

**Kellton Tech Solutions Limited**  
**Q1 FY20 Earnings Conference Call**  
**19<sup>th</sup> August 2019**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Kellton Tech Solutions Limited Q1 FY20 Earnings Conference Call. 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. If should you need assistance during the conference call please signal the operator by pressing \* then 0 on your touchtone phone. I would now like to hand over the conference to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Sir.

**Anuj Sonpal:** Thank you Stanford. Good evening everyone and a warm welcome to you all. My name is Anuj Sonpal and we represent the investor relations of Kellton Tech Solutions Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the first quarter of the financial year 2020. Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's concall will be forward-looking and 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 as 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 decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. Now, I would like to introduce you to the management participating 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 request Mr. Niranjana Chintam to give his opening remarks. Thanks and over to you, sir.

**Niranjana Chintam:** Thank you Anuj. Good evening and welcome to our Q1 conference call. I hope you had an opportunity to look at company's financials as well as earnings presentation that was sent out to the stock exchange and uploaded on the website. I would like to briefly talk about the highlights of Q1 2020 performance. On the consolidated basis for this quarter, we delivered revenue of 187 crore EBITA to that around 30 crore and EBITDA margin was about 16% for this quarter. The profit after tax was 19 crore and the PAT margin stood at 10.1%. Coming to some of the key highlights of this quarter, we have added about 19 clients, which include many marquee names in healthcare. We are providing next-generation applications to these clients. Also, we are developing an AAA-level VFX graphic simulation game using Nintendo Switch platform for a Japanese game development company. We are excited regarding this

big win as the client is a prominent name in Japan. The company is also developing a holistic credit risk analytics and management platform for a global risk utility company. This platform will predict the associated portfolio risks as well as accuracy of portfolios. We are ahead of the market and stay ahead of the curve as we focus on stable wins and investment in people and technology. This was our focus area for the last quarter and will continue this quarter as well. The company's margin and grown has improved as compared to the last quarter. And this is probably one of the best quarters when it comes to projects and PAT margin from the bigger margin. We are continuously investing in training our people. We are encouraging our employees to attend conferences such as Software AG conference in Las Vegas or the Sapphire conference in Orlando. These are some of the largest conferences that happened in the last quarter. So what we do is we send our employees who showcase our expertise and knowledge to various prospects. They also showcase our solutions that we have built and technologies we work on. So, this has been a very good quarter for us when it comes to the quality of what we have been doing. The numbers like we have stated earlier cannot be compared with other quarters because of the divestments of the Supreme Soft Global Inc. . The quarter has also been good in terms of the customer logos we have acquired. This typically happen during the October and March quarter or December and March quarters where we get some large customers. With this, I want to open up for Q&A. Stanford please go ahead.

**Moderator:** Sure sir, thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Agastya Dave away from CAO Capital. Please go ahead. Since there is no response, we take the next question from the line of Sudhir Bheda from Right Time Consultancy. Please go ahead.

**Sudhir Bheda:** Sir I want to know what was the cash flow from the operation for the partner and would also like to understand the year end guidance from you on revenue for the year 2019-20 ?

**Niranjan Chintam:** Okay, so let me first answer your revenue guidance question. 2019-20 will be a stable year for us as our focus will be the quality of customers as well as margin. As I have said earlier, we now or we have done before where we have delist not delisted outside we have sold out low margin business, so that we can focus on customers and a little bit higher margin customer. So far our focus has been mostly on the top line as well as the bottom line. We know we have retoured ourselves to focus more on the bottom line which has a positive base now hence you will see that our top line has not grown. . So coming to your cash flow question, let me get back to you on this Sudhir. I will get the numbers from my team. However, as I am in the US and traveling, there will be a little lag in receiving information. But as of last quarter we have about 20 crore in cash at our bank.

**Sudhir Bheda:** So, is there any plan for debt reduction in the current financial year?

**Niranjan Chintam:** From every quarter, we are reducing the debt Sudhir. While we may be taking a new debt for **working capital requirement**, but every quarter we have been paying out the old debt. So that is on continuous basis.

**Sudhir Bheda:** So what's the debt number as of March to June?

**Niranjan Chintam:** As of March, it was about 120 and we are close to about the same number I would say. We are on the same number; there is a slight bump off because of Tivix acquisition. In the last quarter, we paid 6.31 crore just to give you an earn out/debt subvention.

**Moderator:** Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

**Agastya Dave:** I got disconnected and couldn't hear the response to the previous question. If you could tell a little bit about the sales growth because you have divested two businesses over the last 18 months or so. And there was one acquisition but if you remove all that, just for the divestments how much have we grown because reported numbers are slightly flattish to declining quarter-on-quarter and Y-o-Y. So, can you give some sense?

**Niranjan Chintam:** Let me take a different way to answer your question. We have divested close to 20 million top line and have added a million. This is true.

**Agastya Dave:** This is 20 million you said sir?

**Niranjan Chintam:** Yes, its 22 million revenue which is divested and we have added a million dollar. So this is to give you the contrast, ok? The numbers are not comparable. This contrast will give you a perspective of how it was and how it is now.

**Agastya Dave:** This amount that you have divested is basically the consultancy part, right? Because in the presentation we can see a BIP bump around in the consultancy revenue?

**Niranjan Chintam:** That is correct. It is mostly consultancy because sometimes it's not easy to break up the contract. I will say for 90% consultancy, there's going to be 10% that we might lose, but we try to get that back from the customer. This is an understanding when we sell that we are going to keep some of the contracts with us. It might take us a little bit to get that trust back. But, at the end of the day the customer is aware that this is what we are doing. The company that we acquire is also aware that we are doing this to get back some of our contracts.

**Agastya Dave:** On your business visibility. How are things looking like today because, there is some sort of a slowdown which has been seen in American markets and you do have presence in FSI stock like something above average for the industry or probably below average. So are you seeing any kind of slow down? Also in the last quarter, you were saying that you guys are hiring quite a lot of people. So has the hiring finished as I don't see a massive bump up in your

employee costs. So I am just assuming and I really don't know how much of the hiring has finished. When will we start seeing the next bump up in revenues? We had this target 3-4 years back that we will reach 3000 crore by 2021. Obviously, some acquisitions were planned in QSD and none happened, not in your control again. Where do you see the company going forward let say in another two years?

**Niranjan Chintam:**

So, let me first talk about the US. The US when it comes to top-line growth is not good. –We have many openings in the US that we are unable to fulfill because of near full employment in the US. Let Srinu give you a little bit more information on that in a short while after I finish my answer. We are facing challenges while hiring in the US. However, what we are doing is we are bringing some of that work to India. Agastya I will be making some statements just to give you an idea. Let's say, we charge \$100 from a customer for one of our engineers in the US. If we outsource that work to India, we charge anything between \$30 and \$50. So, the top line declined from the US perspective and is in pure 100 numbers. Whereas when it comes to India, the presence is greater than what we have at the US. So, that becomes a challenge. And again, when it comes to comparison with previous quarter, this quarter is completely different with 20 million divestment of revenue versus top line. So, this is a challenge. Coming back to India, we are hiring and have many openings in India too. Let Karanjit jump in after I am done with my answer to tell you about all the different kinds of openings that we have. We are also getting towards the next-level of growth, where we are hiring top-level sales and management people in India that could support us. So we hired a top Architect solution engineer in India for SAP because we see a lot of SAP demand. The person is sitting in India, because we were not able to hire in the US. This person will be supporting India as well as the US customer. We are also hiring sales people in India. We have got one for the top management from CMP to help us in the next-level of growth for the human capital as we are having challenges when it comes to growing to the next-level. We have been hiring consultants to help us grow from 100 million to 300 million. Now coming back to your question about the 3000 crore or 2000 crore. Today we are not focused on that at all. In order to head to 2000 crore, you are right that acquisition was captain before we wanted to have. But as you know, we are unable to raise any capital from the market and without capital, we are not going to achieve those numbers which is some of the discussion we had both offline and during our conference call. Today we are focused on the quality of the customer with the margin of the customer. When we get the money, we will probably go back and look at it. But our plan is to grow from 100 million to the next-level. So our near-term to long-term plan is to hire people to take us from the 100 million to let say 200 million. Once we achieve 200 million, we will look at 300 million at a later date. But for that investment is needed. Now, let me invite Srinu to talk about the US and then Karanjit to talk about India hiring and what they are doing in India. Srinu?

**Srinivas Potluri:**

Yes Niranjan. Thank you for the question and to add to what Niranjan has been saying, operationally we have definitely found that hiring in the US with respect to talent and

availability of talent has become difficult. Obviously, there have been some changes from an administration side with respect to hiring. So that's one of the key problems we are facing in the US. Also the elevated costs of hiring in the US have been passed on to the clients. Since now we have a reputation, a very good reputation in the US, the customers have decided that they are comfortable with outsourcing and are confident that Kellton can do the offshoring piece. They are requesting that a lot of their projects be executed out of India with minimal management and project management, etc. in the US. So, our hiring strategy has been to hire support staff here in the US and add technology people from an execution perspective in India. And from that perspective, we have in the last year or so spoken to various educational institutions in India to get the right technical resources.

**Niranjan Chintam:** Karanjit can you talk about India?

**Karanjit Singh:** Yes, from the people perspective and hiring in India, we continue to add talent. A lot of focus is not only on what we do in India, but as Srinu and Niranjan said we are also trying to fulfill the new global roads that have been asked for. Our plan is to add around 100 people this year, which includes delivery oriented roles. But again, when we are hiring these people they are a mix of freshers that can do execution work and experienced people who can do offshore work and handle or face customers directly. In addition to that, as Niranjan said, we are also trying to strengthen the sales and marketing team.

**Niranjan Chintam:** Yeah. So in addition to what Karanjit said, we will have 100 more people than what we have today.

**Agastya Dave:** Okay, so that will take your work force to what number assuming that?

**Karanjit Singh:** We will be around 1600. There will be some switching along the way right. So let say about 1600 is what we are anticipating.

**Agastya Dave:** Okay. Sir then two more questions which are slightly not related to business as such, one is the pledge has increased this quarter. So any comment on that and I guess the previous person was asking about the debt. And I am also wondering that given the fact that if we continue to have no quarter on quarter growth for the next three quarters, we will still be very close to 80 odd crore of PAT. The stock is based on it. I mean, it has been hammered quite badly. So, it makes a lot of sense to repay debt and reduce the capital in the company. I would always prefer debt reduction, but also probably a buyback. Even after the buyback tax, it makes sense to buy the stock at this valuation given the comments here today. So what are your comments on the pledge issue and secondly on, given the valuations how do you look at the entire thing?

**Niranjan Chintam:** Sure, so let's talk about the pledge, just another pledge number of shares the pledge has gone up, the reason for that is the bank because of the **(Inaudible)20:36** it has now become a

cash **(Inaudible)20:37**the banks are now interested on additional shares to be pledged, and we have been reporting periodically whenever the pledge has shares to exchange of having preferential share, so that's the reason why the pledge has increased. If let's say the stock price comes back to a stable price, the pledge will decrease. We should get back to share which is what we have an understanding with the bank. Now let's talk about the debt part of your question. We have spoken about this couple of times where I said, I am growing the company and I need money for growth, either by equity or by debt. Unfortunately, I have not been able to get equity. So, I have been growing by debt. The cash is coming into company that we can use. However, we have been reducing debt over the quarter, year-on-year. You can see the amount coming down as new borrowings were happening or maybe due to new acquisitions but we are always looking to reduce our debt. Our target is probably end of next year but beginning of the year 2021 we should be completely debt-free. All the earn-out obligation would have been paid out by the end of next year as well as, significant portion of the debt would be retiring. But to grow the rate we are growing, we need to hire people to take us to the next-level of growth. We would be investing in people and technology and unfortunately the only way for me today is other than using the internal generated cash to borrow a little bit. Every time we hire somebody it takes six months for us to realize the cash from that person. So that kind of work capital, I always need. I can generate some of it internally but some of it I will need to borrow, that is where I am today. But coming to our question that is something probably we will look at it next year but not this year.

**Agastya Dave:**

My only suggestion would probably be today that if the company can officially come out with a debt, mention the ballpark time by when the debt would be repaid, set a public goal and try to stick with it. And then have a glide path where you can say that every quarter or every month, we will repay this much debt or this much will go because I remember the earn-out discussion we had during the last AGM and it was clear that a big chunk which was on the balance sheet, if that goes away, the debt will automatically come down because we were generating enough cash. So, if you can just disclose that number, this is our target and we will reach this level of debt probably 60 crore in the next one year then that will be 60 crore total gross debt from 120 today. And also if you can repay the part of the debt which is creating the pledge because pledging of any kind is being formed upon today in the market and the way the stock has been hammered it seems like the stock has no value, but obviously it does. So that would be my suggestion sir and good luck for the next quarter sir.

**Niranjan Chintam:**

Thank you Agastya we will definitely consider that, probably during the AGM we will talk about this a little bit more and probably will have some kind of answer for that. Thank you.

**Moderator:**

Thank you. The next question is from the line of Ayush Agarwalan, Individual Investor. Please go ahead.

**Ayush Agarwal:** If we look at our digital transformation segment, then in December of 2017, we had clocked revenue around 150 crore. For the last 7-8 quarters, we really haven't been growing in that segment. So would you like to give some comment on that?

**Niranjan Chintam:** Like we spoke earlier, Ayush now we have divested some of our businesses, some of the contracts may have gone away and hence probably you will see a flat growth. But in fact, it is growing percentage-wise. It is even higher than one in the last few quarters. So that is something which will continue to grow. And digital, where our focus while the others are going to help us achieve the digital part. We have always focused on the digital. Now we are going in some of the machine learning/AI related activity too. So we are always on the cutting-edge of technology and that is our key focus area. And we are getting more of our margins from these areas, rest of them is only enabling us to get to our goal of providing cutting-edge solutions to our company.

**Ayush Agarwal:** Right. And sir I have one more question, which is that over the last 3-4 quarters we have been acquiring a lot of clients. But as we see, revenue has generally remained flat, so are we not able to get more orders? Or are we not able to retain them? Sir if you can also provide some comment on that?

**Niranjan Chintam:** Yes, sure. So same answer, we have diverse businesses and hence you see the revenue is flat. The customers take at least a quarter or maybe two quarters to fully generate steady revenue initially. It will be small, little bit of revenue that's coming in. The 19 customers that we acquired in the last quarter itself; we have actually started generating revenue from this quarter. There will be a lag from contracts signed to reveal jump. Sometimes, it might take two quarters, because a proof of concept and requirements gathering takes 3 to 6 months, before revenue starts flowing. So you will start seeing results coming in the next quarter. While we do lose some customers with 80:20, 80% we are able to get revenue from the existing customers, 20% from the new customers. So there will be a 20% fall, not because of bad performance, it's mostly because the project or the initiative has ended in advance. So that's the two reasons why, we may lose a customer.

**Ayush Agarwal:** One of them is goodwill and trade receivables for more than 60% of our balance sheet. So, what figure is the company comfortable with and what is the company trying to do to bring that figure down?

**Niranjan Chintam:** The goodwill is because of our acquisitions. And at this time, every year we do employee impairment analysis, our auditors in the US and India to do this type of analysis and they come back and say there is impairment so we don't write-off the goodwill. But, yes lower 200 crore when it comes to goodwill. But one way to do it is, take a bullet that every AGM we talk about it where we say let's take a onetime hit or a one year hit, we announced that we don't write off this year. That is something on which internal debate is going on, but every time my advisor says that there is no impairment, we only have to write it off. So there are two

schools of thought - one side people tell me that goodwill is bad and develops are facing, and it really come during consolidation, why bother. So these are the two things that we always wait; but now we will have to make a call on that. But at this time, we are going with the idea since there's no impairment doing right now. But maybe that strategy might changing next year.

**Ayush Agarwal:** Okay, and sir my last question is, what could be the CAPEX for financial year 2020?

**Niranjan Chintam:** So the CAPEX we are spending probably around 2 to 3% in a year which is probably very reasonable when it comes to the business that we are in. Most of the CAPEX goes into our hardware which is the laptop, servers, and software related for doing our work. But there is some improvement we are doing in our offices. While we have spent a huge amount of money both in Hyderabad and Gurgaon because we are growing very rapidly, we also have to redesign the existing offices to fit. We are at almost near capacity and we are looking for new space in Gurgaon. CAPEX for that mindset will increase in India this year, a little bit more than probably what we have last year, but that is the nature of the business we are in. We don't have a choice at the rate we are growing and we will have to have a new space and new improvements which are happening. But to talk in percentage, 3% of our revenue is not that much when it comes to the....

**Moderator:** Thank you. The next question is from the line of Jitesh Parmar an Individual Investor. Please go ahead.

**Jitesh Parmar:** Thank you, I am just repeating the previous question partially, but just wanted to know your view sir. So if I look at your presentation, page number 40. Your goodwill at a consolidated level is around 200 crore and if I look at our today's position as per the BSC website our market cap, the full market cap is around 180 crore. So question is, how one should read this? And the question two is what management's view on this is? And, how would you like to tackle this in future, probably future periods?

**Niranjan Chintam:** So, Jitesh I don't see page number 40, but I think you may have a different sheet than what I am having.

**Jitesh Parmar:** Sorry sir, it's 14.

**Niranjan Chintam:** Okay. 14 also, goodwill like I said it's because of acquisitions. Whenever we make an acquisition we are acquiring customers and people in an IT company, there is not much of a plant and machinery that we acquire. I was talking earlier where our CAPEX is 1 to 2% to 3% depending on the company that we have acquired. More the money we pay for the goodwill. For that reason, goodwill is sitting on the books. From the market cap points of view, the goodwill may be looking high, but we have been an acquisition like company, growth company and that is going to be on the balance sheet. And I have to make a call whether we

continue to keep that on balance sheet or do not. If I write it off, then my margins or PAT will come down that is something that we constantly weigh every year either we do it or not do it. And so far we have decided not to write off but that might change in future.

**Jitesh Parmar:** Okay. I absolutely understand that, I was just coming from the view that does it then represent the two and fair view of the balance sheet? If we consider the current market position?

**Niranjan Chintam:** It does not right because like I said, in some acquisitions that companies are getting that as a part of a consolidation. But is it a true reflection of earnings? It's not. But is it sitting on the balance sheet? Yes, it has to sit on the balance sheet the up shore.

**Moderator:** Thank you. The next question is from the line of Animesh Yadav from Satco Capital. Please go ahead.

**Animesh Yadav:** So I would like to know, what is the current strength of the employees as of now?

**Niranjan Chintam:** Little less than 1500 is where we are with 1400 some change I don't know the exact number. But over 1400 is where we are, but less than 1500.

**Animesh Yadav:** Okay, and what is the target for FY20 any figure?

**Niranjan Chintam:** So we had thinking that we had about 100 more is what we have current opening that we have is what it's looking like.

**Animesh Yadav:** Okay. Can you just say something about the attrition ratio as of now?

**Niranjan Chintam:** I am sorry acquisition ratio you said?

**Animesh Yadav:** Attrition ratio.

**Niranjan Chintam:** So we have about 12 to 13% attrition is what we are doing. That is what we were doing. So I think, that's the industry average we are around the same number.

**Moderator:** Thank You. The next question is from the line of Abhinav Verma an Individual Investor. Please go ahead.

**Abhinav Verma:** So, we had to two platforms optima and thrive. Would you like to give any updates on that?

**Niranjan Chintam:** Sure, thrive is a platform that we have come up internally to help us in the sales process. Many cases happens with the platform like thrive is to help us penetrate into customers, we may not charge anything for thrive that is something we have it in our armory if you want to call it, we use that as a sale tool to penetrate in the customer. While there are some

customers who would exclusively want thrive only, we do give it away in some cases and then charge for the platform maintenance and improvement but that is not a product kind of a sale, we don't sell it as a product. When it comes to optimize yes we are doing it as a product sales only, what we call the lighter sale for that. That is something that is taking action now it took us some time. We do some kind of a product; it takes a lot of marketing and sales spent before we get the customers. I think the target that we think we have is, it's going to start generating money, this quarter and next quarter onwards, it should start getting a lot more traction is what we have. In that just to give you a numbers, right. We have invested close to about, \$3 million into that optimum platform and we should start generating money out of that, we recognize that services much are smaller than product multiple while we are a services company, we would be investing in platforms like thrive as well as Optima to increase after month. Again the long term plan, that is something that we have recognized and we are investing in it. But, most of our platforms are sales enablement and process implementation that are for stand-alone product sales. Other than Optima, which is a standalone product sale we have strategically wanted to do that and we did that.

**Abhinav Verma:** And so my next question is like, are we looking at more acquisitions and if we are then what kind of size?

**Niranjan Chintam:** See at this time, I don't have daily acquisition targets that we are looking at also, with that side if something new comes up we may look at it. But I think for all the different reasons that we want the acquisitions or the strategy that we have is that buy it for customers or for technology. I think we are very close to being done with those kinds of acquisitions. And so we have wanted the European base and that was civics we got a European base. So we are pretty much done. We may look at some acquisition in Europe. But, at this time we don't have anything in our radar. But, the long term are we going to look at it probably. But for the near term, we don't we don't have any acquisitions in our line of sight.

**Abhinav Verma:** So, then can we expect our company to be free cash flow in the coming years?

**Niranjan Chintam:** Yes, the target is 2021 with free cash flow. That is the target that we have and we should be achieving that.

**Moderator:** Thank you. The next question is from the line Neha Shah an Individual Investor. Please go ahead.

**Neha Shah:** So one of which is, so like we have seen a good client wins this quarter. So can you just quantify these and also in which geographies are these clients from?

**Niranjan Chintam:** So, Neha these quantifications wise from a revenue we don't, have not realized the full potential of it yet. We will be realizing over the next few quarters I will be able to answer that better there. Coming to the new customer, wins we have the combination of India, Europe

and the US. But majority is coming from probably Asia Pacific region, I won't just say area but Asia Pacific region is where the majority of customers are coming in from, but Europe is taking off for us. That has been our goal again; we invested quite a few amounts of money in Europe, to get to where we are today. And we are now seeing the benefits of our investment that we made over the last three to four years, the investment made in Europe and that is getting a lot of traction. We are getting into many mark key customers in Europe, which has been a little bit gets a challenge when it comes to the timeframe. We were hoping that we are going to get this three years back. But Europe is much more conservative than America. So we were hoping that, Europe is going to be faster unfortunately, that's a long time. So, revenue potential and revenue growth is going to come in the next few quarters to next few years because we are seeing lot of traction.

**Neha Shah:** Okay sir. Sir the second question was actually regarding the business environment in US. So, is the company facing any issues related to H1B visa?

**Niranjan Chintam:** So, I will let Srinu answer that, Sirni can you take that?

**Srinivas Potluri:** So, from an H1B perspective, obviously from a new H1's perspective, it has become difficult to get those processes through the system here in the US. From a perspective of existing H1s they are continuing, none of them have come up for any renewals, any few renewals that we are having are getting done. But from adding new H1s to our workforce, that has become a little difficult, there is no clear guidance from the administration at this point. So we are working it out and that is one of the reasons why we have started adding a lot more technical resources in India and our clients are moving to a model where instead of having resources working out of the US, though the project is being managed out of the US, most of the technology related work is being done out of the offshore offices.

**Moderator:** Thank you. The next question is from the line of Animesh Yadav from Satco Capital. Please go ahead.

**Animesh Yadav:** So given that you said the focus has been more on the bottom line. So do you see the margins getting improved further?

**Niranjan Chintam:** Animesh yes, the idea is to grow that, earlier we have achieved the 16% EBITDA, which is the first time we are achieving that and I am hoping that we can continue improvement on that. But if you are going to ask me the project I would say around the 16% is where we will be probably in a few basis points here and there that might improve, but not dramatic improvement. The reason why I say that is because we are hiring, that Karanjit was talking about, we are hiring lot of people in India, to help us to take from the 100 million to the next 200 million that we have. And for that we have to make a lot of investments in people and technology and we are making that investment now. Like I said earlier, we have hired external consultants to help us to take us from the 100 million to 200 million, what is the kind

of people that we need. The HR, the way the HR impulses we are now taking it further because the traditional way of doing things that what we did is not going to work(Inaudible)43:19. And we are making improvements of those by making changes to our hiring plans in terms of people, training technologies, and cleaning process. All that revamp is happening and we should be making a lot of hiring within this quarter and next quarter.

**Animesh Yadav:** Alright sir, thank you. Sir one more question is, how many are there in the Indian clients in the recent addition of the clients?

**Niranjan Chintam:** So I would say, let not say India but we say Indian Pacific, Asia Pacific is what I am going to talk about. Probably, I would say about 40% is coming from India, Asia Pacific because a lot of additions financing and also Animesh, we are seeing many-many customers in India also giving us million dollar customers, but you would not expect huge amounts of revenue coming from Indian customers, but we are seeing traction of both the sides so India is changing and we are seeing lot of spend in the India IT.

**Moderator:** Thank you. The next question is from the line of Abhinav Barjatiyaan Individual Investor. Please go ahead.

**Abhinav Barjatiya:** Sir I have two questions. First one is, it seems that in developed countries are cutting down on their IT spends. So I want to know, what is the company's growth strategy in terms of client addition?

**Niranjan Chintam:** I don't think people are spending less money the dollar countries are not spending less money. They are spending more on digital. Right, in a digital kind of a way gone are the days of multimillion dollar company, if you get 10s or millions of dollars of customer. That is going away, you are getting in a few million dollar kind of contract. With that said there are some customers doing 10 million customers also we are doing. But the multimillion many customers has gone away. The spend has moved towards the digital side. People are not buying the servers, they are renting servers. People are not buying software; they are paying as we go. So the spend has changed, so people are thinking that the IT spent has come down. And the way spending is changing, the spend has to come down. People are also seeing work that they used to have internally, so those kind of changes are happening, but revenue spend it has been constant. More money in digital than other that is why people or traditionalize companies are paying rising spend has come down, it has not come down but they have reoriented a recap the way they are spending money.

**Abhinav Barjatiya:** And I have one more question, if you could tell us about the business in Europe and the growth potential there?

**Niranjan Chintam:** Okay, I would let Karanjit answer this because Karanjit has spent lot of time in Europe on getting that, Karanjit can you answer?

**Karanjit Singh:**

As Niranjan said, it took us it was a little slow for us in Europe, but as I said in some of the previous calls we have now our initial 7 or 8 seed customers and while we are continuing to add new logos, what is interesting for us is that what we have learnt is Europeans, unlike US are slow to warm up and they are not if I would to call, comfortable outsources. Now all those customers that we started working with last year, they have worked with us for a couple of quarters, a lot of them have actually **(Inaudible)47:29** us in India. And of course, we make it a point to invite them as well. Now they are very comfortable and they now need teams that are working on their projects as their teams. And now they are coming up with multiple projects or expanding the team or the piece of work that we are doing. So the client relations are deepening and in fact, there are at least two or three of them which are becoming significant for us. In addition to that, we continue to add customers in Europe, new logos as well. And there are also some significant EFPs with large customers that we participated. And those take long time and again go through the budget cycle. But some of them have started as POCs now so we hope that these will eventually go to full blown large engagements over the next couple of quarters. We already had software with the relationship in the US. Last year is when we started as part of that large implementation that we did in US, we took it global. And we started making inroads in the relationship in Europe, with software, and today we work very closely with them. A lot of these leads also and large accounts have come through that channel as well. Where we made the investments so we hope even those things will start yielding results. So overall we see Europe is now gaining good traction for us on two accounts. The original customers are warming up and increasing their relationships with us and deepening relationships. And number two, we are also continuing to work with some large customers along with some feral partners like software AG, that should also yield good results let's say over the next one year.

**Moderator:**

Thank you. The next question is from the line of Agastya Dave away from CAO Capital. Please go ahead.

**Agastya Dave:**

This is follow up on a question someone else asked. So on the goodwill side is there any subsidy that we have where you are seeing losses where impairment is likely?

**Niranjan Chintam:**

Typically what happens now Agastya, is that when we get the subsidiaries we move contract Kellton Tech for the branding reasons right. As and when new client come in we move them to Kellton Tech brand name. Otherwise, we will have to support that brand also. And any renewals also we try to move, with that said are seeing any losses in some of the subsidiaries? No, we are not seeing losses. Because when we have more contract we have more people too right, so revenue side may have dropped from the subsidiaries, but there is no loss.

**Agastya Dave:**

So, I want to understand, is there any chances of impairment which is lightly or not. I have deled with auditors when on some certain PADLs and even in private. So, this is like a PADL for you right, you have acquired a company which is not public. So when I have interacted

with auditors, the idea there is that you have to prove, you just cannot take a right off like that and you cannot avoid a right off like that. So auditors are pretty strict in that. So you have to very conclusively prove that there has been impairment. So, the signs of which have started coming fairly early. So are you seeing anything, which makes you believe that there could be some impairment?

**Niranjan Chintam:** No, I don't see anything at this time. We do not see anything. It's again, I have to prove so for now not have been proved. Can I work creatively? Absolutely, right. So do you really want to take a hit? So, far we are independent analysis we let them be objects do it and they come back and say there is no impairment there is no point in taking it and we have not taken it further advice. But if we make let say a management call, I think they would support it if that is the case that we wanted to like I said earlier if we come up with a strategy and we want to take a hit. And we can that's the call. But, we have not taken that call today yet. But, as I said, we may announce it maybe a year from now and just take it up a balance sheet. That's an option that we have? We will look at that. That is something is not ours.

**Agastya Dave:** It will hit your net worth right. So if it hits your network, just for the sake of taking a write-off, it doesn't make any sense until and unless there is a genuine impairment, because I don't believe at least in Indian taxation, you won't get any tax write off for this, tax shield for this. So, I was just wondering where that thing came from. The second follow up again, someone asked on the acquisition side so, nothing in the pipeline it seems as drop but, again so this is more a suggestion than a question. Even if you do get an opportunity I guess it's better to buy the stock using that capital because the kind of earning you can get on Kelton stock itself. It's far better than anything else. If you buy something historically you have bought it four, five times EV/EBITDA we are at two times EV/EBITDA. So again, it's a suggestion my guess is that if you do really want to acquire something the stock is the best investment opportunity.

**Moderator:** Thank you. The next question is from the line of Admin Mehta from NVS Brokerage. Please go ahead.

**Admin Mehta:** I just have one question, are we looking out for any strategic investors in coming near future?

**Niranjan Chintam:** So the answer to your question is given in the stock file, should you look at it. Let me ask you the question back, right. Sorry, to be not being flippant, but and I am just trying to understand, we are worried that if we take the investment today at this stock price, you will come back and kill us. So that is one of the reasons why you know, we are not looking for this part and no way I am going to be doing any disinvest

**Moderator:** Thank you. The next question is from the line of Ayush Agarwal an Investor. Please go ahead.

**Ayush Agarwal:** Sir, I wanted to ask, picking up from some of our last participant, if we look at our global competitors, Globant and EPAM and the likes for that, how do we differentiate ourselves

from them, first question. And the second is, how do we make sure that we don't lose our customers to them?

**Niranjan Chintam:** See Globant and EPAM are much larger than us. We always tell our analysts why do you compare ourselves because we believe that there is nobody closer to us in India.. Those are the two companies. Okay. So, now coming to how do you differentiate right. In some cases, there is no clear differentiation but in many cases our customers' testimonials, the type of work that we have done is a lot more holistic, then whatever Globant and EPAM are doing. So that is the differentiator. Karanjit, do you want to add anything here?

**Karanjit Singh:** No, that is about right. In fact, in India we have never encountered either Globant or EPAM as competition but yes in US we will. And from a differentiation perspective digital transformation again is a very it is a cool term, but it is also much abuse terms, everybody's definition of it tends to be different. I think our differentiation tends to be basically the business value or the solutions that we put together for our customer right ultimately if that is what matters. And that is where we are stronger where our case studies speak for ourselves when we compete in the market, but I am sure at a pitch level, yes everybody has got good pitches. It shouldn't look similar.

**Ayush Agarwal:** And so about the second part, how do we make sure that we don't lose customers to them?

**Niranjan Chintam:** We have not lost any customer to them so far. That is something that while we are competing in some levels, but we have not seen them in the same customer space that we are targeting. So we target customer based on revenue of they are working in a higher bracket or buzz bracket we call it, buzz bracket kind of revenue We are operating around 10 billion and lower revenue size in the US. So we are not facing them at all. In Europe we have not seen them anywhere near any of our customers.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Niranjan Chintam from Kellton Tech Solutions for closing comments.

**Niranjan Chintam:** Thank you, gentlemen and ladies to join the call. I really appreciate you taking time and asking the question. I look forward to meeting all of you or many of you at our AGM I think will be holding that in September sometime and that is before the next earnings call. So love to meet all of you there and many of your friends if they want to come and visit us. We had a very good AGM, last AGM where we had a very good conversation with some of the investors including Agastya who was there. So really appreciate If you can make it because the interaction the face to face interaction you will get to meet some of our management as you come to our offices and visit our offices and see work as it goes on and talk to our engineers to understand how they do it or what they do will give you a different perspective into Kellton. So, I really request all of you to come to that, AGM with that thank you all for joining the call and look forward to hearing from you shortly.

**Moderator:**

Thank you very much sir. Ladies and gentlemen on behalf of Kellton Tech Solutions Limited, we conclude this conference. Thank you for joining us and you may now disconnect your line.