August 02, 2023

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

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

Dear Sir/Madam,

Sub: Transcript of Earnings Call held on July 27, 2023

Pursuant to Regulation 30 read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Call held on July 27, 2023, post announcement of financial results of the Company for the quarter ended June 30, 2023.

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

This is for your information and records.

Yours Sincerely,

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

PARTHASARATHY SRINIVASAN
Digitally signed by PARTHASARATHY SRINIVASAN
Date: 2023.08.02 14:31:42 +05'30'

P. Srinivasan
Company Secretary and Compliance Officer

"Latent View Analytics Limited Q1 FY'24 Earnings Conference Call"

July 27, 2023

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

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

Moderator: Ladies and gentlemen, good day and welcome to the Latent View Analytics Limited Q1 FY '24 Earnings Conference Call. As a reminder, all participants' 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 Ms. Asha Gupta from E&Y - Investor Relations. Thank you, and over to you, ma'am.

Asha Gupta: Thank you, Zico. Good evening to all participants in this call. Welcome to the Q1 FY '24 Earnings Call of Latent View Analytics Limited. The results and presentation have already been mailed to you and you can view them on the website www.latentview.com. In case anyone does not have a copy of press release or presentation or you are not in our mailing list, please do write to us and we will be happy to send you the same.

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

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

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

Rajan Sethuraman: Thank you, Asha, and thank you all for signing in for the first quarter's earnings call of this fiscal year. As Asha mentioned, I will share some business highlights and then I will pass it on to Raj to provide more details around the financials.

First off, we are happy to be back on the growth track after a slightly sluggish quarter that we had towards the end of the last fiscal. In this quarter, we grew 4.7% quarter-on-quarter and 23.1% on a year-on-year basis from a rupee standpoint and that kind of signals a bit of the back to the growth track. While I would say that this is still not as great as what we were doing in the last year, I think it still signals that the work that we are doing is resonating well with the client audience and we have been able to retain and actually grow incrementally on the book of work that we were doing for our clients in the last fiscal.

We also added quite a few new accounts to the list this year. Some of them have been shared as part of the press release that we have put out. Particularly happy that we are starting work with one of the large iconic quick service restaurants that everybody knows about. We had our first win in the European market since we started investing in Europe around the middle of last year and this is again one of the largest manufacturers of tires in the world and we have started working with them. We also had a very interesting piece of work that we won for one of the large two-wheeler manufacturers in India and I am particularly happy about that because it validates the strategies that we are taking into the Indian market where we are able to bring in quite a bit of the expertise that we have built servicing clients in the US to bear for the Indian market as well. However, I would need to add that many of the new wins that we have had have started off on a much smaller ticket size in comparison to what we have experienced in previous quarter and I think that is the reflector of the general macroeconomic scenario and the sentiment that we see. However, these are all high-quality accounts and we believe that the start that we have in this quarter will pave the way for expansion in the quarters to come as some of the uncertainty evolves.

We were also fortunate that we had significant growth in many of our existing accounts so much so that two of our accounts have now crossed the $15 million per year run rate in terms of what we are clocking with that strong growth on the technology sector, we saw growth in CPG and we also saw growth with the logistics on the industrial side and many of these accounts are long-standing relationships and we are very happy that we are able to build on the relationship and bring in more value addition to the clients that we are working with.

As we have exited the Q1, we do have a fairly strong pipeline that we are pursuing, and this pipeline includes conversations that we are having with many of our existing accounts for growth in those accounts and there is also a very good list of new logos that we are having conversations with where we expect that the closures will happen in the next few months and we will be able to see further uptick right through the remainder of the year.

With all this, I would say that the quarter two, we will be able to show growth probably along the lines of what we have done in Q1, if not better. However, it remains to be seen how the rest of the year will pan out.

In general, the market is still a little slow when it comes to decision making. Many of the clients who even have budgets at this point in time are still sitting on the fence when it comes to kicking off large initiatives and while they are ready to take on some small pilots, I believe that the commitments to the larger initiators will take a little bit more time.

At this point, we are still optimistic that the second half of the year will pan out better in comparison to the first half of the year and potentially, we will start seeing some green shoots towards the end of this quarter as client decision making improves in relation to the macroeconomic scenario.

There are a few other highlights that we had in this quarter which I thought I will share. I have mentioned in the past that our go-to-market strategy is now predicated largely on the impactful value propositions that we are building. We saw really good traction on several of them.

A few notable ones that I wanted to call out here, one is our on-shelf availability value proposition, which is part of our supply chain analytics practice. That is resonating really well with the CPG as well as Retail clients that we are having conversations with.

Similarly, the multi-tier supplier visibility value proposition, MSV as we call it, that is also finding a lot of favor. Most organizations, whether they are in the automotive / industrial space or whether they are in technology device manufacturers, they are all still seeing a lot of disruption to their supply chain and the multi-tier supplier visibility value proposition provides a very integrated view of their extended suppliers supply chain. The component manufacturers and the suppliers and that is also resonating well.

A third one that is really finding a lot of favor is what we call as One Customer View, which is a 360 degree customer view that can be made available for any organization that is interacting with either B2B or B2C customers which dramatically helps them improve the personalization that they can do and the offers that they are able to put in front of these customers.

And finally, we have been building out capabilities around Generative AI. So, our smart search and our bird view value propositions are resonating quite a bit. In fact, over the last year, there has been a very interesting use case that we have been implementing for one of the top device manufacturers in the US around how do you use customer sentiment and review analysis to identify the improvements that you can bring about in making parts available in predicting failure and in ensuring that the right inventory of parts is available right even before the device breaks down. So, we have been using generator and transformer models for a period of time to help solve these problems.

At this point in time, there are quite a few conversations which are looking at leveraging Generative AI and large language models to analyze unstructured data especially around customer reviews and sentiment analysis and also around large volumes of unstructured text data that might be available with organizations either in form of legal contractual documents or process flows and documents or internal knowledge bases that they might have created. So, there is quite a bit of action happening on that front.

We also onboarded another senior member to our Advisory Council this quarter. He has been working with multiple CPG and Retail brands in the past and we believe that we can leverage his expertise and experience in how we are shaping some of the work that we are going to be doing in that space.

From an addition to the bandwidth on the front end, we continue to make progress over the last quarter. I would say that at this point in time, we have made the investments that we intended to make on client servicing as well as on the sales side in the US as well as in Europe.

In addition to that, we also onboarded quite a few people into an India based sales team that is focused on the US market and I think the combination of all of those investments means that we are well set up in terms of the bandwidth that we need to identify and pursue opportunities in the US as well as in Europe. These investments will pan out over the next several quarters, but at this point, I believe that we are adequately capacitated in terms of go-to-market bandwidth that is available.

One other thing that I want to call out is that we were recognized as one of India's great mid-sized workplaces by the Great Place to Work Institute. We came in at Rank 49 and we are particularly proud of this achievement given that we are largely a people-based business and it is a testament to the caliber of the people plus also the fact that they see themselves as very integral parts of how we are able to create the right kind of idea and value for our clients and we are able to monetize that in terms of our revenue and growth performance.

This quarter saw further moderation on the attrition front from a trail employment perspective, our attrition came down by almost 10% in comparison to where we were previous quarter. We have not had any incremental growth in terms of head count in this quarter which is largely because of the fact that he did have adequate capacity exiting the last quarter and we have been able to improve the utilization of the people that we had and the utilization increased the build count increased by as much as close to 4% and the utilization improved on account of that as well.

We have now about 300 plus campus hires that we have in the winch. These are all offers that we have made in the last season and we have been engaging with those campus hires. Some of them have already been onboarded. We are expecting to onboard the remainder of the people as the demand scenario unfolds over the next few months.

Finally, I would say that one important people initiative that we had this quarter was around launching a framework that will guide our employees to consider different career options and possibilities that they have within Latent View. So, this is aimed at bringing greater clarity on job roles and the career paths that are available for them and enabling them to have high quality career conversations with their managers, their peers and their L&D team and this will also help implement better decisions from a talent perspective and improve the engagement that we have with our employees. We work with an external partner for developing this framework and this is very comprehensive in terms of the job roles and families and the kind of skill sets that are needed for people to be successful in their careers. So, we are expecting that employee engagement will improve on the back of that initiative.

So, overall, I would say that it's been a good quarter for us in many ways. We believe that we are well set up for the remainder of the year. We will be watchful of the macroeconomic scenario in terms of how the demand unfolds and the decision making, especially with respect to some of the larger opportunities that are there in the pipeline and then we will calibrate any further investment decisions based on that.

With that, I will hand it over to Raj, our CFO to give some additional insights on the financials.

Rajan Venkatesan: Thank you, Rajan. Good evening everyone, and welcome to our Q1 FY '24 Earnings Call. Talking about our quarterly performance, like Rajan mentioned, we are happy to be back on the growth trajectory. For the quarter ended June 30th, we are happy to report a 4.7% growth on a sequential basis and a 23% growth on a year-on-year basis. Obviously, you know, in terms of where we would have liked to be, that number should have been a little higher. But as elaborated earlier, the macroeconomic environment at this point in time means that there is a little bit of sluggishness that we are witnessing in closure of new deals and that is what in some sense has impacted the growth rate in this quarter. In dollar terms again, our growth rate was close to about 4.6%. So, pretty much the revenue growth that we see on a rupee basis is the same as the dollar revenue growth.

In terms of what really drove this revenue growth, it's a combination of one, growth that was seen in some of our largest logos. Rajan spoke about the fact that there were two of our largest logos now at this point in time are well past the $15 million annualized revenue run rate mark and revenue growth in those two accounts were the key reasons why we were able to maintain a growth rate of 4.7% in Q1. But that apart, we have also seen a few marquee deal wins in Q1 which we believe we have the ability to build on some of these wins. Although at this point in time, the initial contract value of some of these wins are smaller, the ability to mine these accounts and make them into larger accounts is definitely there and therefore, we are excited about some of the deal closures on the new logo side that we were able to accomplish in Q1.

The other income for the quarter stood at about Rs 17.9 crores witnessing an increase of about 19% on a sequential basis and 83% on a year-on-year basis. The increase was primarily driven by higher investable surplus that we had generating comparably higher yields. Also increasing interest rate in both US and India where predominantly most of the surplus of this part also led to the growth in other income.

EBITDA for the quarter came in at about Rs 28.1 crores and the EBITDA margin was at 19%, thereby witnessing drop about 235 basis points on a quarter-on-quarter basis. While we had positive movement on the revenue side which gave an EBITDA benefit of about 3.8%, this was the offset by higher payroll costs which was because of the impact of wage inflation in Q1 where there were wage increments that were given to the tune of about 9% in India and 4% in the US. That was one of the main reasons why there was a bit of a dip in the EBITDA margins. The other one is also on account of the cyclical visa expense, which tends to be typically higher in Q1 and the impact of higher Visa spends was about 0.8% in Q1. If you were to exclude the cyclical sort of visa costs, our EBITDA margin for this quarter would have been close to about the 20% mark, which is in line with what we reported the last quarter.

Of course, the investments that Rajan spoke about, a lot of those investments were made towards the middle of Q4, right. The people addition that we did and we are happy to report that most of the additions in terms of headcount are already in place, but the full-blown impact of all the additions that we did in Q4 was seen in Q1 of the current fiscal and that again had an impact. The hope is that these investments will play out and we will start seeing deal closures in the coming quarters which would unlock operating leverage for the business.

In terms of the overall margin guidance itself, we had indicated that we will continue to keep the investment levels high because we believe that downturns or periods of uncertainty are the best time to invest in the frontend and build relationships because once the demand scenario comes back, it will be beneficial for us to have made these investments and we have seen this in the past down cycles where we actually paused the investments during a downturn and when demand came back, we didn't have sufficient people on the ground to drive deal closures.

So, those are some of the lessons that we have learned from the past and we would definitely not slowdown in terms of investment. So, our margin for the next couple of quarters would also continue to be in the same range, but we do expect that H2 demand should come back and once that comes back, we will hope to end the year with the trajectory of between 23% to 25%.

Our PAT for the quarter stood at Rs 32.9 crores, reflecting a growth of 4.4% on a year-on-year basis and a decline of 3.9% on a quarter-on-quarter basis. There is an impact of tax as well on our profits because the Chennai office which is located inside a Special Economic Zone, we have two facilities over here, SEZ 1 and SEZ 2. SEZ 1, we have lost direct tax benefits, the 10-year period that you typically get as a part of being in the SEZ or located in the SEZ came to an end as of 31st March 2023 which has resulted in a slightly higher tax expense than the previous quarter. Of course, on the US side, the benefits from the ESOP exercise that we had from the last quarter continued in this quarter as well and we believe will continue for the rest of the year as well. In terms of the ETR, we expect the ETR to remain consistent for the next two to three quarters but maybe beginning of FY '25, we will see the ETR for the company inch back to the 25% or 26% mark.

In terms of the geographical split of the revenues, US continues to be the dominant geography contributing 96% of our overall revenues. Europe, where we made a significant investment, is still subscale. We want Europe to be between 5% to 8% by the end of FY '24 and our investments that we made are in line with the growth trajectory that we expect.

Technology continues to be the largest vertical for us contributing 69.2% of our overall revenues, which is followed by Industrials and both these verticals witnessed fairly strong momentum in the current quarter. And industrials in specific, we are seeing a lot of green shoots and in terms of existing logos as well as new logos that we have won or deals that are there in the pipeline, Industrial at this point in time promises to be a fairly strong vertical for us.

In terms of our balance sheet, our cash level for the current quarter stood at Rs 1,114 crores. The one other question that I am sure is on everyone's mind is in terms of M&A. We would like to update you that we have added people specifically in the corporate development or M&A team and these are people who come with a deep background in M&A. So, the intent is to try and increase the velocity of the work that we are doing on the M&A side. Even during the current quarter, there were several opportunities that we did evaluate, but we didn't proceed with any of them because of lack of fitment or we didn't have cultural fitment in these cases and that's the reason why we were not able to consume any transaction, but the intent is to increase the velocity and accelerate our efforts on the M&A side. We hope to have some positive development by the end of the year on the M&A front.

In terms of the head count, we closed the quarter with a headcount of 1,091. Like Rajan said, we will continue to invest in people. At this point in time, we have numbers close to about 300 odd campus hires who we will look to onboard in a staggered manner over the next couple of quarters.

With that, I would like to end the management presentation and hand it over to Asha for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Mohit Jain from Anand Rathi. Please go ahead with your question.

Mohit Jain: Congrats! Strong comeback from last time. I have three questions. One is one high-tech client outlook. So, what are you guys hearing because you had good growth and the pipeline also seems to be better? So, how much of the environment in your business has changed versus last quarter? So, that is one. And then I have two follow-ups on the cost side.

Rajan Sethuraman: So, on a high-tech contract, this is our largest vertical. As I said earlier, we are already seeing signs of growth. We called out the two largest accounts that we have, where we have crossed the mark from a run rate. Both of them are high-tech clients and we have seen incremental growth happening with these stakeholders that we are currently working with. We also added at least half a dozen new stakeholders in these accounts, but as I pointed out earlier, the projects that have been kicked off are slightly smaller in nature.

I mean, we did have one win beyond that, but the others are kind of in the $200,000-$300,000 range because they are just still testing out a few things, especially around concepts such as Generative AI.

So, I would say that the tech environment is looking resilient for us at this point in time. However, I wouldn't call out that it's growing by leaps and bounds, as we would have expected it to. I believe that there is still some uncertainty and there are quite a few cats on the wall. We are expecting that some of that uncertainty will resolve over the next couple of quarters. There are at least two, three big opportunities that we have in the high-tech sector which could be in the million dollar range, right, in terms of overall size of the opportunity. So, optimistic cautiously at this time. We are still waiting for some other teams to come through, in a full-blown fashion.

Mohit Jain: And when you say incremental business, this is like business as usual for you or is there a new service line or offering where you are seeing more growth compared to the regular part of the business?

Rajan Sethuraman: Yes. So, within the tech sector, a lot of it is when I say incremental, it is basically additions to existing scope of work, expansion there and therefore, if we have, for example, a dozen statement of work that we are executing, in several of them, we would have seen additions of two, three people happening. And that is what is contributing to the increment. So, more in the nature of the work that we are currently doing. I think the big, exciting thing that everybody is really evaluating is around the whole Generative AI and large language models, right, the GPT stuff. So, there is a lot of excitement and interest.

Quite a few pilots that are, today as we were having the Board meetings, we also held the second internal analytics convention, and this analytics convention that we had today was completely focused only on Generative AI and there are at least half a dozen teams that presented the options that piloting with their customers.. I did mention One Customer View.That is resonating well as well. So, there are a few focused conversations, but otherwise, the incremental growth is broad-based around the scope of work that we are doing from.

Mohit Jain: Raj, so investments in SG&A you spoke about and also shown in the PPT, from an head count addition perspective, are we done with it? Or do you think some bit of cost increases may come in second quarter as well?

Rajan Venkatesan: So, in terms of the SG&A, from an addition perspective we are talking of, Mohit, all of that is fully baked in. The current quarter has the full-blown cost of the investment on the front-end side, right? So, there, all of that cost is baked into the current quarter additions.

Rajan Sethuraman: So, any additions that we will have on the frontend capacity will only be replacements. I mean, of course, given that the go-to-market team is something that we will continuously evaluate, there will be opportunities where we can fine tune, but these will be backfills where necessary and not net new additions.

Mohit Jain: No, like what I meant to ask was that cost increases will now be slower compared to the revenue growth expectation that was there for the rest of the year.

Rajan Sethuraman: That is correct.

Mohit Jain: And this thing is also related. Now we don't get the split of gross margin versus SG&A. So, when you say this drop on account of people cost, is it fair to assume gross margin is more or less flattish for the quarter versus last quarter? Or do you think there would be some drop there and then some drop in SG&A on account of SG&A?

Rajan Venkatesan: So, not a substantial drop in gross margins. Of course, there is some impact of taxation on the gross margins in the current quarter.But to some extent, Rajan also spoke about improving utilization.So, that is something that we are focused on. In fact, in the current quarter, the reason why you don't see an addition in the headcount is because we also reviewed performance of people and there were maybe a few folks who werebased on performance were, you know, that there was some level of involuntary attrition in the company as well and so that also helped us improve our overall utilization for the quarter. So, the gross margin is not substantially different from what we reported in the last quarter, if that answers your question.

Mohit Jain: I think question is not there so to say the drop you are seeing is essentially investment rather than any other factor.

Rajan Venkatesan: Absolutely.

Moderator: Thank you. Our next question is from the line of Utkarsh Katkoria from PGIM India Mutual Fund. Please go ahead.

Utkarsh Katkoria: Just a more long-term thought process, you know, just to understand where you see yourself or the company, say, three to five years down the line in terms of what is the sustainable growth rate or what is the sustainable EBITDA margin band?

Rajan Sethuraman: So, from a growth rate perspective, we have in the past indicated that we would want to be around 5% to 8% better than the industry growth rates and we are confident of that. I mean, you do see the bounce back that has happened in this quarter and we also talked about all the investments which we believe are the right kind of investments that need to be made whether in terms of capacity or the frontend or the very specific value propositions of the new generation technologies and I think we are well positioned for capitalizing on the industry growth rate and going beyond that, right, when the turnaround happens.

From a margin standpoint, we did go ahead with investments ahead of the curve and we took a call that we will not slacken on these investments even though this macroeconomic downturn was happening and I think that will place us well when the turnaround starts materializing. So, while the current demand scenario means that these investments are a bit of a drag on the margin, I believe that the very same investments will give us better margins as things turn around. So, we are expecting that we will be back on the 25% kind of a trajectory by the end of the year assuming that the second half thus witnessed the turnaround from a macroeconomic standpoint, but otherwise, we believe that we have made the investments that are necessary and from here on, any further investments will be calibrated. So, we don't expect that there will be any margin dilution on account of that. From here on, you should see the trajectory improving to the 25% kind of a mark.

Utkarsh Katkoria: I just had one more question. So, just to understand, you know, our deal size data we have, but typically, what is the tenure of these deals? How are you seeing the pricing environment currently and maybe over the longer term as well? And are the deals getting smaller? Or are they getting larger?

Rajan Sethuraman: The typical deal sizes that we were witnessing, three quarters back, right, or a year ago, they are all in the $600, $700 thousands kind of a range, and we did have quite a few closures which are even significantly larger. For example, last year, we had a $2 million win, right, on just one opportunity. So, if I kind of average out, we were doing somewhere in the $600,000, $700,000 per statement of work kind of a mark.

What we have witnessed in the last two quarters is because of uncertainty, most new projects that get kicked off, they are smaller in size. I mean, even if there is some clarity in terms of the end state and the larger initiative, we see that clients are unwilling to stake everything at this point in time and therefore, they want to kick off something which is smaller, manageable, where they can show some improvement and then, potentially, follow it up with the larger initiative as external scenario improves as well.

In the last couple of quarters, the deal sizes have fallen down to maybe the $214,000 kind of a mark, but from a long-term perspective, I believe that we will get back on the earlier trajectory. The deal sizes should improve even further. As analytics initiatives become larger and more complex, we will see several million dollars plus initiatives, and that will also mean that the tenure of the initiatives will get longer, not just ones that get executed within 6-to-12-month time frame, but ones that go past the year mark.

Many deals, especially in the data engineering, data platform kind of space will mean that the deals will be larger and complex and will need to be executed over a 24-month time frame, for example. So, we are expecting that the tenure of the deals will also go up in the coming years. Of course, some of this has to pan out and it will mean that the external environment has to be ready for that. But I would say that if you are asking me about a three year kind of a trajectory, I would imagine that the average deal size will inch up closer to $1 million kind of a range and the tenure will get longer than the 12 months that you are typically used to have.

Moderator: Thank you. Our next question is from the line of Vimal Jamnadas Gohil from Alchemy Capital Management Private Limited. Please go ahead.

Vimal Gohil: And once again, a great comeback. And I just want to understand more about the revenue growth or the resurgence that you have seen sequentially after a tough quarter, a tough Q4. Now, you had highlighted in the conference call as well as the couple of media interviews that Q1 and maybe Q2 will sort of stay face off and by new means I would consider a 5% Q-on-Q increase for this quarter and possibly even the next quarter, you know. So, my presumption here is that, you know, things have changed quickly for us for the good against what we saw in Q4. So, what has really changed? And plus you are also indicating that our macro continues to remain strong. So, how should we join the dots here, sir, if you could just help me with that?

Rajan Sethuraman: The situation is getting better, but internally, when we talked within the organization, our expectations were even higher in terms of the turnaround that we could see in quarter one. It's been a little slower than we wanted it to be or we expected it to be and that is just the reflection of the external uncertainty, the macro. I mean, I am sure that you are hearing commentary from other organizations as well. So, the sluggishness and the uncertainty continues to be there. Many people will look at analytics and consulting type of initiatives as discretionary.

What is happening for us is that the work that we are doing is seen as very core, critical important so much so that as I mentioned earlier that all of the book of work that we had for the last year, that has all been renewed and we have also had some incremental growth. In many of these instances, the stakeholders that we were working with, the business sponsors and the stakeholders, they have seen their mandate and they have seen their own remit within their organizations increase as well in this uncertain environment.

Of course, we have also had one or two instances where people have been rotated out or they have gone on larger roles and jobs, but for a vast majority of the people where they are continuing to play the role, their mandate has increased and their ambit has increased and that is what is resulting in the incremental growth that I talked about. So, these stakeholders have slightly larger budgets or some rationalization has been done and they have been given the money to continue to spearhead what they are doing. That is resulting in some of the incremental growth that we are witnessing.

The other big thing I would say is the investment strategy itself. We did talk about all of the front-end investment that we have made and we have continued to support all of the investment and the client servicing and the growth team capacity with the right kind of backup from internal demand generation team, from marketing events and all of that. So, that is also paying some dividends. Of course, it is not exactly in line with the kind of investment. That's why I said that we have ended up front ending the investments and we believe that we should not take the foot of the pedal on that one because as the scenario unwinds, uncertainty unwinds, we believe that this investment will serve us even better.

So, I would say it's a combination of those two things, working with the right stakeholders, their mandate and ambit increasing, which is providing us the incremental growth and the front-end investments and the support that we have been providing on the marketing and the events and the demand generation and the value proposition starting to yield early benefits.

Of course, we are expecting that those investments will pan out even more in the coming quarters and when that happens, you will actually, I mean, we would then be back on the double 8% to 10% or 12% kind of a quarter-on-quarter growth trajectory. That is what we are pushing for in terms of the kind of investments that we are making. That is something that we expect will unfold, right, as the uncertainty is resolved.

Vimal Gohil: That 8% to 10% quarter-on-quarter is very encouraging. Thank you for that. Sir, my next question is a bit more industry-led and of course, related to you. Our core expertise of data engineering now which happens to be our largest piece, how do we make sure that we shield this particular service line against the disruption that comes with the Gen AI? I understand you are speaking about initiatives that you are taking, but what is the risk that your clients especially on the technology side will leverage Gen AI as a platform to engineer the data internally and probably, you will have to sort of look at other avenues? So, you know, any thoughts around this?

Rajan Sethuraman: Sure. First, I will give you a little context. Data engineering work today roughly makes up about 20%, 23% of the work that we do. So, that is not the biggest chunk, but it is a very important and growing type of work, right, a component of work that we do. The bigger kind of work is in the diagnostic descriptive analytics, predictive prescriptive analytics and the consulting work, they make up the remaining 80, 75, 80 odd percentage of the work, but data engineering has grown for us significantly in the last couple of years and I expect that it will continue to grow as well.

Vimal Gohil: Sorry to interrupt, but even the Predictive Analytics that there could be some portion that could be, you know, get, that portion could get impacted because of the generative AI capabilities that it brings, that technology brings. This is overall basis. I mean, how do we shield ourselves, how do we keep ourselves more, more relevant and make sure that 8% to 12% sequential growth happens in background of the disruptions?

Rajan Sethuraman: So, interestingly, if you look at generative AI as a technology, right, and what it is capable of doing, the realm is largely in unstructured space.You would have heard about all this, the hallucination challenge, that generative AI technology has. It generates a lot of stuff. A lot of it is stuff that doesn't exist. It works great when you are on a creative quest or at least when you are on a so-called creative quest, but the moment you start talking about structured data and insight generations from structured data, there is a lot of hoops that you need to go through.

In fact, today's Analytics Convention that we had, the focus was on those two different types of problems. How do you use generative AI to solve problems in the unstructured data domain? And how do you use generative AI, can you use generative AI to solve problems in the structured data? For example, if somebody has a sales database or if they have a supply chain database, can you use generative AI to come up with the kind of insights that may not be possible through classical, diagnostic descriptive, driver analysis and those kind of approaches that are available there? On that, the jury is still out. There is still quite a bit of proof that one needs to go through in order to come up with the right kind of insights and of course, that would be possible.

So, the reason I am mentioning that is that in some sense, the whole concept of how do you apply generative AI when it comes to insight generation, which are factual database especially on structured data, it's a problem that people are still going through. Of course, you can use it for coming up with SQL queries and code bases and stuff like that, right, that you can quickly get started, but those things I believe will only help improve the productivity of the people that we have. They are not going to replace the kind of work that they do. It will help them do the work faster so that they can get onto the more challenging and complex problems, that need to be solved.

At this moment, we are not seeing any evidence of the insight generation and the analysis work being replaced by the concept and the theory, that comes from the generative AI landscape. You should use that for particular kinds of analysis. I gave examples of customer sentiment and review analysis, right? That is where you can use Gen AI concepts and you can actually quickly change the, you know, reset the bar in terms of the kind of insights that are made available to you.

Overall, if you ask me, as a philosophy, I think any new technology that is sufficiently disruptor like generative AI will mean that the level playing field will get reset. There will be a higher bar that everybody now aspires to and they can easily get in place by using the technology, but that will only open up a lot more nuanced complexities and problem solving opportunities that are available. That is what we are witnessing at least in terms of the conversations that we are having. I don't think the growth rate that I talked about is under any threat because of the emergence of the new technology. On the contrary, I would argue that the new technologies will actually open up so much more vistas that will make the growth rates even more probable.

Moderator: Thank you. Our next question is from the line of Hitesh Malla from Steinberg India Advisors. Please go ahead.

Hitesh Malla: My first question was on the Europe side. You know, we have been consistently winning deals and investing over there, but this quarter, there was a very sharp decline in revenues. I agree it's a subscale business for us, but an 85% drop in revenues sort of is concerning. So, can you just clarify what exactly happened there?

Rajan Sethuraman: You are right. I would actually say that the entire Europe business is going through a reset phase at this time. The decline that you see is on account of a little fall off in revenue with one of our existing accounts, but to contextualize that, we had all of three accounts, right, in Europe which are generating revenue earlier and when you have such a small subscale operation, even a small change in the revenue that you have from one account will have a very big impact from a percentage standpoint.

We have won the first new account in Europe and there are at least 40 conversations, that we are having and most of these are with really high quality accounts, clients and prospects. We are also leveraging the relationships that we have with the same accounts in the US and trying to look at how can we open up opportunities in the European market. Many of these accounts, especially in the technology space and also in the CPG space, have substantial European operations and we are having conversations with many of them.

I would add that Europe in general stock market, to crack it takes a longer lead time to operate from the strength of the relationships that you are able to build. In this tough macro scenario, we are saying that it will take even longer.

The good thing is that we have a good caliber team that is there in the market and that is what is driving the 40 odd conversations that I talked about. We also have a very strong advisor and a set of advisors that are helping us open doors and getting the right kind of connection. We haven't seen the kind of closures that we would have wanted to see so far.

I think we still need to give a little bit more time especially given the macroeconomic environment. I am expecting that when I report back to all of you in a quarter of time, we would have had at least two-three more wins on that bed, in Europe. I still don't know how big they will get within the next two-three quarters, but as Raj pointed out, the aspiration and the goal is that in a three-year time frame, Europe will contribute 10%, 15% of our revenue that is the trajectory and that is the kind of growth we want in the market as well.

Hitesh Malla: And just one follow-up from my side. While the commentary in Technology and Industrial verticals is quite encouraging, there have been certain pockets like Retail, BFSI. and for that matter even like the non-top 20 client accounts which have seen very sluggish dollar revenue performance over the last four or five quarters, not just the last two quarters. So, just wanted to get some sense of what is happening with these pockets? What are you doing to address and like, you know, sort of kick start the growth in these pockets?

Rajan Sethuraman: You are absolutely right. I mean, BFSI and Retail were traditionally not a strong portion. We were quite underrepresented, in these verticals. By the time that we made the decision to make the investment and this is like about a year ago in some instances even putting track that we started bringing in the people, right, who could, that drive action. We started witnessing some of the external uncertainty.

I mean, you bring in somebody in the start, he takes at least six months. However experienced that they might be in their domain, for them to come and assimilate the kind of value propositions and ideas that we have and what they can take to the table, it takes that kind of time. And by that time, they had done that integration and they had assimilated what we had to offer, we were already starting to witness the external uncertainty and BFSI and retail have been impacted significantly in terms of sluggishness around new initiative kickoff. That's kind of reflecting in what we are seeing.

For the last several quarters we had such challenges, but BFSI, we did have some wins. I mentioned that out of the existing logos where we saw growth in this quarter, there were two important accounts that we had on the BFSI side and in both of them, we saw one strong comeback in terms of the total quantum of work that we are doing. We are expecting that we will continue to build on them. We are having conversations with two, three large banks and other logos as well at this time. We could see some conversion at least in the BFSI space in the next quarter. I think Retail might take a little longer.

So, while the investments are being made, I think this current environment means that the sales cycles are going to be a little longer. But again, there we have a few conversations that are currently underway. I am hoping that, we will have better results to share, on the Retail front in a quarter or two from now.

Moderator: Thank you. Our next question is from the line of Sameer from ICICI Prudential AMC. Please go ahead.

Sameer: Raj, if you can just provide, you know, you have spoken about a consolidation exercise in one of our top lines last quarter. I am not sure if you have given an update. Can you just share an update of that, whether you have won this share of business or how is the progress?

Rajan Venkatesan: We are happy to report that with this client, which is our top five clients, after the two top accounts is actually the third largest account in the technology vertical, we have managed to renew our entire book of work with this particular account at the same rate as well. That is the first positive news.

The second one is within the existing, groups, we were able to as a part of the consolidation that we spoke about, we have, been able to add a book of work which is on an annual basis close to about 800k. And then incrementally, there was one new group which is a part of the gaming business of this particular account where we were again able to win an additional SOW to the tune of about 700k.

On an overall basis, this entire consolidation exercise that we spoke about has actually been beneficial for us. We have managed to regain a lot of lost ground in this particular account. We added close to about a million and a half in terms of the total order book with this particular account.

Moderator: Thank you. Our next question is from the line of Ruchi Mukhija from Elara Capital. Please go ahead.

Ruchi Mukhija: Pardon me if it is coming at the cost of repetition. In earlier conversation when the generative AI came up for the discussion, it was painted with the risk characteristics, but given your portfolio which is more concentrated around data engineering and as we understand about the AI where if you don't have a data strategy, it is difficult to build the AI strategy. In that context, could you help me understand for your business you would see generative AI more as opportunity and how could you see risk maybe from the service line perspective for use?

Rajan Sethuraman: Thanks for the question, Ruchi. I think you were right. Any analytics work that an organization wants to undertake, they should have a very strong data foundation under database. If you go back, say, three, four years in time, organizations used to work with data that are available within their particular business or functional silos, could be coming out of their ERP systems or transaction problem systems, but they typically worked with some silo of data that they have and that are solving simpler problems, lower hanging fruit. That meant you needed a certain maturity from a data, data engineering, data platform perspective.

Now we have seen in the last two years or even a slightly longer time frame that the complexity and the maturity of the initiators are increasing and that means that the low hanging fruit has been taken. You are now going after problems that requires a more holistic integrated perspective, right, across the entire organization and therefore, you need to be able to harvest data from multiple parts of the organization, bring it all together, right, into one platform. Data engineering is on an upward curve from a type of work perspective.

The good thing is that as you bring in all of this data and especially if you are talking about unstructured data from outside of the enterprise from social media, reviews and other mechanisms, that is what creates the kind of opportunity that I talked about. Generative AI and large language models are particularly suited for unstructured data, for text data and now that organizations are collecting that kind of data from the multiple customer interactions are having, it will mean that there are plentiful opportunity for how you can apply generative AI kind of principles to mine that data.

Now Generative AI as a technology and as a new tool itself is exciting and interesting for people to play around and experiment with, but the real value of all of that can be achieved or realized only when you have very solid use cases on what data are you going to analyze.What problem are you looking to solve? And how do you address some of the hallucination challenges that I talked about earlier, referred to earlier? You want to make sure that whatever these large language models are throwing out are completely fact-based and there isn't any extraneous inferences that are being made, right, that are not connected with the data and the unstructured information that might be there. So, I think that is where the opportunity would be.

In fact, you would have heard the terminology called prompt engineering. Prompt engineering itself can be a very interesting space on if you have data and if you have technology such as large language models, how do you use prompt engineering and the right kind of interaction so that you are making the best use of tools that are available? I am expecting that on the back of what is happening in the generative AI piece, there will be even more opportunity to undertake the right kind of predictive, prescriptive analytics and what you can do with the kind of customer information that you are able to collect at this point in time. So, in some sense, we are quite positive about the impact that Generative AI can have on the entire analytics landscape itself.

Moderator: Thank you. Our next question is from the line of Karan Uppal from Phillip Capital India. Please go ahead with your question.

Karan Uppal: Just one clarification. You mentioned that you are seeing Q2 to be similar to Q1 in terms of growth and you also mentioned that H2 will be better than H1, but also you have mentioned that there is some uncertainty which is there in the market. Clients are taking some more time to close the deal. So, in that context, how should we look at the trajectory of growth from here on?

Rajan Sethuraman: We are at the end of July now. One month is already gone by in quarter two. And if I look at my full potential pipeline for this quarter and then the probability weighted pipeline for this quarter, I can see that our growth rate for quarter two will be a little better than what we have done in quarter one. So, that is something that based on just the data that I already have in terms of the opportunities that we have, closed.

Now for Q3 and Q4, what I have is like a large pipeline. Of course, the current trajectory is assured meaning whatever we end up doing in Q2, we will continue to do in Q3 and Q4, but the growth on top of that, that is currently largely a pipeline of opportunities, so that will depend on how quickly those opportunities are closed. So, if I have a few good closures in Q2, in the remainder of Q2, then Q3 starts looking a lot more interesting than what it is right now. So, that is where we are.

So, in some sense, I mean, I am not able to give any more assurance than what I see at this point in time. I do see the kind of growth that we have in Q1 continuing into Q2 and Q3, right? So, that will happen. Further uplift on that will be on the back of at least some good closures that we have, right, in the remainder of quarter two.

Karan Uppal: So, basically, our visibility is limited to a quarter at this point of time and beyond that, given the uncertainty, we are still not sure of the trajectory. Is it a fair understanding?

Rajan Sethuraman: Yes. So, I will just rephrase that. What we have confidence about is the current growth trajectory. For the trajectory to become steeper, I will need more closures.

Karan Uppal: And in terms of margins, so we are talking about margin improvement from here on. Investments we have already made and no further incremental investments we are planning to make and rate hike impact is already behind us. So, from here on, as the growth improves, margin should also improve. Is that the way to look at it?

Rajan Sethuraman: That's correct. Yes.

Moderator: Thank you. Our next question is from the line of Swechha from ANS Wealth. Please go ahead.

Swechha: My first question is around the order books. If you could help me understand what kind of order book do we currently have? And if you also could give me a number of the big pipeline that we have? And also, I think you had mentioned in your commentary that, you know, the new deals that we have got, the new logos that we have got, they are of a smaller ticket size. So, do you think this is going to impact our margins? Like, does the margin vary depending on the ticket size? And if you could also give me the average ticket size that we have currently?

Rajan Sethuraman: I will give you some context around the order book question first. One of the reasons why we, at this point in time don't publish a order book is also you will have to understand that the nature of the business or the nature the contracts that we typically get are between 6 to 12 months and given that most of the customers that we have if you see are based out of North America. The budgeting cycle or the fiscal that most of our clients follow is Jan to December and therefore, most of the renewals or extensions that we end up signing typically run through this period.

So, if you look at the order book that we carry at any point in time, it will be very high towards the end of the calendar year or beginning of Q1 of the following calendar year or for us, it will be Q4. That's when our order book will be at the highest and through the year, as we execute this order book, the confirmed order books that we carry will actually progressively come down.

But there is another internal metric that we track which we cannot publish or give out at this point in time is again extensions, right, which again is rated based on the probability of the extensions. The way we internally as management track these extensions is any account or any client where we have a history of working with that particular account for a period of more than two years is typically tagged as high probability extensions.

The sort of internal metric that we as management track is at any point in time, the order book plus the high probability extensions that we carry should roughly be higher than or equal to the trailing 12 months revenue and which is what we can at this point in time give out, the order book that we carry today is slightly higher or marginally higher than the trailing 12 month revenue that we did clock.

The second question around margins on some of these smaller value deals, right? Just to let you know, see, as a benchmark or as a sort of internal metrics that we track, our threshold for taking on any new work is typically 50% gross margins in the US. We have a slightly lower threshold for some of the newer emerging geographies because these are fledgling geographies and our intent, is to win marquee logos over here and build on that in the future so that that threshold might be slightly lower for the Europe or APAC, but in the US, 50% is the threshold that we normally operate in and even for these new small wins that we spoke about, our margins are in the same range, which is 50% plus.

But on the contrary, in fact, if clients are typically signing on smaller opportunities to begin with, they also know that they cannot get the benefits of leverage. The onset, offset ratio will be of a certain nature. Once you get onto a larger initiative, then clients also understand that they get the benefits of leverage. The pricing and the margin will reflect that. The deals that we have signed in this quarter, while they are smaller, we don't have any impact from a margin perspective.

Swechha: And sir, my second question is, what is the revenue contribution from our top five customers? And if you could also help me understand what is the onshore and offsite billing rate and how do we typically bill our clients?

Rajan Venkatesan: So, the first metric you will be able to see it as a part of our investor presentation as well, our top five accounts contribute close to about 60% of our overall revenues. But to answer your question, your second question was around billing rates and onsite, offshore ratio?

Swechha: Yes.

Rajan Venkatesan: Our billing rates typically is not on a blended basis. Most of the contracts that we have are on a managed services contract where we have and what we call as a Center of Excellence model where we typically bundle a combination of on-site and offshore resources and we sell it as a Center of Excellence for the client.

The average revenue per employee is in the range of about $60,000 to $65,000 and it has trended in that range for the last two to three years. Our on-site, offshore mix is typically 1:5.5. In the past, it went as high as 1:6, but in recent times, we are again seeing that that number is coming off and we are closer to about 1:5.5 at this point in time.

Also the reason why we don't end up tracking the rate per person or rate per hour is because we don't do a lot of work. We do very minimal work on a stopwatch model and that's the reason why I am not able to give you a rate card or a rate per hour for on-site and offshore. But our average revenue for employees is in the range of about $65,000, if that helps you out.

Swechha: So, that means we don't bill our clients on an hourly basis, right?

Rajan Venkatesan: There is a very, very small book of work which is less than 5% of our overall turnover which will be in that model.

Swechha: So, how do we bill our clients? And is it contract wise?

Rajan Venkatesan: It is for a capacity that we give the client and that capacity will deliver a book of work to the client. There are a set of initiatives that we agree upon with the client and there is a capacity and a skill mix that is given to the client and we bill a fixed monthly rate to the client and that is what we charge them on a monthly basis. This capacity itself can be dialed up or dialed down depending on the client outlook as well as the requirements from the client side, but the rate that we agree on is a fixed per month rate for this capacity.

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

Rajan Venkatesan: Well, thank you everyone for joining the call. Like we mentioned, we are happy to be back on the growth path and growth trajectory. Despite a lot of the commentary that has been coming from the market, which has been largely negative, we have managed to press the pedal or keep the momentum going on the investments and we continue to be fairly optimistic about the future. Some of the recent conversations that we are having and some of the opportunities that we have in the pipeline definitely indicate that we could witness a bounce back in H2. However, there is still work to be done like Rajan mentioned which is why we are at this point, I am hesitant to put out a guidance for H2, but we believe we made the right investments in terms of people and capability building, which will put us back on the growth tracks as well as the margins that we historically reported, we hope to be back on the same tragic in a couple of quarters.

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