May 16, 2023

The BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400 001.
Scrip Code: 543398

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex Bandra East,
Mumbai 400 051
Scrip Symbol: LATENTVIEW

Dear Sir/Madam,

Sub: Transcript of Earnings Call held on May 09, 2023

Pursuant to Regulation 30 read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Call held on May 09, 2023, post announcement of financial results of the Company for the quarter and year ended March 31, 2023.

This is for your information and records.

Yours Sincerely,

Thanking you,
For **Latent View Analytics Limited**

PARTHASARATHY SRINIVASAN
Digitally signed by PARTHASARATHY SRINIVASAN
Date: 2023.05.16 13:51:17 +05'30'

P. Srinivasan
Company Secretary and Compliance Officer

"Latent View Analytics Limited
Q4 FY '23 Earnings Conference Call"

May 09, 2023

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

MODERATOR: **MS. ASHA GUPTA – E&Y LLP, INVESTOR RELATIONS**

Moderator: Ladies and Gentlemen, good day and welcome to the LatentView Analytics Limited Q4 FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Asha Gupta from E&Y LLP, Investor Relations. Thank you and over to you, ma'am.

Asha Gupta: Thank you, Faizan. Good evening to all participants in this call. Welcome to the Q4 and full year FY '23 Earnings Call of LatentView Analytics Limited. The results and presentation has already been mailed to you and you can view them on the website at www.latentview.com. In case anyone does not have the copy of press release or presentation or you're not in our mailing list, please do write to us and we will be happy to send you the same.

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

As usual, I would like to remind you that anything that is said on this call that reflects any outlook for the future or which can be construed as forward-looking statements must be viewed in conjunction with the risk and uncertainties that we face. This risk and uncertainties are included but not limited to what we have mentioned in the prospectus filed with the SEBI and subsequent annual report that you can find it on our website.

Having said that, I will now hand over the floor to Rajan. Over to you, Rajan.

Rajan Sethuraman: Thanks, Asha. And thank you all for joining the earnings conference call. I'm sure that all of you would have taken a look at the press release and the numbers by now. We had a fairly strong year in terms of growth. We grew it about 32% in rupee terms and from a year-on-year perspective, for the quarter, we had a 20% growth, from the same quarter, the previous year. However, you will also note that this quarter has been a bit muted for us and we actually ended it slightly less in comparison to the previous quarter.

I did want to call out some of the happenings at our end so that you're able to understand the context around these numbers. Traditionally, quarter 4 has always been a slower quarter for us in comparison to quarter 3 because quarter 3 is when typically most of our clients have year-end budgets that they want to exhaust, and typically we see a good uptake in quarter 3 and quarter 1 is the start of their fresh fiscal year and engagements take some time to get going as they get into new initiatives. So, this year has been no exception on that front, and we have seen some amount of sluggishness on account of that. What we are also witnessing is that, newer deals and initiatives are taking more time to come through and that is especially true for some of the larger initiatives that are there in the pipeline and they are taking much longer than what we are used to in the past and that has meant that, some of the new projects that we have kicked off have started only towards the end of the quarter or they are still in the pipeline awaiting confirmation.

What we also saw is that, with some of the clients, where we were executing fixed fee, fixed scope, one-time engagements, traditionally, you would have been able to find more follow-on work but because of the general market uncertainty and the environment, the number of follow-ons for that portion of work has been less than what we are used to and that has also contributed right to the revenue profile that we have seen for quarter 4. All of this has also meant some amount of margin implication for this quarter that has recently ended. I will have our CFO give you more details about the margins that we had for quarter 4 and some of the other factors that have played out.

Having said this, I did want to also call out some of the highlights that we see from our end. This quarter starts onboarding Chief Growth Officer for our US business, Prashant Ramanujan, has come on board, and he will be focused exclusively on building out the practice in the US working with our Chief Client Officer, Krishnan Venkata. We also won the E.T. Human Capital Awards, the Silver Award for the Rewards and Recognition category and this kind of forces in a good position from a talent and a supply perspective.

We welcomed a couple of new advisors to our advisory council, John Copeland and T.V. Kumaresh, join us as part of the advisory council and both of them come with several years of experience in analytics work for their respective organizations and both of them are also stacked on the other table working with organizations such as McKinsey, helping clients identify the right kind of paying points and opportunities that, they can tackle, through the power of data and analytics.

We continued our investments on several fronts. Notable are the investments that we continue to make in the European market. We added several people to the front end on the growth and the business development side in Europe. We also added people to not only the growth and sales team in the US, but also to the client servicing and the account management team. And that is one thing that, we believe, we need to continue to do.

So, in spite of the slight sluggishness that, we currently witness in the market, our take is that we need to do the right things in terms of the investments that we need to make at the front end and also in terms of capability, development, value proposition, assets and accelerators. And we continue to be visible in the market through our own exclusive marketing events like our round table events that we conduct in the West Coast and the East Coast along with participation in other external industry events. While at this point in time, there is still market uncertainty and slowness on account of that. We believe that this uncertainty will resolve itself in a few quarters and we do want to be well positioned to capitalize on the demand upswing that will happen at the point in time. And therefore, right now, we are not taking the foot off the pedals in terms of our investment standpoint.

At this point in time, as we look into the new year, what gives us confidence is that all of the renewals have been completed and except for one client, whose fiscal year is from July to June, all the other renewals have come through. And when I look at the confirmed revenue plus the high probability extensions that we have, that already exceeds the revenue that we have done in the last fiscal. And on top of that, there is a $50 million pipeline that we are working in terms of converting. Of course, the speed at which we can convert and add in more opportunities into the pipeline will determine what the revenue trajectory will be for the subsequent quarters which will in turn, have a bearing on the margins as we play out, over the quarters.

However, as a management team, we are aligned with the philosophy that we should continue with the investments and that, when growth returns we will also see that the margin trajectory is back on what we were originally intending. So broadly, that's the commentary that we had in terms of the business update. I will now pass it on to Raj, to give a little bit more color on the financials.

Rajan Venkatesan: Good evening, all, thanks Rajan. As Rajan explained, on a full year basis we reported a fairly strong set of numbers growing at 32%, clocking a revenue of INR 538 crores, for the current fiscal. For the current quarter, on a year-on-year basis, the growth that we were able to record was 20.1%. While on a sequential basis, there was some bit of sluggishness and our revenues shrunk by about 3% for the most recent quarter compared to the earlier quarter. In dollar terms, there was a 3% de-growth, so both the rupee as well as dollar de-growth was along the same lines. Rajan also already spoke about why there was sluggishness in revenues, but the good news is that all the contract and all the order book that we have for the last year has already been renewed, which puts us in a strong wicket for the coming fiscal. We have not seen any leakages over there and therefore, that gives us a lot of confidence getting into 2024.

In terms of the other income for the quarter, that stood at about INR 150 million, where there was a decrease of about 31.9%, on a quarter-on-quarter basis. This decrease, you really look at it was attributable to an SEI's income or a service export incentive scheme income of about INR 20 million that was recognized in Q3, which was not there in Q4, and the rest of the decline is actually attributable to foreign exchange gains on an intercompany loan that we had reported in Q3, which was again not there in Q4, but for that, there was a marginal uptake in the interest income that we had booked for the current quarter.

EBITDA for the current quarter stood at about INR 301 million, and in margin terms, the margin that we reported was 21.4%, decline of about 800 basis points on a quarter-on-quarter basis. You will find in our investor presentation a margin bridge that explains the margin drop from the 29% that we reported in Q3 to the 21.4% that we reported in Q4. I will go through some of the key reasons as to why there was a contraction in the margin. As Rajan mentioned, one of the big learnings that we've had coming on the back of the pandemic was that, at that point in time, we did not invest sufficiently, when there was an imminent slowdown or there were some macroeconomic uncertainty, given that we are well-capitalized and have a very healthy balance sheet with decent operating cash flows. What we've decided during this downturn is, despite any sluggishness that we witnessed, we will not take our foot off the pedal in terms of investments in front end as well as capability building. Therefore, you will see that, even in the current quarter, we added close to about 12 people in sales and BD roles, half of which were in the US and the remaining were in the European region, which continues to be a focus area. This led to an impact of about 2% on the margins. We continue to invest in marketing activities. We organized four events, which were our own events and participated in three industry events. Again, this level of activity was significantly higher than what we did in Q3. We believe these spends are essential for us, to build good visibility and a healthy deal pipeline going into FY ‘24. The impact of these increased marketing spends was about 2%. The remaining 2.3% was largely attributable to lower revenue in the quarter as we continue to carry the same level of headcount to deliver the revenue. So, 2.3% was the impact on the margin on account of lower revenue from this quarter.

There was also a one-time cost attributable to ESOP excise, where there was a very large ESOP excise that happened in the US, where there are employer Medicare taxes that you need to pay because these get counted as packages, in the hands of the employee and therefore there is a Medicare tax that the employer needs to pay. But on the flip side, what this also does is this helps us with our EPS, where we get a benefit at a PAT level and what we believe is for the US region, we will not have to pay any taxes in the current fiscal owing to this carry-forward losses that we have on account of the ESOP. Now, these were the reasons as to why there was margin contractions in the current fiscal. Having said that, one of the learnings that we had is not to take our foot off the pedal.

So, we will continue to invest for growth. We will continue to invest in the market as well as marketing activities as well as capability building. So, we believe that the coming two quarters, there could be a little bit of muted EBITDA margins, which will be along the lines of what we've reported in this current quarter. However, as growth comes back and some of these investments start to pay off, we should start seeing operating leverage kick in. But at this point in time, we don't want to slow down on the investments and that's going to be the focus or that's going to be the mantra for this year.

Our PAT for the current quarter stood at INR 342 crores, reflecting a fall of about 3.9% from Q4 of FY '22. On a full-year basis, like I already mentioned, operating revenue stood at INR 538 crores, a growth of 32%. EBITDA on a full-year basis, was at 26.9%, which is in line with what our historical guidance has been, where we will clock EBITDA margins of between 25% to 28%. So, on a full-year basis, we managed to stay within that band.

In terms of the geographical split of revenues, US continues to be the dominant geography, contributing to almost 95% of our overall revenues. Europe, while it currently stands at 2.5%, our endeavor is to substantially increase the share of European revenue. And we want to get this up to between 5% to 8% by the end of next fiscal. And our investments that we've made in the geography are in line with the growth trajectory that we expect.

Our balance sheet cash flows and cash levels continue to be healthy. Overall cash, including the IPO cash balance, stood at INR 1,078 crores. Of course, there is a question or a very eminent question that will come up on the utilization of the cash and the M&A. I will cover this later on in detail, but in terms of the people side, the good news is that we've added a couple of people in the corporate development team, specifically to focus on M&A.

Even during the current quarter, there was a lot of focus on building the pipeline of opportunities. One of the focus areas that we've already identified is data engineering. So, we will continue to go after data engineering assets in a big way. At this point in time, there are close to about three opportunities in the pipeline, which are actionable in the next couple of quarters. We hope to convert at least one of them in the coming quarters, but there is a fairly healthy amount of activity that is happening on the M&A side. In terms of headcount, we added about 19 people on a net basis in the current quarter, taking our overall headcount to 1,116 in FY '23. We will continue to invest in the front end as well as on the delivery side.

In terms of outlook, we, like I mentioned, we will continue to invest in marketing and people, and that will be roughly along the same lines as what we've done in the current quarter.

With that, what I would like to do now is to hand it back to Asha and we can open the floor for Q&A.

Moderator: The first question is from the line of Mohit Jain from Anand Rathi. Please go ahead.

Mohit Jain: Yes, sir, two questions. One, our revenue margin outlook was very different in January and during the last quarter call. So I'm assuming some of it has happened in Feb and March. So, what deteriorated so fast? That's one. And second, for FY '24, now do we continue to stick to the same outlook? 25% to 28%? Or do you think that outlook given in January is no longer applicable for FY'24? So that's one. And second, I could not find any operating metrics for Q4 in the presentation? If you could share some of the key numbers, that would be great.

Rajan Venkatesan : So, Mohit when we connected in the month of January, the guidance was that we will be at the lower end of the 25% to 28% range. You would note that, in the initial presentation, one of the aspects that we've attributed the margin decline to is softness in the revenue rate. On the back of the work that we had done in Q3, there was an expectation that there will be follow-on additional work that we will land in Q4.

One of the things that we have, in fact, witnesses that there is a little bit of sluggishness in decision making. Some of the follow-on work that we were anticipating that we will sign on and we will deliver it in Q4, did not materialize, which resulted in lower revenues by about INR 4 crores. The margin impact from the lower revenue resulted in about 2.5% decline in EBITDA margins.

The other incremental aspect that we also had to factor in Q4, was the one-time charge owing to ESOPs. So, these two factors put together resulted in about a 3% drop in EBITDA margins compared to what was the guidance in January. If you actually add up these two, you get to almost a 25% mark that we were indicating at that point in time.

Mohit Jain: Okay, and for FY'24, is that the range you would like to hold on or that range was for a FY'23?

Rajan Sethuraman: At this point in time, we believe that, for the next couple of quarters, at least, we will be in the same range that we have reported in the current quarter because most of the investments that we have made are already in there. We need to add maybe a couple of more people, in the front-end in the US, but from a front-end standpoint, most of the investments we believe are fully baked in. We will continue to spend, though, on marketing and other initiatives. What we believe is, at this point in time, the next couple of quarters, we will continue to be in the same range, but once the growth trajectory improves, the visibility improves, we believe that, we should start seeing some level of operating leverage, but at this point in time for us to put a timeline to it will be a little difficult.

Mohit Jain: And from a deal pipeline, TCV standpoint, you are still looking at flattish first half?

Rajan Sethuraman: Yes, in the first half, we are going to see some amount of sluggishness and uncertainty. I did mention that we have done all the renewals and the high-probability extensions, already adds up to more than the revenue that we did last year. And then, we have another $50 million of opportunities in the pipeline at various stages. The pace at which we are able to keep adding to the pipeline and convert them, as well will determine how quickly the revenue trajectory improves from here on.

And that will, in turn, have a bearing on the margins because in some countries, investments are all made, and we want to continue leveraging those investments to drive more action at the front end. But conversion and the pace at which the revenue trajectory improves will have bearing on the margin trajectory.

Mohit Jain: And when do you recalibrate the two, meaning if revenue doesn't turn up, at what point should you recalibrate the marginal challenge?

Rajan Sethuraman: The calibration and the recalibration is an ongoing affair. At any point in time, as we evaluate further expenditure and investments, we do critically examine whether this is something that we need to go ahead and do at this point in time or whether we should defer it, as more certainty or clarity emerges. The calls that we have taken so far were all the right things to do, whether it is the front-end bandwidth or the capability build-out or the asset build-out or the marketing.

But we will continue to watch, in terms of the impact these things have and how it plays out in terms of conversion from here on. So, it's an ongoing affair. I wouldn't say that there is any particular timeline where we will sit down and then evaluate what we do from there.

Mohit Jain: Okay. And last on Q4 operating metrics, like as a financial, if you can include it in the PPT that would be great from everybody's point of view. But for example, where will be the utilization for this quarter? Is it close to 80 or has it dropped? If you could share some of the numbers, that would be great.

Rajan Venkatesan: We've already included a bunch of metrics with the client-mix client concentration, the employee mix, all of that, has already been included as part of the investor presentation. If you look at slide number 16.

Mohit Jain: Yes, I'm there. Couldn't find utilization, actually, utilization in the onsite offshore. Those things are missing, I guess. And for Q4 top five is also not given for FY '23.

Rajan Venkatesan: The revenue mix by client is shared already.

Mohit Jain: Yes, I was looking at utilization and all, some of those metrics, onsite offshore and utilization. If that is handy, otherwise I will take it offline.

Rajan Venkatesan Yes, we can probably take this offline, Mohit. But in the past also, it's not like, it's a number that we publish. Our utilization for the current quarter continued to be at the same level as historical. Of course, there was a little bit of an element of onsite-related buffer that we are carrying now in anticipation of the work that we are intending to sign on. So maybe there was an impact of about 0.9% for the current physical, because of the additional buffer that we are carrying.

Moderator: We'll take the next question from the line of Karan Uppal from PhillipCapital India. Please go ahead.

Karan Uppal: Yes, thanks for the opportunity. A couple of questions on the growth, firstly. So, Rajan, you had mentioned in the last call that there are two clients in your top 10, where you are expecting some bit of a ramp-down. So, has it completely played out or you are expecting further ramp-downs in your top clients, with two of the top 10?

Rajan Sethuraman: Yes, there isn't any ramp-down. I had mentioned in the last call as well that the decision-making with respect to new initiatives is taking a little longer. With both these accounts, we have actually gone ahead and completed all of the extensions at this point in time. There is a set of book of works under the managed services kind of model that we were executing, all of that has been renewed. And in fact, we have seen some incremental additions as well. But those are incremental additions and not the big initiators that are still in the pipeline. In fact, only last week, for example, there was a fairly large opportunity, million and a half in terms of total size that, they were almost on the verge of taking a decision, but then they indicated that, they need another four weeks before they conclude and move forward. So, we are seeing a little bit of that uncertainty. There is no ramp-down, in any of our top accounts.

Karan Uppal: Okay. And apart from these two, are you seeing any pressure in other top clients at this point of time?

Rajan Sethuraman: There is one other account, and I mentioned that, this is a client, where their fiscal is from July to June. While the organization is doing extremely well and they have been in the news for all the right reasons, they are also looking at the general market uncertainty and then they are trying to look at how they can get some cost efficiencies going for them. So, there is a bit of a consolidation exercise that they are doing. So, they have turned around and asked us whether we can take on some additional book of work, although it will be at lower charge-out rates. So, this is a discussion that we are currently having with them as we are trying to work out a model that will make sense to them.

Largely, looking at how we can tweak the on-site, offshore mix for this, so that there is a larger quantum of work that can be executed. They will be consolidating and moving some of the work that they are currently doing with another partner to us, as part of the consolidation exercise. We will know for certain how this plays out over the next couple of months.

Karan Uppal: Okay. And if I understand the overall forward-looking statements, I just want to summarize it. So, you say that all the renewals have come through and you are also expecting some bit of extra revenue from the extensions. But the pipeline is still wait and watch. So in the base case you are at -- are you expecting a flat growth for FY '24? How we should read?

Rajan Sethuraman: Yes, FY '24 revenue will be flat in comparison to FY '23, I think that would be a very pessimistic type of scenario. As I mentioned, there is about $50 million worth of opportunities in the pipeline, and they are at various stages of discussion. And some of them are advanced access, meaning that we are currently uprising 25% or even 90% probability. And we expect that these will conclude in the next one month, two months and therefore we might start seeing some revenue uptick, even in the first quarter of this fiscal itself. Now, what I don't know for certain is how quickly these will transpire and whether all of them will move at the same pace.

So, when I said earlier that, this pipeline and how it materializes into incremental revenue will have to see how it pans out, that's what I meant. We are reasonably confident that our conversion and therefore the revenue trajectory will, in no way be worse off than what you might witness in the industry. If anything, we should be able to do better than the industry.

Karan Uppal: Okay. Thanks for that clarity. Last two questions from my side. If you can provide any color in terms of the verticals, which we are work look, which we are working. And secondly, on the margins, you will have weight ice in Q1. So, are you expecting margins to further decline from here on?

Rajan Sethuraman: Yes. So, in terms of the verticals complete itself, if you take a look at our investor presentation, we've given you the script by verticals. So, technology continues to be the somewhat vertical for us, contributing to about 69%, of our overall revenue. Industry has contributed about 12.5%. Consumers in retail are 10.2%. And financial services are going to be 8.5%. That's the split by vertical.

Your second question was in terms of margin sustainability, right? So, like I mentioned before, the theme for this year is investment for growth. So the first couple of quarters, we will continue to step up on the investments in the front end because we want to set ourselves up well for growth, which is there in the market, despite the macroeconomic situation right now and also the fact that bulk of our revenue comes from the tech sector, which is also witnessing some bit of sluggishness in the US.

Our intent is, we will not slow down on investments and therefore our margins could be in the range that we've reported in this quarter for the next couple of quarters as well. But however, there is, the investments are with the hope that you will see revenue growth that will kick in from Q3 at least onwards. And therefore, at that point, and we believe operating leverage should start playing out and we should start seeing margin uptake.

Moderator: Thank you. Mr. Uppal, may you request that you return to the question queue for follow-up questions? The next question is from the line of Vimal Gohil from Alchemy Capital Management. Please go ahead.

Vimal Gohil: Yes, thanks for the opportunity. Sir, the question is again follow-up on margin. It does seem that the prices actually come on the revenue side more so rather than costs, simply because I'm sure the costs were pre-planned from your end, you've always maintained that you will not fall back on investment. And I don't think the ESOP costs that came during the quarter actually were a bit of a surprise. So firstly, it does seem that the surprise actually came from the revenue growth.

So the second point is given the discretionary nature of the work that, we do for enterprises to be, what are the chances that, the confirmed work, that we have with us, the projects, that could see some sort of a further delay, which is of the environmental conditions that, we are in and especially in the high-tech vertical, where all your peers have sounded out a bit of a caution. If you could just make some comments on both these angles? Thanks.

Rajan Sethuraman: Vimal, you're right. Definitely, the revenue trajectory is where we saw a little bit of a surprise, at their end as well. While the investments and the expenditure went along the planned lines. As I mentioned, when I made my opening remarks, the surprises were in the form of, in some instances, follow-on work that, was expected at the end of ongoing 66 CISCO projects, which didn't materialize and plans decided to defer or do that later, continuing longer lead time for closure on larger new initiatives. So, both these things have meant that the revenue trajectory has been flatter than what we expected, even as when we end at quarter three, for example. So that has actually played out in terms of how the margin has been impacted for quarter 4.

Coming to the second question related to the discretionary nature of spending and therefore, whether the clients continue to spend on data analytics, what gives us comfort is that all the ongoing book of work has been extended and renewed. In many instances, I would say that, almost 70% of the cases the initiators are directly impacting, either the top line or bottom-line optimization. And this is something that clients recognize as well and that is the reason all of those initiatives have been renewed.

However, given the general sentiment in the market, as you pointed out, new initiatives are proving harder. Basically, what it means is that the rounds of inquiry and scrutiny in terms of whether a big initiative will actually give the intended P&L impact. That is what is going through the rounds and that is what is resulting in longer lead time for those initiatives.

So, we are not going to be immune to just the general sentiment and the multiple rounds of critical evaluation and considerations that, organization will enforce on any new initiative and that is what we are witnessing. But having said that, none of those large ticket initiatives have been shelved. Nobody has indicated that we are not going to be doing this and this has now gone out of the window. What they are generally telling us is that we need more time and as a result, the more rounds of evaluation. This is why we pointed out earlier as well that, some of that uncertainty, we will also know only in a quarter or quarter 2 in terms of how it is resolved.

So, as I mentioned in response to the earlier question, we are confident that several of them will come through even in the next one month, two months, thereby providing an uptake, even in terms of the quarter 1 revenue that we have. The full revenue trajectory and how the entire year will pan out will depend on the pace at which this uncertainty is resolved.

Moderator: We will take the next question from the line of Ashish Thavkar from IIFL AMC. Please go ahead.

Ashish Thavkar: Yes, thanks for the opportunity. So, you did mention about having opportunities in the space, especially for your company. So, if someone wants to take a three-year view, how would you put in some total, how would you put the organic and the inorganic growth opportunities put together? How you as a company are seeing your revenues flowing for the next two years to three years? And a subsequent question would also be on, what kind of an EBITDA margins could one look at?

Rajan Sethuraman: So, let me talk about the general revenue trajectory and then the split between organic and inorganic. And then I'll request Raj to comment on the EBITDA profile and the margins. We have indicated in the past that, we are confident of industries needing growth and we are maintaining the same guidance at this point of time. What I don't know is what the industry growth rate itself will be. And that is obviously impacted by all of the uncertainty and everything that we have talked about. But at this point in time, we continue to be confident that we can beat the industry growth rate by 5% anywhere from 5% to 10%. So that is something that we will continue to maintain.

Now, assuming that some of the uncertainty is resolved and growth rates are compact to what they were before, we were expecting that our growth rates will be notch of the 20%-25% rate that, you see typically. And therefore, that will mean that, in a three-year time frame, we will get to a certain revenue number, and you can do the maths on that.

From our perspective, we believe that in a three-year timeframe, about 14%-20% of revenue could potentially come from inorganic, if we identify and integrate the right kind of opportunity. That is the kind of model that we are working with, that about 14%-20% of revenue at the end of three years would have come on the back of acquisitions that we do, over the next three years. So that's the kind of broad range that we have in mind. Raj, do you want to comment on that?

Rajan Venkatesan: Just to add to what Rajan said, in line with our historical growth rates, the endeavor internally at least is to deliver industry-beating growth on an organic basis and maybe roughly between 2.5x to 3x our current size in the next three years because you spoke about a three-year view. So that's the aspirational goal to get to roughly about 2.5x to 3x our current size in the next three years. Now, close to about 15%-20% of the growth itself that we will need to deliver to get to that number will have to come through inorganic. So that's the broad split.

In terms of the EBITDA margin profile, while historically, we wanted to deliver 25% + EBITDA margins, what we also mentioned during the course of this call is, we will continue to be in investment mode for us to be able to deliver industry-beating growth. And so that could play out over the next few quarters. However, the long-term intent is to get back to that 25% EBITDA margin profile in the next two years, maybe, we will be in investment mode in the current fiscal as well as the next fiscal. But if we take a three-year view, the view will be to get back to that 25% EBITDA margin profile by the end of next two years.

Ashish Thavkar: Okay, and lastly on the INR 1,000 crores of cash that we had, so would it be one acquisition or probably, you will consume the entire cash for multiple acquisitions?

Rajan Venkatesan: It could be one large acquisition, or it could be two medium-sized acquisitions as well. The current pipeline of opportunities that we have, we have a fairly sizable opportunity that is there and there are two mid-sized opportunities. So, we are going after all types of opportunities in the market. Whatever is put, some of them could be transformative, some of them could be tactical in the short term. So, both the options are open at this point in time.

Ashish Thavkar: Okay, thanks and all the best.

Moderator: The next question is from the line of Harshil Shethia from AUM Fund Advisors. Please go ahead.

Harshil Shethia: Sir, do you see any of our work being cut down in the long run due to AI as in the past timeline analysis that we generally do or something?

Rajan Sethuraman: Yes, I mean this could actually be a fairly long philosophical conversation, but the short answer is no. You would probably have heard from other people talk about, but I believe that work being done by people is not going to be replaced by the work being done by AI. What Generative AI and other some new technologies is going to do is to elevate the entire level playing field and therefore it will then offer tremendous opportunities for people who can combine the power of Generative AI to do more sophisticated deep dive into all the kinds of problems and opportunities that we try to address.

So, people who don't use Gen AI and AI will be replaced by people who use Gen AI but I think there is several layers of peeling the onion and complexity that is required before one can be bold enough to venture that all of data analytics can be replaced by Generative AI. I don't believe that is going to happen. Given that we deal with complex subjects like human behavior, I think we still have a very long way to go in terms of what can be done.

However, we are also exploring how Generative AI can be used to find the proverbial needle in a haystack. Typically, when you do data analytics work, one kind of approach you can take is a hypothesis-based approach where you have a set of hypotheses related to why something is happening, not happening or hypothesis around how things will turn out and what should you do about it. And then you can collect the necessary data and do the analytics to prove and disprove the hypothesis and then use that as the basis for decision making.

The other approach is what is called as a database approach where you act without any a prior hypothesis itself and can you actually analyze all of the data in a variety of different ways to then surface what should be the insights and what should be the decision making like that is driven by that. So, we are trying to integrate Generative AI into the database kind of approaches.

So, whether it is a connected view value proposition or whether it is a subscription analytics value prop, we are looking at how can Generative AI been used to identify those needles in the haystack which may not be apparent and therefore may not lend distance to a hypothesis-based approach.

I think that is where a big chunk of transformational kind of work can happen because imagine if you are a supply chain planner and on the way to work on Monday morning based on everything that is happening with supply chain, there is an insight that tells you what are the top two things or three things that you need to focus on this week in order to really make a big difference and that is where something like Generative AI can be put to use. But of course, there are several steps along with way right in terms of how we can make use even with the familiarity that we are developing around GPT-4 and large language models. I think there is some distance to go as we start integrating that.

arshil Shethia: Okay, thank you.

Moderator: Thank you. The next question is from the line of Amit Kumar from Nuvama. Please go ahead.

Amit Kumar: Hi, I would like to ask, so we have seen this trend that private companies in the analytics space like Tiger, Prudence are already following this high growth model in the past few years and I see with your commentary you are also trying to reach, you are also trying to follow the high growth approach. So, I just wanted to ask, can this be a reason for more margin pressure because everyone is now focusing on high growth and lower profitability? Please would like to get your comments on that?

Rajan Sethuraman: Yes, that's a great question, Amit and obviously there is a spectrum, and, on that spectrum, you will have a variety of approaches. For example, one could actually take the view that any kind of data analytics work irrespective of whether the work is on-site, offshore, whether it is low end, high end, complex, simple, whether it is done in a managed services model or whether it is done in a staff art model, all of that is game and then you can pursue all of that just having a single-minded focus on growth.

At the other end of the spectrum, you could say that I am going to do only high-end AI and Gen AI and that kind of work with very high charge-out rates which means that you are addressing, your addressable market itself is smaller. We want to take a balanced approach we have been a very profitable company right from our very early days and we believe that it is important to focus on the right kind of work not just in terms of the profitability and the margins but also in terms of the employee experience and the motivation for people to be a part of consulting organization like us.

So, we are taking all of that into cognizance in terms of evolving what should be our model for growth and we realize that sometimes there are adjacencies for a wheelhouse and other kinds of work, sometimes you could take strategic decisions in terms of what could be an entry point into an organization. We also see that the whole of data analytics space itself is evolving. I faced in the past that data analytics is still a very fringe initiative in many organizations and it could become mainstream and it is already starting to become mainstream in some of the organizations.

So that will also mean a certain kind of an evolutionary path in that ecosystem in terms of who makes the decision, what kind of initiators, how big those initiators are, what is considered primary between data analytics and data engineering for example. So, we are taking all of that into account in evolving our approach towards what we believe is profitable growth. So yes, growth is important, and we also believe that you will have to seed it well and set it up right and therefore you should be willing to make those adjustments as you move along.

However, we are also very clear that we will be a high profitable, high growth company and therefore we will choose a channel of growth that makes sense to us. You might hear that in the industry there are organizations that are doing much higher trajectories of growth, but you will also see that many of them are probably in single digits or even negative at this point in time in terms of EBITDA. We don't want to go there. We are choosing our channel of revenue growth and profitability based on what we believe is appropriate for the philosophy that we have chosen.

Amit Kumar: Understood. Just one more question from my side. So, like we see even after the overall IT tech spending growing at a lower base, like in this quarter in analytics because we have seen Microsoft and Google and Facebook all the farm companies are investing a lot in the AI themselves. Do you foresee getting lower wallet share of theirs because now they are themselves building AI and analytics capabilities themselves and we, Latent View has a good share coming from such big tech companies. So, how do you see it playing out? Do you think they will still outsource more and any change in the business model from there and that you foresee right now?

Rajan Sethuraman: Yes, absolutely. I don't have any hesitation in sharing what I believe is going to happen. While Generative AI and ChatGPT and GPT-4 and those technologies are what is being talked about today, if you go back ten years in time, there has been an evolution of several such technologies that have happened and one could talk about visualization, one could talk about deep learning, machine learning, one could talk about other things like neuro-symbolic logic and other stuff like that have surfaced in the past.

The interesting thing is that some of the large tech companies like the ones that you mentioned who are also our accounts, they are focused on cutting edge research into these technologies not from necessarily a perspective that they are looking at how they can run their business and operations using the technology but how they can take and monetize the technology for growing the revenue that they get out of this technology.

If open AI and related LLM and GPT-4 technologies are being built by Microsoft, it is with an idea of how can those be integrated into the products and services that Microsoft offers to their clients and not necessarily just in terms of how will they increase the efficiency of running their own business and that is what we have seen pan out over the last several years. So, while these technologies have emerged, for example Power BI and the entire Power App is a big thing as far as Microsoft is concerned.

They have come up with a technology, they have invented it but when it comes to applying Power BI and Power App technology for running Microsoft's own business, they are very happy to partner with vendors like us who understand the technology and who can implement it for them and who can help them use the technology in running their business. So I am differentiating between the revenue generating aspects of what they sell into the market which is their products and services versus how they use these technologies to run their own businesses whether it is their collections or whether it is their supply chain, whether it is demand forecasting, whether it is customer experience and so on.

So that is where partners like us can come in and they do expect this aspect that any new technology that they build, that there will be a partner ecosystem that will come in and understand the technology and which will help them sell and integrate that new technology into the products and services for their clients and which will also help them apply the very same technologies like for running their own businesses. I believe that that is how new technologies that you see now and what will emerge in the foreseeable future will also evolve.

Moderator: Thank you. We will take the next question from the line of Sameer from ICCI Prudential, AMC. Please go ahead.

Sameer: Thanks for the opportunity. Just two questions. One is on High-Tech, which is one of the highest figure segments for us. What we get a sense from bigger IT companies is that the sector which is facing higher cuts in their spends. Overall, on IT and not sure on the data analytics. So, if you can share some color on this segment, how do you see it performing for us? That is the first question. I have a second question and I will just come back.

Rajan Sethuraman: Are you asking how the High-Tech segment is the life long…

Sameer: This segment as we call it. How is it going to perform for us? Because that is where we have seen a drop in terms of revenue on a Q-on-Q basis.

Rajan Sethuraman: That is absolutely a sector that will continue to be a fairly high growth sector and will continue to contribute a significant chunk of our revenues in our three-year trajectory as well. So, Raj gave an idea of what we are shooting for it, from a three-year perspective. And we believe that, in the time frame the technology vertical will continue to be a very-very important and strong vertical for us. That is where we have built our jobs in terms of data analytics capability expertise that we have.

And if anything, the conversations that we are currently having, very interesting conversations, very interesting opportunities and use cases. And with the evolution of technology, there will be more opportunities for applying the very same technologies, within the technology, vertical itself. For helping these companies run their businesses very well and helping them purchase, the right kind of insights that gets them closer to their own customer base and ecosystem and vendor. I do not have any kind of doubts in my mind that the technology vertical will continue to be a strong vertical for us.

Of course, technology, the entire sector being in the limelight and being a very visible sector, whether you talk about the US or Europe, obviously you will see a bit of volatility and reactions to sentiment and what is being talked about, within the market. And therefore, some of that will obviously play in terms of new initiatives and what they decide to do. But if you take a medium-term perspective like the three-year view, that Raj talked about, we have absolutely no doubt in our minds that the technology vertical will continue to remain a very strong one.

Sameer: So, should we understand this is one of the quarter, where we have seen some sluggishness, but going forward this is, we should expect good traction?

Rajan Sethuraman: Absolutely, yes, some sluggishness now, but as I said, technology also bounces back very fast, right, and that is what we are expecting in a two quarter, three quarter time.

Sameer: Second, on the margins. We look at, so we have done some marketing events. This event would continue to recur, right, it’s not one-off. It will be there in the next year as well, in the same time period. And also, when we, so that is one thing. And second, when we say our margins will be in the same range, there is this, so our margin drop in the current quarter as you said is, also because of the work or the lower revenues, operating deleverages, I say it.

So since from next quarter to the next few quarters, we would again be on the growth journey. Shouldn't we expect margins to actually improve because of the operating leverage and why are we, our guidance is to remain in the similar range. So is that from upside this from that front. Is what I wanted to understand and how does the wage hike play a role in this whole margin trajectory, for next few quarters? Thanks.

Rajan Sethuraman: Yes, so first question on the marketing, on the events and on the marketing spends, you are right. We have to continue to spend on the right kind of marketing events. And this is something that we have gone into a great deal of detail, in terms of how we spend our marketing dollars, in the last year and the years before, what worked well, what didn't work well and so on. for example, our own exclusive events like the Roundtables that we conduct in the West Coast and the East Coast and some of the lunch and learn and the connectsthat we conduct, they give us a better return on investment in terms of the marketing dollars spent.

We also see that there are very specific industry events that can get us access to the right kind of decision makers and people, right? And therefore, these are events, both internal and external, that we will continue to invest in, in the coming quarters, in the coming years as well. So, we are not going to be taking the foot off the pedal. The good thing is that now we have a lot more granular data as well.

One of the things that we do for our clients is marketing attributions, we help with media means modeling, we help clients with attribution models, right, in terms of how do they spend their marketing dollars. We are turning the same lens on ourselves, and we now have more robust systems and processes, in place that, helps us collect better data at a more granular level and therefore, we are using the same principles in terms of how we drive our marketing plans.

While we might dial up and down on specific type of events, the quantum of investments that we will make into marketing, we are fairly convinced that we need to do the right thing. We can already see the result and impact of all of that, in the number of leads and opportunities that we have been able to generate. And one of the very important things is that adding people to the front end means that we also need to be able to have the capacity of the backend from marketing and demand generation perspective, to feed leads to that, that they can take and run with. So that will continue to happen.

Now coming to your other question on operating leverage and if the revenue trajectory picks up, whether the margin will pick up as well. Yes, absolutely, that will happen. Now the pace at which the revenue trajectory improves will have a bearing on how quickly the margin can pick up. At this point in time, when you have done the modeling, we are thinking that it is going to take two quarters or maybe more. Q1, Q2 may be a little bit into the second half of the year as well, for some other operating leverage and the revenue, the healthier revenue trajectory starting to help us with the margins. Now if things happen sooner than that, then we could see an uptake in margin sooner, but otherwise, it could take that kind of time frame.

The one other aspect that I would like to add on the marketing spend itself, while we will continue to incur the current level of marketing spend going forward as well. From a C90 standpoint, what we've seen work well for us is Q4, which is the Jan to March quarter, as well as the Q2, which is essentially July to September quarter. Those are the two quarters in which our marketing activity in terms of event speaks.

And this is also one of the activities in Q4, we do in anticipation of generating enough leads and building the pipeline, for the following fiscal. And Q2, in general, is just before the Christmas season. There again, we believe that some of the events are the level of participation and also the stakeholder engagement is significantly higher in Q2. So, there is a little bit of a seasonability element as well, in the marketing spends, which we've seen in historical periods.

Moderator: We'll take the next question from the line of Prolin Nandu from Goldfish Capital. Please go ahead.

Prolin Nandu: Yes, a couple of questions but before that just a clarity on your three years pathway. What you are saying is that in three year's time we will be 2.5x our size by both organic as well as inorganic growth with a 25% kind of a margin. Is that the right summarization of what your target is?

Rajan Venkatesan: Yes, that's the kind of path that we're going to have to 2.5x to 3x.

Prolin Nandu: Okay, so sometime in FY '26, would be a three-year period, right?

Rajan Venkatesan: Yes, that is correct.

Prolin Nandu: Sure, and now just to understand, your business a little bit better. From your reading of the environment and as well as our own capabilities and the distance that we make to clients, in some sense. Why not take a pause for a couple of quarters and let the environment settle and then raise the growth pattern again? I mean just given that, the environment is such that, if everyone is taking a pause, why not do that? This is just to understand your business a little bit better.

Rajan Venkatesan Yes, so this is a very dynamic space problem and something like a GPT for example, right? You have seen the pace at which it has come in and how quickly it starts getting incorporated and assimilated. So, if you were to ask me this question on capability and value for open asset building, even taking your foot off the pedal for a quarter or Quarter 2, can actually mean a substantial delay and how quickly your response, when the market comes back.

On the front end and the business development capacity and the capability, we have seen the same thing. This is one thing that we did during the pandemic for example. We actually did what you're suggesting or what you're asking about, right? We took the foot off the pedal and then we said that cash is king and let's wait for some time and then see what happens.. But then the speed at which demand bounced back and quickly everything was in demand. It was something which is a bit of a revolution to us as well. And then we realized that we should have actually not done that at that point in time.

This is also a time when using the unbuilt bandwidth, we actually do a bunch of build-out and assets and capability development. This is also a time when using the unbilled bandwidth, we can actually do a bunch of build-out and assets and capability development. This is also a point in time where it is easier for us to hire high-quality talent because of the sluggishness the supply is much better. And therefore, we want to make use of all of that opportunity to do the right things and set ourselves up well.

Prolin Nandu: Very clear. So yes, that's what I mean. This is a very dynamic environment but at the same time you mentioned that one of your clients is probably looking at rendering and consolidation and we might have to probably take up some additional revenue which might have not a very favorable offshore onshore mix and margin might be dilutive. So, is this a one-off or are we looking at this, I mean, don't you think that more such clients will also look at such kind of arrangements and then this whole dynamic nature of the business, how should one look at this both slightly conflicting kind of a thought process here?

Rajan Venkatesan Yes, I think some of this will play out and we will need to understand. For example, none of us would have anticipated the extent to which remote work and hybrid models and offshoring even in the nature of work that we do which is very iterative fuzzy problem solving. The uptake of the remote model was a bit unprecedented, and we saw our own on-site offshore ratios go from 1:2.7 all the way to 1:5.6 more than a doubling of sorts.

Now, how the current dynamic phase-out plays out on the back of any efficiency gains that organizations are looking at and also in terms of some of the newer technologies becoming available, we will know as things pan out. What is certain though is that when you have high-quality talent, you have good models in place, when you have managed services, construct is good, and we have the right kind of governance and service delivery excellence. We have always seen that things come back to a norm in terms of how you can effectively make use of the offshoring model access.

So, in the short term, we might see some of the stuff. What we have also seen is that when your partner with clients are at the right moment and help them out, then when the demand comes back, they are also more amenable because we would have demonstrated the capability of the team and the kind of constructs that we have in place. At this point in time, I am not too worried about how things will play out.

We are not seeing too much of this, in fact, some of the clients when we have these conversations, they are actually asking for the inverse. We don't have people on site. Let's actually try and get this work done offshore because we want to experiment, we want to do a few things, but we are also sensing that there is a bit of uncertainty in the environment and therefore even the incremental stuff that they are doing, they are asking us whether it can actually be done using a model that we are familiar and comfortable with.

Moderator: Thank you. The next question is from the line of Sagar Dhawan from Valuequest Investment Advisers. Please go ahead.

Sagar Dhawan: Hi, thanks for taking my question. So, my question is on the nature of work that you do. So basically, specifically on data engineering. So as the nature of work that you do evolves over time as data engineering probably grows in terms of the overall stage mix, how do you think about the margin profile in light of the changing mix of work?

Rajan Venkatesan: Yes, that's a great question, Sagar. So, I would say that the evolution that we have seen that has been along the following lines. In our earlier days, we weren't even looking at data engineering as a significant source of revenue. In fact, we pre-supposed that the data that was needed to do the analytics and problem solving was already available and organization in the right shape and form.

But as we started going after some of the more challenging problem sets, we saw that the data was not either well organized or it was dispersed or sometimes you even have to make attempts to bring in unstructured data from outside the organization. So that is something that's been evolving for a while now. What I see now is that as organizations take on the more larger complex initiatives, in pretty much all of those instances, there is a fair component of data engineering work that needs to be done.

You can approach it either on a use case by use case basis and then just cover together what data is needed to solve for the particular problem. Or you can take a more broader view saying that getting all this data organized and in shape and form is the cost of doing business. It's like implementing an ERP for example and therefore take a more holistic integrated approach where you set up the right kind of data platform, set up the right kind of data ecosystem, in which case it can be a very large transformation and initiative.

So, if it is just lift and shift or if it is a little bit of lift and shift with some use case-based approach, then it's a more simplistic kind of a setup and the data engineering work could be slightly lower end and margins could be different there, lower as well. However, if you are taking a more holistic integrated approach and you are looking at it as a transformation kind of a setup, then typically you will see that you need to have the right kind of architecture. You are not just moving data tables, you are also moving code bases, you are moving sort procedures, you are looking at what data can be rationalized, what tables can be dropped off, how do you set up the transformational kind of databases and models right on top of it.

Even if you look at organizations like Microsoft, for example, with their new approach on Azure text pack,that we can actually integrate a lot of these things in terms of the technology that we are building so that you can implement the right kind of data ecosystem. So, I see that there is a spectrum of work there as well. Our focus has been more on the complex end of the spectrum and that's what we are trying to do now.

And I believe that there is a good chunk of work that needs to be done. Raj mentioned earlier that we are in conversations with several data engineering potential acquisition opportunities and in most instances, we see that they are actually doing fairly interesting work for which the charge-out rates and gross margins are very similar to the high-end analytics work that we are doing and those are the kind of opportunities that we are pursuing at.

Sagar Dhawan: Got it sir. Thank you very much.

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

Vivek: Yes, thank you. In waiting for my turn, I've seen that the two topics I wanted to discuss have been covered fairly well. But these are comments given the times that we are in. Is latent view looking very seriously at the opportunity of broadening and expanding their pipeline given the fact that both revenue and profits are likely to be weak given the environment that we are in. And can you throw some light on the numbers in terms of how many new names are appearing in the pipeline?

And is there a very big focus on that? Because anyway, in the long haul, in three years, you are expecting to become 3x or 2x, whatever it is. But at least the focus in these weak times should be on building of pipeline. So that's the first one. And the second one is conversation, open us around AI GE, GPT, etcetera. Are good for even salespeople because almost everybody, clients and vendors are speaking about the potential for disruption coming from there?

Rajan Sethuraman: Absolutely. And Vivek, you are right. In fact, the entire focus over the last year, and I would actually extend it a little beyond that as of last 18 months, has been to build the pipeline on a three-pronged approach. The first very important aspect is that we realize that we need a more powerful front-end engine, sales and business development people in the markets and this is not just a pure hunter profile, but also account managers, unbuilt people that we are ready to dedicate for our larger accounts where we sense the bigger opportunities and people who are able to walk the corridors, meet with the people, right, and generate opportunities.

So, this is one where we have been investing. If I, in fact, look at the last two-year kind of a trajectory, we have gone from having about 12 people in the front-end between US and Europe to having about 38 people today. We've made substantial investments, and that is going to help us, and it's already starting to help us, right, in terms of the type of pipeline that we are building. The second has been the investments that we've been making into on the marketing front. So there again, there's a combination of money that we are spending on the demand generation team, the inside sales team.

We are talking about our internal and external events. The sharper focus in terms of content-driven marketing that we are doing now, where we are really talking about specific things, right, that will appeal. We have a white glow list, for example, which is the set of accounts that we really want to go after, and the stakeholders who we believe are the people with the first range and who are the budget holders and the decision makers. So, the money that we have been spending on marketing again is with that intent in mind.

A couple of years back, if you had asked us what is our marketing spend as a percentage of revenue It was less than a percent, but today we have ramped it up significantly, and we believe that that is an important lever to pull as well. The third one is the entire focus on offerings and value propositions. So rather than go to market with capabilities, skills, and competency, we have learned the market is very, very specific value propositions.

So we have been again investing dollars, whether it is a subscription, e-commerce offering, whether it is a power platform offering that we have, or whether it is a connected view that I talked about right on the supply chain front, or whether it is a fraud and risk analytic value proposition or the revenue growth marketing, for example. All of these are very focused, targeted value propositions that we believe address very felt, real challenges and opportunities that are there in the market today. So, the combination of all of these is really what is resulting in the pipeline that we are building, and we can see that pipeline is starting to get bigger, and we are able to chase those opportunities.

Of course, if the environment was different, we could already have started sensing a whole lot of the impact of that absolute from a revenue standpoint. We are seeing that uncertainty in the market, but we are not taking the foot off the pedal in terms of building out the pipeline itself.

Vivek: Thank you.

Moderator: Thank you. The next question is from the line of Sumit Poddar from Tikona Capital. Please go ahead.

Sumit Poddar: Hi. Thanks for the opportunity, and thanks for sharing the updates as far as maybe AI as a threat also, which has been the most asked question. So let me just kind of invert the question. How are you using AI as an opportunity? Because if we look at analytics per se, primarily the clients would be using analytics through some predictive analytics, and AI itself is actually based on the fundamentals of having models in place. So as and when AI graduates, possibly it will actually turn out to be more into predictive analytics. So just, to kind of understand what's your strategy to use it as an opportunity rather than as either accepting it as a threat or kind of denying it as a threat. How are we using it as an opportunity?

Rajan Sethuraman: Absolutely. I think, again, this is a great question. And as I mentioned earlier, every significant evolution on the technology front, we have seen that it actually creates more opportunities than opportunities that it might take away. We firmly believe in that as well I mentioned earlier that, it's not like humans will get replaced by AI. It will be like people who don't use AI and the newer technologies will get replaced by people who use those new technologies.

In fact, with every evolution, we have seen that the complexity and the nuancing increases multi-fold and therefore it actually opens up a plethora of opportunities. If you have learned the technology and if you know how to bring it to, put it to good use for solving the problems that we fight for. From our perspective, AI has been an integral part of the work that we do for several years now.

Even within the descriptive and diagnostic analytics work, when you're trying to understand why something happened or what went wrong, you can actually use the power of deep learning or neural networks or machine learning and the AI model to go deep into that. And definitely it is in use on the predictive and the descriptive analytics side. When you're trying to recommend what should you do or what is going to happen and what should you do about it. So, this has been an integral part. I think at this point in time, easily 20% of the work that we do will already be leveraged the power of artificial intelligence and machine learning and deep learning and image analytics and all that kind of good stuff.

In terms of using Generative AI and the powers that GPT-4 and these new technologies bring, currently there is a lot of experimentation and understanding that is going on. Our people are already making use of these to actually cut down the efforts that they spend on new problems that come at them. What we're not doing is to take code or stuff that is directly generated by Generative AI and then incorporating that into models because some of our clients have also expressed reservations around directly including code because there is still some concerns around confidentiality and data privacy and the potential for backdoors and all that.

But just in terms of getting a head start on how you can solve a particular problem and the different approaches that you can take. Our people are already making use of it in terms of simplifying their day-to-day work and how quickly they can come to a solution that can be implemented for the client. The other big thing that we are doing is that we are looking at how Generative AI can be incorporated into all the value propositions that we are building.

I talked about connected view for example. This is aimed at getting a full integrated view of the entire supply chain and with every passing evolution of technology while you have better and better and more comprehensive systems of records that collect a ton of data, the ability to make use of the data to take decisions that is still a bit of a holy grail. And that's where a technology like GPT-4 or Gen AI can come to the fore. And I talked about the earlier example of the hypothesis-driven approach versus a data driven approach. We believe that generative AI and related technologies can actually be a huge help in uncovering insights that nobody is looking for, that nobody knows are there within the data and that is where we are focusing our efforts.

And with that we believe that the ability to come to very high-quality optimization and decision making in all of the work that we do will be significantly aided by the powers of generative AI technology. That is what our focus is, and we believe that therefore those value propositions that get powered by these new technologies will stand out amongst all other solutions that might be there, not that might be available in the market.

Of course, it doesn't mean that all of that is already in place. We are working on it, and we are understanding that better. One example that I will give, in fact, we were discussing this in the board meeting today and I talked about this. All of you know about AlphaGo, which won against the top rated GoPlayer. And the very same technology and model was then adapted to playing chess and one very interesting thing it did was to actually learn chess by spawning of multiple copies of itself and played millions of games with itself to very quickly learn chess over a 24-hour period and then it became super good at playing chess.

Now GPT-4 kind of technologies allow you to do that because today you know that when you are using GPT, you need to query and you need to interact with it, for it to get high quality results. In fact, there are now designations like prompt engineers that are propping up, where all you need to do is to be really good at what prompts you send to GPT-4 for it to get good answers.

Now the interesting thing that one can try is can you have two different installations or versions of generative AI technologies interacting with one another in order to surface the more pertinent solutions and the questions, for example. So, these are some of the things that we are experimenting with, and we believe that these will power the value propositions of the future.

Moderator: Thank you. We'll take the next question from the line of Ruchit Shah, an individual investor. Please go ahead.

Ruchit Shah: Yes, sir. Okay. So, you mentioned acquisition in our growth plan. So just wanted to understand whether the acquisition

would be regarding specific capability building and what would be the plan towards acquisition?

Rajan Sethuraman: Yes. So, we were looking at the alignment of an inorganic strategy with the organic. So, in the past, I've talked about how verticals, BFSI and retail are the areas of focus. How Euro is a focus from a geographic perspective, and supply chain and data engineering, are areas of focus from horizontal capability standpoint. We have now looked at a certain set of opportunities. We believe that right now the play, the big play is going to be in the data engineering space.

In fact, we were just debating this earlier today. And Raj mentioned that we have on boarded two people into our corporate development team who are going to be focused on the M&A and the inorganic side. We also kind of narrow down our focus to data engineering as the most important area. So, the intent is that in the next few months, we will actually try and surface as many data engineering opportunities that are there.

We also have a bit of a revenue threshold in mind, about $10 million or above that, up to $30 million for example. And that is the focus that we will have. So, the intent will be that we will look at all opportunities that are there in the data engineering space, in that revenue range, in the geographies in which we operate, which is Europe and the U.S. and maybe a bit of back office in India. And those are the opportunities that we will evaluate and try and control.

Moderator: Thank you. The next question is from the line of Amit Kumar from Nuvama. Please go ahead.

Amit Kumar: Hi again. I just wanted to ask for the guidance on addition of revenue from new clients for the years considering the macro environment. And also, if you can tell how the on-site to off-site mix would change for you. Like you mentioned in the call earlier that now you are looking to change the on-site to off-site mix. So just some guidance on both these numbers could be helpful.

Rajan Sethuraman: Yes, we are expecting that good chunk of the revenue growth will come from what we call as either new logos or new groups. The way we currently track within the organization is that any stakeholder that we are already working with, we call them existing groups. And that is the one where I said that we have already renewed, and we have good visibility right into the extensions. And that is already a little bit more than the revenue that we did last year.

The bulk of the growth that we are expecting on top of that will come from either completely new logos and new accounts or new groups. So, at this point of time, I think there is easily more than close to three dozen different clients and stakeholders that we are in conversations with. I don't think all of them will come through because in general our approach is to focus and try and build substantial large relationships.

But at this point of time there are a good number of opportunities in the pipeline across those different conversations that we are having. And we are expecting that in most years we have added about anywhere between a dozen to about 18 odd, 15 odd clients. And we are expecting that that will be very similar for the upcoming year after.

Moderator: Thank you. The next question is from the line of Prolin Nandu from Goldfish Capital. Please go ahead.

Prolin Nandu: Yes, hi. Thank you. I think the question has been answered. But just on this M&A part, one of the objects of our issue was to do M&A and it's been taking quite some long time now. So just wanted to understand why is it, is it valuation and now they are in our favor. And that's the reason why we can expect something in the next couple of quarters? And should we look at the cash balance and the size of the deal or are we open to probably add some short-term debt as well if the opportunity is there to acquire something good?

Rajan Venkatesan So, it is a combination of reasons, as to why the M&A has taken time. The first one that you did mention was for the most part of last year, valuation expectations still continue to be fairly high. Given the backdrop that a lot of these companies were growing at a fairly fast clip, the valuation expectations were significantly high, between 5x to 8x sort of revenue multiples even though a lot of them were sub-scale. So, from an inorganic standpoint, like Rajan mentioned, we've been very, very selective in the sense that we wanted to look at targets which are in alignment with our strategic wheelhouse as well.

So, these would continue to be in the area of supply chain having a significant presence in Europe. Data engineering again is a big focus area. As well as consumer and, targets that are focused on consumer retail and banking and financial services from a vertical standpoint. So that was our lookout and what we felt was a lot of the companies that were there in the market had fairly steep valuation expectations. Given the current backdrop where there is a bit of a slowdown, there is a little bit of uncertainty, we believe that some of the valuation expectations have started tempering down.

There are more opportunities that are coming towards where promoters are willing to engage given this backdrop and we believe that this is probably a right and opportune time to pick up a few assets. In terms of the size of the assets itself, while the INR1,000 crores that we have on our balance sheet, we will look to deploy majority of it towards M&A or inorganic expansion. What we will also do given that we are a listed company, we will look to use a little bit of our stock as well. If the opportunity presents itself, we will look to utilize our stock as currency.

What we are also not averse to is if there is a very large ticket type transaction, something that could be transformative, which even if that means that we have to go beyond the cash balance that is there in the balance sheet, we could look at options to raise capital as well. So, we are not averse to either or any of these options if the asset quality is good and the asset will really be transformative in some sense for us. Does that answer your question, Prolin?

Prolin Nandu: Yes, that is very clear. Thanks a lot. That is it from my side and all the best.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Rajan Sethuraman: Yes, thanks, Faizan. I just wanted to wrap up by saying that some of the points that we talked about earlier is that we believe that the opportunity ahead of us is immense. We do acknowledge the current environment and sentiment of uncertainty and sluggishness. But as I mentioned earlier, the fact that our book of work has been renewed and today are confirmed plus the high probability extension is already more than the revenue that we have done last year gives us a lot of confidence and hope.

But the fact that all the investments that we have made have started panning out in terms of the additions that we are seeing to the pipeline. Though the pipeline movement is slow today, we believe that we are doing all the right things. At this point in time, there is no intent to take the foot off the pedal in terms of continuing to make the right investments on capability on the front end, on marketing, on assets and everything. We will, of course, be calibrated with every such expenditure and investment that we make and as the management team, the leadership gets together on these important decisions, and we take the calls as we go along.

We believe that this uncertainty will resolve in the next couple of quarters, and we will start seeing the revenue trajectory coming back fairly sharply at the end of it. What is also exciting is all the developments that are happening in this space in terms of the new technology and how everybody is really excited about the possibilities that lay ahead of us. Of course, I believe that some of that will mean a little bit of disruption, changes to the kind of pain points and approaches that organizations take.

But that is what creates opportunities for organizations like us because we are at the front end, we are understanding these cutting-edge technologies as they are developed and as they evolve, and we believe that we are positioning ourselves well to capitalize on the opportunities that they will take. So, with that, I want to thank you all for joining us today for this earnings update and we look forward to staying connected.

Rajan Venkatesan: Yes, I think you pretty much summed it up well, Rajan. So that's it from us. Thanks, Asha.

Rajan Sethuraman : Thank you, Asha. Thank you, Faizan. Take care.

Moderator: Thank you. Ladies and gentlemen, on behalf of LatentView Analytics Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.