15th May 2020

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: CIGNITITEC

Scrip code: 534758

Dear Sir / Madam,

Sub: Transcript: Cigniti Q4 FY 2020 Result conference call on 8th May 2020- Reg

Ref: Company's letter dated 6th May 2020 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 2020 Result conference call held on 8th May 2020. 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

Sd/-
A.N.Vasudha
Company Secretary

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 P +91 (40) 4038 2255 F +91 (40) 4038 2299

USA
433 E Las Colinas Blvd, #1240
Irving, TX 75039
P 469.673.3443
F 972.767.0948/0644

“Cigniti Technologies Limited Q4 FY-20 Investor Conference Call”

May 08, 2020

Moderator: Ladies and gentlemen, good day and welcome to the Investor Call of Cigniti Technologies Limited to discuss the Q4 FY20 Results. We have with us today from the management Mr. Srikanth Chakkilam — Chief Executive Officer and Non-Executive Director and Mr. Krishnan Venkatachary -- Chief Financial Officer. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” 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. Thank you, and over to you sir.

Snighter Albuquerque: Thank you Steven. Good afternoon everyone. Before we start the call, I would like to point out that certain statements made into this 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 belief 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 conditions, performance or achievements of the company or industry results to differ materially from the financial result condition, performance or achievements expressed or implied by such forward-looking statements. The risk and uncertainties relating to these statements include but are not limited to risks and risk of expansion plans. Benefit from fluctuation 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 increase in India, our ability to attract and retain highly skilled professionals and our ability to win new contracts, changes in technology, ability of financing and ability to successfully complete and integrate our expansion plans. Liabilities, political stability and general economic conditions affecting our industry unless otherwise indicated. The information is preliminary indicative and is based on management information, current plans and estimates. | would now like to hand the conference over to Mr. Srikanth Chakkilam for his opening remarks. Thank you and over to you sir.

Srikanth Chakkilam: Thank you Snighter. Good afternoon, everyone. I hope all of you are healthy and safe. Welcome to the Q4FY20 earnings call. Just to give you a quick glimpse of the numbers from Q4FY20. We have grown from $30.91 million in Q3FY20 to $32.27 million in Q4FY20, which is 4.4% growth. In rupee terms we have grown at about 7.5% for the same period. EBITDA for the quarter has gone up slightly, EBIDTA margin for Q4FY20 is at 13.5% as compared to 13.2% for Q3FY20 and for the full year we are at about 14.8%. Total number of new accounts that we added in Q4FY20 were 18 and one of them is a Fortune 500 company in the utility sector space. Other accounts are mostly ranging from medical devices to insurance, cyber security and ISVs. From a business standpoint, we had gained tremendous momentum and traction with many of our accounts in the month of February and March, before eventually getting stalled with the coronavirus impact. The company has quickly adapted to the COVID situation and has made work from home operational in a short period of time. Almost the entire workforce, I would say 99% is working from home. One of the things that COVID has bought out is that the teams are working in a much more coordinated manner. Silos have reduced, the executive management connects almost on a daily basis, the productivity levels seem to have gone up and there has been no escalations on productivity from clients. In the long run, we believe that hybrid models of work from home and working from office will evolve and companies will have to compulsorily include measures for BCP on its front.

I would like to thank the employees for quickly adapting to the situation and managing to complete the tasks quite effectively and also efficiently. We would also like to thank the government for letting us move infrastructure to employees on time.

Coming to COVID-19, it certainly had an impact on our business and I will address the coronavirus business impact for the company in two phases, both short term and long term. Just to summarize a lot of companies in the short term are reprioritizing their cash which is quite critical for them and in essence, it has a trickling effect on companies like us. Companies are looking at every cost reduction opportunity and are quite non-committal on making decisions related to new businesses. However, the upside we see is that they are investing into digital channels that have not existed before. Also, to maintain these digital channels and assets they're investing quite a bit into security. Now with a lot of digital work having no boundaries, it gives an opportunity for a lot of work to be done remotely and in offshore which sort of reduces pressure on visa issues and helps clients with cost advantages. I think, in the long term sectors that have not adopted digital technology in a big way, will be forced to start that journey and it is a huge opportunity for the IT sector as a whole. The key for companies like us is to make those investments now and whoever executes that well, will be ahead in the race for long term. I will expand this in the context of Cigniti, both short term and long term. I think many of you are aware, we have a good exposure to travel transport and hospitality and it has been a sweet spot for quite a while now. Our exposure to airlines, hotels, railways, cruise lines, restaurants and the ancillary companies related to these industries have also been high as compared to other industries. There has been a direct impact on some of these accounts and work has been downsized or we are partially billing.

Specifically, some airline accounts have had a double-whammy on both Boeing and coronavirus issues. At the moment, like I mentioned earlier, some of these accounts are either downsized or only billing partially. For most of the critical projects, the lights are still on around security testing and all that. We are in continuous touch with the management of these companies to understand their future roadmap. Cash positions of the companies that we are serving, is quite strong at the moment but there are uncertainties around the habits and nature of travel. At the moment, our understanding is that travel habits will change and companies will need to adapt to this reality quickly. Travel, transport and hospitality industry will operate inefficiently for some more time and safety costs of those companies will go up. No contact business interactions are on the rise and whatever little human interaction was present for business purposes, will be pushed entirely into the digital world. This, I think is an opportunity for Cigniti. We believe our good standing with these clients and past investments into digital assets, automation and Blue Swan implementations that we have done would be helpful to gain wallet share at these companies. For many of our accounts we were able to retain our teams in spite of the COVID crisis, especially at the travel transport and hospitality accounts. We were able to retain our teams while the clients had to unfortunately let go some of their own. There has also been impact on industries like event management and non-essential retail in the US and as the US economy is opening up some of these companies are limping their way back up. Again, consumer habits are evolving in this space and we are not exactly sure of the metamorphoses. Event management is evolving digitally and in the long run the role of augmented reality virtual reality could possibly be on the rise with a hybrid model of event viewing coming out as the norm.

When you come to retail, it has already embraced e-commerce quite well in the past. But the way delivery of retail will be done will evolve and drone based delivery is expected to be on the rise in the sector as a whole. I think opportunity for quality assurance and engineering in this space will be tremendous. Coming to implications for the short term circumstances, we will see stress on pricing. That is to be expected for some time and possible delays in receivables may also be prevalent. We as a company are also shifting to either receiving upfront payments or outcome and milestone based deliverables for higher pricing with some of our clients. Utilization levels should only see a drop in the next two quarters as well and the bench that we have is being repurposed or being up skilled wherever possible. We have taken a 5% pay cut that has been enforced across all levels in the company and increments have been temporarily deferred. Cost control measures have been key and we are being prudent in deploying cash. We are only making investments that are relevant to growth. At this juncture we expect internal travel cost to come down quite significantly. We are also making a lot of savings on

CAPEX. I think in all we have affected a savings of about US $8 million on committed costs for the year.

Having said all of this, we've also had some good news, we managed to add five new clients in this quarter, even at the peak of COVID crises in both US and the UK, again all through digital touch points. We have a good medical devices story that is already existing and we have added one new logo in that space during this quarter. It is one of the largest pharma companies in the world who have recently released a rapid testing kit. The total number of accounts in the medical devices space at this point is seven and we will possibly add a few more in the upcoming quarters. We are expanding our presence in the 5G and networks space, which is also a growing technology and a lot of investment and spend is happening in that space. We have promise for one of our accounts to grow into a large one in the coming quarters. And of course, we work with one of the largest retailers in the world and they have been very busy in this COVID crisis. They have a lot of requirements that need to be ramped up in the existing and future quarters and so we are focusing a lot of energies to mine that account as well. Looking forward, I think government will also be a big spender in the years to come and we are making all efforts to be in the first row of such opportunities. We have partnered with a few government focused companies in the US specifically out of Baltimore and Virginia to try and service some of the accounts.

In the long term companies will have no choice but to go entirely digital. We have seen very, very small companies who are barely technical in nature, adopt digital collaboration technologies and this is only the beginning. We also believe that IT spend will go up quite significantly in the future for many companies as they embark on their technology ambitions. I think we are well poised to capitalize on this digital push, as we're already doing some cutting edge work in the space. We continue to invest into our IP Blue Swan. We are working on evolving a task based automation platform, which will give significant savings to many of our clients. We will continue to invest into growing areas such as cyber security, and we have identified a few startups and partners in these areas. Some other areas that we think will boom quite significantly, especially when people are trying to get this vaccine out for the COVID situation is block chain, again there we have partnered with few companies in the US and have already taken these solutions out to our clients. We are also investing in the areas of cyber security, cloud migration and data modeling. We are also partnering with specific domain based startups in the areas of banking and healthcare, specifically AI and digital banking, where we already have clients. We work with one of the world's first and largest digital only banks, that gives us a bit of a head start when it comes to digital banking. We're also working with hospital based healthcare platforms, where a lot of spend is happening right now. In the long run, we intend to be assurance partners for most of our existing and new clients and we also look forward to offering services around the areas that I mentioned. We want to use this opportunity to invest into growth areas. So, with this, I will hand it over to Krishnan to specifically talk about numbers. I just gave a brief glimpse at the beginning of the call, I just wanted to focus on the coronavirus impact and how we are faring in that scenario but for the specifics, I'd like Krishnan to take over please.

Krishnan Venkatachary: Thank you Srikanth. Good afternoon, gentlemen, wishing you all a safe stay. I'm sure all of you would have received the investor presentation and would have got some time to run through it. In terms of the number, this quarter has been very good for us. Our efforts over the last couple of quarters have yielded these results. Currently the world economy is stuck due to the pandemic, with boom time to take over in the coming year in India and throughout the world I think we will emerge victorious. In Q4FY20 revenue stood at Rs. 233 crore against Rs. 216 crore in Q3FY20. For the year, if you look at it on dollar terms we have shown 5% growth as compared to FY19 and 7% growth in rupee terms as compared to FY19.I'm sure that all of you will be looking through the numbers on a comparable basis, for last year we had a software export incentive which was accounted for all the earlier years from 2015 till the last year. If you look through in the numbers after eliminating the export incentive and the onetime tax reversals all put together, I've enhanced revenue and margins; PAT margin have remained the same and my adjusted EPS is at least a rupee more.

In terms of the analysis for the overall scheme of things. Just for the number we have done about $123.63 million in terms of the US dollars. My top 20 accounts have contributed close to 47% of the revenue, the rest has come from the balance accounts. So, total accounts serviced during the year has been 248. The onsite offshore mix in terms of resource mix has remained at about 38% and 62%; offshore being 62 and onsite being 38 this has been flat as compared to previous year. In terms of revenue mix offshore is at 38% and onsite at 62%. This quarter has been pretty good, we have yielded an average billing of about $71 on the onsite, but average billing for the whole year has been at about $70. Also the average billing for the whole year on offshore has been at about $22, but for the quarter, we yielded at about $23.2. We have managed to keep the receivables under control, I think we have about close to 67, 68 days in terms of receivables. Couple of measures which we have taken in terms of the preempting in March is that when this COVID started, of course COVID had its impact and close to 20% of the customers have come back and asked for extension of the receivable days ranging from 15 days to 30 days to 45 days max from the original agreed rate of 30 days, 45 days 60 days' time. With that being the scenario we have gone ahead and secured the company in terms of a receivable insurance, predominantly on the 85% revenue which come from US and Canada we have covered it up under the receivable insurance which covers any kind of eventuality. There has been a drop in EBITDA by about a couple of basis point or 1, 1.5 basis points this is because we have invested in certain partnered relationships with agencies like Zino, ISC and Forrester and a lot of other events were planned. The committed cost which went through and is one of the reasons and then we started hiring key set of sales people who joined in the sales team to yield a better result, which were yielded as we see the revenue in dollar terms and rupee term for the March quarter has been at about $32.27; more specifically for the month of March we have done at about $11.3 million which translates to around Rs. 135 million plus mining. We would have hit about Rs. 150 million if not for COVID. The cash flow which has been free cash flow generated out from the system has been at about Rs. 90 crore. We don't have any long term debt. We still have the US based working capital which is marginally replaced of course, In India we have the limit without any securities backed by just some nominal deposits from Federal Bank which is used over the month end basically to keep the limits alive. We are sitting pretty on mutual funds and cash and cash equivalence to a tune of about Rs. 130 crore as on the balance sheet date. We are poised to move on from here, as Srikanth said total cost cutting measures have already been put as a mechanism in place by a third week of March. We are keenly observing the market, we are keenly observing the environment, and we are keenly observing and having dialogue with our clients on all fronts. While the loss in the sector comes down, and we are trying to move around to the other sectors and our preparedness. There has been a continuous set of interactions both internally and externally to really look through. We are trying to conserve cash, we are trying to recover the cash out and at the same time, we are trying to see that how best we can press our resources back into business in terms of moving ahead. I think with these few words, I'll just open the forum out for the question answer session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shashikant from Dalal Street Investment. Please go ahead.

Shashikant: I just wanted to know whether we have any exposure to travel and tourism industry. And if that is so, what is the percentage of revenue do we draw from there? And how do you find this changing after COVID-19.

Krishnan Venkatachary: 27% is the contribution from the travel, tourism, entertainment, hospitality and hotel industry all put together for us basically. But this needs to be split up into pure travel, pure entertainment, hospitality and hotels. Yes, we have been affected on that count by the airlines asking us to pass the billing for about a quarter or so. But in terms of the businesses, we are handling their critical applications and hence they have held on to us in terms of asking us to look at ways and means to optimize the existing resources. But in terms of acceleration for the new businesses, we'll have to wait and see what is happening around. I will leave this now to Srikanth to answer in terms of how we are trying to cover up this in terms of other sectors, which is our focus area now.

Srikanth Chakkilam: So, I answered this question in the opening remarks. We have exposure to TTH. But having said that, the opportunity is that clients are also looking at cost advantages and they are also trying to consolidate business from a lot of vendors to a few vendors. So, like Krishnan mentioned, we have not lost any of the airline accounts or travel and transport accounts, they have either downsized the accounts or are only working on the critical applications. Having said that, the opportunity is to consolidate a lot of vendors into one and that still leaves a lot of room for growth in those accounts. The other part is something that I mentioned in my remarks, we are investing into areas related to healthcare, which is also quite significant. For our company, we have about 12- 13% of exposure to healthcare, and that is growing. We have a lot of medical device testing on the seven accounts that we have, and we are adding a few more in this quarter. So, growth is happening on the account in terms of healthcare, in cyber security, in utilities where a lot of assets are being pushed into the digital world. We are seeing growth in those areas and we already have cases and case studies to leverage and grow, it's not like we have to start from scratch.

Krishnan Venkatachary: Just to add a point, we expect that Q1 will have a deferral, the entire world will commence probably from Q2 and with that coming through any industry for that matter invariably will start focusing in terms of tightening their purse and moving the money into the digital world where we are geared up and we are very confident that we'll be able to get over that. But yes, there is a blip and we agree to this, that there is an exposure.

Shashikant: Can you give us any quantification on how much dent you will have in terms of revenue for Q1 FY21 and how much that will be covered by the other areas where you are planning to grow such as healthcare?

Srikanth Chakkilam: In fact, I can put it this way basically, that clients in the airline industry to the tune of about close to $7 million have asked for the deferral of revenue. And in terms of ascertaining why we are confident in terms of getting through because including today, there are a lot of wins, which are coming through for us in the other areas, but I would like to leave the forum now as it is in terms of not giving any guidance because the situation is dynamic and it is not the ideal state to go ahead and give any kind of a guidance.

Moderator: Thank you. The next question is from the line of Virendra Varma from Ivy Cap Ventures. Please go ahead.

Virendra Varma: My question is, primarily the way we have seen in the last 60 days what the world is going through and obviously, a lot of work is happening through online or maybe internet, so just wanted to understand on the security aspect because there has been a lot of concern over the last few months, especially if I take example of Zoom. Globally, there has been a lot of concern, but people are using that. So, first question is to what extent is this security aspect linked to the Cigniti business.

Srikanth Chakkilam: So security testing as a practice, it contributes to about 7 - 8% of our business today. In the current scenario, it will grow much, much faster than what it has seen earlier. We do various kinds of security testing, from pen tests to much deeper areas of security testing. Now, we are sort of partnering with companies that have deeper expertise and are security consultants, to take them out to our clients. That has a lot of weight in the current market scenario, like you have given examples of Zoom and also some companies that were for ransomware. So, there'll be a lot of boom in that area. No doubt about it.

Virendra Varma: But what is your experience, like you say you're partnering with some of the consultant,, what has been your global experience like not only for Cigniti but other competitors or players like you, what has been the trend if I say it's too early, but what is the sense you are getting, as on the face value it looks very like a very optimistic scenario for security players.

Srikanth Chakkilam: Sorry, I lost you in the last part what did you say?

Virendra Varma: No, as you mentioned, that there is a new revenue stream or additional business could come from the security aspect, but if I look at last 30 to 60 days, what kind of feelers I'll put it this way, you're getting?

Srikanth Chakkilam: Some of the airlines today they have stopped all applications except security testing, security related work and security testing. So that is the importance being currently given to the areas of security testing if you just take airlines which is most affected. And if you talk about companies like Zoom, while their market cap has gone up significantly, just one instance of person hacking into somebody else's Zoom meeting eroded billions of dollars of market cap in just one day. So the implication is very high and we have immediately started campaigns around security testing, specifically around ethical hacking, code checks, then zero day vulnerability checks. Then structured testing around security testing. We have partnered with few testing specific tool companies. We also want to go a slightly deeper than what we have to offer because there's a huge opportunity right now and when we pitch it to clients right now, that is the area where they're most willing to listen to. So, that is what I mentioned when I said that we partnered with consultants and tool specific companies to take our expertise to the clients and offer this as a package.

Moderator: Thank you. The next question is from the line of Viraj Mehta from Equirus. Please go ahead.

Viraj Mehta: Sir, can you once again talk about the balance sheet where you said you have mutual funds, how much mutual funds do we have?

Krishnan Venkatachary: We have cash and cash equivalents, cash deposits all put together about close to Rs. 131 crore out of which bulk of it is sitting with fixed deposits and mutual funds will be to the tune of about Rs. 20 crore.

Viraj Mehta: Because I was unable to find that in last year's balance sheet, that's why I was asking.

Krishnan Venkatachary: I can share with you the latest balance sheet that has been published, we can even share the schedule with you very clearly its Rs. 131 crore.

Viraj Mehta: Okay, and sir out of the Rs. 20 crore with mutual funds have any of our funds taken a hit?, Because a lot of debt funds have taken large hits in April and six of the debt funds even closed. Are we present in any of those?

Krishnan Venkatachary We are not present, we have not done any investment in debt funds. We have done investments only in liquid funds. Ultra-short and liquid and we have not taken any exposure in any of the debt funds. We never had any exposure in any of the funds that closed.

Viraj Mehta: Okay, sir given the situation that we are in currently, how do you see the productivity of the employees, have you seen any improvement in the productivity of the employees? Also, how do you kind of measure that? And how does then billing happen for the same. Are the profits still the same as it was when everybody was working out of office or have some of these processes also evolved over last one month?

Krishnan Venkatachary: Gentleman, it's a good question productivity in fact, in real terms it's more than 8.5 hours working and has moved up for everyone, being working from home. That's the reality because the commute has stopped and the worries of getting back or whatever it is has stopped, I think the deliverables have moved out. For that matter, we have not lost any kind of a billing say from March 15th tentatively since people have been there on the work from home schedule. So, the whole of two weeks of March and the whole of four weeks of April, we have not seen any kind of client rejections in terms of the deliverables or in terms of non-performance issues or whatever it is, it has been fantastic one. To answer the question, we have measured performance previously and we have measured performance even now the process remains the same, except that we now have morning calls with delivery managers and then they have their automated system through which report escalated out clearly, the escalations are much faster addressed and people respond much quicker and then the deliveries happen in a much accelerated form. Two, we've also implemented Oracle and people have started getting used to and adopting Oracle from system from 1st April so automation has become the key and that is also helping us in a very big way. We don't see any kind of production loss. We don't see any efficiency loss, we don't see any kind of a bottleneck probably you can say that we are operating at 99% efficacy.

Viraj Mehta: Okay. Sir last two questions. One what will be your utilization as of now and what is your hiring plan for the year if any?

Krishnan Venkatachary: if you look at it, hiring has been frozen. Hiring can happen with respect to specialists, if it is needed in the industry and for offshore my utilization as it stands today is at about78.5%. My onsite as it stands today, it is there at about 91%.

Viraj Mehta: And do you see any room for margin improvement when your utilization at onsite level improves not in Q1 or Q2, I am saying when the regular business resumes assuming it's a growing concern. Let's say, do you see we can go to 82, 85, 83, 84, 85% utilization?

Krishnan Venkatachary: There are two ways to look at it. One, with the current pandemic in place, it will be too early to comment in terms of the margins and utilization. While every company will be grappling out in terms of seeing what best can be done in terms of the utilization, we have taken a social pause and we would like to carry the bench at least for some time, because the current environment doesn't encourage and also the government's doesn't authorize for any kind of a quick separation. So invariably, it's too early to really go ahead and call that this is what is going to be my improvement in my utilization or improvement in my efficiency. While the earnest for all of us have been to really get through and win as many projects, today there is no distinct difference between onsite to offshore, and we can perform from anywhere because it is only from home and it only adds value to the clients in terms of cost optimization. As Srikanth mentioned, we are trying to go to the client to say that, we can go for output based delivery or we can take control of your total operations and try to deliver this at an optimal cost, for example so much percentage reduction in your cost and your throughput increases by 20 - 30% or whatever it is. That's the kind of an approach we're doing. So at this stage, it could be too early, but it's a clear math that my utilization moves up, my margin also will move up definitely.

Viraj Mehta: Got it and sir with the rupee depreciation say between 75 -77 in that range, are clients coming, I am talking about non travel clients which is around 73% of your revenue, are any of them coming back to renegotiate the dollar billing on the downward side?

Krishnan Venkatachary: No, not for this reason. In fact in the overall scheme of things in the last 60 days, or 45 days, not a single client has come back to us for a reduction in terms of the billing rate. But if you look at my method of operation it is such that, each and every overseas entity receives the order and signs the order and so the billing is in dollars, the contract is in dollars, deliverables in dollars, they don't look at what India does to those entities. They only say that you will do this kind of work from offshore so when they price in that offshore portion and leave it they don't come out and say that this is what is the variation and for that matter, while dollar rupee has been working out favorable for India, I think the rest of the currencies, if you look through has been there's a lull in that, so none of the clients have come.

Viraj Mehta: Right. And sir we are essentially sitting on as you said Rs. 130 - 140 crore kind of cash, right. But if we look at minority shareholder, essentially there has been no distribution of cash from the company since several years and company has been doing well any thought process from the management to distribute any kind of cash be it buyback or a dividend, because, it is very counterintuitive that all the other companies in your sector, even the smaller ones, tend to be far more minority shareholder friendly in terms of distribution of profits?

Krishnan Venkatchary: Good question. Actually, we also would like to be more investor friendly and move ahead and do this, but we are not an exception and we are governed by the company's act. As of 31st of March 2020 we have a carry forward revenue loss in the books, which was hit in March 2017, another Rs. 25 crore needs to be wiped out, which we hope to wipe out in the coming year. The board has definitely deliberated some discussions and initiated some papers on this, but they will take it up appropriately. If we will fall through with surpluses available in the current year, it will be up to the board to decide in terms of any declaration of dividend. The mood and the thinking is absolutely positive, but I think we are covered by the law, the law doesn't provide me to do that till I wipe out the revenue loss which is about Rs. 25 crore.

Viraj Mehta: Which is fine, but which will happen like this month right, it would have happen in April itself. So, essentially going forward, you are saying that at least you will consider that's in the realm of the possibilities for sure?

Krishnan Venkatachary: Absolutely.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter Cyclical Investments. Please go ahead.

Keshav Garg: Sir actually I am new to your company so, I beg your indulgence, sir I wanted to understand sir that how much is the total testing business in your total revenue?

Srikanth Chakkilam: 95%, more than 95% is testing.

Keshav Garg: Sir, I'm hearing that testing is a dying business and 10 years back, almost a quarter of Infosys revenue used to be testing and now it's in low single digit, so is it true and are revenue sustainable?

Srikanth Chakkilam: Well, I've been hearing this even before I start entered the business. We have grown from that point onwards. The reality is, the proliferation of technology today is so fast and so huge that testing has become a boardroom discussion I mentioned this so many times. The President of United States had to apologize to the entire country because healthcare.gov had failed, the latest Boeing crisis is due to a software glitch. So if somebody says it's a dying business. I don't think I agree with that viewpoint. We have been growing, despite people saying all of this we have been growing. But there are certain technologies that people need to adopt to as old ways of testing will no longer work, you will have to be cutting edge, you will have to put automation first, you'll have to embed yourself into the DevOps. If you don't do that, then it's a dying business but, we as a company have been evolving according to the market needs and possibly ahead of the game. So, that is a very generic statement, in my opinion, as testing is a dying business. But if you don't evolve yourself any business is a dying business.

Keshav Garg: Sure. Sir is it vertical specific, like maybe in BFSI segment testing might be declining but in other segments, like in aerospace, healthcare et cetera it might still carry on. Is it like that or overall you think that testing is here to stay?

Srikanth Chakkilam: Sorry, I lost you in the last part what was that?

Keshav Garg: Sir basically, I'm trying to understand that this automation in testing is it vertical and industry specific phenomena?

Srikanth Chakkilam: No, it is not vertical.

Keshav Garg: Okay. And also sir, which would be your closest peer in India?

Srikanth Chakkilam: We compete regularly with for all the large SIs.

Keshav Garg: Sir, I understand that there is one SQS software some German company which has some entity here also, are they your competitors, they are also in testing?

Srikanth Chakkilam: Well, I can't comment for them, because they have been acquired by a company based out of Germany few years ago, which I don't know if it is in testing, so I really can't comment on whether they are pure play or not.

Keshav Garg: No, sir why I am asking is because our operating margins are around 15% and they're clocking around 19% consistently. So if we are in the same space, they are also in testing, we are also in testing, then why this discrepancy in margins?

Srikanth Chakkilam: Well, I really can't answer that question because I don't have enough information on their balance sheet or numbers. But if I have something I can definitely help you.

Keshav Garg: And sir since I am new to the company. It will be very grateful if you can just shed some light on what exactly happened in FY17 that we had an operating loss also and on top of that, we had a huge write off, and we had a net loss and some exceptional item of Rs. 330 crore. So what exactly happened and why, shareholders shouldn't be bothered that it will not repeat?

Krishnan Venkatachary: Basically, gentleman, we have given a detailed explanation in the annual report of the relevant year in 2017, which I can take it offline through Adfactors. I can mail you the details. For the sake of time, in terms of a brief discussion just want to tell you, while we evaluated the company in terms of the investments made towards the IT products, businesses and when IndAS accounting had to be implemented in place, there was an evaluation done by an independent big four agency and they made it very clear that the segment has not yielded any kind of revenue and we need to do a definitive charge. While the charge related to the yesteryears have been brought in as a onetime extraordinary charge, the charge related to the relevant year was grouped in the P&L above the line. These are the reasons you will see an operational loss and in terms of further details in terms of the breakup or whatever is needed we have been time and again providing to all the investors and I will definitely be doing that to you as well probably and you can have that through Adfactors or my through my mail id I will be able to give. Second, in terms of repeating this further or whatever it is. I don't think that there is any chance of it to get repeated in terms of the corporate governance we are following the right set of standards of accounting and methods, as suggested and audited by E&Y, and BD who are our internal auditors. Two, we are charging off the R&D currently what we are making with a budget camp of not exceeding 5% of the total revenue and which it being charged off in the year in which it is spent. Three, if you see my balance sheet, basically post then from 2017 March, hardly, I had fixed assets of about Rs. 8 crore leaving the goodwill aside and over a period of time, I've added about Rs. 7 - 8 crore, so my balance sheet has got nothing really to come back and say that I'm going to really carry something and trying to do something. I hope I have answered in brief.

Moderator: Thank you. The next question is from the line of Tejpal Singh from Suruchi Investment. Please go ahead.

Tejpal Singh: I have got one question in the current scenario, companies across sector are looking for cost reduction. So with respect to that are clients looking for vendor consolidation? Are we seeing that kind of thing where in a particular client would be looking only for two or three big IT vendors instead of six to seven vendors? If that is true, then what is the opportunity that we look forward to as we are one of the leading players?

Srikanth Chakkilam: I lost your last part but I'll go ahead and answer the question, are we seeing consolidation of vendors, it's a generic question again. With the varied list of clients that we have, we are seeing both wait and watch and also consolidation of vendors for cost optimization. Do we have the opportunity to win some of the big accounts? Yes, we do because we have shown value both in terms of output and in terms of cost. Hence, we stand a good chance by merit, when it comes to winning some of the new and existing clients through consolidation.

Tejpal Singh: And have we lost some of the opportunities with regards to new business because of client delaying their decision to go with the contract?

Srikanth Chakkilam: We haven't lost anything. But there are certain delays like, I mentioned earlier in my opening remarks that people are just in wait and watch mode. They are sort of delaying that decision making just to see how the whole COVID-19 plays out.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter Cyclical Investments. Please go ahead.

Keshav Garg: Sir, first of all your fourth quarter investor presentation has not been uploaded on BSE website. So please do something about it. And secondly, sir, as things stand today, on a quarter-on-quarter basis what kind of impact do you see on the top line and our margins?

Krishnan Venkatachary: I'm sorry my audio was lost. Can you just repeat the question?

Keshav Garg: Sir, I am saying that as things stand today as compared to the fourth quarter, how is the first quarter looking in terms of top line and margins?

Srikanth Chakkilam: I'm sorry, I don't think I'll be able to discuss any numbers while we remain optimistic, I think we are not going to discuss any number.

Keshav Garg: Okay, sir fair enough. I just missed out on this travel, tourism, entertainment and hospitality all together basically the most impacted sectors from COVID, sir what percentage do they constitute out of our total turnover?

Krishnan Venkatachary: As it stands, 27% out of which core travel alone will translate to about 11%.

Keshav Garg: Okay. And sir is it reasonable to say that we can expect at least 25% hit on the top line from this space, for the full year?

Krishnan Venkatchary: Gentleman, I think I will be abstaining from this because the situation is very dynamic and we don't want to give any statement which is getting committal or forward looking because we are still optimistic and we are assessing the situation at this time. I don't think I'm going to talk anything about numbers for the next year.

Keshav Garg: Okay. Sir our, equity capital it has been constantly expanding almost every year or every two years from Rs. 17 crore in FY12 to Rs. 28 crore. Is there any further equity dilution or whatever had to happen, has happened?

Srikanth Chakkilam: I have not seen any kind of a dilution in the numbers 2016 onwards. It is a natural phenomenon when the dilution has happened it has been very negligible in terms of point percentage. As it stands we have not done it over the last five years from 2016. We don't need any money, we don't need any kind of a thing as it stands. So, what will happen in the future in terms of the business to move forward and what does the business strategy look like post COVID, I think we need to take a call at that point of time. As it stands, if it is for operation purposes, whether the company needs to raise money or what, no we're sitting pretty tight on about Rs. 130 crore of cash and generating cash. We are clear that as a going concern, we will be a going concern in the current year there will be a good amount of cash flows generated. So, we don't see any intent for it to get diluted but for natural, ESOPS which will automatically happen and will be miniscule percentage.

Keshav Garg: And sir can you explain to a layman what is the differentiating factor in Cigniti, like what sets you apart and what is your USP?

Srikanth Chakkilam: We are an independent quality engineering services company. That is a key differentiation. And when it comes to other IT services companies, most of them focus on everything but our focus is only on quality engineering and the services around that portion.

Krishnan Venkatachary: I want to add a point, while you've talked about shareholding, I think we have also filed with the exchanges that the promoters have enhanced their equity by buying shares.

Moderator: Thank you. Ladies and gentlemen, I now hand the conference over to Mr. Srikanth Chakkilam for closing comments.

Srikanth Chakkilam: Thank you, everyone. Thanks for participating in the call. Please, stay safe and stay healthy. I look forward to our next earnings call. Thank you.

Krishnan Venkatachary: Thank you.

Moderator: Thank you. Ladies and gentlemen with that we conclude today's conference. Thank you for joining us and you may now disconnect your lines.