

14th February 2024

National Stock Exchange of India Ltd,
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai – 400051.
Fax No.26598237/26598238

BSE Limited
P.J. Towers, Dalal Street
Mumbai - 400001.
Fax No.22722037/22723121

Name of Scrip: CIGNITTEC

Scrip code: 534758

Dear Sir / Madam,

Sub: Transcript: Cigniti Q3 FY 2023-24 Result conference call on 7th February 2024- Reg
Ref: Company's letter dated 2nd May 2023 regarding Intimation for Earnings call under Regulation
30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Please find the attached herewith Transcript of Cigniti Technologies Limited for Q4 FY 2023-24
Result conference call held on 7th February 2024. The same was displayed at our company's website:
www.cigniti.com.

This is for the information and records of the Exchange, please.

Thanking you.

Yours Faithfully,
For Cigniti Technologies Limited

Tadepalli
Naga Vasudha
Naga Vasudha
Company Secretary

Digitally signed by
Tadepalli Naga Vasudha
Date: 2024.02.14 19:46:38
+05'30'

Encl: as above



Cigniti Technologies Ltd

Registered Office.

Suite 106 & 107, MGR Estates, Dwarakapuri Colony, Panjagutta,
Hyderabad 500 082, Telangana, India


Global Delivery Center


6th Floor, ORION Block, "The V" (Ascendas), Plot #17, Software Units Layout
Madhapur, Hyderabad 500 081, Telangana, India

CIN: L72200TG1998PLC30081  +91 (40) 4038 2255  +91 (40) 4038 2299

USA

433 E Las Colinas Blvd, #1240
Irving, TX 75039

 469.673.3443

 972.767.0948/0644

Cigniti Technologies Limited
Earnings Conference Call
February 07, 2024

Moderator: Ladies and gentlemen, Good day and welcome to the Investors Call for Cigniti Technologies Limited to discuss the Q3 and 9M FY24 Results.

Today we have with us from the Management, Mr. Srikanth Chakkilam – Executive Director and Chief Executive Officer of Cigniti Technologies Limited, Mr. Krishnan Venkatachary – Chief Financial Officer, Mr. Vinay Rawat – Chief Revenue Officer, Mr. Raghuram Krovvidy – Chief Delivery Officer, Mr. Sairamprabhu Vedam – Chief Marketing Officer and Mr. Veera Reddy Patlolla – Global Head of HR.

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 call, please signal an operator by pressing “*” followed by “0” on your touchtone phone. Please note this conference is being recorded.

I now hand the conference over to Mr. Omkar Jalgaonkar from Adfactors PR. Thank you and over to you, sir.

Omkar Jalgaonkar: Thank you. Good afternoon everyone. Before the call, we would like to point out that certain statements made in today’s call may be forward looking in nature and the disclaimer to this effect has been included in the earnings presentation shared with you earlier. The investor call may contain forward-looking statements based on the currently held beliefs and assumptions of the management of the company which are expressed in good faith and in their opinion reasonable. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the company or industry results to differ materially from the results financial condition, performance or achievements expressed or implied by such forward-looking statement.

The risks and uncertainties relating to these statements include but are not limited to risks and risks of expansion plans, benefits from fluctuations in our earnings, our ability to manage growth and implement strategies, competition in our business,

including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals and our ability to win new contracts, changes in technology, availability of financing, our ability to successfully compete and integrate our expansion plans, liabilities, political instability and general economic conditions affecting our industry. Unless otherwise indicated, the information's contained herein is preliminary indicative and is based on the management information, current plans and estimates.

I now hand the conference over to Mr. Srikanth Chakkilam for the opening remarks. Thank you and over to you.

Srikanth Chakkilam:

Thank you Omkar. Good afternoon, everyone. Thank you for joining us today as we discussed the Company's performance for the 3rd Quarter. We are pleased to announce that our consolidated revenues from operations for Q3 FY24 stood at Rs. 468 crores marking substantial growth of about 9.4% compared to the corresponding quarter of the previous year and comparing to the previous quarter we have grown by about 3.6%.

Our EBITDA margin stood at 13.8% with the EBITDA standing at Rs. 64.5 crores. During this quarter, we are delighted to announce that we have acquired about 6 new logos, further expanding our client base and demonstrating the attractiveness of our offerings. In the market, our pipeline remains strong although the sales cycle continues to be slightly on the dragging side.

We've had a slight dent in terms of our revenues in a couple of logos due to in sourcing from the client and also one of the customers getting acquired although this change because of the acquisition has so far had no impact on the revenues. We are continuing to monitor and being cautious about the impact on the pipeline.

Having said this, we have made investments into ensuring the pipeline remains strong. We are quite optimistic that we have the possibility of signing some marquee clients in the digital engineering side that can have considerable potential upside in the coming one to two quarters.

Our commitment to revenue and EBITDA goals remains the same despite the challenges business throws at us. We are particularly excited about the significant progress we are building in the opportunity pipeline for digital engineering services within our existing accounts. Our performance reflects the trust and confidence that

the organizations we are servicing plays in our capabilities and our expertise in the digital transformation landscape.

Looking ahead, while we remain cognizant of the challenges posed by the global economic landscape we are also optimistic about the growth opportunities that lie ahead. Our continued investments in technology, talent, customer centric solutions position as well to capitalize on emerging trends and drive sustainable growth in the coming quarters.

In closing, I would like to reaffirm the unwavering commitment to our shareholders in delivering long-term value. We remain focused on executing our strategic initiatives, enhancing shareholder returns and fostering sustainable growth guided by our core values of character, commitment and competence. While we take questions shortly, I will hand over the dias to Mr. Krishnan to give some detailed updates about the financial performance.

Krishnan Venkatachary: Thank you, Srikanth. Good evening to all the investors and for all those taken time to join the call and it's been a quarter though there have been a lot of challenges on the economic front, I think we have consistently tried to wait through perform and then try to remain positive and then work out positive.

The quarter also has a challenge in terms of decision making and especially where we depend on the Western world and right from Thanksgiving till the Christmas holidays where the number of days gets reduced. In spite of all that, I think we have done a very positive growth on the INR terms at about 3.6% on the dollar term 2.9% clocking a revenue of 56.2 million as against 54.7 million in dollar terms.

While the EBITDA front probably is about 13.8% that had lower comparing to what caused in the previous quarter, but this is on account of certain exceptional expenditure which has gone into legal which was necessitated to complete the legal portion as against dragging few of the employee related issues which we don't expect or anticipate.

I think normalizing that probably our EBITDA has improved and would have been there at about 14.8% or so and that was necessitated for us to take it up clearly and especially the deployed and manage the funds effectively forced the distribution of the interim dividend as well as that has generated a good amount of income which makes our PAT stand at about 10.3% at a full-blown taxation.

I think the quarter remains good, but while I would call that standard for every IT sector and especially for the company always traditionally Q3 has been a substitute quarter and comparing to that I think overall for the 9 months our EBITDA stands at about 14.2% while we have anticipated if go through based on the current set of run rate for the quarter I think we expect to end the year positively year over year comparing to last year in terms of the growth.

While it is marginal but given the situation and the way we have devised our strategies, I think the strategies are working with respect to the nurture and growth accounts moving up in a bigger way. The top 20 accounts continue to contribute a healthy 54% contribution to the revenue. We have added about 6 clients in the quarter and 9 in the last quarter and which is also notable.

We have started penetrating on the digital engineering services which is contributing about 10%, 11% of the total revenue and our increased thrust remains the same on the digital revenue and these sectors which are contributing in summary basically is that retail, BFSI, travel and the healthcare continue to contribute about 70% plus of the total volume of business and all of which healthcare stands out in terms of the highest margin and our focus on retail is expanding and expected to contribute in a bigger way in the coming quarters we are optimistic.

The dollar rate and both on the top share and onshore there's moved up marginally by about half a dollar and our utilization is at peak in both these segments hovering around an average at about 80% and we are at a healthy trend in terms of the resource peak utilization at about 21 to 79, 21 being on site and 79 being at offshore. We have generated a good amount of cash during the quarter, and if you look at the overall 6 months.

Cash from operations generated has moved out to close to about Rs. 120 crores, which is the first two quarters under subdued growth and subsequently we have generated a good amount of growth. The receivables are under control, and we still have at about 58 days and even if I look at some amount of unbilled revenue based on the projects which are milestone based still land up at about close to 65 days, but I think on a sector invoice revenue we are near at about 58 days which is good control and we don't see any uncertainty on account of bad debts or of any kind of write offs.

And so the way things are moving up I think the order book position looking healthy and we are expected to finish the quarter and move ahead and we are looking always

looking ahead for the next year, next year looks highly positive though we are cautiously watching the global economy, but I think we are extremely positive on the future growth for the coming years. With these few words, I'll open up forum and request my colleague and the CRO Vinay Rawat to say a few words on the business and outlook.

Vinay Rawat:

Thanks, Krishnan. Maybe I'll just reiterate some of the facts which Srikanth and Krishnan mentioned in terms of the customers are being very cautious. The overall underlying drivers for the customers are still cost optimization and consolidation. Discretionary spend which actually was very significant during pandemic time actually it continues to shrink.

Customers are still very cautious about bringing back their discretionary spend and that shows up in the elongated sales cycle which actually we have been facing in some of our customer places. Our new logo growth actually has been pretty healthy. The size and quality of the revenue is something which actually has improved very significantly our focused account, account classification go to market strategy which we implemented actually has been showing very healthy growth.

As Krishnan mentioned our top 20 accounts actually continues to grow year over year. Our relationship into those accounts actually continues to grow and our overall relationship metrics has been increasing and we are becoming more and more strategic to those customers. Our service lines spend into these customers actually has been increasing means we are getting more and more traction into digital services and therefore expanding our footprint and getting more wallet share from the same customers.

Our top 74 accounts were predominantly the sales focuses their expansion of revenue actually has gone to almost 90% which is as I mentioned earlier is testament to our account focused approach. Overall, what we see right now, what we actually observed at the end of 3rd Quarter were customers being little more cautious because of not a very certain environment particularly from an interest rate perspective the cost of capital obviously continues to be expensive and therefore customers are still not opening up the purse.

So, as Krishnan mentioned, I'll reiterate that we continue to be optimistic. Despite all the headwinds, we have actually delivered sequential growth and we think we will

continue to be growing significantly in the coming quarters. With that, I will hand it over to my colleague Raghu, who is our Chief Delivery Officer.

Raghuram Krovvidy:

Thanks Vinay. I think heard about the business outlook from delivery standpoint we continue to balance and tightly run the operations to ensure that we continuously improve our margins. Our customer satisfaction score for the quarter has again been a record high about 3.84 out of 4 with about 80% coverage from our clients. We are continuing to see increased digital engineering services appetite specifically in the areas of SRE, DevOps and data.

So, this quarter we also focused on increasing more capability and capacity both at the leadership level and the workforce level to ensure that we are able to ramp up teams as and when required. Our focus on continuing to deliver value-based services through our IT continues. We have been out of the 6 logos that Srikanth and Krishnan were mentioning at least 3 out of those 6 logos we have been able to show our IT story as a differentiator.

So, that focus continues and we are very hopeful that as we get into FY25 we will be able to further ramp up on the digital engineering services business. Thank you.

Moderator:

Thanks, Raghu. Thanks Vinay. I request Sairam, our Chief Marketing Officer to give us a perspective from the marketing side. Over to you.

Sairam Vedam:

Thank you. I hope I'm audible in line with the commentary of all our executives in fact on an interesting note the Q3 quarter is where all the global analysts actually give up the most updated positioning and I'm very delighted to let know our renewed focus on strengthening our digital engineering positioning got a significant flip in the quarter that went by.

We've got about 22 recognitions of them, 16 on the digital engineering side and most importantly so IDC is positioned us for the first time as a major player in the worldwide software digital engineering services landscape which is a very, very big jump for Cigniti's march ahead along with that we have been provided a very special recognition as an emerging company, the digital engineering operation and technology services landscape by IDC. 7 of our case studies in the world of analytics data AI have been featured along with 16 Tier 1 digital engineering companies.

We've also been specifically positioned as a major contender in the data and analytics segment which goes to show the strength of the data engineering practice that we

have been building in the mid market segment by Everest. On the digital assurance side, I'm delighted to let know for the first time we've been positioned by Everest as a leader, the star performer rating in the specialized QE services providers which is a new report that Everest launched and also as a major contender with star performer rating in the next generation quality engineering which is nothing, but digital assurance.

So, that said, we've also got some very specific vertical recognitions in the area of lending and IT services assurance, ISP's positioned as a leader in continuous testing and forester after a long time came up with a new continuous testing automation landscape report that Cigniti was specifically called out.

Last but not the least we have been positioned as a disruptor by HFS in the world's first generative enterprise services provider report which again goes to show the deep reflections of AI led digital engineering, generative AI, computer vision, machine learning areas that we are investing to work and forest recruiters as a specialized provider in application modernization and migration services landscape which is a reflection of the enterprise application services enterprise modernization practice that we are building and we are also coined out in the Zinnov, ER&D zones for specific internet of medical things, internet of things work. So, that's from an analyst positioning.

To summarize, it goes back to the strong foundation that we have made to march in the digital engineering landscape with a very substantial leadership in digital assurance are both IPs as Raghu rightly said, Zastras and Blue Swan were finalists in the worldwide Watts Humphrey Awards.

Before I end I just want to give an important anecdote:

For instance, latest report which is a month old also tells that the impact of generative AI will actually yield substantially incremental 2.5% spend increase in the world of testing because the entire test life cycle is expected to be augmented with generative AI infusion and a 15.5% CAGR growth is what Gen AI led digital engineering is projected and Cigniti is playing in both the areas with substantial focus. So, that's from our market positioning perspective. I will now give it back to Krishnan.

Krishnan Venkatachary: Thanks Sai. Over to Veera Reddy our Global HR Head to talk a bit more on the sourcing and the resource retention and the attrition.

Veera Reddy:

Thank you, Krishnan. Thank you very much. Good evening everyone. This year has been fairly good from an HR point of view. Employee satisfaction levels are high and attrition is trending very low. We are currently running below 13% and hopefully the same trend continues through the next 2 months of this quarter, and we are optimistic that we will end the year below 13%.

We are also going for the renewal of the space to work. We have been rated at this place. So, greatest work for last 2 years and then third time in a row we are going for it and then it is coming up for renewal in May with the current satisfaction levels I'm sure we will get it for third time. From a training and development point of view. Last quarter we have actually successfully completed a training program at one of the engineering colleges in Hyderabad. We have trained 50 plus students on some of the skills that we need. So, that it reduces the time of the fresher coming in and then joining into a project.

So, we are now looking to absorb these students in the upcoming quarter which helps in our Pyramid Refresh Program as well and we will continue to focus on this as an investment and then Pyramid Refresh Program has been move forward and then look for doing it in more than 3 to 4 colleges next year. So, those are some of the updates from HR and then we'll be happy to answer any questions. Back to you Krishnan.

Krishnan Venkatachary:

Thank you. I think we can open up the question to the moderator. Please open up the forum for questions and answers.

Moderator:

Thank you very much. We will now begin the question-and-answer session. We have our first question from Swechha Jain from Whitestone Financial Advisors. Please go ahead.

Swechha Jain:

Sir. I have a couple of questions. One was the 6 logos that we have added, if you could just help us understand which sector these logos are from like which industry and typically what kind of work have you got from that, is it more on the digital engineering side or what kind of scope of work these 6 logos we've done for.

Second also if you could give some sense on the order book, the current order book and even on this order book what percentage would be from digital engineering kind of services and also I wanted to understand broadly what kind of services are they looking for the digital engineering side of our business, some sense as to how big can

it be and what are your thought process how to build this and what are we thinking about it?

Management:

So, let me I think there's quite a few questions actually you've asked. So, let me first actually talk about the customers and the new logos we acquired in the last quarter, they are not specifically from one industry segment. They are spread across multiple segments. However, some of the larger clients which we acquired actually are from BFSI.

One of them is actually from BFSI and another one is actually from rail transportation industry they are one of the largest rail transportation company North America. One customer is actually in retail. This is a European customer. So, as I said like they are sort of distributed across the kind of work which actually we will be doing with these customers is actually mixed. It is an integrated work where we are in almost all the cases, we are actually transitioning the work from some of our larger peers in the industry.

This is applications maintenance, application integration testing also their application support requires development work for any function or feature which is actually required during this application sustenance phase. So, that's what it is. So, as I said like it's kind of a mixed work and development and quality engineering.

You asked a question regarding digital engineering. Now I will actually divide this question into two parts. One, the work which we do in the quality engineering side also actually happens to be in the digital areas. So, if you were to actually purely looking from digital revenue, that digital revenue is almost 60% of our revenue which we do today.

However, specifically on the development side that revenue stands close to about 10% to 12% of our overall revenue from digital engineering perspective. As far as order book is concerned that continues to be pretty healthy. If you look at where we were last year and year over year our order book actually it continues to be improving. Our revenue realization of the order book actually is within the industry range which we have seen from our peers or even the larger peers in the industry.

So, that as I mentioned earlier in my comment and Krishnan also mentioned that continues to remain healthy. I will actually give it to Krishnan for giving specific

numbers around order booking. Did I answer all your questions or is there anything specific I missed out.

Swechha Jain:

Just a follow up. So, when we say digital engineering services on the development side so you said we are 10% to 12% and I believe in the commentary what I heard is we are quite optimistic about increasing this revenue share from the development side of the digital engineering services.

So, if you could help me understand exactly what do we do on the development side of the digital engineering services like what kind of work do we do there and how big this can become for us?

Management:

So, over last 12 months we have doubled our digital engineering services which I'm purely talking about in the development space and just to again clarify digital engineering means different things to different people and it's a very large umbrella. So, the scope which actually we have defined for ourselves today within digital engineering that business is something has doubled, and we expect that to continue to grow at a similar pace for next year as well. So, we are very hopeful that we will actually double it again in the coming year.

Management:

Coming back to the order book position basically the benefit of all the listeners is that we have a confirmed order book position for April to March for the next financial year is at about close to \$205 million and coming back to the order book in terms of digital engineering I will put it out this way that the increased trust is on digital while the current year revenue will end up at about 11%, 12% of the total revenue. The way which it is you have seen the three quarters and the fourth quarter getting repeated out and things like that.

But I think we're trying to push that to close to about 18% in the subsequent year with the nominal growth which we hope to have we don't give any guidance, but I think we expect a high level digit growth for the revenue which should contribute at about close to 18% or so should be on the digital side. So, we are fairly piled up on the order book.

Swechha Jain:

So, just on the EBITDA margin side like you said EBITDA, so any guidance can you give like because our EBITDA was lower in this quarter, so any ballpark number that you feel?

Management: Actually as I told you that absolutely we are not putting in any number in terms of the guidance, but what happens is that if we look through last year we've been at about 14% odd. This year we have sustained that and we will sustain because if you look at 9 months we have been there at about 14.2% and we will sustain and this quarter specifically a blip is on account of see some settlements on the legal side which I said will not get repeated out or whatever it is because you're taking out of cautious measures.

So, if you look through for the year ahead or whatever it is wishful thinking is to increase at least by about 150 basis points to 200 points, but I think we are actually it's a bare minimum we are confident that we will be able to increase by about 150 basis points in the coming year.

Moderator: Thank you. We have our next question from the line of Aditya Jhawar from J&J Capital. Please go ahead.

Aditya Jhawar: The first one is related to expenses. I see our expenses like we have added a good headcount from last year to this year, but I see the revenue growth is not showing up in the results. So, regarding that I need some clarity on that.

And the second part is on the digital engineering business. I know our company core competency is in the testing and digital assurance or quality testing or engineering, but why are we going with the development focus. Do we have the right talent and skill set in that area to explore and that is my second question?

Krishnan Venkatachary: I'll answer the second question to get answered by our Chief Delivery officer on that point number one basically is that while the addition of manpower has come through in the current year at a cost as we rightly said, you should look at that 12% of the business we have given an increased trend and created a bench for the purpose of digital engineering purposes which comes out at differential costs.

These are investments in the business which necessitates basically cutting down a little bit on the margin side to absorb and we don't carry out of any expenditure of the capital assets. So, invariably we'll have to invest, take it and then we have also invested a little bit on the R&D side which was necessitated to get through in terms of if you have observed the company's website or whatever it is that we have come out with certain ITES and then just be successful and then we have started even upselling on those licenses.

So, this was necessitated and it's a cycle in the business which you'll have to do it and especially when the transitioning and transformation happens. While the business is linear, I won't be able to bill everyone back into the business in terms of availability and we will have to invest, think ahead, invest and start moving ahead basically and start realizing at the point of time very clearly.

So, this year has been a year of transformation in terms of the digital which necessitated for me to spend on the offering side, center of excellence creating a bench pool. So, that the customer gets confidence internal sales gets confidence, internal delivery gets confidence that yes the resources are available for deployment and taking over so that it becomes a big bang theory that is on question one. Question two with respect to the development and offering, I request Raghu to answer that actually.

Raghu Krowidy:

Thanks Krishnan. I think while we were always, I mean, as you rightly said initially we were testing quality engineering, quality assurance or digital assurance company you would appreciate that finally we were responsible for quality of development of the product and quality of their release, quality of their deployment, quality of how their production worked, anything and everything related to quality, that is point number one.

Second we as a company have always adopted technology as a means to drive testing as well. It is not just functional testing with manual eyeballing, a lot of tools, a lot of technologies, a lot of people with development background and our core offering has also been around test automation since quite some time and test automation is about writing code to test code.

Therefore, as a company we also realized, and this was just before pandemic and that's where we started pivoting towards digital engineering services as well is that if you want to continue to influence quality across the software development life cycle, and with the advent of agile, with the advent of DevOPS as more and more testing and Dev getting integrated and congruently working in the context of SDLC.

It becomes important for us to influence quality across the life cycle and it's no more just that only testing techniques or testing technology to drive quality that you have to be able to influence across the software development life cycle with quality at the core because we had that expertise at the back end, we had the skill set of driving

code with code in terms of quality testing and the ability to have a seat in the digital table to make that quality pivot for the enterprise in the context of the overall SDLC.

We started expanding our service offerings into a larger realm of digital and we didn't do this only unanimously when we discussed this with our clients. We piloted some of our offerings with our clients, our capability to go above and beyond or to be able to handle digital applications and drive quality. We were very much welcomed.

So, it is a logical extension to move from just testing to influencing quality across the SDLC by also contributing to digital engineering, therefore helping digital transformational goals to be achieved by the enterprises.

Aditya Jhawar: How much of our headcount is into development because I think the last time it was at 100 par it is increased or how is that number?

Management: As of as of last month we stand somewhere between 500 to 600. The reason why I say 500 to 600 is because it's a flux anywhere across the globe, but today our development practice is close to about 500 - 600 people.

Aditya Jhawar: And on the expenses part I understand that we are doing R&D and we are expanding out that is great, but I was particularly asking about the employee expenses, what is the current plans in our hiring? Are we having the same space because lot of I see from last year also we have hired a couple of extensive hiring we have done. So, when that will come to our growth that is what I'm trying to understand?

Management: See I made very clear that it's an year of investment and we're conscious very clearly that we have done only utilization of 70% on the digital engineering side whatever has done basically to build the reserves pool for purpose of deployment which is getting now converted, we are cautiously optimistic in terms of trying to get the money value of all the investments which we are trying to do on the digital side clearly.

So, if you look at the investments the entire investments on the resources we are now trying to re-correct the entire permit structure both on the existing business and also on the digital side. We should see benefits in the coming quarters especially in the coming years, first two quarters.

Aditya Jhawar: So, whatever we have hired it, it was mostly towards development role, is my understanding correct?

Management: It's a combination basically some of the key accounts just come on the retail side or whatever it is demanded a better skill set in terms of technology, domain knowledge and domain expertise needed very clearly so which has come as a later hire which even out over the project period because these are projects which are for a 5 year contract that's coming through, which will even out over a period of time and also the advantage when we try to build a domain and get the domain expertise is that the investments is multifold because subsequent projects we don't need to invest again in the domain expertise it gets evened out completely and jump start becomes comfortable.

So, it's a part of the business. So, we'll have to live with that very clearly. Even if you go through the employee cost for 9 months comparison to 9 months while I may have incurred 14% on the employee cost I have come down on the contractor cost by about 7% overall. So, the net-net part of it if you look at it basically is that which is in parlance with the necessity for the business which with all these investments coming through, I've been trying to do the optimization best possible within the short time.

Aditya Jhawar: So, I understand digital engineering we are spending a lot of efforts there, but our major part of the revenue comes from digital assurance and how confident are you in this space for the next year? How do you see growth and digital assurance?

Management: I think I will ask my colleague Sairam to talk about the marketing value. Sai can you just provide the market value of digital assurance and market value of digital engineering just as a one liner so that's the conference and space that we are tapping.

Sairam Vedam: The overall integrated digital engineering and digital assurance market right now is about \$705 billion and expected to be about \$1.3 trillion that constitutes both digital assurance and digital engineering and as I said in my commentary the digital assurance market itself is getting an additional 2.5% growth to about \$23.5 billion owing to the impact of generative AI and the overall assurance market is \$43 billion.

So, if you look at it like a three-point agenda, we are actually we have increased our total addressable and serviceable market by about 15 times and with an integrated portfolio that we are building and as reflected in our GTM strategy with the set of accounts that we are going to go and grow our growth, nature and strategic accounts. We are well placed to tap into this market further and further.

Management: I'm sure. Gentlemen, I'm sure that will answer your query, right.

Moderator: Thank you. We have our next question from the line of Parth Kotak from Alpha Plus capital. Please go ahead.

Parth Kotak: Sir, I have a couple of questions. One, do we have some leading indicator, the growth that supposedly was posted I would say our expectation would be much higher in terms of the growth that we are posting.

So, internally do we have some leading indicators especially the ones you mentioned core revenue comes from the Western world. So, if that could get us some guidance on company's probably coaching on the order side?

Management: Yes. So, in IT services generally the leading factor is the order book and I did mention earlier that our order book actually continues to be healthy in terms of our revenue realization from order book actually also continues to be in line with the industry.

So, if we look at our multiyear order book and the order book which actually we have currently booked in last 9 months that certainly actually like continues to demonstrate that we will grow in double digit in next financial year. So, that's all I can tell you right now as Krishnan meant we don't give any specific guidance, but the order book definitely continues to be healthy.

Parth Kotak: Sir, in terms of the recent client acquisitions that we've made 6 in the last quarter 9 in the previous one, are these clients expected to be large billing clients from next year itself where we could probably see one or two of those clients creeping into our top 10 client list or top 15 client list?

Management: Absolutely yes. So, one of the largest client which we acquired in the last 3 quarters is the top 3 railroad transportation company in North America. Their spending is minimum 3 digit million dollars like hundreds of millions of dollars which they could spend on the technology space. We've actually signed up a sizeable deal with them as we speak. We are transitioning work from some of the larger peers which actually happens to be an integrated application development support and quality engineering.

The other client that actually which was referring to is the BFSI client is a bank with about \$80 billion of assets under management. They offer again they are client actually which spend a fairly sizable amount in the technology space. So, the retailer which actually I was talking about that retailer is one of the largest retailer in Eastern European market. So, as of now we are absolutely optimistic that some of these

clients actually will definitely become our top 10, top 20 customers in the coming financial year.

Parth Kotak: That is very encouraging, sir. Sir, finally if I could squeeze in one last question we've been talking about inorganic growth which will help us achieve the long-term target that we've envisioned? Do we have anything on the table while we understand that getting something EPS accretive and the field that we are looking in could be certainly challenging in this environment, but while the growth is a little tepid if we may say so, do we have certain opportunities on the table as of today?

Management: Are you referring to organic growth?

Parth Kotak: In organic growth.

Management: So, inorganic growth I think we are very aggressive. Active proposals are being considered, but I think as we get to the stage invariably I think we'll get it through by the board and then we'll disseminate information systematically, but I think I can say that we are very aggressive on the lookout.

Moderator: Thank you. We have our next question from the line of Danish Mistry from Investor First Advisors. Please go ahead.

Danish Mistry: One is that obviously you've talked about how you've gotten resources and employees, so you can just run us through what's happening on the utilization front especially on the onsite side, that's number one.

Number two is your other expenses have gone up meaningfully both YoY and quarter-on-quarter, so some sense on what these other expenses are especially if there are any one offs and related to that you've mentioned certain cost control measures. So, how are these linked to this other expenses line item would be helpful to understand?

Management: Utilization at on site is at about 93% or so. It always remains at about 93% to 95% subject to a quarter or two variation of ~1%. On offshore utilization reminded about healthy at about 82%. I would say that I've reached the optimal level at this point of time, while it is 82% will have a marginal impact as we start pushing up because to the digital is miniscule, digital operates at about 70%, 72% and then probably I'll be able to push it to the 75% on the digital side which is essential to have the resourcing on the jump start.

So, I would say the utilization is on the optimal effect with respect to where we are today. With respect to the expenditure if you look at especially on the other expenditure side which you have asked about the increase which has happened invariably is that one off line item could be on the legal side which we had to certain employee settlements, especially in the quarter.

And that is specifically on the line item, but we have gone ahead, and we have spent certain marketing dollars on certain events. We have utilized the opportunity and created as a visibility especially when we launched on the digital side which is essential and added a couple of sales folks which was necessitated for us especially creating a carving and niche on the specific segment of vertical very clearly which the benefit of it everything will come will come through basically even out over the next couple of quarters as we start seeing the generation of the revenue.

So, apart from these two in terms of the expenditure on the other side and there has been some amount of OPEX expenditure which was necessitated on the IT side for certain upgradation of the networking and other security tools which was based on the worldwide cyber attacks happening, we had to necessarily spend and take a precaution on the cyber attack areas.

So, I think these are one of the things which definitely necessitated for enhancement in the expenditure. We are carefully monitoring each and every line item to ensure that either optimization or reduction or to get the best value out of it.

Danish Mistry:

So, sir out of this roughly Rs. 50 crores I'm not asking for a breakdown, but out of this Rs. 50 crores how much would be attributable to the heads that kind of talked about roughly?

Management:

I would probably take it offline and send you the details very clearly on that because I will not just remember on the face of it clearly. I know for sure that if you look at for the quarter at least my EBITDA would have moved up by about 1% to 1.3% from the current level which speaks very clearly as to the volume as to what it is on the legal front, but I think if I have to assimilate for the 9 months probably I can take the question offline and send it across to you.

Moderator:

Thank you sir. We have our next question from the line of Faisal Zubair Hawa from HG Hawa & Company. Please go ahead.

Faisal Zubair Hawa: So, what are the kind of customers that we are having and can you give a flavor of which industries contributed as to what percentage of our total revenue that's one.

And secondly sir if you could just guide us about the evolution of this company and also the management structure as to who really looks after what the functions and if you could guide us with the KRAs of the key personnel like CEO, CFO and COO also?

Management: Our top 3 industry segments are retail BFSI and HCLS Healthcare and Life sciences. These are our top 3 industry segments with approximately about 22% coming from retail and e-commerce approximately almost equivalent or maybe 21.5% coming from BFSI and about 17%, 18% coming from travel, transport, hospitality and about 12%, 13% coming from HCLS. So, those are our 4 top industry segments I said HCLS as number 3 actually HCLS is number 4, travel transport is number 3 for us. So, this in terms of percentage that's the industry segment. What was your question regarding the customers?

Faisal Zubair Hawa: So, my question is that what is our management structure and what are the KRAs for the key personal like COO, CMO, and CEO?

Veera Reddy: So, KRA pretty much directly tagged to the financial goals that we have. We have revenue margins.

Faisal Zubair Hawa: How much of the KRA attached to revenue what percentage?

Veera Reddy: It is at a CRO and CEO level it is 30% of the KRA is tagged to the revenue.

Management: See, gentlemen, we are a company. We are a listed company and we are governed by the Board independent and we are governed by the budget which are necessary as per the internal controls and measures and the KRAs and KPAs are tagged to these budgets and individual performance parameters which are monitored by the compensation committee and which is applicable from level 1 to the level 7 officers clearly. I think just to understand in this call probably I'll be able to provide this much probably anything beyond that it is a very specific query with respect to it. What is possible for disclosure we will do it. I appreciate we can write to us separately.

Faisal Zubair Hawa: If you could just mention it in the next annual report?

Management: Whatever is statutorily required is running through in the annual report. What has been missed out we will definitely look at it, but to our knowledge basically we have

not missed out what is essential and to be furnished as per the Companies Act necessary we are furnishing and we shall be more than happy to furnish whatever is needed.

Moderator: Thank you. We have our next question from the line of Mr. Subhash from Value Investments. Please go ahead.

Subhash: My question is on the share holding pattern so the promoter holding has been decreasing from last 4 years if you see and from the last few quarters it has been decreasing continuously, so if you could light on that would be helpful?

Management: So, you should understand that the business is being run over the last 25 years by the promoters and the decrease could be on account of various reasons. One is on account of natural dilution in the initial years basically on account of preferential issues, but subsequently if we look through basically on ESOPs and the third point now is that they will have to retire with certain of their personal debts considering their own set of segments in terms of where they're operating. They would like to get being debt-free invariably. So, for that purposes retirements have taken place, but if you look at it in between they've also acquired, but having said that, but I think it's an individual choice for a company and especially on the technology side basically.

I think we're more concerned in terms of the going concern, continuity and movement very clearly while the promoters portion what we talked about is trying to come down. We also have to look at and give weightage to the institutional mutual funds where the holding has moved up by about 7%, 8%, 10% , also if you look at the PMS we are there at about 10% which has shifted their hands into a healthier hands clearly.

But having beyond this, I don't think I'll be able to answer very clearly as to what is their reasoning basically because it's all their personal reason, but if you look at it they have not really moved ahead to reduce drastically as to what it and if you look at there is a set of promoter who are holding about 9% as reclassified themselves as a non-promoter.

So, if you consider that still that portion of the stock will enjoy a good relationship remains as a part of promoter I mean known entity of promoter very clear. It is it is just that for administrative convenience we would like to bring NRA we regrouped

himself as a non-promoter. So, that has to be grossed up when you compare basically as to what it was.

So, I would say that reducing by about 5 percentage 6 percentage over a period of 15 years, 20 years it's understandable.

Subhash: The reduction has been like I think over 8% from last 4 years, but you've answered my question. So, I'll look over the details on the non-promoter side also as you mentioned.

Moderator: Thank you, Sir. We have our next question from the line of Majid Ahmad from Smart Sync investments. Please go ahead.

Majid Ahmad: Sir, why has the pace of new clients have reduced I think it was at 9 and now it is at 6, do you see that decreasing or it will get steady it can move going forward?

Management: No I will ask my colleague Vinay to answer your question is that why new addition of clients has reduced you are just comparing compared to last quarter to this quarter, but I think I will request my colleague to answer that.

Vinay Rawat: So, some of this is actually intentional, just to actually tell you that we've been focusing more on the quality of the customers which we acquire. The intent is obviously whatever customer we acquire those customers actually should have enough spend which actually can continue to be an important and they actually offer potential to become important and strategic customers to us.

Just to give you a number perspective our average client side which actually we acquired last year or prior to that year that number actually has almost quadrupled though the number of clients actually have come down, but the average size of the customer which actually we have acquired has quadrupled. So, the quality, the quantity is reduced, but the quality has improved substantially and that's actually been the focus that's by design, not by accident.

Majid Ahmad: Is there any plans in terms of the industry are you planning to move to the automotive or EV space, any plans do you have in providing your services?

Vinay Rawat: So, given our size we have not specifically focused or created domain competency to go after a specific industry segment. Our play is more horizontal, more technological play and that's what we continue to do. We do believe that I think in the coming

quarters or a year or so, we actually should have a threshold of revenue which actually will certainly warrant domain competency improvement and at that point of time we will focus on industry segments.

As far as the automotive industry is concerned that industry is not our focus area as of today. Our top 4 industry segments as I outlined earlier continue to be BFSI, retail, travel and hospitality and HCLS.

Majid Ahmad: The last final question that I have is, is there any plan to give dividends to the shareholders or buybacks happening?

Management: We have done in the last quarter only for 6 months we have announced the interim dividend. We'll have to allow for the company to complete the March accounts and the directors to take a call on the final dividend and anything on the buyback which comes through I think the directors will review and then come back through exchanges on a uniform basis, but I think they have been doing what is best to the shareholders that in the sense that the board has been considering and doing it. So, allow us the right time basically to we will come back.

Moderator: Thank you, sir. We have our next question from the line of Aditya Jhawar from J&J Capital. Please go ahead.

Aditya Jhawar: Sir. I wanted to particularly understand how our digital assurance the runway of growth for next couple of years can you throw some light here on our order book and our positioning with the new digital like DevOps automation lot of things we have added. So, on that how do you see this digital assurance side scaling up?

Management: I'll just give you in a summary basically that we have drawn up a plan to reach in the next 5 years to a billion dollar business where we expect at least a 55% of the revenue coming from the digital side.

I think that is the confidence level at which where we are moving, where we are last year at about 6% this year at about 12% and it's a vast field. My colleague Sairam has already indicated in terms of the landscape which is available where we are trying to get there and if you asked me today what I'm going to achieve over a period of year-over-year in terms of the order book I won't be able to comment on that.

But I think the confidence at which in the next year with the high double-digit growth on the total revenue which is expected and where we're trying to garner about 18%

of that from the digital, sense from the fact that there is enough order book position available with me that is one of the reasons it has been commented.

But I think having said that 24 - 24 being 18% in 4 years time from there or 3.5 years' time or 3years time getting to about 50%, 55% of the total revenue coming from the digital area with an optimistic approach because of the efforts what we are making, the investments what we are making on the market landscape which is growing and the analyst support which come out and corroborate our views very clearly. This is what at this stage I'll be able to comment.

Aditya Jhawar: Yeah, but when you say digital, there are two parts. One is digital assurance, and one is digital engineering and the digital engineering you said that currently we are at 12% now that will move to 18% that is the development part you're talking about.

So, you are saying that in the next 4 to 5 years your development would be 55% of your total revenue is that what you're saying?

Management: Absolutely yes. So, digital engineering when we talk about development will be about when I talk about on a billion dollars then 55% will come through.

Aditya Jhawar: So, development is 55%, rest will be of assurance. So, my particular question was about assurance?

Management: So, I think my colleague Raghu actually talked about this and I just want to kind of reiterate on the point that while development like whatever we do on the quality engineering side actually also involves the development. I think very clearly articulated that it is not functional, which does not require any development skill.

Test automation also requires development skill. Ultimately, even on the quality engineering side we are actually testing the code which has been developed by developers and that requires significant amount of development skills. So, our overall digital business as I was mentioning earlier stands to be almost like 60%, 65% even today which means like whatever our customers are doing particularly with regards to digital transformation we are some shape we are involved with those clients in some shape and form.

Now what you're referring to digital engineering is actually things like data analytics, things like cloud transformation, things like DevOps, things like SaaS applications those are part of our offerings even today and that that business continues to grow

for us and as Krishnan mentioned that our intent is to actually grow that business to almost 50% to 55% of our revenue hopefully that answers your question.

Moderator: Sorry to interrupt, sir. Due to time constraint, that was the last question for today and I now hand the conference over to Mr. Srikanth Chakkilam for closing comments. Thank you and over to you, sir.

Srikanth Chakkilam: I thank everyone for joining this call and participating in the discussion of the performance of the company. Your questions are quite valuable and it gives us an opportunity to reflect on the direction of the company and we take them as inputs. Thanks again. And if you have any questions that we were not able to answer in this call please feel free to reach out to our company. We will answer them to the best of our ability and get back to you, but thanks again and we look forward to seeing you all in the next Earnings Call. Thank you.

Moderator: On behalf of Cigniti Technologies Limited that concludes this conference. You may now disconnect your lines. Thank you.

This Transcript has been slightly edited at few places for clarity and accuracy and may contain transcription errors. The Company or the sender takes no responsibility for such errors, although an effort has been made to ensure high level of accuracy.