InfoBeans Technologies Limited
Q2FY23 Earnings Conference Call

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Pratik Jagtap

Good afternoon, everyone, and thanks for joining the call. Welcome to Q2 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.

Radhika Tripathi

Good afternoon, ladies and gentlemen. Welcome everyone to the Q2 Earnings Call of InfoBeans Technologies Ltd. The results have been sent to you and mailed to you and in case anyone is not having the copy of the same please write to us and we'll be happy to provide you the same. To take us through the results of this quarter and answer your questions we have today Mr. Avinash Sethi, Co-Founder of InfoBeans.

We will be starting the call with a brief overview of the Company's performance. Then we will follow with Q&A session. Kindly ask your questions by raising hands and once the brief overview by Avinash is over, and then we will address every question one by one.

I would like to remind you all that everything said on this call that reflects any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction with uncertainties and risks that we face. With that said I will now turn over the call to Mr. Avinash Sethi. Over to you Mr. Avinash.

Avinash Sethi

Thank you Radhika. Thank you, everybody for joining this call and your continued support for InfoBeans. We appreciate that, let's look at the quarterly numbers.

Let’s see first slide. So essentially, we have grown very well in terms of the revenue numbers. There is the revenue number which is about Rs 200 crore, this is shared and uploaded on the NSE website as well. We have grown slightly further.

So, if you look at the actual numbers on the screen, at a glance. We talk about Rs 200 crore of revenue on the H1FY23 side as compared to Rs 120 Cr in H1FY22. We generated about Rs 46 crore of EBITDA, Rs 22 crore PAT and we have Rs 153 crore in cash and cash equivalent which includes account receivables. Interestingly I want to highlight this point here that we have grown on a y-o-y basis, if I compare the trend of last year v/s this year, it is 66% of growth which is phenomenal, as a combination of organic and inorganic which is a testament to our strategy of growing the business at a faster pace using both the tools - organic and inorganic tools.

So very happy and very glad to tell you that we are on the right track and we want to grow the business at a faster pace than the rest of the industry.

Today we are a team of 1,625 members. We have crossed 1,700 in this quarter but we have also curtailed back. There is an increasing list of Fortune 500 clients and an increasing list of active unicorn clients that we are working with. There is a partnership and several awards that we receive every quarter and so.

Next slide please. This is a quick transformation over the years. We have talked about it in several calls so I will skip this.

Next please. Again the Senior Leadership here, the Board of Directors. And the very experienced and dependable team which have. The three of them are Founders, Jitendra, Emerson, and Shreyas, from the acquired companies. Denise is a recent joiner, she is now heading Design & Innovation as an SVP of the U.S. team.

Next please. This continues on leadership, Darshana, we talked about last time. She has joined us as a Blockchain Evangelist, as a VP and we are building and investing in this new practice. Again very senior leadership out there.

Next slide. This is a quick chart of growth you know, from FY'17 to FY'22. In five years, we have grown from Rs 84 crore to Rs 289 crore and this H1 is about Rs 200 crore already so we are on the right track. We keep cautioning about the margins and EBITDA and PAT side that the 28%, 29% which we saw last two years is not sustainable and will come back to 24% kind of a margin that we want to preserve and sustain going forward. PAT is around 14%-15% margin which we want to sustain. We are dipping on this right now but as we keep mentioning we are investing in our growth. We have shown 66% growth on the H1 side so it is really working for us. We have seen our clients staying with us over a long tenure so it is an important strategy for us to capture the business first, establish those relationship, and then build upon it. The PAT margins will quickly recover moving forward. But the strategy is working and is what I think we can see here.

Next slide please. So our comparison between q-o-q and y-o-y for the September quarter, Rs 102 crore in the revenue v/s it was Rs 98 crore last quarter; it was Rs 65 crore a year ago. EBITDA a slight dip here to Rs 23 crore from Rs 24 crore and then increase of 37% from Rs 16 crore to Rs 23 crore from the last year. PAT has shown a little bit of a drop from Rs 12 crore to Rs 10 crore for both the quarters. But if you look at it in USD terms, we have grown 64% which is a significant growth that we see on a y-o-y basis.

Next slide please. So here, this is the H1 comparison. So, on the Rs 108 crore that we did in the first half of the last year, this year it is Rs 200 crore. It is 66% jump. And I think the USD numbers are reversed. It should be 66% here in this slide and 58% in the previous slide.

Next slide please. On the Geography break up, India has come up with a larger geography for us. Europe and UAE both are growing 6% and 7% respectively. And 72% is the U.S. which is shrinking as compared to where it was previously which is I would say good and bad news. Good news is that we are spreading in more geographies that we intended to but the U.S. dollar is the strongest of the currencies at this point in time. From a Segment point of view we have 50-50 more or less. On the business side, InfoBeans Cloudtech which is the new name for Eternus Solutions is doing about 19% of the total revenue for us. And InfoBeans 81% of the revenue.

Next slide please. So very good news here is that the Blockchain Technology investment that we were doing, we already got a project from a client which is L.A. based (Los Angeles-based) client which is into selling and preserving of art. They are going to use NFT to fractionalized those pieces of art and sell in the market and generate revenue out of it. So we have a catch you know, grabbed that project which is going to help the Blockchain practice. So, this is a significant win.

This is an interesting story of another client where we expanded our capabilities and engineering more business from there. So the Design team based out of the U.S. is working with us, together, where the design part will be done in the U.S. and development part will be done in India. So this is a synergy between Philosophie team, and India team, that we are exploiting at this point in time. So it's showing up. We are getting more large names into our bucket as our customers. And we now have, as compared to six companies in the month of March quarter, 11 billion $ + revenue entities right now.

So again that strategy to focus on the large customers is playing out fairly well and gives us a lot of strength in this turmoil times where we can rely on repeat revenues from these large customers.

InfoBeans is a common brand that is going to exist and apply to all the acquired companies that we have. And Eternus name has changed and Philosophie is also now under InfoBeans as a common brand.

Another good news is on 10th of November 2022 we will in Mumbai to get the BSE listing activated for us and to be done with the hands of Honorable Chief Minister of MP, in the Hotel Taj President in Mumbai. So I invite each one of you to participate. You know, be there in person. And we'd love to host you. I think the timing is about 11:30 am to 12:30 pm followed by lunch. So please join us, me and Siddharth, and our Independent Director, Mr. Santosh Muchhal, will be there. So I will be happy to host you and welcome you for a quick interaction also, and be part of this historic BSE listing for us.

We inaugurated a new office in Baner, in Pune which is a 500 seating capacity. We are very hopeful that our team is now coming back to office and we are quite hopeful that with this new facility we'll be able to expand and enhance our presence in Pune. So those who were not aware, we have two offices now in Pune and we are probably 700+ people team in Pune alone so pretty good strength there.

Next slide is about clientele. Some of the clients you know, that we keep talking about ALM is a client that's for 19 years; IQVIA, for about 10 or 12-odd years; Meta is a Philosophie client for over five years; Waste Management is recent client; Tripadvisor is a recent client, and there are some other names that I can't mention but they are good clients, Fortune 500 companies and they have established relationship with us so very, very happy and proud to have these names in our roster.

Next please. So we keep repeating this point that we want to scale the business through both organic and inorganic pieces. We continue to invest in our outbound sales efforts in all these geographies that we have. We have physical presence and physical offices in all the three overseas locations, U.S., Germany, and Middle East. We have physical offices and physical team members there. We continue to expand in those geographies. And we also continue to expand in our existing clients by way of a client success function that we have.

We are leveraging two strong partnerships that we carry. One is the Salesforce, our Platinum Partnership that we have. And interestingly now we are with Salesforce, co-selling in the U.S. and UAE as well which means that Salesforce is helping us generate more and more business for our services. And that's a very strong endorsement of our capabilities and enhances our credibility in front of our customer. So we are very hopeful that we will be able to generate a much, much stronger pipeline through Salesforce as a channel partner.

ServiceNow, is another partnership that allows us to go inside large companies because you know, both of these platforms are being used by large companies with a large budget for their IT services and therefore it is a very strong unique strategy for us to penetrate our customers using these kind of capabilities.

We are also investing in R&D on the Blockchain that we've talked about. And we still focus on North American market as a key market for us because we know 70% plus revenue comes from that market.

Now having said that we are also investing in the inorganic piece. Currently, the environment is good. We get about 6 deals to 7 deals every month. And you know, we are discussing and debating on these opportunities. So the deal flow is good. The pipeline is basically in the areas that we are looking at. So as and when there is the progress we'll certainly announce it. But we are happy with the current traction on this particular process.

We are focusing on areas in terms of data analytics companies, in terms of the machine learning companies, or Salesforce and ServiceNow kind of companies. We are looking at U.S. based geographies more prominently because that is a market that we like and understand. We also want companies which has penetration or features presence on the enterprise clients. We don't want companies with a long list of clients and a very, very, tiny revenue share from each of them. We want to work with companies or we want to acquire companies which not with less number of clients and have deeper and larger relationships with each one of them.

Next please. So this is the story we keep talking about. We want to grow our sales at a pace where we can at least double our sales every three years. We've been doing it since 2010. Here is a summary of last five years. And if you look at those dotted lines we have doubled our sales from one year to another year, during those and you can trace it through those dotted lines. But next year, FY'23, is also in line. We are really doing much better from Rs 289 crore to Rs 400 crore. So in fact we'll probably look at doubling our sales from FY'21 to FY'23 doubling our sales in two years rather than three years this time.

We've been showing that kind of a CAGR for the last five years in all the key metrices like revenue, EBITDA, PAT, and Networth. We are debt-free company. You know, good cash and cash equivalents. And it includes account receivables. There's a 40 million-dollar pipeline with a fair confidence for the next 12 months. We have successfully executed organic and organic growth strategies as I mentioned at the start of the presentation, higher total revenue growth at 66%, here it is state here.

Then our highly committed and focused team with a large stake in the Company. So three Founders we have about 75% stake in the Company and you know, we have a very high skin in the game in terms of growing this business aggressively.

We participated in the Dreamforce which is the WoW event for Salesforce companies and we got a very good traction from there. Salesforce announced a new module, a new capability of loyalty management, loyalty management as a module and incidentally we were able to do it. They just released it in Dreamforce which was in October and we were able to sell that capability to one of our customers in the U.S. We are currently implementing along with Salesforce here.

So very strong partnership you know, leveraging that we are doing here. And since they come up with this new model, very, very recently, we actually going out and implementing it which can give us a very impressive head start in the market.

What we did was, the Salesforce enthusiast in our office actually decorated our office and the team of Dreamforce also. So some pictures there.

Next please. They're also investing in terms of building the local community for Salesforce and ServiceNow. And we are acting as an Evangelist in the central India market where we are bringing in all the developers on Salesforce or ServiceNow, together in our office, and doing learning sessions with them. So there's a large community showing up on Salesforce and ServiceNow is also building up new interesting startup which I would say are the community building exercises that we're doing. We'll extend it further to more geographies like Pune and Chennai, but yes, this is a good start for us.

Next please. Glimpses of the new office in Pune. It is an iconic building of Pune where Symantec and Veritas used to function. The name of the building is Icon 35. And it is a Brookfield property. So we had this renovation done in the month of October very recently.

On the CSR side, we've been planting trees on the roads and the roads are concretized. And we are planting it on drums; that you can see in the pictures. And we are also doing computer training programs both short term and long term. Short term is like one month, two months, kind of programs. And long term is a year-long program where we make them job ready. And we have three batches, in three years very, very, successful batches about 80-odd students got placed in the various companies in Indore.

Next please. We are very hopeful of taking this project. This is the third center that we have opened up for our InfoBeans Foundation in Indore. And this has a capacity of over 80-odd students that we can train every single go.

Next please. This is where we talk about the quarter numbers and actual numbers. The presentations have been shared I believe. You can have a look at that. So I think just a point here that you know, the EBITDA margins have come from 25% to 22% from September '21 to September '22. This is you know, anticipated. This is a known event that we are investing in our growth. We are willing to capture the market, the revenue first. And you know, hiring people at a higher cost. We know that we are paying very, very, handsomely but we are also aware and we are working on increasing our rates. We are passing the cost to the customer. We are improving our utilization levels. We are investing in our team in terms of cross skilling and upskilling so that we can you know optimize and get better margins. We are also aware that since we have been able to build long-term relationships as a customer, we'll be able to recover these lost margins in future. And the PAT margins we have dropped from 18% to 10%; 18% was an anomaly; 10% is also not really a comfort factor. We would want to bring it back to 14%, 15% kind of a number. And EBITDA, we'd want to bring it back to 24% kind of a number. So I think we have carefully placed in terms of revenue growth that you can see year over year, and we'll be able to recover these margins in probably the next three to four quarters.

Next please. Yes, this is the audited balance sheet. I will just skip it.

Next please. Thank you very much. I think we can now open up to questions and answers. I know that there are a lot of questions that keep coming in. We always fall short of time. So let's jump on to the question and answer right away.

Pratik Jagtap

Thank you, Avinash. So ladies and gentlemen those who want to ask the question can raise their hand and then we'll allow them to ask the question. The first question is from Rajesh Chaudhary.

Rajesh Chaudhary

Yes. Good evening. My question is like can we expect that 20% CAGR in revenues and 25% CAGR in profits for the next five years without any further inorganic growth since we have an aspiration to double our revenues every three years, can we do it without any inorganic growth?

Avinash Sethi

Rajesh, there is no question of with or without. You know if I were to look at past historical data. InfoBeans has been growing. So let me split it into two buckets. Between 2010 to 2022 we have grown at a pace of 35% plus CAGR. Between 2010 to 2019, it was purely organic. We acquired our first company in 2019 and the second company was acquired in 2021. So if you look at September '22 and September'21 the organic growth alone is 40%.

Rajesh Chaudhary

So my question is like we can still maintain this run rate because since now we would be on a higher base as compared to 2010?

Avinash Sethi

We are investing in growth and even in the turmoil time, this last two years have been tough for IT companies not because of revenue but because of cost. We have taken that call that we will you know continue to hire people even if we have to pay higher cost. So, we are compromising on the margins Knowing fully, fully aware that we are doing it because we want to capture the market. We want to capture the relationships with the large company. We want to boost our revenue first and margin will follow. So we are confident that we are on the right track and we should be able to maintain the current pace that we have been doing it for the last five years or the last ten years.

Rajesh Chaudhary

So in terms of profit margins can we expect a net profit margin of say 15% to 17%?

Avinash Sethi

See net profit margin is not a big worry that I would bother about. I would really bother about EBIDTA margin is the first thing because profit margins vary because of various other things, right, because of depreciation, because of a lot of other things. But despite that, as I keep mentioning we would focus on 24% EBITDA margins and 14% to 15% PAT margin. That is our goal. Now, can we achieve it next quarter? Can we achieve it four quarters from now? I can't answer that. We are working towards it. And we will achieve it. When it is going to be? I can't tell you this.

Rajesh Chaudhary

No. If somebody says it as vision of 4 -5 years, I think we can do that.

Avinash Sethi

Four years, five years, absolutely yes.

Rajesh Chaudhary

I mean not a couple of quarters but at least for say a couple of years, 3- years, 4- years. We can do it?

Avinash Sethi

Yes. We should be bringing it back sooner than that.

Rajesh Chaudhary

Okay. Okay. And another question is like how much percentage of the revenue are we getting from Europe? I skipped that I think.

Avinash Sethi

7%

Rajesh Chaudhary

So, do you foresee any impact of the war in our business from Europe?

Avinash Sethi

It is actually helping us in a sense that we'll get more business. The work that is not been done by Ukraine and the Russian geography or nearby geographies you know, will spill over to India. We have not seen anything specifically….

Rajesh Chaudhary

But as we have heard from the various media reports, like Europe is going through a recession and there would be a lot of uncertainty in terms of the business. So, do we foresee anything?

Avinash Sethi

No. You don't have to worry about that.

Rajesh Chaudhary

No. In terms of like say today it is 7%. My question is like can we scale it up in spite of the recession?

Avinash Sethi

We have been trying to scale it up. And you know, earlier it was 5%. It has come to 7% now. But then India and UAE has come up so.

Rajesh Chaudhary

Otherwise, you don't see any major impacts?

Avinash Sethi

No. We don't see any.

Rajesh Chaudhary

Okay. And lastly like as I understand we don't hedge over currency. So how do we take care of it?

Avinash Sethi

We do hedge our currency.

Rajesh Chaudhary

Okay. Okay. And what would be the attrition rate for this quarter?

Avinash Sethi

It is under 5% quarterly and annually, it is under 20%.

Rajesh Chaudhary

I think last time it was more than 25%. Now it is less than 20%?

Avinash Sethi

Yes, yes.

Rajesh Chaudhary

Okay. Great. Great. Great.

Avinash Sethi

Thank you, Rajesh.

Rajesh Chaudhary

Thank you, Thank you very much for the call and for your time.

Pratil Jagtap

Thank you, Rajesh. So, the next question comes from Devvrat.

Devvrat

Fantastic numbers. I must say I'm very, very, impressed with the numbers. So I was just wanting to you know clarify a couple of things. The other income that was there, the y-o-y component would be the loan write-back that we got back from the U.S. government?

Avinash Sethi

Yes. So if I look at purely the income from the operations, the growth is much higher.

Devvrat

Exactly. Yes. Right. So you've actually done quite well. I wanted to ask you know, sorry I joined the call late but just wanted to ask how your latest acquisition is linked?

Avinash Sethi

It is wonderful. I mean it is helping us boost our margins.

Devvrat

Okay. That's good to hear. And Sir, one more question I had, was that in your acquisition pipeline currently because you know, you've said that you might want to be looking at acquiring a few more companies going forward. So, do you have anything in your pipeline right now like where you might be going for an acquisition any time soon?

Avinash Sethi

So Devvrat, we continue to do that even, right after Eternus acquisition which was like October last year. We're evaluating companies. And you know, we actually gave two term sheet in between then and today, and it didn't consummate. They didn't sign it. So, we gave an offer. They didn't sign it. Hence, we didn't announce it to the public. So, we are constantly working on that process. And it's not that we've stopped, right after the acquisition also we were evaluating companies. It is a very important piece in the entire equation. And therefore, I get upset when people ask us to you know, without inorganic growth or without organic growth, and I don't understand that mechanics. You know as a business we are investing our time, money and sweat and energy in doing both, organic and inorganic piece. So it is hard for me to differentiate and say okay this is not going to happen, this is going to happen. Okay let me imagine this. It doesn't make sense to me at all. But as the Company, we are focused on as a core strategy both organic and inorganic. And we continue to invest. And if you look at that slide of organic and inorganic that remains same for all this five to five and half years. So we are not going to change our ways. We are going to focus on that same direction. And you know, we are seeing the resources. Its working out so well. So, why would we draw one over the other.

Devrrat

No, no. Agreed. And Sir where do you see attrition headed now, for you guys?

Avinash Sethi

I think ironically good news is attrition is low but at the same time, we are also seeing that because we work in the specialized pockets of Salesforce, ServiceNow, and Automation space, we are finding it tough to hire people. It is equally tough as it was six months ago.

Devrrat

But, is this because of lack of talent in the market?

Avinash Sethi

No. I think what happened is the specialized skills are still under pressure. The scarcity is still there for these specialized ones. But for the generic ones, the pressure is off.

Devvrat

Okay. Understood.

Avinash Sethi

So the space we are operating in where we have demand. We are seeing a lot of pressure still. But the good news is the attrition has fallen off so at least we don't have to worry about that part of the piece of the puzzle. Atleast now we are left with worrying about the hiring piece.

Devrrat

So, if you are at say 20%, you are comfortable with those levels, like you are okay with that?

Avinash Sethi

Yes, it is pre-COVID levels kind of say about 15% to 20% is the normal range. Any part of the time in various industry so you are back to that normal range.

Devrrat

Okay Sir. Well that's it from my side. Thank you.

Pratik Jagtap

Thank you, Devvrat. Next question comes from the line of Anika Mittal. Anika you can unmute yourself.

Anika Mittal

Sir, my question is, we have been able to grow our topline like by 80% in half-year financial '23 y-o-y which is definitely a good thing. But sir, I wish to highlight two, three points, for the bottomline. First is, the tax rates. Consolidated tax rates on profit before tax in FY'22, it was only 9%. And in Quarter 1 and Quarter 2 of FY'23 it is 18% and 23%, respectively on consolidated number. Then second is the interest cost of FY'22, it was Rs 4.61 crore and it's in half year its already Rs 4.08 crore. I agree that due to acquisition we had to leverage on but it's hitting off our bottomline significantly. And lastly, on the depreciation side that is almost double in September quarter last year to more than 7% in both the quarters. So I understand you have grown topline but the proportion of increase in topline significantly lower than it is in depreciation. So ultimately due to acquisition, I agree we are growing our topline but we are draining bottomline, Sir. So what is the benefit and after how long time we can see the results coming in our bottomline due to these acquisitions going on, Sir?

Avinash Sethi

So one is we don't have any debt. If you're talking about finance costs, this is purely an accounting entry because of the notional interest on lease which we have signed up for all the offices that we have. So, I don't think it is a negative in a sense because it is rental cost essentially. So to answer your question we are not taking any debt for acquiring companies using our own cash flows. And the acquired companies generate their own cash flows which you know, supports the future amounts. That is one part of it.

The other part you asked was about the tax rates. So the InfoBeans is under SEZ, so the bulk of the business that we have you know, is under MAT, which is 15% tax rate. But because of Eternus which is a fully taxable entity, the tax rates are increasing every quarter now. And they're making more profit so obviously their tax rates are going to increase for them. So essentially on the consol level that is where the tax cost is increasing.

Anika Mittal

So what is your guidance for the tax rates going forward now on a consolidated basis?

Avinash Sethi

I would say this is a percentage that we can look at moving forward.

Anika Mittal

The 23%?

Avinash Sethi

Okay. So my finance head suggests that it is going to be 23%.

Anika Mittal

So, how we are going to improve sir bottom line? because these three items are significantly eating up our profits. And even if we improve our EBITDA margins as you were saying...

Avinash Sethi

To improve the bottom line, you have to increase the revenue.

Anika Mittal

We will have to increase the revenue, that's what I understand. What I mean you are getting but I think you know, what I'm trying to ask actually, and is you are getting the topline. I have no problem with that but ultimately bottom line is also necessary because if we are doing the acquisition that means we are respecting the bottom line as it is.

Avinash Sethi

No. Eternus is help on the bottom line, that's one. Second is, it is with the same team we can generate more revenue. So that needs to be done. I mean I know revenue is one of the biggest I would say savior if we are able to generate more revenue, the same team which is a possibility, which is a fair possibility. So and I talked about in my discussions earlier that we are passing the cost to the customer. We are trying to optimize it. We are trying to put in low-cost folks, train them and then move up the value chain. So, we are working on each of those factors but it is a gradual process. It will take time.

Anika Mittal

And so as for you, next three to four quarters you will be able to achieve that earlier OPM of 24% that you are guiding, and NPM of 14% to 15%. Am I right?

Avinash Sethi

Yes. I am hoping for that. If not 4 then definitely in 8. And I can't really pinpoint a particular range but yes, sooner is what I would say. We want to do it as fast as we can.

Anika Mittal

Okay Sir. That's from my side, Sir. Thank you.

Pratik Jagtap

Thank you, Anika So the next question comes from the line of VP Rajesh. VP, I have unmuted you. You can go ahead.

V.P.Rajesh

Thank you. Hi, Avinash. Good to connect again. And congratulations.

Avinash Sethi

Thank you, V.P.

V.P.Rajesh

Sir, first question is if you can just aggregate the year-over-year growth between organic and inorganic that would be helpful.

Avinash Sethi

See if you go back to the quarterly numbers, so I can give you some number off my head. So if I look at it and let's compare September '21 to September '22, right? So I look at revenue from operations, Rs 57 crore is purely organic in September'21. And September 22, we got Eternus numbers also which is about Rs 19 crore. So Rs 81 crore on Rs 57 crore is the organic growth.

V.P.Rajesh

Got it. Well, that's fantastic.

Avinash Sethi

That's what I'm saying. I mean we have been growing organically because of the investment that we did and it is showing up which is much faster than the peer companies.

V.P.Rajesh

Got it. Then second question, Avinash, on the margin side. Do you think it has bottomed out at 21% or you are anticipating making more investments in the coming quarters so that potentially it can go lower, what's sort of the sense you have?

Avinash Sethi

I think we are already on track in terms of whatever we are supposed to do. We have already done that. So more or less we are there. We should be increasing from here and moving forward with one exception which I mentioned last time also. In the March '23 quarter, we'll have the retention bonus coming in which was given in the last year where we wanted to retain people on an 18-month horizon and expiry of that happens in March'23. So that will be a one-time hit that will happen. But as I said there are the tricks you have to apply in order to retain and maintain that kind of growth. So, we have done those kinds of things.

V.P.Rajesh

Got it. And can you quantify that number of retention bonuses?

Avinash Sethi

It is difficult because you know we are trying again more ideas around it. One is that we would possibly want to convert that into some kind of equity, if at all that happens. There are people that may leave in between so the numbers get reduced. So, I don't want to quantify it at this point in time because it is a wide range.

V.P.Rajesh

Sure. Sure. Understood. Then on the customer side, you know Meta is obviously one of our large clients. And given what is happening in their business and I am sure you paid attention to their earnings call. Are you concerned that the business from clients like those and I don't mean Meta per se clients like those may reduce business towards us, I mean how should we think about that?

Avinash Sethi

No, it is happening. So, I think what happened is the world is getting cautious all over again. So let me make another statement the insanity factor that we used to see in the last 24 months, insanity in terms of demand, insanity in terms of supply of people / talent, insanity in terms of the minting of unicorns around us, insanity of the free capital. I think all of that is died. All of that is gone. And we are back to normal world if I may call that. Because of this inflationary pressures, it's all over in the U.S. and European geographies, plus the timing of the year, October, November, December is a bad, it is a lean period for the IT industry because of festivals and because of budgetary exhaustion so people don't issue any new budgets in this quarter. There is a Thanksgiving. There's Christmas. There is Dussehra. There is Diwali. I mean all of these factors reduce your working days. And people don't come out with new budgets. So, nothing new shows up. So, demand kind of takes a backseat at this point in time. But it comes back again. So, it is a normal scenario. It happens all the time. The only exception was last year when December was also a very healthy quarter.

But December would be a lean quarter which is the normal case. And we are seeing it right now where some clients are holding on projects and they are waiting for new budgets to be allocated which will show up the next quarter or in the January quarter. So I think it is a normal scene. The macro factors usually don't affect the micro companies like us and whatsoever historically in last 25 years of my IT career I have seen that any crisis, any inflation, any recession, any pandemic kind of situation, they have always boosted to the Indian IT services business. So, I don't think we have anything to worry at this point.

V.P.Rajesh

Understood. Great. Thank you. And all the best for your BSE listing.

Avinash Sethi

Thank you. Yes. Please do join us.

V.P.Rajesh

Will try. Thanks.

Pratik Jagtap

Thank you, VP. The next question comes from the line of Archit Singhal. Archit you can unmute yourself.

Archit Singhal

Yes. Thanks. Hi, Avinash and team. Few things, I have a few questions Avinash. Firstly on growth, so there has been a slowdown on a quarter-on-quarter basis and I do understand the global environment. So has the slowdown been only driven by the global environment or was there some other reason which led to the quarter-on-quarter dip in revenue, I mean not dip but 3% growth but which was lower than historical.

Avinash Sethi

So, some of the clients are getting cautious. And either there is a project closure and they are waiting for new work. So, these are great time. And there is a situation where you know some of the unicorns that we've been working with have shown some kind of restraint. Then there are I would say in those lines where we were hoping for more work but they have stalled the projects. They are actually two of them who have stalled the projects. So, as I said it is just a cautious approach. We are very sure it will come back and we will continue to move from here. I think it is okay to have a breather in one of the quarters. So, I'm not really worried as such Archit.

Archit Singhal

Sure. And is it possible to mention what was the constant currency growth this quarter, maybe on a quarter-on-quarter basis?

Avinash Sethi

Yes. I think it is 1% on the dollar terms.

Archit Singhal

Noted. So Avinash, I understand October to December quarter also I will be having furloughs and all but is it fair to assume that from the next year onwards, I mean growth should be back to maybe what it was, or do you feel that the cautiousness in the overall scenario can impact another, you can say six months or nine months of growth?

Avinash Sethi

I would not really worry about quarter to quarter and can't predict that in all fairness. What we are seeing is that business demand is a long-term thing and it is going to continue for years altogether. We are seeing demand coming from all geographies that we are operating in including India which is not seen in the past and people are willing to pay that kind of rates. So, it is a pretty unique situation that we are in where there's a lot of demand moving forward. And I think we as a company, are fairly placed and we want to make the most of this kind of environment.

Archit Singhal

Noted, Avinash. Last thing from side, any color on order book or on deal pipeline which you can give versus what it was let's say five, six, months back; I mean I don't want absolute numbers but maybe directionally is it much better than what it was six months back both deal pipeline as well as order book?

Avinash Sethi

So it is cautious. I would say six months ago business was falling in our lap without doing anything. And today we are back to the scenario and our sales team has to go out in the market, attend the conferences, meet clients, wine and dine with them, due lead gen efforts, do podcast, all kinds of marketing efforts. So we are back to the normal world, pre-pandemic but the orders are coming. So in pre-pandemic, if the sales cycle was taking nine to twelve months for a large client, the sales cycle is smaller in the current scenario but the effort needs to be made now. It's not automatic.

Archit Singhal

So does that mean that order book and pipeline are better or I mean I didn't get the answer actually?

Avinash Sethi

No. So that's what I'm saying. See, we were getting work automatically that means it was definitely better and we didn't have people, right, so it doesn't really matter in the end. Now we are making efforts to go to the clients and generate more business. And we are getting work. So it is not worse than what it was. But we are making efforts to get the business and we are getting the business. Now, do we have people? The answer is yes, in some pockets we have. And do we need more? The answer is yes, we need more. So, in the six-months-ago scenario, we probably had 300 open positions because we were all filled up to the neck. Today we are in a fairly comfortable position and we still have open positions which are probably a 100 plus. So that is how I would like to answer your question that we still have demand, we still get work, and we are still full in that sense.

Archit Singhal

Understood. I mean that’s helpful. That's it from my side. And all the best. Thank you.

Pratik Jagtap

Thank you, Archit. The next question comes from the line of Devansh Goenka. You can unmute yourself.

Devansh Goenka

Thank you. Just had a question actually on the certifications that you will have which is the CMMI level 3 certification the Microsoft Gold certification. Salesforce partner Silver, etc, so can you highlight if these certifications are points of differentiation when you are trying to target a new client and what benefits accrue to InfoBeans through these certifications?

Avinash Sethi

No. It is not a differentiation. It is a hygiene factor. You know, you got to have that.

Devansh Goenka

Okay. So its something which is standardized. It's not something that you need to intervene in that case?

Avinash Sethi

I mean you need it, but it is not going to make any additional difference. But if you don't have it, it will become a negative.

Devansh Goenka

Understood. Another question I had, if you could highlight, you mentioned two projects were stalled. If you could give an indication of an approximate value of what those projects were, are those projects going to be back in the pipeline or are they cancelled projects or are they just on hold?

Avinash Sethi

No. It is on hold. It's not cancelled. I would say it is in the range of $2 million to $3 million and it is on hold. They will come back probably in the January quarter.

Devansh Goenka

Understood. And in your earlier slide you mentioned if I'm not wrong that there was revenue visibility of around $40 million. So if you could highlight that is coming from new client wins or any of your existing clients.

Avinash Sethi

So Devansh, in the history of InfoBeans for us all 22 years, we have been able to generate 90% business from the existing clients. So, we hope the same will continue. And with the pace that we are getting new clients it might reduce a little bit to maybe 85% or so.

Devansh Goenka

So what were new client wins for last quarter? Generally, you all highlighted in a presentation, right? new client wins, what was it?

Avinash Sethi

Whenever they allow us to put out the names, we will put out the names. In most of the cases they won't allow us. So, we avoid that. There are new wins as I said but typically what happens is for a pipeline to ramp up to a higher number it takes some time. And therefore, it is natural that we acquire a client in one fiscal and the client grows up to the next fiscal which is where it becomes an existing client.

Devansh Goenka

Understood. But there has been client wins this quarter as well. And mentioned the number I believe in the presentation.

Avinash Sethi

Yes. Every quarter we win and every year we'll have two, three, Fortune 500 clients. Every year we will have two or three unicorns or two or three billion-dollar revenue companies. So we have been focusing on large names and we are getting it across all geographies. So yes, I think that is one of the big differentiators of InfoBeans so that we are able to strike that kind of relationships with the very, very large names.

Devansh Goenka

And we are able to grow the relationships for the ones who acquire new clients, as well.

Avinash Sethi

Yes. It takes time, right, it takes time to nurture the relationship but yes, we are able to do that.

Devansh Goenka

Correct. So, I guess one last question is your marketing efforts towards growing the Indian business earlier. I think we discussed it, the Indian business is something that you are not aggressively trying to win new clients in India, still focusing more on the U.S. and maybe the Middle East.

Avinash Sethi

We don't have a sales team in India at all. So, it comes automatically and if it is within our rates we will accept it otherwise we will not accept it.

Devansh Goenka

Understood. Thank you, so much.

Pratik Jagtap

Thank you Devansh. The next question comes from the line of Shobhit Singhal. Shobhit, you can unmute yourself.

Shobhit Singhal

Thank you for taking my question. First of all, congratulations for the new office in Pune. My question is which is the listed company, which is doing the same kind of work as InfoBeans in the listed space?

Avinash Sethi

There are so many. You look at the bigger ones you have Persistent, and you have Happiest Minds, I mean all the IT companies that are there more or less do the same thing.

Shobhit Singhal

Sir, in the mid and small-cap like same type companies?

Avinash Sethi

Sonata Software, Saksoft, Happiest Minds is a small company, LatentView.

Shobhit Singhal

Okay. Thank you for taking the questions.

Pratik Jagtap

Thank you Shobhit. So, the next question comes from Varun Agarwal. Varun you can unmute yourself.

Varun Agarwal

Hi Avinash, Hi Mridul. Congratulations for the new office. And festive wishes to the entire team.

And congratulations for the good set of numbers also. I just wanted to have an idea, looking at the global scenario, compared to earlier the acquisitions we are looking at are we getting them at better valuations now, or do we foresee the deals which were on hold by the companies, are we hoping that they get converted or the new companies which we are looking at, are they comparatively more attractive in terms of valuations now?

Avinash Sethi

So that is one of the problems Varun that we are facing. So sellers is having a valuation in the mind which is a peak valuation, and that is where the reality check is coming in and a lot of hesitancy in terms of stooping down to a lower value. So that is where the biggest hurdle is. So those term sheet that I talked about, they couldn't accept the fact that the values offered by us is lower than their expected value.

Varun Agarwal

Because of the cautious approach from the client side, that’s the same for the entire industry?

Avinash Sethi

It is. Yes. I think the high time is gone, right, the time is gone.

Varun Agarwal

Yes, and comparatively will the valuations become more attractive now when we look at it?

Avinash Sethi

Yes, it should, right, it should. When the Amazons of the world and the Googles of the world are falling to half of their values, how come an unlisted company, a small company can expect the highest of the valuations. So, I think that is where the whole mismatch is. But, yes, I think it is a matter of time, it will happen.

Varun Agarwal

Okay. Thank you. All the best for the upcoming quarters.

Pratik Jagtap

Thank you, Varun. So, the next question is from Chirag Kacharia. Chirag, you can unmute yourself.

Chirag Kacharia

Hello. I have a few questions. Is there any plan to merge yourself with any big Indian name, in the later part of the journey? And second when you target any entity for acquisition so what multiple you generally use to pay or prefer to pay?

Avinash Sethi

So Chirag, at this point in time we are pretty excited about the possibilities of InfoBeans so we are not willing to sell ourselves or merge with a larger company. We certainly would want to acquire companies, yes, it on the way. That is our strategy. Second is on what multiples? Multiple, is a very case-by-case situation, Chirag, where typically if it is a very regular business then you will not be interested in it. If it is a good business like Salesforce or a ServiceNow business then it might get anywhere between maybe 5x to 10x of EBIDTA or even more. We don't know. So, it depends on the quality of the business and the value that we see in terms of the synergies that we can generate. So, I mean it's not a very easy answer on what multiple we can offer. But InfoBeans has been conservative in terms of offering the valuations because we know we have to integrate it, we have to generate the synergies so there's a lot of investment and cost at our end therefore we can’t offer it everything upfront. So, we learned our process where we're saying that half of the value take today, half of the value we generate over the period and if you are able to generate more value, you get more value. If you're not then obviously not. So that kind of mechanism we have created and that's what it has worked in the last two cases. So, hoping it will continue for us also in the future.

Pratik Jagtap

Thank you, Chirag. The next question is from Hetal Sonpal. Hetal, you can go ahead.

Hetal Sonpal

Two questions. One is nothing was talked about the golden word in the IT industry ‘Moonlighting’ of which I am very surprised. Second thing is, does that opening a new center put more pressure on the bottom line and thus impact the margins further or maybe I don't know the maths here?

Avinash Sethi

No. It does. So, I'll answer the last question first. Definitely it's counterintuitive. You know, when people are talking about remote working, hybrid working, why are we investing into a new facility. I think we have a counter-view here. We want to have people coming to the office. And we want people to work with each other. It highlights also many unspoken issues and it creates a very strong bond for future which is what we are as a company all about. We as a company believe in investing in relationships. And I keep telling it that if you look at our top ten customers, the tenure is seven-plus years. If you look at the top leadership team, they have been with us for decades altogether. So that is not possible if you work remotely, right? You can't ask about your family or kids on a Zoom call, right? it has to be over a cup of coffee or tea or over lunch which is fairly possible in an office environment. So, the strategy that we are following is we are building smaller offices, let's say Pune, is a large city so now we have two offices in two ends of the cities. You know we also gone to Vadodara in last quarter which is a Tier 3 city. So, we are saying that we want people to come to office and if you can't come to office we will go to you. So that is how we are trying to come closer to our team and bringing them to the office so that they also get energized meeting and greeting people every other day. They won’t need to come all five days of the week. They can come at least 3 days of the week, at least start to build that relationship. That's the first thing.

The other thing that you talked about was moonlighting. We have contracts which are clearly talking about dual employment. And it is not allowed at InfoBeans. Now are also taking a clue from what other companies are trying to do like Infosys and TCS, and they're saying that we are willing to allow side gigs as long as it is informed and it is not in the creating any conflict of interest. So I think it is a good sign and probably will be willing to adopt that kind of a model where we want people to do any side gig which is not in the conflicting the current work. It allows them to you know, focus on their 8 hours of job, 9 hours of job they are doing but at the same time it allows them to learn new skills or explore new possibilities and maybe make some money out of it. So, we are totally fine with that as a model. But dual employment is a clear no.

Hetal Sonpal

So, a good point, (and quickly on counterpoint……) this might be a good R&D study, (Maybe might ask Siddharth to get some people in and learn how to do it, on the…) impact on productivity on working from office versus working from home. I think it's been a time now and

I think across organization it might be good to find out the real fact behind it.

Avinash Sethi

That is definitely a good study and I have an experience of productivity tools. Sapiens was one company that we invested in and very startling facts around office productivity and my worry is that home productivity is further low because our homes are not set up like that. We just created a jugad of working from home. It is disturbing a lot of personal lives. It is disturbing relationships, plus it is not really appropriate. Many times from an infrastructure point of view from the dependability point of view, just from the discipline point of view. So yes, there are both sides of views. You know as long as people have separate infrastructure and the ability to manage that, as I said I'll be happy to promote that plus cities like Indore, Vadodara or even Pune, if you are close to that office area, 20 minutes to an office space is a fairly okay deal. But if it is one hour or two hours, I would certainly not want to go to office. I agree with that. So companies have to figure out innovative ways to handle that kind of situation where they do the best of both worlds.

Hetal Sonpal

Got it. Thanks. Good luck for the next quarter.

Avinash Sethi

Thank you very much.

Pratik Jagtap

Thank you, Hetal. This was the last question. Avinash, you can conclude the meeting.

Avinash Sethi

Thank you everybody. Appreciate your support all this while. And be rest assured, we as a company want to focus on growth and we are investing. You can see the results coming up in that manner. And we'll continue to do that both organic and inorganic goes hand in hand for us. And we are painfully aware of the cost pressures. And we are taking measures to handle it. But it is going to catch up over a period of time. Good news is that we are able to work on the single objective and to deliver on revenue growth which we have been able to do that fairly well. So, thank you very much. We appreciate your support all this while.

Pratik Jagtap

Thank you, everyone. We are concluding this call now. Thanks for joining. Thank you.