November 03, 2023

BSE Limited	**National Stock Exchange of India Limited**
Phiroze Jeejeebhoy Towers,	**Exchange Plaza, C-1, Block G,**
Dalal Street, Mumbai-400 001.	**Bandra Kurla Complex Bandra East,**
Scrip Code: 543398	**Mumbai 400 051**
	Scrip Symbol: LATENTVIEW

Dear Sir/Madam,

Sub: Transcript of Earnings Call held on October 30, 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 October 30, 2023, post announcement of financial results of the Company for the quarter and half year ended September 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: 2023.11.03 17:16:30 +05'30'

P. Srinivasan
Company Secretary and Compliance Officer

"LatentView Analytics Limited

Q2 FY'24 Earnings Conference Call"

October 30, 2023

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

MODERATOR: **MS. ASHA GUPTA – EY LLP – INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to LatentView Analytics Limited Q2 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone.

I now hand the conference over to Ms. Asha Gupta from E&Y. Thank you and over to you, ma'am.

Asha Gupta: Thank you, Sagar. Good morning to all participants in this call. Welcome to the Q2 FY24 Earnings Call of LatentView Analytics Limited.

The results and presentation have already been mailed to you and you can also view them on the website www.latentview.com. In case anyone does not have the copy of the press release or presentation or you are not marked in the mailing list, please do write to us and we will be happy to send you the same. To take us through the results today and to answer your questions, we have the CEO of the company, Rajan Sethuraman, who will be referring to as Rajan, and we have the CFO of the company, Rajan Venkatesan, whom we will be referring 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 financials given by Raj. As usual, I would like to remind you that anything that is mentioned on the call that reflects any outlook for the future or which can be construed as forward-looking statements must be viewed in conjunction with the risks 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 it on our website.

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

Rajan Sethuraman: Thanks, Asha. Good morning all for taking the time and joining this call of LatentView Analytics. I'm sure that you all had a chance to look at the press release and go through the presentation as well, so I don't want to repeat what is already stated there.

From our perspective, we see that quarter 2 has continued to remain, in some sense, a little muted in comparison to what the scenario was a year back in the quarter 2 of FY23. As you all know, the macroeconomic scenario continues to remain a little sluggish. However, we are happy that we have been able to report a growth in quarter 2 as well from an incremental quarter-on-quarter as well as year-on-year perspective.

Much of the growth, I would say, has come from additional work that we have got from our existing clients and stakeholders that we are working with, which is good news for us in the sense that most of them feel that the work that is currently underway is of significant importance to them, even in the trying economic conditions in which they are operating.

Therefore, we continue to execute on the initiatives that have been already identified, and in many instances, there has been additional work that had to be done even as part of those initiatives, which is what has contributed to the growth. As stated in the quarter 1 earnings call, new initiatives continue to remain a little challenging for many of our clients.

So while there is widespread acceptance that a lot needs to be done on the data analytics front, many of them are still finding challenges in terms of securing budget or even in case they have budgets to get all the necessary approvals from within their organizations for starting off substantial new initiatives.

We have witnessed some additions in the form of new initiatives, but many of them are smaller in scope and size at this point in time, and the substantial larger initiatives are taking a lot more time and conversations for us to convert. In spite of this, we did have additions to our account list this quarter, and we were able to start working with a few new accounts that have been indicated in the press release.

We also saw that one of our accounts crossed the 15 million per annum revenue threshold, which is a really good piece of news for us and reaffirms our faith that many organizations are still getting started on their analytics journey and there is a lot more to be done in terms of what can be achieved through the power of data analytics. We also continue to proceed with some of the important initiatives that we have from a growth perspective. I will just talk about a few of them here.

We added two more people to our advisory council. Both of them come with substantial background and experience in the retail and CPG space and bring with them a wealth of knowledge in addition to the connects that they have within the industry. I have been mentioning in the past that a lot of our go-to-market strategy is now predicated on specific value propositions that we are building in response to the challenges and the opportunities that our clients see within their context. And this has been a story over the last 9 to 12 months. So more and more of our initial conversations as well as actual initiatives now revolve around specific value propositions that we are taking to market to address these problems and opportunities. In particular, we have found a lot of traction for our migration value proposition in the data engineering space.

We have been seeing good traction for our on-shelf availability and demand forecasting in the supply chain analytics space. We have been seeing good traction for our one customer view, which is a 360 degree view of the customer in the hospitality and the CPG space, for example.

We also participated in several events. A lot of them were internal events that we had organized. Our 15th LatentView Analytics Roundtable event was held in New York in the month of August, and it saw a lot of interest and traction in terms of the topics that got discussed around how do you prioritize on analytics initiatives in the current set of challenges.

We also were able to attend a few external events, including the Data Hack Summit that happened in the U.S. And this is all helping generate a lot of new conversations and opportunities. But as I said earlier, there is still a lot of work that needs to be done to translate them into signups in terms of engagements and statements of work.

We continue to expand our sales team as well. We brought in two senior people into our front end team in the U.S., specifically on the CPG space. And both of them come in with a lot of experience as well as the relationships that they have with senior stakeholders within the industry. And in some sense, they have started hitting the ground running and generating new leads and opportunities for us already. One other thing that I wanted to touch upon is what is happening on the Generative AI and the large language model space. I'm sure that you are all hearing about all the action and the buzz in this space. We have been focused on a two-pronged approach when it comes to Generative AI. So there are two specific value propositions that we have built, which are using the Generative AI technologies as the central theme and technological thrust.

One of them is LASER, which is focused on how do you extract meaningful insights from unstructured text data and documentation that a lot of our clients grapple with, whether it is related to procurement or whether it's related to customer reviews or whether it's related to contract documents that they have. There's a ton of information that is typically buried within these, and you can actually mine them successfully using the power of Generative AI technology. So LASER focuses on that.

The other one is titled GenCompose, and that is focused on how do you use the creative power and aspects that Generative AI brings in to generate content that is very personalized and targeted for the specific customer segments that our clients are looking at and they are interested in. GenCompose helps create the kind of engaging content, whether it is text, whether visual image, analytics image, with the intent that you have very specific, tailored content that appeals to the target customer segments.

So that you can actually reach them better using messages that resonate with that. So these are two value propositions that are specifically using Generative AI at their core, and the main value proposition is the power of using Generative AI and large language models to address specific issues.

GenCompose in particular, we are actually taking it to a lot of our B2B clients and prospects, with the intent that they can actually mine the long tail of leads and prospects that they have, and still reach them in a very engaged and personalized fashion, using the power of Generative AI and the content that it can generate, which targets them. The other prong of a Generative AI approach is really around embedding the power of Generative AI into all the other value propositions and solutions that we are building.

As I mentioned, for example, in the supply chain space, work that we are doing around procurement, for example, procurement contracts and other things, you can actually look at insights that are coming out of that, and you can layer in Generative AI type of approaches to mine that information, and integrate that with the general on-shelf availability and connected view value proposition that we have in the supply chain space.

So this is the other approach that we are taking, in terms of integrating Generative AI components into the other value propositions that we have. I would say that at this point in time, both of that is seeing some good traction. We will see more action in the coming months and quarters, and we will continue to update on this front.

This quarter was also very good for us in terms of external recognition that we got. We awarded the Minsky Award in the Indian market. The Analytics India magazine organizes this Cypher event, and as part of that they have the Minsky Award. We received it for the work that we are doing along with the International Myeloma Foundation, specifically focused on how to use data analytics for community good.

We are also recognized by the Great Place to Work Institute, and we now feature in the list of top companies to work for women. Finally, we also featured in the analytics maturity quadrant that the Analytics India magazine publishes. These are some things that gave further motivation and push for the type of work that we are doing in the data analytics space.

Overall, I would say that from a demand standpoint, Q1 and Q2 have continued to remain a little muted. At this point in time, I would say that from a Q3 standpoint, we will continue to grow slightly better than the growth rates that we have seen in quarter one and quarter two. How the entire year turns out and how the next year will unfold, we will be in a better position to provide an update as quarter three unfolds.

Quarter three is typically the time frame during which a lot of our existing contracts are renewed. Hopefully, we will also see a kick-off of some new initiatives on the back of conversations that we have been having this year. We should be able to provide a better update on how the full year will look and how the next year is going to pan out when we do the update at the end of quarter three.

With that, I'll hand it over to Raj, our CFO, to provide some additional highlights from a financial standpoint.

Rajan Venkatesan: Thank you, Rajan. Good morning everyone, and welcome to our Q2 FY '24 Earnings Call. Just to add to what Rajan already covered as part of his opening conversation, for the quarter ended September 30th, we are glad to report that we were able to grow our top line by 5.4% on a sequential basis. This is in rupee terms, of course, and 17.6% on a year-on-year basis. In dollar terms, again, for this quarter, we were able to grow by about 4.9% on a sequential basis. As elaborated by Rajan, the growth was largely driven by growth in existing accounts, and even over there, growth in some of our marquee and large logos where we were able to sign on incremental work or incremental initiatives from these clients.

We are, of course, continuing to witness some level of sluggishness in new disclosures and signing new logos, and that continues because of the uncertain macroeconomic environment at this point in time. However, like Rajan mentioned, Q3 at this point in time looks like we will be able to report slightly better numbers in growth terms over Q2, whereas for the full year, we will be able to give a much better picture as we close in towards the end of the calendar year.

Other income for this quarter stood at about INR17 crores, a decrease of 5% on a sequential basis, predominantly on the back of lower forex gains that we recognized during the current quarter. The EBITDA for the current quarter came in at about INR30.8 crores, and EBITDA margin itself was at about 19.8%, which was on a sequential basis 77 basis points higher than what we reported in the earlier quarter.

You would also remember that in the last quarter earnings call, we did talk about the investments that we are continuing to make notwithstanding the sluggish macroeconomic environment. I would say even in the current quarter, we did not take our pedal off the foot in terms of investments that we are making in our sales and business development teams as well as in running marketing events. We continue to ramp up the investment over there.

However, we were able to drive some level of operational efficiencies across our delivery organization. The utilization for the current quarter was marginally better than what we had in Q1, and that resulted in some level of EBITDA margin expansion. That coupled with slightly lower visa expenses because visa expenses, tend to be cyclical in nature. So Q1 is when we have a higher share of the visa expenses, so we had lower visa expenses in Q2. The operational efficiencies combined with lower visa expenses and slightly lower professional and legal charges on the administrative side led to margin expansion in the current quarter. That plus, the benefit that came from the slightly higher revenue numbers for the quarter.Overall, I think we would expect the EBITDA margin trend to continue at these levels for the next two quarters as well because we will not take our foot off the pedal in terms of the investments on the sales and marketing side. However, we will be able to take a much more calibrated view on where the margins are likely to be on a full year basis towards the end of Q3.

Our PAT for the current quarter stood at about INR34.03 crores expecting a growth of 3.55% on a quarter-on-quarter basis. For H1, our revenue stood at INR303.4 crores, reflecting a growth of about 20.2% with an EBITDA margin of 19.4%. In terms of geographical split of revenues, US continues to be the dominant geography contributing 95% of overall revenues.

However, you would have also noted that in our press release, we did indicate that we are beginning to see some level of good traction in the European region. While we'll be able to give you a concrete view in terms of deal closures that we've had in Europe in the next quarter's earnings call, we are happy to report that we are seeing increased traction in at least the pipeline build-up and also some of the conversations moving to a fairly advanced stage of closure.

We will be able to give you a better sense of how Europe is trending in the next quarter's earnings call. For the full year, Europe will be between 5% to 8% by the end of FY '24, which would be a slight increase. But we will hopefully, on the back of all the investments that we've been making, the following year we should be able to see a significant growth trajectory for that region.

Technology continues to be the strongest vertical for us contributing 71% of our overall revenues, followed by industrials. We have for the current quarter, if you look at CPG and retail, there has been a little bit of a shrinkage compared to the earlier quarter. This is not on the back of any client losses or ramped down in any budgets. As opposed to that, what happened was in Q1 there were a few, I would say, one-time projects or discovery consulting engagements that we had done for some of our CPG clients, where the follow-on work for the last couple of years, you see a small shrinkage in this vertical in the current quarter.In terms of our balance sheet, our cash-in-cash equivalents, including the IPO money, stood at about INR1,160 crores as of 30 September 2023 In terms of our headcount, our headcount for the quarter came in at 1,146 people. As mentioned, we continue to invest in people. In fact, in the current quarter, we onboarded close to about 80 plus people from campuses. We will continue to add more people from campus in a staggered manner in Q3 as well.

Lastly, the update on M&A, which I'm sure that all of you guys are waiting on, we are at this point in time in advanced stages of discussion with a few opportunities. Of course, we are going through the due diligence process and also preparing ourselves for, I would say, more intense due diligence at this point in time. Hopefully, we should have some news on this front in the next earnings call for all of you folks.

With that, I would like to end my talk and I would hand it back to Asha for Q&A.

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

Mohit Jain: Sir, first is on pricing trends. Do you see an uptick in pricing given that growth is back for us, at least for the last two quarters? That was one. The related thing is, what is the headcount requirement we're looking at, say, the next two quarters?

Rajan Sethuraman: Raj, do you want to take the pricing question? I can comment on the headcounts.

Rajan Venkatesan: Hi, Mohit. Thanks for the question. In terms of pricing, I would say at this point, we are getting into that season where we will be renewing a lot of the book of work that we execute. Almost 80% of the clients that we work with follow the January-December budgeting cycle, we will be at this point in time initiating pricing conversations as well.

We are quite hopeful, that at least in a few of our key accounts, we will be able to get pricing in the next couple of years. We have not had raised prices, but then again, it is again a function of how the macroeconomic environment looks. There is no, pressure on pricing at this point in time where clients have come back and requested for either pricing cuts or initiated any downward revision in prices. So that is not a trend that we are seeing, but we will be pushing for price hikes in upcoming fiscal.

Rajan Sethuraman: Thanks Raj. I will take the question on the increases. So Mohit, a lot of the hiring is going to continue to be on the campus front. So last year we had made close to 400 offers on campus. And after taking into account acceptances and some of the natural attrition between offer date and date of joining, we are expecting that a total of 300 plus people will join us.

So at this point in time, we have completed onboarding about one-third of them. It is likely to get to about a 40%-45% mark by the middle of November, which means that we will have another 50% of that 300 number to onboard between mid-November and likely the January-February time, depending on how the demand scenario unfolds for us in Q3 and Q4.

In addition to that, the current campus hiring season, that is underway, this is for people who are passing out in May, June, July of 2024. We are going ahead with the hiring season, and we will be making about 200-250 offers. Broadly, that's the indication in terms of the number.

Attrition has come down substantially in comparison to the previous quarters. Of course, as the demand scenario picks up, one could also expect that there will be more opportunities available for people so like to see how that plays out.

And at this point of time, we are confident of having the people required, trained and ready for the opportunities that are currently in the pipeline. We will supplement this with some quantum of lateral hiring, depending on specific skill sets and any urgency for initiatives that get underway.

Mohit Jain: Right. And, sir, one follow-up on this. So if I get it right, you guys are waiting for flattish kind of margins over in the second half. But, if our pricing environment is steady and as you said in the opening remark of the speech, that most of the investments are behind. Shouldn't we expect some uptick in margins as we move forward?

Rajan Venkatesan: So, Mohit, the answer to that is, yes, if the current growth trajectory continues, right, and we are hopeful that at least Q3 we will continue to see growth which will be incremental, we should see marginal expansion in the EBITDA margins. However, what remains to be seen is, how will on a full year basis the renewals pan out, and what is the book of work that we have for the beginning of the next calendar year. I think that will be very critical for us from a full-year standpoint.

At this point in time, we do believe that, if we continue with the same growth trajectory which is, 4% to 5% or slightly higher than that, we should see benefit of that on the EBITDA margins on a full year basis. But it may not be that to the historically levels of 25% plus, I think that will take some time for us because even at this point in time, some of the investments that we've made on the SG&A side, right, are for a much higher level of sales, the visibility of which is at this point in time a little low.

Mohit Jain: Got it, sir. Sir, gross margin is holding up, right?

Rajan Venkatesan: Yes, on the gross margin front, both from a pricing standpoint as well as from a delivery efficiency standpoint. We are continuing to do well. So, the gross margins are definitely holding up. The one thing, though, that even from a gross margin standpoint, what we have noted in the last couple of quarters is, there's a marginal shift in the work that we deliver.

There is a slight uptick or increase in the onsite work that we have been executing, especially for some of our current clients, where there's a request for resources to be based onsite and that. I would say, having a marginal impact on gross margin, which is, of course, being offset by the better efficiency that we've been able to bring in through better utilization. So, utilization for this current quarter is almost at about 85% in comparison to 81% for the previous quarter. So, the increase in onsite was compensated by better utilization for this quarter.

Rajan Sethuraman: I'll just add, Mohit, that the reason for the onsite uptick is because of the nature of the initiatives. When you have larger substantial initiatives, there's opportunity for more leverage. But when you're doing smaller initiatives, typically the intent is let's have the people close by and get it monitored closely. So, as bigger initiatives unfold, the leverage should get back.

Mohit Jain: Understood. Perfect, sir, and good quarter. Thank you.

Rajan Sethuraman: Thanks, Mohit.

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

Hitesh Malla: Yes, hi Raj, hi Rajan. Nice to hear from you guys again and congrats on a good quarter. A couple of questions from my side. The first one is on the technology vertical, right? You guys have shown a really good quarter in terms of how that book has grown. So, just curious in terms of how the nature of work for those clients has changed because your peers in the industry seem to have very divergent sort of guidance and performance basis, the nature of work.

If it's kind of like marketing analytics, they're seeing like a lot of pressure in those verticals versus if it is more like health tech or something on those lines, they seem to be getting a lot of traction on those contracts. So, I just wanted to know get a sense of, what is driving this technology vertical and any changes on that side?

Rajan Sethuraman: Thanks for the wishes. I wouldn't say that there has been any substantial departure in terms of the nature of the work. A lot of the work still continues to be at the front end of the value chain, customer and marketing analytics. I think one of the things that we see is given the spectrum of clients that we work with, most of these organisation have some pockets of their business which is growing very well and is seem to have good demand.

We have also pivoted over the last two quarters to opening more doors within these accounts, which are focused on the businesses that are performing well. So, if you take technology companies across the board, it's not uniform performance across their businesses. There are pockets which are doing well.

There are some pockets where they are also looking some dips given that the interest rates have gone up and companies are reluctant to kick off substantially in big projects. So, that is having an impact on which parts of the business are going. So, we have been looking at helping businesses where there is an uptick from a customer marketing analytics perspective.

Another area that is finding some traction is on the devices side. We have seen that as some of the supply chain challenges that were there two years back during the pandemic, as they are starting to subside, there is also a need for greater visibility across the device supply chain. And we are starting to see some traction for our connected view value proposition on that front.

So, that is also driving some of the interest and the action. But otherwise, a lot of the new initiatives that we have gone into are related to work that we have performed for them earlier. And on the back of the impact that those initiatives are delivering, we have seen additions to those teams where they said, okay, we have solved these problems. Let's actually go a little deeper and then tackle some more nuanced understanding of customer behaviour, whether it is on the B2B or on the D2B side. B2B in particular is seeing some good, interesting action. I talked about one of the value propositions around the B2B growth engine. How do you address the long tail of account and how do you mine that? So, that is receiving some good traction and we are having conversations on that front also.

Hitesh Malla: Understood. And on a related note, Europe, you guys still seem to be very confident on achieving those 5% to 8% of revenues by the end of the year, while it is still at 1.5%, less than 1.5% today. But you have been making very significant addition in terms of the sales force and had couple of big hire in that region. So, can we expect like a big deal closure or do you have some visibility on like some of these big logos converting in Europe that gives you that confidence?

Rajan Sethuraman: Yes, what is encouraging for us is the nature of the conversations and the accounts that we are engaging with. Much of our Europe go-to-market strategy is predicated on our advisor network and the connects that we are able to get through them. Europe is a tough market otherwise, very relationship driven.

But the good news is that the advisor that they are engaging with, they are able to get us introduced at very senior levels and also with some of the top brands within Europe. All of these are Fortune 500 companies and conversations are starting at the CXO and Senior Vice President level.

Given just the general economic environment, there is obviously reluctance to kick off any substantially large initiatives and even for the initiatives for which they already have budgets and they want to go forward. While the introduction is helping us get into the door, they still want to do some pilots to begin with before they substantially expand their relationship with us. So, that's where we are at this time.

As Raj mentioned, while we didn't have closures in quarter two itself, we have already seen some closures in October on the back of these conversations. And there are at least a dozen very interesting conversations that are happening at this point in time. So, we will have more closures through the remainder of this quarter. However, I expect that these closures will probably be in the 250K range in terms of the size of the initiatives that get underway.

For us to start seeing $1 million - $2 million-plus relationships, it will probably take a little bit more time. One hopes that the economic climate also changes to aid us on that front. What will also be critical is that the initial initiatives that we are picking up, that they are executed really well for us to get the confidence of the stakeholders that we are engaging with.

What I can say now with a good deal of confidence is that right logos, right senior stakeholders, and the right type of work as well. That is what is giving us the promise is there on the back of all of that.

Hitesh Malla: Got it. I appreciate that. And one last thing before I get back into the queue. We've previously put a lot of attention on the data engineering work that we've been doing. And that pack or that layer in the stack doing really well in this context. So, just curious on in terms of like what portion of your revenues today is still data engineering and how are you seeing that demand going forward?

Rajan Sethuraman: Yes, that is intact. That trend is intact. Today, I would say, it's probably in the 20% to 23% mark. As I said in earlier calls, I expect that to actually go past the 25%, maybe even touch the 30% mark. Complex initiatives will require complex data engineering work to be done as well.

And when we look at organizations across the path, there is still a lot of data silos. There are a lot of challenges in terms of bringing it all together. It's a good thing that even the hyperscalers are building capabilities that will help organizations. It's one thing to move the cloud, but if you just do a lift and shift, you will just inherit a lot of the silos and other challenges that might have been there in your on-prem and legacy systems.

The good news is that Microsoft, for example, with their Fabric, they are really pushing the envelope in terms of how you can bring it all together into one platform in a more easy, seamless fashion. And companies like Snowflake, Databricks, they are also leading on that front. Google Cloud, again, a lot of investment happening on that area.

So all of that will mean that there will be quite a bit of work that will need to be done on the data engineering front. And therefore, the 25%, 30% part of revenues coming from there, I would say that trend is still intact.

Hitesh Malla: Got it. Thanks a lot, Raj. I'll get back in the queue now.

Moderator: The next question is from the line of Vimal Gohil from Alchemy Capital Management. Please go ahead.

Vimal Gohil: Yes, thank you for the opportunity. So my question is regarding margins. Now, over the last few quarters, we have seen almost a 10% point decline in our operating margins. Now, if I were to look at our revenue growth performance, apart from one, probably Q4, I think, of FY'23, where we had a decline sequentially, our sequential quarter-on-quarter performance has been quite decent. And if I were to believe that H2 is going to be better than H1 in terms of sequential growth, we should land up anywhere between 15% to 17% growth for the year. And 15% to 17% growth, per se, is really not that bad, given the scenario.

But what worries me is despite that growth, we are looking at a flattish kind of a margin. I understand that we've made such investments, but could we have done better in terms of, guarding our margins for this year? And what gives us the confidence? And what is the kind of growth rates do we need to get back to that 28%, 29% kind of EBITDA margins? Thanks a lot.

Rajan Sethuraman: Yes, thanks for the question. Let me get the business growth part of it, Raj, and then I'll hand it to you. Yes, so the investments that were made were with an expectation of a 30% kind of a growth trajectory, right? And this is what we committed to, a year back, for example. Actually, even in February of '22, when we had gotten together internally to discuss what is the trajectory we were looking for the next three years, we wanted to be in that kind of trajectory.

Of course, at that time, we weren't witnessing the kind of challenges that we see currently in the environment. So we committed to a certain strategy and an approach at that time, and we have continued to stay the path, right? So a 30%-35% kind of growth trajectory is what will get us back into the 25%,-28% EBITDA range. But obviously, the growth has been sluggish in comparison to that.

Now, one might ask the question in that case, why don't you scale back on the investments and improve on the EBITDA? Our experience, at least from a recent past, even during the pandemic times, is that these investments are important to make right now. And if we cut back on that, then emerging from the current economic climate, it might then prove a little bit of a catch-up game. So, we are okay at this point in time to continue with the general investment philosophy that we have. We're starting to see some traction. It is also helping us maintain the incremental growth that you commented on, right. Which is, while it is not great, it's not bad either, I mean, given the overall economic environment.

So we're going to continue to persist with this, and we will make some calibrated adjustments to this. And we are okay with waiting a little bit longer, okay, for the EBITDA profile to return to our 25% kind of range. I'll pass it to Raj to add in any other nuances.

Rajan Venkatesan: I also wanted to emphasize on the fact that the current level of sales and marketing investment that we have made, which is fully reflected in the current P&L, is for us to deliver almost a 25% to 30% growth, in fact, towards the higher end of the 30% growth on a full-year basis. So that was the basis for us to invest heavily in both the front end, as well as the other thing that I think we didn't touch upon was the capability teams that we have been investing in. These are, of course, teams that are building on value proposition so that we go to market with much more sharper solutions that address specific client needs.

Up until now, majority of the people who were in the solutions for product development teams have been unbilled. . One of the initiatives that we have as part of the driving operation efficiency concern is, one of the things that we have taken up is, we've also looking to see if some of the people in these capability teams can also be built on engagement. So that's something that we are actively reviewing which could also result in some level of margin unlock in the coming quarters.

But that aside, the intent right now is to continue or not sort of take our foot off the pedal on the investments, even though growth is not commensurate or not in line with the current level of investments. We are fairly hopeful that once the demand comes back, which should happen in maybe one or two quarters, of course, the hope was that in H2 of the current year, we will see demand coming back. But it looks like , the overall sentiment still continues to be a little weak.

Our hope is that in a couple of quarters, we will start seeing demand come back in and therefore, you should start seeing the margins inking up. We are not very unduly concerned about the margins being at the current levels. It's something that we can very easily control. But what we want to set ourselves up for is the right level of growth. We believe that at least a 30% growth is what we should achieve or deliver as a business on an organic basis and the inorganic will be on top of that. So we are trying to set ourselves up for that size of growth and we will continue to do so in the coming quarters as well.

Vimal Gohil: Understood, sir. Thank you so much for the detailed answer. All the best.

Moderator: Thank you. The next question is from the line of Chirag Kachadia from Ashikai Institutional Equities. Please go ahead.

Chirag Kachadia: Hi, I have a couple of questions. I just want to know what size of acquisitions are we looking forward to in terms of turnover and valuation wise? And second, with the help of these acquisitions which are in the pipeline or an advanced stage of discussion as you mentioned, what synergy are we looking forward in terms of growth, margin and from three to five years perspective?

Rajan Sethuraman: From a size perspective, an ideal acquisition target will be anywhere in the 10 to 20 million revenue range. And if the margin profile is similar to ours, one could expect that it will be a multiple of four and a half, anywhere between three and a half to five and a half, okay, in terms of revenue multiple. So that will give you a size of the acquisition itself in terms of valuation.

We are currently focused on specific domains and capabilities. So for example, BFSI and consumer packaged goods, these are areas that we are not very strong. We are behind the curve in terms of our representation within the space. So we are interested in those domains. From a capability standpoint, any new value proposition, it was a very value proposition based play in these spaces.

So for example, in BFSI, it can be around risk and fraud, for example. In the consumer packaged goods, it could be around pricing analytics or revenue, for example. If there are particular solutions and value propositions that these companies bring to the table, then they will be more interesting for us to look at. Similarly, we'll be looking at capabilities around supply chain analytics, around data engineering. These are areas of focus as you have defined on the growth strategy. So combination of these would what make it an attractive target.

If there are leverage opportunities in terms of if they have a dominant onsite model and then we can unlock more value by offshoring some of the work, or if there's a consultative layer and they're doing that work and there's a lot of follow-on work that we can further get in, or if it helps expand our wheelhouse in terms of an adjacency, like planning, budgeting, for example, these are all things that would be of interest.

So the intent is that the synergies will not only come in terms of their value propositions and our value propositions, which we can cross sell into one another, but also that we are able to actually bring completely a new type of approach scale on the back of solutions and value propositions, to what might have been typically done through a services model. So that will help unlock even more synergies and non-linearity. That's really what we're looking at. Raj, go ahead and add in if there is something else.

Rajan Venkatesan: I think from a synergy standpoint, we will be looking at some of the capabilities or solutions that we have built. I think our endeavour would be that we're able to cross sell and upsell some of the solutions that we are building into the client side of the target. The other big sort of synergy unlock that we will definitely look at it, using our go-to-market teams, because we have invested substantially in sales and business development teams in the U.S. as well as in the European region.

The big synergy unlock would happen if we're able to effectively leverage our go-to-market teams in these regions and accelerate the rate of the growth of the target business. I think these would be the two big synergy unlocks that we would look at when we are looking at an acquisition.

Chirag Kachadia: Thank you so much.

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

Hitesh Malla: Yes, hi. Thanks for the follow-up. Rajan, this is more for you. On the M&A front, a couple of quarters ago, we did mention that we had a couple of opportunities which were on the verge of finalizing. I'm just curious in terms of why those deals didn't go through. Was it more of a valuation concern? And then again, the industry valuations have cooled off quite a bit in the last 12 months.

I'm just curious as to why those deals didn't go through. Going forward, how can we expect some of these deals to come across and what are the key characteristics that you are looking at for some of these acquisitions?

Rajan Sethuraman: There are a couple of deals where we felt quite positive about. One of them didn't materialize on account of two reasons. One was that there was a difference in the valuation expectations between us and between the current promoters. Also, a second reason was that the promoters were also debating between growth capital versus a complete sell-out or a majority stake sale. And given the valuation differences, they took a call that they will insert a growth capital and then move forward and get their business to a better level before they potentially explore this again.

The other one, interestingly, that company did go ahead and complete the transaction. I mean, they got acquired by another organization. We were led to believe that they had actually shelved the plans and they're going to get back to the market around the December timeframe. But they were running a process in the background, and it looked like that process fructified.

This is something that we were not completely clued in because with us, the engagement was very strong, indicating that they had temporarily shelved the process and they're now talking to potential suitors and that they found us as somebody who they really liked in terms of the synergy and the culture fit and all that. But then they decided to move forward with the process that they had already initiated some time back, which they had kept in abeyance. So those two didn't pan out for these reasons.

, Every such instance also provides additional knowledge and learning for us and experience for us. So we are taking all of this into account. There is one opportunity which is quite advanced at this time, and then there are another half a dozen-plus which are in various stages of evaluation. Obviously, we will be factoring in all of this understanding. We don't want to go crazy though with the valuation.

I mean, if the demand comes back and there is a general economic sentiment improvement, that will also get factored into the valuation expectations that organizations have. So we want to make sure that that is in line with what we believe makes sense for us, the synergy benefits that are possible and how we can unlock value. All of that will be taken into account in terms of how we value the business and what we are prepared to pay for it. I'll say that the one where we are a bit more advanced. We have actually ticked many of those boxes and we seem to be moving in the right direction.

Hitesh Malla: Got it. And a quick follow-up on the employee side. This quarter we have seen, in fact, for the past couple of quarters, we have seen quite an aggressive addition on the PG hiring side. So is it fair to assume that your strategy is shifting more towards being a consulting partner for your clients and is that where the industry is heading and is that where you are hoping to garner more revenues, more margins?

Rajan Sethuraman: Yes, in a sense that is correct. This whole shift from being an execution partner to being a consulting partner is an agenda that we've been driving for the last couple of years. Of course, it's a long road, but we realize that some of that can be accelerated by hiring people, not just a postgraduate degree, but also the experience that they have between their undergrad and postgrad.

We've also been looking at increasing the quantum of hiring from business schools and IIMs, campuses, people who have done a consulting stint or work of that nature. I think that is important. It dovetails well with the value proposition and solution-led strategy that we are taking where we need to be able to articulate the problems and opportunities in the domain really well.

We are seeing some good traction for that approach. So today I would say that most of our conversations that we initiate, whether it is through our demand generation channels or our reach-outs or one-on-ones, they are all predicated on the particular solutions and value propositions. We just organized the 16th LatentView Analytics Roundtable event in the Bay Area and it happened just a week back. I just got back from California last Sunday and in some sense it was the most attended analytics roundtable event that we had ever conducted. We had almost 150-plus participants. It was in the Menlo Park area and extremely well attended and we got very good feedback for that event.

And a significant feature of that was that it was all around the value propositions and the solutions and that's what we showcased given the demos. Of course, this is not part of the last quarter's update, but given that it has happened recently, I'm able to share this with you. So the traction for the solution value proposition consulting-led approach is strong and we believe that therefore we will continue to hire people with the kind of caliber and experience that will support that approach.

Hitesh Malla: Understood. Thanks, Raj. I appreciate a lot of it and all the best going forward as well.

Rajan Sethuraman: Yes, thanks, Hitesh.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Moderator: The question is from the line of Hasmukh from SUD Life. Please go ahead.

Hasmukh: Thanks for the opportunity. one question on the client concentration front. So if I look at our total revenue from top 20 clients, that is almost at 92%. And that has, let's say, increased from 86% to 92% in last five quarters, six quarters. So any thoughts around this number? Why so high client concentration? And though I consider in these difficult times, probably you might not be able to get your client, but still what's your view on this from three years perspective also?

Rajan Sethuraman: From a three year perspective, it should definitely get better. But as you yourself pointed out, the growth in the last few quarters has been of an incremental nature. Working with current stakeholders and an expansion of their initiatives and small additional initiatives that they have launched.

Even if we have one account in the CPG or in financial services or in industrial, for example, the new initiatives have not been of the type of size and scale that you typically see. So it's been a bit muted on the front. And therefore, the contribution to revenue from these new accounts that we add has also been minimal. So that has continued to impact the concentration point that you bring out.

In some sense, the concentration in this environment, right, is something that we're not worried about. I mean, it actually goes to show that the work that we are doing for some of the larger accounts that we work with is very important and critical to them. And not only are they retaining for all of that work, they're also growing with us. So that gives us confidence that we are doing the right things with them. I think the concentration will come down as a little bit of that economic environment sentiment changes and you start seeing more substantial spends from the new accounts that we have acquired in the recent times.

Hasmukh: Understood. But let's say, if one would want to take a view of three years, then where does number for a size of, we should land at from three years perspective?

Rajan Sethuraman: Hard to put a number right now, Hasmukh. it's going to be definitely lower than what it is. From our perspective, top 5 accounts, if it comes down to the 60% mark, then that is good. I mean, because it means that we are also growing substantially with many of the other new accounts that we are bringing in. Typically in the past, three years, four years back, if you win an account at 250k, it was really good. And we were looking at a trajectory of growth from 250k to 2 million over 18 months, 24 months kind of a timeframe.

More recently, two years back, when we were evaluating scenarios, we said that now we should get in at least at a 0.5 million mark, and we should get to the 2 million mark in a much shorter timeframe, in a 12-month timeframe itself. We are expecting that we will revert to that kind of a scenario as the economic environment improves. And if that happens, then the kind of percentage that I indicated should be possible within a three-year timeframe.

Hasmukh: Okay, understood. Thank you very much for that.

Rajan Sethuraman: A few closing remarks, I would say that in the current economic environment, our performance in quarter 2 continues to give us a good deal of confidence. The number of opportunities that we have in our pipeline has gone up significantly in comparison to where we were at the same time last year.

We have a 100-plus open conversations amounting to over $45 million in terms of opportunities. That is like an increase of almost 3.5x in terms of the number of conversations, almost 200% in terms of the value of the opportunities that we had at the same time last year. The timeframe for closure is much, much longer than what we had experienced before.

These opportunities continue to move very slowly through the pipeline because of the current economic environment, and that is what we are expecting, that things will change as some of the uncertainty is lifted. But all this has been possible on the back of several things I talked about earlier. All the investments that we have made into the sales and the business development front, the advisors that we have onboarded, the focus on capability building and value propositions, all of that. And also, as it was pointed out, the investments that we are making in bringing senior post-graduates and higher-caliber people right into the organization. All of that is contributing to this.

I think we are poised well. We do need to see the unlock happening, through the conversions in the remaining quarters. So we will continue to look at this very carefully and further calibrate in terms of what we do. The very recent analytics roundtable event that we had was a huge success in terms of attendance and appreciation and all that. Obviously, we will want to see traction in terms of closures also on the back of that.

So that gives us a great deal of confidence, but we are also mindful of the current economic environment and the uncertainty, and therefore, we will be watchful in terms of how we respond to all of this stuff, both from an investment and from a cost control, margin expansion, and all of those perspectives. At this point in time, I would say that we are encouraged by what we have seen in recent times, and we will continue to stay focused on the growth and profitability.

So with that, I will pass it on to Raj for any concluding remarks that he has.

Rajan Venkatesan: Thank you, Rajan. I don't have anything further or substantial to add to what you already mentioned. I think the point that I already mentioned in the opening remarks around the fact that while our growth rates and margin profile, both are, I would say, a little more muted or I would say depressed compared to where we would like them to be.

The fact is that the economic environment and the overall sentiment continues to be a little sluggish. We are mindful of the fact that the investment that we are making at this point in time are disproportionate to the current level of business or the growth that we are demonstrating. However, we remain committed to deliver growth which is industry-leading, in fact, better than the industry by 5% to 8 percentage points. So we remain committed to delivering growth that is exceeding the industry benchmark.

We will not take our eye off the ball in terms of where the business is trending. We continue to closely monitor all the operational and operational KPIs as well as salesforce productivity. And we will take suitable actions whenever they are necessary. But at this point in time, we do believe that there are positive signs as much as there are, I would say, negative sentiments. There are enough positive signs in terms of the demand for some of our value propositions as well as growth in the European region. And so we remain positive that we will be able to get back to the historical growth trajectory in a couple of quarters.

With that, I would like to close this call and hand it back to Asha and the operator.

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