

Cigniti Technologies Limited
Investor Call
January 24, 2020

Moderator: Ladies and gentlemen, Good day and welcome to the Investor Call of Cigniti Technologies Limited to discuss the Q3 and 9M FY20 Results. Today, we have with us from the management Mr. Srikanth Chakkilam – Chief Executive Officer and Non-Executive Director and Mr. Krishnan Venkatachary -- Chief Financial Officer. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, you may signal the operator by pressing “*” and “0” on your touchtone phone. I now hand the conference over to Mr. Schneider Albuquerque from Adfactors for the opening remarks. Thank you and over to you, sir.

Snighter Albuquerque: Good afternoon everyone.

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

I would now like to hand the conference over to Mr. Srikanth Chakkilam for opening remarks. Thank you and over to you Sir.

Srikanth Chakkilam:

Thanks. Good afternoon everyone, welcome to the Q3 results. We have clocked revenue of INR 216.7 crores which is a growth of about 1% in rupee terms from the previous quarter. We reported an EBITDA margin of about 13.2% for Q3 15.2% for the 9 months. I would like to address the specific issues on EBITDA. We won a large fortune account in the previous quarter and that is in a retail space, we have won at quite competitive rates. There have been billing delays of about 40 days on account of procedural issues at the client end and has increased our bench cost to that extent.

However, the billing has begun in the month of November and we expect this to grow in the coming quarters. We had to hire a lot of contract hires at higher cost to fulfill some of the positions and in that account and also for other new wins. These costs have impacted margins by about 2%. We expect this to even out considerably in the coming quarter and we have also invested quite a bit in growth of accounts by inducting client partners, doing sales programs, boot camps, sponsoring events and subscription to strategic deal advisors firms like ISG and Zinnov. We expect the contribution of these investments into revenue flow in the coming quarters again.

These investments have again increased S&M cost by about 1%, but with intent for growth for the company and with anticipated sales volume increase. Close monitoring of contractors, our cost and travel we expect to improve our margins in the upcoming quarters. We have serviced about 225 clients in this quarter and added about 12 new clients. We have begun serving the very large retail account that I have talked about and it shows promise of growth for the upcoming years. Other significant accounts include the world's largest renewable energy company which has a significant IT project in their energy deployment program. Lot of traction in the medical devices space specifically the diabetes management devices and ISVs and healthcare. We have also won a block chain base bank in UK and now working with well-known large technology ISVs based out of the West Coast, Silicon Valley in the US.

There has been no churn of accounts in top 20 and we have improved the contribution from top 20, it now stands about 48% of our revenue. As again mentioned in the previous earnings call, investments are going towards cranking up sales and marketing for next few quarters in terms of our ability to participate in larger deals for quality engineering. These investments specifically are inclined partners, sales hunters, industry domain experts and also partnership based sales. Some significant investments that have happened in the month of December are the strategic deal advisory firms.

From a services standpoint, quality engineering is no longer a phase in the SBFC, but has become an embedded process in the SBFC especially more and more DevOps. We are seeing a lot of quality engineering being embedded into the entire process and we are enabling a lot of clients in this DevOps journey by enhancing our capabilities and automation in AI based deployment by using our IP, Verita and Velocita. We have deployed these at several client locations at the moment. We have also done some interesting work in this quarter; we have

deployed several physical robotic arm simulations to automate POS automation for our clients. Investment into script plus automation and complex test challenges like test data management have been some key focus areas.

The above mentioned areas that I mentioned script based automation, AI based automation, robotic based automation are all next gen test data management and next gen testing service lines. We are well positioned to showcase and win opportunities in this space. In terms of new IP deployment we have focused on customer experience specifically consumer experience sentiment and have deployed our sentiment analyzer at about 9 customer locations. As a company we have earlier focused only on quality engineering budgets, but now we are gearing up to explore close adjacencies of quality engineering that can positively impact IT and also business outcomes of the enterprises that we are working with. We are still at an exploratory phase in this regard, but we will continue to upgrade the progress. One final comment is on attrition, we have slightly decreased our attrition compared to previous quarter specifically by 1%.

I will now hand the floor to Krishnan and later on take questions from you.

Krishnan Venkatachary:

Good evening Gentlemen. As Srikanth mentioned at we have clocked revenue of INR 216 crores for the quarter, both on dollar terms and in rupee terms we have marginally grown by 1% compared to the previous quarter. We would have definitely grown a bit more if not for delay from the customer side in terms of signing up and initiating the contract. The onsite offshore combination has been healthy and we have been able to maintain it over the last 6 quarters, in terms of offshore contribution in a sizable way at about 43%, 44%. We have seen a positive uptake in the offshore rate by about half a dollar we have clocked about \$22 plus onsite. Rates have more or less have remained stable expect for one customer, I think we are closely monitoring the utilization and there is a continuous effort which is happening in terms of doing the pyramid corrections and trying to bring in fresher's to do the churn so that we get a better grip in terms of the margins.

We have one positive and that is; we have increased the average realization per customer. We have stayed focus over the last 9 months in terms of controlling our number of customers. Serviceability of the customers remained close to 225 and the top 20 contributed close to 48% of the revenue. There is no churn in the top 20 accounts and continuous steps are being taken to how the margins can move up and work on the adjacencies.

On the geographical front we continue to get a good contribution of about 84% - 85% from the US region, we get about 10% from the UK region and the rest of the world is contributes close to 5% - 6%. On the cost front we have made significant investment in the sales and marketing which is essential. In the last 3 years lot we have gone through a lot of change management activities both with respect to people and process and business. We have been

trying to get into the new age business and over the last 9 months we have got higher rates, and 31% of the revenue is contributed from the new age business.

Increased emphasis has been given in terms of seeing how the business transformation can help move to become a digital service provider and help the organization in moving ahead on the testing space. Yield per customer is averaging at about close to half a million it is very healthy. I think we are poised for good growth in the coming years because of the kind of significant change management we have made with respect to our offerings and also internally with respect to the people and with respect to the processes. We are pretty confident that we are in an exciting journey to move forward.

With these few words probably, I would like to leave the floor open to take up questions.

Moderator: Thank you. Ladies and Gentlemen we will now begin with the question and answer session. The first question is from the line of Ashish Aggarwal from Principal Mutual Fund. Please go ahead.

Ashish Aggarwal: Wanted to ask a couple of questions, the growth in the first 9 months has been pretty disappointing, how should we look at growth going into FY21 and on the margin front, I understand that your margins got impacted this quarter because of one large client and the bench created, but how are we looking at profitability will 15% - 16% EBITDA margin be the base for us going forward?

Krishnan Venkatachary: I think it is a good question. In terms of answering for the 9 month growth, we did anticipate that our change management would end in Q1, but I think it got extended a bit in Q2. Due to which we saw flattish growth. To add to this there was slight delay in terms of few of the large key accounts. I think while we've definitely have not come back in terms of the guidance, but if I look through the internal estimates I think we are pretty confident that FY20-21 spans out in such way; as we stand today with respect to the order book I think we are poised for a growth which is north of 16% or so close to 20%. In terms of the margins, over the last 8 quarters we have been hovering at around 16% - 17% with the kind of corrections and the kind of realizations we make on account of new age offerings that we are doing. We expect that to move up by at least a percentage point north of 17 and we are confident that we should be able to get there into the next financial year in the overall scheme of things.

Ashish Aggarwal: And what was the operating cash flow generated in first 9 months?

Krishnan Venkatachary: We have generated INR 79.5 crores.

Ashish Aggarwal: And last thing now since we have been profitable for now last many quarters, any plans to start giving dividends?

Krishnan Venkatachary: Yes, it is there is a policy which has been framed by the board in terms of the dividend policy which they have deliberated and discussed. However, in terms of standalone if you look at it for the company there have been some carry forward revenue losses which is hitting in the erstwhile account. These have been carried forward from 2017 March. So, that needs to be wiped out which we anticipate will be done in this financial year or probably the first quarter of next year. I expect that in next financial year we could be the eligible and at that point of time the board will definitely deliberate and move forward. The intent is very clear that the board is concerned about return for the shareholders and definitely this has been a policy which has been framed out, saying that we need to look at it the moment the bell rings and we are eligible for it to move forward. We expect that to happen in the coming financial year.

Moderator: Thank you. The next question is from the line of Sandeep Totla from NS Associates. Please go ahead.

Sandeep Totla: I have 3 to 4 queries sir, I would request you to please update on, Like Ashish sir also just asked, regarding dividend. I just want to know sir what is the quantum of carry forward losses at present which we are sitting at?

Krishnan Venkatachary: Carry forward losses which we initially carried forward at the beginning of the year was INR 67 crores and if we look at over the 9 months what we have covered up predominantly will be about close to roughly about INR 40 crores, so we still carry the differential about close to INR 27 crores or so and we expect that to get majorly wiped out during the last quarter and then at the beginning of the next quarter. We might even wipe it out completely by this last quarter, but there is every possibility that a small spillage can take us into the next quarter.

Sandeep Totla: Sir, are we debt free right now?

Management: We are completely debt free.

Sandeep Totla: Why are we paying interest sir I think this quarter we have paid something like INR 2 crores of interest?

Management: It is a good question. We have overseas commercial line borrowed at 5% and effectively managed at 3.45% for 15 million where the utilization has been at about close to 7-8 million. In India we have a capped at limited 9%, not securitized nothing. But utilized at any point of time is INR 20 lakh to 30 lakh, just to keep the limit for one more year in case huge expansion comes. This is backed by the investments in mutual funds; in leading public mutual fund and then borrowed bond and with various other funds what we call money papers and also with fixed deposits close to INR 115 crores which is back.

So net-net if you look at it we are net positive at about close to INR 85 crores and we expect another INR 30 crores to be generated in the coming quarter. So we are debt free, we do not

have long term debt there is a working capital limit which is utilized at a cheaper rate say at about 3.45 which is yielding if you look at the other side of the instruments averaging at about 7 - 7.25 somewhere ranging to about 8.5% on fixed.

Sandeep Totla:

Sir another concern, I have been tracking you sir. We are doing all sorts of road shows and nonevent deals and what is the status of that, actually if you just point me out sir if I am wrong what are we looking at, are we looking at a stack sale, are we looking at issuing new warrants because what is happening is company is giving announcements that their road shows are happening, you are meeting around 8 to 10 investors every time. I think that is going on since last one and half year; what are we looking at? I am not getting the point actually what are we looking at, are we looking at a stake sale, are we looking at some exit for promoters because nothing is happening sir on that point of view nothing is happening and why is not happening actually because I think if I am not wrong we are trading something around PE of 6-7 and at these rates being a debt free company we are not able to attract investors I think that is puzzling me more sir?

Krishnan Venkatachary:

I understand your concern and we understand your concern probably in terms of the trading multiples of 6 or 7 or 8 or probably I think I would not be able to comment, basically because we are focusing on the business and what the market derives what it can. I cannot influence or we cannot influence. But why these road shows; in terms of road shows very clearly is that we have not done this before and we wanted this business to be known by the people being in the public domain, we would like the public to really know about the company and the best possible way for a value creation is institutionalizing the stock. I think this can happen only over a time period and it is a long gestation period of 0 to 3 years generally if you look at it basically because it is coupled with performance and coupled with how do we move out and speak the story. Testing is a unique story basically if you look not many players have independently survive as a listed company beyond this 100 million or whatever it is barring one or two companies which have also got acquired and moved out or whatever it is. So ideally it is the road shows which are essential to institutionalize the stock which is very important.

We are not looking at fund raising, see if I have to go to the market to do a fund raising or a M&A or any kind of a deal. It is a parallel activity at any point of time and the roads can meet at any point of time. I am not in need of money today and I am not going to really go ahead and raise the money and say that I wanted to do an M&A, I am going to do a liquidation because there is a \$45 billion market and I have enough ammunition sit in the table basically to grow organically so where is a reason for me to go ahead and raise the money and then I am debt free company.

So it is very clear that these kinds of road shows if you look at it I am trying to take a brand, I am trying to do very systematically these road shows to institutionalize my stock and which we feel is essential.

Moderator: Thank you. The next question is from the line of Tejas Jain from Surichi Capital Finance Private Limited. Please go ahead.

Tejas Jain: Sir, the first question was regarding the revenue mix, 40% of the contribution is coming from travel and BFSI I would just like to know how the revenue mix will be shaping up going forward?

Krishnan Venkatachary: I think travel will continue to be our flagship segment. We do not see a significant change in this.

Srikanth Chakkilam: Again we do not give guidance on which industry we will be growing in, but traditionally we have been pretty strong in travel transport, hospitality and insurance at the moment there is lot of spent going on in that sector and also healthcare.

Tejas Jain: Sir, the next question was on the industry just wanted to know an overview on the testing industry. How is it currently shaping and going forward how it evolves?

Srikanth Chakkilam: So that is what I mentioned in my brief that earlier quality engineering used to be a phase in the software development lifecycle now because of DevOps and the need for faster release of applications, testing has become embedded into the whole SDLC process. So IT budgets have traditionally been increasing, but what happened that change in QA part is instead of being a phase at the end of the life cycle, it has become a part of the overall process and that means lot of automation, a lot of AI based hyper automation is required to ensure that applications are released faster so that is a major change that has evolved in the quality engineering space.

Tejas Jain: And what would be the size of the testing industry as on date?

Srikanth Chakkilam: See there are reports varying from \$25 billion to \$43 billion. It is a highly fragmented industry, but IT budgets are increasing significantly and that also means QA budgets will increase in that proportion. So there are again reports of the overall IT market being at \$10 trillion. So to that extent QA budgets will be few percentage points, but if you look at specific reports like Gartner, Everest or NelsonHall they pick the market to be between \$43 billion and \$50 billion.

Tejas Jain: And from the competitive landscape I would just like to know how intense the competition is and how we are positioned?

Srikanth Chakkilam: So positioning wise we are in a great situation because we are an independent quality engineering company and we are focused, we are testing only company not a testing also company. So positioning wise we are quite great and we compete regularly with large SI in the industry today. So lot of them their focus is not only testing, whereas our focus is only quality engineering. So we have been able to entice our clients with lot of differentiated

solutions and our experience in quality management to win a lot of large clients some of them Fortune 500 and we play quite well in the ecosystem of vendors where we not only coexist with the large SI, but also thriving at ecosystem.

Tejas Jain: And the last question was regarding the order book sir can you provide some details on to the mix order book mix?

Srikanth Chakkilam: You mean the pipeline or...

Tejas Jain: In the pipeline sir the current order book mix?

Krishnan Venkatachary: I would remove the word mix basically because definitely we have a sizable order book that is one of the reason I committed in one of the questions in terms of the growth which we are very confident basically. So we have a sizable order book sub \$100 million. In terms of the pipeline I think we have a visible pipeline which is absolutely is a continuous process in terms of return on pipeline and what we have is absolutely sizable and as I told you significantly the sector will not see a change in the coming quarter or two, but I think maybe over a period of 6 quarters there could be a change in the sector. So ideally I would say that the order book is relevant rather than the mix.

Moderator: Thank you. The next question is from the line of Rattan Joneja from CoValue. Please go ahead.

Rattan Joneja: May I please ask what is the addressable opportunity for you out of this \$45 billion?

Srikanth Chakkilam: Addressable opportunity, can you be little more specific. So if I understand the question correctly a large chunk of this \$45 billion; I mean we are not focused on areas like semiconductor testing, so you can possibly remove about \$5 billion out of that and there are areas like environment management, infrastructure. I was saying in that \$45 billion if you remove things like semiconductor testing, hardware testing, physical devices, large physical devices, test environment, infrastructure all that you will remain with about \$30 billion or so which could be really addressable market and in that addressable market again test automation is the biggest opportunity and 60% of our revenue mix today comes from test automation. So our investment where people IP are all focused on that large addressable market, but the thing that you have to understand is this is highly fragmented.

Rattan Joneja: So what will make you scale up if the opportunity is so large and you are about \$100 million what is the hurdle that is coming in your way that will make you scale up?

Srikanth Chakkilam: So scale itself is the hurdle for us. If we get to scale we will be in front of very large deals. For example we had an opportunity to be in front of deal size which is larger than the size of the company, but to participate in that there are certain check marks that you have to fulfill. So

scale itself can be one challenge, but to be really differentiated I think great technology great IT that can really help us scale and then we have to work in the areas of DevOps so which we are to try and address the \$30 billion I guess.

Rattan Joneja: You have been growing at about 25% for the last 5 years, why the sudden drop?

Krishnan Venkatachary: It is because of the change management which we have announced in that last 3 years. If you look through we are trying to churn the company's serviceability for the customers in terms of trying to get through a value proposition and differentiation. This is the last quarter have been predominantly offering the new age technology where we prepare internally and also offer that a solution out basically, but in this process probably we need to move out of few customers which are of routine nature and then start focusing ourselves and positioning ourselves. So that is one of the reasons and we do not expect this kind of a what you call plot in a geographical graph in terms of where we are, I do not think we are going to be in this position in terms of mathematical graphs. We are pretty confident that we have done the baseline which is slightly extended by two quarters and we are going to move ahead and poised for a better positioning in the coming years.

Rattan Joneja: So one can assume this is a short term phenomena?

Krishnan Venkatachary: Absolutely.

Rattan Joneja: Then who is the biggest player in this market?

Srikanth Chakkilam: In terms of the independent testing today if we look through, I think so there is an Israel based company; in terms of size they claim to be a largest company, but I cannot verify because they are private company.

Rattan Joneja: What is the name of the company?

Srikanth Chakkilam: It is Qualitest.

Moderator: Thank you. The next question is from the line of Supratim Basu from Americorp Capital. Please go ahead.

Supratim Basu: Sorry I missed your opening remarks on the call and just a follow up on the question asked by the previous participant can you clarify little more in terms of what are you doing regards this customer churn that you are talking about, what kind of customers are you taking out of the pipeline and what are the new target customer sides?

Srikanth Chakkilam: We are basically looking at customers that have potential to spend on IT and quality engineering. So in our initial days where we have landed some accounts which still continue to be some of our legacy accounts and if they have exhausted or they have run out of juice in

terms of growing year-on-year those are the accounts we are churning out voluntarily. Also, there are accounts we are trying to improve rates and if the customers for some reason is not able to improve the rates those are the accounts where our service focus is deliberately coming down and thirdly there are some areas where the client has large place in manufacturing or large devices and we are doing some small amount of work and there is no future potential for growth, some of those accounts are also coming out.

Supratim Basu: So this is basically a natural process right that is you have accounts which are where the projects are finished or the product has been rolled out and there is no continuing engagement and therefore these customers are falling out of your revenue line, but what it seems like is that your new customer additions are not growing or sustaining the rate that you have shown in the past, is that a correct assessment?

Srikanth Chakkilam: I am not really sure if that is correct, but what is happening is the kind of accounts that we have landed for example some of the very large fortune accounts we are not the only players. So earlier accounts we used to be the significant player and we used to max out the QS thing, but the accounts that we have landed off late we are competing quite fiercely with some of the large SI and it is sort of a time-taking process to showcase our value to the customers compared to the previous set of clients that we used to have that we still have.

Supratim Basu: Why would you voluntarily ramp down any old customers when your new customers are not ramping up at the rate that you expected?

Srikanth Chakkilam: So if you are servicing 100s of accounts I mean the effort that you put in a small account or a big account is the same from a delivery standpoint. If we have good resources and we are working on non-growth accounts, it really does not make sense from a value extraction standpoint in that resource.

Supratim Basu: That is a nature of your business right, if I look at the revenue spreads, data that you have provided like revenue concentration for FY19 and then the revenue concentration for Q3 it is not markedly different, so what I am thinking is that it is just the names in the top 5, top 10, top 20 that would have moved around. So it is not like I mean just from a business strategy perspective it is not making sense that you would actually shutdown accounts which were generating growth for you in the past when new accounts have not yet started showing?

Srikanth Chakkilam: I have mentioned growth accounts are not moving out, where there is no growth we are moving out, why would we move out accounts that are giving us growth.

Supratim Basu: If you look at from this perspective that even if they were not growing as long as they were generating the same amount of billing ,let us say a million dollar of billing in FY19 and they are going to do the same for FY20 by moving out of that account you essentially go from a million to zero which means that your new account that you have brought in now not only

has to generate a million dollar of its own, but also the million dollars that you gave up on the sold account?

Krishnan Venkatachary: No you have to understand I appreciate your question. I think we are looking at the amount of profitability we are making out of that client. Yes there are accounts which are willing to contribute clearly in terms of top line, but not in terms of bottom line and there is a tremendous pressure in terms of probably trying to work around in terms of bringing down the rates and things like that. I think we are very clear that we do not want non-profitable deal. At the same time we also do not want accounts where we see instabilities and then continuing for next 6 months is what is going to be the effort which we are going to put it out. I think on a case-to-case we go very systematically and also in the transformation journey where we want to move up to the value chain clearly it could not be this customers probably it could be a temporary blip, but I think we know for sure that the efforts what you are making in terms of this new technology offerings is going to enhance and tremendous focus in marketing is what we are going to do. So we have taken a couple of approaches and that is we are not cutting a duck which is giving a golden egg. We are trying to stay wherever it is affordable.

Supratim Basu: But then and that same context again I do not know if you touched upon this on the opening remarks, but your profitability is also taken a hit so it is your margins come off from 18 odd percent last year to 13 odd percent this year and it has been a sharp decline actually quarter-on-quarter where I guess some expenses have gone up, so could you clarify on this as well?

Krishnan Venkatachary: Perfect in fact we did cover this in the opening remarks. Let me first take it up on a quarter-on-quarter basis, quarter-on-quarter basis; we signed up with a huge retail client, world's leading retail client. There has been a billing delay on account of delays at client end and we cannot really walk back and say that we cannot wait, that differed by about at least 40 days plus. For which we had to really commit for the cost and stay with the cost, which is getting evened out in the coming quarters. We also hired couple of contract hires which we need to pull over certain accounts from competitors and to immediately deploy in overseas locations. We have gone for contract hires which has dented the COGS by about 2% and then there is a significant investment which we made with strategic partner relationship like leading analyst firms and the deal makers to get visibility and to take the company to the next levels which happened during the quarter in terms of signing up in October and November. That has contributed in the sales and marketing by about a percentage or so. But if you look at for the 9 months of FY19 to 9 months of FY20 from 17% EBITDA and move to 15.2% accounting for these changes put together, because we should understand basically that the realization in terms of the rupee if you look at if you look at even in dollars terms basically I think we were at about 15.9 and we move to 15.2, but I think it is more in terms of rupee realization which has been quite high and where the accounting has happened on an average quarterly realization, the difference seems to be slightly on the higher side compared to the previous year on a quarter-on-quarter basis or whatever it is. Typically on a rupee basis for 9 months

we are just down by about 1.8% on a dollar basis probably we are just down by about close to about 0.5% or so.

Supratim Basu: Just last final question on the platform or your IP base revenues, could you breakout what percentage either for your 9 months or for the latest quarter what percentage of your revenues is coming from your automated platforms?

Krishnan Venkatachary: Yeah, I would put it this way probably is that my new age and automated offering which is at about close to 31% of the total revenue and I do not really measure anything in terms of IP based the reason is that my IP is as enabler and seller very clearly and I do not really go ahead and try say this is on account of what the revenue has generated. Pick up the segment by itself I am not in the process of filling the IP so that is one of the reason, IP is cross used, sometimes it is aggressively campaigned to pitch in to show to the CIO's the differentiator what significant has come to table with this IP sometimes it is kept in a subdued move, but then we try to price that in and try to recover that cost out. So it is a combination depending on the client and customization we try to do that very clearly, but we do have a tracking in terms of this total new edge offering which is close to 31% is what it is contributing and it has been consistent over the last 3 quarters and there is also lot of energy which is being sent in terms of moving ahead for automation and across within the company. Ideally we can bring in value to the client which has got an appetite to really take it up, we are very confident that in the coming quarters effect will be seen.

Supratim Basu: One last thing on the selling channels right, so who would be your top 5 system integrators or channel partners that you go to market with now compared to let us say 1 year ago?

Srikanth Chakkilam: No so we do not partner with any large Si's, we compete against them. So the all business that we get is through direct contact. There is no vender.

Supratim Basu: They may be direct contracts at your client's, but basically QA Testing jobs are advertised independently, or it is typically part of a larger project where the lead integrator or the lead guy say's okay I am going to open a RFP for this testing bit and then you go on and bet there.

Srikanth Chakkilam: So the client has the project and we embed ourselves into the QA process. There is not even a single project that we have that is subcontracted we are all independent RFPs.

Supratim Basu: But from a business strategy perspective would not it make sense to partner with larger integrators?

Srikanth Chakkilam: Because we compete with them, they have large QA practices themselves why would they want to partner, they would want to eat whole thing by themselves.

Krishnan Venkatachary: I would put it this way is that their weakness is our strength basically because if the market is advocating and analysts are advocating to move the clients towards independent testing why will I partner with a SI.

Supratim Basu: Because you have a very narrow vertical and from a client perspective, the clients want to deal with one or two lead vendors who are going to manage the entire platform for them. So you know whether let us say if you take the best Western or a SouthWest they will have 3 or 4 lead IT guys across whom they would have carved out their entire infrastructure. So they would have somebody who does travel side, when I say travel side I mean the whole the entire maintenance bit and the rest of it and then you will have somebody who will be doing the booking side and integration with Amadeus or Galileo or rest of it. They own an app and so on. So they would have a lead and for you to go and then pitch and say okay we are just going to be an overlay on the top of all of these guys and we are going to do online automated testing for the client it is managing yet another vendor so that is where my question came from.

Krishnan Venkatachary: I appreciate the question, but I think predominantly my roadshow is also to explain the business path. To clear the perception, today South West is one of my key large accounts. They have tier A vendor providing their support, but they feel that 90% of their business comes in from an ecommerce based platform and they cannot afford to take a risk with respect to deployment and they definitely will take an independent testing view in terms of having a mission critical applications being tested by us and they have seen immense value in it. So the scenario is completely different on the ground, people expect independent testing services companies directly to bring in efficiency in terms of a throughput, in terms of reduction in cost or whatever it is. So what we typically pitch in and also try to manage the QA. We have got clients where we have moved in and we are completely managing their QA departments.

Srikanth Chakkilam: The word independent it comes into context here, if we partner with any of the large SI we will again lose the context of independence it is in some sense like we are auditors of the software development that they have done and if we partner with them again there is a conflict of interest in that sense.

Supratim Basu: This is an interesting flavor thank you. Given all the stuff that you do for South West how soon can you take this and get into a Delta or a United or American?

Srikanth Chakkilam: The names that you talked about, we are already in talks with.

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

Srikanth Chakkilam: Thank you everyone. Thanks for the questions we will continue to update our progress and I will see you all in the next earnings call. Thank you.

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