May 14, 2024

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 07, 2024

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 07, 2024, post announcement of financial results of the Company for the quarter and year ended March 31, 2024.

The transcript is also uploaded on the Company's website at https://www.latentview.com/investor-relations/financial-results-reports/#financial-results

This is for your information and records.

Yours Sincerely,

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

PARTHASARATHY SRINIVASAN
Digitally signed by PARTHASARATHY SRINIVASAN
Date: 2024.05.14 14:19:03 +05'30'

P. Srinivasan
Company Secretary and Compliance Officer

"LatentView Analytics Limited Q4 FY24 Earnings Conference Call"

May 07, 2024

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 LatentView Analytics Limited 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 the "*"and then "0" 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 Investor Relations. Thank you, and over to you, ma'am.

Asha Gupta: Thank you, Steve. Good evening everyone and welcome to Q4 and Full Year FY24 Earnings Call of LatentView Analytics Limited. The Results and Presentation have already been mailed to you and you can also view them on the website, www.latentview.com. In case anyone does not have the copy of Press Release or Presentation or you are not marked in the 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 question, we have the CEO of the Company – Rajan Sethuraman, whom we will be referring to as Rajan, and we have the CFO of the Company – Rajan Venkatesan, whom we will be referring to as Raj. This is just to avoid the confusion while doing the transcript. We will start the call with a brief update on the Business, which will be given by Rajan and then followed by financials given by Raj.

As usual, I would like to remind you that anything that is mentioned on the call that reflects any outlook for the future or which can be construed as forward-looking statement must be viewed in conjunction with the risks and uncertainties that we see. These risks and uncertainties are included but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual reports that you can find on the 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 this investor call.

I wanted to first of all kick this off by saying that this year, while it has been a bit of challenging year for most organizations, we are very happy with the kind of performance that we have been able to put out, close to 19% growth under uncertain economic conditions. I am sure that many of you are following the results of other companies in the space, and you have been witnessing the impact that the macroeconomic scenario has been having on these organizations.

Of course, in Quarter 3, we were a little bit more optimistic about how Quarter 4 could turn out for us given the conversations that were happening at that point in time. I do have to indicate that some of those conversations are taking even longer to transpire. And therefore, our Quarter 4, quarter-on-quarter growth has been only of the order of 3.6%, though the year-on-year has come in at 21.7%. Overall, I feel that the general sluggishness and uncertainty, while it is resolving, it is still going to take some more time for it to play out.

We are energized by the fact that all the renewals that we want to do by the end of the year, they are all done. And we are able to start the year on a fairly solid footing. But of course, the challenge around winning large discretionary projects continues to remain. I think that the confidence in undertaking initiatives that are anchored around new ideas and innovation will take some more time. There will be, of course, a lot of pilots and experimentation that will happen. For us as well, that has played out well in the fact that we have won six new additions to our account list where projects have been kicked off. We also saw a lot of new initiatives on a smaller scale being kicked off by our existing accounts and our existing stakeholders. So, all of that gives confidence that the general interest and experimentation is still on, especially around areas such as generative AI and leveraging the entire large language model and GPU technology that is available.

On that note, some of the highlights that we had this quarter, other than the additions to the client list itself, we saw a good traction in terms of our generative AI solutions and our pilots. We were able to kick off a lot more. Our laser and AI Penpal solutions continue to find traction in the marketplace. And there are new conversations that we are adding to the list with every passing week.

We also formed a partnership with NVIDIA on the generative AI tech stack. You all know that NVIDIA has been the leader in terms of the GPU technology and the chipsets. And there is a huge waiting line for NVIDIA GPUs in general, given the huge amount of interest that the world is witnessing on large language model and gen AI in particular. NVIDIA has also been looking at how they can create more stickiness by not just doing the chip on the hardware part, but also creating a tech stack that can enable the usage of the GPUs to deliver on use cases that can give business impact. So, this tech stack is what we are leveraging in the partnership with NVIDIA. And we have been working on multiple use cases with clients as well as some internal pilots. And early results are very encouraging, especially in areas where you need a huge amount of compute to handle streaming data and create real-time analytics and insights from thereon. So, the NVIDIA partnership is something that we are really excited about.

We also launched a marketing analytics center of excellence in horizontal. We have been doing a lot of work in marketing analytics over the years. We felt that on the back of all of that, it's a good time to put our arms around some of the latest and greatest that is happening in that space, especially around full funnel growth marketing and how we can look at B2B companies for revenue generation through marketing mechanisms. These will be areas of focus for the marketing analytics team. And they're also going to be leveraging gen AI solutions for creating that kind of use cases and value propositions.

You have already been updated about the acquisition of Decision Point. We are still in the final stages of diligence and paperwork. Expect that this could take another 3, 4 weeks for us to conclude. The last couple of weeks, I and some of our leadership teams were in the U.S. and in Mexico meeting up with clients of Decision Point as well, and we were very energized by the conversations that we have had with them in terms of, one, just the stickiness and the quality of work and the impact that Decision Point has been delivering. But more importantly, the synergy opportunities that come about because of interest in the solutions that LatentView has built in the area of R&D and innovation, in the area of supply chain, on-shelf availability. These were solutions that were of interest to the stakeholders and clients of Decision Point as well. And on the flip side, we also see a great deal of interest amongst our sales and client partner personnel in bringing the RGM solution that Decision Point has built into the clients that we work with on the consumer package good side. So, overall excited by the progress there, and we are expecting that more will happen right in the coming quarters on the back of Decision Point. In fact, if I were to kind of put out our projections and expectations in a two-year timeframe, we are expecting that our consumer package goods practice could potentially get to about 20% of our revenue on the back of this acquisition and further investments that we will make in that area.

Finally, I just wanted to wind up with one other exciting thing that happened this quarter. We were selected as the Partner of the Year by the International Myeloma Foundation, and I was in New York a couple of weeks back to receive the award. Very excited about that because while a lot of the work that we do for our clients is in the area of top-line and bottom-line impact, given that they're a for-profit organization. The International Myeloma Foundation is a not-for-profit organization that has been focused on helping patients diagnosed with myeloma to, one, understand their scenario and context better, and then start preparing for how they can handle the situation, shortening what we call the time to hope so that they can find the way by which they can get back on the recovery track. So, we have been helping build the kind of data platform that is necessary to assimilate information from multiple sources so that doctors and caregivers and patients can get a full 360-degree view of everything that impacts them on their journey to recovery. So, this, in some sense, is really a life-or-death type of challenge that we have been tackling, and I think this is a matter of great pride for all of us that we have been able to impact this in a meaningful fashion. So, more to come along those lines in the quarters, hopefully working with the International Myeloma Foundation and other similar organizations.

With that, I will pass it on to Raj to touch upon the financial highlights.

Rajan Venkatesan: Thank you, Rajan. Good evening, everyone. Thank you for joining us in our Earnings Call.

This will be the last Earnings Call for the Financial Year FY24, and we are happy to sort of end the fiscal on a strong note. While I know at the beginning of the year, I think we had planned for a much faster rate of growth, like Rajan just elaborated, the overall macroeconomic environment continued to be fairly challenging through the year, and therefore, we are particularly delighted that despite the overall sentiment being quite muted, even now, we managed to deliver a 18.9% growth year-on-year basis.

Traditionally, Q4 of a fiscal is, in some sense, it's a bit of a soft quarter for us, because Q3, which is the last quarter of the calendar year, tends to be the strongest, and in that sense, Q4 is generally soft compared to the Q3 quarter. We are happy to report even in despite that overall trend, you are still able to clock a decent 3.6% growth on a quarterly basis, and a 21.7% growth on a year-on-year basis. In constant currency terms, we grew by about 3.8%. I think for this particular quarter, we have had overall a bit of a depreciation on the dollar compared to the previous quarter. So, that also had a little bit of an impact on overall rupee-denominated growth.

In terms of the other income, our other income for this particular quarter stood at about Rs. 15.8 crores, a decrease of about 31.3% on a sequential basis, which is fairly large. This was primarily driven by a swing in the forex losses. These are essentially loans that have been given by LatentView India to its group companies in Europe as well as the U.S. We had a gain of close to about Rs. 5.5 crores in the previous quarter. In this particular quarter, we had a loss of about Rs. 1.5 crores on account of the reinstatement of offset loans, and that sort of offset the other income that we clocked for Q3.

But from an operating standpoint, EBITDA for this quarter stood at Rs. 40.4 crores, reflecting a growth of about 9.8% on a quarter-on-quarter basis and a 34.04% on a year-on-year basis. We are also happy to report that we delivered to the promise that we had put out at the beginning of the year that our EBITDA margins will inch back towards the historical levels of 25%-plus levels by the end of this quarter. Of course, we would have ideally liked this to be largely driven by revenue growth, but we have been able to get to these levels through a combination of revenue growth as well as strong fiscal discipline that we were able to exercise, plus some of the operating efficiency that we were also able to see in Q4 of the current fiscal. One of the other factors that also led to, in some sense, the EBITDA margin improvement was some level of rationalization that we had done in some of the G-team investments that we had made in Europe, where some of those, based on performance reviews, we did some bit of rationalization in our go-to-market spend specifically, which also resulted in the margin expansion in this particular quarter.

Our PAT for this quarter stood at about Rs. 45.2 crores, reflecting a decline of about 2.8% quarter-on-quarter and a growth of about 32.2% on a year-on-year basis.

On a full-year basis, revenue stood at about Rs. 640.7 crores, reflecting a growth of 18.9%. And as we had outlined at the beginning of the year, the endeavour was to drive growth in the range of 25% to 30%, even if that meant that we had to sacrifice margins a little bit. I think some of these actions that we took at the beginning of the year, where we went ahead of the curve and we made a lot of significant investments, we have also re-evaluated and re-calibrated some of those investments that we had made. And we believe that the current EBITDA margin levels are sustainable going forward as well, if you are able to repeat the revenue growth that we clocked in the current year.

In terms of the overall geographical split of revenues, the US continues to be the dominant geography, contributing 95% of overall revenues. Europe contributed about 1.4% to the overall revenues. But we are seeing good traction in Europe. Rajan spoke about revenue growth being also driven by some new logo additions. We continue to see add new logos in both Europe and the US, which is quite promising for us. Ideally, going forward, in the coming fiscal, we would want Europe and APAC to contribute at least 5% to 6% of our overall revenues, and we will be able to give a better outlook on the contribution of Europe as we get into FY25.

Overall, in terms of our balance sheet, our cash and cash equivalents, excluding the IPO money, stood at Rs. 1,100 plus crores as of 31st March 2024. The Decision Point acquisition will be funded through a combination of money that we had raised through the IPO. You would recollect that we had earmarked about Rs. 147 crores out of the IPO money towards inorganic expansion, so we will be fully utilizing that as a part of the Decision Point acquisition. Incrementally, the additional outflow that will happen, which will be close to about Rs. 180 odd crores, will be funded entirely out of the Company's internal cash accruals.

Our overall headcount for the quarter stood at about 1,280 people. As we have always highlighted, we will continue to invest in people. We onboarded close to about 133 people from campuses in this particular quarter. And as we head into FY25, we are fairly optimistic that some of the relationships that we have built through the course of FY24 will start yielding results and our strategy will play out positively.

With that, I am going to hand it back to Asha, and we can open the floor for Q&A.

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

Vimal Gohil: Sir, my first question is overall on the growth and the margin outlook that you provided, in a very turbulent year, you have been able to sort of grow at high teens in dollar terms. So, just on the trajectory and especially after the acquisition that we have taken, you look at the synergies that we will have that will prove to be an additional lever. Maybe the environment could bottom out in the first half. So, in the second half, we could see material acceleration. Any thoughts on that? And the second question is on margins. Given the fact that Decision Point operates at 30% EBITDA, we front-loaded some of our investments. And despite that, I think you mentioned that the margins could remain at these levels. So, if you can just maybe clarify that your comment on EBITDA margins, was it including the acquisition or excluding that?

Rajan Sethuraman: Vimal. Rajan here and thanks for the question. In terms of the growth that we are expecting, obviously, it's good to be optimistic. But you will also recall that when we started out the previous year, the expectation was kind of similar, that the first half will be a little separate and things will pick up in the second half of the year. Now, reality has been a bit more challenging than that, with the uncertainty and the sluggishness extending right throughout the year.

And at this point in time, the general commentary that you will be hearing from other companies as well is that we are still not out of the woods and it will take some time. As I said, we are energized by the fact that all of our ongoing work has been renewed entirety and we have a good foundation. The pipeline building, though, I would have to admit that it could have been much better in comparison to where we are today. There are a few opportunities that are large, $2 million and more. But larger opportunities, especially if these are new initiatives, they are taking a lot more time to fructify. And the expectation is that we will start to see some acceleration, in the coming quarters.

So, I would say that we are still cautiously optimistic about how things can pan out in this year. Of course, the addition of new capabilities such as revenue growth management that is coming on the back of the Decision Point acquisition, plus also the investments that we are making into the marketing analytics horizontal, the NVIDIA partnership, the Microsoft fabric ecosystem, these are all things that we expect will pan out well for us in terms of creating new conversations and opportunities. And therefore, we should see an uptick on the back of all of these things. So, yes, that's where we are in terms of still cautiously optimistic about things will pick up. I will request Raj to comment on the margin impact of the acquisition.

Rajan Venkatesan: So specifically, on the margin impact of the acquisition, obviously while the Decision Point does operate at 30% plus EBITDA margin level. Definitely in that sense, the acquisition will be EBITDA accretive for us once we start consolidating these numbers. But again, we will also have to appreciate that at the current size, Decision Point is roughly at about 1/7 of the size of LatentView. So, therefore, it will not meaningfully move the needle in terms of an overall EBITDA expansion.

Now in terms of our own organic EBITDA goals for the next year, our goal would be to stick to this band, where we have operated in between 21% to 23% for this year. We will still continue to invest for growth and we will keep looking to invest in capability building as well through the year. So, I think from a go-to-market standpoint, I would say a lot of the investments that we wanted to make are already fully baked in. I am talking about account managers, I am talking about farmers and hunters that we have in the market. So, most of those investments are all fully baked in. Where we may still continue to incrementally invest would be on the capability building side, where we are either building some of the new age solutions, Rajan spoke about the Gen AI, some of the interesting solutions that we are building. It could be in partnerships, it could be in marketing events. There we will, I would say, front end some of the investments in the beginning of the year, in the first half, because that's the only way we will be able to build momentum and pipeline as we get into the fiscal. So, I would say definitely for the first half, we will continue to remain in this band of 21% to 23%, and the growth comes back to the 6% to 8% and the 10% sequential quarter growth. We should be back at the 25% EBITDA margin levels towards the end of the year, but definitely for the first half of the year, we want to remain in the band of 21% to 23%.

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

Mohit Jain: Sir, on the growth part in FY25 versus FY24, so if you could help us give, or maybe from a pipeline perspective, you spoke about it, that pipeline is not as great as you would have expected. But can you give some perspective on a YoY basis, how is it looking? And also, if you could comment a little bit on the TCV side, like is it up, down, flattish. So, how should see numbers panning out in FY25?

Rajan Sethuraman: Hey, Mohit. This is Rajan. The pipeline is obviously larger than definitely at the start of the last year, or even at the midpoint of last year. What I meant is that we would have liked to see more large initiative opportunities in the pipeline. Much of the conversation still seems to be incremental in nature, and that is where I think the uptick will start happening when we have even larger conversations that get into the pipeline.

But having said that, it is where we are at this point in time would be that the confirmed revenue that we have on the order book that's 100% confirmed, plus the extensions that we are at in the second half of the year, largely, they already add up to more than what we have done as revenue for the last year, because the run rate that we have at the end of quarter is really what is going into the next year. So, we are a tad above the revenue that we would have done for the last quarter. The pipeline, at this point in time, if I take the pipeline and then apply probabilities on that, and then I look at what that will get us, it will give us a further growth of close to 20% of what we have done for the last year. Now, of course, there is this job of converting the pipeline, and then there is the job of adding more into the pipeline as well.

So, in some sense, based on all this, what guidance we can provide at this point in time will probably be around a similar kind of a growth rate compared to what we have seen in the last year. Now, the expectation will be that we will be able to fill in more into the pipeline, as well as improve the chances of conversion as we go along. Now, some of the things that I talked about earlier, in terms of the investments that we are making in the marketing analytics horizontal, the fabric ecosystem and the partnership, these are all expected to provide more fillip.

What I am saying right now, though, is the organic part of it. We have not factored in the revenue that will come in from the acquisition. Of course, the inorganic acquisition-related revenue will be all on top of what I am talking about. So, that's where we are at the start.

Mohit Jain: So, organically, we should be very similar to FY24 from a growth standpoint, and also from a margin standpoint.

Rajan Sethuraman: That's correct, yes. Broadly, that's the kind of guidance that we are able to give at this time.

Mohit Jain: And second, we were very positive on Q4 at the beginning of the quarter. And while we ended up slightly slower than what we anticipated, so is there some cancellation involved here or do you think it is just the elongation of deals, which is resulting into slower growth? Or maybe in just a gap of 3 months, the growth is slower in Q4 versus what we anticipated earlier?

Rajan Sethuraman: There is no cancellation. We are not seeing any adverse developments at all. It's just that the optimism that we had in the first half of the year, and even getting into Q3, some of that is taking much longer to really convert. So, we were expecting that we would close a few more opportunities and then commence work on them in Q4 itself. What I see right now is that these have taken longer. Some of these are very interesting opportunities. In fact, there are at least 2, 3 of them, which are at least $0.5 million dollars plus in terms of the revenue side. Sitting today, I mean, for the first quarter, we see that the growth could again be back in the 6%, 7% range, quarter-on-quarter. But of course, I mean, we have like a month and a half remaining in terms of getting some of the work underway. We will have better clarity on how Quarter 2 and the rest of the year pans out over the next couple of months. But at this point in time, I would say that, yes, it's Q4 being tepid is largely a matter of decisions getting delayed and no adverse development in terms of ongoing work.

Mohit Jain: And last for Raj, so we will be integrating from Q1 for the entire quarter, is that correct?

Rajan Venkatesan: So, we will not be able to get the full benefit of Q1, Mohit, if I can answer it correctly. Our target date for closing the draft was initially around the 15th of May, but there are some regulatory approvals that need to come in and some of these things are sort of beyond the control of the companies. So, it may take us a week or 2 more to get this done. So, hopefully, our endeavour is to at least get 1 month of results consolidated with this month. We will start seeing the full benefit of the acquisition from Q2 onwards.

Moderator: The next question is from the line of Srinath V from Bellwether Capital. Please go ahead.

Srinath V: I wanted to understand how did Decision Point perform in Q4 for the full year, if you could share some numbers? How are we progressing on integrating Decision Point with our CPG business? Our CPG business probably did not have a kind of suitable performance that we would have expected at the beginning of the year. So, how are you looking at it? And from my understanding of Decision Point, do they have the kind of capabilities for developed markets or are their products more suited for developing markets where we may also have some sales network where we can take them to? So, can you kind of explain how Decision Point and our CPG business will move forward, say with a kind of a 3-year outlook? That would be great.

Rajan Venkatesan: Srinath, I will take that first question on the full-year performance. So, this is something that we had also indicated when we did the press conference on the back of the acquisition announcement. So, for the full year, their last fiscal, their revenue was close to about $12.8 million in revenue. And their margins, like we have mentioned, were in excess of 30%. So, that's what they recorded for the whole of last fiscal. They are, of course, from an outlook standpoint, given the smaller base and also the fact that they operate in fairly high growth areas of RGM as well as Gen-AI, the expectation is that they should be able to grow at a much faster rate than the LatentView growth rates, right? So, we expect them to continue to grow at anywhere between 25% to 30%.

However, to your point, on whether how much of their current solutions and services that they render in LATAM markets, how much of that can be replicated in the U.S. markets, I think that's specifically the area where LatentView will sort of come in. I will let Rajan talk a little more on the go-to-market activities that we are already sort of jointly pursuing as well as some of the initial, I would say, feedback that we are getting from joint prospecting that we are doing. But we believe that the solution that they've built, while historically they've grown on the back of their strength in LATAM, we should be able to replicate some of that success in our focus markets of U.S. and Europe on the back of our go-to-market teams.

Rajan Sethuraman: On the integration, there has been progress that we have been making already over the last month and a half. In fact, I don't know whether I mentioned this earlier, but I and Krishnan Venkata – our Chief Client Officer, were in the U.S. and in Mexico meeting with their clients and also their personnel over the last couple of weeks. And we were very energized by what we saw. There is a great deal of interest amongst Decision Point's current clients on the capabilities that we bring to the table around R&D and innovation and around supply chain and on-shelf availability. Likewise, there is a great deal of interest within our teams on the RGM capability that we can take into our existing accounts. So, from an integration perspective, we have already put a structure in place where Ravi Shankar, who is the Founder and CEO of Decision Point, will take on the overall responsibility for the CPG practice. And we have deputed one of our top delivery persons into managing the combined delivery of the CPG organization on the back of this acquisition.

In addition to that, we are also allowing for full overlap of sales and revenue credit between the 2 teams so that there is absolutely no friction between the 2 organizations in terms of pursuing opportunities in the market, jointly going to market where we are able to pitch the full suite of solutions that we are able to bring to the table, and making sure that we are actually getting the synergy benefits of the relationships as well as the capabilities that have been built by both the organizations. So, I am expecting that the integration will benefit from the structure and the incentive and the other mechanisms that we have put in place. And we should be able to see some rapid acceleration on the growth of the CPG practice right on the back of that. Of course, this is all planned. We do need to execute well. But that's what we are all here for and we will be focused on this from day one.

Srinath V: So, you believe that this product can be basically taken to developed markets as is because it's a product stack, right, in that sense. So, that's where I wanted to kind of quiz you a bit.

Rajan Venkatesan: Srinath, so it's a solution. I would not put it as a product at this point in time. I mean, what they have built is an RGM capability, which is a combination of the frameworks and approaches that they have built, plus the IP that they have created, right, on analysis around pricing, around promotions, pack size optimization and so on.

So, it is still being offered in a services model by Decision Point as well. But the IP that they have built, which helps them deliver on that, is a fairly strong IP. This apart, there is a solution called BeagleGPT, which is leveraging fast language models and operates within the Microsoft Teams ecosystem, but to deliver the insights and the results of the analytics to the end decision makers.

So, it's a fairly strong combination of solutions, accelerators, and IP that enables the delivery of services. So, that's what we have been talking to with our clients as well. Many of our clients are today in the U.S. and in Europe, and our teams are very energized by the early conversations that they have been having. RGM is a fairly important topic for most CPG organizations, irrespective of where they might be located today from a geography standpoint. And if you are able to demonstrate a strong capability in that area, there is quite a bit of traction. That's what we are seeing in our early conversations. And the expectation is that there will be a good pipeline of real opportunities that we can build and convert going forward.

Srinath V: Perfect. Just a last question. How do we see inorganic going forward? I remember we have a team looking at prospective companies. Do we pause and work on integration and come back 12, 18 months later? Or it's a much more parallel process, given that other parts of our business may have some interesting synergies with other, prospective companies, maybe in industrials or data engineering or so on and so forth. So, how do you see inorganic opportunities now going forward, given that we have had a significant recent deployment?

Rajan Sethuraman: It will be a parallel process, Srinath. We do not intend to take our eyes off the opportunity funnel from an inorganic standpoint. In fact, next week I and the leadership team are going to be in Pune meeting with another prospect in the Data Engineering space. Data Engineering plus they have built a platform. There are a few areas of focus for us. One, as you pointed out, is Data Engineering with focus on strong capabilities, even in one of the hyperscalers. That could be a really interesting opportunity for us. We are also looking at BFSI and Retail as two other industry verticals where there could be opportunities. And if it's a combination of those two dimensions, meaning Data Engineering work for Financial Services companies, then that would be even better because it takes on both the dimensions. So, that will continue to be an activity going forward. We are, in fact, continuously engaging with some of the third-party external partners that we are working with as well.

And we will be looking at opportunities that are available. I think the timing also today is very interesting because many of the smaller companies in the last 12, 18 months, because of the macroeconomic sluggishness, have faced challenges and then there is a more realistic kind of an expectation from a valuation standpoint. And therefore, the window of opportunity will be available and you would want to leverage it. So, I don't think there is any plan to slow down or not look at opportunity. Of course, some of the management time and bandwidth and attention will go into the integration itself. So, to that extent, we will factor that in. But clearly, the lookout for opportunities is always on.

Moderator: The next question is from the line of Arvind Chetty from Dymon Asia. Please go ahead.

Arvind Chetty: I just wanted to understand, we are expecting first half of FY25 to be relatively muted, but despite that, Q1 would look more like 6% plus kind of a sequential growth. And in the exit of the year, we would like to hit about 8% to 10% sequential growth. Is that the kind of aspiration that you are gunning for?

Rajan Venkatesan: So, yes, it's not like the first half is expected to be muted. Of course, one of the things that Rajan did speak about is to continue to build on the pipeline that we are already seeing. But our sense is at this point in time, based on the visibility that we have, we will be able to generate a 5% to 6% sequential quarter growth for Q1. Specifically, when it comes to H1, we expect that some of the deal conversions that we will see in Q1 should also give us additional revenue, visibility as well as uptick in Q2. So, at this point in time, we will not be able to give a quarterly guidance for Q2 specifically, but the expectation is that growth momentum could pick up in H2 compared to H1.

Arvind Chetty: And our aspiration to reach about 25% margin in exit quarter, and that would be achieved if we sort of hit that 8% to 10% kind of a sequential growth. So, from a YoY standpoint, do we see that our revenues on a YoY basis keeps improving through the year?

Rajan Venkatesan: That is correct. So, like I said, a lot of the investments on the go-to-market side have already been fully baked in current cost structure. So, we don't intend to add incremental headcount on the go-to-market and sales functions. So, that is something that, in some sense, we have sort of fully factored that in. Where we will look to spend incrementally would be on the capability-building side, the solutioning side, and also to some extent on the marketing spend itself, I think where we believe some of these spends will help us set ourselves up really well for FY26 and FY27. So, with a 3-year view, I think some of the investments that we will be making in the current year may not give us immediate revenue uptick in the current fiscal, but we believe these are essential for us to continue to deliver the 25% growth rate over the next 2 to 3 years. We need to make some of these investments on marketing as well as solution-building.

Now to answer your question on margins itself, like I said, for the first two quarters, we will try to keep the margins in the band of 21% to 23%. That's where we would like to keep them. You would also appreciate that Q1 typically has the full impact of wage increments that we have given out, which in the current fiscal for India-based roles, we have done increments in the range of 8% to 10% on an average. And for U.S. roles, these have been in the range of 4% to 5%. So, there will be, I would say, some level of impact on margins in Q1 on account of the wage hikes, plus also seasonally, you will have higher visa spends in Q1. So, we believe this will have some short-term impact in Q1 specifically, but we are fairly confident that we should be able to maintain a band of 21% to 23%. If we are able to get back to the 6% to 8% sequential quarter growth, we should be inching up on the margin side as well towards the rear end of the year.

Arvind Chetty: And just last question on decision point. If you can, Decision Point revenues for Q4 and the headcount addition that we have done in this quarter, I believe it does not include the employees of Decision Point, right?

Rajan Venkatesan: That is correct. It does not. It's also because we have not consolidated. We have not closed the acquisition. So, we will start reporting numbers on a consolidated basis by Q1. At this point in time, we will also include their headcount when we report numbers.

Arvind Chetty: And Decision Point revenues for Q4, if you can?

Rajan Venkatesan: Again, like I said, they are a privately held Company right now. They are still in the process of closing their books and getting their accounts audited. So, we will not be able to give out those numbers at this point in time.

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

Karan Uppal: Two questions from my side. Firstly, on the hiring. So, if you look at the hiring for this quarter, it is probably the strongest since the IPO. However, the commentary on FY25 growth is a bit cautious. So, how shall we interpret this? Are you being more conservative given that FY24 was a bit weaker than your expectation? That's first. And a related question to that is if you can give us the vertical outlook for FY25. In FY24, the growth was led by technology and industrial verticals. But Retail, CPG, and BFSI were a bit muted. So, the growth outlook vertical-wise would also be helpful.

Rajan Sethuraman: This Rajan here. I will take the question on the outlook for the full year, and I will get Raj to comment on the verticals. I mean, I don't know whether I should say that we are being conservative. But obviously, the general uncertainty in the macroeconomic scenario is still there, I mean, it is not completely sorted out. Most organizations would be making similar commentary. As I said earlier, I mean, a lot of the work that we are already doing, it is fairly important and critical, and that is the reason the book of work has been renewed. But newer initiatives are still experimental in nature. There are a few good big ticket opportunities, but it is not the gush of opportunities that you would have liked to see, right, when we start the year. So, that is the reason for the kind of outlook that we currently have in terms of how the year will pan out. Of course, these things can get impacted by the initiatives that we are spending money on and investing. I talked about the partnership with NVIDIA, I talked about the marketing analytics horizontal, I mean, these are the bets that we are making, that these could provide the new ideas and the innovation that clients are looking for, and that could spur growth. But we will want to see how this plays out over the next 1 quarter or so before we are able to give better guidance. Raj, do you want to add on the verticals?

Rajan Venkatesan: Yes. See, in terms of the verticals, I would say, as we get into the current fiscal, technology will continue to be the big vertical for us, but we are definitely very excited by the prospect of partnering with Decision Point, which will significantly add to the capabilities that we can take to market jointly. One, it opens up a new market as well for us, which is Latin America, and we are happy to report that some of the early conversations that we are having, even with clients in Latin America, seem very interesting for some of the work that we do, which is on the marketing analytics side.

So, we are expecting this year to be a fairly strong year for the CPG vertical. Financial Services, again, will be a vertical where there will be a big focus this year. So, some of the clients that we work with, we are seeing some early sort of conversations where there are significant large opportunities that are getting created in Financial Services, and apart from that, industrial would be the other big focus vertical. So, for us, technology followed by CPG, followed by Financial Services, followed by industrials, in that order would be the verticals that will drive growth for us this year.

Karan Uppal: Just a follow-up on the first question. So, the hiring is very strong. So, are we hitting the peak in terms of our utilization, and hence the hiring is very strong?

Rajan Sethuraman: So, the hiring is partly also a commitment that we made in the campus. So, we have taken a look at how the next year is going to pan out based on the early indications that we have, and then we have gone ahead and onboarded most of the campus offers, hires that we did. So, at this point in time, there is only a small batch of 30 people out of the 450 offers that we had made on campus. So, we already onboarded close to 360 people, there were some dropouts because this year has been a bit protracted in terms of the onboarding, but of course, many of them also held on to the offer because of the general scenario in the market.

Out of the people that we have onboarded, we have already deployed about, I would say, 40% of the people, and the rest of the people are in either boot camps or they are shadow mode and so on. There is a significant amount of campus hiring and onboarding that we have done. We have tempered the next year's hiring on the back of what we have seen this year, given that some of the people that we have already onboarded will be available for upcoming opportunities.

For next year, we have made only about 250 offers on the campuses. So, partly what you see as the headcount addition is really on the back of all the campus onboarding that we have done, and we will watch in terms of where the utilization maps. So, right now, the utilization is lower than where we would have been in the first half of the year. It has gone down on account of the campus hires, but this is something that we have anyway factored on in terms of the margin profile that we want to maintain at this point.

Moderator: The next question is from the line of Rushabh Shah from Buglerock PMS. Please go ahead.

Rushabh Shah: So, in one of the calls, you said that you are doubling down your investments in the CPG, Consumer Retail, and even today, you are saying that the growth in FY25 would be led by CPG, Consumer Retail. So, why do you think so? Sir, what could be the next trigger point for LatentView in coming years in the CPG , Consumer Retail segment?

Rajan Sethuraman: So, the inorganic investment is completely in the CPG space, but it does a lot of work in the CPG space. So, obviously, there will be a huge chunk of investment going there. But even if we look at our own organic investments in terms of adding clients, partners, we have made investments in the CPG space. So, we are expecting that that will pan out. So, in terms of the contribution, the expectation is that we will inch towards about a 20% kind of a contribution over the next 24 months. For the last year, we were probably at about 8% or so in the single digit. So, there is an expectation that CPG will contribute quite a bit to the revenues.

Now, as I mentioned earlier, we are always on the lookout for inorganic opportunities, and we are also making investments in the Financial Services and in the Retail. Retail probably will be slightly behind in terms of Financial Services, the investments that we make in Financial Services. Retail will be a tad lower. But at this point in time, the plan is that we will be shoring up on what we can do in the Financial Services space.

So, if you ask me how the scenario will look, say, 18-24 months' time, definitely the contribution from these 2 verticals, CPG as well as Financial Services, should be much, much better than where we are today. Today, both are in the single digits. We are expecting that both of them will be close to the 20% mark, which means that technology as a vertical, anyway, the contributions will come down on a percentage basis. We are expecting growth to happen in all the 3 verticals, but on the back of the investments, the growth should be stronger in the CPG and the Financial Services space.

Rushabh Shah: My second question is, sir, how big will be the data and analytics market? So, the estimates for '24 was around $300 billion. Do you think that it will be achieved in this calendar year? And what's your aim for the next 5 years? Where will this market be? And what will be our market share in this entire universe?

Rajan Sethuraman: The market share, I think we are too small, okay, in the entire ecosystem.

Rushabh Shah: Not market share, let's say where we will stand in the universe, where will we be in the next 5 years?

Rajan Sethuraman: Yes, I will get to that. I mean, in fact, we commissioned market intelligence exercise, and that is starting to give us some input as well. The expectation is fairly similar to what we had seen when we did the IPO. If you remember our DRHP, we had talked about a market size of potentially $300 billion in a year time span, at a CAGR of about 18%-20%. It's fairly similar. Of course, a big chunk of that is also including captives of multinationals. Just to point out the market is going to be very large, and as I said, we are fairly small in the scheme of things. So, therefore, there is a lot of headroom for growth.

Our expectation is that we will be able to get on to a 25%-30% growth trajectory over the next 3, 5-year timeframe. Of course, that is the organic growth trajectory. With every acquisition, we will be able to create a step change as well, and the intention will be to try and at least replicate, if not improve upon the growth rate, right, on the back of the acquisition.

So, you can do the math based on this to see what it will lead to in a 3, 5-year timeframe. The point, though, is that, I mean, there is enough headroom for growth. 25%-30% kind of a growth trajectory should be very much doable, provided we don't have too much of the sluggishness. I mean, of course, the last 12-18 months have been extraordinary because of all the interest rates and other challenges. Of course, I mean, it's not that, like, we won't have any such challenges in the future. We will have to, of course, look at what is the impact it is having. But broadly, from a long-term trajectory standpoint, I would say that 25% plus growth rates are very much possible.

Rushabh Shah: My last question is, from the last 2 or 3 quarters, we are witnessing that the addition of new accounts are smaller in size. So, has the management's focus changed from the bigger accounts to the smaller accounts? Is there any specific reason you would like to highlight?

Rajan Sethuraman: Not really. There is definitely no deliberate choice of going after smaller organizations. Our focus continues to remain the Fortune 500 companies. The acquisitions, the new logos, revenue that they are bringing in, though, is on the tad lower side. In the sense that most companies, even large Fortune 500 companies, are reluctant to kick off substantial new initiatives, given the uncertainty that provides. The one redeeming area has been generative AI and related technologies. But even there, it's still largely pilot and experimentation that is happening. Too many substantial initiatives that have been kicked off. I mean, we had one win, which was close to about $0.5 million mark. And we have a second win recently with one of the large auto manufacturers in Europe, which is also close to that mark. So, we are expecting that that will pick up in the coming months and quarters. Oddly, the growth is on the back of the ticket price of the initiatives to get in with in the new logos, and not necessarily any change in the strategy in terms of which accounts we go after.

Moderator: Thank you. The next question is from the line of Agam from Raj Trading. Please go ahead.

Agam: Just a quick question. I missed your opening remarks. So, for the other income, you said that some loans you have given to your global competitors. So, can you talk on that? I just missed that part.

Rajan Venkatesan: These are part of the IPO proceeds that we had raised, that where we said that we will capitalize some of our overseas subsidiaries in Europe and US. So, one of the subsidiaries is in UK and one of the other subsidiaries is in Netherlands and Germany. So, these are interest-free loans that have been given out, and which are repayable over a 3 to 5-year period. Because as per accounting standards that we have to comply with, we need to restate these loans every quarter. And whenever there is a sharp sort of movement in either GBP or euro compared to the rupee, we have to book these mark-to-market losses as part of our piece for that quarter. And that is what you see over here. But at a consolidated level, ideally, because the gain in one place is effectively the loss is another place. But unfortunately, the loss in this case is not accounted as part of the P&L. It actually goes into other components of income and that's why you see the impact at a PBT level.

Agam: I was wondering just as, just to a previous participant, you said that you will be reaching 25% to 30% growth in 3 to 5 years. So, should we assume this post 3 years or 1 year down the line?

Rajan Sethuraman: No, no, sorry. I didn't mean that we will reach 25% to 30% in a 5-year time frame. What I meant is that if you take the entire period of time, a CAGR of 25% to 30% is very much possible, given the market potential and the focus that we have in select areas. Now, currently, as you see, for the last year, we have done about 19%. How quickly we can move from 19% to 25% plus will be based on how the economic scenario turns out in the immediate future. And of course, if you take a long enough time frame, like 5 years, there will be other bumps also that one will witness. But a CAGR of 25%, 30% within that period is very much doable.

Moderator: The next question is from Akshay from 360 One Asset. Please go ahead.

Akshay Ramnani: I just had one clarification on the comment you made on FY25 and Q1. So, just trying to work some numbers. You mentioned how you may have a visibility of 5% to 6% growth next quarter. And you also mentioned that FY25 on an overall organic basis should be similar to what you did in FY24. Now, if I look at your exit run rate and take a 5%-6% sequential growth, then in the next quarter run rate itself gives you that similar growth which you did in FY24. So, obviously, you will be growing in the coming quarters Q2, Q3, Q4 as well. So, I am just trying to understand what is behind that commentary of similar FY25 while the numbers suggest otherwise.

Rajan Venkatesan: I would say, obviously, as we stand at the beginning of the year, I think the commentary and the guidance that we want to give out or put out is based on the visibility that we have for the full year as of this point in time. Obviously, we all understand that the order book and the pipeline is getting built up through the course of the year. Also, you would have to appreciate and understand that the type of business that we are in, typically, our client contracts are up to a period of 1 year. So, we do not generally have visibility, I would say.

While we have a good visibility in terms of what are the projects that are likely to get extended, but we do not have multi-year relationships with a lot of the accounts, which is why the guidance that we are at this point in time able to put out is on the basis of the visibility that we have at the beginning of the year, which is based on the current order book plus the high probability pipeline. But, of course, as we execute through the year and as the visibility gets better, these growth rates can be improved over the current period. But, obviously, there is pipeline that needs to get converted. What we have also seen in Q4, in fact, one of the questions that we had answered, I think, was by one of the earlier analysts had asked that while the initial indication was that we will grow at about 5% odd in this particular quarter, we did also see some deals that we were hoping to sort of close out, which sort of slipped into the next quarter. So, some of these things will also play out which is why we want to give out a guidance which is more reasonable and achievable, and we will update the guidance as we head into the year, depending on the visibility.

Akshay Ramnani: But, just for my confirmation, the numbers which I called out, was it a fair calculation or was I missing something in those numbers?

Rajan Venkatesan: It was a fair calculation, obviously, but then you'd also have to understand that at the end of the day, in some sense we are not a SaaS business or we are not a product business where the run rate can be taken to be like a given for every quarter. So, at this point in time, what we believe is fairly reasonable and possible is the growth rate that we achieve between 18% to 20% for the year, but as we continue with the year, some of the deals that we are actively pursuing, Rajan spoke about the pipeline, there are a few large opportunities also in the pipeline. If we are able to convert some of that, we should be able to accelerate growth. But at this point in time, the 18% to 20% is what we are comfortable guiding.

Moderator: That was the last question for today. I would like to hand the conference over to the management for closing comments.

Rajan Sethuraman: Okay. Thank you. So, I think we covered most of the ground in terms of the highlights that we had to share and also the outlook that we have of the business. I think some of the additional momentum will come from opportunities that we are able to create on the back of the initiatives that I talked about, whether it is in Generative AI, whether it's Microsoft Fabric ecosystem, or whether it's the NVIDIA partnership or the marketing analytics horizontal, or the opportunities that we can create through the acquisition. Obviously, the intent and the planning, there is a lot of thought that's gone into it, and we are focusing our time and attention on what we can do on this front. Of course, how all of this pans out will also depend upon how much of spending and optimism returns to the market itself.

We are seeing early signs that the investments that we are making are all in the right areas on the back of the conversations and the leads that we are getting. We do want to keep focusing on them so that we are able to convert them into opportunities, real opportunities, and real project work that we are able to win. Overall, I would say that at this time, given the performance that we have had in the last year where we have done reasonably well in spite of a full year of sluggishness, we are expecting that we will be able to do better in the coming year.

But as I said earlier, it is a tone of cautious optimism that we would like to adopt at this point in time. We will be able to update you on how things pan out in the coming quarters. The expectation is that things will be at general uptrend from Q1 to Q2 to Q3 to Q4. We don't see any other significant adverse things that might be happening just within the data analytics space. Overall, that space will continue to grow, and the areas of our focus will give us even further momentum in comparison to the industry growth rate. We feel confident that our strategy will play out well on the back of optimism returning to the market.

With that, I think we have covered the ground that we wanted to cover, so we can close the call. Thank you all for joining today, and look forward to engaging again soon.

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

Note: *This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.*