"Latent View Analytics Limited
Q4 FY22 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to Q4 FY22 Earnings Conference Call of Latent View Analytics Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Asha Gupta from EY LLP Investor Relations. Thank you and over to you Ms. Gupta!

Asha Gupta: Thank you Margreth. Good evening to all the participants on this call. Before we proceed on this call let me remind you that the discussion may contain forward looking statements that may involve known or unknown risks, uncertainties, and other factors. It must be viewed in conjunction with our businesses that could cause future results, performance, or achievement to differ significantly from what is expressed or implied by such forward looking statements.

It gives me great pleasure to invite all of you to the Q4 and full year FY22 Earnings Call of Latent View Analytics Limited. The results and presentation have been mailed to you and in case anyone does not have the copy of press release or presentation, please do write to us we will be happy to send the same to you.

To take us through the results and to answer your questions today, we have the CEO of the company, Mr. Rajan Sethuraman whom we will be referring as Rajan and we also have CFO, Rajan Venkatesan whom we will be referring as Raj to avoid any confusion while we are transcribing.

We will be starting the call with brief update of the company given by Rajan which will be then followed by financials given by Raj. After that we will open the floor for Q&A session.

With that, I will now hand over the floor to Rajan. Over to you Sir!

Rajan Sethuraman: Thank you Asha and thank you all for joining this earnings call. Since this is only the second time that we are doing earnings call post our IPO I did want to take a few minutes to provide a bit of an overview about the company, who we are and what we do so that you better understand our business and what is the value that we deliver to our clients. I know that it might be a bit of a repetition for people who have joined us on the earlier earnings call or might have been part of the investor road shows but I would request your patience and bear with us for a few minutes after you see this update.

So, first off, we have been in existence for over 15 years now. We are a pure play data analytics company in a sense that we focus only on data and analytics, so unlike other IT services organizations that you might be familiar with we do not do any custom development or ERP implementation or application maintenance or any other stuff. Our remit is just data analytics, but within the data analytics space we are a full spectrum service provider, in many engagements we typically start off with what we call as a diagnostic or a consulting exercise which is really aimed at helping our clients think through the odds of possible and figure out what might be the most impactful initiatives that they can execute under the data analytics umbrella and quantify the impact as well as the ease of implementation and then help set up a roadmap of initiatives that they should be pursuing. About 10%-15% of our work even today is of this nature and one of the things I wanted to share is that in the last quarter especially we do see an uptick in client interest in engaging us in helping them with thinking through the roadmap of analytics initiatives.

The second part of the work that we do is typically under the data engineering umbrella. Once clients identify the set of analytics initiatives more often than not, they find that the data that is needed is spread across multiple data ecosystems and silos and we do help clients architect design, build the data platforms that are necessary for them to be able to do the analytics. This is about 20%-25% of the work that we do today. In many instances instead of ripping out and replatforming or replacing existing data ecosystems we typically design and architect layers that can sit on top of that and pull all the data so that clients are able to do whatever analytics they are interested in doing right using the data and these data ecosystems not only pull data from internal sources but also from external sources and could include both structured and unstructured data in addition to data around images and videos and so on. Once we help with the design and architecting and the build of the data platforms the bulk of the work we do the mainstay is really what we call as a lookback and lookahead analytics are predictive, prescriptive and diagnostic descriptive analytics. Diagnostic descriptive is typically of the lookback variety, answering questions around what happened and why did it happen and predictive and prescriptive analytics revolves around answering questions on what is going to happen an what should you do about it. Most of the work that we do is really working with the business unit heads, the functional heads and stakeholders including the Chief Marketing Officer, the Chief Supply Chain Officer or the Chief Customer Service Officer and so on and mostly for fortune 500 companies and we help them tackle fuzzy business problems which could be around customer churn, could be around marketing, return on investment or spend optimization, could be around inventory modeling and network planning, could be around employee hiring and employee retention or it could be around how can they work with their ecosystem of partners and vendors. In many instances these problem statements tend to be at a fairly high level and we go in and help diagnose the problem statements and then break them down and decompose them into what we call as an issue tree or a hypothesis tree and then set up the hypothesis that need to be validated using the data and the analytics that we do. So therefore this forms typically a fairly integral component of the business planning and execution that our clients need in order to generate the kind of revenues and to gain market share to control their costs and whatnot, so that is the nature of the work that we typically do and you are all seeing that over the last 12 months especially in the wake of the pandemic, most clients and organizations are accelerating their own digital transformation initiatives and we see data analytics as a fairly important component of these digital transformation initiatives. So overall we are seeing a fairly good uptick in terms of the demand for data analytics initiatives, and we are seeing that is playing out really well.

So, if I look at the last year and the last quarter it has been a very strong performance, it has been a pretty good demand environment for us. In the last year we have added over a dozen accounts many of them fortune 500 companies and we have been engaged across the spectrum of work, so customer and marketing analytics still continue to be the bulk of the work that we do about 60%-65%, but there is also an uptick in terms of work that we do in supply chain, in people and HR analytics and also work that we do in finance, fraud and compliance related analytics. We are also seeing that many organizations are looking at data analytics initiatives as more mainstream now with initiatives moving away from just being fringe initiatives that are being done by a business unit or a functional head to becoming more holistic, integrated and central and core to the organization, so this also means that the underlying data platforms and the data engineering needs to be upgraded and we are seeing a good amount of work happening in that space and we are involved in much of the rearchitecting that is required.

Another thing that we are also witnessing is that the problem statements are more sharper and they also need the kind of domain intelligence and expertise and that is another area that we have been focused on over the last year in terms of building both vertical industry functional expertise as well as horizontal domain expertise whether it is customer analytics or marketing analytics or population analytics. So what are the investments that we have been making over the last year has really been aimed at three things first is the domain expertise that I talked about both the vertical and horizontal, the second has been in terms of the assets and the accelerators that we need in order to be able to deliver the analytics capability and the third has been in terms of the front-end bandwidth that we need in sales and business development so that we are able to articulate the value propositions that we are building in these different areas, so overall a very strong year for us and a very strong quarter as well in terms of the client logos that we have added, in terms of the caliber of the work and the problem statements that we have been going after and in terms of the financial results both in revenue as well as in EBITDA terms. I will now hand over the call to Raj to take you through a little bit more of the details on the financials.

Rajan Venkatesan: Thank you Rajan. Thank you for that overview. Good evening everyone, we welcome you to the second earnings call post our IPO in late November, glad to be connecting with all of you.

Like Rajan stated, we have had a very strong quarter again, we are overall happy with the performance in the quarter as well as the full fiscal. Just talking about our Q4 financial performance we have reported an operating revenue of about Rs. 117.5 Crores or about Rs. 1,175 million, which on a quarter-on-quarter basis if you compared to the immediately prior sequential quarter there was a growth of about 9% and on a year-on-year basis the revenue has gone up by about close to about 48%. This was possible because of a fairly strong and robust demand that we witnessed across our existing portfolio of accounts where we saw increased demand for the services that we provide from our existing client set as well as new logos for the full fiscal we have added close to about 18 logos, which further validates the strong growth momentum that we are seeing in the market today.

From a profitability standpoint, EBITDA for the quarters stood at about Rs. 35.8 Crores growing 11.2% on a quarter-on-quarter basis and about 27% on a year-on-year basis. Despite some of the supply side challenges which include availability of talent as well as rising hiring cost as well as people cost, we were still able to sustain our EBITDA margins at about 30.5% for the quarter, which further validates the strong fiscal discipline that we exercise at Latent View. Profit for the quarter stood at about Rs. 35.6 Crores growing at about 30.3% quarter-on-quarter adjusted for exceptional items. The Q3 of FY22 had a one-time benefit of about Rs. 22.6 Crores which was owing to the loan forgiveness in the US that we had received and that was booked as a one-time exceptional item adjusted for that our profits are still grown on a quarter-on-quarter basis and the profit for Q4 grew by about 49.6% on a year-on-year basis. The one other aspect that I would also like to highlight specifically for this quarter is from a tax standpoint we had a benefit that came in from the exercise of ESOP options this is specifically with regard to some of our employees who are situated in our US subsidiary and therefore there was a tax benefit that came and that was booked in Q4 of FY22 which is quite on a comparable basis our tax expense for the current quarter is a little lower.

Drilling down a little further and looking at some of the verticals that we have CPG and retail and technology continue to witness very, very strong growth momentum in FY22 more specifically CPG and retail if you look at it as a vertical grew by about 113% for the full year and technology which is the largest vertical for us contributes close to about 65% to 70% of our overall revenues grew by about 30% to 38% in FY22 validating the robust growth environment and as well as our strong domain capabilities in these verticals.

Coming to the cost side, the employee cost grew by about 6.6% on a quarter-on-quarter basis this was driven by variable pay as well as some of the benefits that we had to pay out on account of the exercise of ESOP. The other expenses are the SG&A for the quarter stood at about Rs. 119.1 million the increase mainly due to higher travel costs as well as some of the investments that we are making on the marketing side where we have had higher advertising and sales promotion expenses.

Coming to the full year performance, we clocked revenues in excess of Rs. 400 Crores which is a record for us this is the first time we are going past the Rs. 400 Crores mark, the last quarter we actually recorded revenues in excess of Rs. 100 Crores, which was the first time we clocked that number in a particular quarter and we are very happy to announce that for the full year we went past the Rs. 400 Crores mark. Our operating revenue for the full year stood at Rs. 407.8Crores growing at 33.3% on a year-on-year basis. The EBITDA stood at Rs. 122 Crores registering a growth of about 16.5% on a year-on-year basis. This again despite two rounds of wage hikes and bonuses that were paid out to all the performers in the current year we were still able to maintain a fairly healthy EBITDA margin. EBITDA margin for the full year was at about 30% and PBT before exceptional item was at about Rs. 131.6 Crores at a margin of 30.7%. Our cash and cash equivalents excluding the proceeds that we reached from the IPO as of March 31, 2022 stood at Rs. 483 Crores. In terms of the overall geography mix the US continues to be our strongest geography contributing to about 95% of our overall revenues. Having said that some of the investments that Rajan spoke about what we are beginning to do and we have already in fact initiated a lot of these initiatives. We are building a fairly strong go-to-market team in the European region, which is essentially for us it is UK, Germany and Netherlands we are making investments in each of these geographies in fact in the just recent quarter we capitalized our UK subsidiary with about close about £5 million which we believe will provide the European region with sufficient run rate to chase the pockets of growth that we witness over there.

Further we would like to reiterate before we open up for the Q&A that we continue to witness excellent momentum in the market, we look forward to enhance our capabilities, we continue to invest both in the sales force as well as domain expertise, we will continue to invest for growth in the coming quarters and also pursue inorganic opportunities, we are trying to deliver healthy growth in the coming quarters as well. With that I will hand it back to the operator and we can open the floor for question and answers.

Moderator: Thank you very much. We will now begin with a question and answer session. The first question is from the line of Karan Uppal from Phillip Capital. Please go ahead.

Karan Uppal: Thanks for the opportunity and congratulations on a very strong FY22 performance. I have three questions, first question is if you can elaborate some of the work which you are doing on the predictive and prescriptive analytics side, and how big are the deal sizes here and which are the verticals in which you are seeing demand, very strong demand in predictive and prescriptive specifically?

Rajan Sethuraman: Predictive and prescriptive analytics we are seeing across the patch. So we have been doing such work with tech companies and digital native companies for quite some time, but we are also seeing that in retail and then consumer products, we are seeing it in banking and financial services as well. I can give you a few examples of the type of work that we do. So for example for one of the large tech companies we have been helping them on their collections sites like supporting the analytics that powers the collection efforts, so there the analytics work is really around predicting which of the outstanding invoice items require the kind of attention and engagement and effort given their triaging and tearing model that they have put in place because not all of the outstanding invoices would require the same quantum of effort or the type of involvement which outstanding invoices will get collected easily versus which other require effort for example is one area where you have been supporting them on. For another tech companies that actually sells all of its software through a subscription format we have been helping them on understanding customer segmentation using again a predictive AI model. Earlier they were doing segmentation on the basis of demographics largely, now that most of their software is consumed through an add-to-Service model. They now have a plethora of information in terms of the different features and functionalities that customers are using and at what occasion are they using and what purpose they are using it for. So we have been able to help them redo their entire segmentation and then predict the kind of offers and marketing campaigns and discounts that will appeal to them given what the nature of their usage of the software is. Likewise in the consumer package good for example we have been able to help a lot on the innovation side so we are currently engaged with one of the largest FMCG companies and we are helping them figure out the trends within the ice cream business that they have in a specific market and geography. This is really in terms of flavors, in terms of colors, appeal, in terms of ingredients for example right, so this is again using some amount of machine learning and consuming information that is available in the social media that helps understand what is trending and therefore what should they be focusing on. We see a fairly strong demand for predictive prescriptive analytics across the patch also in industrial area where we are working with automotive companies for example we are currently working with iconic European automotive company and using geospatial data to again predict the possibility of what kind of services can be consumed that might be necessary by the use of all the automobiles at various points in time. Overall if I look at predictive prescriptive analytics I would say that the value of those engagements they still are smaller in comparison to the traditional lookback analytics largely because predictive prescriptive analytics work is still in some sense experimentation and it pilots that organizations undertake some of them tend to become fairly large initiatives, but if I were to just compare lookback analytics with lookahead analytics I would say that lookahead analytics are still typically fixed fee, fixed scope engagements smaller in size, but as organizations start getting more comfortable with the results of this work and they are able to incorporate them into their day-to-day decision making they are expecting that there will be more work which would be of a larger nature right that will materialize.

Karan Uppal: But if you can quantify how much is the deal size of lookahead versus lookback or relatively if you can give some color that would be very helpful?

Rajan Sethuraman: Predictive prescriptive was we have seen its range all the way from about $250k all the way to even $750kto million in size. Lookback analytics on the other hand which is more around the diagnostic perspective and the reporting dashboarding and the storytelling that is required typically we set that up in a COE or managed solutions format and there are accounts where we are doing a ton of work right multi-million dollars in terms of the total quantum of work that we are doing for them, so there is already enough evidence and example where the lookback analytics is substantial in nature whereas on the predictive prescriptive sites there is still more the fixed fee engagements in the scope that I indicated, but we do see that there is an uptick and an uptrend in terms of the size of the predictive prescriptive analytics work itself, but it is not at near the levels that we see in the lookback analytics.

Karan Uppal: Thanks for the elaborate answer. The second question was on margins and this is to Raj, so Raj EBITDA margins in FY22 if I look at having a drop of about 400 basis points and pre-pandemic Latentview reach to operate at around 25% to 26% level so do you think that given the current demand environment and also the supply side pressures and overall inflation which we are seeing in US will we be able to defend the 30% EBITDA margins for next FY23 at least?

Rajan Venkatesan: While we will not give out a specific guidance in terms of what is it that we will be running for just as a philosophy and the way we run our business even historically we have always tried to grow profitably that is one mantra that we have always stuck to. Having said that we are cognizant of the fact that there are ample growth opportunities that are out there what we have achieved till now while we have grown to a certain level we crossed the Rs. 400 Crores mark the opportunity out there is immense and obviously we need to make full utilization of the opportunity in hand and therefore we will be making investments both in terms of higher marketing spends, improving our visibility out there in the market and as well as hiring more frontend sales people who sit in the geographies where our customers come from both in the United States as well as in Europe we will continue to make significant investments in both people as well as marketing spends the other thing that we are also very consciously trying to do is build capabilities around domains where we believe there is significant growth potential. CPG, retail and BFSI Rajan spoke about them these are verticals that we will continue to invest in terms of bringing on specific domain capabilities and therefore we will be in an invest mode in the coming fiscal years. Having said that we obviously spend on the right areas, we continue to invest in areas for growth, the intent would be to spend money where it would set us up in the right way to sort of grow in the coming years, but all in all what I would like to leave you with is while we will continue to make these investments we will still aim to deliver healthy margins even in the future.

Moderator: Thank you. The next question is from the line of Deep Gandhi from Astute Investment. Please go ahead.

Deep Gandhi: Thanks for the opportunity. First question I have is around competition so one of your competitors has recently raised significant funding from a private equity firm, so just wanted to get a sense from you that are you seeing an increased competitive intensity in the industry and if you are facing any pricing pressures in the existing contracts as well as the new contracts which you would be signing so I wanted to get a sense about this?

Rajan Sethuraman: The competition at this time I would say is more for the talent that is available right in the market rather than it is reflecting on any kind of pricing pressures, in fact in the last 12 months as part of not only the renegotiation of contracts that we have with existing stakeholders but also the new contractors we have been able to sign up we have been able to see a good uptick in the pricing power, this is also because of the fact that we focus on the harder to solve fuzzier complex problems like that I talked about so I do not think there is any issue on the pricing front at all. Overall while there is competition, I think the pie is also expanding it is growing significantly and all of us have our respective niches in which we are very strong so we are fairly strong in the technology and the digital native space and we do see a lot of demand for our services in that space. If we look at packaging financial services or retail or a CPG of course some of our competitors are a bit more entrenched there and there we do have to look at how we can get a share of the expanding pie in those markets. So competition is playing out in that perspective. Talent is another story though it is fairly difficult to hire lateral talent whether we are talking about delivery or capability building or domain expertise so that is an area where one has to really look at how do you convince people right to get on board especially given that we are not only competing with one another in terms of pure-play analytics, but you are also competing with other larger systems integration players who are looking at their analytics practices or general multinational companies who are ramping up on their internal analytics capabilities. So overall I would say that not much of pricing pressure what we really need to handle is the issue on the talent front. One thing that we have been doing on the talent front is to really ramp up on our campus hire so as of now we have already made about 250 offers and people are starting to join us and we believe that this will help address some of the pressure in terms of people that we need for our upcoming engagements. We also instituted a fairly robust internal rotation program that will help us have any new engagement at least one third of those new roles with people who are tenured so that they are actively and proactively looking at whom we release from our internal pools for new engagements while maintaining the balance of tenure and experience in existing as well as new engagements.

Deep Gandhi: Second question I had was if you can please elaborate on how easy is it for a pure-play data analytics company like you to get more contracts. Contract within the size of maybe say Rs. 20 to Rs. 40 Crores and do you feel that pure-play analytics companies like you maybe face lesser competition in the lower ticket size contracts where may be your bigger competitors like say consulting giants like McKinseythose kind of players might not be focused much on and so a related question to this would be then a separate question but related to this, so are the margins which you get in those bigger ticket size contracts are those similar to maybe the lower ticket size or do you get better margins in the lower ticket size contracts so if you can please explain this?

Rajan Sethuraman: When I was answering an earlier question there was this nuance between predictive prescriptive analytics type of work and lookback on diagnostic descriptive type of work right. Some of the more complex projects on the advanced analytics like the lookahead sometimes can get us a bigger premium because of the complexity of the modeling task or the problem that needs to be solved, but barring that we do see that most of the work that we do commands a reasonable premium in the market in terms of the pricing power that we have, even on this data engineering front which is where typically you see a lot of low end happening not just the lift and shift, the general platform migration type of work since we are focusing more on the architecting and design and build out of the layers that can sit on top of it, we are using more of the newer age technologies and tech practices are available like a snowflake or a databricks for example we are able to command the kind of premium there is enough work that needs to be done here itself so that we do not need to really look at the lower end of the work just in terms of pure migration or lift and shift type of work, so we are currently focused more on the higher value end of the spectrum and so therefore we are not seeing too much of a difference between the spectrum of work that we do itself. Now having said this I think whether this would sustain and how it will work out we will have to look at how quickly and how soon larger organizations will ramp up on their data analytics initiatives and how much of that will need a more robust core and a more integrated and a holistic approach. As long as initiatives are done more by the business units and by particular functions of owners using just the data that they have they will have a certain size and they will have a certain kind of specification. However, we do see that many organizations are taking that more integrated approach. So, in some sense it is like the evolution that happened the several years back between custom development and ERP implementation. So, we are starting to witness that especially have organizations accelerated their digital transformation initiatives. So, we are expecting therefore there will be more complex work which is also larger in size. The holistic integrated approach brings its own challenges, and one gets the opportunity to really architect those larger complex platforms, but also use data in a much more sophisticated fashion so therefore we believe that there will continue to be a high value end of the spectrum where we can play and that is what we are orienting ourselves towards. The other point is that as long as if it is only skills and capability play then you attract a certain kind of pricing power, but if we take well crafted value propositions into the market at the intersection of a vertical and horizontal area so for example the shore sales optimization for retail company or inventory management for CPG company if you take a very specific revenue growth management there are very specific areas where one can define a value proposition and the analytics approach needed to tackle that and if we are able to take those value propositions into the market we see that it opens more doors and it also commands the kind of premium that we are getting now.

Deep Gandhi: Thanks for the elaborate answer I will join back in the queue.

Moderator: Thank you. The next question is from the line of Akshay Kothari from Envision Capital Services. Please go ahead.

Akshay Kothari: Thanks for the opportunity. Sir could you give the revenue breakup of business analytics, consulting, data engineering and digital solution?

Rajan Sethuraman: For us the consulting revenue is roughly about 12%-13%, data engineering will be about 25% of the revenue, the balance will be all the business analytics which is the diagnostic and prescriptive as well as the predictive and prescriptive so that will be about 60% I would say about 40% in total is the diagnostic prescriptive variety and 20% in total is a predictive prescriptive variety. Our digital solutions are not priced and sold separately we typically embed them into the performance of our work whether it is data engineering or whether it is some amount of diagnostic work which is used in consulting or whether it is in the delivery of the diagnostic and the prescriptive type of analytics, so we do not look at that separately the solutions are embedded where appropriate right in providing the rest of the services that I talked about.

Akshay Kothari: My understanding about the business is preliminary so you did mention about the employees which play a lot of role and hiring which is being done so I just had a couple of questions like what would be our attrition rate and how much of our what we can say work is dependent on employees so regarding that can you elaborate?

Rajan Sethuraman: We are largely still consulting and services organization, so much of the work that we do is predicated on the people and the effort our people expect on the different engagements. Having said that there are multiple assets that we have created assets and accelerators that we have created over the 15 years of our existence that allow us to really create some nonlinearity in terms of effort versus revenue, so in many of the work engagement that we do not know whether it was around customer analytics or marketing analytics or even people analytics we would have done pieces of work several times over right with different accounts and therefore we have been able to abstract them and then encapsulate them, it acts as an accelerator that provide us that nonlinearity so that is something that kicks in it is not exact direct correlation between the number of people and the effort that we spend versus the revenue that we create, but at the heart of it, we are still a consulting and services business we do not have products that are creating nonlinearity from a revenue perspective. Now going back to your original question on attrition, attrition was quite high in the last fiscal I would say that attrition had started trending up even from the fourth quarter of FY21 and then it kind of continued to be fairly high in the first three quarters of the fiscal year that ended, we used to operate in 25%-26% earlier but it went up significantly in comparison to that number crossed the 30% mark during the period but Q4 has been okay in comparison to the previous three quarters and Q1 this year we are again continuing to see the trend coming down so we are kind of back to what it used to be in earlier times 24% or so 24%-25%.

Akshay Kothari: What would be our total number of employees?

Rajan Sethuraman: So as of March 31, 2022 we were at 860 people, we have been making additions but I cannot share that number right now because it will be next quarter's numbers.

Akshay Kothari: Outside India lastly?

Rajan Sethuraman: Out of the 860 approximately 120 people or so would be outside India.

Akshay Kothari: Okay thanks a lot Sir all the best and I will join back in the queue.

Moderator: Thank you. The next question is from the line of Chintan Shah from Chanakya Capital. Please go ahead.

Chintan Shah: Thank a lot for the opportunity and congrats on the results. Basically in the previous concall you spoke a little bit about the smart insights pool and platform that you were developing if you could provide me further information on what is the work we are going or ahead with on the product and platforms please and any significant wins or traction that you are seeing on the same?

Rajan Sethuraman: Smart insights is really our AI platform that we have built for trends 40 essentially it is a platform that is able to ingest vast amounts of data from multiple sources of information could be social media sites, could be other blogs, it could be websites, basically we can point it that any public source of information and we can ingest data either through APIs or handles provided or even through web scripting and that is the capability that it has at the front and in terms of ingesting data and then once the data is in we use the artificial intelligence and machine learning algorithms that were built into the pool to be able to identify, discern, quantify and qualify the trends that are emerging in that space. So we had initially built it to identify trends for a beauty and cosmetics manufacturer and the intention was to identify trends before they became substantially large and can they spot a trend before it becomes large so that they can build an innovation or a product to capitalize on the trend. So that was the original intention of what we built and then after that we have been able to refine it over the course of several other engagements and now that product is capable of it is a solution I would not call it a product that solution is now capable of actually being pointed at any particular domain and then we have this data about that domain and then identify the trends and the quantification, qualification, how long will it take for the trend to pan out for it to become big who are the main influencers and the categorization of the trends set into multiple categories from functional, technical, it could be even things like governance for example, there are trends related to where is it manufactured, labor conditions, all of these things can be identified. So that is the platform that we have developed. I mentioned in a response to an earlier question that they currently engage with the large FMCG company they are helping them identify trends in the food ingredient space so that is a project that is ongoing at this point in time. We continue to refine that based on new product market combinations so every new category as we call it right category market combination is something that we have to train the data and we have to build the model so that we are able to provide the kind of trend related quantification right of the client so it keeps expanding with every new engagement. We are using it as a conversation starter in many instances. Selling it as a full solution on a leave behind basis I would say that we are still a little behind on that curve but what it is helping as organizations that kick start their business transformation initiatives post the pandemic is that it is a very, very interesting conversation starter for us just the whole trend spotting area itself something that is fairly hard. We are looking at taking it into newer areas for example one of the things that we are doing with the subscription commerce value proposition is to help OTT platforms and content generators to figure out which content is resonating with which kind of audience so we are currently working with one of the tech companies, which has a short format video offering right on their platform and we are helping them with analytics from which customers are interested what kind of content, so again that is the place where the algorithms and the AI model that we have built as part of SmartInsights, so sometimes we use it as conversation starters but in many instances we have been able to take the components that we have built there and embed them into the engagement that we are delivering.

Chintan Shah: Alright thanks a lot for the elaborate answer and all the best for the future.

Moderator: Thank you. The next question is from the line of Deep Gandhi from Astute Investment. Please go ahead.

Deep Gandhi: Thanks again for giving me an opportunity. Now the next set of questions which I have, just wanted to know how have the top five clients for you grown in last few years and a related question is what kind of churn have you historically seen in the top five clients?

Rajan Venkatesan: So the top five clients for us we have an average relationship tenure in excess of five years for all the top five clients in fact in terms of their overall contribution to revenue we have seen steady and significant growth in all our top five accounts in the current fiscal compared to the last year, in terms of the overall contribution itself you would see if you will take a look at the investor presentation that we put out our top five clients contribute in excess of board for the current year they have contributed close to about 59% of our overall revenues and for the immediately preceding fiscal year their contribution to total revenue is close to about 52% so you will notice that there is a healthy and a significant growth that we have witnessed in each of these accounts and these are long-term sticky relationships that we have, in each of these accounts we interact and provide services to multiple stakeholders and therefore it is not just one group that we work with, for instance our second largest account for instance that we have today apart from doing work in the United States very, very recently we have had conversations with them to deliver work for them in Singapore as well as UK where the stakeholders are completely different so therefore while from a concentration standpoint these are relationships that contribute a significant amount to our overall revenue pie we have relationships with multiple stakeholders which in the long run to be a very sticky factor for us.

Deep Gandhi: If you can give a sense what kind of churn rates have you seen historically in these top five clients?

Rajan Venkatesan: So for the top five like I said these are all sticky, the current set of top five clients that we have we have sticky relationships and we have had relationships in excess of five years, in the past and this I am talking about 2016 and 2017 one of our largest accounts at that point in time decided to take the entire analytics capability in-house and therefore we did witness some amount of that work ramping down over time of course that this particular client still continues to be an existing account in fact even in the last year we clocked some revenues from this particular account, but this was a fairly significant relationship that we had in 2016 which went down or ramp down over time, apart from that we have really not witnessed any significant churn at least in our top client relationships.

Deep Gandhi: So the next question I have was if you can give a number that in your total clients how many of those are active fortune 500 clients?

Rajan Venkatesan: In the current fiscal the total active fortune 500 clients will be close to about 30 odd clients.

Deep Gandhi: How has this number changed over the last maybe 2-3 years?

Rajan Venkatesan: It has actually grown at a steady pace we were at about 25 odd customers a couple of years back and that number has grown to 30.

Deep Gandhi: Last question I had was in FY22 you have mentioned that 95% of your revenue is from clients based out of US so if you can clarify that are these clients stationed out of US and that value segmenting the revenue or this 95% of revenue is specifically coming from US geography?

Rajan Sethuraman: I am not sure we understood the question correctly can you repeat that please.

Deep Gandhi: I wanted to understand that in this 95% of the revenue which comes from US so is it coming only from USA that is from USA country or is it that these are the clients who have their headquarters in US and you would be getting the revenue from various geographies but because they have their headquarters in US you are segmenting as revenues based out of US clients so wanted to understand that?

Rajan Sethuraman: It is a former what you said first they are actually clients located the stakeholders are located in the US the relationship is for the stakeholder in the US and typically we are doing work for that stakeholder; however, it is possible that, that stakeholder might have a global remit meaning that analytics that they are doing might be supporting other geographies as well, but the primary stakeholder relationship and the team that we are working with will be in the US. There are a few instances where some of the clients that we work with they have geographically dispersed team in which case we have engaged with stakeholders in the respective geographies. So we currently have at least two, three accounts where the primary relationship is in the US but they have their analytics team sitting in Europe or in Singapore for example and when that happens then we will engage with the stakeholders in that geography as well typically when we do that we classify the revenue into that geography based on where the stakeholder relationship is with us.

Deep Gandhi: Thanks a lot for answering all my questions.

Moderator: Thank you. The next question is from the line of Karan Uppal from Phillip Capital. Please go ahead.

Karan Uppal: Thanks a lot for the followup. Just wanted to get a sense in terms of the captives, so in your experience do you think that now data analytics is getting outsourced more as compared to few years back, the reason to ask this question is maybe because of the clients may consider this to be the core work and they do not want to share the data with service providers or they do not want to work with it what is your experience on that, any color would be very helpful?

Rajan Sethuraman: I will answer that question in two parts in terms of core, non-core and the philosophy of the organizations that we work with. We have seen all kinds of models and one kind of model as you say core will be retained by internal teams and non-core or what they call peripheral or enablement type of areas is where they engage with an outsourced service partner. There are models where both core and non-core they are happy to do that and then there are of course other models where they would like to do everything internally and then they want to work with a partner only from a capacity augmentation perspective where they still retain control and they retain their governance requirements on the engagement. So we see all kind of model just as an example I mentioned the tech company that we work with I gave the example earlier of how for one of the largest tech companies in the world we are powering the analytics behind their short format video offering that they have on their platform so we do that, that is a very core work, similarly for the same tech company we have been powering the analytics around their shopping channel or around their payment functionality for example. We also support them on non-core like collections for example so it is a kind of a mixed bag that we see. It more depends on the philosophy of a particular client rather than that everybody outsources non-core and keeps core areas internally. Since this is a question that is typically asked of us I will go on to say that for tech companies and for the hardcore techies who work in those companies inventing the next algorithm is a more interesting and important thing as opposed to applying analytics to the marketing function or the customer segmentation function, the techies will see these as non-core right in some sense even though marketing or customer segmentation or publishing will be very core and important to the business system, so it is just a question of how do you define a core and non-core and from whose perspective like you are looking at it. In terms of trend we see that organizations are ECCs in particular we see that there is a general uptick in digital transformation initiatives and there are two issues that typically they will have to face and handle one is whether they have the capability itself and sometimes some of the newer digital initiatives tend to be more complex and challenging requiring a certain amount of depth of expertise in new areas and capitals may not be able to easily ramp up right for such channels so that is one deficiency sometimes that they have to face. The other one is just simple capacity available, many organizations are very rapidly accelerating their transformation initiatives and if they suddenly need to do 10 initiatives whereas earlier they were doing only three or four they just would not be able to wrap up quickly and then in those instances we do see being either in the form of capacity augmentation or even entire projects or initiatives being picked up and handed over to an outsourced partner so we are seeing both of those models. In the recent past I would say that there is a general uptick in terms of demand everywhere because of most organizations coming out of the shell and then starting to do more area of data analysis.

Karan Uppal: That is really helpful. The second question was on the M&A so right now we are sitting on a healthy cash balance somewhere around Rs. 900 Crores so are you considering any significant M&A in FY23 maybe to diversify geographically or vertically?

Rajan Venkatesan: As far as inorganic is concerned that is a clearly stated object for us, also in fact one of the stated objects in the IPO itself was to pursue inorganic opportunities. Well the company today at this point in time has a very clearly well articulated M&A criteria which we use to filter the sort of targets that we want to. At this point in time we have actually done a fairly active screening of all the opportunities that are out there and we are in fairly advanced conversations with a few candidates. Of course the timing of closure as well as the certainty of closure it all depends on multiple factors including strategic equipment, how does this business culturally aligned with the latent view culture at this point in time, so those are all aspects that we will consider carefully before we make any investment decision, but in terms of the effort as well as the pursuit of inorganic opportunities there is a lot of work that is happening within the system today. We are hopeful that in the coming quarters we should be able to identify, narrow down on interesting targets as well as hopefully we should be able to make an M&A investment in the coming quarters.

Karan Uppal: Last is a bookkeeping question, if you can help us with the onsite offshore ratio utilization level and the hiring target for FY23?

Rajan Venkatesan: So the onsite offshore ratio for the current fiscal was close to about 1:5.8 or close to about 1:6 that is the ratio that we are currently working with. The utilization itself I do not want to put out a number there because unlike a traditional IT services company we like to position ourselves more as a premium consulting partner and therefore this business by itself typically needs a certain level of buffer that you need to carry and this is more for the people to ideate and build value props and therefore the business today needs a certain level of buffer when I say buffer this is a level of resources that we need to carry at any point in time and that in any particular quarter would range anywhere between 15% to 20%, but we do not want to call it utilization instead what we want to call it as the buffer that we would like to carry at any point in time for us to be able to position ourselves as a premium consulting partner. On the hiring target itself we do not want to give out a target at this point in time, but like Rajan mentioned we are actively going to campuses, a bulk of our hiring requirement for the next year will come through campus hiring, in fact a lot of the new joinees will be coming onboard, some of them have already joined us in May and a big chunk of them will join us in June, so when we give you our Q1 update you will see what is the sort of uptick that is there in the headcount.

Karan Uppal: Thanks a lot for answering all my questions and all the best for the future.

Moderator: Thank you. The next question is from the line of Akshay Kothari from Envision Capital Services. Please go ahead.

Akshay Kothari: Thanks for the opportunity again. Just two quick questions one is do we have something to do with elections or we do not do anything to do with elections?

Rajan Sethuraman: Sorry was it elections?

Akshay Kothari: Yes, elections.

Rajan Sethuraman: No we have done nothing on elections so far.

Akshay Kothari: Okay that is great and I assume that the top three consulting firms and they would be having their own consulting department as such, but there are a lot of opportunities wherein small consulting firms they do not have these sort of analytics software developed in-house and also since I am from a CA background so there is a lot of need for analytics in audit as well so how do you see this opportunity panning up and are we supplying anything to them?

Rajan Sethuraman: It is a very interesting question because this came up in two discussions that we have had over the last couple of days. Yesterday internally when we were debating on the strategy we saw that finance risk regulatory compliance is an area which could actually do with a lot of analytics help, basically the CFO organization like the risk and compliance officer that is an area that should actually need a lot of help and support and today when we were doing our Board meeting and our auditors were presenting they actually showcased some data analytics and algorithms that they use so it is a very interesting space I think it is only probably I am sure that it is underpenetrated as we talk about, there can be a lot more sophistication in the use of data and analytics to guide and actually make audits and accounting risks and regulatory and compliance all more impactful. We have been working with some of the Fintech companies in this space out of the US and we see that this coupled with data governance and other kind of data lineage capabilities could be very, very important and interesting just to establish and help with all of those areas that we talk about. So this is an area that we will be looking at in a more closer fashion. Till now what we have been doing is more in the nature of consulting services for the clients that have come to us. Whether we can look at partnering with audit accounting firms and other firms engaged in the business of risk and regulatory and compliance and provide an analytics backbone or a platform is something that we can evaluate in the coming quarters.

Akshay Kothari: That is great Sir. That is it from my side and thanks a lot and all the best.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to the management for closing comments.

Rajan Sethuraman: Thank you. So thank you all for joining this second earnings call that we have done since we are going public. We are fairly excited about the year that has gone by, but we are even more excited by what lays ahead of us. While there is some amount of concern that has been talked about in recent times because of the inflation and the possibility of some slowdown in the US right now where we said we are not seeing any headwinds that clients are talking about, retail is one area where the results that have come out recently by target for example is resulting in a little bit of question around whether organizations should be able to sustain the pace at which they were planning to invest on data analytics in the past, but that of course we are not hearing any other concerns at this time. We do believe that the next one, two quarters will be important for clients to hold out and continue to spend and make investments in the area of data analytics. As always our data analytics is an area which can help with revenue enhancement measures as well and not just around the cost containment or optimization it is more an effectiveness play as opposed to an efficiency play and that is what I tell our teams internally as well as clients are interactive. So we believe that given the refocus that most organizations have in terms of revenue enhancement they will continue to use the power of data analytics for several of these initiatives. We see good momentum in the number of conversations and in line with that we have been and we will continue to make the investments into the front end, into the capability building, into the assets and the accelerators that we are putting in place and also in terms of the geographic expansion into the European market, so these are all areas that we have focused on fairly aggressively at this point in time and we believe that these investments will start panning out in the coming quarters. With that we will close this call. Thank you again for joining in and then we hope to connect with you again in the coming quarters. Thank you.

Moderator: Thank you. On behalf of Latent View Analytics Limited that concludes this conference. Thank you for joining us. You may disconnect your lines.