

**Kellton Tech Solutions Limited**  
**Earnings Conference Call**  
**15th February 2021**

---

**Moderator:** Ladies and gentlemen, Good day, and welcome to the Kellton Tech Solutions Limited Q3 FY21 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. However, you may ask questions once the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. I want to thank you all for participating in the company’s earnings call for the third quarter of the financial year 2021.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today’s concall may be forward-looking in nature. Such forward-looking statements are subject to risk and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management’s beliefs and assumptions made from the information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decision. The purpose of today’s earnings conference call is purely to educate and bring awareness about the companies fundamental business and a financial quarter under review.

Now I would like to introduce you to the management participating with us in today’s earnings call. We have with us Mr. Niranjana Chintam – Chairman and Whole Time Director, Mr. Karanjit Singh – Chief Executive Officer India, and Mr. Srinivas Potluri – Chief Executive Officer US. I would now like to hand the conference over to the management. Thank you and over to you.

**Niranjana Chintam:** Good day, everyone. Thank you for joining the Q3 Earnings Call. Last year, as we all know, has been pretty unprecedented in everything. The way we operate and the way we engage with our business and our employees. We had to do things differently. Many companies

have been disrupted, and many others ensured business continuity by embracing digital transformation. We believe digital transformation is now the new norm, and businesses worldwide are well accepting the fact.

Last quarter, our revenue was close to Rs.198 crores. We achieved a quarter-on-quarter growth of 3.1% approximately. EBITDA stood at Rs.31.6 crores, which was a quarter-on-quarter increase of 21.6%. On the other hand, PAT was at Rs.21 crores, a quarter-on-quarter growth of 38%. EBITDA margin stood at 16%, and the PAT margin is at 11.1%. This EPS is 2.16, which is close to a 36% growth on a quarter-on-quarter basis. Last quarter we won 6 new clients, and they should start generating revenue for us by the next quarter.

The digital transformation segment still generates most of our revenue, i.e., approximately 78%. Whereas price solutions generate 17%, and consulting services account for 5% of the revenue. As far as the geographic concentration is concerned, the US accounted for 83% of our revenue. At the same time, APAC region generated 11% and Europe 6%, which is a dip compared to the previous quarter or previous years. The drop is due to the perpetual lockdowns. However, we anticipate the situation would be better, and we would bounce back by the next quarter. We also believe that Brexit's developments will unlock opportunities for us in the UK, and we are still exploring them. Last quarter, we launched thrive, which was about smart employee management. We also introduced KeLive, a cloud-based, white-labeled intelligent building management solution that AI and smart analytics underpin.

With that, I would like to open up for questions concerning results or company's operations, if any.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Vibhor Gupta, an Individual Investor.

**Vibhor Gupta:** So I have a couple of questions. Let us talk about the DSO first. We are as high as 95 days now, while the peers have around 60 days. So

how is the company dealing with the receivable pressure from our client?

**Niranjan Chintam:** It is a fair question, which keeps coming up every quarter. Yes, the DSO days are high even in this quarter, but compared to last quarter, we have slightly improved. We have many customers who have longer payment cycles, which adds to the DSO days. We are not in a state to negotiate, and therefore, we are bound to agree to their terms and conditions concerning the payment cycles, which is not the case with many other companies. We are only a \$100 million company, and due to all such reasons, our receivables are high. Besides, because of Thanksgiving and Christmas holiday season, the receivables' days slightly increased. It should improve on that this quarter. So yes, the receivables are high, but we are in a much better state when it comes to the cash position than we were last quarter. We can service our customers, service our debt, service our obligation, and that together makes us stringer even when compared to the previous quarter.

**Vibhor Gupta:** My second question is about an article that I came across on the Business Standard's digital platform. In the article, you spoke about the new normal for enterprises. You talked about how AI will play a vital role and how most businesses will rely on technology to build communication, collaboration, care, and consistency models. As a company, I want to know how Kellton Tech is focusing on developing expertise concerning technologies such as AI and creating services and solutions amidst the new normal?

**Niranjan Chintam:** Communication, collaboration, care, and consistency will be critical to creating engagement across endpoints. As you know, the new norm demands businesses build new models, for instance, remote working. At present, we are almost 100% remote working. Most of our employees are working from home, except a few going to our offices. That is why I feel it is essential to adopt the new normal. AI-driven analytical capability is critical to tackling modern-day business challenges, creating interoperability among employees, and even delivering superior customer services. Besides, the AI technology will essentially help in managing cyber threats and creating a cybersecurity mesh. We are seeing a rise in gig workers, the demand

for improved employee and customer experiences, robust cybersecurity solutions. And AI will play a vital role in innovations amidst the new normal. Very soon, hybrid-based solutions will start to gain traction. Things are yet to be defined. I do not see employees coming to offices, any sooner. We are working with individual employees to figure out what makes sense for them to perform consistently and productively.

**Moderator:** Thank you. The next question is from the line of Jayanth Verma, again an Individual Investor.

**Jayanth Verma:** Considering the last few years' performance, Kellton Tech's performance, concerning the revenue and profitability margins, has been flat, while other players are growing significantly. Any plans to boost the company's growth? How do we project ourselves in the coming year?

**Niranjan Chintam:** We have to keep in mind is that we did sell-off or hive off a couple of our companies, and that is the reason why the revenue is hovering around flat. Last year is one year where we do not hive off any company, but sadly because of the COVID-19 pandemic, there was a significant dip in the Q1 plus Q2 revenues, which impacted the top line. Currently, our order book is looking excellent. Our pipeline is looking very strong we see a lot of exciting opportunities coming down the pipe. We believe that starting next quarter onwards, we would be on a high growth target again and we should be able to achieve that. You see, the US accounts for about 80% of our revenue, and we see opportunities unlocking in the region. Last quarter we hired 175 people and this quarter so far we have hired 70 people. We still think we have about 100 openings yet to be filled. So we are moving firmly and expect to grab fresh opportunities.

**Jayanth Verma:** My second question is will the employee cost increase going forward as everything is opening up, and we might be needing some more resources to cater to the customers need. So do we believe the margins to dip further in the next couple of quarters? Any update on the numbers of employees hired as you mentioned and any plans for the next coming two quarters?

**Niranjan Chintam:** When it comes to the employee cost, surely there was a recent appraisal too, and we have equated with the industry. As we see the demand for gig workers growing, we have started to hire talents from even smaller areas, besides places like Gurgaon, Hyderabad, and Bangalore. So we are able to average out the cost. We are also observing that customers are ready to pay a higher price to our talented employees. So we do not believe that the margin would be much affected, but we do see some increase when it comes to the cost in the metro cities. So we are branching out to the other areas that are untapped areas and trying to find talents.

**Karanjit Singh:** No, I think you pretty much expressed whatever I had to say there.

**Moderator:** Thank you. As there are no further questions I would now hand the conference over to Mr. Niranjan Chintam from Kellton Tech Solutions Limited for closing comments.

**Niranjan Chintam:** Thank you everyone for joining the call. I am looking forward to talking to you at the end of the year financial closure, which is probably going to be sometime in May. Still, as usual if you are in Hyderabad or Gurgaon, we would be happy to meet and talk to anyone among you, who may want to better understand about our business. Thank you.

**Moderator:** Thank you. On behalf of Kellton Tech Solutions Limited I conclude this conference. Thank you for joining us.