"Kellton Tech Solutions India Q3 FY17 Earnings Conference Call"

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MODERATOR: **MR. DIWAKAR PINGLE, CHRISTENSEN IR**

Moderator: Ladies and Gentlemen, good day and welcome to Kellton Tech Solutions India Q3 FY17 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. In case you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle. Thank you and over to you, Sir.

Diwakar Pingle: Welcome to all the investors who have joined us on the Q3 FY17 earnings call of Kellton Tech Solutions Limited. We have mailed the results and the presentation and the same is also on our website. In case, any of you have not received the same, you can write to us and we will be happy to send the same over.

To take us through the results and answer your questions today, we have with us Mr. Niranjan Chintam – Chairman and Whole-time Director, Mr. Srinivas Potluri – Chief Executive Officer of USA, and Mr. Karanjit Singh – Chief Executive Officer, India at Kellton Tech.

We will start the call with a brief overview of the quarter gone past which will be given by Mr. Niranjan Chintam and then we will throw the floor open to Q&A.

I would like to remind you that everything that is said in this call which represents any outlook for the future can be construed as a forward-looking statement, must be viewed in conjunction with uncertainties and risks that we face. These risks are included and not limited to what we mention in the prospectus filed with SEBI and subsequent annual reports which you can find on the website. With that said, I would now like to hand over the call to Mr. Niranjan Chintam. Over to you, Niranjan.

Niranjan Chintam: Good evening, Ladies and Gentlemen. Welcome to our first investor call. We are making a beginning of doing this investor call and we should be doing this on a quarterly basis going forward. Every year, we try to come up with new disclosures and transparency, this is one of the thing that we started this year, so you should be seeing lot more visibility from our side into the numbers that we are publishing as well as reaching out to the investor community to make sure that whatever we are publishing and any other questions that are there, we are able to answer.

Coming to the quarter results/highlights, I will just talk about the highlights. This is all published like Diwakar was saying, but I just wanted to reiterate these numbers so that if you have not looked at it and you have that handy. This quarter we have posted revenue of Rs 158 crores which is a 36% year-on-year growth and 4.7% quarter-on-quarter growth. EBITDA was at Rs 22 crores, again this is 33% year-on-year growth and 4.2% quarter-on-quarter. Net profits stood at Rs 13.9 crores, and the year-on-year growth is 38%, quarter-on-quarter growth is 5.2%. This quarter we added a net new of 29 people which takes our total head count to around 1275 plus.

Now, quick business highlights, we have added, eight new clients this quarter, this range is from all the way to the largest payment processing company, a leading US bank, largest logistical provider, largest privately owned arts and crafts retailer, so these are a sample of what customers we have added this quarter. In addition to that, this quarter we also were awarded 19th rank in the Deloitte fast 50 for 2016. The same for the Asia-Pac, we were at 193rd, this is the fast 500 companies in the Asia-Pac region. The mSehat, which is an initiative that we have done for the U.P government has now been recognized by World Health Organization as the largest mobile health solution implemented in the world. These are some of the achievements from the business perspective. These achievements are only reiterating and/or getting us third party validation of some of the achievements that we have done and we are proud to inform all of you that this is a small subset of the third-party validation that we are getting every quarter or every year. This further notifies that we are one of the largest when it comes to the digital transformation providers in the world where its majority is digital transformation. With that, I want to open the floor for questions.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin with the question and answer session. We have the first question from the line of Krishna Nalamoth as an individual investor. Please go ahead.

Krishna Nalamoth: In an interview with CNBC today you have given guidance of Rs 2000 crore for financial year 2021, can you elaborate more on this?

Niranjan Chintam: This is an aspiration like I was saying on the CNBC. We want to aspire to be a Rs 2000 crore company and we have targeted that, it is going to be around FY2021 when we would be able to achieve that. That 2000 number is something that we are aspiring to and we are building our team that would take us to that what we call in the $300 million number. Today, we are very close to the 100 million number when it comes to US dollars. We want to be the $300 million number by FY2021. The reason for that is varied, but we want to have the size and the muscle by FY2021 to compete with the big boss, that is one of the reasons why we picked the number and we want to be aspiring to that. How we are going to achieve that is going to be a combination of both organic and inorganic growth. Today, we are growing around 27% average for the last three years when it comes to organic growth. So, there will be a lot of addition that is coming from the organic growth and there will be some addition that is going to come from inorganic growth.

Moderator: Thank you. We have the next question from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Sir, can you also describe how you are seeing the macro environment playing out especially the kind of changes that we are seeing in US and this I ask because obviously you have a huge amount of revenue coming from US and also if I look at the wage bill that you currently have and what H1B cut offs US politicians are talking about, I am just wondering what kind of impact do you think those may have on you?

Niranjan Chintam: From a macroeconomic situation in the US, we see that there will be lot of investment that is going to happen in the US when it comes to the digital transformation side. Gartner had an article that came about recently where they are saying that only about 25% of the companies today are either talking about digital or have some kind of a digital strategy, whereas by FY2020, they are saying they are projecting that is going to be that 75% of the companies will have to go digital, otherwise, they will perish. There is lot of traction that we are seeing when it comes to digital transformation in the US and the rest of the world. We see that there is lot more demand coming from the US region. While we are mindful that majority of our revenue is coming from the US, we have made entry into Europe and that is also going to contribute about 20% of our top line within the next two to three years, so that is what the macro situation. When it comes to the wage bill that you talked about, yes, today we have close to about 400 people in the US and typically because of that the wage bill is higher compared to probably other companies that you may be comparing us with.

Agastya Dave: My question was how much you are paying those people, is that $130,000 limit does come into effect?

Niranjan Chintam: You are talking about the H1B particular one right?

Agastya Dave: Yes.

Srinivas Potluri: Yes, it is still a bill at this point, speaking from a macro perspective, it has not been passed. Every time a government changes, H1B rule changes are presented to the government. It is still at this point iffy, but from a perspective of how does it impact Kellton, the impact is going to be very minimal just because the concentration of H1B workers within the Kellton Tech group is negligible. It is a very low percentage and even if we have to pay them $130K that the bill is currently talking about, it would be at par with any of the US people that we are hiring, so we do not see an impact of that in any way on Kellton.

Niranjan Chintam: Also Dave, what happens typically if our rates go up in the sense our pay rates go up, we always pass on that to the customer.

Agastya Dave: How is the pricing playing out, are you seeing any pricing pressure or it is pretty stable?

Niranjan Chintam: We are not facing any pricing pressure. In fact in many of the cases that we are charging average rate has gone up, so we do not have to see that because we are in the niche play of digital transformation. I think you must have seen our results today, +50% is coming from the digital transformation, whereas if you look at what we call the pure play other IT services, there is a margin pressure for them. For us, there is no margin pressure. Also you must be reading articles about automation, automation is not going to affect us. It is going to affect the big companies that are doing what we call the outsourced AMS kind of a stuff where they are maintaining and managing systems and servers and our networks, but for us where there is a human dependency is huge so there we do not see that margin pressure there.

Moderator: Thank you. We have the next question from the line of Rahul Parikh from Puri & Somani Securities. Please go ahead.

Rahul Parikh: My first question is on the QIP status, I just want to know what is the status of the QIP issue that you are going to come up with? My second question is on your EMEA operations, you opened a branch in Ireland sometime ago and I wanted to know are you getting more clients from there and how is the business in EMEA picking up, and my last question is that in the last quarter you guys pledged 4% of your promoter holding, I actually wanted to know the reason for that and if any more pledging is in the pipeline or should we expect any more pledging and those are my three questions?

Niranjan Chintam: Let me start with EMEA operations, yes you are right, we did open up an Ireland office. We are seeing lot of traction in Europe. We see a huge funnel being created when it comes to the pipeline, and today, we have a few customers there because we are going organically there. This is our first time where we are venturing into a geography organically, so we have built up the critical mask when it requires, sales and operational staff there, now we are seeing a huge funnel. That funnel is going to turn into business starting next quarter, so the percentage of business coming from Europe is going to increase starting next quarter. To answer your question about QIP, the QIP is a work in progress. As soon as we have something that is reasonable, we would be able to close, we will definitely notify the exchange and the investor community, but as you know QIP specifically in the IT industry is facing headwinds, so we are in the same boat as anybody else. There was a third question that I missed Rahul.

Rahul Parikh: It was on the pledge of shares?

Niranjan Chintam: The pledge of shares, the reason for pledge of shares is to raise working capital for the company. It is not a pledge that we did for personal reasons, this is for business reasons is what we pledged the shares to raise funds for the working capital. To answer your secondary question related to that are we planning to increase the pledge, at this time, we do not have any plans to increase that, but anytime we do anything like that is more for business reasons than really any personal reasons. We as a family do not need money when it comes to do share pledge and take money, so what we are doing is more for business reasons.

Moderator: Thank you. We have the next question from the line of Diwakar Pingle from Christensen IR. Please go ahead.

Diwakar Pingle: Given this is the first time that we are doing the call for investors, one of the things that I wanted to ask from a company perspective to the management was obviously we have been hearing a lot about digital, each and every company saying they are doing digital, so in terms of Kellton's definition, what constitutes digital, when do you say that a project becomes digital, if you can kind of give us some idea on that will be nice?

Niranjan Chintam: Diwakar as we talked a few times about this, digital for different people is different things. Even NASSCOM is trying to define what is digital. Now, digital is the latest cool or sexy word everybody is talking about digital. For us, we have been born digital. From day 1 of Kellton's inception, we have been in the digital space. We did not have the legacy, I guess mindset be it or legacy technology before we got in, so for us everything has been digital. How do we define digital from the perspective of when you classify a certain customer as digital is depending on the five chosen technologies that we have today, one is IoT, Social, Mobile, Analytics and Cloud (ISMAC). In most of the cases our customers have used four, may be three but that is the minimum of these five chosen technologies and in some cases all five have been chosen. We only classify a customer to be digital customer if at least three of the five of the technologies that we call in the ISMAC side, if they are using that to implement a solution, we call that digital. If not, then we classify them as enterprise and/or other, if how we classify. We are also foraying into blotching as well as artificial intelligence kind of technology, so those will be purely digital play, so that is how we are classifying.

Diwakar Pingle: The second question, one notable thing that I saw in the press release is about addition of eight new clients this particular quarter, can you throw some light on the verticals that they are in or they are kind of vertical agnostic, do we have any sense of how they could ramp up in the future or there are small projects which will kind of run down in two or three quarters, that would give us some color on how the revenue builds up there?

Niranjan Chintam: Like I was saying earlier one of them is an online payment system. This is the largest when it comes to the MR region. There are the largest one and we also have a bank, so these are industry agnostic, we do not focus on, one is the logistical company and another one is in the logistics for healthcare space and another one is in the aerospace and defense space. These are wide variety of industry verticals that we have targeted, so our solution offering is not industry specific. Specifically, when it comes to digital transformation, it has been that we are horizontal player and not a vertical player. Answering your question about how does this play out, do we end in two to three quarters, today 80% of our revenue is coming from repeat business that is the customers that are giving us revenue is repeat 80% of the time, only 20% of the time that we lose out. How does this fall into that, I cannot predict but today my prediction is we have started with these companies, we believe that we are going to be a long term partner with all of these because we have entered into them on the digital side of it. Typically when we enter in the digital side of it, we are in there for years and years.

Moderator: Thank you. We have the next question from the line of PK Radhakrishnan, an individual investor. Please go ahead.

PK Radhakrishnan: Some of my points have already been answered; I have only one doubt, whether our future expansion will be based on equity based or debt based?

Niranjan Chintam: So far, we have always done debt based, the reason for that is today we believe that equity is very expensive, debt is very cheap for us. We have been raising funds overseas, so our average rate is around 5%, so the equity is always going to be expensive and we will continue to believe that it is easy for us to raise money, so we will acquire companies using debt. With that said, there is a going to be a QIP play in some time in the near future, that would be the only time we would do an equity round, but otherwise any acquisition that we are going to be making is going to be pure debt and internal accruals.

Moderator: Thank you. We have the next question from the line of Kunal Sabnis from V.E.C. Investments. Please go ahead.

Kunal Sabnis: Historically, we had a lot of acquisitions and yearly run rate today of about Rs 625 to Rs 650 crores because of the organic growth as well as the acquisitions, if you could help me understand how much of this growth would be purely driven by acquisitions that is the first part of the question and going forward from here on, if we do not end up acquiring anything what should be the organic growth that we should factor in and which one or two of the verticals from ISMAC should drive that in that sense would be great?

Niranjan Chintam: It is a difficult question to answer there Kunal. The reason why I say difficult is we only track a company separate for the year because when we acquire companies we have a day 0 plan, 30 day, 60 day, 90 day, 180 day plan by the time 180 comes, complete integration happens of the company, we can only track them separately for a year, after that we do not track, so it is a difficult question to answer but like I was saying earlier we have been growing 27% organic growth year-on-year for the last three years that is the average. The future growth we believe that we will be around the 20% when it comes to organic growth, because our base has gone up to, so we are being a little bit conservative in saying that 20% would be the organic growth going forward.

Kunal Sabnis: Okay, and which vertical should drive this?

Niranjan Chintam: There is no vertical as such. We do not do, let us pick one of this ISMAC, we do not do projects only in one particular technology, let us say I am just making this up, mobile app, somebody comes and says can you build me a mobile app, then we say, hey, we are not a mobile company or a mobile app company, you could be better off going to a specialist mobile app company then coming to us. We are a holistic provider, so we provide digital transformation using all these different verticals of the ISMAC, so that is the reason why we do not track as to which one is going to take off, but today they are talking about artificial intelligence is going to take off, machine logic is going to take off, so those are all the things that are happening. IoT, we have paid customer of IoT. If you go with the paid customer, how many of the other companies can claim that they have paid customers, this is something that is very difficult to answer Kunal, because just the IoT side they are talking about is three trillion market size, and when we do IoT, it is not just the IoT part, right we have to use the other technologies to provide a solution around it.

Kunal Sabnis: Got it, but in terms of your revenues today, is there a skew towards say mobile work or more of cloud or you can give that sense in ISMAC?

Niranjan Chintam: No, it is not skewed, when we provide an offering we are providing a complete solution, so a piece could be cloud, a piece could be the mobile app, a piece could be IoT, a piece could be social, so it all adds up to the solution, so we do not differentiate how much of it is cloud, because that is something that a pure play cloud company, a pure play mobile company does it.

Kunal Sabnis: Across the spectrum, margins will be similar or margins also move from one service to the other?

Niranjan Chintam: Margins when it comes to digital transformation are higher, when it comes to the traditional enterprise solution, they are smaller and they are what we call other me-too, some of the customers will come and ask us can you help us with this and we see a huge potential with that customer, we do not want to say no. We do a small piece of that work, so in that phase the margins are lower, so that is why if you look at our revenue by this business unit. If you see that our digital site is now +50%, enterprise is around 30%, so when you look at that kind of numbers we are getting more out of our digital side and less out of the others when it comes to margins.

Kunal Sabnis: The enterprise applications you still want to continue that as a business and grow along with the digital side?

Niranjan Chintam: The reason for that there Kunal is enterprises are the ones that are migrating to the digital side.

Kunal Sabnis: That business feeds in for the digital?

Niranjan Chintam: You are right, that business feeds in the digital transformation side. It is not easy that is one of the strategies that we have when it comes to acquisition. It is not easy to get into a new industry or new vertical or new customer, hence, one of the strategies for acquisition is to buy customers. If you have an existing customer, it is easy to sell a story than trying to let us say go penetrate a BFSI kind of industry where it is close knit community, they will not let outsiders come in and they keep asking, hey, where have you done similar work in my industry, that is why we buy customers that is going to help us, we say hey, we have done this let us say, I am just picking names, Goldman Sachs, we have done this for UBS, so we can do similar stuff for you there.

Kunal Sabnis: In terms of acquisitions, we are definitely trying to evaluate options, but in terms of size is there a specific cap that the board or the management is working out with?

Niranjan Chintam: We never look at a size; we look at what it is adding, like the two strategies one for customers and the other for capability, so that is all we look at when it comes to which company we want to look at. After that, what we look at is culture fit. Culture fit is important for us.

Kunal Sabnis: If you are funding it through debt, if a company of your size, then are you willing to explore say equity swap or something like QIP and then funding through that?

Niranjan Chintam: Kunal, I think I know where you are going at, if you are looking at the revenue number it could be from $5 million to $50 million that is where we cap it at, we do not go beyond $50 million when we look at any company. There is not going to be an equity swap, it is all pure debt and internal accrual.

Moderator: Thank you. We have the next question from the line of Govindas Malani as an individual investor. Please go ahead.

Govindas Malani: This is regarding QIP, can you tell me about QIP?

Niranjan Chintam: I mentioned earlier on this Govindas, basically that is work in progress. We are talking to investors as soon as we get to a state where we can close something, we will make the announcement.

Govindas Malani: Is it expected in short time or it will take time?

Niranjan Chintam: I do not have a timeframe as such Govindas.

Govindas Malani: Second thing, how about mSehat, is it going to be repeated again with the Government of U.P?

Niranjan Chintam: U.P government is going for elections right now, we are waiting for the elections to finish up. The bureaucracy is all excited specifically after WHO has recognized our solution as the largest implementation in the world, so they are asking to take it to other districts, but all these kinds of stuff that is going to be influenced by the elections, the outcome of the elections while our solution has got rave reviews everywhere, you know how the Indian political system/channel is, how the money is spent, so everybody is eagerly awaiting the elections to end.

Govindas Malani: One more thing, the office which you have opened in Europe, how is it progressing?

Niranjan Chintam: We did talk about that earlier Govindas. It is going very well. We have hired the senior management, we have hired the sales people, we have hired the operations people, our funnel is increasing very day in and day out, so we expect that lot of revenue. We are already seeing revenue coming in, but we will see significant growth starting next quarter, so we will be seeing lot more there.

Govindas Malani: How about organic in India?

Niranjan Chintam: Organic is growing very well. India also if you look at the standalone itself, we have grown close by 7% or something. I do not have it, it is not on top of my head close to 7% is what the growth in India itself is, so India also is growing. All the big enterprises, the ISVs are all our customers.

Moderator: Thank you. We have the next question from the line of Sridhar Reddy as an individual investor. Please go ahead.

Sridhar Reddy: I just have one question, can I know the average billing rate for the 400 employees onsite?

Niranjan Chintam: It is in the 80s, I do not have it top of my head, the last time we did this thing it is about (+80) is what it is, close to the 90, 88 some change is what it is.

Sridhar Reddy: That was what we pay for the employee or that was what we get from the client?

Niranjan Chintam: That was what we get from the client, so you are talking about average pay rate?

Sridhar Reddy: Yeah.

Niranjan Chintam: I do not have it handy, I will have to get back to you on that, Sridhar.

Sridhar Reddy: If I just look at your reserves, the standalone has Rs 33 crores as an employee cost and the consolidation has Rs 223 crores as employee cost, so to me it looks like the onsite is more like Rs 190 crores spent on 400 employees?

Niranjan Chintam: You probably are correct, we spend lot more money in the US because of the new age digital transformation and the high-end enterprise transformations that we are doing, so our bill rates are very high and also our cost is high. You are looking at the nine-month number, so yes, the numbers that you have are probably correct.

Sridhar Reddy: For the nine month, if we are paying Rs 190 crores for 400 employees, so that is around Rs 47 lakh which would turn out to be around Rs 75-80K, which we are paying to employees?

Niranjan Chintam: That is again, you are just doing a math back of the end of numbers, I will have to look at that number and answer that, but roughly you are right.

Sridhar Reddy: Then the billing rate should be higher, what we bill the client should be higher than that?

Niranjan Chintam: Is Rs 80 lakhs what you are looking at, your averaging from, this is what I am giving an average number.

Sridhar Reddy: Yeah, what I am looking at in the standalone, the employee cost is around Rs 33 crores which I assume is the Indian entity employee cost and in the consolidated, we have employee cost for nine months as Rs 223 crores, so I feel if you subtract both of them, the Rs 190 crore is mostly for the onsite employees, if we have 400 employees, so the average cost per employee for the nine months would be around Rs 45 lakhs or Rs 46 lakhs?

Niranjan Chintam: You are right, average is around Rs 40 lakhs.

Sridhar Reddy: If we convert to USD?

Niranjan Chintam: It is $88,000, just for discussion sake.

Sridhar Reddy: So what we charge to the client should be much higher than that, right?

Niranjan Chintam: How did you arrive that? Let us say $88,000 and I am saying my bill rate is around close to 90, 90 times let us say 1800 hours average, let us just go with that number. If you do that, we are talking about close to $140-$150 range, and my cost is around 88, so that is the difference that I am going to get.

Sridhar Reddy: For that high bill rate do we have an IP so that we can bill the client at that higher rate, because 150 is too high to bill a client basically?

Niranjan Chintam: $88-89 is average, our range varies. Depending on the type of work we do from $60 to $180 to $190 an hour, it depends on what kind of service we are offering. When it comes to the high-end side of digital transformation, it is around $180. When you do that, what we are making is going to be higher, but our cost also is going to be higher for that high-end resource because we are what we call on-shore intensive. If you look at that, the average that we are get from a customer is about $150,000 - $160,000, let us say again I am going with average. While we are saying going with your average, there are subcontractors too, but let us just go with the discussion, average is going to be around cost is going to be around like you said about $80,000.

Sridhar Reddy: For the customer to pay $160K for an employee, are we giving him any IP related stuff or do we have in mind?

Niranjan Chintam: We are doing high end, I can rattle of some of the stuff. We are doing in-memory analytics for people. We are doing the whole landscape implementation for people. We are doing the whole digital commerce when it comes to B2B, I am going to say people, for our customers. We do the high end digital commerce for B2B solutions. We do omni-channel solutions when it comes to e-commerce. These are not something that are low end, so our expenses are higher, they are not IP work, we are pure placed services company.

Moderator: Thank you. We have the follow-up question from the line of Rahul Parikh from Puri & Somani Securities. Please go ahead.

Rahul Parikh: Firstly, one was on the financials, when you said QIP, what kind of dilution are you looking at in terms of percentage and do you guys have a debt-to-equity ratio target, I think it is around 0.5-0.6 right now, but do you guys have a target means that we will not cross this or we will go till here, and my second question is that given that your major revenue around 85% are coming from the US, do you have hedging policy in place or it depends on the US dollars, so if the dollar is stronger then it is good for the company, and if the dollar is weak, then it is bad for the company?

Niranjan Chintam: Let me answer the first question about the QIP. We have looked to raise about $15 to $20 million is what we are thinking of raising. We have not looked at what is the dilution at all while the stock price has weakened a little bit. We have not looked at the timing of it. The timing will depend on when the headwinds for IT companies go away, so the dilution is we do not have a specific target when it comes to dilution of what is it that we are going to dilute. To answer your second question, debt-to-equity ratio again our revenues are growing, so we are able to keep that probably around like you said 0.5 maybe 0.6, and sometime what we have seen is it is coming down now. We have been paying down our debt, so if you look historically it may have peaked at a certain number and then it is coming down. We probably will be around the 0.5 mark is what it will be. You asked a question about hedging, because like you said 86% is in US, the spend also if you look at what Sridhar was asking a question earlier, there is a huge spend in dollars for us. It becomes a natural hedge, so the Indian part of the revenue that we are bringing in is insignificant when it comes to I guess the hedging side what we want to do, so we have not done hedging and today it has been in our favor, it has been historically been in our favor, so we also have taken debt in India also in USD, so it becomes a natural hedge for us.

Moderator: Thank you. We have the next question from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: I had two questions, one, you had mentioned in the presentation that we have added a large bank in US present in across 23 states, so how big is that account for you in terms of annual revenues and just for an indication over the next two-three years, how much can you grow that particular account organically. Second question that I had was all of us know that IT spend has not been going up globally for some time now, I think annual growth rates have been gone down 2% for some time and there are headwinds, you have given a guidance of Rs 2000 crores by FY2021, I was just wondering if things improve globally in terms of IT spend, what kind of optic can we see in your guidance, just some sort of a sensitivity?

Niranjan Chintam: Answering the specific question about the bank that you talked about, we just got into this bank this last quarter. I cannot predict what it is going to be, but historically it has been an average of close to $800,000-$900,000 is what average, but what we believe is that this bank specific one could turn out to be a multi-million dollar contract over the next few years. To answer your question related to the IT spend, you may be right, I disagree with you that IT spend has not been growing, but what has been happening is there have been spending more and more of their existing IT budgets when it comes to digital transformation, let us say they have still a $100 million IT budget, previously for the digital transformation, they were spending only $10 million. Today, they are talking about majority of the spends is now going to go to digital transformation, what we call the re-approaching their existing budget for digital transformation side of the business. We do not see any headwinds for us whereas for the other IT companies who are pure play, I guess the traditional IT services is where they are facing headwinds because they were doing the lights on and lights off. Today, let us say for example, earlier they were spending money on building a datacenter, so we are working with the customer to not build the datacenter but put it in the cloud, so whatever used to cost $10 million to setup a datacenter, now all you need is a start using Amazon and pay as we ago, so there itself they are saving a huge amount of budget, that is used for digital transformation side.

Agastya Dave: My question was not in that spirit comparing you with traditional IT, my question was that if we see an acceleration in overall IT spend globally what kind of sensitivity, I mean when you are saying $300 million revenues, are you saying that is your target when you are doing 100% flawless execution, all cylinders firing or there will be some upward room there if the macro improves in the favor of IT industry as such. Is this the optimal level where most likely there will be some short form or will you be able to achieve it and surpass this level, I am assuming that execution obviously the efforts will be there, so I am just assuming that the macro is the only variable which could change?

Niranjan Chintam: The answer to your question is, we are little bit conservative when it comes to this kind of numbers, so that is the conservative estimate is what we believe it, but let us say the macroeconomic and/or IT spends start increasing and look at this in India itself the amount of money that will be spend on the digital side from the government as well as the private sector is growing exponentially. If everything goes in our favor, yes the number could be higher, but we want to be conservative when it comes to giving out estimates and like I said this is aspiring to be that, you have to aspire to be the $300 million company and that is what we are aspiring to be.

Moderator: Thank you. We have the next question from the line of Vikrant Mehta as an individual investor. Please go ahead.

Vikrant Mehta: I wanted to know when are you planning to start giving dividends or say a buyback like of course you are expanding continuously and that is a good thing, and your funds must be allotted to that, but what is the tentative timeframe you will be doing the dividends or a buyback?

Niranjan Chintam: We have picked this around multiple times among the board members and we have decided not to do the dividend, like you said they are growing and as a growing organization, we would like to keep the cash so that you know we can take advantage of the cash and probably raise a little bit of money and expand further. The answer if you look at the dates probably FY2020 - FY2021 is what we are thinking that we will be able to give out dividend because that is when we believe we will be in what we call a steady state growth.

Moderator: Ladies and Gentleman, that was the last question. I would now like to hand the conference back to the management for their closing remarks, thank you and over to you.

Niranjan Chintam: Thank you Ladies and Gentlemen, I did not hear anybody asking a question, but thank you for joining this call and like I was saying earlier, we would like to hold this on a quarterly basis so that we can give out as much information as possible to the investor community that will help them, guide them in taking a call investing in Kellton or not, and we believe that this is the space that we are an exciting space and we believe that there is a huge potential for growth in this space, not just me saying, Gartner is saying and others are saying too, so we want to take advantage of space and the times that we are in to grow and provide more shareholder value. Thank you for getting on the call, appreciate it and look forward to talk to you guys next quarter.

Moderator: Thank you very much members of the management. Ladies and Gentlemen, on behalf of Kellton Tech Solutions India, that concludes this conference. Thank you for joining us and you may now disconnect your lines.