

**KelltonTechSolutionsLimited**  
**Q4 FY20 Earnings Conference Call**  
**13July 2020**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Kellton Tech Solutions Limited's Q4 FY20 Earnings Conference call.

As a reminder, all participants' 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.

I would like to thank you all for participating in the company's earnings call for the fourth 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 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 the management's belief as well as assumption made from the information currently available to the management. Audiences are cautioned not to place any undue reliance on those forward-looking statements while making any investment decision. The purpose for today's earnings call is purely to educate and bring awareness about the company's fundamental business and the financial quarter under review.

Now I would like to introduce the management participating with us in today's earnings call. We have with us Mr. Niranjana Chintam - Chairman & Whole-Time Director and Mr. Karanjit Singh - Chief Executive Officer-India. I request Mr. Niranjana Chintam to give his opening remarks. Thank you and over to you, sir!

**Niranjana Chintam:** Thank you, Steven. Thank you everyone for joining our Q4 and financial year '20 financial highlights call. I know all of you are curious to ask questions about how our business is tackling the challenges that COVID-19 brought along. I will answer them once I finish with the numbers. So, let me start with the numbers for FY20. We have achieved a revenue of about Rs. 775 crores with an EBITDA of Rs. 116 crores and a net profit of Rs. 70 crores.

As a caveat, I would like all of you to know that our numbers for 2020 versus 2019 are not comparable because we sold the subsidiary **Supremesoft Global** last year that was contributing about \$12 million of the revenue. That is the reason why you would probably see a dip in the numbers. If you remove that \$12 million, we have experienced an increase of about Rs. 40 Crores in real terms as compared to that of last year.

Now coming to the quarter, we were about Rs. 208 crores in revenue, which is a slight increase over the last quarter with an EBITDA of Rs. 25 crores and a net profit of about Rs. 14 crores. Integration Partner Award from Software AG. We made a progress with our partnerships as we added Dell Boomi to our ecosystem of work. Last year, we won the project from the Food Corporation of India (FCI) worth Rs. 39 crores.

Now this quarter, we have added 12 new customers, which is not a small achievement. These customers belong to various kinds of industries and not concentrated on any one. Now coming to COVID, I want to first talk about our employees and then I will talk about customers and other related aspects. To begin with, all our employees are 100% working from home. All our offices are closed. Staff that's responsible for the maintenance of system for connectivity and business uptime is going to office periodically. Apart from them, our entire workforce is working from home. We identified the global impact of COVID very early, so we were able to bring back our employees that were dispersed all over the world just in the nick of time. Except for three employees, we got everybody back in time before the shutdown took place in India. The exercise was conducted on a short notice, but we were fortunate enough to realize that this is going to be a global pandemic with massive socio-economic implications. So, that is a quick highlight of our COVID response. The impact of COVID was tangible throughout the last quarter and potentially will remain the same for this quarter too. Just like everybody else in this industry, we are also facing a strong disruptive force. In the first two months of last quarter, people were trying to figure out what was going on within different industries and they were trying to figure out what exactly they need to do. As we sailed in the same boat, we faced a lot of challenges during these two quarters. However we quickly started to notice that this is here to stay for a while, defining a new normal and the only rule to business continuity is to bend our processes a bit and...hit the stride in terms of working together.

We built our pipeline before March and soon, there was a pause for about two-and-a-half months. Now, the pipeline has opened up and we are able to close new wins last quarter. Again we have not compiled all the numbers for the last quarter yet, but we will be compiling that very soon. Now that we are closed out the Q4 of last year, we are working on Q1 of this year, so any questions related to that, I will have to defer, but I can talk in generic terms as we go on with the Q&A part. So with that I want to open the floor for questions, so Steven.

**Moderator:** Thank you very much. We will now begin the question-and-answer session.

The first question is from the line of Agastya Dave from CAO Capital. Please go ahead.

**Agastya Dave:** Sir, I have just one question this time. The disruption, which has happened so logically it, should help all the companies who are in the business of digital transformation. Yet, as you

briefly touched upon the sales part that the pipeline, which was, you must be working on a sales pipeline and that must have got severely disrupted plus travelling is pretty much gone out of pathway.

There is no way anyone can be expected to travel and close the deals, so for Kellton and for the industry, how will we tackle that? How will you close deals, just the sales part, the implementation can be done from home, but can you actually do closing the sales deals? So that is my first question. Second is just a request sir, if you can again this is I have asked this more a number of times, if you can do the results towards the starting of the quarter rather than towards the end because we are always the last company to come out with the results, it is not that good.

We then lack the visibility. Earlier we were amongst the first always to report and again we are lagging behind, so that is a request. I know that times are tough, but if you could take that into consideration going forward and then the question about sales. That is it.

**Niranjan Chintam:**

Sure, let me first answer the question about the results. Unfortunately, this time yes we were late because I guess the adaptability of some of our auditors that were auditing the numbers. We have the multi-country audit, and this was the closing lap of the financial year which is why every number had to be audited. It took quite a while, there was a hold-up midway, and as soon as we were done tackling it, we announced one date. But soon, one particular Geo was unable to finish the audit and hence the consolidation was delayed. .

So, unfortunately we had to request for additional time to compile the numbers. The pandemic further created bottlenecks on account of its nature. This quarter, the delays may still exist, but going forward, if everything turns to getting normal, we would be happy to announce it sooner rather than later.

**Agastya Dave:**

Q1 is understandable sir. If there are any delays Q1 will be understandable because the situation is pretty bad in Hyderabad and Delhi both the places due to pandemic, so I can understand and globally. That is understandable, but probably Q2 onwards if we can be slightly definitely not on the last day because we are consistently on the last day that is not that great. We get lost in there on an average 600-700 results on the last day and we are one of those 600 companies, so our results are never visible, so that is it sir. We can proceed to the question.

**Niranjan Chintam:**

Okay, now coming to the sales part, I will let Karanjit answer because he faces this day in and day out more so than I do. So Karanjit, can you take that question on how are we closing sales remotely?

**Karanjit Singh:**

Yes, you are right. So, I think the way it happened and the way it has stood out, everybody got busy with the whole logistics exercise of moving people to work from home and there

was a period of uncertainty. Luckily for us, the popular joke that says – who accelerated the digital transformation? The answer is COVID-19 – has been true. After about 45 to 60 days, when people figured out this new normal and the fact that we will have to live with it, we have seen a change where customers previously even anywhere in the US or even UK pretty much things were shut down, where I would say from the last about three-four weeks now, conversations have started. In fact, in places such as the UK, where people prefer more in-person meetings, we noticed that customers were letting go of their reservations to be more responsive on LinkedIn and were looking for vendors that can help them define the right digital channels to continue doing business. So, in a way, we were not trying to sell. Pushed by necessity, customers are looking for partners who can support their shift to digital, albeit virtually, in a way that's fit for their specific business environments.

Now, I will try to tell you factually and give you a cursory picture of our pipeline. Our pipeline was about 30%-40% full when it went into a deep freeze. But, there was an uptick and the pipeline grew to 50%-60%. Again, there were variations by region. India remained quite active all through that time. People were having conversations. We had a couple of webinars, which were not directed at sales but organized to lead our customers through this crisis with the right kind of information. We experienced a significant turnaround, primarily because people were sitting at home and wanted to know the proper methods to outmaneuver this climate of uncertainty. So, those kinds of conversations did happen. The 50%-60% of the pipeline was only conversations, and though there were no closures, the conversations were at least happening, providing enormous optimism for the future. All things considered, the new pipeline, after days of stagnancy, is maturing, the results have picked pace, and we are anticipating a sale spell. Having said that, we agree that in-person meetings go a long way in building trust and comfort. But, when our two key operational hubs – Delhi and Bombay – have come to a standstill in the wake of COVID-19, so they are ready to come on to the virtual channels to engage and wherever possible like in India they are not travelling because Bombay and Delhi where we operate pretty much has got impacted. So that is kind of a general lay of the line and we all have to learn to sort of do it in the new way now.

**Agastya Dave:**

Sir, would it be reasonable to conclude that we should be back to completely normal status in like six months in terms of the sales pipeline?

**Niranjan Chintam:**

Let me answer that and then Karanjit can add if I have left any gaps there. Agastya, right now, it is very uncertain. There are, as we can see in India, lockdowns happening in places where community transmission has flared up. We are seeing a similar kind of instance in the US too; however, unlike in India, there are no lockdowns happening, but people are turning to be a little bit more conservative. I think, I do not want to comment about what industry analysts

are talking, about the Gartners of the world, they are saying that there is a freeze on spend also.

People are waiting and watching till December to see what is going to happen. So come the new elections in the US, the company will start opening up versus it is a little bit of right now a speculation. I do not want to be in that game, but if everything goes the way we expected, yes we should be back., Some people are saying this is a year lost., A lot of people are saying that. Are we going to be in the same boat, probably not because as Karanjit said earlier digital transformation, who is leading whom, are we pushing it or are we pulling it?

So, we are getting pulled. Earlier we used to push and now we are getting pulled too, so there is going to be a loss in revenue for sure this year, how much of it, I do not want to predict today, but I think some of it as Karanjit was saying should be recovered in the first quarter if everything goes the way as expected. We should be able to recover some of that lost revenues. I know it is a little bit vague answer, but this is the best we can do now.

**Agastya Dave:**

I understand. I just wanted to because we are the last IT company to actually report, I was just wondering if you have a slightly different answer because so much additional time has passed, so maybe there is some a much clearer recovery, which may be you are seeing. But I perfectly understand the vague answer sir. It is understandable. I have couple of more questions sir, I will go back in the queue.

**Moderator:**

Thank you. The next question is from the line of Shubham Gupta, an individual investor. Please go ahead.

**Shubham Gupta:**

So, sir I would like to ask question partly it was answered in the previous question, the part is left, which I wanted to know. Are there any new industry verticals or the new technologies, which we are getting deals of like any demand for them? Are we anticipating any increase in the new demands for the new technology and new verticals?

**Niranjan Chintam:**

Sure, so let me answer that, Shubham. then you can ask the following questions if you have any. Yes, specifically with respect to the pharma and healthcare sectors, there was a surge in demand that we have started receiving, which is why I said that we will be able to recover some of the lost revenues in my response to the question raised by Agastya. We see a lot of demand coming from pharma and healthcare, and we are able to close some of the deals last quarter despite whatever has happened with the lockdown. We also see a huge impact on the travel and hospitality sector. We do have some customers in that area, there has been a period of inactivity for sure, so that is something that is always going to be there. As a counter weight would we be able to recover all of the revenue that we lost out in travel and hospitality and in pharma, again the jury is still out there., We cannot say anything, but as of today I can assure you that some of the lost revenue can be recovered if things go the way they are today.

Now coming to the new technologies, there are certain specific software, those related to SAP, which are good. Security is another aspect. Even for our own needs, we are going and finding security products because 100% work from home is happening. How do you secure the BYOD, bring your own device kind of a thing. So, those are areas where technology advancements are happening as regular as clockwork..

Technology companies are doing very well in this space because of the new work from home culture. So there are certain technologies that are doing very well. Shubham, any other question you have there?

**Shubham Gupta:**

Thanks for the answer. It was like I needed a brief of it and there is one more question, is the company looking for cutting cost like cost optimization looking at the current scenario, more from a perspective of a talent management in the current situation and how is the talent management team geared up to meet the challenges of hiring new talent for the new wins as you described in the previous one?

**Niranjan Chintam:**

Let me answer that little bit and I will ask Karanjit to add to that. So, the answer to your question is absolutely yes. There is going to be some cost benefit analysis that we are doing. We are trying to reduce our footprint when it comes to the office space all over the world. We, being me and my brother, Krishna have taken a complete pay cut. We have not taken any pay for the last quarter.

The board has taken a 50% cut in salary. The senior leadership has volunteered to go up to 25% pay cut, given everybody's individual thing they volunteered themselves. As far as the regular employees are concerned, we have not implemented any pay cuts, so everybody is drawing 100% salary. Though we are not using the lower staff people, we are still paying them 100%. Given the nature of the situation, right it is not their fault, so we will have to take care of them too.

Now coming to talent acquisition, I will let Karanjit answer because we are hiring people and we are doing that successfully. So I will let Karanjit answer. Karanjit, can you answer that?

**Karanjit Singh:**

Yes, we have actually had some closure, as I said, it was a little bit of an uncertain situation initially for the first two months, or maybe at least four to six weeks, when really there was some impact. We were not sure whether some projects startups got deferred or not and whatever those kind of things are. So, we had some corrections that were done, but after that basically it has been pretty much business as usual and we have been actually hiring and on boarding people. In fact, we have been hiring and on boarding people all through this time and right now, we are hiring people on several specific roles because we notched some projects at this point.

And of course, hiring has been a lot easier right now, except for the challenges of virtual hiring..But otherwise, from the talent perspective and all that, obviously we have been able to onboard people at much shorter durations, talent is available. Previously, before the lockdown, the number of people who would not join was very high.All that has now actually got a little sorted.

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

**Vibodh Sharma:** I have couple of questions for you guys.First one on something.First one is like, seeing on the company's revenue, it is concentrated on the US side basically.So how about the growth in other geos like India, APAC and Europe?Also, like US growth have been impacted by the recent events of unemployment and COVID-19 pandemic.So, what are your views on that and how about the growth of revenue in other geos?

**Niranjan Chintam:** So,APAC and Europe are the areas of focus for us.Europe has always been a focus for us.APAC, I think, we have some decent wins in this quarter from APAC, which we would probably reveal once we get the Q1 results out.Coming to the US, it has taken a big hit when it comes to the last quarter.There were a number of customers that have either frozen the existing contracts or have demanded some discounts and we, just like everybody else, had to do the same.

So, what would be the future for US when it comes to unemployment-?See, what has happened is unemployment is mostly in the blue collar space and not really in the white collar one.Yes, there was an impact on the IT employees too, but not to an extent to what the rest of the other industries like retail, travel, hospitality have faced. Those kinds of spaces..are experiencing hard times.

Yes, talent pool is much more open or available as Karanjit was saying.So, we anticipate that if we had additional new wins in the US, we would have a few of them from the US too in the last quarter. However, mind you, I am not saying we have not won anything.So, I guess right now we are ramping up the staffing there for that particular win.It is a huge win.We will make that announcement shortly.

So there are a lot of opportunities in this space when it comes to acquiring talent, acquiring new customers and our people are focused on those particular things. Just like we talked earlier, it has now become a pull versus a push. So we would be able to close quite a few customers this year. I am talking about calendar year as well as the first quarter of next calendar year too, which is our financial year. So I believe that yes, the pipeline is building up and I think we will be in a better shape than where we were about four to six weeks ago.

**Vibodh Sharma:** My next question is, it was something related to your commentary. You said in your commentary that your 100% workforce is operating from home. Having said that, are we facing any sort of challenges in terms of productivity, operations, or you can say supply side or delivery side? So, any of this comes with a certain set of challenges and what are our plans in the coming future in terms of having a remote workforce? How the company is prepared for that?

**Niranjan Chintam:** Okay. So, Karanjit, can you take that? It is right in your territory.

**Karanjit Singh:** Yes, sure. So, if I were to comment, you are right. We have never done work from home at this extensive level and while in the US and even in Europe, people do work from home, it is a part of the culture, lot more flexible, in India, it has always been work from a physical location. Obviously there are these cultural nuances and managers looking over the kids and all that, right? It is a little different. Luckily, we started somewhere around two weeks before the lockdown.

We kind of anticipated the nature of the situation, and started doing some POCs. So we put together a task force and our task force actually did a good job. We were already testing out. So we actually took the top whatever 10 projects where we knew that the managers handle these things well and the productivities. We have moved them in the first phase, first 50, and, then the next day another 50 and we did it in phases.

It turned out well to the point that by the time the lockdown was announced, further one Sunday, on that Friday we were literally 95% of the people working from home, including we had run people with their desktops and all that. We had very few people on desktops, but we had given out all that as well. So, luckily we did not take a hit because, we were doing all this preparations for about two weeks prior to the actual lockdown that happened in anticipation.

Having said that, our biggest concern, not only personally but also from a managerial perspective for me, the account team, and the customer-facing teams was that, hey our customers are used to certain level of productivity and if things do not go well, what will happen? If I get impacted as an Account Manager, my customer will get impacted.

So we actually came up with a proper, not only about just giving a hardware and saying go back and work from home, there were elaborate processes that were put in place where people were told there had to be virtual desktops, VPNs were triggered, everybody should do a good morning 10:00 O' clock start up, and this and that. So, all those protocols were laid out. The time tracking and the time sheets had to be done in a lot more detail.

There were open documents that were accessible to customers where we were logging what is happening during the week to allay the concern so the customer does not come back after two months saying I am not sure what happened in the week minus 8 or something. So, all



those protocols were put in place and credit to our teams, all that went very well to the extent that we had almost like, I would say about 60 Go-Lives during the first two-and-a-half months of lockdown.

We did 55 releases, some of the major ones, and customers have acknowledged it and even our managers had come back and said that people are working much longer than ever because there is no choice. You could go out of the house and the police will beat you up in India, right? So that helped the cause a little bit. In terms of challenges, we faced instances where the employees faced frequent power cuts their laptops suddenly conked off.

Initially it was really a challenge around the first lockdown. The first two months was a challenge because you could not really ship out. Amazon was not supplying anything. We could not send out anything. By far, people who are within NCR, except Noida which was very badly locked down, and there also we were able to move some things. NCR - we were able to supply, but otherwise it was a challenge for people who were really in some distant location or a place like Noida which was struggling badly due to coronavirus, We had to come up with innovations like, we told them please use your home, neighbor's computer or home computer and we gave them virtual servers on Amazon and all that. We had to do that. So those were the challenges that we faced. Of course there was an odd case, two or three odd cases where people had gone over that weekend to their house, leaving their laptop in the office, thinking they will be back on Monday, and then they were stuck in Kanpur or wherever, and poor guys could not work but then same thing, we had to innovate. Those exceptions were there. We could not shift the computers, so they had to work from personal machines, logging into a virtual server and all that. So those are the challenges that were really there for the first two months. In terms of productivity and all, I was prepared for the worst. But, things have really panned out well and in fact people have been complaining more about overwork than the other way around, so much so that when we are doing virtual engagement activities, people are just not coming. It was the point in time when we got to realize that people are so overstretched that they are choosing to skip virtual engagement activities. But I think now people have started adjusting to the new normal. So there are two categories of people. There are people who are with their families and then, there are those who have gone back to their families, they are happy and they want to . to continue work from home because they are in their home towns with their family. And then there are those bachelors, poor guys who stay in these PGs and all. These were the ones who faced a lot of with the owners These guys were indeed in trouble; however as soon as the Unlock One kicked in, they wasted no time in moving back to their hometowns. .Everybody has gone to comfortable surroundings and most people, as we hear their sentiments, want to come back to office, but that is more like I should come at my option, but the work from home should continue. That is the general sentiment that is going on with people.

**Moderator:** Thank you. The next question is from the line of Keshav Garg from Counter Cyclical Investments. Please go ahead.

**Keshav Garg:** Our market capitalization is around Rs. 150 crores and we are doing Rs. 70 crores profit, so basically our company is trading at a valuation of two times our profit. So that is primarily because company is not paying any dividend, there has been no buy backs. So the market thinks that if a company is making money and cannot distribute even 10% of profits, and sir you know very well that IT companies are major distributors of dividend and buy back, so that is the primary concern of the shareholders?

**Niranjan Chintam:** So Keshav, I appreciate your question there, but I think we announced this multiple times. Until 2021, I will not be able to give a dividend, the reason being we are in our growth phase of our company. We have not raised a single rupee from the market. All of the money that has gone in either is through internal accrual or through promoter funding. So we do not have any external money that we have raised.

We are growing as an organization. We need the cash to help support the growth of the company and also we do have some obligations of paying off earn outs, paying off our debt, which has taken more priority over giving dividends. By 2021, we would be in a better shape, so we would consider looking at dividends then. Until then, our plan is to conserve cash within the company for the growth as well as to pay off our obligations. Now that the COVID has thrown a curve ball, we have to see what that means to these 2021 plans and we have not done that analysis because the last quarter has been nothing but trying to make sure that we have enough cash to sustain the business and make sure that we are running, and meeting all of our obligations and gladly, we have successfully done that.

We should get some breathing room probably within the next one month and after we make the announcement of the last quarter's results, we will take a look at where we are on our targets 2021 or determine whether we need to push that for dividend for some more time or not. But, at this time, we are not in a position to give out dividends because you know the cash needs outweigh other priorities. And mind you, probably 60% plus of the dividend is going to come to me. So, it does not make sense to pay myself.

**Keshav Garg:** Sir, also other financial asset is Rs. 115 crores and other current asset is Rs. 70 crores. So around Rs. 185 crores of other current assets so what exactly is the nature of these other current assets?

**Niranjan Chintam:** We will answer that question, Keshav. I will get the numbers, pull up, and give you that answer, because right now we are all working remotely..So we will get the answers for that shortly. If you have any other question, go ahead and I will answer that once I get the numbers in front of me.

**Keshav Garg:** Sure sir. And even adding around Rs. 40 crores to our revenue due to the subsidiary that you sold off, so even adjusting for that, if we see, for the past three years our topline and EBITDA is flat, whereas before that we had blistering growth phase. Basically when will we break out of this range that we have been stuck in the past three years?

**Niranjan Chintam:** So Keshav, in we sold out yet another subsidiary in 2018 also. That is the reason why the last three years are probably looking flat to you., If you look at it purely without the qualitative analysis part of it, yes you are right on that. We, at one time, were on a target to do blistering growth, after that we said, okay hey let us take a pause, let us consolidate what we have and improve our balance sheet.

Our balance sheet at that time was completely different from what it is today. Our ratios were different. Our ratios are much better today compared to then. We had a lot more debts we were carrying. I am talking as a percentage of debt equity ratios. All of that has improved dramatically because one of the things that analysts were pointing out was, yeah, your numbers are good, but your ratios suck, your balance sheet is bad, right? So we are trying to improve those balance sheet numbers. Hence we went with improving the balance sheet versus the growth.

Now that Corona has come in place, how does this weigh, would that give us opportunities to grow? We are re-looking that as a strategy and like I said last quarter was nothing but to make sure that we are able to meet our cash needs and we have successfully done that, so we will have some room to think about this and analyze over the next one quarter, then we will come back, probably come up with a new strategy if required.

**Keshav Garg:** Sir, and also, are your customers asking for discounts?

**Niranjan Chintam:** They did ask for discounts last quarter. There were discounts given and those were for a limited time frame. We limited discounts to the last quarter. And I think everybody has faced this and we are not the only one. Okay, so over to the question that you asked about the assets, right? These were the two subsidiaries that we sold.

There is money owed to us. Just like when we buy companies, we pay out over a period of three years, the same thing is the case when we sold out the companies - the **Bokanyi Consulting** and Supremesoft - so the earn out payments that are due are slightly delayed because of COVID, but they are gradually back on track now and that is the reason why you see that big asset sitting in as a financial. It is nothing but the sale price. We are supposed to get the partial payment, and we are going to get that shortly.

**Keshav Garg:** Sir, but in the future if we are expected around Rs. 185 crores, we have around Rs. 100 crores of debt. So basically company is already net cash positive by a huge margin. So considering that, I mean what I am saying is that, if we are trading at 2 times our profit and the

companies that we are acquiring, clearly we will not be acquiring them at two times of their profit. We have to pay a good premium at maybe ten times of it or even more.

So then does it not make sense for the company to buy back its own share and extinguish those shares, so that whatever future growth comes will get divided on a smaller share base and the earnings per share will increase?

**Niranjan Chintam:** Keshav, you are right., If I was sitting on cash, absolutely, that is the first thing I would be doing, to buy back my shares and potentially at that time look at some other options, right? Because, public options are not looking that great for us. So you are right, but at this time, I am not sitting on cash because I have commitments that I need to meet first.

That is the reason why I said earlier that we need to have a look at the long-term strategy for 2021. That is something we are looking at this quarter and may potentially in the next quarter and see how things may go.

**Keshav Garg:** And sir lastly wanted to understand our receivables we are giving around 3 months of credit to our customers, so by industry standards that look a little bit higher because it is normally between 45 days and 60 days?

**Niranjan Chintam:** So you are right. Now when you say the industry, you are comparing us with the big boys, right?, They have a better negotiation power than we do, Keshav. Just to give you a few names without going into the details of it; we have UPS as a customer. They pay us 90 plus days. We have IBM which pays us 80 plus days. We have Novartis which pays us probably 87 days.

So, all of these when cost in the grand scheme of our numbers, the receivables go up. And then, you add the Indian numbers of government paying us late where if we get paid in probably 120 days, we get lucky. So, those are the things that we continue to have challenges with. As our balance sheet goes up, we will be in a better negotiation power and beat up all the sales guys including our CEO in the US saying that how come others are able to get it and their answer which I feel I agree with is that hey we do not have the negotiation power, we have to go with whatever standard templates they give us if we want to get our foot in the door in those kinds of things.

As we go on and improve our balance sheets we will be in a better negotiation power absolutely.

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

**Nikhil Shankar Dalani:** Sir, my question was in line with the other participant's question as you clarified that current DSO is 90 days which we compare to industry standards is 30 days above. So the question was the sale has come down relative to last year, year-on-year but receivables have gone up. So is there any particular reason behind that or just wanted a clarification on that?

**Niranjan Chintam:** If you are looking purely at the last quarter, there Nikhil, March was a wash. Let us look at year-on-year too, right? The last quarter has affected the whole year-on-year right. I am not talking about the sales-wise, I am just talking about receivables. March was a wash okay. When I say wash, it doesn't mean that nobody was working. and majority of the large companies that I was talking about earlier. I am just picking an example, please do not say things that UPS did this. I am going to pick UPS as an example.

So UPS was supposed to pay us around March 20<sup>th</sup>. Let us just say, okay and they have 90 days. It is usually because that is one of our largest customers so we get paid on the March 20<sup>th</sup>, and March 20<sup>th</sup> is exactly when there was a lockdown and the person who was supposed to pay us did not come to work. So, it got pushed by a month or a month-and-a-half now. So what has caused that is immediately right, my receivables go up and then if you compare the last quarter to this quarter, it is Rs. 20 crores difference when it comes to the receivables going up. And since March being the first month that Covid has impacted, the receivables that we are supposed to get in March got delayed and got pushed to April and in some of the cases, they got pushed even to May.

So, that has happened the whole quarter for us, which is why I was saying that the last quarter has been a challenge to sustain cash flows because every customer that we had paid us 30 to 60 days later, and these are large customers, mind you. The delays happened not because they did not have cash. It was just that they were trying to figure out how to work in this new remote setup. Even governments too, despite whatever they were talking about, all the work we were supposed to do, all the contracts that were supposed to sign, all the payments that were supposed to come, were delayed by 30 to 60 days.

So, that has put severe strain both on our receivables. If you want to go back the number of receivable days going up, well yes, that will be the same for the last quarter too. This is the new normal right. We are going to hopefully get out of that new normal and have a better receivable days going forward, but I have to caution that last quarter is also going to be like this.

**Nikhil Shankar Dalani:** Okay so what I understand is not just the DSO numbers have gone up, but also the value of the amount has gone up because relatively the sales figures have gone down, but the value has gone up for one, not just one but any number of customers that you have in terms of receivables? Okay, the next question is I just wanted to understand as you clarified earlier, that we sold one of our subsidiaries. I believe that was in the last quarter I mean last year last quarter right, that was in March?

So I just wanted to understand I could not see any reflection of proceeds probably I must have missed it from here but have we received it?

**Niranjan Chintam:** Yes, that is in the case of other assets which Keshav was asking about. So that is where the proceeds were. We did receive some. Typically what happens is when we purchase, we only pay partial upfront, and then we pay the balance in the next three years. Same is the case when we sold out too. We only get a partial upfront and the balance comes in three years. So, we did receive some money, not all of it.

**Nikhil Shankar Dalani:** Is it kind of an earn out? Are the earn outs dependent on any sales targets or irrespective of sales targets ?

**Niranjan Chintam:** Typically, what happens there is a guaranteed amount and then it becomes a sliding scale. If the numbers once they are projected out are achieved then they get the amount we have in the share purchase agreement. For instance, we achieve more or less, it becomes a sliding scale. You know we get less or more. Same thing when we buy too, it is a similar model that is followed across the United States.

**Nikhil Shankar Dalani:** Okay, so currently the outstanding that there is in other financial assets, is there a timeline that we will be able to I mean we will receive it or?

**Niranjan Chintam:** It is like when we sold **Bokanyi Consulting** in '18, it was 3 years ago, and so we got the first year payments; sorry, the first one-and-a-half year payment. In case of Supremesoft, we should be getting the first payment. And like I said, because of Covid, everybody is cash tight, and we have been mindful of that. What we have faced now others are also facing.

We should be starting to get that money shortly; probably the next quarter. .

**Nikhil Shankar Dalani:** Okay, next question is as we you said that we have sold two of our subsidiaries consecutively in last two years, but what I can see is goodwill going up, is there any particular reason why goodwill is going up and other intangibles? Yes, goodwill has gone up relatively.

**Niranjan Chintam:** Yes, correct. The reason for that is there is a currency fluctuation. That is one of the major reasons that our goodwill is going up. The second is that we bought Tivix on April 1 of last year, I guess. . So that has added to our goodwill. But like I said, the majority is related to foreign exchange fluctuations.

**Nikhil Shankar Dalani:** Okay, and also other intangible assets is a reflection of change in the valuation of currency?

**Niranjan Chintam:** Let me get that answer to you. If you have any other questions?

**Nikhil Shankar Dalani:** Yes. Sir, looking at the cash flows, what I could see is there is one particular line which I was not able to understand please I apologize for my ignorance but there is change in reserves, I

did not understand why that has been included in financial activities, change in reserves because of that particular entry we have shown a positive cash increase otherwise there would have been a impact on our cash. So what exactly changes in reserves and cash flow statement?

**Niranjan Chintam:** Okay, I will get that answer too while we are there. So to answer your question, there was an IC that we got along with the Tivix purchase. That is why you see that other intangibles were coming into play and that had also increased. So, I will get the answer to the change in reserves very shortly.

**Nikhil Shankar Dalani:** The last question sir about the current promoter's holding and how much is it being pledged?

**Niranjan Chintam:** About 60% is what we are holding.

**Nikhil Shankar Dalani:** So it has come down relatively?

**Niranjan Chintam:** I don't have the exact numbers, so I have to get back to you.

**Nikhil Shankar Dalani:** But have promoters sold in last year, any portion of shares?

**Niranjan Chintam:** I am not aware of. I will share this as soon as I have the numbers.

**Nikhil Shankar Dalani:** And the pledge numbers have gone up because?

**Niranjan Chintam:** Because of the change in price, that is the reason.

**Nikhil Shankar Dalani:** And the current DSO is way higher than 90 days right like 20, 30 days probably I will assume?

**Niranjan Chintam:** One second, let me get the DSO days, I have the numbers here let me pull it up and while we are doing that, any other questions that you may have.

**Nikhil Shankar Dalani:** Sir, just change in reserves and DSO that is it?

**Niranjan Chintam:** DSO days? Yes it did go up. I will tell you exactly, I think it was 80 last year., It went up to 90, a little over 90 is what I think it went up exactly. I have that here and I just need to pull it up. My guys will send it to me shortly and I will send you that.

**Nikhil Shankar Dalani:** Okay and the change in reserves, that is the one thing?

**Niranjan Chintam:** I will answer those two questions once I take the questions from the other people. I will answer these once I get those numbers handy.

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

**Manas Goyal:** Last year we were targeting around 1500, right? So I just wanted to understand where are we currently in terms of number of employees and how many employees you are like targeting to hire this year since like we are like right now the availability of talent has increased so what are the numbers you are looking there?

**Niranjan Chintam:** So Manas, I will answer this in a different way. Yes, we have achieved the 1,500 number, but to answer your question about how many, I do not want to speculate today because of the conditions that we are in. Let us say that the last quarter is the new normal and we are successfully able to close more customers. And yes, we will be hiring. Earlier, we were able to predict, but today, I am not able to predict. There are too many variables which are not in our control.

Earlier, we had some of them in control. Some we did not have any control over. But, now there are many more variables. Let us say we have a vaccine tomorrow, what does that mean, right? Everything goes back, and suddenly we have the V-shaped recovery. Even if it isn't the V-shape, the ups and downs will remain. So, what is it that we do not know? I do not want to speculate on the number of additional hires. But, I can say that we are at 1,500 today.

**Manas Goyal:** So second question so I know that so like the COVID has impacted the business and also and as discussed earlier in the call I know that there has been delays in the receivables and our receivable number has gone up. But I just wanted to understand like what like let us say our revenue is X so around what percentage of X is under delay, is it all the customers are like how many customers approximately are in the way and is it the situation better or worse than compared to March now?

**Niranjan Chintam:** Okay, so let me answer that and then I will switch to other questions. I have this thing right now. Soto answer your question, most of our customers delayed our payments for the first two months of the last quarter. Is it getting better? Absolutely, in the last three, four weeks, the payment timelines have gone better. Are we back to where we were before the pandemic, no, absolutely not. When do you think we can get there? I do not know.

Let us hope we get to that stage very quickly because the cash is going to be tight. It has been tight earlier and now it is further tight, but we are able to manage it with a little bit of ingenuity. We are able to manage a lot of those cash things. And we do not anticipate any defaults when it comes to any of our obligations that we have.

Sowithout going into specific numbers that is all I can answer there, Manas. Now, just to answer the earlier person's question, please bear with me for a minute. We are at 96 days on



the DSO for the last quarter. I mean the Q4 of last year, we used to be at 81, and it went up to 96. Now coming to the question on change in reserves, there was an increase in profit by last year or this year if you want to call whichever way when you look at it.

And there is also an impact of Ind-AS of about Rs. 19 crores. So, those were the changes that you see in the cash flow that there is a question that Nikhil was asking. Manas, sorry I just want to answer that and go on to your question. Any other question you have?

**Manas Goyal:** Yes, so like correct me if I am wrong. So my understanding is so revenues were reported in INR so since major part of our revenue is coming as US Dollar so we convert that value whatever it is let us say for the last quarter, right, at 31st March 2020. So whatever is the dollar value, we will convert based on that. Is my understanding correct?

**Niranjan Chintam:** Yes, correct. When we do this reporting, we do it on an average for the quarter.

**Manas Goyal:** So like on average basis also like **(Inaudible 57:24)**. I am assuming that Dollar price is also went up by on average before **(Inaudible 57:29)**. And on quarter-on-quarter I know that the numbers are not comparable to last year. But I am just comparing the quarter 2019 December and January and March Quarter.

So the quarter-by-quarter number's revenues has gone up approximately 8% and 4% to 5% can be attributed, not 4% but let us say approximately 3% to 4% at least will be attributed to the dollar value increase also, right?

**Niranjan Chintam:** Again, I do not have the numbers. Let us just go with your numbers for a minute.

**Manas Goyal:** Okay alright. So I just wanted to understand.

**Niranjan Chintam:** So, you are looking for on a steady rate of the growth. Is that what you are trying to get to?

**Manas Goyal:** Yes, so like I have been following this company from very long and our yearly growth has so I have also adjusted for the declined phase based on the last year sales. We had a sale in 2018 of one of the Subsidiaries.. So I am just trying to understand like what is the expected rate of growth we are expecting because to meet things like flat line. Like I see few highs in some quarter but it is still flat line?

**Niranjan Chintam:** Yes Manas, like I said earlier, we are at a new normal today, and I do not want to predict what it is going to be in future. What has happened has happened. So, you are trying to analyze what has happened, right? That is what I think you are trying to do and projecting it out to what is going to be. So, that is something that is going to be tough to answer today. So it is pure speculation. Please bear with me if this is what you are looking at.

**Manas Goyal:**

And also right so I know we are in a consolidation phase and we are first trying to reach a position where we have enough cash and then we can like we will be in a balanced mode and then we can start growing our balance sheet like and the revenue more aggressively, right? So I also know that we are expecting to reach good cash position by 2021.

But we also had a target is that to reach around Rs. 1,500 crores to Rs. 2,000 crores of revenue by 2021, right? So like I know the situations have been worse but do you think we should be there in more like 2024-25?

**Niranjan Chintam:**

Manas, the predicate I always gave on getting that Rs. 1,500 crores was that we were able to raise Rs. 100 crores which we were planning to raise. I have not raised any money. And, I also said that is my aspirational goal and I do want to get to that number because that is a number that is going to give me the confidence to go and target bigger companies all over the world, the Fortune 100 companies.

I do have today a few Fortune 100 companies as my customers, but if I want to go and stand head-to-head with the big boys, I need to improve my balance sheet and the topline numbers to become a quarter billion company in revenue.

So I can say hey, I am a quarter Billion versus Rs. 100 million today that I am. But that was predicated on raising money, and we are not able to raise money. So, all the cash that we are generating internally is used to sustain operations as well as meet our obligations that we have, also including the debt that we have taken.

If I am not able to get additional money yes, I will not be able to achieve that goal of Rs. 1,500 crores until I become cash rich and go target again companies to acquire because yes, I can grow organically only to a certain extent. Inorganic growth was always in the plan to get that Rs. 1,500 crores to Rs. 2,000 crores number that we were looking at earlier.

Because I was not able to raise the money I am today I will not be able to achieve that 2021-22 is what I said then that number as well your question was can we achieve that 2024? Yes, I can achieve it absolutely, but I do need cash. How much of the cash that I will have in 2021 after a payout of all the obligations because of the new normal that we are in, I do not know today. So I do not want to predict that today. But my aspiration has been always get to those numbers.

**Manas Goyal:**

Yes, I totally understand sir. And I just wanted to get the better perspective from you right and have you said that I really believe that we are running this company and that is what our balance sheet and cash the issue is stable first and then focus towards growth. I believe is the right approach. So thank you and I hope like we are able to handle the crisis well and like do conservatively or aggressively as you planned.

**Niranjan Chintam:** Thank you, Manas. I appreciate your inputs there.

**Moderator:** Thank you. The next question is from the line of Jagadish from Kellton Tech. Please go ahead.

**Jagadish:** My question is about our new technologies not considering this current COVID scenario. So how we wanted to go in with new technologies? What is our vision and how we are progressing on that front?

**Niranjan Chintam:** Karanjit, you want to take that?

**Karanjit Singh:** Yes Niranjan, Can you just repeat the question for me?

**Niranjan Chintam:** He is asking what are we doing with the new technologies?

**Karanjit Singh:** So, see the thing is, as a business I will talk about the new technologies. As I said before, we are going to expand them on a little bit. See what COVID has done really is, it has really accelerated the digital roadmap of this company. So previously CIOs could sit or a business could sit on making instilled decisions because it was not an urgent thing. Today it is no longer a case. Today, everybody has to get on to the virtual world. A lot of our wins have been around really existing initiatives, but that has got accelerated because of the COVID issue.

And they have been in the areas that Niranjan kind of touched upon. Clearly about working in the new virtual world. So that is what has got really accelerated. That is what COVID has done. Having said that, there are interesting things that are happening in the new world.. One is of course as you have seen whatever Geo has done to the market. Similar things are happening with us where apart from security that Niranjan talked about a virtual collaboration, right. This is sort of something on a curretted platform is something that has not accelerated.

So that kind of so I will tell you like we have media or we have education companies which has come to us saying that hey, can we have our own private curated zoom within the platform otherwise you do not know who is joining on Zoom and what is going on. Similarly, I have people who want to have as an insurance salesman or the bank salesman to have a private conversation. it is like your own private WhatsApp. So, those kinds of technologies have got accelerated. So, those are the kinds of things newer technologies apart from security. From a business aspect, it is really a skill that you are solving. It is not like customers will develop IoT for technologies. What has happened with COVID is that it has accelerated the digital roadmap for everybody because there is no other option today, but to move to the virtual platform. So I hope that answers your question?

**Niranjan Chintam:** Thank you, Karanjit. Any other questions?

**Moderator:** Yes, sir. The next question is from the line of Ujjwal Agarwal from New Horizon. Please go ahead.

**Ujjwal Agarwal:** I have just got two questions. The first one is regarding the pledge. Is there any plan or timeline to pull it down on the promoter's share? And the second would be regarding just a brief understanding of the business model of Planet Pro, that is one of our step down subsidiaries? That would be all.

**Niranjan Chintam:** Ujjwal, see I do not want to pledge any shares, ideally speaking. And I was saying in my earlier earning calls too. We are the first-time entrepreneurs and we only have limited amount of collaterals that we can give. That is one of the reasons why the banks today, despite whatever the government in India is asking the banks to do, are not lending without any collateral. So, the only way to get working capital limits, mind you, working capital does not mean cash only..

In case of bank guarantees that we have to give, for these government contracts, we will have to increase our working capital needs. If we want to grow as an organization, every time we do ask for additional working capital or if the stock price falls, so what is happening is that we will have to pledge additional shares. Ideally, I do not want to pledge any shares, but in these time lines, we do not have a choice but to do that. Having said that, we are working with our banks to get our collaterals released to bring our number of pledges comes down.

I know it is not an ideal situation, but at this time like I said I am a first time entrepreneur, I do not have any hard assets to pledge for raising this working capital. I do not have a choice, but to pledge my shares wherever here there is a shortfall in the requirement for the collateral needs. So yes, we do not want to pledge but I cannot predict on when we will be able to get all of our pledge out of these banks that we have pledged to get the money.

**Ujjwal Agarwal:** The second one would be about a brief understanding for the business model of Planet Pro?

**Niranjan Chintam:** Sorry you have asked that question. So Planet Pro's business model is twofold. One, they work with Salesforce related activity. So their business model is capacity building for organizations in their sales efforts. This is primarily to do with both technology as well as non-technology when it comes to enabling the sales staff to achieve greater penetration in to the geos that our customers are in. So, we do technical I guess knowledge transfer if it comes to a particular technology that they are selling, we setup sales related activities for these and then monitor them using tools like Salesforce.

That is the primary nature of Planet Pro's business model and right now Planet Pro is in different geos all the way from US, Canada to Asiapacific in many of the Asiapacific countries they provide this service.

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

**Niranjan Chintam:** Thank you everyone and all for joining the conference call. Really appreciate in putting us on our toes in answering all the questions that you have and the conversations have been interesting. . We would be having our AGM soon, hopefully many of you will join and it could be virtual.

Hopefully we will get a better chance to interact probably on Zoom or any other means. We will be doing when we get to that stage. In addition to that and I think we will be probably having our Q1 earnings also pretty soon. So thank you again and looking forward to chatting with you either as a group or one-on-one.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Kellton Tech Solutions Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.