

InfoBeans Technologies Limited

Q4FY23 Earnings Conference Call

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INFOBEANS TECHNOLOGIES MANAGEMENT:

AVINASH SETHI – CO-FOUNDER

MRIDUL MAHESHWARI – SR. MANAGER, CORPORATE DEVELOPMENT

MODERATOR:

SURBHI JAIN – COMPANY SECRETARY & COMPLIANCE OFFICER

CONFERENCE CALL KEY PARTICIPANTS:

BHAGWAT NAYAK

FAISAL HAWA

HETAL SONPAL

RAJESH CHAUDHARY

VARUN AGARWAL

VARUN GUPTA

V.P. RAJESH

Pratik Jagtap

Good evening, everyone, and thank you for joining Q4 FY '23 Earnings Call of InfoBeans Technologies Limited. For the introduction, I'll hand over the call to Surbhi. Over to you, Surbhi.

Surbhi Jain

Thank you, Pratik. Good afternoon, ladies and gentlemen. Welcome, everyone, and thanks for joining this Q4 and whole year earnings call of InfoBeans Technologies Limited. I request all the participants to please mute their mic. The results and investor update have been updated on our website, and it is also available on the Stock Exchange. In case anyone does not have access of the same, please do write to us. We'll 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 our Co-Founder, Mr. Avinash Sethi.

We'll 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 questions by raising hands after once the overview by Avinash is over, and then we will address every question 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 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 note, I turn over the call to Mr. Avinash Sethi. Over to you, Avinash.

Avinash Sethi

Thank you, Surbhi, and thank you, Pratik. Thank you ladies and gentlemen, for joining this call. We are now presenting the final numbers for this year.

Before we jump into it, just a quick brief overview for people who are attending for the first time, InfoBeans is, a company founded in 2000 in Indore and now we have offices across the world in U.S., Europe, Middle East and India. In India, we have 4 offices: Indore, Pune, Chennai, Vadodara. And we are a publicly listed company of now more than 1,450 members in the company, focused on digital transformation and product engineering as a core of our offering. We have been blessed with a partnership from Salesforce, ServiceNow, Microsoft, UiPath and Automattic. These are the leading software companies in the world, and we've been able to benefit from our partnership with these companies' year-after-year. This is a quick journey chart of how we have grown over the years. 2000 started in Indore, 2004 opened in Pune, then in the U.S. And some key points that I would like to mention is in 2007, our revenue was INR 4 crores. In 2015, it became INR 43 crores. And in 2023, we are also close at INR 399 crores, which is almost INR 400 crores. So 10x journey between 2007 to 2015 and 10x again into 2015 to 2023. So, in 8 years, we have been able to deliver 10x kind of a growth, and we continue to focus on that kind of a momentum for the next 8 years also. We went public in 2017, and we have our first acquisition done in 2019; second in 2021. And we also got listed on BSE last year.

This is a quick snapshot. Look at the numbers. First 10 years are the most fundamental and foundational. The next 13 years have started for an active growth, which is what I talked about at 10x kind of a growth. We work with less number of customers but want to expand into those accounts to a much larger value repeatedly year-over-year. And we see some data points in the coming slides. We focus on those 74 customers where we invoice more than INR 1 crore a year. Out of those 13 customers, which are million-dollar businesses. And we have much larger set of clients which are Fortune 500 clients, million-dollar businesses and unicorns also in our kitty. This year, we closed at INR 399 crores, INR 85 crores of EBITDA; INR 36 crores of PAT; about INR 176 crores cash and cash equivalent, which includes accounts receivables; and we delivered a 38% growth from last year. We've been

growing at 42% CAGR since that inception. Multiple partnerships and awards. The best award that we really appreciate is top 10 best companies to work in India, which has been recently awarded to us.

These are the services that we offer to our customers, mostly around cloud and mobile technologies. We focus on Salesforce, ServiceNow kind of platforms, User interaction and user experience. Blockchain is a new kid on the block. We are building this practice, and we also have a base line for this practice. RPA is quite an expert capability that we carry, which is particularly on CICD, DevOps and so on.

This is the founding team, please note that we had Mr. Santosh Muchhal who recently got retired. And we have now replaced him with Mrs. Mayuri Mukherjee. She is an IIM Ahmedabad graduate, and have a working experience of 20 years, working with Nestle kind of MNCs, in the U.S. She has recently joined us as independent director on our Board. The very popular, very strong core team founders of Eternus and founder of Philosophie that we acquired, so three founders here. Denise has recently joined us to manage the Design & Innovation practice in the U.S. All of these people have been with InfoBeans for quite some time and are the backbone of the leadership. They've been contributing to the growth of business successfully. Darshana joined recently. She's handling blockchain. All of these people are long timer in InfoBeans and have been leaders in the forefront of growth momentum that we witnessed.

Here is the quarterly number for January to March quarter '23. And if you attended past calls, I have always told that this quarter is going to be suppressed because of one-time incentives that we offered to our team, which is of about INR 6 crores. And we also had certain provisions for bad debts in this quarter, which accounted for about INR 2.2 crores. INR 8 crores have been lost because of these two onetime activities. And therefore, the PAT and EBITDA numbers have significantly dropped from previous quarter or previous year numbers. By the way, the previous year numbers were unsustainable. And again, that has been a repeated commentary from our end, that high amount of EBITDA margins and PAT margins are not sustainable. We have a steady-state margin, which we'll talk about again later. But this is where we are. We are happy that we're able to hit that kind of a revenue number. And EBITDA is still now in a controlled situation. We should be able to recover from this onetime from coming quarters.

This is a yearly number. And if you look at it, we have grown 38% on the revenue side, to INR 289 crores in last March '22 versus INR 399 crores in March '23. And that's a significant growth. By the way, there's another column, if I would to look at March '21 numbers, it was INR 196 crores. And we have doubled ourselves from INR 196 to INR 399 crores in just 2 years. That's the kind of an active strategy we followed. We consciously chose to focus on increasing our revenue, particularly in the high demand time of post-COVID scenario. And that scenario is no more existent now, but we certainly chose an active strategy and benefited from it. We also have to pay a cost to it, but we are sure that we will recover all of that cost in time to come. Revenue is something that stays with us long enough. And I'll tell you another slide where we talk about how we have been able to retain our customers year-over-year and then grow into those accounts year-over-year. The strategy of capturing the client and capturing the revenue has really worked very, very favourably for us. Another interesting point here that I wanted to highlight is cash flow from operations has kind of remained the same, INR 81 crores last year versus INR 77 crores. Because the EBITDA component has a lot of depreciation towards the intangible assets created because of our acquisitions, both Philosophie and Eternus. Cash is gathering or collecting in the business, but the balance sheet has a different story to tell. However, since we are increasing our cash reserves, we are in a strong position to look at another acquisition in the time to come.

From the key performing indicators, as you look at the last 5-year data, a CAGR of 35% year-over-year for last 4 years, FY '19 to '23. EBITDA margins have jumped up in FY'21, FY'22, just because of the COVID scenario. But we'll come back to steady-state margins of 24%. PAT has shown the same graph. Here, I wanted to highlight a very interesting point. If you look at this, as I said, our strategy was to increase our revenue. And since the talent, the cost was very high, we took a chance and therefore, there is a depletion in profit margins. It was a known outcome of the strategy that we followed. Therefore, it doesn't come as a surprise to us. The last 10-year growth metrics in terms of the cash, in terms of the network, there is 16x growth here. There is a 13x growth in terms of

net worth. Revenue numbers have grown significantly. Look at the CAGR, revenue EBITDA and PAT are also all growing at a healthy pace.

The key clients, I'll not dive much on this. You can download the presentation from the website after the call.

Here is a data point that I must highlight. In last 1 year, we have onboarded 3 Fortune 500 customers and 6 enterprise clients, which has a revenue of more than \$1 billion for themselves. And this, again, goes back to our focus on entering into large accounts so that we can generate repeat business from each one of them year-over-year. And if you look at the share of revenue from existing clients, we've been doing a repeat business, some of our customers at a 90% year-over-year. So once the client comes in, onboarded, and then we continue to expand into those accounts successfully.

Here is that chart, which I was referring to. Look at the kind of growth that we have into each of these accounts. 250% growth in one single year. 136% growth here, 126% growth here, 70% growth here. These accounts have been successfully grown year-over-year. These are the accounts which remains with us over like a 10-year period. And they have remained flat. This has dropped because the project got over. But essentially, if you look at out of the top 10 clients, we have grown in 8 of them. The top 10 clients give us 51% of the revenue, and the average age of this top 10 clients is more than 7 years. Despite having some of them which has like 1- or 2-year-old clients, we still have been able to have a much larger relationship carried over year-over-year.

This is the revenue breakup by segment, by business and by geography. 50-50% more or less is the digital transformation and product engineering, 81% from InfoBeans, then 19% from CloudTech, which is what a lot of investors keep asking. 70% from the U.S. market, India and APAC region has grown up very well for us, 16%; 8% from Europe; and 6% from Middle East. All the markets are growing for us, so which is quite a significant thing.

Acquisition remains an active strategy for us for growth. And in the last 6 years since IPO, we have done two acquisitions. And the market is now right for another one, the focus area for us is either on four practice areas that we are in, like ServiceNow, Salesforce, UiPath or design, maybe blockchain also add new competencies within the blockchain, going to verticals like BFSI, or expanding geographical presence like U.S. and Europe. The sweet spot is \$10 million to \$15 million in revenue. Here in the current pipeline, and as I mentioned, the timing seems right because the valuations have come down from what it was just 6 months ago. The peak valuations are coming down as the valuations of the other IT businesses. I think it is now coming to our sweet spot where we don't want to overpay our business because the ROI doesn't justify that. So, wait for the last 1.5 years, as now seemingly ripe for the next acquisition in the next 6 to 12 months. There are three companies we are looking at. One is the ServiceNow company. The second one is a user experience company. It is a low revenue, it is below radar. since it do export business with a much higher EBITDA margin, we are willing to look into it, another management consulting company, which goes up the value chain for us. This is another possibility that we are looking at. And let me also clarify here. We are just talking at a founder level right now. There is no definitive agreement that we have signed with them in or for of a letter intent or term sheet or anything. We are just discussing with them, but we find that these are some three attractive options for us.

We go to the yearly number, here, I think I have something to talk about. When I look at the revenue number, we have grown at 38%. There's an increased team cost at a yearly level, which we talked about in the previous quarters. There's a one-time incentive of INR 6 crores. There's a provision of bad debts for 6.2 crores. Our targeted EBITDA normally is 24%, and we are at 21% right now. So, the pendulum has swung in the both the directions, we have seen very high EBITDA margins of 28% and 29% over last 2 years. And that was the swing on the positive side. Now we are seeing the same on the negative side, but I think we'll be able to settle down at 24% in a shorter period. And then the same was in PAT margins. We will be able to recover that quickly. As I said, there is a onetime impact of these two big items. Plus, this continues to be a challenge for us, which is increased by cost. Tax rate has also increased over the years, which you would have witnessed because we are getting a lot of

profits from InfoBeans Cloud Tech Limited, it is a very healthy 30% EBITDA margin. And therefore, we pay significant tax there, which is a non-SEZ unit. So, we have a higher tax incidence.

This time, we introduced this margin movement because we see a lot of questions coming in the Q&A session. We're trying to pre-empt it. The team expense has increased by 8%. Our sales and marketing bound to increase, which is a natural for the business that we are in -- the provision for bad debts, which is a new item line, we have not been seeing a very high amount of bad debt. But recently we have been -- through our subsidiaries, we have been working with some of the startups, during the times of zero funding or no funding, there's a lot of stress in that side of segment. We actively focus on reducing startup exposure, and we continue to go towards that goal, but we have some of the ghost which bother us. Other income has also reduced. Operating leverage, we have improved some of our margins here. Exchange rate has been on the beneficial side, but that could have been set out with the other income reductions. EBITDA from 29%, again, as I said, 29% is not sustainable. It was never sustainable. So, we are at 21%, but yes, 24% is something that we look forward to.

Balance sheet - the reclassification between non-current assets to current assets, additional profits from the last year. And DSO improvement because we have provided for bad debt. Some of the long-standing accounts have been cleared off. Equity increases on profits generated in the last year and non-current liabilities came down on account of discharging liabilities towards acquisition.

The event that we are attending for generating a lot of sales and marketing attempts for the business, meeting clients, in blockchain and emerging technologies, Web3 and the design trends and also getting the, Top 100 Best Companies for Women in India. India's Growth Champions year-over-year for 4 times in a row. Dream Companies To Work For, we get it every year. And then the other one is the Great Place To Work, we've been getting it from '15, '16 onwards.

Some key updates, we have been constantly investing the into community expansion. And here, the report card of last three, four batches that we have conducted successfully. And almost everybody from those 1-year engineering program has got placed. Interestingly, one of the candidates who joined InfoBeans 2 years ago has now joined Salesforce at a much larger package of 18 LPA. He was a BCOM graduate. Most of them have joined smaller companies in Indore, and around nearby area. The support that we do with SD Foundation, which is a foundation supported by Shibulal ex Founder, Co-Founder of Infosys and ex-CEO of Infosys, he has been sponsoring 46 students there, 27 have graduated and 9 of them have got a job, therefore, pulling out their families of poverty. We do a similar program Sant Singaji University that we have been supporting about 25 students there. And then another one in Pune, which is we're trying to support the working women house-help kind of pile in Pune, which is in the village college Mulshi in Pune, where we have supported 40 women to enhance, their skill development earning more money on these good jobs.

I think we have done with the presentation, and we can open the question and answers. So back to you, Pratik.

Praik Jagtap

Thankyou Avinash Sir. So those who want to ask the question they raise their hand and ask the questions. In the meantime, we already have one question in the question box. Shashank Rastogi is asking, what is your revenue and EBITDA guidance for FY '23, '24? And are you looking for new acquisition in the current financial year?

Avinash Sethi

Thank you, Shashank. We usually don't give any guidance for revenue and EBITDA. And our attempt is to obviously grow better, grow higher than what we have been doing. And if you look at the past, we are attempting to grow at a faster pace. And with the combination of organic and inorganic engines, we aim to grow at 25% to 30% year-over-year. And obviously, not every year is the same, but that is our long-term target that we should be growing at a faster pace. That is the simple answer I can give you. And there is another question to it, right?

Acquisition, yes, we continue to do that. As I said, we have three targets that are there in the pipeline. And we like them. We find them in our budget, and we are detailing. We are in discussions at the next level. There is no concrete paperwork that we have done in to us signing a term sheet.

Pratik Jagtap

We have first question from V.P. Rajesh. V.P., I have unmuted your line. You can unmute yourself and ask the question.

V.P. Rajesh

A few questions, on the numbers, if you can talk about numbers what was the organic growth year-over-year, that will be helpful.

Avinash Sethi

Organic growth year-over-year, let me go back to the chart itself. If you can do a comparison, INR 252 crores versus INR 314 crores is the number. I would say roughly which is about 20% plus growth on an organic basis. And I keep telling all the time, we don't really look at business like that because when you work together, there are a lot synergies that we start to contract for each other. For example, Eternus has been able to sell our clients their services, and that has increased their revenue significantly almost by 30%. It is difficult because now we are working in an integrated manner. I mean we don't look at business like you would like to think. It's not very simple that. And I can just review the numbers and be able to figure it out. But it is a combined synergy that has led us to the growth.

V.P. Rajesh

Understood. My second question was your number of unicorns clients dropped by one. So, any comment on that? It was wonderful to see that you're getting a lot of Fortune 500 clients last year, but I was just curious about the drop in the numbers.

Avinash Sethi

All the unicorns are facing a lot of trouble. And I think we read it every day in the newspapers, right, some layoffs to the spending getting dried, to where investors are asking for interest rate, increasing rate coupons. They are now having a test. All kind of challenges in their businesses, which is why obviously they will want to reduce their expenses dramatically. That's part of the business.

V.P. Rajesh

Understood. And last question was this INR 6.2 crores of bad debt, if you can give more color in terms of how old these accounts work and whether it was one or two accounts versus more granular across a number of accounts. I think some commentary will be helpful to understand.

Avinash Sethi

There are four to five accounts. And they have been delaying their payments, and the overdue was more than 180 days. So we have made a provision. We are still chasing them. We are still behind them. But from an accounting governance point of view, we have just changed it up as part of the provisioning of the debt. Some of them are startups and their funding got dried. A couple of them an expected funding and it will happen for them. Some of them they just lost the entire business. So, these are companies from the acquired sort of entities. And we have an active strategy with which we don't want to work with start-ups. But then since we have this coming in as a part of legacy, we're just giving it out.

V.P. Rajesh

Understood. So, most of these bad debts were created in this year, right? There was nothing which came over from last financial year. I just wanted to make sure of that.

Avinash Sethi

There is a little bit, I would say, about 10% or so from the last year because, let's say, the invoice was done in March. We were just waiting for payments, and we now realize that it is not going to come. So we had to adjudicate a call and just make provision for it. Usually, we have a practice where we restrict it to outstanding balance exceeding 180 days.

V.P. Rajesh

Right. So, there were some accounts which were due over 365 days, right? Is that correct or not?

Avinash Sethi

Yes, because we were very hopeful. They actually made some payments in between, so and that's how it is, yes.

V.P. Rajesh

I see. Got it. Got it. And my last question was on Eternus. So, if you can just refresh us on the earnout payments where we are on that? How did it work out for their business?

Avinash Sethi

They have achieved 100% target for this year. And therefore, we will pay 100% earnout money, so which is INR 16.25 crores, plus they were able to recover some bad debts and some bank LPs they were able to clean up, which is their surplus cash, so they we'll pay that as well, it is about INR 1 crore.

Pratik Jagtap

The next question is from Faizal Hawa. Faizal, I have unmuted your line. You can ask your question.

Faisal Hawa

Are we like system integrators for ServiceNow and for Salesforce, like the similar business, which are many decades ago that Infosys used to do for SAP, and that was their main state. So, is that like our go-to-market, where we start off with these implementations and then you could go deep into the organization?

Avinash Sethi

Yes, that is a common strategies that almost all the IT companies follow. We have chosen to stay with the players like ServiceNow and Salesforce because that allows us to enter into large enterprises. And therefore, we've been able to get these large names. We are still a micro company, if you look at it in the whole IT universe of India or maybe the world. And despite having that we have very, very large project from our customers and our clients. It is because of the virtue of these large application software platforms like Salesforce and ServiceNow. So yes, that has worked fairly well for us. We start with implementation or integration within their existing systems. And we have been able to expand into those accounts for other services, digital transformation services that we have.

Faisal Hawa

What is the story of how you have founded this company? And who are the key other members? And what has been your driving force to get to where you are?

Avinash Sethi

We have to do a separate call for that. There are so many people waiting in the line. So we'll have to take that separately. But I'm happy that you have the curiosity to figure out how this company started. We have done 23 years so far, the road map that I shared, which is a very highly abstracted version of the story. But let's come in later. And as I said, it is going to be at least one of our call.

Faisal Hawa

Can you just tell me how the structure is? I mean, how many hands do we have in Europe and in U.S. for hard core sales?

Avinash Sethi

So we have, if you look at the chart here, Tarulata is managing sales and marketing from India for the U.S. market. Ram is handling client success, which is the account management, particularly in the U.S. market. Then we have Geetanjali, she is handling sales in the UAE market. Then we have Emerson handling sales in the U.S., along with the founders, Siddharth, Mitesh in the U.S. market. Siddharth does a lot of sales in Germany and the Middle East area and India. Jitendra and Shreyas, again, sales into Indian market. This is where we have the details. But there are more members in the U.S. market. We have at least four to five sales people in the U.S. market. We have four salespeople in Germany market, we have two in the Middle East, and we have at least a couple in India. India is not our focus anyway, but it is growing naturally for us, and we are able to get our rates. So, we continue to grow in India naturally.

Faisal Hawa

In a previous slide, you gave some orders that you have bagged. So any that you have said the \$18 million to \$20 million revenue. So is that the scope of pie that you have? Is that the value of the order to be executed over many years?

Avinash Sethi

No. So, you got it wrong. The \$18 to \$20 million was the target company that we are looking at for acquisition. So, this is the M&A pipeline. This is not a sales pipeline.

Faisal Hawa

So, these are ServiceNow implementer, consulting company?

Avinash Sethi

Yes.

Faisal Hawa

So these would be available at what, 1x sales or 1.5x sales?

Avinash Sethi

That's a difficult question to answer right now. Actually, more than what you're saying. That's all.

Pratik Jagtap

Sir, I would like to ask you to come back in the queue. There are other participants as well. Thank you, Faisal. We have next question from Rajesh.

Rajesh Chaudhry

I just wanted to check on the bad debts provision. Is it INR 2.2 crores or INR 6.2 crores?

Avinash Sethi

No, it's INR 2.2 crores for the quarter and INR 6 crores for the year.

Rajesh Chaudhry

You have also mentioned that you have been growing at 36% CAGR in the revenues. So, can we assume that we can grow at 20% to 25% in revenues CAGR over the next couple of years?

Avinash Sethi

That is what our target, Rajesh. That is what we want to do. We want to do better than that. But not everything is in our hands. Our aim and our target is to grow at a faster pace, at least maintain the fast pace if we can. So we make all the efforts, but the outcome is not our hands.

Rajesh Chaudhry

Okay. Because for the last 4 quarters, if I can see, the revenue is around INR 90 to INR 95 crores per quarter. So how do you intend to increase like the revenue year-on-year from here on?

Avinash Sethi

So there are multiple ideas around it, and there's a lot of things that we're working on the ground. One is obviously expanding into existing client base. Second is increasing the sales attempt so that we get more clients. Third is to enhance our capability sets, so that we can continue to delight our customers. Fourth is figure out areas where we can create a vertical expertise. So we are currently investing in storage and blockchain to become a subject matter expert, and then we can probably be able to generate more value for our customers moving for that. The next strategy is to acquire companies in the geographies and the capability that we operate in. So that it's both build and buy as a strategy for us. So, we continue to make attempt, as I said, in all the additions. And at times, the market is not favourable. So the numbers remain stagnant. But if you look at the yearly numbers, we are actually growing at 38%

Rajesh Chaudhry

That's an excellent number, but the point is from here on, can we grow at 25% to 30% CAGR?

Avinash Sethi

Nobody knows, Rajesh.

Rajesh Chaudhry

Okay. And do you also work in IoT and artificial intelligence or electric vehicle segments?

Avinash Sethi

No, we don't. No.

Rajesh Chaudhry

You don't. And you don't intend to build the capabilities on that also?

Avinash Sethi

No. So we are, as I said, we are building capability on blockchain. We are also trying to work towards the AI. We are training our team on that, but we are far from building the capability that we can sell.

Pratik Jagtap

The next question comes from Hetal Sonpal.

Hetal Sonpal

I have a couple of questions on the number of client side, can you get to that? What I noticed is the number of Unicorn has gone down. Your explanation to Unicorn a minute back was on the same numbers, going down from 7 to 6?

Avinash Sethi

Yes, that was for the Unicorn number, yes.

Hetal Sonpal

And these unicorns you're referring to are India or in general?

Avinash Sethi

No. So we have four unicorns in India, two or three in the U.S.

Hetal Sonpal

Okay. Okay. You typically use the term Unicorn for \$1 billion co-operation, it does not have to be a start-up in start-up definition, right?

Avinash Sethi

No, so unicorn is \$1 billion valuation business, an enterprise which is a greater \$1 billion is in revenue. They're two different there.

Hetal Sonpal

The other thing was any more updates on why you lost these clients, 7 clients?

Avinash Sethi

We actively reduce our focus on businesses which doesn't give us more than a crore every year. So, we cut it long tail consciously. That is part of the strategy. We consciously drop out clients, which are start-ups. We don't want to work the start-ups just because of these uncertainties. So yes, we make an active attempt to reduce account.

Hetal Sonpal

Got it. My last question was your strategy to expand into existing clients is great. When you are increasing your business, are you getting more business from their in-house operations? Or are you replacing an Indian competitor? In the same light, net-net, what's the share of wallet in your large customers? Is that a number you are accounting for?

Avinash Sethi

Yes, we have been able to do all of those things. We have expanded into internal business units. We have been able to replace competitors, which are most of our times our Indian competitors. And as I said, we are still a tiny company looking at the Fortune 500 companies. Our wallet share is not significant at all in their books.

In our books it's obviously been very significant. But in their books, we are still non-existent in that sense. But there are companies where we have worked for a very long time, 14, 15 years. I'm talking about at least 5 to 6 names where we have more than 10 years of relationship. These are all by the big corporations. And each of them has their captive in India for almost 7, 8 years. So, despite that we continue to get business is something that tells us that we are doing good work, and we continue to earn their trust and the goodness year-over-year. And we are expanding in each one of them. So that way, even though the wallet share is a very, very tiny thing, we're still making a positive impact in their business. Therefore, the business comes to us and not to their captives.

Hetal Sonpal

Wonderful. Client testimonies from such clients would be good addition in your quarterly results next time. Thank you.

Avinash Sethi

Thank you, Hetal.

Pratik Jagtap

The next question comes from Varun Agarwal. Varun I have unmuted your line, please go ahead with your questions.

Varun Agarwal

One-offs in the margins and the bottom-line numbers are understandable. In terms of top line, when I see the other peers who are smaller and even larger than us, a lot of them have shown decent growth. So, any color on the headwinds we are facing in terms of growing in the top line?

Avinash Sethi

There is a cautious mindset right now in the minds of the clients, particularly in the Western market. There are high interest rates, inflation and plus the entire balloon, double burst of valuation game has kind of made people very, very cautious. But that doesn't mean that we stop getting business. So, the Unicorns are some of the large companies that have done a very high amount of layoff. And therefore, they've kind of passed the work they've been doing even to companies like us. So that is a macro factor. But I think what we're seeing is the demand is coming back, and we have a long list of open positions back to us. I think it is just the order poster in my mind where if we'll just remain cautious and then it's a self-fulfilling prophecy where everybody gets cautious and then all of sudden the market starts to slow down. But then I think it will come back, and it is starting to show signs that it's back into action. I won't worry much about it. It's a short-term temporary thing, but there is no long-term worry that we see here.

Varun Agarwal

No, other than the macro factors compared to our competitors or our peers, we are not seeing more competition, or we are losing market share? Or any such kind of a scenario?

Avinash Sethi

The market competition was there from day 1, right? And the only markets that we are operating in, we see competition every day. So, there is no variation in that. The competition remains.

Varun Agarwal

Because last three quarters, if we see in all last three quarters Q-on-Q, we are continuously seeing the de-growth. So that is where I am asking.

Avinash Sethi

Yes. Don't worry about the short term. I would say, if you look at the long term, I just had the chart in front of you, '21 to '23, we have doubled. That's not any less achievement. I understand quarter-on-quarter is a challenge, but we will find a way to overcome it. We are actually working to it. So we still have it.

Varun Agarwal

Sure, sure. One more thing. We brought in Mrs. Mayuri as independent director. So there, in her profile, I see that she's from the FMCG sector. So, any particular reason on why choosing her? Because if we bring somebody from our sector, we will get a better mentor, right?

Avinash Sethi

So we continue to do that. And it's a continuous process for starting with the right people for the Advisory Board as well as the independent Board. Not everybody is keen to joining the Board. They cited a lot of reasons like conflict of interest. So we have a little choice there. But yes, she is an IIM passed out, and she has a very good experience in cross-border marketing and FMCG sector. So we can help us on that marketing knowledge as part of our market that we are operating, particularly Europe and U.S.

Pratik Jagtap

The next question comes from Varun Gupta. Varun I have unmuted your line, please go ahead with your questions.

Varun Gupta

One on the implicit matter. In the audit report, EY has highlighted one error, like there were some error in the previous financial year financial results. And for that, we have done some reach of the numbers. So the numbers are not material, but what are the controls or what are the steps that management is taking to avoid such instances in the future? Because since it's a listed entity, any error in the audited accounts is not liked by the market.

Avinash Sethi

Yes, absolutely. And we have taken immediate corrective steps. That is how it was observed in the first quarter by EY of this year. So that has been corrected. I mean the reason why we got EY was obviously to improve our corporate governance and compliance issue. And that is what we found in the first phase, and that's how we got corrected. We also have implemented several controlled lot features after that, which is where we've been able to make it more strong and robust from where we were. So there's no such material observation after that quarter. Three quarters have been kind of past after that. And now we have thorough annual audit done by EY in this quarter. So, I think we are on track in terms of making it more robust.

Varun Gupta

EY is our group auditor? Or EY is doing the audit for only India entity? Who is doing the audit for the U.S.?

Avinash Sethi

No, EY is the group auditor.

Varun Gupta

Okay. I mean, my second question on the salary cost, even though our top line is not growing, but there is a huge spike in the salary cost. So how much salary cost is increasing on account of new hires, which we did in current year? And what is the value of increment component in the total increase, if you throw light on that.

Avinash Sethi

In previous quarters, I mentioned that very clearly. We had a 40% jump in salary costs from March '22 to April '23. So that was the factors driven by the external demand and the salaries are deteriorating in the market. We had to redo and take a much larger effect, which is what we did in the start of this fiscal year. And so that is one of the largest impacts that we've seen.

We also hired 500 to 600 people last year. And we also lost 200-odd people last year. So therefore, the cost and the churn was much, much higher. This year, we see the attrition rate dropping to less than 12%. So that impact should be reduced. But the cost continues to hurt us for coming years. We also tried to pass some of the cost back to the customer. We have renewed our new purchase at a higher rate. As I said, we're taking lot off measures. We're also trying to increase the utilization levels by cross-selling, ensuring that they don't sit idle. There is a lot of work going on in each of those areas to contain the cost. If you look at quarter-on-quarter numbers in detail, then you will find that we have actually saved on some cost, if I remove this onetime incentive from the salary expenses. We are able to reduce the people cost also quarter-on-quarter.

Pratik Jagtap

The follow-up question coming from V.P Rajesh.

V.P. Rajesh

Avinash, a quick question on generative AI. I know you mentioned AI, but I was just curious what are you doing about generative AI with respect to the clients on the enterprise side as well as the Fortune 500? What kind of opportunities do you see because of that?

Avinash Sethi

As I said, we are still in an exploratory stage. Generative AI can actually do multiple things, right, from coding software engineers to coming out with ideas, which can speed up the entire work. So we're talking to a couple of companies out there. They are trying to see if we can create an enterprise repository even with AI. So that anything that you want to search within the company for any purpose can be just pulled up right there. Things like the contract is due 30 days from now. You have not increased the rates for the last 3 years. You have an opportunity to go ahead and increase the rate. All of these people intelligence can actually be fed into AI system and then can come out of system makes it a very strong business case, not only for us but for our customers also. So as I said, we are at a very early stage. We can't call it any expertise whatsoever. We are learning by the day, and we are trying to explore with the other AI companies and tools out there to see if we can impact for our customers. Customers are also asking how they can enable the AI into their existing software. Both Salesforce and ServiceNow is heavily reverting towards coming on with AI-enabled modules. So we are also keeping a track of that if we can learn and create value addition for our customers using those modules. It is very early stage here if we do commit to anything on that.

V.P. Rajesh

Understood. And just on the number side, what is our cash at the end of the financial year?

Avinash Sethi

We have about INR 176 crores. This includes INR 64 crores account receivables.

V.P. Rajesh

Okay. So, INR 110 crores of cash and then INR 64 crores of receivables, correct?

Avinash Sethi

Yes.

Pratik Jagtap

We will take the last question from Bhagwat. You can unmute yourself and ask questions.

Bhagwat Nayak

Sir, I would like to know about the blended tax rate for the FY22. So, can you please update on that?

Avinash Sethi

So, I think we'll come in at 21% right now.

Bhagwat Nayak

Yes. For FY 22.

Avinash Sethi

We used to have it in single digits.

Pratik Jagtap

Thank you, Bhagwat. I think we are about to close to our session now. Thank you, participants for joining this call. And I'll hand over the call for the closing comments to Avinash. Over to you, sir.

Avinash Sethi

Thank you, Pratik, and thank you all the investors for posing your trust and confidence in InfoBeans. And as I said, there is a slight dip in terms of the revenue quarter-on-quarter. But if you look at year-on-year, your worries should go away. As a company, we focus on a very long term. We are already in business for the last 23 years, and we have seen multiple such downturns and tough times. But it doesn't bother us because we have always come stronger in each of these times. And as I said, this is a good opportunity for us to see how we can maximize from here in terms of our focus areas on those core things that we continue to focus on. Cloud platforms, the automation practice and the user experience practice, plus this is a good time for M&A opportunities also. So, we see a lot of positivity in this time. And as I said, we are here for a long haul. We continue to aim for growing at a much faster pace, and we work towards that objective. All right. Thank you very much for your time and attention. Thank you once again.