

Kellton Tech Solutions Limited
Q2 FY-2021 Earnings Conference Call
November 10, 2020

Moderator: Ladies and gentlemen, good day! Welcome to the Q2 FY-2021 Earnings Conference Call of Kellton Tech Solutions Limited. As a reminder, all participant lines will be in the listen-only mode. However, participants will be allowed to ask questions once the presentation concludes. In case you need assistance, please signal an operator by pressing "*" then "0" on your touch phone during the conference call. Please note, this conference is being recorded.

I would now like to thank you for participating in the company's Q2 earnings call for the financial year 2021. Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's conference call may be forward-looking in nature and are subject to risks and uncertainties that could cause actual results to differ from those anticipated. Such statements are based on management beliefs and assumptions made from the information currently available with the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements while making their investment decisions. The purpose of today's earnings conference 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 you to the management participating with us in today's earnings call. We have with us Mr. Niranjana Chintam (Chairman and Whole-Time Director), Mr. Karanjit Singh (Chief Executive Officer India), and Mr. Srinivasan Potluri (Chief Executive Officer, the US).

I now hand the conference over to the management. Thank you and over to you.

Niranjana Chintam: Good afternoon, everybody. Thank you for joining our Q2 earnings call. Let me begin with the numbers, and then I will briefly update you about the company's performance. In the last quarter, i.e., Q2, we

have achieved Rs.191 crores in revenue, with an EBITDA of about Rs. 26 crores approximately, and a PAT of about Rs.15.8 crores. Calculating on a Q-o-Q basis, we have grown by 5.4% in the top-line and around 10% in the bottom-line. I guess we have met our goals for the quarter and achieved what we anticipated.

Compared to the last six months, we have achieved Rs,373 crores in revenue, recording a profit of Rs.30.3 crores. Compared to the previous quarter, there's a dip in revenue, but it does not surprise us as the drop was strategically projected. Besides, we have recovered from a larger crisis caused due to COVID-19. Hopefully, we are getting stable and believe that the recent increase in the COVID-19 positive cases in the US will not affect our operations. However, in Europe, fresh lockdowns did impact our business operation. I will later invite Srini to update you on the recent geopolitical developments in the US, including the spike in the COVID-19 cases and the new government, and how these developments impact our business sentiments.

Now, let me give you a brief about the company's performance. Last quarter, we signed up about nine new clients, and we have already announced a couple of significant wins through press releases. These new clients have helped us increase the revenue in the last quarter, and we expect them to generate more revenue in this quarter.

Furthermore, our partnership with Google Cloud and Dell Boomi worked out well for us last quarter. During the previous six months, our partnership strategies have helped us unlock new opportunities. We have been selected to implement SAP S/4HANA and have partnered with Riyadh Digital and Momentive Quartz. We expect better growth and outcomes in the quarters ahead with such partnership strategies and collaborations in place. Although we have reasons to optimistic, uncertainties driven by COVID-19 continue to exist and affect our business in some regions such as Europe.

Srinivas is connecting with us from the US. I invite him to update the business sentiments there, amidst the rising cases of COVID-19 and the election aftereffects. Over to you, Srinivas.

Srinivasan Potluri: Thank you, Niranjana. Good evening, everyone. Let me first give you a brief concerning the election scenario and the change in the government. There were some changes in the immigration policy, H1 policy, and more under the Trump administration. But with the Democrats coming into power, many of the changes are expected to be revoked. The new immigration policies resulted in restricting the asylum seekers, travel and refugee ban, increased immigration-related fees, and more. We are expecting that the Biden administration will revise all such changes in the policies.

Niranjana Chintam: It seems that we lost the connection with Srinivas. Margaret, can you reconnect him while we do the India operations?

Moderator: Yes, I will do that.

Niranjana Chintam: So Karanjit, can you briefly comment on what you see in India and the Asia Pacific region?

Karanjit Singh: Thank you, Niranjana. And good evening, everyone. In India or, let's say, in the Asia-Pacific region, we have seen a lot of acceleration in digital deals, and we are working on some of them, which we cracked. I believe the region has pretty much been emerging out of the COVID-19 crisis, and things are getting back to normal. Throughout the last quarter, we have been engaging with clients and customers consistently, and the engagements have only increased since then.

Besides, we have also fast-paced our digital transformation endeavors even in the areas that were largely impacted by the pandemic. We have signed up a sizeable F&B customer in the Middle East. Besides, we have also signed up an NBFC, implementing our digital transformation expertise and infrastructure to augment the lending experience. We have signed up for an AI-based security analytics platform that is helping us grab new opportunities. So we are addressing a very niche kind of market, besides industries and other branches of business that are left with no other option but to forge digital technology models to ensure business continuity and

engagement with customers. So, yes, that is broadly kind of what we see in the market out there.

Niranjan Chintam: Thank you, Karanjit. Srini, are you back?

Srinivasan Potluri: Yes, I am back. Sorry, I got disconnected. So, as I said, all the Trump-era changes in the immigration rules will be reverted in the first one or two months of the new presidency taking over. We're expecting that many of the Executive Orders — where Trump had eliminated the H1-B cap lottery and replaced it with a salary-based system — will be revoked. We will get back with the H1-B cap lottery system, and the number of H1-Bs available will continue. There will be changes to the definition of a specialty occupation, and the ability to place H1-B consultants at client sites will improve.

So, it is expected that from an election perspective, the immigration rules and immigration laws will go back to the way they were before the current administration. Considering the business continuity perspective, the stock market is doing well in the US, and the performance is expected to continue. There's no assumption that Biden will change anything drastically at this point. So we are all eagerly waiting to continue business as usual. Things will improve as they have improved over the last quarter or two, and we are looking forward to it. Improving consumer confidence in the US gives us reasons to be optimistic.

From a COVID perspective, Phase-2 has started in various parts of the world. Biden has promised that he is going to continue the economic upturn in the US. Yes, we will be more careful here in the US to continue with COVID hygiene, wear masks, and take other precautionary measures. But it won't impact the business just because the government has changed, and the COVID-19 crisis enters the second phase.

So, all in all, things seem to be coming back to track. We have gained experiences to deal with crises such as COVID-19, and so we expect that the impact would be less. There is no talk of any shutdowns in the US, and we don't expect it to happen either. I think the vaccines will

soon prove a viable solution and help reinstate the business confidence across endpoints.

Niranjan Chintam: Thank you, Srini. With that, Margaret, can you open up for questions?

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Jagdish Kumar, an individual investor. Please go ahead.

Jagdish Kumar: Thanks for a good set of numbers. My only question is regarding this operating profit margin and EBITDA margin, right. So what is our action plan to improve that? I know we are in the middle of a pandemic, and perhaps this is not the correct time to ask this question, but still, I wish to know your plans.

Niranjan Chintam: So Jagdish, as we mentioned earlier, our strategy is to increase the EBITDA to probably now get at least in the high-teens. We were around 16; our goal was to get to the 20. But unfortunately, the COVID crisis forced us to repurpose all our plans. Besides, we were targeting the bottom-line of about at least over 10% and will continue to target that line. But like I said, right now, for us, we don't know when we are going to gain the momentum, but we aim to get the EBITDA numbers above 20 and the PAT numbers over 10. We have touched that a few times, but, unfortunately, COVID has prevented us from being sustaining that level. Right now, we are on a cash preserving kind of a mode. We are trying to get as much cash as possible due to the uncertainties caused by the pandemic. And like Srini was alluding to; hopefully, the arrival of vaccines can help us achieve our goals soon. However, the next quarter's success will largely depend on the efficiency of the distribution of the vaccines among the population. We don't know how it will impact our numbers or the cost associated with keeping our workforce high-spirited. And hopefully, by next year, I would say, we will resume on the trajectory of getting back into closer to 20%. And the bottom-line above 10% is what we have targeted for and, hopefully, we have started achieving it. But this year, pretty much like every other business, we are in the boat where each of us are saying, "Okay, hey, we just want to survive this year." For the year, we want to sustain the numbers that we achieved last year. We should hopefully achieve it unless the new lockdowns and the recent spike in

COVID impact our business. But we anticipate that we should be at least at the same numbers as the last year, which in itself will be a good achievement, we believe.

Jagdish Kumar: Thank you. I will move on to my next question. We have some deal with the ZEE5 app, right? So can you please throw some color on that ZEE5 OTT app?

Niranjan Chintam: ZEE5 OTT app! Srini, Karanjit, do we know what Jagdish is asking about?

Karanjit Singh: Yes. Basically, this is where we are working with the client to build their own OTT platform using a server-less architecture and analytics built architecture harnessing an advanced CMS platform. We aim to help them rapidly scale their OTT offerings.

Jagdish Kumar: So the revenue will start flowing from which quarter or is it just a **0:17:47.1** currently going on?

Karanjit Singh: No, this is actually a project, and it has already kicked off, so the revenue has already started. And, of course, the team is ramping up.

Niranjan Chintam: I think, Jagdish, this is like we are building it for a customer, it's not something we have as a product. Karanjit, correct me if I am wrong on that. Okay, so it is a revenue stream we get more from services than as a product.

Jagdish Kumar: So am I correct in saying that the ZEE5 app is helping us achieve **0:18:26.7**.

Karanjit Singh: We are building a next-generation, cloud-native content management system (CMS) that delivers relevant, real-time content experiences across all constituents of business. Kellton Tech will blend automation with smart cloud capabilities to build a hyper-scalable content management system that facilitates the capture, aggregation, management, and record of information faster and more conveniently through a plug-and-play approach. The new CMS will be built on a foundation of self-learning, analytical technologies to enable personalized content recommendations and delivery for boosting viewer engagement and maximizing the value of subscription-based revenue constantly.

Jagdish Kumar: ZEE5 is one of the major apps. So once we achieve **0:18:50.2**, this can give us some other inside projects as well. That's why I thought of getting some clarity. Thanks for the input.

Karanjit Singh: Thank you Jagdish.

Jagdish Kumar: Thank you. Hopefully, we also get some other big projects like this in the future.

Niranjan Chintam: We are working on our goal. I guess like Karanjit was saying, this lockdown has given us some opportunities. Besides, companies look at us to derive bespoke digital transformation solutions and help them ensure business continuity amidst the COVID crisis.

Moderator: Thank you. The next question is from the line of Ujwal Agarwal from New Horizons Finserv. Please go ahead.

Ujwal Agarwal: Well, my question is that a good chunk of our revenues comes from the US, right.

Niranjan Chintam: That is correct; about a little over 80% is coming from the US.

Ujwal Agarwal: Yes. So are we looking to diversify that stream in the future?

Niranjan Chintam: Yes, the idea is for us to increase our European base of operation. Right now, about 5% to 6% of our revenue comes from Europe. We started receiving inquiries from Europe, but fresh lockdowns in the region created bottlenecks for us. And we don't know what that impact will be in the short-term or the long-term; at present, we are focusing on maintaining the revenue balance. But our goal has always been to diversify, and at least get 10% of our revenue from Europe. At this juncture, we are not aiming for 2030, we are just saying, " Let's just get 10% of our revenue from Europe." On the other hand, markets in the Asia Pacific have been building up, especially in Indonesia and Singapore. Besides, the markets are also opening up in the Middle East region. But in the currency parity between other countries and the US, the latter gets the upper hand. But yes, we want to diversify and reach out to customers in other different regions. But unfortunately, the plans that we put in motion have taken a hit because of COVID. Hopefully, as you said, if we manage to achieve the same numbers as the last year, possibilities are there that the next year will bring better outcomes. Besides, the vaccine has given a lot of

confidence, and we hope to get these numbers up as many companies are opening up.

Ujwal Agarwal: Yes, I have been quite optimistic about Kellton, and I am sure you guys will deliver. That is all from my side. Thank you.

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

Suresh Peddi: Thank you for providing all these details. Much of the information has been made available in the annual results as well. I just have a couple of questions, the first one being, how is the cash position comparatively? And are there any plans of retiring the debt completely? That's the first question.

Niranjan Chintam: Suresh, today we are trying to conserve cash. At present, there are obligations that we need to adhere to. We have to pay off some of the loans that we have as term loans. But this year is more of a cash preserving and cash shoring up than to retire debt. We may focus on retiring debt in the next year, but our goal is to conserve cash as much cash as possible. That is how we are looking at the next six months. Next year we do want to retire. Earlier, we were hoping that by 2021 to 2022, we would have retired all of that. But we may have to push that by a year. And that's because of the COVID impact. I hope I answered your question there, Suresh.

Suresh Peddi: Yes, thank you for that. My next is on catching up with the IT industry pace. The top-line and bottom-line growth rates of other industry companies are much higher than what Kellton shows. So we are just trying to understand why Kellton is showing, maybe I think you just mentioned, about 5% growth rate quarter-on-quarter and year-on-year it's almost flat. Whereas the other industry players are showing higher year-on-year and quarter-on-quarter growth. Do you have any strategy to comparatively better it? It's what I am trying to understand, sir.

Niranjan Chintam: Sure. So we have grown both organically and inorganically, Suresh. And we have not taken any money from the market today. It has been self-funded, and our growth is in parity with this fund and the internal accruals that we have pumped into the business. And that is one of

the reasons, why the growth has not been exponential. We were earlier doing a little over 20% year-on-year growth that we have been showing earlier, but now what we are looking at is more of a stabilizing operation and rebuilding the balance sheet so that we are ready for the next stage of growth. And unfortunately, because of COVID, right, we got impacted. In the Q1 — I don't know about others, I don't want to comment over others — there was a significant, I guess, decrease in revenue when it came to the US operations. India operations, I think we were not hit as bad. I am talking revenue-wise purely, but there was a significant impact on the US operations and our numbers. Lockdowns caused specific customers, including government customers, to delay some of the revenue bookings and that has also put a dent in our growth. But the short-term ambition for me is to survive this year, with a flat or better than last year. We will come back to the growth curve based on how much cash we have because anytime we have to grow, we have to get some cash in for that growth or fuel the development. That's where we got stuck for the last one and a half years. But hopefully, we will come out a little bit stronger with the balance sheet after this COVID crisis pacifies. Then we will surely start looking on how to increase the growth.

Suresh Peddi: Thank you, sir. And with respect to cash, how is the situation now, sir?

Niranjan Chintam: We did publish our cash flow statement. Let me pull that up while we are speaking. I think we have around Rs.23 crores in cash as of last quarter. But again, that's the same as compared to the previous year. But like I said, at this time, we have to conserve cash. This year, the money is not going to be great because collections have been delayed. And also, we have been paying down our debt. This is what you asked, right? We have not missed any of our payments to date. And so that's what we want to continue.

Suresh Peddi: Sure, I appreciate that. The last question sir, you did mention that we are in a consolidation phase right now to strengthen the balance sheet and then focus on the growth part, which was there in the last 10 years. I think, last two to three years the company has been in the consolidation phase. So is it reasonable to assume that — probably leaving this year and maybe some part of the next year — the

company will again be able to come back to the growth path in the years ahead?

Niranjan Chintam: That is our goal, Suresh. Next year onwards, we should see growth again because —like I was saying — we are more in a consolidation phase. We grew very aggressively earlier, and we had to stabilize our operations. We strengthened our management and scaled our team, which will help us attain the next level of growth.

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

Vikas Kumar: Congratulations on big wins like ZEE5. So my question is on the pricing perspective. Is the company seeing any pressure in the US or India to offer any discounts to the clients? And how are the top clients doing? Can you throw some light on that for both India and the US?

Niranjan Chintam: I will let both Srini and Karanjit address this question, Vikas, because they deal with this. But I think the commentary we gave in the last quarter was, yes; we did offer some discounts. I think most of the discounts have been taken back now. But I will let Karanjit and Srini talk about it. Srini, why don't you take the US one, and then I will ask Karanjit to inform you on the Indian side. Srini?

Srinivasan Potluri: Sure. So if I heard the question right, it is about the pressure on pricing due to COVID?

Niranjan Chintam: Correct, yes, that's the question.

Srinivasan Potluri: Initially, when we came across this in March, we had to provide some discounts to our customers. Not all of them, but some of them requested it to cope with COVID. We did that for three months. Since then, we have restructured the contract again to go back to the original pricing. So, the squeeze on margins reduced. In September, we also looked at it for one or two stragglers, who were still requesting discounts, especially in the travel and hospitality industry, which have not picked up the pace thoroughly. But at this point, I would like to let everybody know that we have gone back to our original pricing. Things have reverted to the way they were during the pre-COVID days, and all renegotiations have ended. So new contracts that are coming up at this point — anything that we are signing up — all of

those are signed with a predefined pricing criteria. So the squeeze concerning margins will not be there anymore. There were also some accounts receivable, which had exceeded some of our expectations and gone to above 60, and closer to 90, and so on. But we had to provide those so that our clients could survive and manage their cash flows. When the AR has gone back to the original levels, clients are paying us on time. And we don't expect to see any more squeeze, and we should be continuing unless and until we make fresh investments. But not from a customer client perspective or COVID perspective. I think we are clear on that.

Vikas Kumar: What about the top clients?

Niranjan Chintam: Srinu, he asks about revenue growth; how are we looking at revenue growth in the US?

Srinivasan Potluri: Obviously, we have utilized the current COVID times to unlock opportunities, at least in the US. I think we have done comparatively better on the Indian side. We have not closed as many new deals in the US as we expected as companies are sitting on cash. But our pipeline is impressive at this point. We have utilized our time during the COVID period to reach out to the existing clients and new clients. With the elections being completed, we expect that companies will start recruiting, especially the enterprise level, the large client, and the large contracts. We have a very healthy pipeline, and we hope to do at least one or two big closures this year. Starting January, we expect a lot more closures on our enterprise client projects. The growth is coming from the integration space and the digital transformation space. We have gone into a global partnership with AWS. We expect the cloud platforms to yield a lot more revenue in 2021, as opposed to 2020. That is one of our growth strategies from the revenue perspective. Besides, our partnerships with Dell Boomi, Workato, Jitterbit, and so on will undoubtedly help take the growth to the next level. Although, from a projection perspective, Niranjan would probably be a better person to project. But I do expect that the top-line and the bottom-line both would grow as we keep going.

Niranjan Chintam: Thank you, Srinu. Karanjit, can you comment on the Asia Pacific?

Karanjit Singh: The situation on the Asia-Pacific side was also the same as Srin mentioned. We had pressure from customers, especially from the most impacted industries such as travel and hospitality, for instance, travel. We faced such challenges for a quarter, but now things are coming back to normal.

Niranjan Chintam: Okay. Thank you, Karanjit. So, Vikas, any other question?

Vikas Kumar: Yes, one more question. We all will agree that the COVID crisis is still going on. Europe is witnessing the second wave, and another round of lockdowns are in progress. But in India and the US, nothing as much is done. So what are your plans for the employees concerning the work from home policy? Because other IT companies like Wipro and EY have extended their WFH policy until March 2021.

Niranjan Chintam: Vikas, I think we have already announced WFH for our employees, at least for this calendar year. But internally, I think we are deliberating on what should be done for the next quarter. I am not talking about this quarter, but the next quarter. But I can only say we will continue it until Q4 for the Indian side. The US is, however, a different beast due to the recent spike. Except for a few skeletal staff going to the office to support the infrastructure, we are 100% working from home mode until December and probably until Q1 of the next year. I think we are prepared, I guess, mentally that it will likely be only after April when we may go to the office. However, it is subject to review whether we will resume with 100% workforce or work on a 5:50 mode. We have not concluded. Like everybody else, today we are in the mode of how do we protect our employees; how do we protect our customers from the COVID impact. We have to ensure sound health for our employees, and at the same time, we are also mindful of providing seamless services to our customers and clients. We are working aggressively to support our customers from home. And if we can do that without any productivity loss, we will continue to do that. But if we start seeing any drop in productivity, we may rethink.

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

Rajesh Joseph: My first question is, though the top-line is flat for the past three-four years, our receivables show an increasing trend. What is your comment on it, and can you please mention whether the entire receivables are from private companies only, or is it from the government or PSUs?

Niranjan Chintam: I don't think it was flat for the last three-four years. What we probably have seen is, flat is comparable. We did do some disinvestment, and perhaps that is what makes you think it is flat. We have noticed an increase in revenue consistently until this year. However, we are impacted by COVID. Coming to your question on the receivables, yes, receivables have gone up. That is primarily due to a few customers, both in the US and India. These are large customers, Fortune 100 companies, Srin, and I always have this discussion where we say, okay, we are funding their operations. But unfortunately, these large companies, because we are not of the size, don't have the negotiation power. We have to live in whatever terms of payments that they come up with. I am talking about companies like IBM, UPS, Novartis, where the payment terms are pretty one-sided. And that is something we have to live with because of our business's size, I guess. Now, coming to your question on the government. I would say that 90% of our receivables are from private customers, and probably 10% is from the government or the public sector.

Rajesh Joseph: Okay. My second question is that if my understanding is correct, the company is operating through more than 15 subsidiaries. Do you have any plan to streamline the structure by merging a few ones?

Niranjan Chintam: So, we had issues because of alterations in the immigration policies. We have hired an external consultant to find a viable solution and find the impact on the balance sheet. That is the reason why we have so many subsidiaries. But discussions with the consultants are in progress, and they even have made a few recommendations for consolidations. We will soon consolidate into our three principal subsidiaries, hopefully. Some of them we cannot do because of the country origin. We do have to have a company in each of these geographies, for instance, Europe. We have to have a company in the UK, Poland, Singapore, or Canada to do business. Whereas in the

US, we have subsidiaries because of the acquisitions. We are working on consolidating them into the main parent. We have begun the exercise and started talking to our CPAs, our auditors, to see the impact on our balance sheet while performing these consolidations. And we anticipate that there will be some mergers in the US. But the rest of the world will have to live within individual countries requiring that we have to have a company there through operations. This is something where we don't have a choice. But in the US we do want to consolidate.

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

Mayank Srivastav: My question is about the deal flow. How are you seeing the deal flow, when the number is playing out for us in the second half of the year. Moreover, in the near-term — due to the proximity of the US presidential election — are we seeing some sort of pushback from clients in terms of postponing the dispense or delaying in terms of decision-making?

Niranjan Chintam: Sure, I will let Srini and Karanjit answer this question.

Srinivasan Potluri: Amidst the election, our enterprise clients typically are pretty comfortable and confident. We have not seen any pushback on the signing of the deals. However, the start dates have been pushed back, not only because of elections but because of Thanksgiving break. People tend to take some time off, and then again, Christmas is coming up. These are some of the reasons that add to it. We have signed new deals, and we are on the verge of finding some new ones, but the start dates on all of these projects are being pushed back a little. That is the only impact that I am seeing at this end in the US. But from a decision-making perspective, there has not been any impact on signing up and having the confidence to sign up on new projects. I hope that answers your question.

Niranjan Chintam: Thank you, Srini. Karanjit, can you answer the same one?

Karanjit Singh: Things went slow when COVID started, and the situation was similar even on the Asia-Pacific or the Indian side. But we have had a lot of activities since then. Like a few that I talked about, we saw some big

deals, which have accelerated in India and the Asia Pacific. Currently, we are building the pipeline for the next year as well. In Europe, of course, they historically tend to be very slow, and with all the lockdowns, that part continues to lag.

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

Jagdish Kumar: I have one question. Do you have any client revenue split? I mean, what are the top five client revenues in the range of **0:47:11.3** million? If we can get those deals in the presentation, it would be great.

Niranjan Chintam: I think our top 10% went up slightly this quarter. Just a couple of customers that skewed it. One customer skewed it up in the top five, and others in the top five customers also went up. So with the top 10, we are around 30% level. Earlier, we used to be approximately 24%-25%. It is right in one way, but at the same time, we are very diverse when it comes to the customer base. We have not concentrated. Even with the top five, we are probably looking to reach around a little 15%, and it's not like they are significantly high in numbers. But as I said, one customer has skewed this, and we anticipate to get a lot more from that customer. However, the concentration is quite dispersed. We have always been in the low 20s now; we got into the high 20s. That is something, which encourages our customers to work with us. We have been pushing this by design, but primarily, as I said, right, one or two customers have skewed it up than anything else.

Jagdish Kumar: Okay, just one more question. We have the client-driven number **0:48:44.5**. Let's say, the first client is under the \$2 million range or \$1 million range. Those are segmentations, right, but it would be helpful to know the deal size we are getting.

Niranjan Chintam: Sure, we will do that from the next time onwards, Jagdish. We would start putting it into our presentation so that it becomes easy for you to understand how many customers are in \$1 million to \$3 million, \$3 million to \$5 million, and \$5 million and above. We do have that numbers but not readily handy with me at this time.

Jagdish Kumar: Sure, no issues. Okay, just one more. What is the revenue that we are expecting from the ZEE5 deal?

Niranjan Chintam: Karanjit, can you let us know the revenue we are expecting from ZEE5?

Karanjit Singh: We are expecting approximately \$0.5 million or so.

Niranjan Chintam: Currently, we have signed up a \$0.5 million deal, but we expect the revenue to go up once we do the initial launch. In India, having customers worth \$1 million and above value is not easy, but we do have many of those in India. Typically, when we start with a customer, we start with a lower number, which keeps on increasing. Historically, we have many customers like that in India, all the way from Indigo to AEGON to Club Mahindras, and so on. So if we have a long-term relationship with our customers, the revenues go up.

Moderator: Thank you. The next question from the line of Suresh Peddi, an individual investor. Please go ahead.

Suresh Peddi: On the number of shares front, you mentioned in the last call that you are working on releasing some pledged shares. And you did do that, I think, to the extent of 72 lakh shares. That was positive news, I would say. Congratulations! And in the same aspect, you have mentioned that we are planning to issue some preferential shares to some of the employees and external stakeholders. So is there any progress on that front, sir?

Niranjan Chintam: See, unfortunately, it got caught up in some bureaucratic mess and some catch 22 requirements. One of our investors is a US entity, and they do not have a PAN card, which is a must to fulfill certain conditions, and that's why we were unable to do this. So some logistical delay has happened because the applications have been made to get the PAN card and related activities in India. That's the reason why you see a delay there. But I think that delay will hopefully be taken care of in the next couple of weeks. We will soon get the process rolling. And then it's up to SEBI, NSE, and BSE to get the approvals, to get the money in. But we are still proceeding on that. There are specific requirements. We have to follow the SEBI rules and the rule laid by RBI. So we are getting those squared away.

Suresh Peddi: Okay, thank you, sir. And what would be the extent of that?

Niranjan Chintam: We published information on this in our annual reports, Suresh. Still, if further clarity is required, I will have my team update on such developments.

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

Gopalakrishnan Balraj: I would like to know whether the larger part of the revenue comes mostly from the development kind of projects or the support kind of projects.

Niranjan Chintam: See, our 95% is the development, and 5% is supported. With that mix, we probably want to increase support-related contracts too. But 95% of the revenue is purely from the development projects as of now. With some of the recent signs that Srini discussed, for instance, the AWS Global Partnership, we earlier had an individual country partnership; now we went to global collaboration. We are hoping that we will get a little bit more support related contracts in the coming months.

Gopalakrishnan Balraj: Okay. Because big companies have more support, so they generate continuous revenue, right.

Niranjan Chintam: You are right on that. But since it is the digital transformation side of it, the support contracts are pretty small compared to the traditional way of doing things. Because once the development happens, typically, the support is on the cloud. I don't anticipate a significant jump in the top-line regarding the support contracts because we are in a different space than others.

Gopalakrishnan Balraj: Okay. So what about the banking customers, so any projection on particularly banking customers?

Niranjan Chintam: So we do have the right BFSI mix into our numbers. I am just pulling up what is the revenue-wise segment. At present, about 9% of our revenue comes from BFSI and we expect that to go up, especially amidst the COVID crisis. But it has been steady at around 9% for the last few years. It is pharma and logistics that have taken over in the last few quarters. And that is something we are anticipating to continue for the next few years because of CPVID, which has drastically changed the scenario. And now, when many deliveries are

happening at home, that requires a lot of logistical support. We have UPS as one of our customers, and we are seeing a significant revenue increase from them. We expect the trend to increase in healthcare and life-science for the next few quarters, at least. Changes are taking place in even the BFSI space, both in India and the US. Besides, we have a lot of FinTech companies coming, which would ultimately drive the banking side revenue as well. But at the end of the day, the FinTech companies are nothing but technology companies or IT companies, which work with financial companies.

Gopalakrishnan Balraj: Yes. My last question is that currently, Kellton is having some products ALKM or something HR-related. Are you planning to concentrate on product sale, besides services?

Niranjan Chintam: Currently, we don't make too much of product sale other than Envision; this is the oil and gas product that we have. At the same time, the KLGAME and the HR package is more helpful while closing a sale. The internal HR tool called tHRive — which we built — is used as a product internally. However, we have re-engineered the product and harnessed the underlying platform to derive a new solution for FCI. Similarly, customers have their customization requirements, and every time we need to re-engineer the product. But what these products do is accelerate our implementation, of course, with customizations. Typically we see 80:20, where solutions are 80% ready. But what you see now with FCI is probably closer to 50:50 as these large enterprises' customization requirements are more. But the underlying platform did help in the sale as it accelerated our delivery timelines. As a product, we only have Envision to offer. However, we leverage platforms and packages, including KLGAME and tHRive, to carve out innovative solutions for our customers and accelerate the delivery.

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

Niranjan Chintam: Thank you, Margret. Thank you, everyone, for joining our earnings call. I hope you have a good Diwali. We are looking forward to having you in the next quarter, sometime in the January-February timeframe.

And hopefully, we will have better numbers than what we have for this quarter. But with the COVID raging still, we will be happy to get the same members as last time. We are trying to keep our customers happy and our employees' safe. And that is the goal for this next quarter too. But we will come out of all of this in the new year, and then we will hopefully see how it goes from there. Thank you again for getting on our quarterly call.

Moderator:

Thank you. On behalf of Kellton Tech Solutions Limited, I conclude this conference. Thank you for joining us. You may now disconnect your lines.