"Latent View Analytics Limited Q1 FY2023 Earnings Conference Call"

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MODERATOR: MR. DIWAKAR PINGLE – EY LLP, INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2023 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 Mr. Diwakar Pingle from EY Investor Relations. Thank you and over to you Sir!

Diwakar Pingle: Thank you, Jacob. Good evening to all the participants in this call. Before we proceed let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties, and other factors, 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 Q1 FY2023 Earnings Call of Latent View Analytics Limited. The results and investor presentation have been mailed to you. In case anyone does not have the copy of the press release or presentation or you are not in a mailing list; please do write to us we will be happy to send the same to you.

To take us through the results today and to answer your questions, we have Rajan and Rajan, 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 you are transcribing. We will be starting the call with the brief update of the quarter given by Rajan, which will be then followed by financials given by Raj.

Having said that it is my pleasure to hand over the floor to Rajan, over to you!

Rajan Sethuraman: Thanks, Diwakar and thank you all for joining the call today. I am just going to share the highlights from a business perspective and then I will pass it on to Raj.

So, first half we had a fairly strong quarter in terms of growth and revenue as well as EBITDA on year-on-year basis and our EBITDA did come in at a higher than planned range from a percentage perspective, so we are able to continue to make the investments that we had indicated in our earlier earnings call as such. The investments have been largely in the area of addition to the sales and business development bandwidth that we have been making in the US, but also to begin within Europe and in India and I will talk about it a little while later.

We have also been able to add people to the front end from a client services perspective and they have been building up our delivery and capabilities as well offshore. Overall, we see good traction for our services whether it is consulting or the data engineering work or the value proposition that we are building in different entity, industry verticals, or capability horizontal, for example, on the consulting front, we have had a few wins where we are helping organizations with the analytics strategy and on the roadmap of initatives that they should be executing, for example, a recent win in a Tech automation Fintech Company we are really helping the entire marketing organization starting from the chief marketing officer downwards in terms of thinking through their analytics strategy and how they should be setting up their analytics capability and how they should be structuring it.

So, there is a good set of conversations that we are having on the analytics capability on the strategy and structure front. We also see good traction for the supply chain value proposition that we have been building, it is called ConnectedView, we have been talking about it in recent times to clients and prospects and also on the media and there are at least half-a-dozen conversations that we currently have where the value proposition is underway and we expect that we will start seeing the first few closures and wins in the coming quarters and another note the partnerships that we have been pursuing that has been progressing well as well. We find partnerships that IBM data services team and also with the Neo4j, which is the provider of a graph database and related solutions and we are starting to see initial conversations and how we can build these capabilities and bring them to the table with clients and prospects.

I mentioned the addition on the Europe front; Europe is an area that we are doubling down on the back of the IPO. We are making substantial investments in Europe. Our Europe business head joined us earlier this month and we have also made a few offers on the same from the business development bandwidth and also on the delivery side and we are expecting that we will continue to ramp that up in the coming quarters. While this ramp up has been happening, we expect that the actual impact in terms of these investments will start playing in a couple of quarters or so. We also kicked off India as geography at the start of this fiscal year and I am happy to note that they are having a good number of conversations with the India as well as International clients who need analytical services for addressing the market in India and they are expecting the notch of a few wins in the quarter two.

Overall, we made net addition of more than 100 people in quarter one with the heavy focus on campus hiring with about 80 plus people coming from campus, going forward also we believe that the bulk of the recruitment that we will be doing with be focussed on the campus joiners and finally I wanted also to highlight that we have been able to revive analytics round table events. We were doing this prior to the pandemic twice a year either in the west coast and east coast or sometimes in Europe as well. We have been able to reinitiate those round table events and we did the last one a couple of weeks ago in San Francisco. I just got back from that event and had good conversations as part of the event as well as subsequently meeting with clients and prospects. The round table event was well attended by our advisory council members as well as clients and prospects and we do expect that there will be several leads in conversation that emanate from it.

So overall good quarter, we believe that we are on the right trajectory in terms of the investment that we are making both in terms of resources as well as management bandwidth and at this point in time I will say that we are fairly confident about the trajectory for the current fiscal. With that I will hand it over to Raj to touch up on the financial highlight.

Rajan Venkatesan: Thank you everyone. Good evening to all. First of all, I would like to thank and welcome all the participants on this call.

Let me just give you a quick update on the financials for the quarter before we open up for Q&A. From a revenue standpoint, we reported revenues of about Rs 120 Crores for the current fiscal, which reflects the growth of about 37% on a year-on-year basis and 2% sequentially. Like Rajan mentioned we continue to see a robust demand for our services in fact, the order book continues to fairly healthy and we see increased traction on some of the newer conversation that are also coming into the pipeline.

From a profitability standpoint, EBITDA for the quarter stood at about close to about Rs 35 Crores representing a 28.5% growth on a year-on-year basis. In percentage terms, the EBITDA for the current quarter came in at 29% witnessing in line with our expectations as well because as one of the things that we continue to take even right through our IPO journey we will continue to make a lot of investments from both our capability standpoint as well as in terms of enhancing our frontend Salesforce so some of those investments that we started to make immediately post the IPO and in the earlier quarters in this fiscal some of those costs are now coming in, of course Q1 also had the impact of wage increments that we had given out, which range between 8% to 12% across various levels in the organization, so all of that had a marginal impact on the overall EBITDA margin profile and that is why you see a small decline from 30.6% that we reported for the last quarter to 29% in the current quarter.

Our EBITDA margins of course still continue to be at fairly healthy levels and we are confident that some of the investments that we are doing will continue to pay up in the future. In terms of PAT, our PAT for the quarter stood at Rs 31.5 Crores plus reflecting a growth of about 41.1% on year-on-year basis, of course the one thing that we do want to highlight is compared to the immediately preceding quarter the tax expense for the current quarter was higher and the reason for that is in Q4 FY2022, we had a one-time benefit, which came from exercise of employee stock options more specifically in the United States where as per US tax log we are eligible for a tax break on the exercise of options between the fair market value of this as on the exercise and the price that we take, the share are granted, so the companies are allowed to get a tax break on an expense, which is like the tax expense for the immediately preceding quarter was lower, however, for the current quarter what we have seen is, out tax rate or effective tax rate is more reflective of what our long term tax rate would be and therefore it is in line with our expectations.

In terms of geographies, US still continues to be the dominant geography for us contributing about 90% plus of operating revenues, however, in terms of our investment into Europe, we have just very recently hired a head of business in Europe in fact joined us on June 30, 2022, and we will continue to make up substantial investment in Europe in the coming quarter to ramp up revenues from that region itself.

Apart from that our cash level continues to be fairly healthy, in the current quarter we have added about 103 people on the net basis of course 84 people were campus hires. These are people that we have recruited from engineering colleges and they are currently in the process of being put through training to be deployed on project in the coming months.

To summarize, we continue to witness good momentum, the impact will continue to make investments in the coming quarters as well both on the Salesforce side as well as bringing in domain expertise, we will of course continue to invest for growth and also pursue inorganic opportunity that is another aspect that we are doubling down on, we are in fact intensifying our efforts to find attractive opportunities in fact on a couple of those opportunities we are moving to fairly advance stage at this point in time and we are hopeful that we will be able to deliver some news on the inorganic front as well in the coming quarters. Overall, fairly healthy growth as well as margin profile for the current quarter and as management we continue to remain fairly bullish on the industry as well as our growth prospects.

With that I will hand it back to the operator and we can open the floor for Q&A.

Moderator: Thank you. We will now begin with a question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Vimal Gohil from Alchemy Capital. Please go ahead.

Vimal Gohil: Thank you for the opportunity. Sir, I just have one question, I mean most of the other questions you have already answered in your opening comments, just on the sequential softness I mean assuming that you do not had a lot of seasonality to be seen within quarters, any comments on the sequential softness during the quarter because if I were to take your dollar revenue they are almost sort of fattish, while the Y-o-Y growth they looks very good, so what explains the sequential softness in revenue?

Rajan Sethuraman: Let me take that and Raj you can add in on the exceptional item that you had last quarter, we do not have too much of seasonality, sometimes we see a little bit of softness in Q3 if budgets are winding down our Q3 tends to be the last quarter for clients in the US, but sometimes we have also seen a spike because there are money left to spend and pick it up, so overall I would not attribute any seasonality, one thing that we are seeing is that we are pursuing larger opportunity and larger deals and we have been able to elevate the conversations to more senior stake holders within the target organization, some of these conversations given that they are at least $0.5 million or more in size, they are taking a little longer as well given that procurement organization gets also involved so there is several long-term gestation period that we see, but when close the deal we are able to close them at higher ticket size, so shortly that change is happening in the environment and that reflects a bit of softness in Q2, but there is also a point in relation to an exceptional item that we had in Q4 and Raj, maybe be you can touch upon that.

Rajan Venkatesan: Yes, it was not something substantial, but this was more of an account that we had for the last year, which I think due to the recessionary trend that the retail sector was witnessing. This was their account that decided to sort of, I would say both the analytics initiatives that they were seeking us and therefore there was one time settlement sort of an income that was booked in Q4 of last year not fairly significant, but just think for that the dollar growth even just for that one time item the dollar growth even in the current quarter on continuing basis would have been closure to 4% plus, so that is what is resulting in a slight bit of softness when we see in Q1 of current year compared to Q4 of last year, but overall like I had mentioned and what Rajan also mentioned is few of the deal sizes that we are currently pursuing we have seen an uptick in the deal sizes itself, some of those deals that we expected to close in the current quarter there has been a slight push in some of those, so we have not been able to won, some of the deals that we were able to close as well you know we were able to book the full revenue because we were able to be realize only one month revenue in the current quarter, but these all come into the revenue book in the following quarter, so some shifting of deals happened with current see a small bit of in Q1 compared to Q4.

Vimal Gohil: Right, just one clarification, Raj, this 4% is the reported number right on constant currency, how would you want to see?

Rajan Venkatesan: You know, 4% is adjusting for that one-time item.

Vimal Gohil: So, this will be reported right now in constant term?

Rajan Venkatesan: No, this will be in dollar terms.

Vimal Gohil: Okay, fair enough. My next question was on margin, if you can just help us probably break down the 150 basis point dip that we have had or if you also want to look at it Y-o-Y there is about 200 basis point, if you can break it down that how much of it has down because of wage hikes or higher investment how much of it has come because of onsite shift or offloading or whatever, so you can just break that up for us, please?

Rajan Venkatesan: Yes, so I will give you a high level break up of how the margin has moved from 30.6% to about 29%, so roughly about 3% to 3.5% of that impact came from wage increments plus a combination of the fact that I told you that we do campus hiring, we will start in Q1, but lot of the people are typically not engaged on projects straight away and therefore there is a training period that we have put through before when they get billable right and so the cumulative impact of that is about 3% to 3.5%, and there is also 1% impact on account of all the investments that we are making in the front end in terms of the Salesforce so that is an aspect that has also let to a margin sort of downward trend, but this was compensated by one, we negotiate better commercials and better rates in fact one of the newer conversations that we are having with or even conversations that we are having with existing clients and from our contract we are able to get better realization and we are able to drive up our rates and that plus some amount of saving on the SG&A itself where we saw a slightly lower spends for Q1 compared to Q4, Q4 had a higher impact of the visa spends, but Q1 had relatively lesser numbers, the profit is impacted from both of these items that I spoke about is about 2%, so 3.5% impact from wage as well as the investment in the frontend sales team was compensated by lower visa cost as well as better realization that we were able to get in the current quarter.

Vimal Gohil: Right, just I was hoping to hear incremental contribution from consulting to be on the positive side of the margin given the fact that our margins over there could be a better than the company average and you also said that consulting typically has better margins, so how should we read that going forward?

Rajan Sethuraman: Raj, let me just give the qualitative perspective and then you can give the quantitative.

Rajan Venkatesan: Yes.

Rajan Sethuraman: Consulting work in general tends to be higher margin because we also deploy more seasoned experience people right on those engagements and they tend to be short intensive affairs, but creating the road map and the strategy for the R&D session we are expecting that more of our clients and prospects, there will be a need for those kind of consulting conversations even on the most recent trip that I was on at least 60% to 70% of the conversations were around how is the analytical capability in that organization setup right, does not have the right focused strategy, does it have the right set of capabilities, how are they engaging with the business sponsors and stakeholders and therefore how should they configuring it so that they can deliver the necessary impact. I am expecting that most engagements going forward there will be a consulting component especially more so in the non-tech space whether it is BFSI or retail or CPG or industries and some in the Fintech context as well, so we are expecting that that will therefore contribute, however, the size of the consulting pieces of work itself is fairly small in comparison to the rest of the work that we do, so while the margins might be better there, it is only to the tune of about 10% to 15% of the work, so you will have to take it with that perspective.

Vimal Gohil: Understood, Sir.

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

Karan Uppal: Thanks for the opportunity. I have a couple of questions, so starting with the high-level question on macros, so you mentioned that one of your clients in the retail vertical has you know canceled their analytics initiative so what is the outlook on the overall other verticals as well as retail itself, are you seeing this trend is getting developed in their analytics practice and in the client analytics practice?

Rajan Sethuraman: So, the point about the particular client deciding to scale back that was not even in the last quarter that decision call was taken by them probably in June-July of last year, so the only thing is that it played out over a period of time and then eventually the settlement that Raj referred to happened in Q4 of last year, it was unrelated to the macroeconomic scenario, they just decided to go in a different direction right in terms of what they wanted to do the analytics capability and then how they create it, but coming to the current macroeconomic scenario, they are not seeing any particular softness get in the retail sector, our conversations with clients and retail as well as in other sectors, they are continuing along the lines that we had initiated even prior to the current macroeconomic concerns coming up right, be it the inflation or consumer spending or the ongoing war right in Ukraine, the conversations are going on, the only thing we see is that the closure is taking a little longer, but as I said we attributed more to the size and complexity of the conversation and the fact that in many instances there are more layers of approvals including procurement coming into the picture, so I do not see that after sign of macroeconomic influence, however, we do want to watch this carefully, the conversations are going on, but at some point clients could potentially decide right that to focus their investments on the most important initative, what we are endeavor to do and something that we have in our control is that the value propositions that we are taking to the table are directly in relation to either revenue enhancement or cost control so that it directly helps the clients do more with less even they cut back in the analytics budget so that is how we are positioning the current going in value propositions as well as the ideas that we are taking to markets, so at this time overall I would say that we do not see any cost for concern and we maintain cautiously optimistic outlook in terms of spending that will continue right on data analytics.

Karan Uppal: Right, Sir. Just a followup to that, you mentioned that some of closure is taking a little bit longer so in that context given that analytics itself is growing at 20% kind of CAGR run rate, so shall we assume that within you would be able to need that kind of a benchmark or do you think we will be lagging behind?

Rajan Sethuraman: So, you have seen the growth rates that we had in the last fiscal where we were able to outperform that industry average that we just talked about, we believe that given the strong value proposition that we are able to take to the table, we will be able to maintain a similar out performance trend in relation to the industry growth rates of this fiscal as such.

Karan Uppal: Sir thanks a lot for that clarification. Just last question is on margins, so margins you highlighted that the investment and wage hike impacted the margins this quarter, but I just want to get a medium-term outlook in terms of the investment, will the investments continue for the rest of the year, if yes then what would be the medium-term outlook on the margin front given the supply side pressures as well you are investing a lot?

Rajan Sethuraman: Yes, we will continue with the investments, so I mean I had mentioned in my opening comments that where we are currently landing on the EBITDA and the margins is well above the planned 26% to 28% right and this is something that we have indicated on previous calls as well, so we are doing much better than that and as indicated earlier any supranormal margins we will want to take and plough it back into the business and that is the philosophy that we are sticking to, we will continue to stick to, we do not see any reason for any pull back on investments at this time, so we will continue to deliver on the EBITDA range that we have in mind and we will be able to make the investments.

Moderator: The next question is from the line of Krishna Thakker from Anand Rathi. Please go ahead.

Krishna Thakker: Thank you for the opportunity. I know you spoke a little about retail, so going forward sequentially should we expect to start moving up in the retail vertical?

Rajan Sethuraman: Yes, Krishna, so the sectors that we are really doubling down on they are BFSI and what we call consumer, consumer is the combination of retail and the consumer products verticals, these are sectors where we are also doubling down right in terms of the investment, so we hired a business head for the retail practice who joined us in Q1, we also have made substantial investments in the BFSI vertical as well right even over the course of the last year and we are continuing to do that, out of that three new additions, that we had in Q1, two of them are actually in the BFSI vertical, so we are expecting that there will be continued traction in terms of growth and BFSI as well as in consumer, which is a combination of retail and CPG into the coming quarter, so over 4 to 6 quarter kind of a timeframe, I expect that BFSI and retail and CPG contribution to the overall revenue kitty will continue to increase.

Krishna Thakker: Sure, thank you so much for the colour. Regarding the conversation with clients sorry for asking this again, but I want to know some more like if you could try some more detail, are they talking about FY2023 or FY2024, are there any indication as to what the budgets could look like or is there is any pull back?

Rajan Sethuraman: No pullback, I mean obviously some of the conversations that we are having are in relation to the current calendar year, in the US most clients their fiscal year is also the calendar year of course there are some exceptions to that, so the conversations are currently under way, they pertain to initiate that they can kick up in the current calendar year itself and some of these will also spill over right into the next calendar year for them and fiscal year for them right, we are also having conversations in relation to what they should be doing over the next two years timeframe, the consulting work that we are doing, where we are talking about the strategy and the road map it is not limited to just what they can do in the current fiscal or calendar year, they are more about setting up a book of initiative that they need to execute over the next two to three years and the indications that we see in the consulting conversations are anything to go by, I would say that most clients are fairly keen right to get this underway, there was a little bit of this euphoria around getting onto digital transformation and analytics initiatives last year with everybody trying to kick up something or other, what I see now is a little bit of that rethink that we should be more thoughtful in terms of what we do and therefore we should be considered in terms of how do we setup our analytics capability, what should be the strategy and what should be the set of imitative which is a good sign because they get people like us involved in those conversations, we can help them, think through that, it also creates more visibility for us in terms of the work that is likely to follow through right on the back of the consulting initiatives.

Krishna Thakker: Understood, and my last question is regarding attrition, I know employee mix is different than that in the IT service, so if you could throw some light on attrition that will be great?

Rajan Sethuraman: Yes, attrition shot up for us as well like any other IT services and especially the ones who are focused on the digital and data analytic space, so last year was really abnormal in terms of attrition crossing 30% to 35%, but since then it has trended down, Q2 of last year was the worst, but it has trended down on quarter-on-quarter basis and right now for the last quarter and for this quarter as well, we are actually at attrition levels that are pre-pandemic and better than even pre-pandemic level, now of course it is a combination of many things, I think that demand for analytic professionals continues to be fairly strong in the market whether it is pure platforms like us or whether it is analytics capabilities or other larger organizations, product and startups or whether it is GCC right that are also hiring analytics people, I think the demand environment is still strong and that is kind of reflected in the renegade rates, and number of candidate that we need to interview right and make offers to for getting what we need, but having said that I think we have done a bunch of things to help improve employee engagement and manage attrition, one very good thing that we were able to roll out was an ESOP plan, which covered over one-third of our people prior to the IPO and that is helping at least with all the more tenured people right, the attrition levels are quite low compared to even pre-pandemic levels, we also had several compensation revisions in the last 18-month period and that has helped us benchmark and bring our compensation levels to the right numbers, so these things are contributing I mean that coupled with the fact that we do fairly interesting work, the challenges or people and get them to learn and develop new skills that is all helping, but this is fairly high demand space, attrition levels are definitely higher even in comparison to normal IT industry standards, how we plan to tackle that is more through the campus hiring that I and Raj mentioned earlier, we bring in people from engineering as well as post-graduate campus and then we engage them through our L&D programs and upscaling programs there is greater stickiness so that is the way we are looking into at the attrition and at this point in time, it is below the pre-pandemic levels and levels that which are used to and we are comfortable doing it.

Krishna Thakker: Sure, that is it from side. Thank you.

Moderator: Thank you. The next question is from the line of Dev from Invest Yadnya. Please go ahead.

Dev: So I wanted to ask questions about you said the digital transformation is a multi year journey right and the digital wave it is already progressing, so the large IT service companies they also have data and analytics is the part of their offerings and they are very skilled with that, so how different is your product offering as compared to them because clients they do not have to go for each and everything to other vendors right, so they consolidate most of their offerings, so what is the trend do you see here and how are you differentiating with respect to them?

Rajan Sethuraman: Sure, we offer best of consulting services right from a data analytics standpoint and much of the work that we do involves solving for the yield to find problems where there is a good mix of three very important skills, there is a deep domain understanding that is needed about the industry, about the functional value chain area, there is the math and modeling expertise that is needed and then finally the technology skill sets that are needed, different organizations approach this from their own vantage points and there are strategy consulting forms, which come in more with the business perspective under domain expertise, there are IT services organizations and system integrators come more from a technology perspective, we also have product company as we mentioned, what we bring as a differentiator, it is a very important and unique blend of all of these three kits, personally I come from management consulting and a business consulting background and I work at Accenture for two decades and I can say honestly that my first 15 years as a strategy business consulting where we are solving problems around operational improvement, revenue enhancements, supply chain optimization, churn management these are all problems that we earlier solved using pen and paper and excel doing back of the envelope cost benefit calculation, we are able do all of these things with the power of data and analytics today, but into the same set of challenging complex problems where there is enough work that needs to be done in terms of defining the issue, breaking down the complex for the problem in the component parts, setting up the hypothesis, figuring out what data needs to be analyzed, how do we collect the data, so it is a combination of all of these things that which needs to bring to the table, we believe that we bring that unique mix of capability right in a very impactful manner and we understand the business imperatives and the business objectives, so that every piece of work that we do we actually have a service delivery excellence model that measures the impact that we are creating like in dollar term either on revenue enhancements or cost control and that is what appeals to the client audience that we work with, we also work with the functional heads in most organizations as opposed to the CIOs of organization and the functional heads are the ones that are trying to solve these problems and in general our approach and model resonates with the more as opposed to what a very large IT organization will bring to the table, larger organizations focus more on the bigger replatforming ERP implementation, application, maintenance kind of engagement and their capabilities with respect to what we do is still fledgling at that time and you will see large organization even like an Accenture acquiring smaller data analytics companies to build these kind of capability so we believe that we are in a fairly good place in terms of what we bring to the table and the type of problems that we got.

Dev: Then I have had one more question, can you tell me what are the types of clients in your technology vertical because most of your share of revenues comes from this vertical?

Rajan Sethuraman: Right, so we work with tech companies, which are into products, services, hardware, devices, which offer their products and services in a license model as well as a subscription model, we also work with e-commerce platforms, Fintech Company, so that is the broad mix so just as an indication I mean right now we have worked with all the top five tech companies in the world, five out of the top five are clients at this time and we worked with a fairly large number of those tech companies based out of the Silicon Valley and Bay area.

Moderator: Thank you. The next question is from the line of Saurav Sadhwani from Sahasrar Capital. Please go ahead.

Saurav Sadhwani: Thank you for the opportunity. Can you please elaborate on the partnerships that you mentioned about IBM and Neo4j, what exactly is the nature and how do you see revenue changing because of these partnerships?

Rajan Sethuraman: Sure, the partnerships with IBM and Neo4j are the latest in the fold, we have already had partnerships, we have partnerships with the likes of AWS and Redshift with Microsoft Azure and the PAR platform also with the snowflake and there are also a whole host of other technology tools that are there that are used in the space now starting with visualization capabilities like Lugaru, Tableau, QlikView and so on, we have had what we call as technical partnerships with many of them, where we get access to the sandbox environment, we get access to early release material, learning environment, certification capabilities and so on and to some extent access to their technical architects and designers and so on right. In terms of figuring out for our clients, some of these we have been able to graduate into a more go-to market partnership, so one that is most advanced there is Snowflake where we are just at the tier-1 which is one below the highest tier possible and what this means is that we go to market jointly, they take us into opportunities that they are pursuing and introduce us as a Snowflake implementation partner, we are also able to bring them into the picture where the client is contemplating a new cloud solution right that they are building a data layer for example, so they have been able to win some partnership referral revenue right from Snowflake, for example right on the back of that, what you are attempting at IBM and Neo4j is along similar lines where it is not just a technical partnership, but it also includes a good market component, IBM have put together a very interesting cloud data Textech which is a mix of IBM proprietary components, but also allows you to plug and play open source as well as other competing components right into the Textech and they are pretty active in the India market, this is a relationship and the conversation that we begin with their India team and they are now starting to take us into India clients especially in the BFSI space where the opportunities for further enhancing the usage of their Textech, but they need to demonstrate the power of the Textech and what it can do by partnering with an analytics service provider like us, similarly on Neo4j it is more around the graft database capabilities and graph databases starting to assume prominence in terms of how we can solve more complex problems where the relationships between the different aspects of the problem are nonlinear in nature and we have modeled a few problems using the Neo4j technology right what they bring to the table and we see that are something interesting that can be taken to the table to solve newer fuzzy problems, but also solve older problems right in a more appropriate fashion because of the nonlinear nature of interrelationships so in both these the intention would be to have a go-to market component where we are able to take them in where they are the appropriate solution and they are able to bring us as the implementation partner in case they sell their services to account.

Saurav Sadhwani: You said this Snowflake is in the second best, so what would be better than this?

Rajan Sethuraman: I said Snowflake, we are at the second highest tier possible, Snowflake is the most advanced for us in terms of the partnership model that we have, Snowflake is also the one partner from where we have had referral revenues where they pay as a referral for introducing them right into account some of those markets perspective, but Snowflake have 40 years of partnership, so we are at the one, but the top most tier right and we are expecting to be in the top most tiers in a couple of months.

Saurav Sadhwani: Thank you, that is all from my side.

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

Akshay Kothari: Thanks for the opportunity. Sir, what would be our revenue from 30 Fortune 500 clients, which we are having?

Rajan Sethuraman: Raj, do you want to take that, I think it will be fairly high, I mean the work I would imagine that is the order of like 70% of the revenue or probably even higher, but Raj you will probably have the exact number.

Rajan Venkatesan: Yes, I do not have the exact number handy with me at this point in time, but it will be of the order of magnitude that Rajan spoke about 70% plus should be revenue from Fortune 500 I think it will be even higher more like 75% to 80% is my number, but I do not have that number straight away handy with me right now.

Akshay Kothari: And is there any room for growth in these Fortune 500 clients because I think the competitors are already having and the SI companies are already having a large share of these clients, is there any room for growth that is the question?

Rajan Sethuraman: There is opportunity for growth not only in the existing fortune 500 clients that we work with, but we can actually open up a lot more of the fortune 500 companies as such, as I said all of these fortune 500 companies they have an ecosystem of partners and service provides and they work with, they will be working with the large strategy consulting firm, they will be working with several systems integration firms, they will be working with other niche product companies, but as they pointed out earlier the blend of skills that we bring to the table and the kind of problems that we are able to solve using data and analytics is what differentiates us and we believe that there is enough scope for growth not only in the existing accounts, but also in opening up more fortune 500 companies, so as we speak at any point in time, we will be in discussion at least with two dozen companies, which we are targeting and we will keep adding to the base of fortune 500 companies that we work with.

Akshay Kothari: That is great. Sir, lastly you did mention that you are giving consulting services for startup wherein you are going to set up an analytics division, so is not it like cannibalizing our own revenue, I just wanted to understand what would sales data analytics is such an important tool and nowadays of the internet age and everything surrounding around data, so how difficult it is for company to setup or build their own data analytics position and take your help rather than outsourcing it to you, what would be the unit economics or something like that which you would like to share?

Rajan Sethuraman: I mean to address the first part of your question it is not exactly cannibalizing I mean many of these organizations that are looking to us for an analytic strategy consulting kind of an exercise they also fully realize that their own maturity right in terms of understanding the spectrum, the art of the possible within the analytic space is limited that is why they turn to somebody like us and then in many of these instances we find that once we complete the strategy and the road mapping exercise there are several initiative that emerge from that where they need our help and assistance of course some of them they could potentially decide to do it on their own even with a different partner or they might use an automated commercial off the shelves solution that is available, but that is okay with us because we want to give the best advice possible to these organizations and in the long-term I mean these are large organizations fortune 500 companies and these are big ones, so the idea is that if we are helping them think through the strategy and the road map that we get a seat at the high table we get early view into what is it that these organizations are looking to accomplish and what can they accomplish and therefore we get involved in several initiatives downstream. I can say that in the two to three exercises that are currently underway we do see a fairly long stream of initiative emerging from the consulting exercise in which we will get involved and we are not particularly worried about whether an organization will be able to build an internal capability. This is a very dynamic space actually that is the other point it is hard for any organization to actually acquire, built and retain the kind of talent that is necessary to capitalize on the latest and greatest that is happening in the space that coupled with what we can bring to the table in terms of cross pollination, approaches that other organizations are using and the expertise to address them from analytics perspective that is what is important and there is a lot of value in that which organization realize, so we are comfortable helping these organizations on the consulting front and we do see a good stream of work emerging from those exercises.

Akshay Kothari: Okay that is great, Sir. That answers my question. Thanks a lot and all the best.

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

Karan Uppal: Yes, one clarification, I was saying that the top 6 to 20 clients have dropped on a sequential basis, so is it related to the retail vertical client?

Rajan Sethuraman: No, it is not related to that I think that is just the change in the mix of revenue that we will probably be getting, so you are talking about how much revenue contribution is coming from the next 6 to 20 clients right and not the top six to 20 clients?

Karan Uppal: Yes, 6 to 20.

Rajan Sethuraman: I think the top five they have accelerated even more in the last quarter in particular, I mean our number two client has now become number one client actually yes, number two client has become number one client because they have actually grown dramatically in the last quarter the quantum of work what we are doing, so there has been a little bit of a further acceleration in the growth in the top five clients, so that will be the main contribution, Raj, did I get that right or is that some other colour you want to throw.

Rajan Venkatesan: That is correct, so our top five clients share of their contribution has gone up even more and that is to some extent showing up as lower contribution from the next bracket of claims.

Karan Uppal: Next is on the TCV, if you can share any forward-looking new pipeline or the deal win, which we are getting just to help us understand overall in terms of visibility?

Rajan Sethuraman: We have not been putting out a deal pipeline or an order book so far, I think we need to mature more as public company before we are able to offer guidance, but I can share what I think that is typical right and then I can say that improving right in comparison to the typical, typically at any point in time for the fiscal before when we start the fiscal we have visibility to about 60% to 65% of revenues what we are targeting for that year based on the confirmed statement of work that we have and the extension like that we are anticipating at a very high probability and typically what happens over the course of the fiscal based on the pipeline of fresh opportunities that are chased that we are chasing they start converting and the extensions that we have a lower probability also as you get closer to the extension that they come through, I would say that we are getting better on that in terms of we now see that the probability of renewal for many of the ongoing work is much better because in many of these instances they have been working with the client for two years or longer and if I have been working with the client for two years or longer generally we do not see any kind of slippage happening unless the client takes a very dramatic decision right in terms of chopping down their analytics external outsourcing or deciding to do a different route or the other major structural change in the organization, those instances are very few I do not see too many of then, so one thing that we are seeing is that the probability of extension are getting more certain with the passage of years, second is we also now see that as I mentioned earlier that the deal pipeline itself comprises larger opportunity that we are going after, so it is not that we have a very long tail or a very small opportunities, but instead we are focusing on larger opportunities with the select accounts that we are pursuing and these probabilities also tend to improve right because of the focus that we are bringing on this opportunities, so in general I would say that the visibility that we have into the revenue goals that we have for the current year it has been getting better over the last two to three quarters.

Karan Uppal: Okay, thanks a lot for the detailed answer. The last question is on the wage hikes you mentioned that in Q1 you have already given the wage hikes, so is it the wage hikes have done for April 2023 or given the market situation you are expecting you will have to intervene again maybe next year?

Rajan Sethuraman: No, I think for this fiscal we are pretty much done, I mean this is the normal wage hike we do in April and we have reversed itself and we were able to do the corrections that we deemed necessary based on the benchmarking that we did, so at this point in time I would say that we are done with the wage hikes for the current fiscal, we do not anticipate any further compensation adjustments in this fiscal also there is a little bit of that demand stability, I mean last year was completely euphoric and crazy with the attrition and that has started tampering now, so we do not believe that there will be another correction that will be necessary during the course of this fiscal.

Karan Uppal: Sure. Thanks a lot and all the best for Q2.

Moderator: Thank you. The next question is from the line of Chirag Kachhadiya from Ashika Institutional Equities. Please go ahead.

Chirag Kachhadiya: Sir, I have a few questions like our 95% revenue is coming from USA and just 2% from Europe, so can you share like what plan with Europe continent going forward to increase the size of revenue from de-risking point of view I am asking and also on the client concentration side, our concentration amongst top five is very high, so what strategy on same front and also strategy for to increase the contribution of top twenty clients later on your remarks on same?

Rajan Sethuraman: Sure, so on Europe the intention is to really double down and make the investments necessary to grow the practice, we already have subsidiaries in UK, Germany and other lines and we have a handful of accounts, we see prospects for growing the accounts where we are present in, but we also believe that Europe is looking for the same kind of value propositions and solutions straight away they are able to bring to the table right what we have been doing in the US, we believe that there is opportunity in the European market as well, we have not really focused on the Europe markets in the past, but that is what we are changing starting this year, I have mentioned that we have already hired business head for Europe, in addition to that we also hired a few more people on the sales and business upfront and also on the delivery and the capability frontier offshore and we will continue to make those investments going forward, I expect that the traction in terms of starting to win the right kind of opportunities in Europe will start coming through in two quarter timeframe so I am expecting that starting Q4 of this fiscal, we should start seeing some of that playing out right in terms of wins that we have in Europe and the uptake that we start seeing in revenue, the expectation is that over a three-year period or four-year period that Europe will contribute about 15% to 20% of a revenues, which is kind of inline with what you typically see other IT services as well as in the digital space, so that is the plan for Europe and we will make the investments necessary to grow the Europe practice to those kind of levels. If I go back to your other question on the client concentration, the intention is to, I mean there are two, three things okay that should contribute to helping address the concentration, one is that we are aggressively pursuing several fortune 500 companies as well as organizations that are very gung-ho right on using data analytics to drive organization goals and business priority, so which will mean that we will continue to add new accounts into the portfolio and the focus is continuing to be on the large fortune 500 companies and clients who can spend big on analytics, one of the things that we have done internally, for example is that for a sales and business development frontend team deal incentives start kicking in only if the deal size is at least $0.5 million or more which is the kind of deals that we want to pursue, so we want to win more large logos and accounts, we want to pursue bigger opportunity in those accounts as well, for the combination of that we believe will help us get a healthy mix of clients, which are at an appropriate size in terms of the revenue and contribution to help de-risk the client concentration that we see, but having said that we are also very clear that we will pursue the growth opportunities that we have in our best accounts that we have so far and I did point out that I mean the top five, the opportunities are very high and that is where we have the best relationships that we have built so far and that is the reason they are also in the top five, so we will continue to aggressively pursue and exploit opportunities that we have there as such, over a period of time we are expecting that as we add more fortune 500 companies into the mix as we had more companies which are spending big on analytics into the mix, the client concentration will start coming out.

Moderator: Thank you. Due to the paucity of time, we will take as last question from Krishna Thakker from Anand Rathi.

Krishna Thakker: Sir, thank you for the opportunity again. Though I know we maintain a bench of 15% to 20% given that we had an intake of 100 odd employees this quarter, I was wondering if you could just share with us what is the utilization was for this quarter?

Rajan Sethuraman: For the current quarter I think we were at about 78% to 80% utilization, the bulk of the people have come on board from the campus in the last three, four weeks or so and we are expecting that we will add more people, but we have also shortened okay I would not say shortened, we have restructured the L&D and the boot camp and the training programs to allow for some faster deployment into the project while some of the learning and development happens in parallel right the capstone project and some of the other things, so we are expecting that people will get pulled into productive build work sooner than what we have experienced in the last fiscal, for example, in the last fiscal I think we did have a fairly higher percentage of un-build people in quarter two, I think it will go up in Q2 because of the additions that we are making from a campus perspective, but we are also looking at how we can accelerate the deployment into productive work, so how this pans out in the coming weeks straight after the implement that changes.

Krishna Thakker: So, do we have any target for fresher hiring for the year?

Rajan Sethuraman: Yes, for the current year as and like people who will onboard us in this fiscal I think we have a number of 250, we have on-boarded already about 100 people from engineering campuses, we have on-boarded also another 20 people or 25 people from business schools and post-graduate campuses, I think there will be a few more left some post graduate campuses, there is another 100 odd people who will be on-boarding us from these campuses, so that is what we expect in the current fiscal, we might do some off campus hiring depending on the demand scenario right and how much of an uptick we see in Q2 and Q3 right in terms of closures and demand, for the next fiscal we have already kicked up in campus hiring program, after that we will start making now in September onwards actually we have already started visiting campuses, but these people will join us only from May-June 2023, so they will actually come in only in the next fiscal, for the current fiscal about 250 was the number and I think that is what it will be maybe a round of off campus depending on the situation.

Krishna Thakker: Understood. Thank you so much and best of luck for the rest of the year.

Moderator: Thank you. I will now like to hand the conference over to the management for closing comments.

Rajan Sethuraman: Thanks, Jacob. So, the main thing I wanted to end with is that we are fairly confident about the traction and resonance that are value propositions and solutions have in the marketplace, I am especially happy with the recent round table event that we did where we had our advisors as well as clients and prospects attend and exchange a good set of ideas that they can take back to their work in terms of implementing analytic solutions. Overall, I feel that the inflection point that we have talked about earlier right in terms of company is doubling down on their analytics initiatives they are still in play, I also see that organizations are becoming more holistic and integrated in the thought process when it comes to analytic the initiatives and therefore these initiatives will move from being fringe initiatives to becoming more mainstream and more central to the execution of the organizations business strategy and goals and that all is well right for us in terms of the full suite of capabilities that we bring to the table right from consulting strategy, data engineering, look back, look at analytics right so that cool capability suite is important for that holistic integrated approach closer to the organizations are thinking about, it also means that there will be larger deal, longer term deal are more stickiness as you go forward, so combination of all of that I would say that we are confident about what is happening of course we will continue to execute on building out the value proposition from a capability making the investments that we need to make at the front end right in terms of both client servicing as well as sales and business development, but overall I feel that we are on a good track here and we will want to continue to execute well right in the remaining quarters as well. With that I will hand it over to Raj if he has any closing comments.

Rajan Venkatesan: No, Rajan, I think you have pretty much covered everything in summary, I think the one aspect that may be I will briefly touch upon is the fact that the current book of work that we are sitting on as well as the new conversations and pipeline we are continuing to witness makers us believe that there is significant runway ahead of us, which also gives us confidence as management to continue to make these investments in the content as well as building out capabilities and what we do believe is while the industry is poised for growth at this moment there are some early indicators of recessionary trends or inflation in the US, but we continue to be cautiously optimistic about the situation at this point in time and we will continue to be bullish and make some of these investments in the front end, but, however, we will take a very calibrated view of how the market itself unfolds over a period of time, but as the management of the company we continue to be bullish.

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