Kellton Tech Solutions Limited
Q3 FY22 Earnings Conference Call
February 09, 2022

Moderator: Good day, and welcome to the Q3 FY22 Earnings Conference Call of Kellton Tech Solutions Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would like to thank you all for participating in the company's Earnings Call for the Third Quarter of the Financial Year 2022.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's con call may be forward-looking in nature, and such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs, as well 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 call is purely to educate and bring awareness about the company's fundamental business and our 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. Niranjan Chintam - Chairman and Whole Time Director, Mr. Karanjit Singh - Chief Executive Officer, India, and Mr. Srinivas Potluri - Chief Executive Officer, US. I now hand the conference over to Mr. Niranjan Chintam. Thank you and over to you, sir.

Niranjan Chintam: Thank you, Margaret. Good evening, or good morning, wherever you are; I want to welcome all of you for our Q3 Earnings Results and call. I just want to give you a few highlights of the quarter: let's talk about the numbers first, and then we'll talk about the qualitative part of our Q3 performance. We have achieved close to 219 or 220 crores of revenue this quarter. This is in comparison to last quarter 5.2% growth and comparison to a year-on-year growth of 11.1%. EBITDA, while there is a slight dip in EBITDA, which is primarily due to aggressive hiring for building up our employee base for the next level of growth, as you have heard the previous quarters, we have added close to 20 clients to our portfolio. In order to support these clients, we had to start off and that's the reason why there's a slight dip in the EBITDA numbers. EBITDA, while there was a slight dip in the profitability, when it comes to the past, there was an increase of 2.1% quarter-on-quarter growth. So the margins, as because of the aggressive hiring, the EBITDA numbers were again a slight dip whereas, when it comes to the EPS, it is almost the same as last quarter.

The number of customers and the new logos that we have acquired is around six; I would like Srini and Karanjit to give you some qualitative insights on it. On the ETF for the nine months, we are at 5.29 which is slightly higher than our previous year's nine months. Revenue also rose to about 633 crores compared to 571 crores for the previous year's nine months. The EBITDA numbers and the past numbers are almost in-line with what it was for the previous nine months or last year's nine months and that will continue to be. We looked at and we are expecting that end of the year numbers will be much better than what it is for this quarter.

Also, I have made some statements related to restructuring the organization; we have completed the restructure of the organization. And starting January 1, we are going with what we call a mission of One Kellton. I will ask Karanjit to briefly talk about One Kellton in a few minutes. But primarily the reason for restructuring was, we hired an external consultant to look at our structure and strategy in detail. He has done almost a nine month analysis; he understands our structure, has interacted a lot with both our customers and employees, and has proposed certain changes. He observed that because of our structural limitations, we are limited in the growth. And that's why we decided to restructure the organization and from January 1, like I said earlier, we are working as One Kellton. Karanjit, can you please briefly talk about the One Kellton Initiative, and what it means to us?

Karanjit Singh: Yes, thank you, Niranjan. And hello everybody. So, as Niranjan said, we have a growth advisor, who advised us and we've been in discussions for a few months now, and we've been planning the change to how to better organize ourselves over the last six months. It has been through a lot of discussions. And the idea was to bring better alignment, and bring all the capabilities that exist within Kellton, and amplify it in our go to market strategy as well as value to our customers. This change became effective at the beginning of this year, on 1st January. And it has been very well received internally, by all our employees, everybody now understands it, and it's very well aligned with the change that we are going through. And, in fact a lot of employees are very excited about the new possibilities. Since January, we have been operating in the new mode. And our customers also see the benefits of this. Because one of the big things about One Kellton is to take all the pockets of excellence and better align ourselves and take our whole capabilities to the market. It also means that there's a different thought process, a different way of operating and engaging both internally and externally. And our employees are also very happy about the fact that One Kellton translates to more opportunities on a global scale, and a view across the organization. Yes, that's all for now.

Moderator: Thank you. Should we open the floor for Q&A sessions?

Niranjan Chintam: Thank you, Karanjit. We will be happy to answer any questions related to One Kellton as we go on with the calls and the question-and-answer session. But before that, I want Srini to talk us through of the new logos and new customers that we have acquired in the last one quarter.

Srinivas Potluri: Thanks, Niranjan. So from a perspective of Q3 FY22, we have had some major wins. And I will generally brief about six of those wins. I'm happy to share that three of them are in the FinTech space. One is in healthcare. One is a global equipment rental company. And the last one is an emerging technology company. From the perspective of FinTech, we have been selected as a preferred technology partner by one of the leading FinTech companies in the US. And what we are doing for them is enabling advanced digital identity verification, in line with the web three framework or the web three ethos. This is really cutting-edge at this point. Under this collaboration, we will be helping our client to upscale their data bridging capabilities across the web two and three layers. And in this project, we are going to leverage the blockchain technology to help our clients optimize their dynamic know-your-customer or the KYC process. So that is really exciting. Another one of the FinTech companies that we are working with is in the GCC region. And we are collaborating with them to build an innovative digital gold hedging and storage platform. Leveraging gold as a non-fungible token or an NFT. These ERC 20 compliant tokens will enable the client users to buy and redeem digital gold, for hedging and investment purposes.

The third FinTech company is interestingly in the education lending space. And they have partnered with us to digitize their end-to-end customer journey. We are basically helping them to achieve an agile customer experience transformation across all of their users touch-points through our mission-critical mobile application. The application will enable students to evaluate different financing options. Then, from the perspective of another emerging tech company, we have been chosen as a strategic technology enabler in trying to disrupt the next generation QR technology so that their customers can achieve a holistic experience. And we are focusing on redefining the entire user experience by building an intuitive platform to create custom, dynamic QR codes with advanced embedded real-time analytics.

Then we spoke about three of the FinTech companies and high tech for the emerging tech company. One interesting thing, going back to an enterprise, which is the largest equipment rental company in the US, globally actually it is one of the largest equipment rental companies, has selected Kellton Tech to modernize its core, critical IT applications and infrastructure. Under this particular opportunity, flash engagement, we are helping our clients to define and execute the transformation roadmap for their current technology ecosystem by making it future ready, secure, resilient, and scalable. The healthcare company that I alluded for one of the leading companies in the US, we have been building an intelligent BI platform, Business Intelligence platform by integrating disparate data sources to enable single window tracking of workforce, performance and analytics, creating a dashboard of sorts for them this is a global workforce management company in the healthcare space. That's all I have, Niranjan; those are six of the major wins that we have had in the last quarter.

Niranjan Chintam: Thank you, Srini. In addition to the last quarter, we have also launched the humble, which is an NFT marketplace. There's also the **(Inaudible) 13:15** is about center. Just to add to what Srini was talking about. NFT is an interesting area; there's a lot of investment; a lot of interest going on in the NFT space. And we have successfully launched multiple different projects for our customers in the NFT space. As you all know, the underlying technology in the NFT space is blockchain and that's an exciting space where we have expertise in and we are working with our customers to launch solutions for them. With that, Mahavik, can we open up the call for questions?

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Nikhil, an Individual Investor. Please go ahead.

Nikhil: Yes, my question is to the Director. I've been listening to your presentation very patiently. Thanks a lot for giving me an opportunity. My question is, what percentage of your business covers B2B and how much percentage it covers B2C. Because the add on customers that you have quoted, this is more on value added solutions from the client, if I can know something for the B2B?

Niranjan Chintam: Okay, so the question is a little bit difficult to answer, because we build solutions for our customers, and they could be our internal customers or external customers, or B2B customers or B2C customers. I don't have a breakdown as such. Karanjit, do you have any idea?

Nikhil: Okay, thanks a lot. Now, I was just wondering, like let's say you are focusing on the education line where there are a set of clients, like the one you mentioned that is students are approaching you. That's more of a consumer driven business. Now, I was referring to, if I'm not mistaken, there is some pharmaceutical company from the US, which has given an order to you. So in that case, a B2B means segmenting the business into pharmaceutical or maybe power industry or maybe engineering industry and tapping from the marketing team of yours to this set of customers. That's B2B, I meant basically segmenting and then focusing on these customers.

Niranjan Chintam: Okay, if I think you're asking from an industry vertical point of view.

Nikhil: That's right.

Niranjan Chintam: We are industry agnostic. Karanjit just talked about our FinTech and healthcare clients;what exactly is high tech versus, what exactly is consumer facing, what exactly is internal facing; it's always a blurred line. End of the day, there are customers. Karanjit, do we have an internal breakup of what exactly is a consumer facing versus what is internal facing?

Karanjit Singh: Unfortunately, we don't split it that way or look at it that way.

Niranjan Chintam: Okay. Nikhil, let me get back to you on that. And we will be happy to reach out to you separately and get you a breakup of that. Today, we don't have it. But I would be glad to check and come back.

Moderator: Thank you. The next question is from the line of Meit Gada, a retail investor. Please go ahead.

Meit Gada: So the first question goes here. You said that one of the main objectives behind the One Kellton program was to see some operations getting streamlined and also to have some significant rise in the margins going forward. It would be great if you can tell us as to what has been the growth and the EBITDA post integration,because that has been a line of concern on the balance sheet. Another question, or should I ask a question after you answer this?

Niranjan Chintam: No, please go ahead with both your questions.

Meit Gada: Okay. So, my second question is that in the last meeting it was highlighted that you were trying to convince some companies in the US to get some work done in India in order to increase the margins. And, again this was being done in order to increase some revenues, and also to garner some more customers; any update on the same? Also, there was a consultant, if I'm not wrong, who was hired to help you guys in advising; any inputs that you would like to share that were given by the consultant, if you can?

Niranjan Chintam: Thank you for your questions. Let me start with the consultant. So, like Karanjit has already stated, we have hired a growth advisor, and he's the one who has proposed this restructuring of the organization. He's also advising us on several other frontiers, such as how to approach the customer, how to go deep with each customer so that we get more opportunities from each of our customers. So there is a strategy around that we have just started implementing. So, you have to give us at least a quarter to see what is working, what is not working, and then I can come back and give you some EBITDA projections. But our internal goal is, from going from the low teens today to the high teens, probably in the next, not this quarter because this quarter we are just implementing this; we may not see a significant change in this quarter. But from next quarter onwards, we believe the margin per customer revenue is going to increase. We are also hiring aggressively;we have plans to hire about 500 people over the next one year. And it takes close to five or six months before we start seeing revenue coming from that particular individual. So that takes some gestation time. So when we are on this growth trajectory, the margins are going to increase but not as much as what we wanted. But our target is to get to the high teens when it comes to the EBITDA numbers and get to 10% to 11%, when it comes to the bottom line members. So those would be the targets that we are trying to achieve in the near term. And then in the long term, we will come back to you probably in a couple of quarters, based on how our implementation of One Kellton goes, and then we can tell you, what would be the long term strategy of EBITDA and the bottom line. But the near term goal is to be in the high teens when it comes to the EBITDA and not get to the 10% to 11% bottom line numbers.

Meit Gada: Alright. Also, as you said earlier, the company was constantly trying to reduce the debt every quarter and every year. But this quarter, there's a sudden increase of 17% in the financing cost.Would you like to throw some light on that and the other expenses? Does that also have the consultant cost included in it or is it something else?

Niranjan Chintam: Okay, so, the debt is almost in line with what we had last quarter; it's not like it has gone up significantly. So, just to give you an idea, the total debt is around 95. The cost of finance has probably gone up because the working capital kept fluctuating in that particular quarter. But, there is also what happens in revenues every quarter because we have limits that are set, yearly all over the world different quarters in a different renewal happen to our existing lines. And typically those costs come in that quarter; that is the reason why there was a slight increase and also there's a foreign exchange conversion. So, when there is a dip in rupee, the amount might look significant. But we are almost flat is what I would say when it comes to the total debt part. So, we want to reduce the debt, but as we stated earlier, so far we have not taken any money into the company, all of it is, and either self-financing that being the promoters putting in money, or it has been through debt, so we have to grow. And for that reason, there is a requirement for working capital; there is a requirement, as I said earlier, that by the time an individual starts to produce revenue, it's like five to six months away. So we'll have to incur that cost as well; so, there's a cost to pay salary is overhead, all that stuff; hence slightly increased, working capital limit is required. And as we are growing the way they increase in working capital but we are watchful. So if you look at it, when we are on March 31st, 2021 so now there is a dip, but it's not significant. Ideally, we would like to bring it down, but that's the part of our business where there is a working capital cycle that happens, and we require debt financing.

Meit Gada: Right. Thank you for answering the questions. Just one last question. Could you throw some light on the Non US business and revenues?

Niranjan Chintam: Europe was a focus target for us, but unfortunately,because of the Omicron third wave, there were a lot of shutdowns; Even today, some parts of Europe are in a lockdown mode, whereas the UK has opened up. We’re hopeful for this quarter, though; as the third wave of Omicron is going to pass, we hope thingswill get back to normal. Once we get back to normal, then we can start seeing some regional growth coming from Europe. The good news is theAsia Pacific business is growing rapidly. The US market is growing too; the new customers that Srini talked about earlier are all US based customers. We do have wins coming in from India; East Asia is another focus target. Because of the lockdown, we can't even travel much; yes, we are able to sell certain things remotely, but customers like to experience and see things in person; the good news is that our employees have started to travel. Not internationally yet. But domestically, they're traveling and so, we will be able to get a lot more customers and revenue from these regions. But today the major portion of our revenue comes from the US, as you rightly pointed out.

Meit Gada: Alright, thank you so much. It would be great if you can give some projection of the Asia region as companies in the NFT space are witnessing some exponential growth. So, any specific development that we can expect from the Asian region?

Niranjan Chintam: Let me ask Karanjit to answer that. But our experience that we have gained in the US is going to help us in the other regions as well. Karanjit, are we seeing any traction when it comes to NFT in Asia Pacific?

Karanjit Singh: Yes, we actually are. In fact, we've been invited to participate in A recent RFP. But then again, our focus has been mostly on the US as we are able to engage better and also the realizations are better.

Niranjan Chintam: So, what Karanjit is saying is that margins are much better when it comes to the US versus the Asia Pacific. So we would like to focus more on the high margin side of the geography versus below margin.

Meit Gada: Alright sir, thank you so much. Lovely speaking to you. And just one last thing, any update on the operations being shifted to India and what percentage would that be?

Niranjan Chintam: See, the majority of our employee base is in India; we have over 1000+employees in India.The hiring that I talked about earlier; just to give you a ratio; it's going to be 400 people in India versus 100 people in the rest of the world. So, that is a way for us to move. Some of these, on site deliverables now the offside deliverables. We are working with our customers. And like I said earlier, there was resistance, but now there's acceptance because COVID has opened up every one of our customers to say that, hey, these guys can produce quality, deliverables out of India. And we have made significant investments in coming to hiring also in India, going with a little bit of high end kind of deliverable employees, we have hired Head of HR from major organizations are coming and helping us as a part of this journey that I talked to you earlier, to break that structure limitation, to give us that global delivery while we had global delivery, a higher capable global delivery team. And that is something that we have a huge focus on. That's the reason why probably some of these margin **(Inaudible) 30:44** that you have seen is primarily due to all these hirings where we've been doing, and they are expensive resources as you are aware, bringing people on board, to deliver this high quality deliverables that we want to do to our customers.

Moderator: Thank you. The next question is from the line of Kapil Das from GE IICL. Please go ahead.

Kapil Das: Just one clarification before I start, actually I don't represent a company. I'm an individual investor. And I've been following Kellton Tech management's commentary for more than a year. It's really heartening to see a lot of progress being made in terms of One Kellton and some of the other wins that the management team actually graciously discussed during the call. Before I jump into more qualitative aspects of it, I just have a couple of very high-level bookkeeping questions; one of these was also asked by one of the previous participants, about the other expenses increasing by about 17% in the last quarter. And also there is a bucket called un-allocable expenses of about 42 crores, which is approximately 20% of the revenue. Can you please throw some light on these two numbers before we jump into the more qualitative questions?

Niranjan Chintam: Certainly, so I guess I probably missed that question. I did not miss answering the question. So yes, there is a growth in other expenses. This is a combination of the consultant that we have hired to help us with the restructuring, two subcontracting. Since hiring has become a challenge **(Inaudible) 32:30** we have a guess where the deliverables have to be met. The target deadlines have to be met, we have hired some external subcontractor consultants to help us do the delivery. Hence that has gone up. Just to give you a perspective, just in December, we hired about 80 people. So this hiring process will take time. So while we are planning for this year, sometimes the hiring may not meet the requirements, day to day requirements, and then we get some external subcontractor to help us with the delivery. Hence you see the jump in the numbers. Now, you asked one of the questions, I missed that question, can you ask the second question. Un-allocable expensive, so we are trying to do segmental like we do segmental kind of revenue, segmental kind of expenses. Sometimes we have what we call the shared services people and those are not easily broken into, this is for digital, this is for enterprise, this is for professional services. That is what we call non-allocable expenses. There are corporate expenses, how do you allocate that, we can go and say by revenue we can allocate, but that's really not the way it is supposed to be. We are getting better at our reporting. But this is purely to do with anything, there's a shared service, which you are not able to allocate. We are just putting it in that bucket. While we are refining that as we go on. And our auditor is helping us with some of these;again we have got some external consultant to help us with better reporting, better breakup. So there's a lot of stuff going behind the scenes that you may not see, that might reflect in some of our balance sheet items. But we are making progress towards being able to allocate to the granule level of these expenses, and leverage from the external consultants who have been helping us to do better reporting.

Kapil Das: One more question sir. I see that the standalone results when we look at it, the numbers are almost, 1/6th, 1/7th of the overall consolidated results. So, do I read it right that the standalone entity that is the earlier Kellton Tech actually when compared to the subsidiaries overall is really that size in terms of revenue and other allocations.

Niranjan Chintam: Let me answer that and then you can ask your follow-on questions. Not the standalone, I guess probably the way you're reading the standalone is probably a little bit misleading; here's why I say that. When we do billing to our customers, anything that we bill from India is called the standalone revenue, anything that is billed in our entity, subsidiaries in the US, Europe, or Asia Pacific, wherever that is, customers prefer to build from the local companies versus billing from India. So that's the reason why the huge skewness comes in, the delivery may be happening from India, but the revenue is coming through the subsidiary to India. So, it becomes a transfer pricing scheme. So in that scenario, what happens is we book the revenue in US, Europe, Asia Pacific, **(Inaudible) 36:32** from India. So standalone is nothing but a parent company, where we have some revenue that is India based business that goes. But, control is what you should look at, it's not because of the traditional let's say, the large IT companies where they have branch offices, we have structured it slightly differently, where we have entities in US, Europe and, and Asia Pacific that are doing both delivery as well as being customer build companies. And in many cases, what is happening is because the size of the company is right, they prefer the local billing versus billing from India because they can reach out and touch us if something goes wrong or legal reasons they prefer billing in the local company, versus billing **(Inaudible) 37:28**.

Kapil Das: Got it, fair point. Thanks a lot for that. Now, just coming to some of the qualitative aspects. So you mentioned the One Kellton initiative being implemented positively, can you share just a few examples. I understand the commentary, but in terms of, let's say talking about a few examples, if you can share how it really impacts on the ground, the growth momentum, let's say the top line and the bottom line, what really changes prior to 1st of Jan versus now that will enable us to attract more customers and get more growth and bottom line?

Niranjan Chintam: I'll let Karanjit answer that and I'll add more commentary after Karanjit finishes; Karanjit, can you take that?

Karanjit Singh: Yes. So, as I said, it helps us; it kind of aligns us better; now, we can take all the capabilities of Kellton and have much more involved discussions with our customers and deliver a lot more value, and get a larger share of their wallets as the deal sizes become strategic. That is one major change for One Kellton from a go-to market perspective. And the other thing is also within One Kellton; though we have always been global delivery, but now it is much more seamless with deals where we cross leverage a lot of capabilities both from a technical capability perspective, what we call practice, as well as on the delivery side. So these are the two things that sort of really bring value to our customers and help us elevate our work with them, and have larger deal sizes.

Niranjan Chintam: Let me add a little bit more to that, just to give you, earlier we broke down business units based on expertise, just discussion sake, let's say a customer x, where we were doing pure play as SAP kind of stuff. That is all we are doing earlier. So that the salesperson is aware of only that, he's only selling that, his goal only to that. Whereas today, he's goal is to taking that customer X and say customer X has this kind of ID budget. Now, why can't we get a larger piece of that. Okay, so he is goal while the revenue number, but he has to do other stuff, too. So that means that he has to sell digital, he has to sell professional services when required, while we try to desist from professional services, those are the things that are changing. And like Karanjit was saying. Now, we have this global delivery that can deliver end to end for all of your IT needs. While you're saying that earlier, the sales people were not going for that. Now, we have changed that whole structure there and are inspiring our people to sell the other pieces of the business too and get more value from the customer by providing more value to the customers. Now, we want our clients to look at Kellton Tech as their strategic partner rather than a company that just does one thing for them and goes away. So those are the structural changes. And everybody in Kellton Tech is excited about these changes. Sorry, it's a long winding answer, because it's qualitative we just can't give you maybe a one liner answer there.

Kapil Das: Just a quick comment, actually, in addition to what we said the product **(Inaudible) 42:34**, and you may already be taking care of it. But, kicking around a lot of training and orientation of your team around the One Kellton macros, because ultimately, it's a cultural change. And hopefully, you're already taking care of it within your organization.

Niranjan Chintam: Absolutely. That's why it took us probably six months to implement this. While we tried to start working from one quarter prior only, we said okay, January is a part of this, everybody's falling in line, everybody's going through training,socializing with the team, the buy-in from the teams, all that has been done. And from January 1, we are working on that one Kellton structure.

Kapil Das: Sure sir. Sir, I have one last question around attrition. So you mentioned a good number around hiring; you mentioned 500 heads target for this year, but any color on the attrition rate that we have been seeing in the organization?

Niranjan Chintam: Just like everybody else, we have been affected by the great **(Inaudible) 43:44.** Yes, we are in line with what the industry is; I don't want to give you a rosy picture;but with that said, we have a little bit of more than **(Inaudible) 43:55** that we started giving to our employees, employee stock options, restructuring the pay scales, and all that has happened, but also has reflected in the margin treasure, if you call it because we had to increase the pay scales in line with what people are getting in the industry. So, existing employees have started getting appraisals, and they have got huge raises in many cases. And that has been done. So we can say that we are going to do better than before. Absolutely, but is it going to be the new normal? We expect that because we are part of this platform and all this stuff it will take probably one quarter maybe before everything gets stabilized or maybe in the worst case two quarters. So everybody is on the same level as I'm talking when I mean everybody from the industry wise, they're all going to be in one happy, medium, happy equilibrium. We're all going to get to and the resignations will reduce, with what this question is and what does mean to the bill rate. So we have been talking to our customers and telling them as we cannot sustain this. And many, many of our customers have realize that and they said, they're working with us to increase the bill rate, there are going to be staggered or laggards if you want to call it there'll be some people that are going to come a little bit later, but many of our customers have accepted increase in the rates. And we will start seeing better margins because of that again.

Moderator: Thank you. The next question is from the line of Rishab, an Individual Investor. Please go ahead.

Rishab: Sir my question is, out of the total points you have, can you give the bifurcation how many are 0.5 to 1 million range, +1 million and +3 million?

Niranjan Chintam: I don't have it now. But, we'll get back to you on that number. But, I will say that the top 5% of our customers give us about 15% of our revenue, and the top 10% of our customers give us about 26% of our revenue. So, we will look at that and we'll do that as a part of better reporting.

Rishab: Okay. Fair enough, and sir one question on PAT margins; right now, it's 801 and you said, you are looking at lower teams after a couple of quarters. So, going forward after a couple of quarters, what's the target for PAT margins.

Niranjan Chintam: See, I don't want to go beyond.

Rishab: Industry average is somewhere around 18%, I guess.

Niranjan Chintam: Rishab, just as I said that I don't want to go beyond two quarters today, because we have just implemented the One Kellton. So, give us a couple of quarters to figure out what is working, and what is not working. Yes, we will have to make dynamic changes along the way. But our target is, like I said, to get into the high teens for the next few quarters when it comes to EBITDA and when it comes to PAT, we want to get to that 10%, 11% range.

Moderator: Thank you. The next question is from the line of Varun Kumar, an Individual Investor. Please go ahead.

Varun Kumar: I recently came across an article in the Times of India. It was about the Hyderabad Metropolitan Water Supply and Sewerage. So, congratulations on the project win. According to my understanding, it's more of an AI and IoT based project;so, could you throw some light on what is the size of the project, what will be the delivery timelines, and how long is the contract signed for?

Niranjan Chintam: Yes, sure. Thank you, Varun,for the question. Yes, that's an exciting project for us. Here's why I say that, there's a lot of money being spent by the government of India when it comes to the Jal Jeevan Mission. So, this was our first win, first foray into that space. We have been working with some of the governments in the Northeast, the Southern part of India, the Northern part of India, trying to get more and more focused free from these are going to be coming out there is going to be from what I hear a dashboard at the national level, state level. So we are working with the government or entities to shape those projects. Because this is a new thing for them, they don't know what is required, and what is not required, and so they are using our expertise. They're working with the different state agencies and the federal agencies to come up with the requirements and we will be actively participating in many of these with expertise that we have in IoT space, the expertise that we have in the AI space, we would be able to confidently say that at least some part of that revenue is going to come to us. We are in varying stages when it comes to the different entities out there. Now, I'm coming to your question about the size of the win; so, there are phase one, phase two, and phase three parts of this project. So, I don't want to tell you what exactly the number is today, because it might vary and the expectation is, it's going to be probably in the low double digits as of today. I'm talking of crores of revenue. And we expect that it's probably going to be significantly larger once we start winning this from other entities. Talking about the delivery timeline, there are milestone based deliverables. We have a six month deliverable, and we have a one year deliverable in this specific project. But we should be able to wrap up this project within a year, as per our internal estimate. But beyond that, like I said, there's multiple phases for this, we have phase two, phase three and phase four where now the **(Inaudible) 51:30** integration to their larger IT infrastructure. That's it, Varun, thank you.

Moderator: Thank you. The next question is from the line of Sohan Joshi, an Individual Investor. Please go ahead.

Sohan Joshi: In the previous quarter, we added 20 clients, and this quarter we have added six clients; so how much of the revenue of those 20 clients have been reflected in the current additional sales revenue of 10 crores and how much is going to be in the successive quarters? What is going to be spread of these additional new clients into the revenue?

Niranjan Chintam: When we start a project in the first quarter after the project is won, we really begin the project. And typically, we say 10% of the book's revenue is what it's going to be in that. And over the next two quarters is when you start seeing significant revenue. I don't have the numbers, when it comes to exact break up of how much it came from these new customers, but we don't track it that way. That's the reason one, but as a **(Inaudible) 52:49** 10% comes in the first quarter after we sign a contract and the rest of the 90%, probably the next of the 80% comes in over the next one year, and then the balance 10% comes after that. So the new customers that we signed last quarter, I don't believe there are any revenue has not come in yet. But I'm talking about the previous quarter's revenue, previous quarter customers up to 20 customers that you asked the question about. So, I would say 10% came from that, the rest of the stuff will come in this quarter and quarter going forward.

Sohan Joshi: So, this humble client was included in the previous quarter 20 new additional client right and from which certain, or maybe previous to that for which the revenue has been now reflected in the current 10 crores value addition right?

Niranjan Chintam: Right. It's an ongoing project. When we launch right, I'll just use an example of a car just o give you a perspective, when we launched the humble last quarter, it's just a phase one that gets delivered. What I typically explained to people is, I use the car concept where, in the first quarter you're going to get as probably a Maruti, you are able to go from one place to another using a Maruti, but whereas if you want to get Benz car **(Inaudible) 54:13**, it will take a few quarters to get us to the Benz car, where you have all the **(Inaudible) 54:17** and now you are able to cruise, all that stuff right. So, that kind of stuff is what happens, go ahead you were asking some other questions, I interrupted you when you were asking.

Sohan Joshi: I also read an article that we are targeting around $320 million revenue for which we are going to hire aggressively.I've been seeing on Twitter that you're hiring from various colleges from West Bengal and Telangana and all; so what will be the revenue guidance for the next year? Are we going to cross 1000 crore of what is targeted of the $320 million that's roughly around 2000 crores is the target? So, are we going to cross 1000 crore by the next year and then following because of this **(Inaudible) 54:56** showing we are going to see much higher growth inthe successive years?

Niranjan Chintam: I am not going to speculate at this time what would be the revenue after two quarters. But I will say, the immediate goal for us over the next three years is to get to $200 million. So, that is the goal that we have set internally. And that is what we are restructuring our company to be able to get to that.

Sohan Joshi: Okay, of course you are going to achieve that. Sir, one more thing: there has again been a slight decrease in the promoters' holding even in this quarter. Whenever there is a promoter holding statement out after a quarter ended, it doesn't go well with the stock prices. So, what is going to be your strategy in the future? Are you going to decrease some of your holdings again or it is going to get intact at least for a couple of few quarters?

Niranjan Chintam: See we have not sold anything in the last quarter. Anytime we sell something, we have to declare the exchange and we have to gain that. I don't know what the decrease is; probably because employees, stocks, ESOP, got exercised or that's the reason why there may be a slight percentage decrease, but the quantum is the same. We have not sold anything last quarter.

Sohan Joshi: Okay. And sir, one more thing: are we going to pitch for a good FII buy stake in our company?

Niranjan Chintam: Right now. We are actively pitching;but, we are not doing any roadshows at this time. We are talking to people who are interested; but, we don't have any specific strategy or timeline as to when somebody is going to invest in our company. But, I would say that there are some people that are buying who are interested in our share. And we are seeing that in the shareholding patterns that we get.

Sohan Joshi: Of course. Sir, one last question, are we going to see some growth in the European business as the last quarter got affected due to Omicron?

Niranjan Chintam: That's right, that is the plan absolutely.

Moderator: Thank you. The next question is from the line of Amit Misha, an Individual Investor. Please go ahead.

Amit Misha: I'm very new to the company and still reviewing your business and future prospects. So, in this context, I was thinking it would be apt to hear the management itself, regarding the long term vision for the company. Also, I broadly understand the current line of business that we are pursuing, which is a standard consulting and services work. But, do we have any plans to develop high margin strong core products going forward? Or, do we have an aim to develop work on technologies that are unique and could result in patents and TMs? So the thrust of my question is on margins, basically because historically, we have been in mid-teens at best, a typical service provider margins. So if you can elaborate on the long term vision, and the plans to achieve that vision?

Niranjan Chintam: Okay, So, Amit, to answer your question on the long-term vision, I'll start from purely the premise of starting this company. When we started this company, we started with a slogan ``" possibilities with technology." We started our journey in the new age kind of technology. And today also, we have the same strategy where we offer cutting-edge solutions, using newer technologies. And we are ahead of the curve when it comes to many of our peers in these kinds of things. We Want to stay ahead of the curve, and that has been our strategy and it has worked successfully for us. And now that we are also working on our structural limitations our margins should also improve over the next two quarters.

On the product-related question, see, we are not a product company; we are a services company; yes, we do have one or two products, which we sell as a platform as a service. We do have one product for the oil and gas industry and we delivered the product successfully to a few customers, but it has not taken much traction. So,ut as I said, we are not a product company, and don't have any plans to get in the space. .

Amit Mishra: It's okay. It's going to help us focus more on our core areas and get stronger in India. There is no problem with that. My second question is regarding the promoter's stake. In the last eight quarters, the stake got reduced by 10%. So, pls throw some light on this. Also, there is an outstanding pledge of around 12%, 13%. So, why was it created, and when can we expect it to be released?

Niranjan Chintam: Amit, let me start with the pledge part. So, Amit, we are a first time entrepreneur…

Amit Mishra: Sorry, if it was not clear, I saw the shareholding pattern of the last eight quarters.

Niranjan Chintam: I am answering that. See, we are a first-time entrepreneurs; so, we are not like xyz brands, where we have unlimited assets that we can pledge to the bank to get a loan. So typically in India, I feel that you may have been sometime outside India and typically, what happens is when you take loans, they want collateral. And, as such, we don't have any collateral or hard assets within the company. It's all the people and the company that is what is the asset to the company. So we have to pledge our being the promoter's properties to get loans. And like I was saying earlier, we are not xyz, so we don't have unlimited properties to pledge. So we had to give out our shares as a pledge to the banks to get loans for the company; this is not loans for the promoters, but loans to the company. And, the bank wants to get some hold of some shares, and therefore, they are very unhappy or reluctant to release the pledge, despite let's say the amount of loans that they have taken has come down dramatically, or the share price has gone up. So, we have been trying to extract the shares, but they're not delivering it, we are working with them. So this will take a long time to get them released. But I want to assure everybody that these loans were taken for the company and the pledge was for the company; these loans are not for individuals.

Amit Mishra: On the 10% stake?

Niranjan Chintam: See, as I shared earlier on this, COVID has opened many people's eyes, as to the liquidity you need both from an individual level as from a company level. So, now the same thing has reevaluated within the family. y dad is 80 years old and he isis the majority shareholder, and he felt that we need to retire some of the debt that we have on our personal books. So that's the reason why the shares sale has happened to get more liquidity, and also to reduce the family debt levels there. Would that continue in the near future?. I don't believe so; and we don't have any plans to sell the shares.

Moderator: Thank you. The next question is from the line of Meit Gada, a Retail Investor. Please go ahead.

Meit Gada: I just saw one interesting paragraph from the statement. It is regarding the live QR code technology scanning, which is going to come up. I just wanted to ask you about real-time embedded analytics. Isthis technology into existence by any of the companies, or is it the industry first?

Niranjan Chintam: As I was saying earlier, we are doing a lot of cutting-edge stuff. There are a few things that I don't want to **(Inaudible) 1:07:40**. But I can talk about a few things; we are working for a global multinational, where they do sentiment analysis, leasing purely what is going out there using AI, ML kind of technologies to see what is the different things that are going on social media, if what is being sent out by individual employees, is it in line with their standard template or is it something different, is the color scheme going the right way or the wrong way, or is there any bleeding of colors. So this is an exciting space that we keep working in. Now, a lot of buzz is also going on in the NFT space. And we are lucky to just talk about, we have done humble only, humble with just one project. But the way we have built the solutions for that now we can list it across platforms; it doesn't have to be on one marketplace to sell your digital asset. You can have any platforms using the standard in the strategies there are standards that must be followed, so if you have that standard built in. Because of the digital asset you can sell on any platform, and not just only on one platform. So, there are a lot of things that we do that nobody has done before. While probably we are not marketing ourselves the way we are supposed to. But there's a lot of exciting projects if I talk to individual employees, we can see that the stars in their eyes when I say okay, what we are doing and goes off, and for them it's like we are doing this and when we start thinking back, and that is cutting edge stuff being augmented reality that we're working in, the NFT, the **(Inaudible) 1:09:43**, just now people are talking about **(Inaudible) 1:09:48** but we've been working on those projects for a while. So those are the exciting stuff that we do and for that reason for us if we have done it, it's just a standard thing.

Meit Khara: Right, because I come with an IT background, and if I'm not wrong, I tried Googling after reading this statement. And I couldn't come across any company which is providing this kind of technology or service so far. So, this should have been one of the highlights of the presentation, but it's hidden somewhere in the details, which is not fair.

Niranjan Chintam: Understood, and we will try to bring it up. At this time, we are more on **(Inaudible) 1:10:26** mode than a marketing mode. But, we'll definitely start doing a better job of this marketing. Thank you for pointing that out.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Niranjan Chintam for closing comments.

Niranjan Chintam: Thank you, Margaret. And thanks everyone for participating in the earnings call. We appreciate it and we are looking forward to talking to you. And like I say it in every call, we will be happy to talk to you one on one. If you're in Gurgaon or Hyderabad **(Inaudible) 1:11:12** reach out to Anupam. Shewill be happy to set up a meeting for you to come and interact with our employees and learn more about our business and management. So, thank you again and looking forward to talking to you in the next quarter earnings call if not before.

Moderator: Thank you. On behalf of Kellton Tech Solutions Limited that concludes the conference. Thank you for joining us. And you may now disconnect your line.