9th February 2022

National Stock Exchange of India Ltd,
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Name of Scrip: CIGNITITEC

Scrip code: 534758

Dear Sir / Madam,

Sub: Transcript: Cigniti Q2 FY 2021-22 Result conference call on 31st January 2022- Reg

Ref: Company's letter dated 27th January 2022 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 Q3 FY 2021-22 Result conference call held on 31st January 2022. 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

Nagavasudha

Cigniti Technologies Limited ★ Hyderabad ★

Naga Vasudha
Company Secretary

Encl: as above

Cigniti Technologies Limited
Earnings Conference Call
January 31, 2022

Moderator: Ladies and gentlemen, Good day and welcome to the Investor Call of Cigniti Technologies Limited to discuss the Q3FY22 results. We have with us today from the management Mr. Srikanth Chakkilam – Chief Executive Officer and non-Executive Director, Mr. Krishnan Venkatachary – Chief Financial Officer, Mr. Sairam Vedam – Chief Marketing Officer and Mr. Raghuram Krovvidy – President and Global Delivery Head. As a reminder, all participant lines will be in the listen-only mode 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Snighter Albuquerque from Adfactors PR. Thank you and over to you, Sir.

Snighter Albuquerque: Thank you so much Steven. Good evening everyone. Before the call we would like to point out the certain statements made in today's call maybe forward looking in nature and a 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 current year beliefs and assumptions on the management of the company which are expressed in good faith and in their opinion feasible. Forward looking statements include known and unknown risks, uncertainties and other factors which may cause the actual results, financial constraint, performance or achievements of the company or industry results to differ material from the results financial condition, performance or achievements expressed or implied by such forward looking statements.

The risks and uncertainties they are limited to these statements include, but are not limited to risks and gist of expansion plans, benefits from fluctuations in our earnings, our ability to manage growth and increment strategies competition in our business including those factors which may affect our cost advantage, rate increase in India and ability to attract and retain highly skilled professionals and our ability to win new contacts, challenges and changes in technology, availability of financing, our ability to successfully complete and integrate our expansion plans, liabilities, political instability and general economic conditions affecting our industries. Unless otherwise indicated the information contained herein is preliminary indicative and is based on management's information, current plans and estimates. Thank you and over to you Srikanth.

Srikanth Chakkilam: Good evening everyone. Thank you for joining the Q3 concall and earnings. Just to give you some quick highlights the company had an uptake in its revenue in the quarter by 4.1% in dollar terms and about 5.7% in INR to Rs. 325.4 crores in comparison to 307.9 crores in the previous quarter. The company during this quarter has won 18 new clients and the notable client addition include large enterprises and also four new Fortune 500 companies. We are on track to exceed our internal revenue guidance for this year and finished the year in a good note. Our renewals in order book for the year ahead are also on track and historically we are seeing about 80%, 85% of our revenue for next financial year and this year also does not seem any different and we continue to invest in elevating our digital position and like we mentioned in the previous earnings calls we recognize the current digital trends and the acceleration of the practical application of these trends that organizations are undertaking to drive the business growth. So, all the services that we are offering are ultimately related and integrated. The digital complexity is continuing to grow at a rate at far outages any organization, ability to wrap their arms around and assure that quality and speed are needed for the bare minimum of resources.

So, based on this and based on spirit of being end-to-end digital assurance provider of choice we have been investing into new offerings and just to give you a quick expansion of the services that we are offering beyond quality ignoring we have been investing into enabling organizations for their DevOps journey and all though continuous testing has been in the core of our services for the last 5 years we have spread our wings to support end-to-end DevOps transformation that includes orchestration of automation of delivery pipeline infrastructure management and organization production feedback. We have invested into 5G assurance offering. The potential of 5G adoption is absolute both as a new phase of digital applications as well as the digital delivery backbone both in public and private networks. Many organizations have challenges to ensure that their applications are 5G ready and the used cases are endless consumer and business applications across lever manufacturing AR/VR gaming IoT services, committed vehicles just to name a few. Cigniti is one of the first companies to roll out a 5G assurance offering that leverages real 5G network and partnership with company called innovate 5G and the services that we are offering at this point is 5G advisory and ideation, 5G quality and 5G network function assurance, 5G optimization, 5G experience assurance and 5G security testing . We have also invested into cloud migration assurance and irrespective of the hyper scalar we provide fast, secure and smooth cloud migration assurance services with certified cloud migration professionals along with our platform. In RPA we have been investing for quite some time now and we are seeing fair bit of traction in this place whether it be it BOT development and testing services for RPA right from conducting the technology assessment to designing an orchestration Bots.

We have been strategic partners for several customers in the RPA implementation and we have been investing and building foundations and case studies in all these areas like I mentioned and we are going to see good progress in the next 12 months to 18 months and help create value for all the stakeholders. In this regard we also added new leadership into the organization, we have on boarding Mr. Vinay Rawat as our new Chief Revenue Officer who had successful strengths in the organization he has worked for in the past and we are confident that he is an asset to the organization and we lead all the revenue initiatives. We also on boarded a new chief marketing officer Mr. Sairam Vedam he is an accomplished under digital marketing leader with successful contributions in all the organizations he has worked for. The company has invested in additional manpower in line with business transformation initiatives and commencement of new different contracts and the reported EBITDA for this quarter stood at 40.44 crores and the margin at 12.4%. We continue to see margins at similar levels for at least 1.5, 2 more quarters both on account of demand and supply issues as well as investments into growth.

However as we are able to build a more new offering both in quality and digital assurance areas we will definitely see an uplift and easement. We are putting all efforts to move away from P&L into full blown managed services which gives us leverage on EBITDA as well as reduce dependency on contractors that we had to hire in the last year for few months and attrition levels close to 22% in this quarter as we continue to work on returnship programs, investing in training LMB, working on alternative chance of hiring on site, investing into newer facilities and all the other initiatives that we mentioned in the previous earnings call as well. We continue to focus on pivoting towards digital assurance company and we are seeing opportunities to pilot our offerings and strengthen many case study and all these efforts should see positive results in the next two to three quarters. One last thing is we have also been recognized as a leader in continuous testing in ISG matrix. For other key financial updates, I will now hand it over to Krishnan. Krishnan over to you please.

Krishnan Venkatachary: Thanks for attending the call. It has been a great quarter in terms of both revenue growth and the EBITDA growth on a standalone just comparing to the last quarter while we have moved up by 200 basis points which is about 2% on the EBITDA the revenue has grown by about close to 5%. What it will lead at trail probably is that I am just looking back and reflecting on what it was 32 million in the last quarter of the last year from there we are sequentially we have been growing on an average at about 7% to8% to run it up and one notable point basically which has to be noted across very clearly is that what was the revenue which was there in the last year of 122 million we have already covered that 122 million in three quarters which means we are going for a good gear up in growth which means the tremendous potential we have in terms of our strategy what is working through.

First I will cover up few of the matrix and then get through in terms of the dissecting of the profitability and the questions around that and then we can take up the forum to the question and answer session. So, we have done about 43.86 million for the quarter which is by far the best and we accounts for a good growth and with a healthy order book position we are in a commendable situation in terms of where we are to head basically. The EBITDA for the quarter stood at 12.4% and the normalized EBITDA, it has not been SEIS reversal for us would have been at about 13.5% which means about close to about 1.1% has been affected by the SEIS reversal which were relevant to the laws which has been passed out and we have no other options on that stages to draw it as per the accounting norms.

Our top 20 continue to contribute about close to 46% we have service about 235 accounts out of which 10% of the account is close to about 8% to be very precise 8.5% roughly about 21 accounts are about a million dollar account plan and our dollar rate in terms of realization onsite remains more or less same at about $74 and the offshore has marginally improved by about 50 comes to about $21 and the onsite offshore mix reminds at about 22% and 78% in terms of the results and the revenue mix is about onsite at 51% and 49% for offshore. While the endeavor in terms of sector will improve our BFSI sector at about close to 20% and travel and hospitality we have started bouncing back and we are at good wicket and we are hopefully confident that we should be able to gain much more traction on the sectoral contribution. If you look at a couple of things on the cash flow front probably generate in the 9 months about close to 38 crores net cash from operations and yeah on a comparable basis probably this may look reduce, but I think I can have a recent counted upon and we have not dwelled into depth or anything, but we are confident to really generate more amount of cash as it starts moving up.

Just a comparison in terms of the profitability while we did about 15.9% in terms of the EBITDA last year, but I think last year is an exception year and I want you all to take a step back and look at what the pandemic has affected and if I have to normalize the last year that we come down by about a percentage basically because the travel and other cost we have reduced and the salaries were cut down by about 5% with all that being there basically our normalized EBITDA would have been there at about like the previous at about 15%. On comparing to the way we are at about 11%, 11.5% for the 9 months where we are. The net contribution is on account of SEIS would have stepped up at about 1% and then another 1.5% to 2% was necessitated by way of a revision in salaries during the mid and post the increment share which are given at an average is about 12%. This was something to the surprise because while people will definitely ask a question that why these things are not anticipated and estimated. Yes we never anticipated with the second wave and third wave could run deep into the system which really has put a pressure across the globe basically in terms of the mitigation loss and available pool was very little and we have to latch on to the pool so which means comes at a higher cost and the commitment given to the client has in our embarking you need to move through 500 million journey in four years, the testing beyond testing around testing and then getting into the digital and another flavor.

So whatever has been invested and has been campaigned out very clearly so when we have put a foundation for laying the growth we do not want to go back on the words clearly and that is one of the reasons . We need to retain these people by additionally saving and we have to latch on to the contractor to really see that what these resources can come into the market. I think this some amount of margins into this business, but I think the good part is that the last three years if you look at it from 2017 to 2020 the average annual growth rate for the company has been at about 7% to 8%. The 2021 as a year basically we were able to just put our hands out on the flood and say that look we have survived because of the sectoral focuses which we did, but I think that is what is I guess which made us taught and then invest in people, invest in R&D, invest in various portion and the pleasing part is that in our journey of 500 million what we anticipated a growth of about 33% which is there for the year in terms of both organic and inorganic which include inorganic of 20 million. We have evaluated all the proposals while it is pleasing basically is that we have not given a cash outflow of say about two times revenue, three times revenue to really go ahead and acquire companies, but I think we have also fire this cylinder on the organic growth which has really setup the motion for a high double digit growth in terms of the way we have delivered out now in terms of covering up the last year revenue in 9 months and then still poising to move ahead in a very positive note.

So that leaves us with clear mind is that I have invested and sacrificed my margins about 1.5 odd percent on a net-net neutral basis, but these assets lie between in terms of either ITs or the processes or the people and this is visible into order book and the revenue growth rate what I am trying to do. So, that is one of the satisfying point for us and we are very confident as Srikanth said that we expect this labor turnover issues and immigration have started opening up from March further, we expect all this to get settle down in this quarter and then mid of next quarter the we should start seeing that reflect in the number across the globe invariably and the crazy madness at which people have been running around the companies and clients have started realizing in terms of their need to revise these rates which in we are seeing a very positive trend in terms of observing some amount of cost by the client with all these initiatives and few other initiatives which my colleagues will cover. I think we are pretty confident that we will be able to pick up the margins as we start moving up couple of quarters down the line as a progressive process.

One last point which I want to take this time the PAT today stands there basically is after a full blown taxation as what we have been and we are no more in any concession era and that is one of the point to be noted comparing to partial concessions which we received in the last year and that is all recent if you look at on a net-net and PAT basis. With these few words I will pass on mike to my colleague Sairam Vedam who is a Chief Marketing Officer and who will really take us through in brief about the digital journey. Sairam over to you.

Sairam Vedam: Welcome all of you once again to the earnings call update. We are pretty excited and positive representing all of our Cigniti management team here. I would spend few minutes taking four pieces of update or commentary which I want to give. The market insights and trends though most of you might be following is very interesting to note the IT spending itself is projected to go up to 4.5 trillion in 2022 about 5.5% and the previous year according to Gartner, but what is important to note there is a lot of enterprises this year are expected to build new technologies and software rather than buy off the shelf. What it means is if they are starting to build needless to say we need to be assured and that needs to be continuously done and a bunch of the technologies are all digital, centric is what Gartner says which throws open infinite amount of opportunities for companies like Cigniti. IDC interestingly says by 2026 every successful enterprise that generates digital innovation will derive 25% of revenue from digital product, services and experiences. It is a clear cut validation that any global company today which are our customers they got to be digital first to stay ahead which means that throws opportunity window for Cigniti which has the ability to ensure digital first experiences or enable to our customers through digital assurance and engineering. So that is from the market insight.

On the buyer preference if you look at customers today I am sure Raghu will also validate this customers are embracing journeys to become digital first and no vertical segment is exception to this, be it banking financial services, smart manufacturing, healhtech, even travel and transportation in fact they need more innovation than ever and digital thus becomes a dialogue as a consonance between cost sectional CX force the customers we talked to which means that they own digital outcomes and extended digital dialogues which means that digital assurance provider like us have a larger seat at the table because those companies as Mark Andreessen sag "software is eating the world we are raising to achieve market leadership to providing impeccable digital experiences through end user centric digital model and that can only happen by digital assurance". Hence, I want to establish the fact that digital assurance is extremely important for global companies' digital transformation program success.

In fact it becomes the bed rock for companies to become digital first and that establishes the fact that Cigniti is today in a unique position to leverage its deep rooted of expertise of helping those companies 200 plus customers that we serve, accelerate the digital transformation initiatives through world class digital assurance and digital engineering. So that is from a market commentary standpoint. Our digital assurance today it can broken into what we call cloud IoT 5G AI and customer experience and including Omni channel and as well as robotic process automation.

So that is a full bouquet of digital assurance offerings and to strengthen that we are in fact very excited to un wheel few updates to you, we have an hyper intelligent automation focus and we build a platform called INSTA which is a script less, self-healing autonomous AI driven low code strip less test automation platform that can drive in about some of our customers reported 44% of reduced execution time with 75% more automation coverage that ties back to what Srikanth was telling our RPA and hyper intelligent practice which under the stewardship of Raghu is growing leaps and bounce with partnerships with global leaders like UiPath, Blue Prism.

Continuous engineering at breakneck speeds the software is getting developed it is no brainer it is agile and DevOps are De facto standards even SecOps, but what we are also seeing is the extending the wings to areas like field stack observability, site reliability engineering and what I called the world of adjacency in ops and post production optimization areas around AIOps, ModelOps and DataOps will be the ones that we will be looking into and towards that today we have what we launched a 360 degree digital customer experience monitoring platform. It is AI driven, it sentiment analysis in build and gives this customer journey and we call it Insight rightfully so. It also helps a confidence of customer experience, leaders and product leaders in end customer organization which means that today it would not only predict a network and device performance, but it also capture the entire sentiment of customer and that throws the entropy that otherwise would be there in ensuring frictionless customer experiences and with an intuitive predictive dashboard that have been built those matrix could help us monitor the health of the application with multi various parameters and the fourth dimension is the most exciting, the connected experience is what I call through 5G assurance in IoT. We innovate 5G which is a very unique first of this odd partnership that Srikanth outlined helps us to tag breaking working terms of providing 5G assurance capabilities. All of us understand like video is going to drive unbelievable opportunities or we are talking about the age of networks, but for which the infrastructure has to be at a different zone where digital help 3D conversational experiences, smart automotive and a whole bunch of sensory data that get exchange and 5G is going to revolutionize the way we consume we interact and that is where we already put in our foot and very strongly.

Lastly, we would also be looking at to extend that adjacency areas of digital engineering, but for today's call I think I want to emphasize that digital assurance is the bedrock of customers becoming digital first and that makes me humbly submit it to Raghu who is actually driving all this with our focused delivery leadership and teams.

Raghuram Krovvidy: I think all of us on the call know that with this whole pandemic that have set in over the last 18 months to 24 months if not anything the least and the most impact both has been on acceleration of digital journeys across enterprises, across industries, across countries. So, everybody wants to see how they can use the opportunity to optimize, make better whatever they have as a legacy products and legacy services at the same time welcome new technologies, welcome new services, and welcome new product seem to their mix so that at the end of the day the customer experienced to the end consumer is world class. I think that change is what we have seen across the world. Now in line with that Cigniti of course conventionally we were a quality engineering company and what we did as part of this whole journey is we brought in the digital mix into the landscape and looking at the overall digital transformation that our clients are undergoing we have started offering digital assurances and digital engineering services. Now I will give you a little bit of feedback as to how we are seeing it on the floor on a day-to-day basis. Across all our points landscape when we went and looking at what they were doing in their digital transformation journeys and of course different clients will be in different points in that digital transformation journey. We expanded our offerings to ensure that we are able to help deliver value beyond just testing.

So, Sairam spoke about RPA, for example, we did a lot of work in RPA over the last few quarters as a company which is strong in testing domain in automation there is no reason why we cannot offer that service to our clients. So that resonate with our clients well we are helping our clients do a lot of automation in their business processes end-to-end and therefore won several deals in RPA and served value there. Similarly, lot of clients who was stuck with legacy automation technologies and solutions which were expensive, which were not agile for the needed digital acceleration, we went and delivered a low code-no code AI enabled platform which is called INSTA which speeds up the way clients can do automation and therefore also takes away the pain of having very high-end talent in the automation space. 5G all of us know is the next wave that has started coming in fact in the industry where 5G if not tested well has already started We partnered with in a way 5G as Srikanth said and as a digital assurance company we are giving solutions to our clients to ensure that their applications and they are developing our ready to consumption in a 5G world. All these offerings that we have invested over the last few quarters, build and resonated with our interested clients have started producing results and not only with our existing clients with all the new prospects that are coming into the company we are able to now talk about not only a digital assurance story which is stacked up on the quality engineering story that we had in the past, but also we are able to now broaden our offerings and offer digital engineering as a service line as well. This is helping us of course expand value in terms of what we deliver to our clients on a day-to-day basis. Coming back to the statement that Krishnan made earlier in the call, the skill, talent of course went through a lot of pressure in general industry and most of us would not have seen talent shortage being a problem in pandemic.

Second most of us would have thought talent would be in abundance because projects will come down, but exactly the reverse happened. So, talent shortage, skill shortage is very much a reality, but we are also seeing signs of talent being taken in pockets for niche technologies going forward in a much more premium manner and more and more premium getting trained on digital technologies will ease away the talent pressure in the coming quarters at least from an industry standpoint. So that is broadly the update from my sense in terms of what we are seeing on the landscape and our offerings. **Moderator**: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ritesh Gandhi from Discovery Capital. Please go ahead.

Ritesh Gandhi: Just had a couple of questions, firstly the overall tailwinds the COVID has caused for the IT industry as a whole and we are seeing companies on a high base growing actually reasonably quickly, just wanted to understand given our low base, given our expansion into services, given all the hiring which we had been done, what is the reason for this low revenue growth?

Krishnan Venkatachary: If you look at it going by the current state of run rate in terms of the numbers where we are I think the growth is in the order of 32%-33% for that comparing to the last year what is coming through and I strongly feel that this is a great growth phenomenally. So, in Q2 to Q3 always a there has been a tendency of lower growth normally. If you look at the company history and in overall generally the industry is set October, November, December is a quarter which is a subdued quarter one on account of budget coming down to on account of various holidays, be it Thanksgiving Christmas, all the vagaries of the monsoon or whatever it is. So, comparing to that still we have broken away the tradition and we have done a growth at about 5% sequentially in terms of what it is on an absolute quarter, but I think if you look at it overall for the year I just made the statement that we have moved away in terms of comparing to what it is and if you compare it to last 9 months of previous year about 35% growth we have done already. So, I am not able to really look at it in terms of the low growth probably.

Ritesh Gandhi: I want to talk about in lieu of this sort of can you give guidance which US should provide sort of indicated that the growth numbers and with the profit margins also would have been reasonably higher in the actual numbers we ended up seeing.

Krishnan Venkatachary: We have always been commenting to be a high growth I think we have exceeded the expectations in terms of the high growth what we have commented about very clearly. If you look at overall the last four years the average growth has been at about close to 7%. This year I think we have moved away from the past and we are growing at about 35% which is a substantial effort considering the deep routed pandemic which is again not an excuse, but I think it is a fact which is embedded and it took some more time than what anticipated for the people to really come through and also the growing passage we would have definitely grown in high teens is what I remember to be commenting, but I think we have now moved up in terms of comparison of 9 months and about 35% and the run rate shows very clearly that we are running it in a very systematic way to be at that top of the position. I think as against touching something on inorganic and getting it integrated which is not a taboo which will definitely be the board purview as and when some amount of good this thing comes, but I think we have far than exceeded in terms of the growth I would say very clearly and I agreed on the margin basically because I have reinvested back into the company that what anticipated margins really swayed on account of couple of factors which are beyond my control and we will be more cautious and predictive in terms of trying to praise in such uncertainties as we move forward, but otherwise I would say that we are on a sound wicket in terms of growth and our journey on the 500 billion, both organic, inorganic put together, on that achieving the financial year target in terms of organic itself is a phenomenal which we have done, which lays a foundation for us that our inorganic is going to exceed very clearly while we are not against inorganic, but that is the course that is to look at it in terms of as and when the right opportunity comes in as we really put it across to them.

Ritesh Gandhi: Just to understand just look at your investors presentation the free cash convergence has been reasonably low for the first 9 months just wanted to understand do we expect this to even out because we expect collections to happen in Q4 or how should we thinking about that?

Krishnan Venkatachary: It is a good question absolutely and pre cash flow conversion is lower as a whole year if you look at it clearly is that while the receivable numbers per se stands at about 59 days the DSO which is more or less quite reasonable, but I think the main cost which moves out for the company or any kind of service industry, the manpower cost which is stayed in 30 days which is not Greek and Latin for any of us clearly. December year and March year with the tax outflow on enhancing CAPEX which went on account of investments which we need to make in few of the servers lead us to one of reasons basically, We are trying to improve this collections by a couple of days we wanted to bring it back to 52-, 53 days average that should improve our cash collections out basically and we are optimistic that this will improve moving forward.

Ritesh Gandhi: So just to understand on the EBITDA margin front effectively you guys had indicated that you all are moving to a more outcome based approach which is why that the last quarter effectively EBITDA was slightly lower and we would expect some amount of the catch up to happen and now as the outcomes we are actually being deliver etc. So just want to understand like you know if you could sort of highlight to us what is the reasons for that existing EBITDA being slightly lower than expectation in terms of the margins?

Krishnan Venkatachary: There are two ways to look at it sir. It is a good question, we have been constantly trying to advocate the principle of outcome-based business on the newer contracts. My Q1 was low because the outcome based business which I won during the last quarter of the month which was in the previous year could not be build or anticipated in time due to client delay and we need to really retain out based on the relationship for about 2 months which really dented us and that bounced back in the next couple of quarters But, my advocacy principle in terms of outcome based business 3 continues, it is a journey and I cannot have 100% coming through on the day one because we still have time and material based business, but the interesting facts to look at in terms of the time and material business basically is that today we have about close to 65% of the businesses which does not have named resources, which has been replaced out delivery team, which is a creditable achievement and which gives us now the continuous scope which we are now trying to look at it in terms of because replacing the low cost resources, pressures, inducting so many people entry system so that we can really improvise on the margin and then adjust the pyramid mix accordingly. While outcome based business is what we are trying to pitch in as we start moving up if you look at for example I talked about 21 accounts having about million dollar plus accounts out of which almost now we are having about 16 accounts as a completely outcome based business. I think it is a credible achievement in terms of how we started where we are and how we pitched in and started moving out in terms of outcome-based business. So this is a continues effort it will happen, but whether it will happen on the day 1 no, it is a time taking process and we are trying to do that maybe at the same time trying to read out the clients which are really getting into the nature basically as an end resource or whatever it is. We are pretty optimistic and confident. Again I am trying to make it a point very clearly is that why we did the pandemic exercise when our travel was about 32% today my travel is contributing 16%, my order book position failed to 80 million and I pulled it up to 123 million to float around in 2021 to really achieve the revenue and on account of cost reduction, no travel, no customer expenses, no marketing expenses and reduction in salaries where the entire employees agrees for a 5% cut across the globe that has contributed in sustaining the EBITDA and other margins while we are optimistic that we will reverse that we will give an increment with an enhanced growth because the commitment what we made in the business has to be done for our reasons of survival for the future because if we had continued in the pandemic with same focus on travel, same focus on few of the sector which should have really made us perish. So, I made a foundation one on two founds one getting into a newer area like healthcare or whatever it is where the offerings has to roll out. Two in terms of really looking at testing and beyond testing I am trying to take the journey towards development when I at least do these two invariably I also thought that I will jump start and do an inorganic growth for about 20 million to really pick it up and make my revenue for a 30%, 35%. However, while that been happened, this cylinder definitely fires and we started using the tailwind as rightly said and lay a foundation to showcase our digital and transformation capabilities and our offering capabilities for which I need to sacrifice an EBITDA margin of another 1.5% to really move forward. It shall pay out for me in the coming quarters as I start moving up definitely and after all optimistic is what is life and I am very clear and optimistic about it. Yes we do say that we will definitely end up and we will be able to do that with all the other calculations, but I think it is swayed a bit depending on the business and global economic conditions which we end up with and we are conscious of the fact, we are really working out to see that in all trends to see that how we are going to really talk about.

Ritesh Gandhi: So, any use of the free cash flow than my acquisitions are not going to be done are we looking at them like buyback or large expense?

Krishnan Venkatachary: It is a great question and the board has been continuously deliberating and asset stance basically there are lot of proposals which are untrue and will come out uniformly to the exchanges. The board is actively looking at all the prepositions clearly, but I would not be able to give a forward looking statement, but invariably the board is going to come back quickly and the management is representing its best in terms of the utilization for the cash flow. We will come back uniform to the exchange itself.

Moderator: Thank you. The next question is from the line of Danish Mistry from Investor First Advisors. Please go ahead.

Danish Mistry: So I had basically just one observation from the result if I were to see generally the incremental revenue that we have had this quarter-on-quarter is about 17 crores, but the employee cost has gone up by about 12 crores, so just to understand that and our utilization rate is also 85% plus, so just to understand over here is that you have touched upon the fact that you have hired sales and marketing talent, so does that mean that the cost is in, but the productivity is yet to come or have we hired employees who are yet to be made billable or are we looking at such situation where we have to go back to customers and ask for price increases?

Krishnan Venkatachary:: Your third point is absolutely valid to put it in nutshell very clearly we have got about 11% of the revenues which has been a new revenue during the quarter and 11% of the revenue has come out with a gross margin at about 25% and just closing this numbers in black and white for partial reason all of this have come around testing and beyond testing together and there was a compulsion for me really because of the commitments given so the resource scarcity has to be addressed out in terms of trying to get the right kind of resources be it from a third party, be it from our only resources coupled with that basically there was a big exodus where if you see one of the heartening fact basically we have been able to get down from 28% of appreciation to about 22%, 23% as it stands this day is that on account of midterm revisions which we are able to do for selective set of people which was necessitated which we know that consciously it has set the margins, but we will be able to do the corrections because on the parallel two exercises are happening which is on a war footing basis is converting to contract resources into our owned resource, converting the what you call high paid resources which is our own employee into our longer yielding margin as I remove them from the named resources. The third point is that we have always already gone back and for rate revisions in January fortunately we have been very successful in getting in major of the customers wherever we have gone. So, we should be able to get that evened out. Your question is valid and absolutely right and we have all this sliced up answer out very clearly that we have these numbers and we have been monitoring it constantly and we are addressing it one by one on a parallel basis.

Danish Mistry: And one thing just to understand now this margin level that we have seen so can we assume that this is the lower levels of the margin and from here only we will see productivity gains along with the pricing initiatives that you have taken bear fruit?

Krishnan Venkatachary: Absolutely I just want you all to take it up to your slide to see very clearly that Q1, Q2, Q3 has a comparison if you look at it. We move from 9.2, 9.1 to 10.4 from there we have jumped to 12.4 so I do not see any reason for it to go below. So, the probably the inverted parabolic curve and we are on a growth pace while the salary cost have gone up on a well-shaped curve that hit me a marginality and inverted parabolic curve and I am very sure that now this is going to really even out at some influx and start moving up.

Danish Mistry: Just one last point just to understand how it is because you are far closer to this than what we can ever be, but sir do you think that salary hike is across the industry, do you think this will continue or do you think that now it is in the base numbers of your finances and therefore next year onwards we will not see this kind of wage inflation?

Krishnan Venkatachary: There are two ways to answer it is a beautiful question. One if you look at it as a global phenomenon, I will have a support from the economy growing through as there is not going to be any more restrictions in the visa and other regimes which is coming through because now today it is Corona tomorrow Omicron I mean something else probably people are now used to, people have really sat at home for two years and now they are used to so that is one of the reasons where every country is opening up and the visa regimes are not restricted. What just happened basically a little bit tailwind comes down basically we expect that resource tapering to happen and there will be availability of resources and people have to resort to cost cutting in terms of rationalizing the resources clearly. So this means clearly that the resource crunch one by way of the economic activity two by way of companies tailwind activity coming down which will definitely taper down and we expect by what is happening around in this quarter should be felt at mid of next quarter and moving forward of mid of next quarter which is Q1 of the next year onwards things should be good. Coming back to the appraisal very clearly I think it is a norm only in India were not across the globe, but I think this pandemic taught every company basically the sales and marketing folks become a very vital link and while they generate revenue on indirect basis in terms of billability directly they do not really go ahead and bill to the customers. So we had to revise that in our company we have done that up to three years in terms of sales and marketing. So, I do not see a bulk of this company with respect to Cigniti clearly I expect at least 40% of the folks will not go through a revision whether the rest of the people at a low base will go for a revision. So this will not be a cost for concern for me, but that should really pep up the business for me to live cash flow out.

Moderator: Thank you. The next question is from the line of Nirmal Shah from Seraphic Management. Please go ahead.

Nirmal Shah: Sir my question is with respect to the trajectory of your margins if I recollect your Q2 call and probably that there was one more investor call which was done somewhere in November the impression what you all gave was that this is the lowest margin and from there the margins should improve on, now if I look at a Q2 margins without a API reversal you actually 13.5% as per your presentation and on QoQ actually it has dip, now my question to you is sir whatever areas what you have spoken about the travel was constrained because of COVID the attrition those things were going on for a while it is nothing that has happen in just one quarter, so what gave you that comfort that point of time to give us an indication that this is the worst of the margins and from on it will improve and also on the contrary actually it has come down and similarly you are guiding right now again that this is the lowest ever margins from here it will further improve, so can you just give me the chronology of event like what has changed in last one and half months otherwise you would have also given that guidance in Q2 as well?

Krishnan Venkatachary: I just wanted to take a setback in terms of when to give few of the numbers of course we have the calculations with you is that we did an EBITDA margin of about 10.4% the last quarter which move to 12.4 if I neutralize last quarter number itself it have been about close to 11.4 and just we have improved it about by a percentage point or so. There are two factors to look through, there is some amount of settlement. We have one of the senior members who joined and we quickly spotted out and then we agreed upon that in terms of the certain deliverable which has not been met basically that we need to part ways while we parted way basically that is one of the provisions we never expected that parting of ways clearly and that provisioning of the cost which really also entered the margin percentage a little bit marginally. The second portion basically is that while it is so we had to go ahead and commit in terms of certain marketing spends in terms of engaging the customers out on account of two exits of senior pods from the company which was not anticipated out very clearly and two senior pods who have been handling the sale we needed to go ahead and put extra dollar to marketing dollar really to see that how best we do not dent our image and then straightway go ahead and engage with the customers and see that our order book positions swells out very clearly because that was the renewal time in terms of October, November and December that is second reason. The third reason is that when we started the need for the market or whatever it is in terms of the deliverables the cost of people went up invariably and we wanted to people neither following the leader or either following the market to move ahead and we need to make them appraisals as of 15th November which we needed to do effectively at that date which also definitely was not planned for or calculated for while I can take an offline call with you in terms of talking and giving you a breakup in terms of each and every category of that numbers I am sure you will be able to appreciate me in terms of these things even when not anticipated and which has come up on the curve and it leaves a food for thought on the table for us that these kind of contingencies as per needs to be priced in the business in terms of move forward by increasing my contingency percentage which I agree honestly that we will be doing it in the next year budget as we start moving up.

Nirmal Shah: And sir my second question was with respect to the promoter's pledge of shares, can you just give us a clarity what was the reason for creating a fresh pledge and in future do we expect any more things to happen like that?

Krishnan Venkatachary: Sir I just wanted to clarify things very clearly is that these pledges have been the executed during the quarter basically by the recipient for various personal and other reasons which has been borrowed on a borrowed capital personally what they have done. We do not expect any more additions on behalf of the promoter, but we expect this to get smoothened out or evened out as it starts moving up as we get their own cash flow generated out I think they will be really getting it out. These are something did about a couple of quarters back or in terms of the borrowers where the understanding happen, but I think this was executed during the quarter which was necessitated in terms of securing the debt on various counts and they are consciously aware of in terms of what is the pledge and what is the quantity and what it signifies and they are trying to get the cash flow eased out and see that how best that can be released out.

Moderator: Thank you. The next question is from the line of Sudhir Bheda from Right Time Consultancy. Please go ahead.

Sudhir Bheda: Wanted to understand how it would result in the expansion of margin just I wanted to understand for the FY23?

Krishnan Venkatachary:: Purely on return basis, I think today's initiatives in terms of the digital and transformation initiative what we we are doing about close to 37% of the total revenue in terms of where we are today, Raghu you can supplement me on that. We are trying to up this percentage and we generally comes at a higher rates in terms of realization and the margins have slightly higher. So, definitely this will contribute, but since we are not in a process of giving guidance the optimism at which we will be able to bounce back when we talk about it is that we are trying to accelerate this growth journey if you look through what we have done comparing to 9 months to last year to 9 months this year in terms of a growth. We are trying to accelerate this growth with a newer technologies and in around the testing and transformation initiative. So, with at least one-third of the business contributing and slightly more coming through from these area with higher yielding revenues. and a Classic example is that if you look at it why digital companies today are attracted in a better premium if you look at it they are valued at about 15 times EBITDA or 18 times EBITDA or probably in terms of the revenue slightly much larger x clearly that shows this volume clearly in terms of the scarcity of the digital service offering.

Sudhir Bheda: But sir their margins are way ahead of our just wanted to understand how we can reach to those kind of margin compared with the other digitals?

Krishnan Venkatachary: We have hired a CMO who is the digital expert and who just joined in us and then jumped into this call a couple of days before he joined and then he has already jumped into the call. We have made baby steps in terms of really trying to put the piece together and now we are going with a full-blown proposition to accelerate the digital journey and we will have to demonstrate for you in terms of the margins as it start contributing because in general today I can make only a theoretical statements that the rates are high, the availability and the margins where clients are willing to pay. So, definitely it is a margin accretive initiative and that is the bet which we are taking in terms of investing on people, investing on technology and investing on customer facing trends in terms of the expenditure. So, definitely we are confident that it will pay out for us, but if you ask me that okay next quarter he is going to pay out I do not think I will be able to comment clearly on that because I am making steps I know that it will yield, I know as the revenues have yielded the margins will start yielding because I am trying to get through into the engine in terms of trying to fire that out. So, I am optimistic and with full optimism I am getting into the business.

Sudhir Bheda: In the next quarter or say next year what kind of aspiration margins we are looking for some x two years down the line?

Krishnan Venkatachary: We are not giving any forward looking statements. However, we want to be in the industry standard let us say talk about say three years of my business from here. In my four year journey where I have to go to about 450 to 500 million I finished about a year in my three year journey where I have to be I wanted to be in par with the industry standards that is the comment I would like to leave on the table and you all know the industry standards and we are trying to put our efforts to be there at that point of time with about 30%, 35% of the business coming from the development initiative and 65% coming from the digital and transformation and testing initiatives so, why we cannot achieve. So, the think-tank team is already on the job in terms of saying that how best we can reach out there. So that is a optimism we have, we are working, we are working on all the steps and we should be able to really get there and there is no Greek and Latin that I think we should be able to do a tight lease walk and get over this.

Moderator: Thank you. The next question is from the line of Rajesh Kavadiki from Raj Securities. Please go ahead.

Rajesh Kavadiki: I had a question on the order book if at all you can give us some guidance around order book for the next 6 months to 12 months it will be great?

Krishnan Venkatachary:: The order book as it stands as of the board meeting as of today is that I am sitting on a tight order book portion including renewals roughly at about close to 142 million and I have about a month more in terms of two months more basically where few more renewals will trickle in clearly and I should be able to have a very comfortable position of adding another good amount of million dollars in terms of upping the order book clearly as it stands it is about 142 million, executable for the year April 22 to March 20 while the internal order book will be something different whatever relevant is April to March 22.

Moderator: Thank you. The next question is a follow up from the line of Ritesh Gandhi from Discovery Capital. Please go ahead.

Ritesh Gandhi: The question is we have been seeing lot of promoter actually pledging etc., just wanted to understand the reasons behind the pledging?

Krishnan Venkatachary: These were for their personal borrowings which has been done at the earlier years basically and to secure that basically of the growing complexities of the market probably say for securitization purposes which was done recently as their cash flows get leased out. I am talking on behalf of the promoters because I have raised the investor concerns and they have really shared out very clearly is that as the cash flow is getting leased out over a period of time they should be getting this out and we are confident that have assured that there is not going to be anymore pledge on this front clearly.

Ritesh Gandhi: Sir and the other question was just to understand the strategically speaking I think what we were looking at a few quarters ago was to expand outside of only testing and digital services, looking at some acquisition we had hired the person from our peer to drive the revenue, etcetera is that sort of broadly still in line or is there some tweaking happening to the strategy, how should we at least thinking about this going forward?

Srikanth Chakkilam: So, we are focusing on areas adjacent to testing so traditionally we have been focusing on test automation so we have expanded to hyper automation, RPM, etc. In terms of our positioning also we are moving from quality assurance to digital assurance we are trying to see if we can assure with digital experiences of all the clients that we have. So, our strategy document and strategy bible that we have, we are sticking to it. Now in the last 18 months we have evaluated several opportunities to see if we can accelerate our positioning in terms of small tuck in, but valuations seemed over loans. So, that is still in consideration. However, just want to be careful about what you want to pay and evaluating a build versus buy we are continuing to build that is not stopping and we are looking for opportunities that can accelerate us to enhance our offering.

Krishnan Venkatachary: Also, Ritesh I think my colleague Mr. Raghu address a few thing in beginning of the call in terms of the delivery and as to what is happening on the R&D and how the in and around of the testing which the company has started focusing and moving ahead clearly with a good vision and growth coming to there. So, supplementing that yes the strategy remains intact.

Ritesh Gandhi: My last question I have for you was is that obviously being a slightly smaller company, recruiting will always be slightly challenging and we are hearing the recruiting issues and headcount issues with there is largest of the IT services company, so how do we think about that in the scope of going forward, is that going to continue to be a pressure how do we mitigate that and how should we thinking about this way?

Krishnan Venkatachary:: So I just want you to take a step back basically and looking at the older days of 2000 to 2009, 2010, 2011 if you look through Ritesh is that, I think we are all from the old school of thought probably a different industry altogether. This industry is something like where people are treated like a demigod and it is all human brain and then if they do not deliver we do not deliver so we fail clearly. The competition has been always basically being a fresher basically the fresher invariably come out of the call and they take offers and then it is not a story they always take an offer go to the pizza corner to see whether they get Rs. 1,000 more into another company and start looking at that of the pressure was quite high. Today with the fresher want to come and stay for a long and companies also give a high startup salary and try to buy them, but I think in these guys in terms of when it comes and they become specialized when they learn things are basically at a mid-level clearly in the pyramid under mid-level when that is what has happened and one comes to know as a cross fire and the fire spreads like anything basically because this company is going to project on Selenium and we did full amount of technology need over there and companies are willing to throw money and take things. So, it is not the question of size 3,500 people for me I think have a very decent size No employee will come and look at whether this company has got it, debt this company has got, cash results this company has got it. So, it only looks at basically whether I get today's money 30% more than what this company is paying if somebody is willing to pay let me start showing up. So, this is the challenge everywhere which is coming through and this has hit us this year very clearly with more work from home because these guys feel that with work from home I can be anywhere and available for anyone and why not take a bit in tomorrow when it comes back to a physical office to come back I do not mind quitting a job and coming back to a place where I need to work so that is a tendency clearly and we expect that to taper down clearly and it should happen because more and more clients will not be observing these cost. So at some point of time, it is going to be a clear see we are not getting a line very clearly that if anything less than 25% of the gross margins do we accept the business or not, we are not going to accept any business and we are not accepting business very clearly. The reason is that a threshold is 25% and optimize on the SG&A to leave something on the table and that too if it is a specialized job volume job where we will have a scope to increase it to 30% or 35%. So, it is a chicken and egg story invariably and today we are dancing to the tune of the market as to what is happening around and this is like the early days of 2012 to 2015. I strongly feel that the reversal will happen basically once the tailwind business gets cut down which I am seeing basically where customers have started moving in for a tighter budget as they start looking at we are looking at a valued company clearly. So, I think it will get evened out in two quarters.

Moderator: Thank you. The next question is from the line of Surabhi Saraogi from SMIFS. Please go ahead.

Surabhi Saraogi: Sir I have only one question and that is the sundry debtors on Cigniti's balance sheet has grown to Rs. 232 crore from Rs. 157 crore in 9 month financial year 22, so can you just elaborate the reason behind it?

Krishnan Venkatachary:: It is a good question, One of the reasons also if you look at the cash flow, cash flow we will look at as a free cash flow generation like low it is not a cost for worry for me basically in terms of the number of days where we are hovering around 58 days, 59 days on leak because my revenue has grown by 35% with the enhanced base of revenue which is coming there for me when I am pegging the same percentage at about 58 days to 59 days. So, the DSO marginally increased by 3 days, 4 days probably I will say that last year was 58 days and this year is 59 days it is about a day which just went up which is not a cause for concern, but I think considering the high volume of business which has been attributed out and considering the pandemic where most of the companies have gone ahead with 70 days revisions or whatever it is in terms of the days I think we are in a very decent we have controlled the collections, but one has to understand probably if the same amount of growth what I tried to do in the next year will work through probably. I do not think this comparison will hold good very clearly we will be in a very good wicket, but I think on a ball-on-ball comparison if you look at it I have moved from 58 days to 59 days that is the only difference, but otherwise my volumes have picked by 35%.

Moderator: Thank you. Ladies and gentlemen that was the last question for today's conference. I now hand the conference over to Mr. Srikanth Chakkilam for closing comments. Over to you, Sir.

Srikanth Chakkilam: Thank you everyone. Thanks for your participation today and we will certainly some of the feedback and digest it and get back and hurdle up again and we will see you all in next earnings call.

Moderator: Thank you. Ladies and gentlemen on behalf of Cigniti Technologies Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.