

# “Kellton Tech Solutions Limited Q4 FY19 Earnings Conference Call”

**May 31, 2019**

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**Moderator:** Ladies and gentlemen, good morning and welcome to the Kellton Tech Solutions Limited Q4 FY19, Earnings Conference Call. As a reminder, for the duration of this conference all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Rahul from Valorem Advisors. Thank you and over to you, sir.

**Rahul:** Thank you Karuna. Good afternoon every one and a warm welcome to you all. My name is Rahul from Valorem Advisors and we represent the investor relations of Kellton Tech Solutions Limited. On behalf of the company and Valorem Advisors, I would like to thank you all for participating in the company's earnings conference call for the quarter and financial year ended 31<sup>st</sup> March, 2019. Before we begin, I would like to mention a short quaternary statement. Some of the statement made in today's conference call may be forward looking in nature. Such forward looking statements are subject to risks and uncertainties, which could cause actual results to differ from those that are anticipated. Such statements based on the management's believe as well as assumptions made by the information currently available to the management. Audiences are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. Now I would like to introduce you to the management participating in today's earnings conference call. We have with us Mr. Niranjana Chintam – Chairman and all-time Director and Mr. Karanjit Singh – CEO, India. Without much ado would like to hand over to Mr. Niranjana Chintam for his opening remarks.

**Niranjana Chintam:** Good afternoon everybody. Thank you for getting on our fourth quarter and financial year ending 2018-19 analyst earnings call. So, with that, what I want to talk about is a little bit about the financial numbers and then we will get into the operational highlights as we go on. So, the consolidated basis on the QoQ, we did about 190 crores for the Q4 with an EBITDA of 30 crores and an EBITDA margin of 15.7 crores. The profit after tax stood around 20 crores and the PAT margins were about 10.2%. Coming to the consolidated performance for 2018-19, total revenues stood at 819 crores. EBITDA of 123 crores and EBITDA margin stood at 15.01%. PAT

for FY19 was 77 crores which is a growth of about 12.4% YoY basis, and the PAT margin up by 9.39% in FY19. One caution I want to give on these numbers is that it is not comparable to the last year and/or last quarter. Here is why I state that. Last quarter we sold a company, one of our step-down subsidiaries in the US called Supremesoft Global and that quarter revenue is not reflecting in this quarter. So that is one of the reasons why you see probably a slight dip in the revenue QoQ. On the consolidated side, we have also sold Bokanyi that is the whole year, there is an effect not the whole year and that revenue also did not come into play. The 3<sup>rd</sup> one is the contract that we talked about in a multiple time earlier. In 2017-18 we had a 10-million-dollar order, whereas when it came to 2018-19, we had a 5-million-dollar order. So cumulatively taking all this into factor, we have grown 20% if you compare apples-to-apples, taking out all these numbers from, the 3 numbers from financial statement of 2017-18, grown in revenue of 20% and PAT of about 19%, if you compare apples-to-apples. I just wanted to give you that comment because comparatively from last year to this year there is a big difference because of these 3 factors. In addition to that, coming to the operational highlights, we will talk about operational highlights; we have added about 9 customers this quarter, which includes many marquee names, large wins in manufacturing ecommerce, BFSI, real estate sectors, among others. The company also continues to focus on stable win – win ratios. We are getting synergies from existing customers, as well as any new customer that we are able to exploit and get more revenue out of those customers. Also in the last one year we have launched Optima, a digital oilfield operations platform for field operations that integrates the Internet of Things (IoT) and cutting edge domain-driven analytics solutions. Launched successfully along with cloud capability, Optima, is being leveraged as proof of concept for multiple prospective customers, most of whom we plan to convert into wins in this financial year.. We also have launched a solution called THRIVE. This is for HR related functions. Automating HR related functions. Reducing the number of manual processes that typically HR follows that from hiring, maintaining data, basically end-to-end data up-gradation on the system and many of these processes which were done manually is automated, all the way down to using blockchains for some of these documents that external parties require, that has also been implemented in this solution. Last one is, in this year, we made it to Deloitte Fast 50India, for the growth and this is the fourth time that we have consecutively won this award. With that, I would like to open up for questions.

**Moderator:**

Thank you sir, ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may press \* and 1 on their touchtone telephone. If you wish yourself from the question que you may please press \* and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question que assembles, thank you.

The first question is from the line of Sudeep from Right Time Consultancy. Please go ahead.

**Sudeep:** Thanks for giving me the opportunity. Congratulations. Balance sheet looks very good as on 30<sup>th</sup> of March, 2019. Mostly my question is will we cross 1000 crore this year in the top line. And whether we will be able to maintain 10% Net Profit Margin.

**Niranjan Chintam:** Thank you very much and appreciate your feedback on the balance sheet. Yes, every YoY our balance sheet is improving in size as well as in the ratio. So, thank you for looking into it and pointing it out to us. Coming to the revenue numbers, at this time I can only say that we will be growing organically probably about in the high teens is what I would say. So, I don't want to project an absolute number and tell you that this is what we are going to achieve. With that said let's see how the new Modi 2.0 is going to go and what projects that we can win. There are number of projects in the pipeline for us when it comes to the government and I think we talked about in the previous conference calls, where I have said that we have only do Central government projects and we shy away from state government projects. So, if there is a big chunk coming in, we would be able to beat that high theme number that we talked about. But at this time there is a healthy pipeline both from the government as well as the commercial. We are also seeing a lot of traction in Europe. In Europe last year was around 3% of the revenue came from that and this year we are doing around 8.4% of the revenue has come from Europe. We continue seeing that there is going to be a jump in the European side of the revenue. So, hopefully that increases our revenue beyond what we are projecting out to.

**Sudeep:** You were supposed to win the big order from Europe I believe. Is there any development on that sector?

**Niranjan Chintam:** No, I don't have anything that I can state right now. We are continuously pursuing many different projects in Europe. As and when we are ready to make an announcement we would be happy to make that announcement. At this time, I don't have any information but with that said, there is a huge pipeline that we have built up over the last year. And hopefully we will get many more awards.

**Sudeep:** My last question sir. How are you planning to utilize the current year's cash flow that you will generate from the operations?

**Niranjan Chintam:** Typically, we have honored our obligations on payout. Last year we paid out around 39 crores in earn outs is what we paid out. So, there is some debt retirement that we do. But we also have been taking debt. Debt has gone up slightly. But there is a term loan in every quarter that we pay down on the existing loans that we take, have taken for acquisition; so, we are paying them down. So that is where primarily the cash that is being generated is going into. The other one is, we have been hiring excessively. There are lots of job openings that we have been publishing out. We have hired close to about 100 people last quarter and currently we have plans to hire probably equal or more during the rest of the year is the target, because the pipeline like I was saying earlier is building up, and we have backlogs also that we are at this time looking for lot of people just to fill the positions that we have open. So those are the 3

areas where we will be spending our cash. So that is the reason. I would not say that I have any additional cash sitting or giving it out as bonus or dividends.

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

**Agastya Dave:** Thank you for the opportunity. Sir, the previous participant asked about margins, so you mentioned about the pipeline and everything, but would you be able to maintain the margins given the hiring that you are doing?

**Niranjan Chintam:** Probably the PAT is going to be in the 9 to 10 percent range Agastya; that is where we are hiring. That is one of the reasons you can see that employee costs have gone up a bit. If you look at last quarter to this quarter, also the YoY, so there is an increase I guess when it comes to employees, because the salaries are going up for employees, talent has become a challenge, while we do take a lot offers freshers and train them. But there is always a requirement for lateral hires. So, we are seeing a little bit of pressure when it comes to that kind of margins. That's the reason why I would say, probably 9 to 10 percent range is where we would be comfortable to project out and say that we will be able to meet.

**Agastya Dave:** Actually employee costs have fallen QoQ. 96.71 crore is going down to 96.65 crores.

**Niranjan Chintam:** The reason for that is because we have sold out Supremesoft Global and the cost of those employees is not reflected in this quarter.

**Agastya Dave:** I get that on the P&L side, but I don't see that on the balance sheet. On the balance sheet, if you have sold, you must have received something. I understand that the P&L has shrunk by the equivalent amount and also the book ING because we sold last year. So, YoY and QoQ I can understand but, on the balance sheet can't see any substantial indicator that we have sold out something. So, can you give us some numbers?

**Niranjan Chintam:** I can't give you the absolute number, but what I can tell you Agastya is that if you look at the goodwill, it has come down. This is because of the selling of the Supremesoft Global. Bokany is already reflected in last year's balance sheet whereas the revenue numbers are going to be reflected this year. Where as Supremesoft since its effective from January 1<sup>st</sup> of this calendar year, so there is already goodwill reflected into this balance sheet. So, you see that there. In addition to that this was sold on March 31<sup>st</sup>. So, the balance sheet is not going to show any money received but it is going to show this as money receivable. It is shown in there.

**Agastya Dave:** It would have been better had we shown this separately as the timing difference is here. We could probably have shown something on the asset and liability side saying that assets held for sale and liabilities held for sale. It means that is the standard practice when somebody sells something, which where the transaction actually has not happened and the money will flow

later. But at least would have been easier to see the differences. I mean how much of the b/s will go away.

**Niranjan Chintam:** Fair enough. Because we have a template we have to follow when it comes to the exchange. In the annual report all of these numbers are going to be shown separately. There is a standard format that we had to follow IFRS and there is India AS format, which we will be publishing in the annual report.

**Agastya Dave:** Sir, you briefly mentioned about the pipeline looking strong. Can you elaborate a bit more what kind of visibility do you have now in the previous quarter and the quarter before that? You were saying 8 months visibility. Has that number increased? And in terms of competition, the larger companies that I have met recently all of them are now fairly confident on their digital transformation, but I know it's a classification issue. Sometimes they classify something which is not digital. But a lot of them are saying that now they are competing properly with even smaller firms and more specialized forms. So, are we seeing increased competition. Second part of this question I that, the great disputes that we are seeing, in the general slowdown in the economy in India as well as outside India, are we seeing any problems on the demand side and how things are panning that side?

**Niranjan Chintam:** Let me first talk about the order book and the visibility. We have about 9 months' visibility now. But what we are seeing is these are much firmer than what we saw earlier. We are seeing in a good indicator of numbers whereas this time we seeing in our contract signed and in order to be delivered. Europe, like I was saying earlier Agastya, it is growing. So, coming to the trade dispute side of it that not reflected we don't see that visibility now. Next year is probably when we will start noticing it. But as of today, we don't say anything. The demand has grown for us both in the US and the Europe. I think you are aware of the Trump H1 issues; it's causing lot of outsourcing to India now. We are unable to find people in the US. Whatever people are available there is margin squeeze there, because the salaries have gone up with the limited talent pool. So that part of the thing we are seeing, so that is the reason why Karanjit has been hiring lot more people in India now. And we are also now a European presence with Poland and TIVIX acquisition that we made, we have about 45 people there in Poland and that is helping out Karanjit when it comes to some of these near shoring issues that we faced earlier when it comes to European customers. So that is also solved now. So, we should not be losing any contract because of that European requirement. Coming to the competition, let Karanjit talk about it because he faces that in and out. I will let Karanjit answer that question. Karanjit can you answer that question on I guess the big boy is not talking about the digital transformation and they are competing with smaller ones like us. Can you please talk about that?

**Karanjit Singh:** Yeah! So, Agastya, to answer your question simple if you want a black and white answer, I don't see we are not seeing any of those things. I know that you have said that to us even in the last call. But as Niranjan said, we have acquired a lot of customers in Europe and Europe is pretty slow to start with but ones they tracked we have been actually having accounts that have

grown fairly fast and very significantly. In India as well right now, in fact all the companies are really out there and everybody has got a budget and achieved digital officer, some form of a digital route map made or being in the process and in fact we have been able to acquire a lot of accounts over the last 2 quarters and we don't see that. And if I am to go the other round as well, right now talent as Niranjan was saying is a challenge because you know we have a pool of people and we are also on the radar of the biggies and right now you know seemingly other people competitors have been hiring from our pool as well, which mean they are either creating benches or they are also seeing business on the digital side. So, we don't see that in the market. In the US pretty much, we have been laying a lot to focus on the digital side and we are actually in the process of closing 2 other big ones. For us really the funds have really gone up. And the other interesting thing that we have also seen especially in India is what I am calling the second wave whatever happens if somebody had made a mobile application and that is not achieving the results it should, we have a lot of people who come back to us saying we did something and this shit has not gone well and can you guys take it over and fix it for us? I will not name them but we have had a healthcare provider, we have had a financial company, we have had an ecommerce platform, all of them have come to us with these kinds of engagements. Whoever said, our internal teams with some vendors have done this, but we are really not seeing the kind of results that will take over this. So at least from the ground we are not seeing any slowdown.

**Agastya Dave:** I have couple of more questions. I will go back in the que.

**Moderator:** Thank you. The next question is from the line of Raja Choudhary, an individual investor. Please go ahead.

**Raja Choudhary:** Good afternoon sir. Thank you for the opportunity. Sir, I have a few questions to ask. What has been the attrition rate in the company as on 31<sup>st</sup> March, 2019?

**Niranjan Chintam:** Sir, I think we are about in the line of what the industry is about 11% to 12% is what it is. Typically, what happens is, I come and waives also for us. We hire these freshers from college and when their contract is up we lose a little bit of batch kind of stuff. But typically, on average it has been about 11% to 13% when it comes to attrition.

**Raja Choudhary:** And sir, what could be the expected increase in the employee cost after this RERA restrictions which will impact from FY20.

**Niranjan Chintam:** That is, it all depends right! Right now, you know, we are seeing some margin relief. I don't have a number. I think there are some analysts who have studied this and said that it is probably going to be about .83 percent, is what they said. This is what they said is going to be the margin squeeze. I think that is where we would be falling also in that range. Also 1% squeeze may be there. But you know like you said, its one good thing that's happening because

of I guess the unemployment number being so low in the US, the outsourcing is happening. We get more margins in India vs in the US.

**Raja Choudhary:** And sir also what is the current update on the pledge share, any plans to release that in the future?

**Niranjan Chintam:** See today the debt equity ratio is about .37% compared to last year where it was about .44%. So yes, the absolute number has gone up but we are growing as well as we are increasing our employee base, so we need money. So far like every quarter, we have not raised any money from the markets to date. It has been either through debt or promoter funding. And promoters don't have unlimited funds. So the other way for us to grow is to take that on and we have been growing with a combination of promoter and debt. So, I think probably your relative question would be 1) Cash rich company. Probably another 2 years down the line we would be cash rich. Today all are.

**Raja Choudhary:** At that point in time there would be some dividends and buybacks also?

**Niranjan Chintam:** That's right. At that point in time we might be able to do it. I think we have been seeing 2021-22 is where we would be happy to look at dividend.

**Raja Choudhary:** Also could you please elaborate on this HR management solution size and how it will help the company to raise revenues, improve deal win?

**Niranjan Chintam:** I will let Karanjit answer that question. Karanjit, do you want to take that?

**Karanjit Singh:** Yes sure. Basically, it's like, we have built, essentially using building IP within the company. So this was a reusable problem that you have seen at multiple places and especially when we are going to enterprise the accounts, so typically what happens is while our entry strategy is digital, sooner or later will come back with all the other pieces that come and this was a problem that we were hearing pretty frequently. So we thought, let us kind of build a one off solution, and build it into an IP based solution and that is exactly what we have done. So, this is a typical HR solution which basically takes care of the whole end-to-end employee lifecycle. From onboarding or even pre-boarding activities, it covers all of those but it also is made with a special emphasis on a particular customer base. You know where they have sort of for a particular size and they are like the mid-market and kind of addresses global operations for these. So that's the gap in the market where you will have very big solutions but they are very complicated for these customers, so they want something that they can get their hands and head around. So, this is built with that focus and that takes care of international operations, different ways of working in different geographies and business units. So, this is kind of broadly what this solution is about.

**Raja Choudhary:** and sir, what will be the revenue contribution through organic and inorganic roots so can you basically split the growth between organic and inorganic.

**Niranjan Chintam:** Organically, we have been growing around in a high thing. I think that is something that is going to be continues on. In-organic is more of, you know, where we see a fit and need is where we buy a company. Without inorganic growth strategy is where we buy it for a customer base or we buy it for capability. Those are the 2 strategies that we follow. Customer base is something that we want to penetrate let's say particular geo or a particular industry vertical by a company that gives us that present. Whereas when it comes to capability it's obvious. Let's just say for instance AI is taking off if we feel that we are either not strong enough or well-rounded in AI we would go by a company that gives us a capability immediately so that we don't wait for a year to learn that skill set. Those are the 2 reasons why we do inorganic.

**Raja Choudhary:** And sir are we eyeing any further sale of any of our subsidiaries in the next year or two or is there anything on the radar?

**Niranjan Chintam:** See, that is something that we look at every year. Every year we look at what is the low margin business that we would like to keep or not keep. This is the strategic decision that we make probably towards the end of the fiscal year and then decide there is, if there is a low margin business, I think you understand a customer acquisition for us is very expensive, whereas even servicing the customer for a low margin business or a high margin business, the amount of time and effort is the same. So we look at it and then strategically we make a decision either to keep a certain, I wouldn't call it subsidiary, typically what happens is we package multiple low margin customers from different business units as well as different entities that we purchase and then package into one of the subsidiaries and then sell off the subsidiary. It's not that we are looking at and saying that we are going to sell off this subsidiary. We package all these low margins and then sell out. So those are the strategic decisions that we make, but sometimes we do keep a low margin business because we see lot of potential in the customer and we want to keep that customer and that is let's say our way into the customer. So, these are all different thought processes that go on before we are going to decide that we are going to get rid of a certain low margin business.

**Raja Choudhary:** A small bookkeeping question. What will be the breakup of this other income in FY19?

**Niranjan Chintam:** One second, let me just look at that. It is the pawn exchange gain and interest income.

**Raja Choudhary:** Thank you sir, I will get back in the que for more questions.

**Moderator:** Thank you. The next question is from the line of Swetha Sharma an individual investor. Please go ahead.



**Swetha Sharma:** Hello. Hi sir. I just wanted to know that, can you elaborate on this Optima IOT platform which was deployed for these oil and gas industry?

**Niranjan Chintam:** Sure. Karanjit, can you take that?

**Karanjit Singh:** Yes. We have spoken about the Optima platform. I think in the last call as well so basically if you look at it, IOT is something that has really now come on strongly and is really to deliver lot of virtue/ business value.

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So, if you look at any typical oil and energy platform, typically oils wells are in remote locations, somewhere in sea or desert or Siberia or somewhere. And this could be like 5000 wells or 2000 wells in remote locations. And these are very costly equipment and obviously productivity, 1 percent improvement in productivity really matters to them. But if you look at it these are highly automated in the old ways of the startup systems. They have a lot of old age automation on them but what happens is, somebody goes thereonce in 15 days or a month and then he goes and manually notes down the reading and he comes back and does some corrections. So, this is the problem for IOT kind of solution. So, our solution is a mix of physical devise as well as the complete platform behind it. So, what we have basically done is, you collect all these instruments that are sitting on remote oil wells in oil fields using our edge devise and then the edge device by itself has some intelligence. Basically, we are able to transmit that data back to a cloud-based solution. Which is what the overall Optima is and then you can do deep analytics. But even if you don't do that you can do some simple things like, I mean it's a no brainer, let's say the vibration the ring reported is higher than the limit, the first thing you want to do is, shut it down. That's what we do in our house or our car. When it starts making a weird sound, we shut it down. But that can prevent costly repair of a 100K to 200K. So those are the kind of interventions that they are going to do. But what our platform does is really it actually is able to do complete end-to-end contract reinforcement. So typically, oil wells are owned by somebody else like ONGC but they are operated by a subcontractor. But we have a complete business layer built on top which can really do it the end-to-end contract enforcement from them. Then we have an analytics module. Now we have gone to lot of customers everywhere from Indonesia to all the way to South America, Peru and Ecuador and everywhere. Everybody is excited about the solution and we have actually done POC at Peru and we are in the middle of basically signing up some decent large sized deals with certain customers.

**Swetha Sharma:** Then what are the in-house capabilities and what is the revenue which we are expecting going forward from that?

**Niranjan Chintam:** So we are looking at probably, you know, this is, once its fully logged it's going to be multi-million, so it's going to be 10s of millions is what we are expecting revenues from this. But like you know, this is like large enterprises especially the old ways of doing, customers take a lot of time before they get new solutions into play. Once it comes in, the size of the ticket is going to be huge. It's multi-million dollar. So, the expected revenue probably we would say about 10s of

millions. I don't want to predict what it's going to be in future. About this time, we are expecting about 10s of millions.

**Moderator:** Thank you. The next question is from the line of Agastya Deva from CAO Capital, please go ahead.

**Agastya Deva:** This IP related solution that you are talking about, Optima, this is the same that you gave demo of right, during the AGM?

**Niranjan Chintam:** Karanjit.

**Karanjit Singh:** Yes, yes.

**Agastya Deva:** This is the oil and gas thing you were showing right?

**Niranjan Chintam:** You saw the hardware.

**Agastya Deva:** This is also one of the IP related things that you are talking about that you do a lot of things which you are trying to monetize right? These are the kind of solutions that you had in mind, right!

**Niranjan Chintam:** Yes. The idea is, wherever we are finding these repeatable problems, as IT services company we would have built it for our customer and given the IP away to him. In this case we are saying, "Hey, let us make some investments and productize them and basically sell them in a sort of."

**Agastya Deva:** So, are there any other such solutions which are close to getting productized.

**NiranjanChintam:** At this time yes, there are couple of solutions that our technology team is working on. I don't have clear road maps on but yeah some of them will come around. We are right now doing some stuff around blockchain and somethings like that. So yeah as they come on board and we get honor to good compete that business that's when we will sort of, will roll them out as complete products. So yes, the road map is there but I don't have the exact numbers.

**Agastya Deva:** Sure, I understand. Couple of more questions, you said you are adding a number of people. So, what kind of employee strength do you have now and what can we expect in a years' time?

**NiranjanChintam:** So probably we would be increasing that count by again minus all these people that we I guess you know sold off, we were increasing you know another 200 people is what we are expecting for over the next year. We are close to 1500, so it will go up a little it.

**Agastya Deva:** So, 1500 today plus 200?

**Niranjan Chintam:** Yes correct. Today.

**Agastya Deva:** Do you have the number for last year, which is comparable. Because this may have the number for last year but it could include the 2 organizations that we have sold.

**Niranjan Chintam:** That is correct. So, after subtracting that is what I am saying is what we have today and that would go up by about 200.

**Agastya Deva:** And sir, last question for the day, any other businesses that we are looking to sell or are we done with the sales?

**Niranjan Chintam:** It's not that we decide to sell. It is like a strategic view we take by the end of the fiscal year. That's when we get to know what the customer challenges are when we do a review during the December time frame. We get an idea of you know how much it costs to get a customer in a low margin business and based on that we make a decision in a calendar year and then we pack it and then we sell out. So, I don't have anything such that today I will tell you that I will not do it or I will do it. But we make those decisions towards the end of December.

So, we are not going to lose customers but, in some cases, we might lose customers. In most cases it is like the low margin business is what we are giving away. This is like you know we call this typical than really the customers. Yes, there will be some customers because of that we will lose. They do nothing but that for instance. But that is by choice.

**Moderator:** Thank you. The next question is from the line of GovindSabu from Indianizes BMS. Please go ahead.

**GovindSabu:** So couple of questions sir, first is that out of the 9 marqueeclients, who we have added in the past quarter, are there any Indian clients also, A=and how many of them? Secondly, question is that we have seen the exchange announcements and fillings that grandeur equity fund has been selling its stake in the company so any specific reason for the same?

**Niranjan Chintam:** They had a certain time frame that they had to get out and this is I guess that came to the end to close out that fund.

**Govind Sabu:** When did they invest sir?

**Niranjan Chintam:** I would say about 4 years back.

**Govind Sabu:** Ok, and customer breakup please!

**Niranjan Chintam:** We have about 4 Indian customers out of the 9.

**Govind Sabu:** Okay. Which space?

**Niranjan Chintam:** These are basically in the healthcare and financial and consumer durables and basically the new age ecommerce platforms.

**Govind Sabu:** Okay got it. One book keeping question, can you quantify the debt for us, because actually debt gets classified in 2 to 3 places?

**Niranjan Chintam:** Sure. We are around 123 crores on debt.

**Govind Sabu:** And what was the figure last year?

**Niranjan Chintam:** 113 crores

**GovindSabu:** Other financial liabilities have drastically reduced from 61 crores to 22 crores. Why is the change in this accounting practice?

**Niranjan Chintam:** That because we paid out. 39 crores are what we paid out in earn out. Those are other contingent liabilities that we put ahead I guess bucket the under.

**Govind Sabu:** So it's basically dividend.

**Niranjan Chintam:** It is not dividend. It is earning out. When we acquire a company, we usually pay anywhere between 40% to 60% upfront. The balance gets paid over a period of 3 years. Those are what we call earn out payments.

**GovindSabu:** Got it, so it is a consideration against acquisition.

**Moderator:** Thank you. The next question is from the line of Pooja Gupta and individual investor. Please go ahead. As there are no further questions from the participants, I now hand the conference over to Mr. Niranjan Chintam for his closing comments. Over to you sir.

**Niranjan Chintam:** Thank you ladies and gentlemen for getting on the call. Look forward to see you in the next conference all and or if your travels take you to Hyderabad or Gurgaon, please look us up, we would be happy to host you in our offices. We could show and tell what we do. You will get a chance to interact with us and our employees who are the ones who are giving us this growth and delivering. We will be happy to host you. We will take you around and show some of the things we do and make interactions with our employees to get an understanding directly from them what we do. So that it is not a vapor wear. It becomes real for all of you. Thank you again. And look forward to see you in our offices or the next call that we are going to have.

**Moderator:** Thank you very much sir. Ladies and gentlemen on behalf of Kellton Technologies Solutions Limited that concludes this conference for today. Thank you for using Chorus Call Conferencing Services. You may now disconnect your lines.