarters ago, we got U.S. government grant for Philosophy.

Athreya

All right. And my last question, could you just give the employee attrition number for the company?

Avinash Sethi

I think what happened is, as I mentioned earlier, I don't know if you heard that, a lot of people joined us virtually and left us virtually. So adding those numbers is actually misleading. So what we did was we broke it up into pieces. We found that 0 to 2 years with InfoBeans is the highest attrition there, which is like 14%. 5 years plus is about 4%. And 2 to 5 is about another 8% - 9%. So this is how the breakup would be.

So what worries me is the people who have joined at InfoBeans, they've actually not seen the culture of InfoBeans. They've not been interacted. They have actually visited the office at all. So they don't know who they are working with, what they're looking for. And therefore, it's very difficult to establish any kind of relationship or bond with them. But if you look at people who have been with us for long, they are sticking with us. And we've been rewarding them very handsomely.

Asha Gupta

Next question comes from the line of Nirav.

Nirav

First is, how do you see the progression to the 15%? Because if one just looks at next year, say, you do a 15% PAT margins, then for managing the current years PAT, you will have to grow at about 45% to 50%. So how should then 1 look at the progression towards 15%? That is question number one.

The second question is, again, on the attrition side, so what has been the attrition at the acquired entity in the last 4 months? Is there any number to that? And third, we've had a large, deferred tax liability being formed in this year. If you could just explain on that?

Avinash Sethi

Sure. I'll take it one after the other. So the first one you talked about how we progress to the margin. I didn't get your point as to growth.

Nirav

So see, clearly, if I were to just do a backward calculation for FY '23, right? Current year's profit, if we were to take a PAT margin of 15%. So on revenues, we'll have to show revenue growth of 45% to 50% just to maintain the current year's absolute profit number. So I just wanted to understand how do you see this progression from the current 19% for this quarter to the 15%. So how do you see that happening?

Avinash Sethi

So see, it's a simple cash flow. I mean services is a cash flow business, naturally, right? So, we have Eternus coming in, our own organic growth is going to happen. So whatever growth that happens, there will be some contribution to profit from each of those revenues that we are going to accrue over the year. So I feel that and we have a close handle on our margin where we track it every month. so, we see there is a decent handle at this point in time, where we are able to maintain the gross margins and the net margins for each of those clients and projects that we work with. We actively filter out low-margin businesses or even we go at the people level where we know that whether this person is billable for a month or 2 or not, and if not billable for 2 months. We certainly go and check is to what's going on and whether we can utilize him or her in some of the projects.

So there's a lot of those close activity, I would say, at a monthly level that we do. And therefore, there's a track on whether we are continuing to make that kind of a margin or not. Plus, I think we talked about various means and ways to increase the margins, revising rates and by way of adding bottom of the pyramid and so on and so on. So as I said, we keep a close track of our activities on a monthly basis. And usually, revenue is always heading up to the bottom line

Nirav

Correct. So clearly, worst case margins will be 15% PAT, that would be the right assumption? Got that. Eternus, is there any number in terms of Eternus attrition? How has that been over the last 4 months, the integration?

Avinash Sethi

I think we are able to retain people fairly well, purely to size function. So that's fine. And Krunal, if you can help me with the third one.

Kunal

Yes. For the after tax liability, it arises out of the timing differences arising due to the carrying value of assets in our balance sheet and the carrying value of assets in the tax base.

Avinash Sethi

No. But is there a liability?

Krunal Sanghvi

No, that is not actually a liability. That is just a timing difference.

Nirav

Has it been created because of the acquisition, the intangibles that have been created.

Krunal Sanghvi

Yes, exactly.

Nirav

Okay. And just one last question. We've spoken about order visibility of about \$40 million. So would we have a similar number for last year? Just so that one knows that this is the visibility and then over the year what you've added.

Avinash Sethi

Usually, here, what happens is, I think we started giving this number only from last year. But at any given point in time, we would have a fair amount of visibility of the kind of work that we're doing. Usually, the contracts are 1-year long contracts and customers give that sense that this is what we have been looking at. With a fair amount of confidence, we are about this pipeline. It is fairly visible.

Asha Gupta

We'll take the next question from the line of Jaikishan.

Jaikishan

First of all, congratulation to the team for a good set of numbers. First question is that which is synced to the last participant asked which is the progression of 15%, like PAT margin. So you said 15%. So is it FY '23 number or it will gradually, like FY '24, '25 will reach 15%? And does this assumption include 25% tax rate or no?

Avinash Sethi

We are MAT Co. and we are operating mostly into SEZ. So our tax will be in the range of 18% or so. That's one. Second is what I'm trying to tell everybody here is that we have a good margin right now. We'll certainly want to protect that as much as we can. But do all your calculations if you want to. As Nirav put it rightly, the worst-case scenario, probably 15%. So I would not want to make a provision plan of reducing my margin, right? I would certainly want to make a plan of going to 25%. But how much the market can support me, how much the realities of the world are going to work, we only know in time to come. So I can do both the projections in front of me but its fiction. It is not reality.

So the bottom line is we'll fight tooth and nail to protect 15%. But anything above that is bonus, anything below we'll not let it happen as long as we can control the situation, right?

Jaikishan

Yes, yes. Yes, that's helpful, sir. And what is the revenue for Eternus full year for FY '22 and PAT?

Avinash Sethi

They did about Rs. 64 crores and about. So I think they did about Rs. 17-odd crores in PAT because Eternus tax rate is 25%.

Jaikishan

Okay. My one last question, what is the ESOP pool at the moment? I mean what percentage of our share capital is ESOP at the moment?

Avinash Sethi

It is 2.5%, 6 lakh shares, to be precise.

Asha Gupta

Thanks, everyone, for joining the call. This was the last question we'll participate. I will now hand over the call to Avinash for closing comments. Over to you, Avinash.

Avinash Sethi

Thank you, everybody, for your continued interest and for all the participants for being in this call and being actively asking questions. I appreciate your words and appreciate your interest, continued interest in InfoBeans. We look forward to meet all your expectations as much as we can. We are a growth-oriented company, and we continue to invest in growth, and we would look at both organic and inorganic means to continue on this journey. We have been enjoying the journey for the last 22 years, and I'm sure we'll continue to enjoy in the future as well. Whatever we did with the IPO money in the last 5 years, we should be able to repeat the same journey moving forward as well. So we are focused on generating value for all the stakeholders, including our shareholders. So thank you for your trust and confidence in us. Thank you very much.

Asha Gupta

Thanks, everyone. Bye, take care.

Avinash Sethi

Bye.