

Cigniti Technologies Limited
Q1 FY24 Earnings Conference Call
July 31, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Investor Call of Cigniti Technologies Limited to Discuss the Q1 FY24 Results.

Today we have with us from the management, Mr. Srikanth Chakkilam, Chief Executive Officer, Mr. Krishnan Venkatachary, Chief Financial Officer, Mr. Vinay Rawat, Chief Revenue Officer, Mr. Raghu Krovvidy – Chief Delivery Officer, Mr. Sairamprabhu Vedam, Chief Marketing Officer and Mr. Veera Reddy Patlolla – Global Head of HR. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Smit Shah from Adfactors PR. Thank you and over to you sir.

Smit Shah: Yes. Thank you, Michelle.

Good day everyone. Before the call, we would like to point out that certain statements made in today’s call may be forward looking in nature and the disclaimer to this effect has been included in the earnings presentation shared with you earlier. The investor call may contain forward-looking statements based on the currently held beliefs and assumptions of the management of the company which are expressed in good faith and in their opinion reasonable. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the company or industry results to differ materially from the results financial condition, performance or achievements expressed or implied in such forward-looking statement. The risks and uncertainties relating to these statements include but are not limited to risks and risks of expansion plans, benefits from fluctuations in our earnings, our ability to manage growth and implement strategies, competition in our business, including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals and our ability to win new contracts, changes in technology, availability of financing, our ability to successfully compete and integrate our expansion plans, liabilities, political instability and general economic conditions affecting our industry. Unless otherwise indicated, the information’s contained herein is preliminary indicative and is based on the management information, current plans and estimates.

With this, I would now like to hand over the call to Mr. Srikanth Chakkilam for his opening remarks. Thank you. And over to you sir.

Srikanth Chakkilam:

Thank you, Smit. Thank you, everyone for joining the earnings call for the quarter ending June 2023.

I'd like to give you some quick updates about the quarter. As you all know, the market environment has been quite tough and with the continuous rate hikes and other macro conditions, it has contributed to a cautious spend from our clients. And although we've seen a lot of activities on the clients in pursuing their digital ambitions. The deal cycle generally has stretched beyond ordinary levels. We continue to maintain a decent pipeline, but there has been some struggle to get the clients to sign the dotted line. Now, we continue to be cautiously optimistic on the outlook and the situation is likely to continue for at least another one or two more quarters. Although we are seeing some green shoots evolving in terms of our deals that are likely to get signed in the next two to three quarters and can get to the full potential post that.

In quarterly June, we signed about six new deals and we have grown reasonably given the current market conditions by about 3%-odd. And if you compare it to the corresponding quarter of the previous year, we have grown close to 16%. Our EBITDA stood at about 14.1% and has been impacted on account of increments that we usually complete in the April cycle. But, of course, we are optimistic of improving on this as the quarters progress and as we strive to work on our digital growth.

We also initiated certain cost optimization measures and in this regard to ensure that we have sustainable levels of growth as we progress. We continue to build on our digital engineering services pipeline and portfolio and we are fairly optimistic that we'll convert this pipeline into order book in the coming quarters.

We've had several other positive developments, which some of my colleagues will update as the call progresses, but before that, I'd like Krishnan to double click on financials.

Krishnan Venkatachary:

Thank you, Srikanth and good evening and warm welcome to all the shareholders and the members on the call. Fairly, we started the quarter in a positive note in terms of the top line, clocking at about 53.5 million as against 52.1 million, and in dollar term at about 2.7% if we look at it breaking away from the industry trend and practice what has been there in evoque over the last two quarters.

While it is so basically, as Srikanth said, we are very cautiously optimistic while EBITDA stood at about 14.1%. We have estimated more or less that there will be a reduction in the first few quarters and then gets normalized post appraisal which is coming through my SG&A and sales cost has always been under control and that is the area which is very positive, while the investments have been made, but I think we continue to optimize and now we've started optimizing even the other costs. While it is so my utilization levels have inched up and my dollar rate both are offshore and onsite has marginally realized better in terms of 0.4 cents per hour.

The order book we have won about six new clients in the quarter. And as we could see basically the traction, order closures are taking a longer iterations and this is due to the headwinds but I think we see a positive trend in terms of these headwinds, probably getting behind us in terms of the positive outlook what we get to see just from our customers and also the prospect. We expect the effect and the termination of all these things will have a positive impact moving forward Q3 and beyond very clearly.

North America continue to be our major areas of operation, which has severe inflationary trend and political instability in terms of various budgets and other sanctions. We've been at about 83% North America contributing us for the revenue and the UK and EU at about 9% and the rest of the world at about 8%. While it is so probably we are being seeing some good amount of traction in the rest of the world region invariably and some notable key pursuits are being made which shall prove beneficial. The company is focused very clearly post the integration of the Aparaa Digital, which is RoundSqr as a brand last year. I think the trust for the digital engineering business is in a big way. And the investments continuing to take place in terms of generating the revenue, because what we did for in terms of center of excellence in terms of the few of the sectors, especially the healthcare and the medical devices and on the retail side during the corona time has paved way and has given us right kind of revenues. This is the same what we see in the digital engineering side, so probably over the next couple of quarters plus probably that should start yielding a sizable rate of revenue.

The composition in terms of the revenue mix has tilted and continue to be in favor of the offshore at about 53%. While we have a target in the long term to have it at about 55%, while the top line may taper, but probably the revenue margins will improve on account of this, which shows the volume of strength which the customers are envisaged on that.

The retail, e-commerce, BFSI, transport and healthcare contribute about 75% of the total business. We have provided independent details in our presentation and circulated across. The receivables have been under control. We have been there at about close to 55 days or so. With unbilled receivables, which is the technical adjustment which is done during the quarter and the year-end invariably, I think we stand at about 74 days, 73 days. But I think we are having a fair amount of control and we have generated positive cash flow of about close to Rs.15 crores after then we need to apply for the taxes.

I think these are the few notable points which is there during the quarter what we have achieved. The rest of the answers probably I can answer across in the question and answer session. But I think I will now hand over the forum to Vinay Rawat, who is the Chief Revenue Officer to talk about the Business and Outlook. Over to you, Vinay.

Vinay Rawat:

Thanks, Krishnan. Good afternoon, everyone and thanks for participating in this call.

So you just heard from our CEO and CFO on our quarterly revenue numbers. And given the macroeconomic headwinds, we've been able to deliver a sequential growth in revenue, which is in the current environment I feel is a pretty good performance. Some of our customers that actually had ramped down in Q4 of last financial year actually have come back and reinitiated some of the projects, clearly expressing confidence in our ability to deliver excellence and value. I also think that despite sequential growth of our Q1, our financial year '24 growth view as of now will be function of extended decision-making cycle. I think the project ramp will continue to happen and the volume cuts on discretionary programs will continue. Our sequential growth of about 2.4% quarter-on-quarter I believe actually has outperformed our peers who have reported thus far.

Lastly, just on business visibility, I will say that demand headwinds actually remained prevalent and our outlook likely still will be uncertain especially on discretionary spending in near term.

One thing which I think Krishnan just mentioned here and I would like to just outline that our digital engineering revenue actually has shown significant growth for us in our existing customer base. Clearly again, I would outline that our existing customers are actually expressing confidence in our ability to deliver excellence. And based on my interaction and our teams interactions so far which we have been having with our customers outlook for the rest of the year, I feel optimistic and I also feel that worst is behind us. There are clearly early signs of demand and new projects for volume growth. So I'm optimistic that we will end this financial year with reasonable sequential growth relatively.

I think that's all for now. We will answer the questions in case there are any specific questions. I will actually hand it over back to Krishnan.

Krishnan Venkatachary: Thank you, Vinay. And I'll now hand over the mic to Raghu Krovvidy who handles as Chief Delivery Officer and Technology. Over to you, Raghu.

Raghu Krovvidy: Thanks, Krishnan. Good afternoon. Thanks for joining this call. First things first, I think as every quarter, we did our customer satisfaction survey this quarter as well and I'm pleased to let you all know that we have achieved the satisfaction levels the highest so far in the history of Cigniti. So we had almost 85% of our customers responding to surveys on what we do on a day-to-day basis as far as delivery excellence is concerned and the value that we provide back to our clients, and the index of satisfaction stands at 3.85 out of 4. That's a testament to what we do on a day-to-day basis to our clients.

And from our digital engineering services, I think in the previous calls we spoke about establishing those practices and maturing them. We are in progress as per the plan, whether it is data and insights or RPA or enterprise application integration or cloud. All of these practices we have been able to attract talent and expanding our teams to be able to build the needed capability and capacity strength. Of course, that's a journey that will happen throughout this

fiscal year. In all our existing clients, wherever we have pitched for our digital engineering services or being part of their digital transformation programs, we had great resonance. I have personally been on the field talking to different clients and every one of them have positively responded to this capability addition and are giving us the opportunities to compete with other vendors in that space or be their technology partner.

From our talent perspective, we have beefed up our offerings, our skill sets in the area of both digital assurance and digital engineering services.

We continue to invest into our IP, that is both Blue Swan and ZASTRA. There were also success stories where our IP won the award in North American market for its intelligent test automation. We continue to add and strengthen the IP to make it as cost-effective as far as delivery of automation is concerned, which is our sweet spot as well and clients continue to buy that service from us.

So, overall it's been a pivoting journey towards digital engineering services as per the plan and our top 20 clients continue to grow significantly in terms of our service portfolio and the broader customer landscape continues to give a thumbs up to our delivery excellence and give us opportunities to serve across the portfolio.

Those are the updates from me. Happy to answer any questions that anyone may have.

Over to you Krishnan.

Krishnan Venkatachary: Thank you, Raghu, for the note. And I now request Sairam Vedam, our Chief Marketing Officer to talk about the perspective from the marketing side.

Sairamprabhu Vedam: Yes, thanks, Krishnan and welcome once again to everyone. It was brief insights that my colleague Vinay and Raghu have added. Continuing to what Srikanth alluded, as a brand, we've been consecutively voted as Leaders in the Global Quality Engineering and Digital Assurance Space across Every Spectrum of Testing, number one, that's for 2023 by Nelson Hall.

Also, I'm extremely delighted to update that this whole pivotal journey that we've been talking is hopeful now, ISD has positioned as a global challenges in its digital engineering services report 2023, which is the first time for Cigniti as a formal recognition to our complete pivot to also into digital engineering.

Raghu spoke about our Insta's recognition as Stevie award. Equally on that front, further to what he spoke first to actually put our ZASTRA platform, it is noteworthy to mention in AI and computer vision platform segment, which is a significant recognition of the AI-led platform engineering we are doing. So that's from a positioning recognition standpoint.

While I just wanted to give three perspectives which is very contextual here to what we are speaking, just a month ago, Gartner revised its IT services estimate. While there is a momentary dip till the third quarter, there's an 8.8% projected growth of 2023. But what's equally exciting is the revision has gone up to 11.6% in 2024, starting January, which is up from 10.2%. So, there is an upswing in the IT services sectorial projections, #1.

Nelson Hall, who tracks our industry, has actually revised the fact that the digital assurance and the digital testing industry, which is a sub-segment of the testing industry, will grow by 10% CAGR, up to 17.3 billion by 2027, including a 9.4% growth in 2023, which is the height estimate to our focus on digital assurance, while the overall testing industry itself is growing by 6% to 42.5 billion. So, that's a very, very, factual, contextual representation of our market.

And last before I give it back. IDC's report, the latest one is 2 weeks old I believe, tells that the worldwide digital product engineering market will actually grow by 15.1% CAGR for the next four consecutive years, all the way up to 334 billion. So essentially, Cigniti's twin focus of being a digital assurance and digital engineering player is sufficiently poised to give us good growth. That said, I'll echo with our leaders that we are cautiously optimistic given the current market conditions as it is reflected. Thank you.

Krishnan Venkatachary: Thank you, Sairam, and it's over to you, Veera he is our Global Head HR in terms of the People Perspective.

Veera R. Patlolla: Thanks, Krishnan. Good evening, everyone. From a people point of view, I just want to update you all that we have been certified as Great Place to Work Second Time in the row. With an increase in engagement scores, that's a good testament of our engagement efforts and people-first approach. So apart from that, we have seen a significant improvement in our retention rates; we closed Q1 at 14% and then we are seeing an improvement further on that and overall the year we have very often said that we will continue to maintain it at these levels and then below 15% annualized attrition.

We have also covered all our employees through increments in the merit cycle this quarter, that is starting April 1st, and we've seen good impact of that basically in terms of the retention rates post that.

For the days to come we will continue to invest in engagement initiatives and the learning and development especially in the digital segment, digital technologies as well as new age technologies, and we will continue to drive our engagement activities to remain relevant and then give a better employee experience.

So that's all the updates. Any questions we will be happy to answer.

Moderator: We will now begin the question-and-answer session. We have the first question from the line of Parth Kotak from Alpha Plus Capital. Please go ahead.

Parth Kotak: I have two sets of questions. One is, would you give any revenue guidance for the current year, also as per the revenue guidance, I think the last time we spoke, you have some numbers in mind for FY27, '28, are we sticking to those targets? Also, on the revenue piece, the growth that we see is coming from customers that we have already acquired in the recent times or a higher amount of growth is due to increased wallet share from our top customers?

Krishnan Venkatachary: Thanks for your question. In terms of the revenue guidance, when we talk about it, we are not giving any guidance, but then we if you look at it, probably we have given our vision mission statement. We still remain intact 200% confident because it's a combination of both organic and inorganic contribution mission statement and which has been framed in 2022 with a purpose to achieve in 2028. So nothing has changed on that categorically I would like to make a comment. As regards the targets, revenue guidance as I've told you that we don't give any guidance, but looking at the way the run rate, we are cautiously observing in terms of what it is it runs through for the year probably. While we have been always confident that of calculating the run rate and then multiplying and trying to work out what it is the rate. But I think we are just observing for a quarter more to really look at it as to what it is. And since we don't really specifically give any guidance, but I think that our optimism on a conscious basis prevails. When it comes to the question of the customers on the mining part very clearly, I think our top-20 customers have contributed this quarter in a big way, especially that has more to do with our sales strategy which has been implemented last year full blown and which is a 2x1 box model with respect to sales and delivery, with respect to nurturing accounts and trying to expand, and especially when the digital engineering foray has come in, we started approaching the top 20 customers and more so the top 50 customers, but I think focus on our top 20. So that is one of the reasons that if you see that our top 20 customers have contributed in a big way. And that revenue contributions, probably the top 20 clients has moved up to 52% or so, 2%, 2.5% jump comparing to what it was in the previous quarter and then the year average if you look at it. So, yes, our focus will be to focus on the top 75 clients clearly with respect to foray of businesses what we are serving especially with the DevOps and Digitals coming through, and that is more a strategy in terms of trying to expand and trying to create more stickiness and be with the client, and have a more stable stream of revenue running through.

Parth Kotak: So my second question is I think you've touched upon a little on the inorganic piece since probably we are seeing some kind of challenges industry-wide. Do we have plans to probably look at inorganic acquisitions, do we already have something in pipeline?

Krishnan Venkatachary: It is an exercise which is ongoing. It is an exercise which is very dear to us and it is an exercise which is being done over the last six to nine months. And if you look at the report which has come out recently is that FY23-24 is going to be a year of M&A in terms of consolidation post this kind of headwinds in the market and things like that, because so that, while all along, I'm

sure all of you would have observed basically because that has been a more sellers' market, now it will be slightly turning into buyers' market clearly. So other than that, probably if you look at it in terms of the details probably, we need to respect the board and we need to come out uniformly in terms of the information out over there. But I think lot of activity is being undertaken in that area and we will definitely disseminate information uniformly.

Moderator: We'll take the next question from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I wanted to understand that in the last call, you had indicated that for the current financial year, we were expecting improvement in our EBITDA margin by 100 to 150 bps, but instead we see then in first quarter our margins have fallen. So would you like to revise your guidance? And going forward, what kind of operating margin should we expect?

Krishnan Venkatachary: Actually if you look through invariably is that we said in the March call that we are optimistic that we should be able to increase on a comparative basis to '21-22 to '22-23 what we have done, we should be able to repeat the performance for '23-24. However, if you look at it, it is on an annualized basis and we're not trying to look at it in terms of the quarterly basis. However, I have gone on air in the couple of weeks back on a business channel and I've made it very clear that we will be recomputing it back basically based on the current market scenarios and the headwinds which has come through in terms of the challenges and the ramp down and the ramp up, what is happening around and said that, we are will definitely come back and disseminate and talk about in terms of what it is. So if you look at it, there will not be any specific guidance in terms of both the top line and bottom line as per practice what we are doing in the company, but I think we are optimistic in the current year as well that a small amount of efficiency we will be bringing in comparing to the overall year 14.4% what we did in the last financial year. We'll be trying to bring in some efficiencies to deliver a better operating margin for us.

Keshav Garg: Also, we did a share buyback last year June '22. So, now more than one year has passed. So any thoughts on another share buyback?

Krishnan Venkatachary: The last board meeting didn't carry this agenda as an item and we will definitely echo the sentiments of the shareholders to the board and the board will take an appropriate decision. And while we always provide statistics in terms of what are all the timelines and what has been done on the investor activities and what are all the eligibility. But I think it's up to the board to pick up those agenda items to really do that. I think we will echo the sentiments and as it stands agenda last July 28th didn't carry this, but I think we will appropriately come back to you on this.

Keshav Garg: What is the net cash on the balance sheet as of first quarter ending?

Krishnan Venkatachary: Rs.278 crores is my cash available in investments.

Keshav Garg: And what is the short term borrowing?

Krishnan Venkatachary: My short term borrowing if you look at it is just temporarily for a day or two invariably, I think we have been there at about Rs.14 crores or so which gets knocked out by first or second actually.

Keshav Garg: So basically this 278 crores is the net cash with us?

Krishnan Venkatachary: Rs.278 crores is a net cash.

Keshav Garg: EGM is happening later in August just after we finished our AGM this month. So, what is it all about?

Krishnan Venkatachary: Yes, I think the agenda and the explanatory statement has been spelled out very clearly is that to appoint the Managing Director, Mr. C V Subramanyam, into the board. The members of the board really felt that from wherever the representation came from, the members felt that while he expressed his intent to not to renew at the last minute and the board was deliberating, but I think there has been an intent which has come through from the shareholders as we need someone at the helm of the affairs in terms of guarding the company to really come through and remain as a whole-time director and managing director. So, based on that request, probably you will have to really conduct a formality because this has been a request which has come from shareholders holding not less than 10% of the voting rights who have given it in writing to us and we need to follow the guidelines and instructions what the shareholders have asked for. So this is for the election of the managing director.

Keshav Garg: If we look at the shareholding pattern, sir, the promoter shareholding has declined from 37.46% as of December 2021 to 34.59% in the latest quarter. So, what is the reason for the decline in some of the shareholders?

Krishnan Venkatachary: I have already explained during the month of March basically promoters in terms of settling their personal loans probably have traded some shares, which is to retire something on their personal high cost loans, which I explained in a detailed clarification in April or May call. Other than that, probably nothing else has taken place.

Moderator: We'll take the next question from the line of. Naysar Parikh from Native Capital. Please go ahead.

Naysar Parikh: My first one was on the digital side. So, can you just talk about what percentage would be digital engineering in the revenues as well as what is the order book for the quarter and what is the digital portion?

Krishnan Venkatachary: We don't generally try to provide any at least for the year. The break up seems good, but I think just being a call, I will say that the year the quarter has contributed about 10% from the digital engineering side, while it is so probably the total order book and the pipeline looks healthy very clearly and I wouldn't single out specifically being digital engineering order book or XYZ, basically because it's a continuous order book what we have out very clearly, which is looking very healthy absolutely. But, when it comes to the efforts or efficiencies if you would like to know about in terms of what it is on the digital engineering side, probably I can ask Raghu or Vinay can chip in to talk about in terms of the digital engineering efforts what we are trying to look at it clearly.

Cigniti Management: So just to give you a perspective, I did mention in my initial commentary that our existing customers actually have shown fairly significant confidence in us when we have introduced our digital engineering services portfolio to them. Krishnan also mentioned that our top-75 customers is there. The sales bandwidth actually is being spent and in all those 75 customers, close to about 80% of the customers where we have initiated the conversations actually we have landed with some sort of opportunity. Just to give you a little more perspective in terms of percentage that our digital engineering order book actually has grown to about 90% quarter-on-quarter. That'll give you an idea on the order book how well we have done. Now, I would like to definitely mention this the digital engineering services spend generally tends to be discretionary, keeping the likes on is obviously the priority of the customers and so from that perspective we could definitely see some headwinds. But as of today, I feel fairly good given the discussions which actually we are having, also given some of the larger opportunities which are actually in our pipeline which actually are to be decided in the following quarters.

Naysar Parikh: Just another question was on the cash flow. I think in your presentation in the style, there's some 25 crores increase even in receivables for the quarter and there are some other changes also, Rs.22 crores. Can you explain why that because the cash conversion is a 6% for the quarter?

Krishnan Venkatachary: See, Rs.25 crores receivable basically, if you look at it absolutely in terms of the number of days of receivables probably which we have provided out, but I think there were few customers in terms of the billability which happened probably is an unbilled revenue and then that got converted into billability by 20th July or so. So, invariably the cycle is slightly delayed. So that is one of the reasons. With respect to the other portion in terms of the what is the other charges for the quarter which includes the variable payout, which is slightly on the higher side for the last year performance which went through, and based on the normal provisioning and over and above what needs to be provisioned out, and some employee long term service awards and retention bonuses which we have provided which comes with certain other charges, which is provided over there. I think receivables we are fairly under control. The other one doesn't get repeated out and gets evened out. We should see a fairly significant amount of increase in the cash flow conversion in the coming quarters.

Moderator: We will take the next question from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Sir, in terms of our result, the numbers look quite decent as in terms of revenue growth, it's over 3% QoQ growth, but in your speech, you're sounding like things are not looking that good. So can we expect like Q2 will be much worse as in in terms of QoQ growth we will not get much growth?

Srikanth Chakkilam: The reason we are cautious Ankur is because like all of us mentioned, the uncertain factor here is the elongation of the deal cycle, so which is generally taking longer than usual, which is the only reason being quite cautious.

Ankur Kumar: So, in terms of the order book, last quarter we were talking about 202 million order book. So has it reduced now or is it like same?

Krishnan Venkatachary: We are sitting pretty tight in terms of the order book at about close to 150 million-odd business because the billability between July and March clearly, and there are a lot of deals on the pipelines which are also at various stage, which is 95%, 90%, 80%, 70% buckets very clearly. So while it is so, just to answer the question and I am sure you will collaborate with the answer what Vinay also provided the worst is over is what we feel very clearly. But I think it's always good to see the wait and watch game in terms of for a quarter at least to see that how this turnout is happening in terms of the order conversion and it's always a general tendency basically that when you remain buoyant when the overall scenario is buoyant. You remain pessimistic when the entire environment is pessimistic. I think in the current environment, it is getting balanced out and evened out. While it is so and when every company is trying to look at the worst is over and we should be in a better position to commence October what it is to be seen. But I think the effect of all this should come to us probably in Q4, not only to us, to the industry across basically because Q4 of Indian year is going to be the Q1 of the Western year very clearly and that is what we feel could be the quarter, which could really start reaping the harvest very clearly. Having said that probably given the order of operation and given the run rate, I don't see any kind of derailment for us in terms of the negative growth or whatever it is, and to that extent we are optimistic absolutely.

Ankur Kumar: Sir, on employee benefit expense I guess we have taken salary hike this year. But YoY growth is like 16%. So have you done 16% salary hike or is it like there's some one-off bonus is included in that number?

Krishnan Venkatachary: That's what, as I explained very clearly, it is not a 16% increase, we did estimate about 9% to be given, but I think we have given at about 10.2% and we did have a one-time incentives and we also this time have gone for a felicitation celebration of 20 years, 15 years, 10 years, five years long service awards slightly liberally and then the payout especially the sales and delivery has come and given thumping numbers in terms of a 38% growth with the good order book

and things like that and then invariably these bonuses have slightly gone up and which was essential also to keep up the morale and start moving up and for a rainy day it will be really useful for us.

Ankur Kumar: So from Q2 onwards, we expect some reduction in this total number?

Krishnan Venkatachary: Absolutely and it's a continuous optimization and we are confident that we'll be able to even out.

Moderator: We'll take the next question from the line of Tara Kaur for from One Star Capital. Please go ahead.

Tara Kaur: In the investor presentation, the client count has declined. So just want to understand if this decline was on account of contract getting completed or client delaying their engagement?

Vinay Rawat: Krishnan mentioned about our sales strategy and we implemented the sales strategy in terms of increasing focus on our existing accounts and predominantly we decided that we will actually focus on our top 75 accounts which is there sales bandwidth will be spent and therefore the tail accounts where the customer relationships are not very stringent, they will reduce that. So that's something intentional by design. Just to give a perspective, our average customer size actually has increased since the time we actually implemented this strategy.

Tara Kaur: Also sir, can you share that level of fixed price contract of it also has certain variable portion?

Krishnan Venkatachary: I didn't get your question. Could you just repeat if you don't mind.

Tara Kaur: The fixed price contract also had some variable portion.

Krishnan Venkatachary: What you're trying to look at? What is the value or what it is, what do you like to know?

Tara Kaur: I think short term variable portions were there.

Krishnan Venkatachary: If you are asking probably does it have any variable nature or whatever it is, I would call it, no, I think these are straightforward SOWs very clearly which includes leading players, and these are for a time zone which can be anywhere between six months to 15 months and horizon. And there is no variability. Probably just to be very specific to your question, whether the clients after signing the order can give a pushback in terms of saying to stop the work or whatever it is or having an option to do that. I think generally in any contract that kind of pricing will happen, but otherwise I don't see any amount of instability or variability issue in any of our contracts.

Moderator: Ladies and gentlemen, with that, we conclude today's question-and-answer session. I would now like to hand the conference over to Mr. Srikanth Chakkilam for closing comments. Over to you, sir.

Srikanth Chakkilam: Thank you, everyone for your participation in the call and questions. We got some feedback that we will air it back to the board and we look forward to the next concall.

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

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