"Latent View Analytics Limited
Q2 FY2023 Earnings Conference Call"

October 27, 2022

MANAGEMENT: MR. RAJAN SETHURAMAN – CEO
MR. RAJAN VENKATESAN – CFO

MODERATOR: MS. ASHA GUPTA – EY LLP, INVESTOR RELATIONS

Moderator: Ladies and gentlemen good day and welcome to the Q2 FY2023 Earnings Conference Call of Latent View Analytics Limited. As a reminder, all participant lines will be in 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 Investor Relations. Thank you and over to you!

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

It gives me great pleasure to invite all of you to this Q2 FY2023 Earnings Call of Latent View Analytics Limited. The results and investor presentations have been mailed to you, in case anyone does not have the copy of press release or presentation or you are not in our mailing list please do write to us and we will be happy to send you the same.

To take us through the results today and to answer your questions we have the CEO of the company Mr. Rajan Sethuraman whom we will be referring to as Rajan, and we also have CFO of the company Rajan Venkatesan whom we will be referring as Raj to avoid any confusion while doing transcription. We will be starting the call with a brief update of the quarter which will be given by Rajan which will be then followed by the financials given by Raj.

Having said that I now hand over the floor to Rajan. Over to you Sir!

Rajan Sethuraman: Thanks Asha and thank you all for joining this earnings call. First of all I wanted to wish all of you a belated Diwali given that this is the first week and it is indeed a pleasure to connect with all of you on the back of strong results that we have had for this quarter. We had a good set of numbers for this quarter as well and I wanted to share some highlights of this quarter right both from a business perspective as well as in terms of people standpoint and post that I will hand it over to Raj to cover some of the highlights of the financials.

So first half we added five new accounts this quarter and two of them happened to be in the Fortune 500 list but the other accounts as well very interesting mix of opportunities spanning a fairly broad spectrum of work that we do across data engineering, consulting as well as both diagnostic and descriptive as well as predictive and prescriptive analytics work. This was also the first quarter where we find our first $2 million plus annual revenue contract. In the past we have had several accounts where the total annual billing across multiple contracts is much in excess of the number that I mentioned but this is the first instance where we had a single contract one statement of work exceeding $2 million in annual revenue, so it was a first of sort and in some ways this is in line with what I have been sharing on earlier calls regarding the maturity of the data analytics space and how data analytics is becoming more mainstream as organizations are accelerating the digital transformation journeys and see data analytics as fairly important and integral part of the journey. We saw very healthy demand for our consulting data engineering and supply chain analytics capabilities across the new logos that I mentioned for example. Particularly we saw really good traction for the connected view value proposition that we have been articulating under the supply chain analytics umbrella. This is a value proposition that helps clients see across the entire supply chain landscape and help solve them for multiple pain points and opportunities in the supply chain bringing critical data and analytics to different personas in the supply chain helping them make high quality decisions. Our engagement with one of the leading toys manufacturer globally is leveraging the supply chain connected view value proposition and we believe that this start will lead on to further work that we do for them in the supply chain area as well as in other areas as well.

From a people standpoint, there were several interesting milestones for us this quarter. We crossed the 1000 people headcount this quarter, we also on-boarded 100 plus campus hires over the course of this quarter and most importantly we were also certified by the great place to work institute and that is indeed a matter of pride for us and this is something that we were able to share not only with our current employees but the broader talent base and alumni as well and we saw really good cheer as well as encouragement from most of them during our interactions. We also managed to revive our analytics round table that have been a regular feature in the past prior to the pandemic, we had put that on pause mode due to the pandemic-related travel restrictions and constraints, but we were able to revive it this quarter, and the team of the round table this quarter was improving customer experience using the power of data analytics and we were really happy to note the extensive participation not only from existing clients and stakeholders but also a number of prospects with whom we have been able to engage in bringing many of the interesting ideas and value propositions that we talk about within this customer experience area. So good interactions during that time period and we believe that this is also the sign of much more to come in terms of what we can do for clients in this particular area.

We also saw several first from a partnership standpoint. We signed partnership arrangements with Neo4j and ArangoDB both of them play in the graph theory and the graph database spaces bringing very strong solutions and capabilities and this is something that we have already started leveraging in client and prospect conversations in terms of how they can use the power of graph database to solve problems especially where there is a lot of nonlinearity and inter-relationships like between the different variables that they are considering. We also signed a partnership with IBM specifically focused on the Indian market more so in the financial services sector but could also get extended into other spaces and also with Databricks who are another leading player in the newly emerging cloud data ecosystem. We already have a partnership with Snowflake and this additional partnership that we have signed with Databricks is also stepped in the right direction in terms of leveraging a huge amount of activity that we are witnessing in the cloud ecosystem.

From a people perspective, this quarter also saw the addition of quite a few people to our sales and business development team we added about eight people into the team and we also brought on board four seasoned senior leaders to head up our European business, two in the data engineering space to head up the data engineering practice, and two senior leaders to head up the business practices that we have for the industrials and the technology verticals, so strong additions that we have made into the frontend both on the sales and business development as well as on the business practice leadership front.

Finally, I also want to touch upon what is happening on the inorganic growth and the M&A front. We have evaluated quite a few opportunities over the last year since the IPO, couple of them went as far as issuing a letter of intent and also due diligence, but till now we have not been able to consummate a deal. The last two deals where we went till the LOI due diligence stage we had to drop for certain considerations that does not meet our criteria when it came to the final analysis. However, what we have done since then is to engage a couple of external partner firms to help us identify opportunities and at this point of time there are about 10 of them in early stages of discussion and analysis. So, while the going is slow on this front we do want to be deliberate and careful that we are actually identifying the right kind of opportunities and integrating them right into the fold and given that this will be the first acquisition that we will be doing, we also want to make sure that we are doing in the right way and not in any hurry. We expect that there will be more progress in the next one, two quarters and will be closer to fructifying something as we get to the close of this fiscal year. So with that I will hand it over to Raj to touch upon the financial highlights and then we can go from there to Q&A.

Rajan Venkatesan: Thank you Rajan. Good evening everyone and belated Diwali wishes to everyone given that we are in the week of Diwali. Like Rajan mentioned we are happy to announce a set of strong numbers for Q2 after Q1 which was a little maybe muted in terms of earnings growth Q2 we witnessed a fairly strong bounce back in the overall demand situation as well as new deal flow.

On a quarter-on-quarter basis, we have registered a revenue growth of about 10.4% on a sequential basis and about 39.7% on a year-on-year basis. We closed the quarter with a revenue of about ₹ 132.4 Crores which is the highest ever in the company's history. The growth was fairly broad based and driven across all our industry verticals primarily technology, CPG, retail and BFSI which continue to be the focus areas for us from a vertical standpoint, the revenue growth was driven across all these three verticals. We also see a fairly healthy order book at this point in time as well as good pipeline which gives us the confidence that we will be able to continue the current growth trajectory in the coming quarters as well.

From a profitability standpoint, EBITDA for the quarter came in at ₹37.3 Crores, which reflected a growth of about 41% on a year-on-year basis and upwards 7% plus on a quarter-on-quarter basis. The EBITDA margin itself for the quarter was at 28.2% a drop of about 80 basis points compared to the immediately preceding quarter. The drop in EBITDA margins was primarily driven by increased investments both in the delivery capability building that we are doing in India. Rajan spoke about the campus hires that we did, a lot of the hires that we have done through the campus are currently undergoing their bootcamp training and therefore not in build roles, so the incremental cost owing to the campus hires plus the investment that we are making in the frontend these are investments we are making ahead of the curve in anticipation of revenue growth that we will follow, both of these led to a marginal decline in the EBITDA margin for the current quarter. However this is still in excess of the historical EBITDA margin that we have been guiding the analyst as well when we have been talking to you guys we have repeated that an EBITDA margin of between 25% to 28% is sort of the comfortable levels at which we will continue to operate, but all in all our EBITDA margins despite these higher level of investments continue to be in excess of that 25% to 28% band that we have indicated and therefore we are fairly confident that we will be able to sustain these EBITDA margins for the coming quarters as well.

Our PAT for the quarter stood at ₹37.3 Crores which reflects a 70% plus growth on a year-on-year basis and 18% on a quarter-on-quarter basis. Coming to PAT itself there was a onetime benefit or I would say this benefit would sort of come to us even in the next couple of quarters owing to exercise of ESOPs in the US. The difference between the fair market value of shares as on the day of the exercise and the price at which the options were granted is allowable as an expense for the purposes of Income Tax and therefore in this quarter when we opened our exercise window there was a substantial excise of options by our US employees. This resulted in a onetime benefit. In the long-term of course we expect our effective tax rate to go back to that 25% levels, but the lower tax expense in the current quarter is all owing to the tax benefit that we got in the US.

Coming to our H1 performance. Operating revenue stood at Rs 252 Crores, which again reflects a growth of about 38% on a year-on-year basis. EBITDA margin for the half year again stood at about 28.6% and PBT increased by 50.8% to ₹85.1 Crores for the first half. In terms of geographies, US continues to be the dominant geography for us contributing about 95% of our operating revenues. Europe while still being small, the big update on Europe is we have now seen substantial addition in our content in the European region we have hired a head of business as of end of last quarter in fact he started working with us effective July 1, 2022, we have also onboarded close to about four to five people who will be positioned in the European geographies, Germany, Netherlands and UK as well and we hope that we will be able to drive growth in the European region in line with what we had stated earlier.

In terms of our balance sheet, our cash levels continue to be fairly healthy. Overall cash balance including the IPO balance is currently at about ₹950 plus Crores; however, the last point that Rajan spoke about is on M&A itself we have seen increased levels of traction within the company in terms of our deal evaluation as well as the pipeline of opportunity that are currently available for us to go after. As mentioned couple of these transactions we progress to a fairly advanced stage but we had to sort of drop the ball on them because of various issues including cultural fitment, overall fitment in terms of strategy as well as our estimate of what the right valuation for those companies should be, but having said that we do continue to see good momentum, we have in fact appointed a couple of advisors now toi help us scout for potential acquisitions. We are hopeful that we should be announcing something on the M&A front in the coming quarters.

With that I would like to summarize by saying that we continue to witness good momentums on the organic side, good deal flow, the order book continues to be healthy, pipeline continues to be healthy, we will continue to again invest for growth and capacity enhancement. As far as revenue growth outlook is concerned at least for the next few quarters we would like to replicate the performance in the current quarter. With that now I would hand it back to the operator and we can open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Vimal Gohil from Alchemy Capital. Please go ahead.

Vimal Gohil: Thank you for the opportunity. Sir my first question is on the hiring outlook attrition trends and offshoring trends if you can highlight on these three how much are we expecting to sort of add, we are just about 1000 plus how big do we see our team by the end of this year, secondly how is the attrition while you did point out something on the supply chain but if you could just highlight how have LTM or TTM attrition trends being like and plus if you can just highlight something on the offshore trends because you are sort of winning new large contracts this will probably entail a bit of onsite presence as far as your company is concerned does that mean that there will be some kind of margin pressure going forward while the revenue might remain very, very strong and that could mean that we could be at the lower end of the margin band that we are talking about?

Rajan Sethuraman: Firstly, in terms of what we are witnessing in terms of additions to the number of people we kind of went past the 1000 mark during this quarter I think we are already up to 1050 plus at this time and I am expecting that the growth momentum that we are seeing will continue into the coming quarters as well. So, while I do not have a specific number in terms of what headcount we will end up with at the end of this year we will have enough people to make sure that we are sustaining the growth momentum that we are seeing in this quarter so we are expecting that to continue as well through the remainder of this year. Obviously there will be some aspects of nonlinearity that could kick in, in terms of one leveraging some of the value propositions and the assets that we are building and secondly also in terms of what will be the acceptance from continued price increases that we can see in the market, so these things will play out in terms of what the impact will be on the number of people that we will need. Now having said that from an attrition perspective we saw the highest levels of attritions in the months of July and August, since then it has been tapering down, September and October have been much better and we are expecting that the attrition will moderate in the coming months as well, we are not expecting it to go back to the kind of levels that we might have seen during the pandemic or the second half of last year for example so that is something that we are factoring and as we make our hiring projections. From an onsite offshore perspective for the nature of work that we are doing we are not seeing any big swings, the larger contracts continue to be at the kind of ratios that we are used to, we are operating at about 1:5.5 or so, there is not any big swing on that number in terms of the percentage of people that we need offshore. One area where we might need more presence onsite if the consulting work that we are doing because that does call for an even more iterative approach working very closely with the clients, but however the consulting work as I have shared earlier is typically smaller shorter duration intensive work in that defining a strategy or a roadmap so we are not expecting that there will be like a huge set of people that we will need and where we need domain expertise will be ready to leverage people even offshore who can travel at short notice for short durations of time to do the work. So I am not expecting any big swing in the onsite offshore mix in the coming quarters, we will have to see how this plays out as the deals get even larger. Some of the deals that are larger in the past we have witnessed that the ratios have been better than the smaller pieces of engagement because the moment you have a large amount of work then there is greater flexibility in terms of how you structure the work and therefore not only the onsite offshore mix but also in terms of the pyramid and the mix of skills that are required so that should play to our advantage as deals get larger in the coming quarters.

Vimal Gohil: I have two more questions the second question is on the overall demand and I have one book keeping question. Just on the demand outlook in the backdrop of the big techs recently announcing their numbers, some bit of cautions in all sort of financials, what are we seeing are we seeing any impact on because big techs certainly yields larger portion of our business so what are we seeing, are we experiencing a bit of caution in those accounts or how is it going for us and the second question is a book keeping question while you said that you have invested in the frontend and invested in capabilities I think that will go in certain portion of that will go in the employee cost if I am not wrong or most of it may go in the employee cost, but as I notice if you look at that in percentage of sales that has been in control over the last quarter but I have seen your operating expenses going sharply by 21% so how should we take how should we look at that should we take this ₹15 Crores as the run rate going forward or is there a one-off over there?

Rajan Sethuraman: Let me address the first question and then I will ask Raj to weigh in on the other question. We do not see any particular impacts in the technology sector yet, the one place where there has been a little bit of sluggishness is in retail where we have had some kind of pause in clients taking decisions with respect to new initiatives, but even in retail we have actually closed an important win not in the last quarter but since the end of the last quarter and that seems to be in the right direction, but obviously the retail sector has been impacted because of the macroeconomic headwinds, talk of recession and everything so I would not be surprised if there is some sluggishness within the retail sector. In technology we have not seen any sluggishness yet both in terms of conversations as well as real opportunities, maturing and client decision making. What I will however say is that some of the larger deals that we are pursuing they will obviously take a little bit more time in comparison to deals that are less than $0.5 million size because it will mean that more constituents are from the client organizations are involved in that decision making and obviously it will take a little bit more time but the conversations that we are currently having they seem to be proceeding in that right direction. One other thing that we are starting to see is some consolidation meaning that there are accounts where within a particular part of the business you might be engaged only in doing certain kind of work and the client has been using multiple vendors for doing data engineering, for doing visualization and look back analytics and somebody else for doing the predictive prescriptive modeling work there is some trend towards consolidation we will still have to see how it plays out but we are starting to see some signs of that. The good news for us on that front is that we are already positioned well with the higher value adding fuzzy problem solving premium world so in our case it will be more about backward integration into the data engineering work and that is the capability that we have been aggressively building strongly so I would believe that we have positioned well should that consolidation pickup stream but as I said it is still early days on that front and we will have to see how it pans out. So overall not much sluggishness yet in the technology space but obviously you are starting to see some of the results on the commentary and we will want to watch that closely in terms of how it unfolds. Let me pass it to Raj to address your second question that is related to the numbers.

Rajan Venkatesan: In terms of the second question correct me if I am wrong your question was in relation to the other operating expenses is it correct where we witnessed a growth of about 21% in the current quarter compared to the earlier quarter?

Vimal Gohil: That is right Sir.

Rajan Venkatesan: So just to sort of let you know of course while this growth seems to be substantial growth over the immediately preceding quarter it was not unanticipated or unplanned expenses in the immediately bygone quarter be hosted our annual or biannual roundtable event which is the customer event that we typically hold in the United States, last edition of the current event happened in San Francisco and a large portion of the increase that you see compared to the earlier quarter was attribute or is attributable to this particular marketing event that we conducted which was very well received and also resulted in a significant amount of lead generations from potential and prospective clients. Now of course this is an event that in the last couple of years we were unable to hold owing to the pandemic but it is something that we will revive, in fact we will have another round table event most likely early next year in February or March and therefore to that extent this will be an expense that will be recurring in nature going forward as well. As regards to the other reasons as to why the operating expenses went up that is also partially attributable to increased travel and Visa cost as we continue to see more and more people traveling to meet clients as well as people from our offshore locations going to the US and us enabling them with permits and Visas so you will see increased levels of expenses both on travel and visa cost so in that sense these are not one time in nature or nonrecurring in nature you would expect similar developments to happen going forward, while it is sitting under the other expenses bucket a lot of this has direct correlation with revenue, travel typically most of this travel and visa cost is related to project-related travels and the marketing spends that we are doing will hopefully result in increase or enhanced revenue in the future, so to that extent there is linkage to revenue as well.

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

Krishna Thakker: Europe was soft sequentially I wanted to understand is are we seeing good demand there or for the next few quarters in Q2 it was soft?

Rajan Sethuraman: The effect of the additions that we are making will take some time to play out. Europe you might have heard from commentary by other companies as well it is different; it is not the way you go to market and how you sell it has its own nuances Europe as a whole and within that each of those countries as well. In some sense we are starting from pretty much scratch there with the induction of the new Europe business side and the team that he is building I expect it will take at least two, three quarters to start seeing some decent momentum. Having said that we did win our first contract since our new Europe business head came on board it is a small one but it is a good beginning and it is an account of the right sorts where there is plenty of other opportunity and therefore there is good growth prospects that we can look at in that account. In addition to that there are at least half a dozen interesting conversations. Now the time taken for these to fructify will obviously be dependent on multiple factors one just in terms of our own ability to ramp up and build the necessary relationships and the connects with the right stakeholders in these prospects, more importantly also how Europe pans out from the macroeconomic perspective, so at this point in time I would imagine that there will be at least a couple of quarters before we start seeing some good momentum buildup in Europe; however, the intent is that over a three, four-year timeframe that Europe will get to about 15%, 20% of our overall revenue mix and all the investments that we are making are with that objective in mind.

Krishna Thakker: Thank you for that and I have a question on BFSI and industrials as well Q2 seems weak for both of these going forward how do we see these verticals?

Rajan Sethuraman: Again BFSI is definitely a vertical that we are doubling down on again indicated this in the past BFSI and retail are the two sectors that we want to double down on, there is some sluggishness in retail as I mentioned in response to an earlier question but that has not distracted us from ensuring that we are building sales business development bandwidth, taking the right kind of marketing action and as well as capability building and value proposition and asset building actions at the backend. So retail and BFSI I think we will continue to invest even over the course of any market or macroeconomic headwinds that might be there in those sectors. Industrials, we have a new business head and interestingly he comes from a very, very strong automotive background so he has opened up multiple threads and conversations at this point in time and we are expecting that some of that will start paying dividends in the next one, two quarters. The automotive sector itself is undergoing significant transition as more and more companies moved to electrification, on automation and autonomous and so many other trends that are there in the place and much of these really have a very, very strong underlying data analytics backbone that will be the need of the hour so we are expecting that given the strong relationship that we already have with two of the top automotive manufacturers in the world we will be able to carry forth the credibility as well as the capability that we have built right on the back of those two relationships into multiple other openings that are now coming up on the back of hiring and new lead so again I would say that early days but looks promising in terms of the growth prospects within industrials.

Krishna Thakker: Just one last question on sales and marketing sequentially we saw a decline in headcount should we expect you to add more or how should we see that moving forward the sales and marketing so we had 57 in Q1 and we have 52 in Q2?

Rajan Sethuraman: I am not sure, Raj are you aware of this?

Rajan Venkatesan: I do not think we shared sales and marketing headcount.

Krishna Thakker: Function sales and marketing it is on slide #21, 52 which was there was 57 in Q1 so just wanted to understand what happened out there, why we saw deduction of 5 out there quarter-on-quarter?

Rajan Venkatesan: No, so there what we will also see is some of that reduction that the onsite and offshore mix also over there is a little important the addition of about 7 to 8 people that we spoke about were all in onsite roles, there is a lead generation/inside sales team that operates out of India as well, in fact the degrowth that you are seeing over there can be attributable to a movement in that particular team but I will come back to you on this.

Krishna Thakker: Sure and utilization for the quarter similar to last quarter around 78% odd or are we seeing a buildup in the bench?

Rajan Venkatesan: No, the utilization continues to be at similar levels, the bench specifically like I told you has gone up only because of the campus hires that we hired, most of them from October onwards will be moving to billed roles and therefore you will see that the utilization levels will start looking or inching upwards in line with historical trends typically Q1 and Q2 is where bulk of the hiring happens through campuses and therefore to that extent there is a build up in the bench but Q3 and Q4 typically we tend to see the utilization level start to inch up again.

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

Karan Uppal: Thanks for the opportunity. Couple of questions from my side. Firstly on Q3 if we understand correctly Q2 is seasonally strong for Latent View so this time also you expect Q3 to be strong and will it be better than Q2 that is my first question?

Rajan Sethuraman: We are not putting out percentage guidance or anything at this point in time. We see strong momentum though we are already at the end of October almost and going by what we have seen in this month and the expected deal closures and work to commence in the coming month I would say that we will continue to have a strong quarter in Q3 as well.

Karan Uppal: Secondly Raj mentioned in his opening remarks that you would like to replicate the performance which you have done in the current quarter so if I look at your H1 growth rate is almost around 30% in dollar terms and last time when we spoke you mentioned that you would like to target around 20% kind of a growth rate for the full year so are you effectively increasing your expectation in terms of the revenue growth maybe around 28%, 29% for the full year?

Rajan Venkatesan: Like we mentioned at this point in time we are not guiding or giving out guidances in terms of what our full year revenue growth would be but to sort of answer that question we have stated this in the past as well while the industry is growing at 20% we want to better that by a sort of fair margin and therefore overall growth between 25% and 30% is what we have set out to achieve on an organic basis and at this point in time based on the order book that we have we believe we have a strong chance of maintaining those growth levels.

Karan Uppal: Thanks a lot for that clarification and lastly you mentioned about your partnership with IBM in Indian markets in the BFSI sector so for that partnership is there any investment commitment from Latent View side to sell in your solutions and would that have any impact on the margins?

Rajan Sethuraman: Not too much it is based on prospect by prospect at this point in time so we are not going to be going ahead and building a bench strength of people with capabilities and IBM specific components within the Tech Stack at this time, in fact IBM itself is taking a fairly flexible approach with respect to the Tech Stack so while there are components in there which are IBM proprietary they are very much open and flexible in terms of clients picking and choosing even a best-of-breed approach but fitting overall within the Tech Stack framework that IBM has drawn up. So in some sense at this time some of the capabilities that will be needed to convert those opportunities are once that we already have given that we do a fairly broad spectrum of work across, we do work across a broad spectrum of technologies that are there so we are not expecting that there will be a whole lot of upfront capability building or bench building that will be required. We are however calibrating and taking actions on specific opportunity that we are in conversations with, so currently there is a discussion with one of the midsize banks where we are having a conversation and with them there are very specific requirements in terms of what they want to do and therefore what will be the technical and the analytical skill set that will be required so if there are any gaps in that we will seek to leverage the partnership to build those capabilities and certifications but I do not see any significant investments from a capability building specifically for the IBM partnership, we did do that in reference to the Snowflake partnership last year and there might be a need to do that in some of the other areas depending on the traction that we see but obviously in general many of the partnerships it is a bit of a two-way kind of a street meaning that we want to bring some of the accounts where we have a strong relationship to the table and we are also expecting that the partner will bring such opportunities to the table and then therefore based on what we see we will take a calibrated approach to building any additional capability or certification or bench strength.

Karan Uppal: Thanks a lot for the detailed answer and all the best.

Moderator: Thank you. The next question is from the line of Dipesh from Emkay Global. Please go ahead.

Dipesh: Thanks for the opportunity. Just want to understand that most of the growth is driven by top clients, top 20 client explained large part of the growth so can you help us understand how we are building the funnel across client bouquet, how many clients currently we have and how we are seeing some of them are entering into maybe next top 20 for us?

Rajan Sethuraman: Let me take that and Raj keep me honest or correct me if some of the numbers are slightly different. We have upwards of 50 clients at this point in time and you are right that the top

20 clients obviously account for much of the revenue, it is in line with our philosophy that we want to work with few clients but go really deep in terms of the quantum of work that we are doing and the spectrum of work that we are doing for them. Also we have mentioned that in general we are looking at working with either the Fortune 500 kind of companies right which have a propensity to spend on data analytics and see it as a important part of their agenda or emerging companies where data analytics is the main driver of their competitive advantage and therefore there will be the willingness to spend on the right kind of initiative so overall the concentration is not something that we are unduly worried about because it is aligned with the philosophy of focus that we want. Typically we have seen that we are able to add about a dozen plus accounts or more over the years obviously that number will now increase as the base itself increases and we expect that about 15% of revenue will come from such new accounts, but 85% of the revenue comes from existing accounts and that is something that we are continuing to see even in these quarters, which basically translates into growing the business that we have with the existing account so while there will be the aspect of continuing to look for high quality accounts that we bring in into the fold the expectation also is that we will continue to grow revenue with the existing accounts in a fairly aggressive fashion so that we are able to maintain that kind of 85%:15% split, in fact I would expect that existing accounts as they become more mature and they accelerate their journey the initiatives that they will undertake will grow at a fairly fast clip so I do not expect that balance to change significantly in the coming quarters. We will continue to add new accounts but the growth will be driven significantly by growth that we have in the existing account so therefore the concentration that you might see while it will improve over a period of time instead of they are having 20 accounts that contribute to the bulk of the revenues in a year from now it might be 30 accounts, but we do expect it continue to be a fairly focused player in terms of the logos that we work with and the type of work that we do.

Dipesh: Just one followup on this. In terms of let us say top 5 top 10 clients can you help us understand how cross service index is changing over a period of time in terms of how many services we provide them?

Rajan Sethuraman: I do not have the exact percentages, but I can give you a qualitative answer. In general, given the intension to expand the scope of services and do more for the accounts that we are working with we try and bring in all facets of the capability to the table. The best example of that is the amount of work that we are now doing on the data engineering side which has really grown in a significant fashion over the last 6 to 8 quarters. We were not doing much of data engineering work but today quite a bit of the growth are coming from the introduction of the data engineering capabilities and the services that we can provide. One other area where we are seeing traction as I mentioned earlier is supply chain given the massive supply chain disruptions that most companies have faced our value proposition is resonating well and we are expecting therefore that will be a new service that we will be able to take into the market and that is very relevant whether it is a retail or a CPG company or even for high tech, tech companies especially the ones that are in the business of devices and printers and so on, so we are seeing good traction for the supply chain capabilities as well. We believe that some of the other horizontal capabilities that we are building say around predictive analytics especially around use of NLP, NLG or graph-based approaches or image analytics are also seeing traction so the intent will be to bring these capabilities also with the existing accounts. So the evidence of the last six, eight quarters is anything to go by we expect that we will be able to expand the scope of services that we provide but however saying within the overall wheel house that we have of data analytics we are not looking to stay out of that wheel house at this time but starting from analytics consulting and strategy and roadmap exercise all the way to data engineering and predictive prescriptive analytics that full sweet and again cutting across the value chain is something that we would want to take into everyone of the accounts that we work with.

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

Dev: Thank you for providing me opportunity to ask the questions. My first question was you have mentioned that you are expecting growth of around 25% to 30% on an organic basis so this is for this year or for the long-term period?

Rajan Venkatesan: Again like I said this is while we were not giving out a guidance this is what we believe is achievable in the next few years because the industry itself is expected to grow at 18% to 20% and we are making significant investment and also operate in areas which are expected to grow at a rate which is higher than the 18% to 20%; however, having said this the one possibility that we will definitely not rule out is if there is any growth concerns or demand-related shrinkages that we witnessed because of the macroeconomic situations that is playing out in the US and Europe and because of which the industry growth itself falls to a number which is below 18% to 20% there could be some impact on our overall organic growth as well, but at this point in time what our endeavor would be is would be to beat the industry growth rate by a significant margin because of one that we are making and two also areas that we operate in, which are largely around data engineering, advanced analytics and also our investments in Europe which we believe once the demand situation improves or the macroeconomic situation improves in Europe we will be in a position to take advantage of the investment that we are making at this point in time to grab market.

Dev: My last question is you have mentioned earlier that premium work you are doing so can you distinguish between what is the premium work and not so premium work and of course the percentage of your revenue which comes from your premium work?

Rajan Sethuraman: There is not a whole lot of low end work that we are doing, in fact much of the work that we do falls with a fairly tight band in terms of what we are able to charge from a pricing standpoint for the work that we do; however, I will call out that the consulting work that we do will typically be a little bit more incisive and premium although it will be a shorter quantum of revenue itself because consulting engagement in general they are short and intensive and we are aimed at doing a strategy or a road mapping exercise at the fast clip and it will set up much other work that will follow suit from an implementation standpoint so there is a little bit of that premium field when it comes to consulting work but across the rest of the work whether it is data engineering or whether it is look back or look ahead analytics in general we have gone after the complex fuzzier problem so even within data engineering work we take up more of the architecting and creating the additional data layers that are necessary for doing undertaking the complex analytics and answering the business questions are suppose to doing the regular lift and shift or cloud migration type of it not that we do not do some of those work at all but in general it has always been in connection with business problem solving in some sense. To illustrate this better much of the work that we do and the deliverables that we leave behind are not so much the data platforms or the pipelines that we build or the dashboards or the models that we build but more the very specific actions and recommendations that we make on the particular business decisions that people need to make whether it is in relation to supply chain inventory planning or network planning or whether it is related to marketing spend or advertising spend or going dark analysis or whether it is strategic in terms of where should maybe focusing on in terms of their own acquisition opportunities and investment opportunities. So those are the questions that we answer the ones that keep our stakeholders awake at night and data analytics is more a tool right to answer those tough questions and ensure that you are taking the right call in light of whatever data and information is available so that has been the nature of the work. So therefore overall, I would say that much of the work is of that nature there is not too much that we are pursuing which is what we would call at the commoditized end of the spectrum.

Dev: How much time does it take for a fresher to become billable?

Rajan Sethuraman: So we have been averaging about eight to ten weeks at this time, obviously in the last few quarters there has been this big demand supply gap and everybody is trying to accelerate the process so we have witnessed instances where we have been able to get somebody productive even in a six-week timeframe or even in a four-week timeframe but the preferred model is where we get our people to spend a proper six-week kind of a boot camp and a capstone and then spend maybe another six weeks in a shadow kind of a mode so that they come to grips with the specifics of the client and the context and the nature of the work that we are doing before we actually get them into a billable road so that is what the preferred is but if I were to go by data in the last few quarters I would say that we are currently probably averaging about six to eight weeks.

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

Chintan: Thanks a lot for the opportunity. I just wanted to ask a little bit more on the production platforms business if you could provide me more insights on what is going on in that area and on the slides I see two new products which we added PART and AI if you could give me a little more color on it?

Rajan Sethuraman: Sorry the second question which are the ones that you mentioned?

Chintan: Bot and AI assist that I see on the slide.

Rajan Sethuraman: I would not call them products really because I think that might be presuming too much, having said that we have built a suit of assets and accelerators and maybe some of them we can actually call them a solution because they do address a particular pain point or an opportunity that might be there in the market for example SmartInsights or Casper for example Matchview they are all examples of that I think though was an anomaly detection tool that we build in order to help identify what data should be taken into account for specific modeling purposes whereas AI assist us I think is more along the lines of the chatbot it is a solution that we built for a particular client and then we are able to abstract it and then create something that can help answer queries in a fairly user friendly interface using a chatbot kind of an interface. So while we have been building these in the past and they have been largely helpful in opening those on new conversations and maybe providing some nonlinearity from an effort standpoint where we have been able to reuse either the entire asset or thoughts of it in the work that we undertake. The intension going forward is that this will be a little bit more detailed and specific right to the value propositions that we are building. In the past it has more of a technical or a math play that we were doing because we have understood that algorithm or we have that capability to create something and it would have been a very technical kind of an asset or an accelerator; however, going forward the intent is that the assets accelerators will be very, very specific and focused on particular value proposition that we are taking in the market. So I talked about the connected view in relation to what we are doing in the supply chain analytics area and this connected view value proposition is going to be supported by a few accelerators and assets that we are building, which will actually help deliver the connected view value proposition so therefore the intent would be to more tightly integrate this into not just the selling on the business development process but also in the delivery of the very specific value proposition so I would expect that the contribution from these solutions and accelerators will increase in the coming quarters and by that, I am also expecting that therefore more reusability and nonlinearity that will come in, in terms of effort versus revenue profile going forward.

Chintan: The second question which I had was that out of the 10% growth that we have quarter-on-quarter how much can we attribute to currency and how much would be driven by increase in volumes or the time and material that we generated?

Rajan Venkatesan: Roughly about 1.7% of that growth that you see in the current quarter or 1.8% of the growth is owing to the currency improvement and the remaining is all organic growth in dollar term.

Chintan: Alright these are the questions I had, thank you so much and all the best.

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 I wanted to know regarding the inorganic growth which we are looking for, there has been a significant traction for analytics firms by the PE investors and we have been hearing a lot of these things, so are we going to invest as a minority holder or are we going to go for a full acquisition?

Rajan Venkatesan: At this point in time at least and this is probably true for the first one or two even acquisitions that we will be doing we are looking at majority control from when we are looking at inorganic opportunities where we will one get to one tightly integrate the business and two also derive maximum synergy out of our investment into that business and that is possible only if we take controlling stake in that particular company so at this point in time looking at control or 100% buyout opportunity.

Akshay Kothari: The five accounts we added what was the hook that got us this account, was it only on the basis of cost and how does the system work actually, are there some tenders and some scope of work which is outlined or is it something based on the relations that we are able to generate?

Rajan Sethuraman: I think in this quarter the five accounts that we added I do not think any of them was on the back of an RFP or a tender pretty much in all the instances it was on the back of either an outreach and a fresh relationship that we have reached or an existing or a warm introduction that we would have got. To somebody who had a mandate and who was looking to get things started I think in at least three of the instances there was an upfront exercise around defining what needed to be done from a scope and conversation perspective which evolved in a very iterative fashion based on discussions with them as oppose to any concrete idea or use case that they might have had in their mind to begin with so sometimes the introduction leads you to get started the conversation going but then the specifics of what needs to be done emerges as part of that iterative process.

Akshay Kothari: Thanks for the opportunity and all the best.

Moderator: Thank you. The next question is from the line of Sriram Rajan an individual investor. Please go ahead.

Sriram Rajan: Thanks for this opportunity and congratulations on the great results. Question to the Latent Analytics team is in terms of the acquisition are you looking at companies that will add to your technical capabilities or is this acquisition to enhance your geographic presence, grow your sales in regions that you are not present in?

Rajan Sethuraman: The intent is to actually try and use the inorganic route to plug gaps or maybe accelerate development in areas of focus so there are five areas of focus right for us from a geographic standpoint it is Europe and I have called that out, from a horizontal and type of work data engineering and supply chain analytics are the two areas of focus and from an industry standpoint Banking Financial Services and Retail are the two industries that are on focus. So an ideal acquisition if you had to find one like that would be somebody who is doing retail supply chain work supported by data engineering capabilities as well in Europe because it will tick multiple boxes then but obviously we do not believe that all the opportunities that we identify and go after will tick all of the boxes, we are expecting that we will tick a few of the boxes so maybe it is a very, very strong data engineering play for example cutting across multiple industries and maybe multiple geographies or it could be somebody who is exclusively focused on the BFSI or in the retail industry with very specific value proposition that we have build for them. The intension with any of these would be that there is stickiness in the form of clients, contracts or IP-based work that we are doing so therefore there is that confidence and comfort available that as we acquire and integrate them into our business that there will be enough standalone momentum that these will have as they come into our foot given that we are also growing and we are looking to actually spend much of our management attention and bandwidth on the organic growth as well we do not want to look at opportunities where they will be needing substantive bolstering even in the first one, two years so the important point would be that there is some momentum on their own which can get further accelerated by what we bring to the table so those are the kind of considerations that we have in mind at this point in time as we look at.

Sriram Rajan: Second question just to get understanding of the way you run the business is the revenue that you clock predominantly time and material basis or it is an outcome-based contracts that you write?

Rajan Sethuraman: We predominantly operate and what we call a managed services model about 70% plus of our revenue comes in that model and what we mean by managed services is that we have set up an analytics capability that will be responsible for executing a book of work a set of initiatives or use cases if we may over a fairly largest period of time running into several quarters in all these managed services kind of contracts we will have a massive services agreement that runs into three or more years, in many of these cases actually the MSA is over an indefinite period meaning there is no termination date on the MSA but the MSA provides the umbrella construct under which we can write multiple statements of work for that account and the way it happens is once we do the MSA based on the initial upfront consulting work that we do for them where we define the analytic strategy or the roadmap of initiatives or in some instances that client will already have that strategy and roadmap start through there will be an initial book of work that we will start with saying that okay here are all the pieces of work and some of these are one time, some of these are ongoing in nature and therefore this is the shape and size and configuration of the team that we need to have in place in terms of seniority, expertise, capability and then we billed the client a monthly fee for the team that we put together and then under the MSA they will have the flexibility to add to the team as well as take out of the team depending on the pace at which they want to move on the different initiatives that have been identified and we also continuously keep identifying other things that can be brought to the table in terms of new ideas, what else they can do with their data, what other analytics might help speed up their decision making, so all of these keeps contributing to the book of work and that is how much of the engagements grows in size over a period of time so that is the typical preferred construct that we have. About 20% of the work or maybe 25% of the work is of a 66 scope nature where there is a very specific use case or a problem statement and then we sit down and agree with the client in terms of how do we go about solving that and in some of those instances the actual invoicing might be driven by specific milestones at deliverables that we need to create for them as part of that engagement so broadly that is the kind of concept that we have in place.

Sriram Rajan: If you take the consultants when they fund the managed services contract you identify specific work that needs to be solved a group of consultants across various seniority so when the client evaluates it do they evaluate it based on saying I put for this project on a monthly basis I need 10 resources, three or four seniors some of them are data engineers, some of them are architects, etc., or is it that you say I will reduce the fraud, I will improve on outcome say in terms of inventory, turnout days or I will improve your attribution levels or it is based on people ultimately?

Rajan Sethuraman: At this point in time it is still largely tied to the effort. While there is a good amount of discussion that happens on the KPIs and the metrics that we will impact and the extent to which we might be able to move the needle it is not an outcome based pricing if that is the question you are asking so our fees are not tied to specific KPI movements or needle movements on the targets that we set up what we use them for though is to ensure that whatever we have proposed as part of the statement of work, the team composition and how we will do the work has a relationship to the overall outcome. In fact, we actually take this very seriously and we have an internal construct called the service delivery excellence team that actually monitors and measures the outcome that we deliver. The only thing is that given that many of these KPIs that you are targeting to improve they are not only influenced by the data analytics and the recommendations that we make there is a lot of things that need to happen at the client end as well in terms of their arch structure or processes or changes to policy or some implementation of recommendations that we do not want to claim that all of the credit is on account of the work that we are doing or the recommendations that we are making. I think this is something that will probably mature in the coming quarters and years there might be more willingness on the part of clients to actually say that at least in those instances where there can be very direct attribution to the particular recommendation that is being made or a change that is being implemented that there could be linkages that are made to the fees as well like the outcome and the fees, but at this point in time we do not have outcome-based pricing that is your question. In general, I do not also see that too much within the data analytics space itself most of our peers and competitors also largely work on the back of models similar to what I outlined.

Moderator: Thank you. We take the last question from the line of Karan Uppal from Phillip Capital. Please go ahead.

Karan Uppal: Thanks for the followup. I just want to understand in terms of the nature of the work or the services in terms of consulting analytics and data engineering so at a time of the IPO you mentioned that the split was 15% consulting, 60% analytics and 20% data engineering so in the last few calls you have mentioned that data engineering has scaled significantly so has that split changed?

Rajan Sethuraman: I would say that data engineering is probably running at about 25% at this point in time and I would not be surprised if it actually becomes even 30% in terms of work. The reason being that larger more complex initiatives, they call for more robust data platform, integrating data across multiple silos that might exist within the organization. So given that low hanging fruit would be gone by then where you use data from a particular business unit or a silo to tackle a simpler use case or a problem statement and now you are looking at more holistic or optimization taking more things into account the data platforms will become a necessity almost a cost of doing business so I am expecting that those initiatives will gain more traction it will also be dependent on a maturity of the company and where they are within their own analytics or digital transformation journey but I am expecting the data engineering will continue to grow in terms of the overall contribution to the revenue, so 25% approximately at this time potentially could go up to 30% in the coming quarters.

Karan Uppal: In terms of the scalability between the three of the services consulting analytics, business analytics and data engineering I believe that data engineering is the most scalable in terms of the deal sizes correct me if I am wrong and if the management's thought process to scale also in that line?

Rajan Sethuraman: Absolutely you are right that data engineering initiatives will get larger sooner than what you might witness on the predictive prescriptive diagnostic descriptive analytics and you are again right that we are actually doubling down on data engineering I mentioned that data engineering is one of the five focus areas that we talked about. We recently brought on board a new head of the data engineering business we have actually shared that as part of the press release that we put out as well and he is aggressively building out his team and we are also changing the approach in the past data engineering was more a technical necessity from a data integration perspective that I just mentioned, but we want to also look this a bit and look at how data engineering can become the enabler of the business value proposition that we are driving so I talked about connected view and supply chain for example we have been talking about subscription analytics right after value proposition that we have been taking into the market we believe that all of these business value propositions whether they are industry specific or whether they are addressing a particular part of the horizontal value chain can benefit a great deal from a more robust data engineering foundation and that is how we want to reorient that data engineering value proposition that we are building so they would not be standalone, migration or governance or lineage we will have a few of those as well but more so we will focus on how the business value propositions can be supported by very strong data engineering foundations and that is also the need of the hour and ask from most of the constituents that we are talking to because they are all interested in solving the business problem in a more holistic fashion but the first hurdle that they hit is one of data where it resides and how do I bring all of it together and how do I organize it and keep it in a manner which lends itself for analytics. So, I do believe that the data engineering value propositions will be something that we will focus on in the coming quarters and how we have build it so our investments will also therefore go in that direction.

Moderator: Thank you. I now hand the conference over to Mr. Rajan Sethuraman for closing comments. Over to you Sir!

Rajan Sethuraman: Thanks. I think I kind of touched upon pretty much what has been the highlights for the quarter but I think in response to questions I also talked about the focus areas I do believe that there is a good amount of opportunity so while there is some of the concern around the macroeconomic headwinds and what it might mean to spending on specific sectors or thinking on those matters is that as long as we say will closely aligned with initiatives that can create real impact for our clients on the P&L either in terms of revenue growth or margin enhancement we believe that we will continue to be very relevant even for any reduced spending that the clients might do, at the end of the day the idea is that clients are not going to completely stop data analytics initiatives even if they go and get stuff but rather they will reorient their spending to the right kind of initiatives. We witnessed this during the pandemic as well and we have seen instances where clients chose to continue to work with us on specific initiatives that we are very relevant and important for them in those turbulent times, so our thinking and orientation at this time is to continuously look for those kind of value propositions that will continue to stay relevant even if there are headwinds that our clients experience in their own context. So lot of our investment are hiring, the development that we are doing internally is all oriented and geared in that direction so we believe that we are on a good wicket in terms of how we are shaping up. Also we will see that even if there are some headwinds and there is some sluggishness that will also be a good time to double down and build down the kind of capabilities that will be necessary to help address concerns emerging out of that slump whenever that happens so we will continue to invest aggressively on capability building as well as relationship building in the coming quarters and we believe that will be the right approach from a long-term growth perspective so broadly those are the thoughts that I had in terms of how we are looking at the coming quarters. Raj if you want to add anything please go ahead and we can close after that.

Rajan Venkatesan: Nothing else Rajan. I think we pretty much covered most of what we had to during the course of the call and I think you have summarized it very well so nothing else to add onto this.

Moderator: Thank you. Ladies and gentlemen on behalf of Latent View Analytics Limited that concludes this conference. We thank you all for joining us. You may now disconnect your lines.