InfoBeans Technologies Limited
Q1FY23 Earnings Conference Call

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INFOBEANS TECHNOLOGIES MANAGEMENT:
AVINASH SETHI – CO-FOUNDER
KRUNAL SANGHVI, FINANCE HEAD
MRIDUL MAHESHWARI, SR. MANAGER, CORPORATE DEVELOPMENT

MODERATOR:
SURBHI JAIN – COMPANY SECRETARY & COMPLIANCE OFFICER

CONFERENCE CALL PARTICIPANTS:
SHOBHIT SINGHAL
DEVVRAT
MOHIT JAIN
BHAGWAT NAYAK
ANIKA MITTAL
PUNEET
RAJESH
VARUN AGARWAL
VIVEK KUMAR

Pratik Jagtap
Good afternoon, everyone, and thanks for joining the call. Welcome to Q1 FY '23 Earnings Call of the InfoBeans Technologies Limited. And I will now hand over the call to Surbhi Jain from InfoBeans for the formal introduction. Over to you, Surbhi. Thanks.

Surbhi Jain
Good afternoon, ladies and gentlemen. Welcome, everyone, and thanks for joining this Q1 earnings call of InfoBeans Technologies Limited. The results and investor update have been mailed to you, and it is also available on the stock exchange. In case anyone does not have a copy of the same, please do write to us, and we will be happy to send it over to you. To take us through the results of this quarter and answer your questions, we have today with us Mr. Avinash Sethi, Co-Founder.

We will be starting the call with a brief overview of the company's performance, and then we will follow with the Q&A session. Kindly ask your question by raising hand after the brief overview by Avinash is over and then we will address all the questions one by one. I would like to remind you all that everything said on this call that reflects any outlook for the future, which can be construed as a forward-looking statement must be viewed in conjunction with uncertainties and risks that we face.

These uncertainties and risks are included, but not limited to what we have mentioned in the prospectus filed with the SEBI and subsequent annual report, which you will find on our website. With that said, I now turn over the call to Mr. Avinash Sethi. Over to you, Avinash.

Avinash Sethi
Thank you, Surbhi, and thank you, everybody, for joining this call. Appreciate your constant support to InfoBeans. This is the quarter update for June 2022. We got delayed. Usually, we do it in the third or fourth week of the last month, the month next to the end of the quarter. This time since we have EY as our auditor, since it was the first time for them, they took some time to conclude because there was enough deep diving into the numbers for all the subsidiaries and for InfoBeans as well. So therefore, got delayed, hopefully hoping that next time we'll be back on track with a third week kind of results out.

Summing it up of all everybody. There are a lot of new members who are joining the call. So InfoBeans as the company was founded in the year 2000, start from 3 people. Now we have 1,600 plus. We are a publicly listed digital transformation and product engineering outlet. We aim to deliver route for our customers where we are trying to solve their complex business problems using technologies like Salesforce, ServiceNow and Microsoft based technology Stack, UiPath, Automatic and several other automation tools.

So, we are globally present in countries like U.S., Europe, Europe-continent, Middle East and India. We have recently opened our office in Vadodara as well. This is an update on the last year where we have 12 years of active growth, 12 Fortune 500 clients, which are currently active with us, 7 Unicom clients, and there's another data where we have customers which are $1 billion in revenue, and I think there are 6 of them.

We focus on large companies and try to generate repeat business from them. Once we land into those customers, we try and expand year-over-year. We've been growing at a CAGR of 42% since inception. Last year, we did Rs.289 crores as revenue, Rs.55 crores as PAT, and we had about Rs.128 crores of cash and cash equivalents. That includes account receivables as well.

Several awards that we continue to receive, a recent addition is also a GREAT PLACE TO WORK and Dream Companies to work for, and we have partners to these many players already.

A quick journey of over the years as to how significant milestones have been achieved in the last 22 years. The recent one was when we acquired Eternus Solutions in 2021. And we also did a buyback in 2021.

The leadership team here cofounders, all 3 of us, and then we have independent directors who have been with us. Here is a next set of founders from the acquired companies as well as the senior folks, who are being with InfoBeans for several decades, if I were to say that. And that is the strength of InfoBeans where we have these many people who are helping us to grow the business. And each one of them are stock options. And therefore, there is a high sense of ownership. Recent development is we have started investing in blockchain as an R&D exercise. Darshana Jain, who is a subject matter expert, has been hired and we are on track to build a sales team and engineering team around blockchain activities. We are also trying to pitch for projects with our existing clients so that we can commercialize it and, the R&D efforts can start to yield the results also.

So, a quarterly update very quickly, we have grown 78% on a Y-o-Y. As compared to last June, we have grown significantly from Rs.55 crores to Rs.98 crores, 78% growth there on the revenue terms. EBITDA has grown by 48% and PAT has grown by 9%. There is significant reason why there is an important drop in PAT. I'll talk about it once we go there.

On a Q-o-Q basis, we have grown at 4%. On the revenue side, on EBITDA, we have dropped by 15% and on PAT side, we have dropped by 27%. If you remember, I keep telling in every investor call that our EBITDA margins will come back to steady state of 24%, and PAT will also come back to 14% or 15%. We were 29% on EBITDA margin last quarter, and we were 19% on last year, annual numbers of PAT margins. We keep telling everybody that it is abnormal and it's not going to be steady state. Eventually, we'll come back to 14%, 15% of PAT margins and 24% of EBITDA margins over a yearly average. The not so significant jump in PAT is on multiple accounts. One is the revenue on a Q-o-Q basis has not grown as fast as we expected. The expenses on the salary side have been dramatic. We've been doing multiple appraisals over the year. And then we had a full cycle of appraisals in effective April 2022, plus ESOPs are also being allotted. So, there's a lot of expense that we're doing on the people side, and I'm sure that investment is going to be worthy in time to come.

This is the comparison out here, revenue from Rs.95 crores to Rs.98 crores on a Q-o-Q basis, Rs.55 crores to Rs.98 crores on a yearly basis. If you look at the yearly number, we had Rs.289 crores of March 2022. And if you look at June alone, we are doing Rs.98 crores. So, we are almost at a Rs.400 crores run rate right now, and I'm hoping we'll be able to improve from here.

Same goes with EBITDA margin is now at 24% and PAT, it's 12% right now. There was a drop from Rs.16 crores to Rs.12 crores on PAT on a Q-o-Q basis and a slight increase from Rs.11 crores to Rs.12 crores on the PAT margin from June-to-June basis. So, I would say we're doing decent year in terms of the performance, in terms of the revenue growth. On a yearly basis, we have significantly jumped from there. Even on the EBITDA numbers, we are growing significantly on a Y-o-Y basis.

Quite a change here. Digital transformation and product engineering, they keep moving the places. I would say, keep it half and half, more or less, Eternus is contributing about 17% of the revenue for the quarter. And on a geographical basis, we have reduced our dependency on U.S. slightly. Interestingly, Europe is growing fast and so is India for us.

Some of the quick updates, we have invested in the Center of Excellence for Blockchain technology. Eternus Solutions have been renamed as InfoBeans CloudTech Private Limited. And we already started working towards the brand integration. So now every member in InfoBeans CloudTech and InfoBeans technologies will be branded as InfoBeans members. The office will also be branded as InfoBeans and all the contracts will be replaced with InfoBeans CloudTech Private Limited moving forward.

We started a 30-seater office in Vadodara. We have about 12 people already working from Vadodara office. We have also finalized our 30,000 square feet office in Baner, Pune for Eternus and now InfoBeans Cloud tech team. It will open in October 2022. The reason we have to move out of the current office was the building got fire 2 months ago and then in the inspection Pune Municipal Corporation, we came to know that the office that we were occupying is needs to be redone because we can only use part of it, not full of it, not the full space. So we have decided to move out of it. And therefore, we are taking a larger space with a new branding and a much larger, I would say, presence for InfoBeans in that part of the city. We already have an office in GigaSpace Viman Nagar. So, we'll continue with both the offices and 2 locations. That way, our teams will have more incentive to come to any of the offices in any of these areas. We appointed EY as an auditor, which I mentioned. And then we've been named as Dream Companies to work for under the IT, ITES category.

So, this is a new slide from our usual deck. This time, we have tried to give you more information on how the business is poised for growth in future.

What are the tools / partners of the platform that we are riding on and what kind of client penetration we have. So, if you look at the partner ecosystem, we have partners with Salesforce, ServiceNow and UiPath. And if you look at the team size in each of these buckets, we have pretty large presence now, 500 people team on a base of 1,600 team is a pretty significant presence in Salesforce. And we're seeing rapid growth in Salesforce ecosystem everywhere. We are also seeing good margins as Eternus is getting good margins and good rates for Salesforce. So that's a very ambitious play for us to grow in those ecosystems. And there's another slide that we'll talk about as to what is our TAM, what is the addressable market for Salesforce and ServiceNow kind of platforms, plus digital transformation space, how it is growing. So, we are riding on digital transformation and product engineering piece by using these platforms. And if you look at the client, one of the biggest differentiators that InfoBean carries is the ability to strike direct relationship with these large clients. So, if I look at we have Fortune 500 clients, which are like 12 already. There's $1 billion club, which is like 6 companies, and there are a Unicorns which are 7 of those. Then there are companies which are $500 million plus in the revenue, which is 3 of them, and then we have 4 companies which have more than $100 million of revenue.

So, each one of those names can give us a much larger growth potential every year moving forward. So, one data point that I keep sharing is that we generate 90% of our revenue from the existing customer base. So, when I have such a strong customer base, we do look forward to continuous business from these accounts. And we have been doing Salesforce or ServiceNow or UiPath in each one of those clients, and therefore, we believe that we'll be able to grow much faster. Plus, the other strategy, which is a very active strategy for us is the inorganic piece. So, you've already seen in the past, we've acquired 2 companies, Philosophie and Eternus. And put together in the 5 years since when we went IPO, we were valued at Rs.140 crores. And now we are anywhere around Rs.1600 to Rs.1700 crores in market value. So that's the kind of value we have created for all the stakeholders in the last 5 years. And we want to repeat the same thing moving forward. So, we are very positive that we should be able to replicate the same story in next same growth in revenue and team size and the client base for the next 5 years also.

This is the total addressable market for digital transformation piece. It is poised to grow at 19% CAGR until 2026. Salesforce and UiPath market are going to grow at 28% CAGR, and that's a huge potential market for us.

So, some of the client names, which are active, and which are giving us a much larger business every year. Our ALM is a client with us on the last 18, 19 years. IQVIA, we have for 9 years. There's another under NDA storage company, which is with us for the last 14 years. TripAdvisor is a new client; Waste Management is a new client. Facebook is with us for 2 years now. We have a pretty long-term relationship with each one of those clients, and we continue to land and expand into the new ones. This is just a graphical view of what I mentioned earlier. There were 12 Fortune 500 clients, 7 Unicorns, 6 companies and $1 billion clubs than so on and so on.

This is the depth of clients where we can land and expand internally. Another interesting point that we are trying to highlight here is that we are able to retain high logos that we acquire over the years. So, we had 7 high logos. When I say, high logos, these are the high revenue logos for us. We are doing more than Rs3.5 crores of revenue we reach one of them, that has increased to Rs.11 crores by 2021 and then increase to Rs.15 crores by 2022, and we continue to increase this size every year. The average revenue per customer is also increasing for us every year. So that's another active strategy that we are focusing on.

Here, we'll try to share with you as to what is the impact of those acquisitions? How are we changing these companies? How are we refocusing and realigning so that we drive a much larger value? If you look at Philosophie which was acquired in 2019, they are a unique boutique shop, which focuses on product prototyping and a very early stage of development cycle for products. They used to work with a lot of start-ups. They also worked foreign exchange of equities, which we completely stopped. We wanted them to focus on reducing the long tail of small customers and focus on the large ones. If you look at the rows here and the column here, you see that between the 3-years period, we have been able to reduce the client count but also increase the active revenue from the active clients from $332,000 to $659,000.

The Fortune clients have increased. The unicorns have remained the same, but the more than $100 million revenue size clients have increased for them. Plus, the $2 million accounts, which was not existing for them is now starting to show up. And one more important thing is there was no renewal for them. It was a onetime client for them. With the DNA of InfoBeans, we are now generating a lot of repeat business from their existing clients, which is a big win for us because it is also helping us save cost of sales. And therefore, we are also able to improve our EBITDA margins for our philosophie as a stand-alone unit, if you are to compare that.

Similar strategies that we are focusing and applying here at Eternus Solutions as well is we're trying to focus on large clients, and we are winning those clients as well. We are focused on trying to improve our utilization levels and also demand a better billing rates. We're getting there. We provided them access to the U.S. market. So, they're able to sell well in the U.S. market as well. And we are also able to improve the EBITDA margins because of the utilization and the increase in rates. So, we have been more efficient for them in just 8, 9 months on acquisition.

Over the 5-year period, this is how we have utilized our cash. We have spent about 70% in the acquisition, and we have about spent about 27% in organic growth of the business in terms of CapEx, in terms of other R&D kind of work. And then we spent 5% over dividend as well. Again, I repeat myself that we are not a dividend-paying company, don't think of us as a dividend paying company. We are a growth hungry company, and we will invest in growth. This is what you have seen already. We would want to continue the same split over the years. We are investing for growth, but we're not willing to just reduce our capital by distributing dividend. I think the only hurdle to growth at this point in time is the availability of talent. And from that, what we're trying to do is there are 2 demonstrations to the talent equation. One is the ability to attract and second in is the ability to retain. We are working on both the directions. What our study tells us is that if we invest in our team, they tend to stay longer. So we are at any point in time, we are investing in people where we have fresh graduates coming into the system. We are investing heavily on their training programs. We also hire 1-year experienced people from the market and then we train them on specific technologies and groom them for specific projects. We also invest even in the leadership team, where we give them access to management programs from IIMs. We also do access to foreign universities like Ecornell or Purdue universities using the online programs. And then we also invest in our tech team doing a lot of technology certifications so that they become more qualified. On the retention side, we are doing a lot of unique programs. We are recognizing and rewarding our team members by way of the stock options, by way of onetime retention bonus that is going to be there this year.

So, there is a onetime hit that we'll take on the cost front also. On the attract part, what we're trying to do is we're trying to be more efficient. We are trying to focus on people first model, where we're saying that for candidates, it usually takes 2 to 3 weeks for companies to give them an offer right from the interviews. First interview to the last interview. We are telling them you can come and in 90 minutes, we'll roll out an offer for you. So, we're trying to be more efficient in that space. We're also doing a lot of active programs for the referrals from our existing members. And the senior leadership and the high performers, we are telling them that you onboard a qualified friend of yours with a very minimal hurdle in terms of the interview process. So, you just let the person pick it and we'll go lot and offer very quickly for that individual. So we're doing a lot of unique such activities to attract and retain talent for the company. And therefore, if you see every quarter, we are increasing our team size despite having attrition rate of 20% plus, we are still able to do a net addition every quarter.

So, on the numbers. I think it is already there in the past decks, but from FY '17, when we went public to FY '22, in 5 years, they have grown from Rs.84 to Rs.89 crores, PAT numbers, same growth margins have been increasing progressively. And as I keep telling, it will now come back to 24% EBITDA, 14%, 15% PAT eventually.

This is how we have been able to accumulate cash and utilize it in the first chart on the left, we had about Rs.63 crores post IPO, and then we increased our cash and we invested in philosophy, then we increased and then we again invested in Eternus. So, on CAGR on growth part on revenue EBITDA impact for the last 3 years, is phenomenal for last 10 year is also phenomenal. Net worth has been growing at CAGR of 38% for the last 10 years. So, in all counts, we are doing fairly well. And we are not stopping here. We want to repeat the same story moving forward.

Our growth strategies. We continue to focus on organic piece. This time, we are saying that we are leveraging on the platforms. We are doing sales development. We have active salespeople in all the geographies that we are in. We have active customer success teams, which are handling the existing clients. And we are leveraging the platforms like Salesforce and ServiceNow, and we are also building and investing in the R&D market, R&D space.

We are growing, we want to focus and grow more on the U.S. market, which we are already doing. On the inorganic piece, we continue to focus on companies which are on the same direction that we are in. So, build versus buy, we are saying that we'll also build, and we'll also buy as a strategy for us to grow. And the last acquisitions as fairly aligned with our direction of the business. So that continues as an active strategy. We have Mridul who has joined us from Tech Mahindra M&A team. He's actively helping us for the last 5 months to figure out right companies and do the due diligence process. So that's the constant effort. We have separate teams that are conducting each of these activities from sales to client success to partner management account management to M&A process. So, we continue to work and execute on those lines.

This is what we're doing. And we've been doubling ourselves since 2012, more or less, this 5-year chart tells you to FY '17 to FY '20, we doubled, FY '18 to '21, we doubled, FY '19 to '22, we doubled, and FY '23, we are hoping to double ourselves much more than FY '20 number probably will double from FY '21 numbers also.

Cash and cash equivalent of about Rs.136 crores put together. Remember that we paid about Rs.78 crores to Eternus Solutions already the founders of Eternus Solutions or the shareholders of Eternus Solutions as a first payment on the closing plus payment as the first tranche.

Despite after that, we have enough cash balance. We are a strong pipeline of order book. So the order book and sales pipeline together, we are fairly confident of hitting Rs.400 crore plus numbers this year. We have integrating sales, I mean, Eternus into InfoBeans, so that is going on. And that's pretty it. Some number from the stock market.

This is another thing that I wanted to highlight with the shareholders here that we take our CSR responsibility very seriously. And just today, we did another inauguration of our InfoBeans Foundation training center. So, we have 3 centers in Indore where we are training students of underprivileged background who are twelfth pass and we train them for in 1 full year on software technology, on software engineering. And after that course, they are all getting placed. So put together, in 2 batches, we have trained 60 students and almost all of them have got placed. We are running another third batch of about 40 students. And now we are planning for a fourth batch of this program, which is currently enrolling students right now. So, I just wanted to keep you posted on that we are creating this impactful program. And out of 3 centers, physical centers in Indore and it's transformation for these people and their families because one person who gets a job of Rs.2 to Rs.3 lakh a year to start with right after their first year, second year of graduation, that is a big change when this hedge will come from under going back up. So, we are actually changing the entire family of these people, and they are so happy and they are still willing to come back and support the new batches by coming and training themselves.

I just wanted to have that highlighted here. So, we take our responsibilities very seriously on the CSR side as well.

I think we can now look at question and answers. Pratik, if you can help me on this. Thanks.

Pratik Jagtap
So first questions come from the line of Shobhit Singhal.

Shobhit Singhal
As mentioned in the presentation, like you have 12 plus Fortune 500 clients. So, do we deal with them directly or through third-party vendors?

Avinash Sethi
Shobhit, we have 0 third-party contracts with clients. And on both side, on the client side, we have all of them are direct clients. I think there is another differentiator of InfoBeans. We don't work with companies like Infosys or system integrators like Infosys, TCS or HCLs of the world. We work directly with our clients. That is one powerful relationship that we have been able to create over 22 years of existence. Second is we don't really work with consultants or contractors on the team side. So, we have people who are on the payrolls of InfoBeans and almost all of them, very little, in case, we don't find anybody, and we have to go with this subcontracting route. But otherwise, in 99% of the cases, we have direct relationship on both ends on the team and as well as the client end.

Shobhit Singhal
One more question. Sir, what is the reason for the resignation of auditor in this quarter?

Avinash Sethi
So, we have appointed a new auditor, which is EY, Ernst & Young, and their Indian entities name S.R. Batliboi. So, since they came on board jointly with Basant Jain Company, which was the last auditor. So therefore, they chose to resign and EY now is the sole auditor for us. So, it is an upgrade for us.

Pratik Jagtap
So the next question comes from the line of Devvrat

Devvrat
Quite a decent set of numbers on your stand-alone basis. So, I was just wanting to understand what the difference is right now between stand-alone and consolidated. Consolidated includes both Philosophie and Eternus or does Philosophie come into the stand-alone number now?

Avinash Sethi
No. So stand-alone is only India. It does not have any subsidiaries for us. And consolidated has all the subsidiaries, including Eternus.

Devvrat
So you've done phenomenally on your stand-alone numbers. So, congratulations on that. And I also noticed that your employee costs have doubled. I mean is this just because you've gone for very aggressive hiring. And are we going to see the fruits of this later? Or is this going to continue?

Avinash Sethi
Definitely. So, if you remember, probably 3 quarters ago or 2 quarters ago, I think when all the 3 founders were there. We said that we are willing to ride this wave, a demand scenario that is coming up, and we don't want to lose our new clients and new business that is coming our way. So, we will be aggressively hiring. And when I say aggressively, I think you'll have to obviously incur a lot of costs and pay a lot of premium.

People on board because every new candidate would have 2 or 3 offers in their hand and they will come from Accenture's of the world. So, you have to beat that you're to compete on those lines. So, we'll be willing to do that. And I think in the last few quarters, we've been talking about how we are going to counter this in terms of price increases to the client, in terms of bottom of the pyramid where we have hired a lot of fresh graduates and investing in training them. We're also investing in terms of cost killing and adjacent scaling for the existing team members so they can be more productive. And so essentially, we are trying to manage both ends. We said we'll first capture the client. And then second, we'll worry about the cost. So that strategy has played out.

We are growing organically, phenomenally well. So, from '21 to '22 year, we have grown at 30% organically. This time also, we are growing organically, fairly well. So, we are seeing that, that is going on fairly good. Our clients are accepting our price increase. So that is actively going on.

So, I think in next couple of quarters, we should be able to come back to a better margin scenario than what it is. But having said that, let me also warn you that it's going to take time. It will go worse before it goes for better, right? So, 28% and 29% EBITDA margin was anyway not sustainable. We've been talking about it; it's not going to be there anyway. So, travel has increased. We are traveling in all the geographies that we are present. We are also doing a lot of, stock options is also hitting us on the cost side. It's a retention bonus that we're giving, which is also going to hit us on the cost side. But that's fine, right? I mean that is how you'll you have to build the business and grow it from there. And eventually, since our rates are going to increase, we'll start to get the benefit in time to come.

It is a very lengthy process.

Devvrat
Yes, yes, I absolutely agree with you. In fact, when we met last time also that we had discussions around similar lines. But just want to get an understanding from you. Now see, if you look at employee cost as a percentage of revenues, it's roughly 62%, right? 61%, 62%. So, do you have some kind of a target in mind where you would like it to be? Or I mean, is it too difficult to forecast that?

Avinash Sethi
It is very difficult to forecast. We certainly want to optimize on it. On a monthly basis, we do a lot of analysis on utilizations, bench and performance. All of that is being tracked on a monthly basis. So, we are taking corrective measures. We are taking improvement measures, and we are also trying to do a surgical strike on each of those low-performing buckets or low margin buckets.

So that is a constant process. So, as I said, it is also a factor of how fast you grow. If your top line grows by 5%, the margin will come back very, very strongly because most of that money will go back to the PAT and EBITDA.
So, I think it's a hand in hand. But yes, I so told you that we are going to another rental premises. There's an increase in cost on that front also. But see anyone that's part and parcel of the business.

Devvrat
No, sir, you're growing then it makes sense to spend on the right things. So that's absolutely needed. I just have one last question, or it would be like one question with a follow-up question. So, how is the Eternus integration coming along? Do you think it's coming along well?
And the follow-up question would be around future plans to acquire have you identified any such companies? Or do you have like a timeline to sign a term sheet or something like that? Like could we get some sense on that?

Avinash Sethi
So Eternus' integration is coming on extremely well. We are going to change the name to InfoBeans immediately. So that is one big development. That means that the aim on both sides, the client on both sides, the partners on both sides will see InfoBeans as a name. So that is more or less the brand integration that happens immediately.

On the acquisition front, we continue to make attempts. We continue to try and find the right targets. And in the process, we also give out letter of intent. And maybe if you want to call it term sheets, but unless that is signed, unless that is accepted, we can't call it any significant milestone. So therefore, unless it happens, I can't really talk anything in that sense.

Pratik Jagtap
And the next question comes from the line of Mohit Jain.

Mohit Jain
I'm a little bit concerned about the fears of recession moving over the U.S. So, I just want to know what would be the impact if U.S. hits the recession? It's already been hit but had it not been for the definition change. What would be the impact to InfoBeans sales in the next couple of years from the U.S. side?

Avinash Sethi
So Mohit, historically, we have come out stronger after every down cycle. We have seen several down cycles from Dotcom burst to Lehman Brothers to recessionary times to COVID times.

We have constantly grown. So, one is the macro factors don't really affect a company of our size. We are still a micro company. Second is the kind of demand that we continue to see from the clients that we have, which is a very, very large set of clients. So, these clients, they don't see any recessionary pressures or downturns or whatever.

So that's third advantage that you have. Plus, if you look at it, what is the fixed recessionary pressure, how to handle recessionary pressures and how to handle cost pressures. Technology is the key to handle those recessionary issues for the business. And in India, definitely, it offers that kind of an advantage from a cost point of view, from a scale point of view, from a technology capability point of view. So, I don't see any challenge per se, from the demand side. So, I am not worried about it.

Pratik Jagtap
The next question comes from the line of Bhagwat Nayak.

Bhagwat Nayak
Congrats on the good set of year-on-year numbers. There are have been frquent changes in the audited numbers. This quarter, too, there are some changes. And last quarter also, there were inaccuracies in tax expenses, which were corrected later. This raises some concerns about the company. How do you plan to address in this future?

Avinash Sethi
So very well pointed out Bhagwat, and I apologize to all the shareholders here, there was definitely an oversight from our end on the first one. The second was, obviously, we wanted to have a much better auditor to come into the picture. And therefore, we had EY coming on board. And EY kind of auditors, they have done their due diligence and they've done their restatements which was necessary for them and necessary for us also. And I think that is how we bring in more credibility and update process into our financial numbering process. So, moving forward, I'm hopeful that we'll be able to clean it up and that kind of restatement situation does not occur in future. So that investment is purely because of that.

Bhagwat Nayak
Okay. Sir, just wanted to understand one more thing from which date onwards E&Y got appointed?

Avinash Sethi
So EY has come in from July onwards, and they have done audit of this quarter completely. We take this very seriously by the corporate governance point of view and the numbers point of view. We need to be extremely transparent. Therefore, in the first instance when we found our mistake, we accelerated it and we published it. In the second instance, it is a restatement by the auditors. So, we have accepted, and we are moving ahead.

Pratik Jagtap
And the next question comes from Anika Mittal.

Anika Mittal
Sir, sorry, I joined the call lately. So maybe this is the repeat one. In previous concall, you mentioned that both the Eternus and PGL are doing good margins. So, what happened suddenly that NPM and OPM of subsidiaries fell significantly in this quarter. I understand that amortization is there, but these operations did not even add much to our top line in this quarter, like sales fell by 14% versus previous quarter and along with the significant high employee cost is also there. So, do you really think these operations are going to add value to our top line and bottom line? And what is the reason that we are not able to control these high employee costs?

Avinash Sethi
So absolutely, the subsidiaries are adding a significant value to us. Eternus the margins are phenomenal. They are doing 40% EBITDA margins, they're between 28%, 30% of PAT margins. They are doing phenomenally well. Philosophie has also improved their margins. The only situation that we're seeing with subsidiaries right now is they couldn't generate faster revenue growth on a quarter-to-quarter basis.

But it's a very temporary thing. It will come back and I'm very positive about it. The moment that the revenue growth start to show up, the margins will definitely improve for both of them. Secondly, the point that you mentioned is about the cost for each of the geographies in each of the subsidiaries. I think it is a necessary evil that we have to handle, and we have to manage. Even in the U.S., the cost has been spiralling very high. And the only way to handle that is to increase the top line. So obviously, increase the top line both by acquiring new work as well as acquiring and increasing our bidding rates.

So, we are continuing to do that on the possibilities and all the opportunities that we get. You can't go to every client and say, increase your rate right now. It is a time where there's a renewal that comes in, then we go and change the rates. If there is a specific skill letter demand, which is out of the blues, we ask for the higher rate. So we are looking at those opportunities and capitalizing on it as much as fast as we can. But it is a gradual catch-up process. You deliver and then you charge, that's how it will continue. But I don't think I have absolutely zeroed out in my mind where these companies are adding value or not they're in significant value from us.

So there is no question about it. And quarterly revenue here and there is always a function of 1 project here and there, 1 client, 1 big project, and we already will start to change the numbers dramatically. It is a very short cycle to evaluate and come to a conclusion like whether the subsidies are performing and not whether it is a bad acquisition or not.

Anika Mittal
So how do you see these kind of parameters like revenues and EBITDA from your subsidiaries going forward in the upcoming 3 quarters?

Avinash Sethi
It is difficult to say that, but I'm positive that each one of them will grow. And each one should grow at a faster pace. That is why we acquired them. We are working towards jointly on sales work to increase our top line in all directions.

So that is a continuous news effort. It is difficult to predict what's going to happen in the next 3 quarters. But on an organizational basis, we are going to grow. As I said, we are at Rs.400 crores definitely. We're hoping to do better than that.

Pratik Jagtap

So the next question comes from Puneet.

Puneet
I just want to understand on the attrition part, so do you see increased attrition? And my second question would be, where are you seeing more opportunities inside India or outside India?

Avinash Sethi
So the attrition is slowing down. We added 25% attrition on an annual basis, we're seeing it around 20%, 21% right now. So, these are definitely course-correction. On the geographical opportunities point of view, I think we're seeing growth in every geography in that sense. We're growing in the U.S., we are growing in Europe, we're growing in Dubai, Middle East market, not only Dubai, Saudi Arabia also. And then we are also growing in India. It is a demand scenario of all the geographies. That is why in one of the earlier questions, I said, I don't see any demand issues at all. So, we have a lot of work to capture.

Puneet
So actually, from where I'm coming is suppose Rs.100 crore is right now where I would like to apply it in spite your qualities outside so that would a little bit give me more clarity. I just wanted to put this question other way around for you.

Avinash Sethi
No, I did understand.

Puneet
So if we have a lot of cash available, and we see, we should deploy inside India for the opportunities to expand or outside India.

Avinash Sethi
Okay. So, the answer to that is if I were to acquire a company, I would certainly prefer U.S. any day. One is because my 80% revenue comes from that market. Second, I've been present there for the last 22 years. Third, I have lot a lot of referenceable clients there and large clients. So that leverage allows me to grow the acquired company much faster.

So yes, I would certainly think of that as a higher possibility, a higher thing. But even if you look at the last acquisition Eternus Solutions, it is an India-based company. However, on other hand, a big chunk of revenue coming from overseas market. So we would always think of companies which has a much higher presence in the overseas market, particularly U.S. as our target company.

Pratik Jagtap
The next question comes from the line of Rajesh.

Rajesh
My question is like why the profits are down? You said in your presentation that you will elaborate on that. Request you to please.

Avinash Sethi
Yes. So, the profits are down primarily because of employee cost than again, subset of employee cost, which is like salaries, which is in cash. Second is stock option impact, which is also starting to happen. And the third is the travel cost that has increased for us, which was not there previously. All of these factors are contributing to increased cost.

Plus, I would also say that the revenue growth should have been much higher as in the previous question, we saw that revenue growth for subsidiaries was lesser. So had that been the case, the margins would have been better.

Rajesh
And do we see this trend to continue? Or there would be an improvement in that.

Avinash Sethi
We are working towards beating this, Rajesh, on all counts. We're trying to improve our sales. We are trying to reduce our cost. We're trying to maximize on the opportunities that we capture. So we are working all directions to come out with a better set of numbers.

Rajesh
But how much net profit margin can we expect on a consolidated basis?

Avinash Sethi
Quarter-to-quarter, it's difficult to predict.

Rajesh
Annualized?

Avinash Sethi
Yes. Annualized, I keep saying every time, EBITDA, 24% PAT, 14%, 15%. That's an annual thing over the years. It may not happen 1 year, but it will certainly catch up the next year.

Rajesh
And my second question would be, are we working anything in artificial intelligence or maybe in the electric vehicle platform segments?

Avinash Sethi
No. We are not. We have chosen blockchain as a new technology investment. We are doing that right now.

Rajesh
Okay. And how much potential do you foresee in blockchain in terms of sales growth or profitability?

Avinash Sethi
So what we are finding is that all of our customers will need blockchain in some of the other forms. We have BFSI customers. We have health care customers who are pharma clients. So we believe that blockchain will be a very important capability set for these customers also. That's what we are trying to see. We can just piggyback another set of capability on the existing client base and see if we can leverage that. So that's why we chose blockchain as the first technology to invest in.

Pratik Jagtap
We can go ahead with the next question from Varun Agarwal.

Varun Agarwal
Congratulations for a good set of numbers, especially on the stand-alone front. So, a couple of things I wanted to understand. On the stand-alone front, we have done good in terms of bottom line also. But on consolidated, you gave the appropriate reasons because of the employee costs and travel expenses. Other than that, do we have a negative bottom line still in philosophie?

Avinash Sethi

So see, Philosophie doesn't exist anymore. It is now InfoBeans INC as a subsidiary. And it is also a function of the increased cost that they are seeing there and also. We are also hiring people in Philosophie to build up the capability set. So what happens is Philosophie still a boutique shop, which is doing one time projects for big clients and typically in the product prototyping space.

So you have to have a constant sales pipeline for one project is over, then you immediately pick up the next one. If there is some gap or some time lag, then you start to see a dip because the costs are very high. There is no revenue matching it, then there's a significant impact. But we are positive that we'll come back because there are contracts that are coming up. They are contracts that are getting renewed. So, all of that will start to show up again. It's a temporary blip, I would say, nothing to worry about.

Varun Agarwal
Is that one of the reasons why we see a suppressed bottom line other than the...

Avinash Sethi
Yes. The growth in revenue for both the subsidiaries have not been as promising as we expect it to be.

Varun Agarwal
And this onetime retention bonus in which quarter will we have that?

Avinash Sethi
It will have its impact on the last quarter, March quarter.

Varun Agarwal
And any estimated value of that?

Avinash Sethi
It is difficult to estimate at this point in time. I'll try to come back probably as a separate update on how it is going to be because we are also trying to see if we can convert that into a stock option. So, we don't know as of now.

Varun Agarwal
And in Q2, will we have any increments, yearly increments.

Avinash Sethi
We don't do that...

Varun Agarwal
Usually yearly increments are in which quarter?

Avinash Sethi
In the March, in the April quarter. So, this quarter, April to June. So that will be the new base for us. Essentially, we did multiple operations last year because just to retain people. It was a bad time in that sense. And we were very flexible also trying to see if we can retain rather than hire. The retention is cheaper than hiring the same talent. So, we became very eligible in that sense. Here also, if you look at this year, we are now trying to be more selective, more conscious and more cautious about it. So that way, we should be able to now see a better situation. The demand on the talent or the supply side issues are also subsiding now. The attrition numbers also reducing.

So that's a good sign. All in all, I think we would not be required to do another midterm appraisals or out of turn appraisals in this year.

Varun Agarwal
Okay. Fine. Before I end, I wanted to appreciate a few things that from a disclosure point of view, we have done more disclosures in the presentation, so which gives us more clarity and taking a step of appointing one of the Big 4 as auditors also gives the investors a lot of confidence. The CSR activities, which we have taken and the new technology we have started investing in, which is blockchain.

Avinash Sethi
Thank you very much, Varun. I appreciate that you have been constantly figuring out as to what are those positive spikes. So, thank you for pointing those out. Thank you very much.

Pratik Jagtap
Next question comes from the line of Vivek Kumar.

Avinash Sethi
Pratik, we'll have to take it at the last question. I think we are already closing time.

Vivek Kumar
Am I audible?

Avinash Sethi
Yes.

Vivek Kumar
Okay. I got to know about your company, perhaps a couple of months ago. And I was very much impressed with the way the company is growing and also the vision which your company has. I think recently, I read one of the interviews of your VP who is saying that we plan to double our business every 3 years. So, I have invested in the company for a very long term, perhaps for the lifetime.

So I just want to know your vision and when you pass on your mentor to the next generation, where do you see your company? Right now, it is a very small company, a microcap, but when you will pass on to the next generation, where do you see? Do you see your company as an Infosys 25 years down the line?

Avinash Sethi
That is definitely very appropriate. So we have been modeling InfoBeans or not modeling, but we've been benchmarking of sorts. We have been looking up to company like Infosys as our role model. And we've been in touch with a couple of cofounders directly. Their value system, their willingness to share their value system, think of business with a teamwork, share how to develop team and the more professional and ethical in the business, focus on data and processes other than anything else. So, as you said we are in making Infosys if that you want to call that.

How we want to leave behind a legacy, we certainly want to leave behind legacy for ourselves and for team thinking and not only as the 3 of us, but every member who retires from InfoBeans and goes out to retires or goes to some other company should look back, think of it as a very proud association with InfoBeans, a company which was willing to create value for everybody, not only a handful of people, not only just the customers, not only just the team or the investors or the community, but for everybody, strike a right amount of balance and create a meaningful interaction for everybody.

I think I'm talking very generic and very big picture sense. But there's hardly any need for us in terms of money or in terms of fame or in terms of, I would say, power or position. The entire entrepreneur journey of those 22 years have been extremely fulfilling for each one of the founders. And we are just trying to create those many entrepreneurs, if you want to call that, in the next leadership team and the next leadership below them, we continue to have programs, annual programs where we pass on the knowledge and the value system to our next set of leaders. And then they in turn on the program where they pass it to the next level of leadership. So, we call that as a founder, the L1, L2 and L3, and we continue those programs every year. So, it's a constant exercise, a continuous exercise for us to create that team, which does operate in that manner, endlessly or eventually till the retirement or until their useful contribution to the company.

I hope I didn't give you a lot of vague answers, but this is the direction that we see as a company.

Vivek Kumar
I'm quite satisfied Avinash, because I think this is the value I saw when I was going through your company profile and your profile and other founders' profile. And generally, when I invest in any company, I first see the value system of the company. And this is my first con call of the company and I'm really impressed because you were not only talking about money or the money monitoring figures, but how you and your company is transforming the lives many lives throughout the globe.

So, I just wanted also to know how the organizational philosophy or organizational values the company has. Like what kind of legacy in terms of because the money is one thing in which the value can be ascertained in finance world but still I'm satisfied with your answer

Avinash Sethi
Thank you, Vivek. And since you have invested for long term, I would request you and every other member out there who think of investing in InfoBeans for long term or already invested in InfoBeans for long term, please come to our Indore office. We'll be happy to meet you. You can see this happening in action and obviously, get better of confidence.

Vivek Kumar
Thank you, I just hope that in maybe 4, 5 years, maybe a decade down the line, a company going to start providing some dividend.

Avinash Sethi
We already provide a very token dividend.

Vivek Kumar
Token dividend, I got that.

Avinash Sethi
Yes. Yes, let's say if we have remained with cash reserves with us, we'll certainly distribute it. But if we continue to do acquisitions, I don't know if we'll have cash in the books or not.

Vivek Kumar
I would suggest go for the acquisition, don't give dividend to the investor because that's the compounding. The investor will be more happy and they will bring greater return. The market has not been very much appreciated your result today, it is 10% down, but I think it is a just a reaction.

Avinash Sethi
Yes, yes. it doesn't matter.

Vivek Kumar
Because the net profit was not flat in line. But that's yes, as you said, it doesn't matter quarter-over-quarter. Definitely, I'm not in this for quarter, at least I'm here for a decade or more than decade.

Pratik Jagtap

As this was the last question, I would hand over the call to Avinash for the closing comments. Over to you Avinash.

Avinash Sethi

Thank you once again all the shareholders, I highly appreciate your time and interest in InfoBeans. You have several choices right from TCS of the world to InfoBeans of the world. You've chosen us. I'm extremely indebted and thankful to each one of you. As we say, we are focused on the long term. And in that process, we have to really take calls like acquiring clients and acquiring talent that at a higher cost, we'll do that, and we'll continue to do that. We'll also focus on long-term growth of the business.

And we know that we are going to see the fruits of it in time to come. Therefore, sincere suggestion or request to each of the shareholders. Think of InfoBean's as a long-term investment, not a quarter-on-quarter short-term investment. I'm sure you'll be benefiting in the longer run immensely, if you stay put despite the numbers on a quarterly basis. Thank you again. Thank you very much for your time and attention. I highly appreciate that. Thank you.