InfoBeans Technologies

IT - Growing from strength to strength

28th Dec 2020

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Those of us who ask little of life, get little. Those who ask much, get much, but those who ask for too much get nothing.

Four categories of stocks that have yielded 100 baggers:-

#1) Recovery from depressed, rock bottom economic cycles.
#2) Change in supply demand ratio for a commodity, reflected in a sharply higher commodity price.
#3) Leverage in capital structure, in long periods of expanding business and inflation.
#4) Result of continuous investment of re-investing earnings at high rates of return on capital. – MOATS

Avoidance of risk is more important that seizure of opportunity. Opportunity can reward you 100 fold, risk on the other hand can only make you loose 1x of your capital. Many stocks could have been bought at 52 week highs for many years and still turn out 100 to one winners. All one has to do is identify them and stick to them.

Far more money can be made by good stock selection, than by good market timing. All good stocks rise and keep rising, but not everything that is rising is a good stock. When you invest into a "selling to a bigger fool" venture, you might be the biggest fool, and just don't know it yet.

To make money in stocks, you need to have vision to see them, courage to buy them and patience to hold them. Patience is the rarest of the three.

Contents

Snapshot

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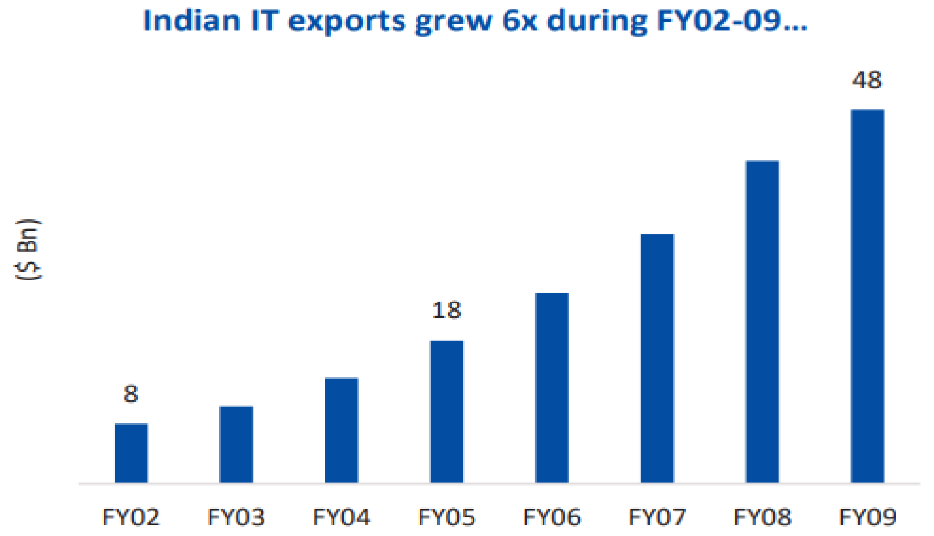
- **Total Weightage % in Portfolio = 6%**
- **Two Phase Buying Strategy = Buy 4% between Rs 130-140 and add 2% if price falls down to Rs 90-100**
  (Note: Stock ideas was recommended on 28th Dec 2020 around Rs 130)
- **Price Target = Around Rs 250-260 in next 12 months, Rs 650 in next 3-5 years & 10x in next 5-6 years.**
- InfoBeans Technologies is primarily engaged in Product Engineering, Digital Transformation & Automation and DevOps. They have state of the art infrastructure in India – Indore, Pune, Bangalore & Chennai; in USA – Santa Monica & New York, in Germany & Dubai having above ~ 759 professionals across globally.

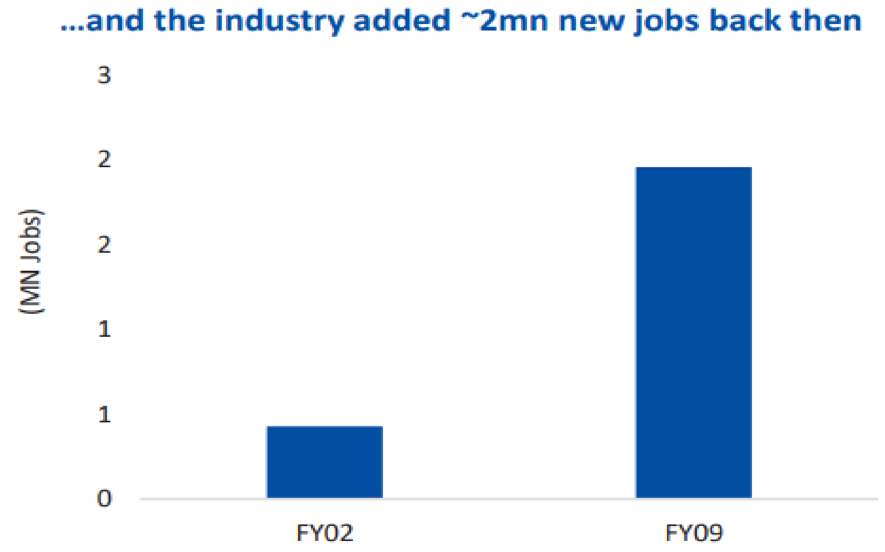
Market Cap: INR 362 Cr.	**Current Price: INR 151**	**52 weeks H/L: 195 /55.5**
Book Value: 64.5	**Stock P/E: 16.6**	**Dividend Yield: 0.66%**
ROCE: 17.9%	**Debt to Equity: 0.20**	**Dividend Payout: 11%**
Face Value: 10	**Promoter Holding: 75%**	**Pledged Percentage: 0%**
Sales Growth (3Y): 23%	**Profit Growth (3Y): 19%**	**Return on Equity(3Y): 17%**

Note: Detailed report was released on 10th Jan 2021

Indian IT : Growing stronger through multiple cycles -1

In the past, major crises have led to a sharp increase in outsourcing and off shoring, particularly to India. During such trying times, Indian IT companies have moved up in the maturity curve and provided solutions to the changing needs of global clients in a cost effective and efficient manner.



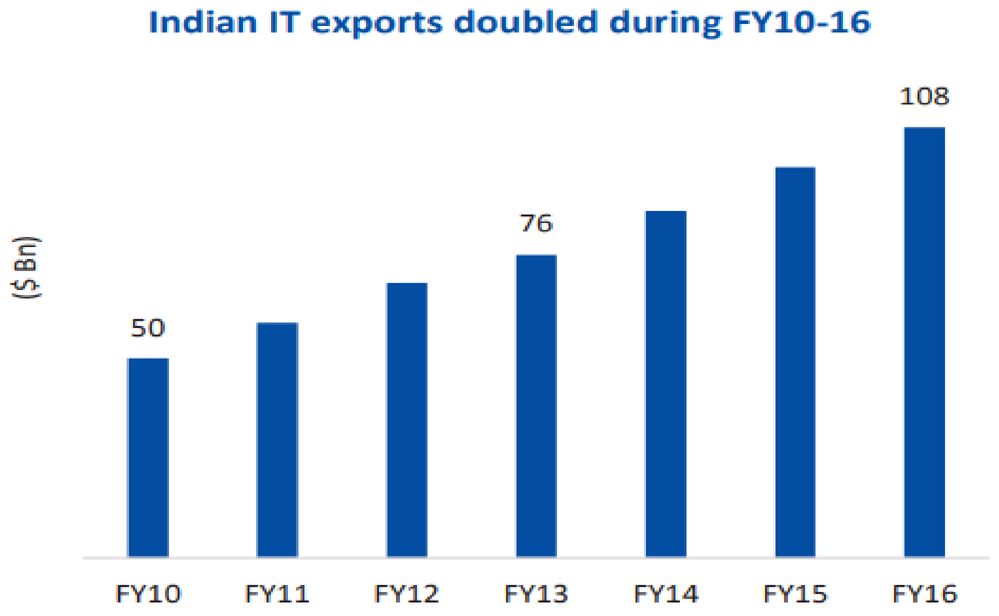


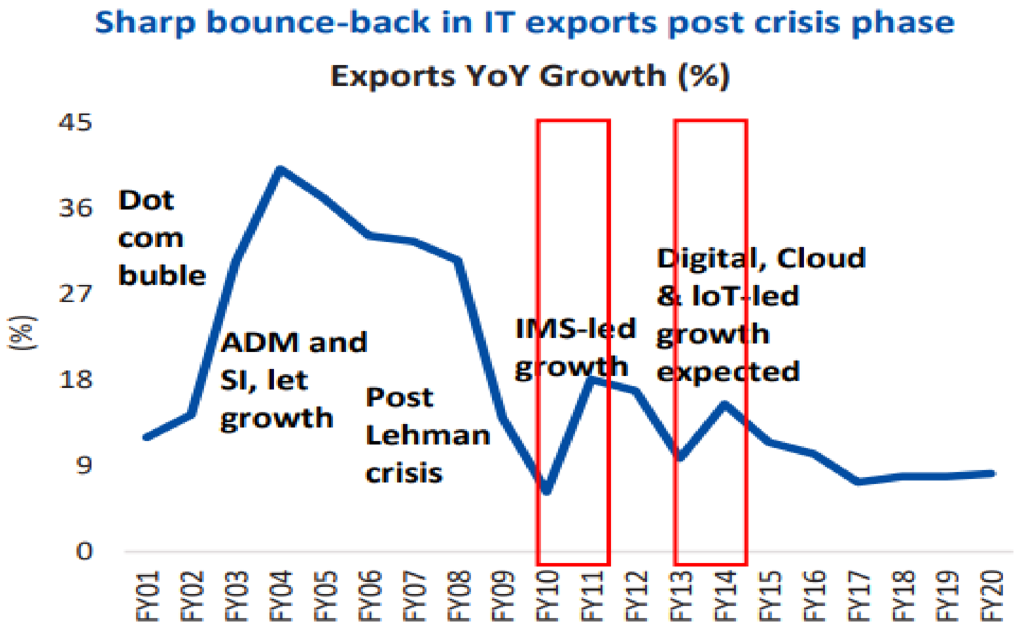
Source: NASSCOM, Industry Sources

The First Wave (FY02-09): The First Wave happened **after the Y2K problem in 2000 and lasted until the Global Financial Crisis (GFC) in 2008.** Between 2001-2008, Indian IT exports grew 6x (albeit on a low base) to USD48bn. In terms of employees, the industry added close to 2mn people. **ADM and System Integration were the growth drivers back then.**

Indian IT : Growing stronger through multiple cycles -2

The Second Wave (FY10-16): The Second Wave **started post the GFC.** Traditional cost saving services – especially Infrastructure Management Services (IMS) – drove growth for Indian IT. The industry consistently grew over 15% for 3-4 years before growth normalized to high single digits. The **shift to Cloud-based infrastructure and higher use of automation tools** resulted in Indian IT firms exploring new ways of selling IT solutions, leading to a **shift from labour-cost arbitrage to business transformation through Digital technologies.**





Indian IT : Growing stronger through multiple cycles -3

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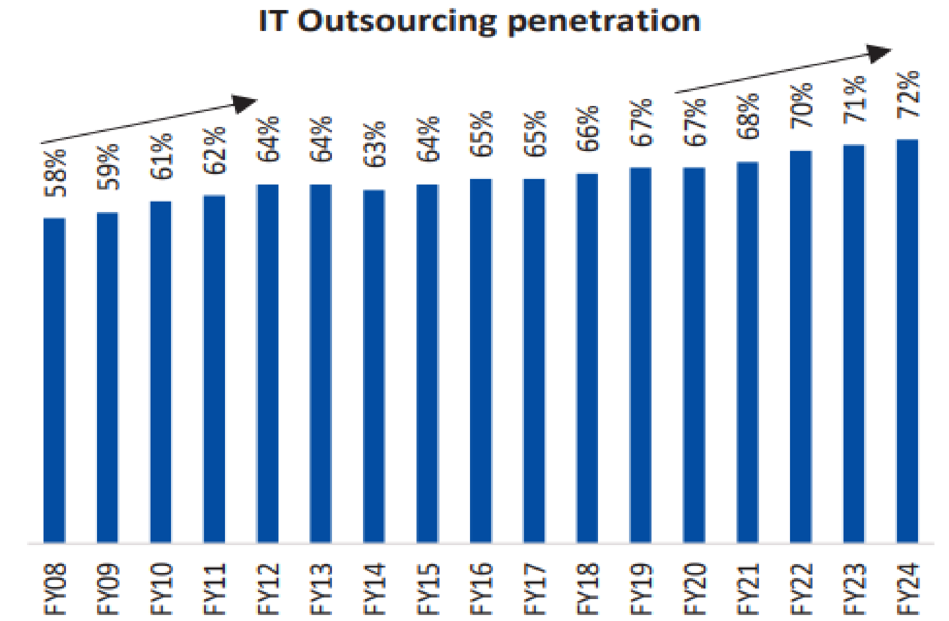
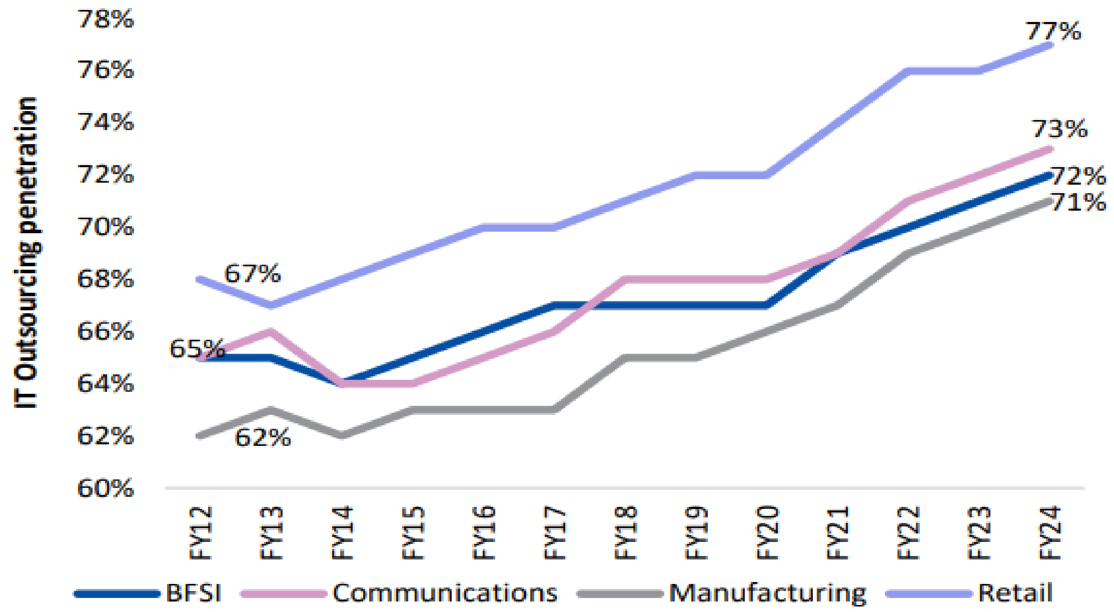
IT outsourcing to pick up sharply post Covid-19 on back of large cost take-out deals...



...across key industry verticals



Source: Gartner

The Third Wave – Covid-19 to bring in tech capex and outsourcing: As Work from Anywhere (WFA) is becoming the new accepted norm, **an increasing number of technology roles globally are finding their way to India.** According to various global surveys, several Fortune 500 companies are planning to have few of their employees Work from Home (WFH) permanently. We believe this will lead to **aggressive adoption of Digital technologies** and help companies with cost savings, leading to further growth in outsourcing.

Company Overview

InfoBeans has 20 years of leadership in web and mobile custom app development with a strong presence in emerging software technologies. The company is a **CMMi level 3 software services company** that meets global standards for software development processes. **Key business segments include Product Engineering, Digital Transformation & Automation and DevOps.** The company is planning to enhance its range of offerings and recently Philosophie was acquired with this strategic goal in mind.

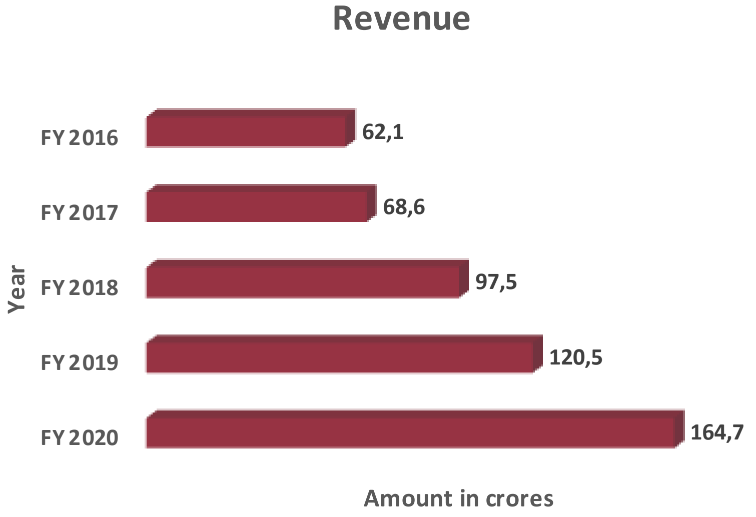
To meet the most ambitious business expectations of the customers or to solve their most challenging business challenges using cutting-edge technology, InfoBeans designs, develops and manages enterprise-grade software.

The company also operates in India from 2 facilities in Indore and Pune, employing more than 600 people locally and through a 100 percent subsidiary with 2 offices in California and Georgia, the company has built a **local presence in the North American market.** The company is also a service partner for the implementation of its applications.

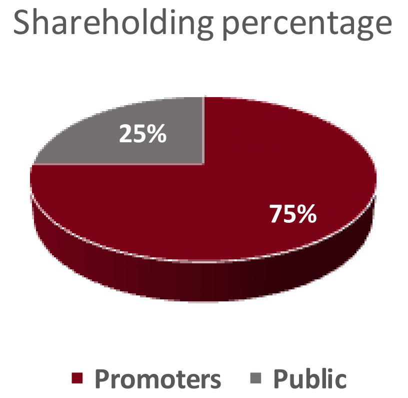
InfoBeans aims to provide their clients with value-added services over a long period of time as an extension of their own team.

110+	11	825+
Active Clientele	Fortune 500 clients	Total team size

Revenue (in crores) for last 5 years

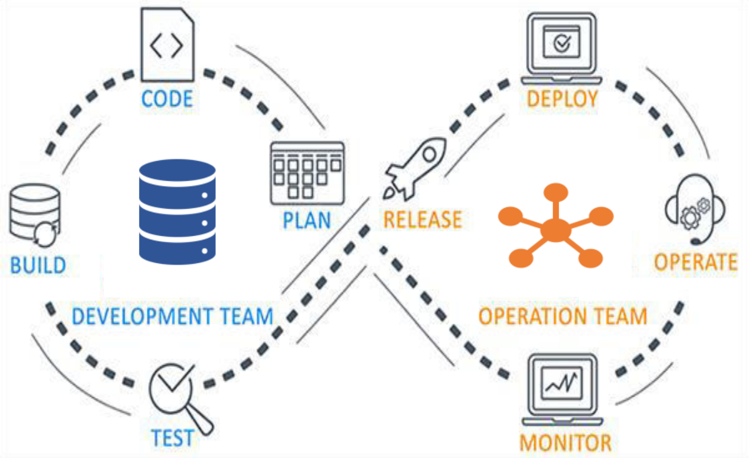


Shareholding pattern as on 30th Sept, 2020



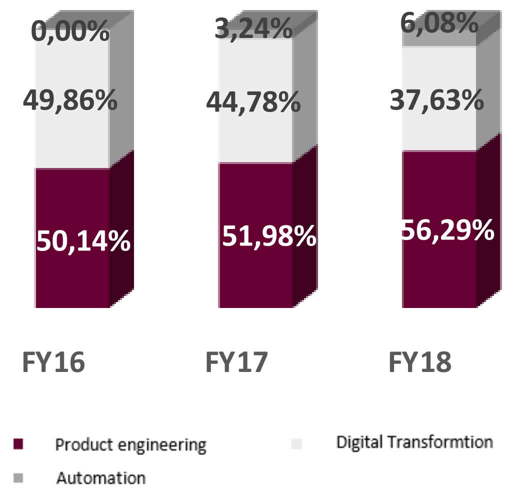
Product segments

Product Engineering is the process of innovating, designing, developing, testing and deploying a software product starting from Product ideation, architecture and design and with the **tailor made customized solutions, the company has been able to grow its business successfully.**



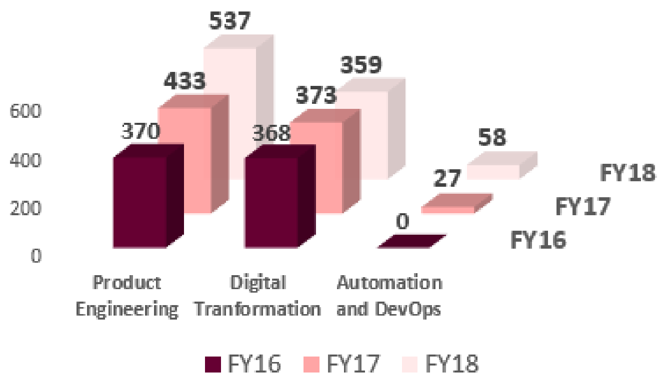
Digital Transformation: More and more businesses are looking for transforming their businesses with the emergence of new technologies. **Newer technologies increase the productive efficiency** and helps in creating synergies and InfoBeans' significant source of revenue comes from modernized IT services.

Percentage of different segments in total revenue



Automation is the future and the company has hit the nail by including this as one of their key offerings. **From code management, to automation testing, the company provides a wide range of solutions** by integrating people, processes, tools and delivering the best services as per the client needs.

Year on year growth in revenue of different segments



Digitization of the world

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Old and outdated business policies will not offer success-oriented outcome at all in the era of information and technology. By 2025, the global datasphere will rise from 45 zettabytes in 2019 to 175. Nearly 30 percent of the data in the world would require processing in real time. Is your company ready??

Today, more than 5 billion customers interact with data every day, with 6 billion, or 75% of the world's population, by 2025. Every connected individual will have at least one data interaction every 18 seconds in 2025. **Many of these encounters are due to the billions of linked IoT devices around the world, which are projected to produce more than 90 ZB of data in 2025.**

Digital is now traditional; it's in every organization and in every industry. By 2025, over 80 percent of new sales growth will be due to digital services and goods. But for companies to meet consumer expectations and experience improved returns, it takes more than just a digital strategy. It needs a linked, future-ready organization, backed by a new form of operating model for adaptive technology.

Companies are rushing to be more agile, more responsive, and dynamically fulfill consumer needs

The future of IT plays a crucial role in delivering the connected enterprise's promise in a hyper-connected world. Most IT works are ready and prepared to take the plunge today, but most lack the holistic strategy to get there.

The world today is transformed by Technological Innovation. In terms of financial returns, productivity benefits, and market standing, innovations have the potential to change the course of a nation or an industry. Some of these, such as Artificial Intelligence, robotics, augmented reality of virtual reality, RPA, IoT, have extended the open-end phase of future industries' potential value. Not only that, these innovations have also redefined how companies, organizations, through better services, products and interactions, work, evolve and strengthen their customer relationships.

Investment Thesis

The IT sector is one of the most vital sectors of the Indian industry, as well as one of the country's most important generators of export revenue. Currently, the industry contributes approximately 7.7% of GDP and is projected to contribute approximately 10% by 2025. In India and the US, the average wage difference for technology developers remains high at >5X. This has helped drive the transfer of technology roles to India, particularly at a time when the WFA environment has been expanded by COVID-19. As a result, the Trump administration has enacted much tighter requirements for Indian IT companies to issue H1B visas, with rejection rates for new approvals increasing sharply from the low single digits in 2016 to 25-30 percent last year. **On the other hand, we expect President-elect Joe Biden and the Democratic Party to follow through during the presidential campaign on the far more liberal immigration policies they supported. We would expect the H1B visa approval process to be less rigorous under a Biden administration, which would favor Indian IT companies with a lower dependency on sub-contractors in the US.**

The pandemic highlighted the importance of providing a proper IT infrastructure to ensure efficient business continuity and intensified the worldwide drive for digitalization for all companies, ranging from small local businesses to major conglomerates, which are now focused more on improving and updating their infrastructure for both customer and business-related activities. **IT businesses are considered to bear zero to no debt on their balance sheets as investments. As no major capex is incurred, they are typically asset light because the emphasis is on delivering services that allow them to generate high profitability and return ratios for investors (ROE is in the range of 20-30 percent) while retaining ample liquidity on their books.**

The investment thesis on InfoBeans is based on the following:

- **A. Creating WOW!** – Th company's core and unique values and it's high quality and consistent services
- **B. Clarity towards future path** – From it's inception, the company has accomplished a lot and has a clear strategy for growth
- **C. Acquisition of Philosphie** – With the recent acquisition of Philosophie, the sales in the upcoming years are expected to be more than 250 crores
- **D. Charting the path towards inorganic growth** – The company has a unique formula laid down for its future growth

A. Creating WOW!

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"Creating WOW", this has been the philosophy of the company and it is reflected in the quality of services that they aim to deliver. The company aims to deliver excellence and create **"WOW"** for their clients and this has been the reason that they are able to build trust and grow with the Fortune 500 clients.

Milestones

- **2000** – Incorporated in Indore
- **2001** – InfoBeans Ltd. UK was established
  Closed in 2008
- **2002** – First fortune 100 client
- **2006** – Opened new office in US and team size increased to 100
- **2010** – World class facility in EON free zone, Pune
- **2013** – 300 member team
- **2014** – Created a culture of WOW
- **2015** – Offices in Germany and Dubai, 500 member global team
- **2017** – Listed on NSE emerge
- **2018** – New office at 1st floor Crystal IT park
- **2019** – Revenue of 120 crores and moved to the NSE main board
- **2020** – Acquired Philosophie

B. Clarity towards future path

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Existing client expansion

Cross sling and upselling

Growing with clients as they shift to advanced technologies

Client targeting and getting new clients

Targeting by industry verticals, geography wise, and by employee referrals, industry contacts

US Sales team for growth

To expand into all territories by a creating teams and allotting sales managers with the responsibility

Inorganic growth

Acquisition of firms for expansion and by cross selling and up selling

The company has a strategy and a plan in place to expand its operations in future while at the same time adapting to the industry needs and standards.

C. Acquisition – Philosophie

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Philosophie Group is a consulting company for niche design and UX that has collaborated with companies such as Google, Amazon, American Express and UCLA. Philosophy has a diverse team of developers, engineers, and strategists for products.

Philosophy is forecasted to gain $10 million this year in annual sales. InfoBeans will become a $28-30 million business following the merger and would have increased visibility to the US market and to these products through this purchase.

Avinashi Sethi, co-founder of InfoBeans Technologies, said, *"The design and prototyping capabilities of Philosphie* ***complement*** *InfoBeans' enterprise application development capabilities.* ***This union would allow the merged company to provide our customers with a much wider range of services****. "This acquisition will also help us achieve our shared dream of making InfoBeans Technologies Ltd a global entity in addition to adding specialized skills."* This puts InfoBeans at par with the revenue per person of medium and large IT companies, he added.

The company been searching for businesses that specialize in niche IT space right from the start and InfoBeans had no domain experience in high-end engineering consulting prior to Philosophie, which has **design and UX as core components. That's where Philosophie makes an entry!**

With the addition of Philosophie, the company now has InfoBeans INC, InfoBeans Technologies DMCC, InfoBeans Technologies Europe Gmbh and Philosophie Inc. **as the four subsidiaries.**

This deal, which occurred in September 2019, has already begun to show its merits and justify the reasoning behind the acquisition. **InfoBeans began collaborating on a number of projects with Philosophie,** both the companies began to pitch in unity with the customers of each other and also with new potential customers. In addition to cross-selling in each other's network, both businesses operate together in day-to-day operations. For example, InfoBeans recently supported Philosophy in its financial operations that are now completely integrated, such as invoicing, collections, accounting, payroll, and vendor payment, etc. This acquisition also provides Philosophy with an offshore presence (through InfoBeans) and thus the opportunity to service customers for the entire software development process, which was previously used to get outsourced. **In its true sense, both organizations have built something together that is greater than the sum of their parts and have created synergies.**

D. Charting the path towards inorganic growth

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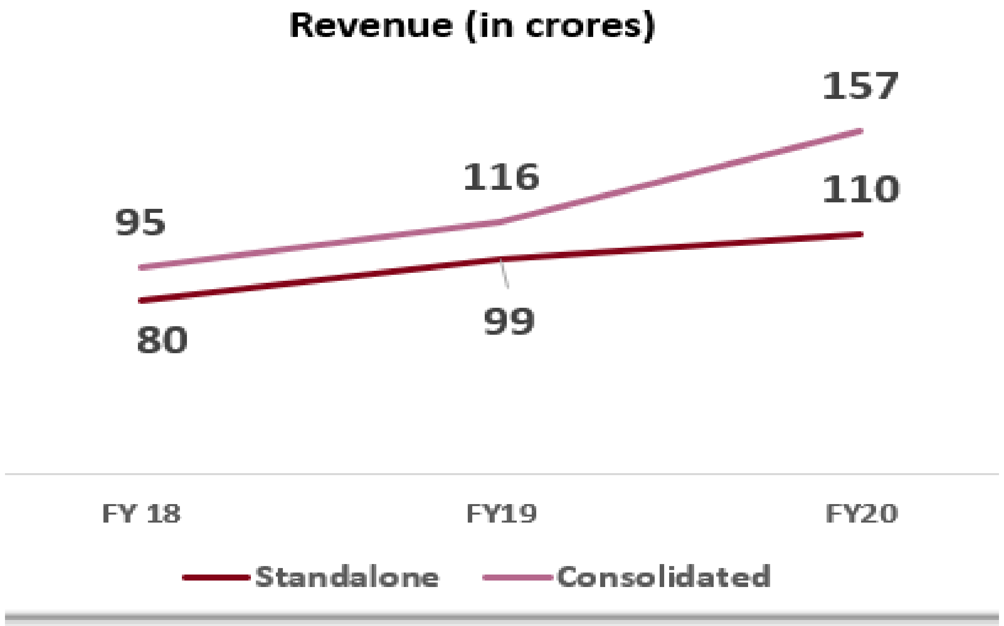
Team strength	Approx. 50 members
Offices	New York and LA, USA
Clients	Google, Amazon, American Express, etc.
Revenue as at 2019	Revenue - &10.5 million

Here is a brief profile of Philosophie. **Both these entities are being operated as sister concerns** and the plans of merger have been deferred. The company believes in the inorganic growth and treats acquisition as a process of **converging towards the most ideal opportunity available at the time.** This makes inorganic growth that isn't bound to happen as per planned timelines and is dependent upon a variety of different variables.

During the year, investments were made in the following subsidiaries / Associate Company

- InfoBeans Technologies DMCC
- Philosophie Inc.
- InfoBeans Technologies Europe GmbH
- InfoBeans INC

As can be seen from the graph that the **growth rate of revenue from consolidated financial statements has been higher, which implies that the company has been able to leverage its expenditure on subsidiaries** and it's path towards inorganic growth has been reaping benefits.

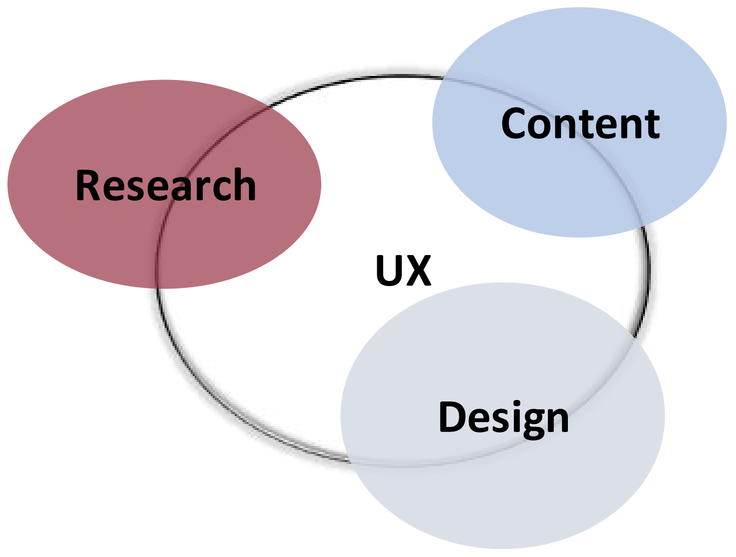


Foray into UX and Design

UX design is all pervasive than ever before; corporations understand its importance as a differentiator, and more individuals have access to good design resources.

In view of that, management feels that it is necessary for them to continue to push the limits of what is possible and to uphold the great UX design principles. **Quickly, new paradigms of interaction (e.g. AR, enhanced wearables, etc.) are beginning to take hold, which will completely transform how we communicate with goods and our environments, enabling us to build interactions in ways we could never before.** Designers would need to continually reevaluate and refresh their perception of basic human nature and needs in order to keep up and catalyze greater change.

As for the future predictions, the market for UX designers will continue to rise, not only in the tech industry, but also in other industries. **In the near future, management can't see moving away from mobile and computer screens, and hence it is to be seen how new technologies are evolving, such as artificial intelligence, voice controls, augmented reality, and virtual reality.** To remain agile and adaptable is the key and InfoBeans' seems to know the unique formula of success.



InfoBeans had no domain experience in high-end engineering consulting prior to Philosophy, which has architecture and UX as core components. **Though Philosophie, InfoBeans will be able to extend its competencies into software development for ideation, design, and prototyping. With a highly skilled cross-cultural talent, this thrust will make a difference!.**

Diversifying client base with acquisitions

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One of the key factors for acquiring Philosophie in September 2019 is its client base. This is also a strategic decision in the sense that InfoBeans is seeking not only to expand its offerings, but also to find ways to access new and esteemed global giants at the same time.

Amazon, American Express and Google are the new fortune 500 clients added to the list after the acquisition of Philosophie.These names speak for itself and the ability of the Philosophie group to serve them and the trust that they have built over the years.

company that needs no introduction, Fortune 100 company and amongst the Big Four tech-companies, that literally is an amazon, catering to all product segments and services.

amazon

AMERICAN EXPRESS

We all know that gone are the days for paper money and plastic money is the future. This is a Fortune 500 company, best known for its charged card, credit card, and traveller's cheque businesses

wework

We work is a revolutionizing company that offers one of the largest co-working spaces provider.

All these companies are too big to fail and hence with their growth, the company's growth is assured. Apart from this, there are various other marquee clients that the company does business with. The greatest accomplishment for those in the B2B landscape is to land a client that is ranked among the Fortune 500, a renowned list of the United States' largest, most profitable brands.

Marquee Clients

The company has **107 clients as at September 2020, with 17 fortune 500 companies as their clients.**

unimoni

unimoni is a financial services company, a leading worldwide provider of foreign exchange, money transfer and various other financial solutions

Viatech

Viatech is a company headquarted at Dallas, Texas that provides innovative technology solutions for content delivery, automation, integration and analytics.

IQVIA

IQVIA is an American multinational company and is a global leader in leveraging data, analytics and technology in the field of healthcare.

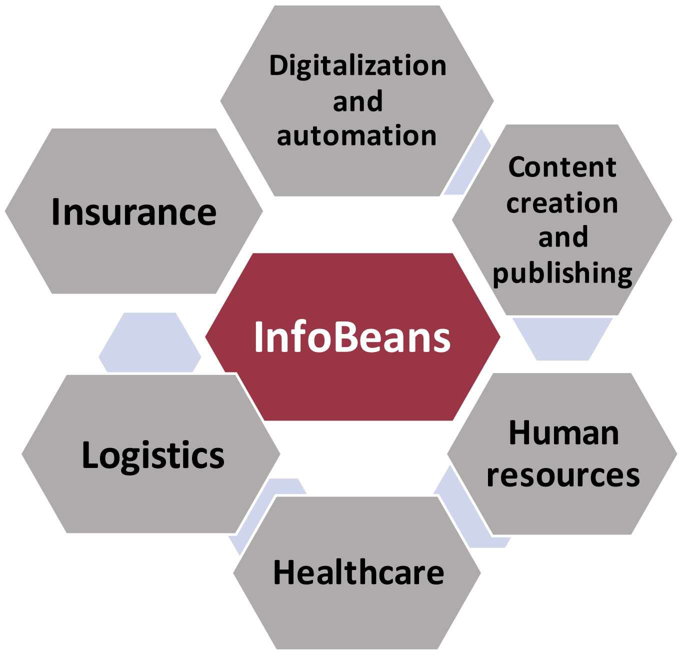
Coadvantage

Coadvantage is an HR outsourcing company headquarted at Tampa, Florida. The company has expertise in optimizing HR practices, improves employee engagement and is known for its payroll processing services.

ALM

ALM is a 172-year-old media company located in New York City's Equitable Building that offers specialized business news and information, mainly focusing on the legal, insurance and commercial real estate sectors.

As can be seen, the organization has customers **that range from healthcare to media firms. It reflects the diversified range of customers of the company** and its expertise in being able to retain and service those marquee and respected target clients.



With the digitization of the world and a huge amount of data being produced every day, it is evident that IT, technology, analytics, and automation are the way for the future, and the future prospects of the business look promising by a dedication to servicing existing clients and at the same time strategically working to add new clients.

Financial & Business Analysis

	FY15	FY16	FY17	FY18	FY19	FY20	Q1 FY21	Q2 FY21
Consolidated Total Revenue (INR Cr.)	35.35	62.06	68.59	97.48	120.47	164.68	47.93	42.36
Consolidated Operating Profit (INR Cr.)	6.16	15.18	12.11	19.09	21.39	25.64	14.12	8.41
Operating Profit Margins (%)	17.42%	24.46%	17.66%	19.58%	17.75%	15.57%	28%	19.8%
Consolidated Net Profit (INR Cr.)	5.42	13.42	12.63	16.73	17.26	21.16	7.59	4.72
Net Profit Margins (%)	15.33%	21.62%	12.96%	17.16%	14.32%	12.85%	15.1%	11.2%

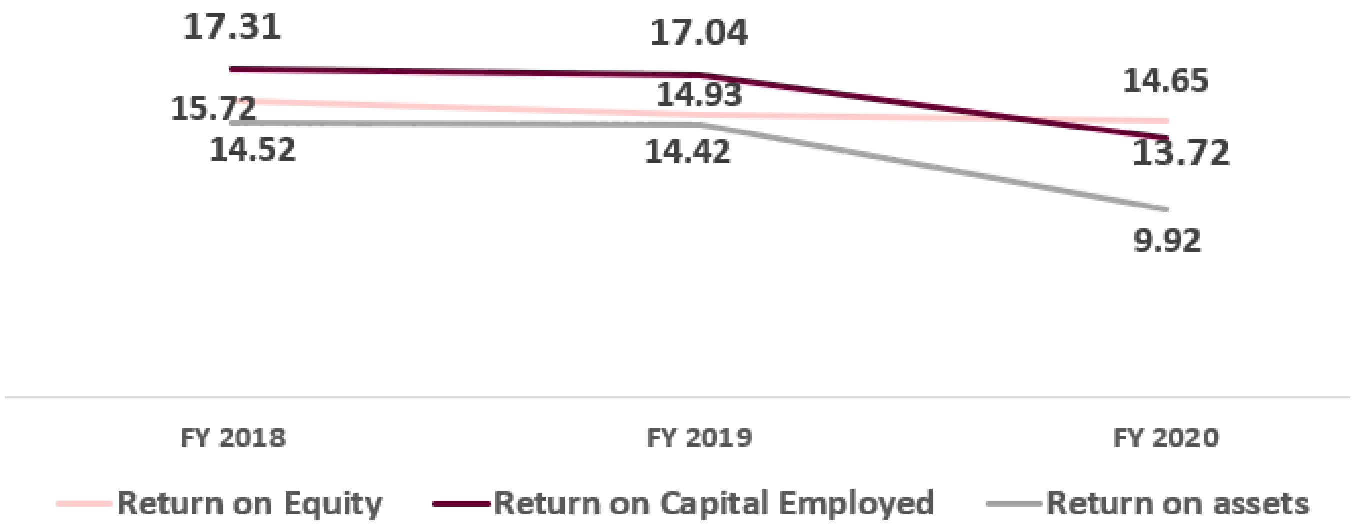
As it can be seen from the table, **the revenue has become more than 4 times in last 5 years.** This signifies the huge potential of the company and with the recent acquisition, the projected revenues are expected to cross 250-300 crores in the upcoming years. Although revenue in September quarter is impacted by two main factors, i.e. about 6 crores loss in revenue from Philosophie due to the ongoing pandemic and a sudden drop in USD/INR from 76 levels to 73.5.

The financial liabilities of the company have increased in the recent year and hence there is a fall in interest coverage ratio. However, with ample amount of reserves, the liquidity risk is mitigated. Non-current assets such as right-of-assets have increased in the recent year because of expansion of office premises in Indore and Dubai and new offices at Chennai as stated in its investors presentation for the quarter ended 31st March 2020.

The company is on an expansion and growth spree and has also invested 34 crores in its recent acquisition of Philosophie.

Also, due to the acquisition of Philosophie, the firm has paid more than fair market value of net assets acquired, and so the increased amount **is recorded as goodwill in the non-current assets.** Though the company's overall free cash flow has reduced in the recent year due to investments in subsidiary, **however the cash flow from operating activities has been increasing on y-o-y basis, which suggests that the company is able to generate good returns from its core and daily operations.**

Expansion spree



As it can be seen from the graph, ROCE and ROA have been declining in the last two years which suggests inefficient use of capital and assets to generate profits. This may be temporary as the company has been spending on investments and expanding

We would like to see a **company spend more money in its business in a perfect world, and hopefully the returns received from that capital also increase**. If you see this, it usually means that it's a company with a great business model and plenty of lucrative potential for reinvestment.

On the surface, however**, the ROCE pattern at InfoBeans Technologies does not really instil confidence. Since both sales and the amount of assets employed in the company have increased, it may mean that the company is investing in growth and that the added capital has resulted in a short-term decrease in ROCE.** This could work particularly very well for long-term stock performance if these investments prove successful.

Management

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Mr. Siddharth Sethi (Managing Director)

Mr. Siddharth Sethi is one of the company's co-founders, promoters and CEO. He graduated from **Devi Ahilya Vishwavidyalaya, Indore, India, with a degree in electrical engineering and an MBA from IIM, Indore.** He is responsible for the provision of software in all regions and for business growth in Europe and the Middle East. He has **vast work experience in customer experience design and is passionate about building amazing team workspaces.**

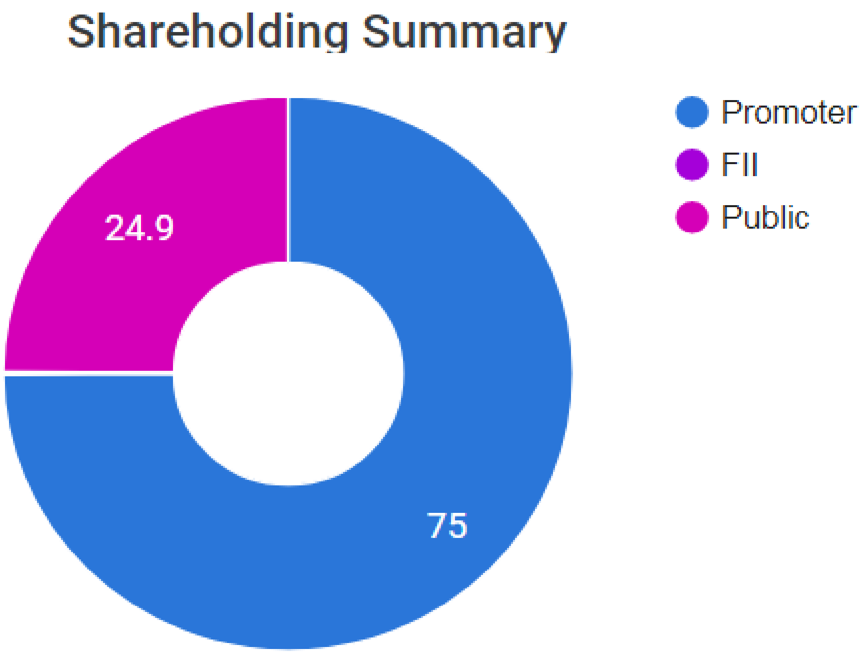
Mr. Mitesh Bohra (Executive Director & President)

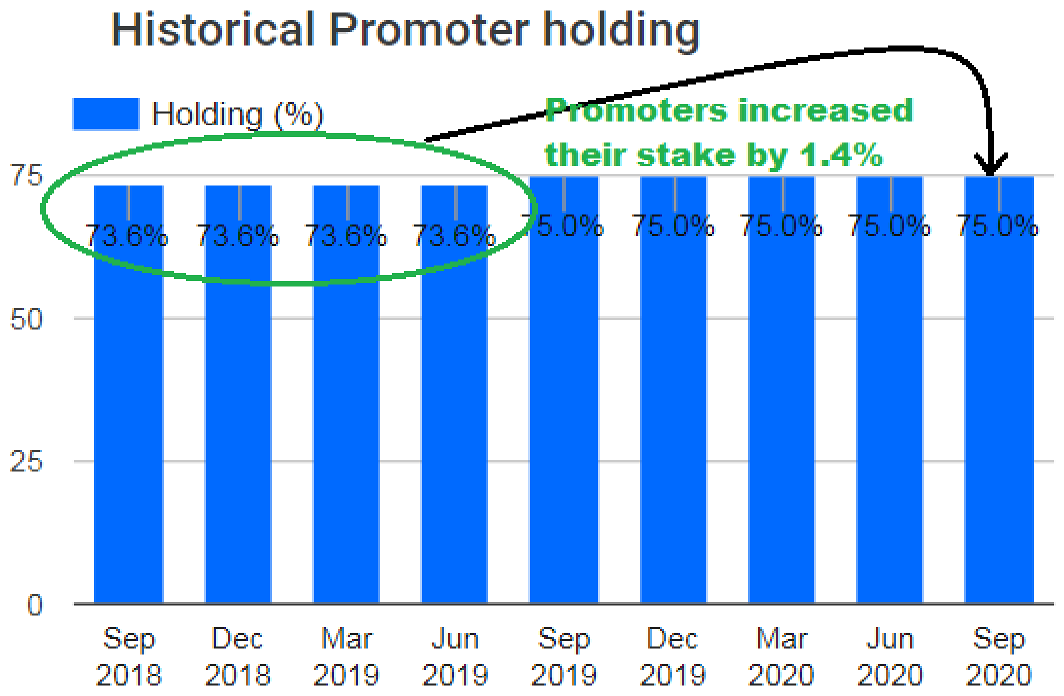
Mr. Mitesh Bohra is one of the company's co-founders, promoters, and managing director. He holds a Devi Ahilya Vishwavidyalaya Electronics Engineering Degree, Indore and Dual MBA Degrees from Columbia Business School, New York, and Haas School of Business, UC Berkeley, California. He has over two decades of experience in the US tech industry, where, while working for companies such as GE, Merck, Disney, and Lockheed Martin, he accumulated a wide range of invaluable skills in strategy, distribution, and account management. **He is currently heading efforts in the USA for business growth.**

Mr. Avinash Sethi (Director & Chief Financial Officer)

Mr. Avinash Sethi is one of the company's co-founders, investors, managing director and CFO. He graduated from Devi Ahilya Vishwavidyalaya, Indore, India, **with a degree in electrical engineering and an MBA from IIM, Indore.** He has a penchant for uncharted areas being explored. He has developed a strong interest in the roles of finance and HR over the years. He believes in developing a team with a great sense of belonging, an important element of the organization's continuous long-term development. **He has tasked himself inorganically with rising InfoBeans.**

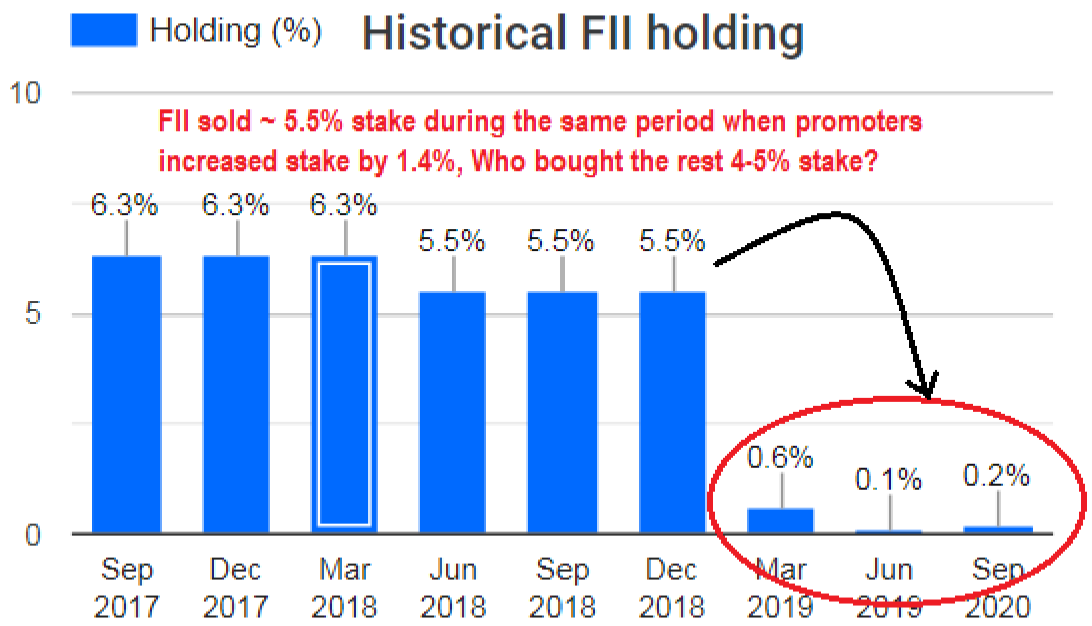
Promoters shareholding of 75% (maximum limit)





- ✓ Promoters increased their stake from 73.6% to maximum permissible limit of 75% during Sept 2019 quarter just before this announcement on Oct 2019 - **“InfoBeans Technologies acquires Philosophie Group Inc of USA in a cash out deal”.**

Mukul Agarwal bought 5.83% between 70/- to 120/-



Historical shareholding details of Mukul Agrawal in InfoBeans Technologies Ltd.

While FII were selling during Mar'19, it was Mukul Agrawal (One of the ace investor at par with Ashish Kacholia, Dolly Khanna, Akash Bhansali, Vijay Kedia etc) who was found buying the stock. He holds close to 5.83% as on date.

QUARTER	NAME	TOTAL NO. SHARES HELD	PERCENT HOLDING	PLEDGED SHARES	PLEDGED %
Sep 2020	Mukul Agrawal	1,400,000	5.83%	0	0.00%
Jun 2020	Mukul Agrawal	1,300,000	5.41%	0	0.00%
Dec 2019	Mukul Agrawal	1,064,000	4.43%	0	0.00%
Sep 2019	Mukul Agrawal	1,064,000	4.43%	0	0.00%
Mar 2019	Mukul Agrawal	1,024,000	4.26%	0	0.00%

- While FII has reduced the exposure from 6.3% to 0.2% during last 3 years. Promoters increased from 73.6% to 75% and the remaining shares are bought by smart investor Mukul Agarwal.
- When we checked FII who use to hold 6.3% stake we found two names - Kuber India Fund & Maven India Fund combined holding was 6.48% during Sept 2017, both are Mauritius registered funds.
- Although we do not recommend stock on the basis of who bough or who sold but we do study the pattern of share transfer from weak hand or sometime shell companies to strong hands or smart money. We presume that such kind of transaction has happened here too.

Technical Chart Pattern

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Technical Chart of InfoBeans:

➢Stock price has touched 150 levels twice (supply zone), first during Mar'20 and again in Oct'20. After that it re-tested levels of 120-130 which is demand zone.

➢Once again stock price is close to 150 which is a breakout zone. If it is able to sustain this levels, we can see 200-250 range in next 6-12 months.

Future Outlook

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- **India is the largest sourcing destination in the world with the world's largest eligible talent pool of skilled IT professionals**. The nation has a low-cost edge, being 5-6 times cheaper than the US. Among the world's 17 leading economies, **India is the second-fastest digital economy.**

- India's cloud market is projected to rise three-fold to Rs. 49,621 crore (US$ 7.1 billion) by 2022, **led by demand for Big Data, Data Analytics, Artificial Intelligence (AI) and the Internet of Things (IoT), according to the Cloud Next Wave of Growth in India report.**

- **InfoBeans' more than 90% contribution of revenue is from USA** and hence it can leverage on the expertise of skilled IT professionals working from India and simultaneously with the acquisition of subsidiaries and presence of other subsidiaries in US, UAE, the company strives to be agile catering to the ever-evolving and innovation driven IT sector.

- **To remain relevant in the industry in which the business is present, growth is imperative.** By inorganic means and methods, such as expanding service offerings, deepening relationships & business with existing customers, gaining new customers, entering new markets, while ensuring that they remain true to their core values of **WOW delivery** and creating a happier workplace, the company has charted its path towards growth!!!

- **In addition, they have a well-defined inorganic growth strategy driven by sufficient cash reserves** and a strong commitment to reach their set growth benchmark. While the free cash flow has declined in the last year, the operating cash flows have been positive y-o-y basis, suggesting that the organization has been able to produce positive returns from its daily and core business. **Excellence, Ownership, Compassion and openness** are the core values and founding pillars for InfoBeans.

Risks & Concerns

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Global factors: A major part of the company's business is substantially dependent on the export revenue influenced by global economic conditions and with the onset of the ongoing pandemic, the expected revenue from Philosophie has not been up to the mark. Factors that may adversely affect the economic growth include but are not limited to - inflation, changes in tax structure, trade environment, fiscal and monetary policies etc. As the revenues are highly dependent on a) the export of IT solutions and b) our clients need for digital solutions; an economic slowdown or other factors that affect the economic health of the nation or those client industries, or any other impact on the growth of such industries, may affect the business.

Regulatory Risks : If the company is unable to obtain required travel documents in a timely manner, business and operations may be adversely affected. However, the Government has come up with a number of initiatives to boost the information technology sector and has planned incentives for this sector. **As all industry predictions suggest that this will be the trend in the future as well and given the company's own experience in obtaining such permissions, it is not expected that this risk would affect materially in the coming years.**

Client Concentration and Account Risks : The company's strategy is to engage with a few strategic customers and build long-term relationships with them. In the trade-off between, doing a large number of projects for a diversified clientele and digging deeper into a limited and growing set of large clients, they have chosen the latter. Any shift in customer preferences, priorities, and internal strategies can have an adverse impact on the company's operations and outlook. **InfoBeans does have the benefit of being well entrenched with many of its clients, involved in their critical and strategic initiatives. Therefore, to a certain degree, client concentration-related threats are mitigated**.

The Indian IT industry will face heat in the immediate and near future in terms of deferral, delay, and reduction of IT spending and thus projects produced by its customers. It may also affect the industry's earlier forecasts to hit USD 350 Bn in revenue by 2025. **In the longer term, it is expected that this pandemic will bring improvements and reforms to the very manner in which the industry works.**

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Statutory Disclosure

SEBI Research Analyst Registration No. : INH200006451

1. At the time of writing this article, **the analyst have no position in the stock** covered by this report.
2. The analyst has not traded in the recommended stock in the last 30 days.
3. The research analyst does not have any material conflict of interest at the time of publication of the research report.
4. The research analyst has not received any compensation from the subject company in the past twelve months.
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9. The analyst does not own more than 1% equity in the said company.