

Kellton Tech Solutions Limited
Q1 FY21 Earnings Conference Call
September 11, 2020

Moderator: Ladies and gentlemen, good day and welcome to the Kellton Tech Solutions Limited Q1 FY21 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. 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 first quarter of the financial year 2021.

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 management’s belief as well as assumptions made from the information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements and making any investment decisions. The purpose of today’s earnings conference call is purely to educate and bring awareness about the company’s fundamental business and the financial quarter under the review.

Now, I would like to introduce you to management. Participating with us in today’s earnings conference call, we have with us Mr. Niranjana Chintam - Chairman & Whole-Time Director, Mr. Karanjit Singh - Chief Executive Officer – India, and Mr. Srinivas Potluri – Chief Executive Officer – US. I request Mr. Niranjana Chintam to give his opening remarks. Thank you and over to you, sir.

Niranjana Chintam: Thank you! Good evening everybody. Just like everybody else, Q1 has been a challenging quarter for us, primarily due to COVID. Most of our employees are still working from home. So the revenue numbers for this quarter start off with the numbers, and then we’ll get some qualitative discussion around that. Revenue for the quarter is 180 crore, which is about 12% less than last quarter. EBITDA is about 25 crore, 2.8% less than last quarter, and profit is 14 crores; it is about 0.6% less than last quarter. The difference between the top line and the bottom line is due to less travel. Travel was an expensive line item for us every month, and that has not happened. Very insignificant travel is what is due to bringing people back home. Then in-travel, outward travel and that’s the reason why PAT number or the percentage and EBITDA numbers as a percentage were there at the end last quarter.

Like I was saying earlier, all of our employees are working from home, most of our employees are working from home. While we were working from home, we were able to deliver projects and go live in a number of instances. I'll let Karanjit and Srini talk about that right after my opening remark. We also have taken care to make sure that our employees' well being is taken care of while they are at home. We appointed doctors on call for the employees and their families to reach out and talk to them over anything. It may not be COVID related, but anything lets say if they have somebody they can talk to and seek help in these stressful times of COVID or associated pressures that people are feeling.

That is the qualitative side. I'll give, hand it out to Karanjit to talk a little bit about the operational stuff and the challenges that we have and how they have overcome in India, and then we'll hand it over to Srini. Karanjit wants to talk about the operational challenges of last quarter and how we overcome it?

Karanjit Singh:

Sure. So, I'm sure all of you are aware, the change was very sudden, and of course, the first one or two months, especially in India, the lockdown was very intense. Of course, there is a lot of uncertainty; the good thing of all of this is, this is the first time that we as a company did virtual working, work from home almost at 100%. We were anticipating some amount of restrictions to come in place. So kind of luckily for us, we kind of about two weeks before have started putting together a team, which would work on and test out the work from home but anyway, the lockdown was very sudden, it was announced for a day if you all remember. And then suddenly it became like, for 15 days or something at the beginning. And basically, the good thing is we were able to transition all our people to work from home almost instantaneously. In fact, the week before that, when the lockdown was done as a test, we had gone from that Monday to about 50% of the people, by Wednesday, we were at 75%, and we're just testing the infra right. So about on that Friday, I remember that almost 95%, we only had very few people in the office, so that was good. We were just possibly, we planned ahead, and also, we got a little lucky.

On the business side, of course, there was uncertainty both from our customers as well because even they were also equally uncertain and especially on the travel, hospitality, retail. So there was, obviously, a lot of them they've got completely shut down, some of them got partially shut down. And of course, everybody was doing their own scenario planning. Post the two months, we were like, where does this stop? There were requests from people regarding providing them accommodation for projects or requesting a little slow down on some of the projects. There was that uncertainty from the business side as well, and we had to work through it. We did some scenario planning. We had to work through how things will pan out, and at what time does it turn around. .

And equally surprising for us is from June customer conversation, yes from June onwards, customer conversation started happening, restarted. We initiated the pipeline, again started on the business side started reopening. And there afterward, in fact, we have actually seen a

lot of acceleration. In fact, some of those jokes that go around that COVID has accelerated digital transformation are true to an extent. And we are actually seeing a lot of digital roadmaps or projects that we were working on or opportunities that we're working on for six months, a quarter, and a year suddenly got accelerated. Even during the lockdown, we had some closures. Around 11 customers that we acquired, most of them, if you see, were the ones where people had no other option but to move on. So like, either online education or even internal employee training or development. Those kinds of things have got accelerated. We have also seen that customers have come to us where they have now asked, in a sense, come back, and kind of relook at the digital accelerated the customer experience or redoing an existing digital online presence or a mobile presence. So, those are the kind of things that have got accelerated during this time, and now things are slowly getting back to normal.

On the personal front as well what has happened is that obviously there was no choice initially, and of course, people have to work doubly hard because we also have to ensure that the customers were sometimes also working for the first time remotely, so wanted to ensure that they were comfortable and so that was a big concern from my outward customer-facing people as to when customers are comfortable, they approve the invoices, will they approve the milestones but very proudly I can say till about we had like 55, 60 releases small, medium, large, or through that lockdown period and we anticipated some mishaps, but actually people have gone over and above and worked even longer hours lot of our managers have said. Of course, some of it, they had no choice to go out, so that was really a surprise, the current surprise for us, where we delivered whatever had to be delivered.

However, a certain amount of fatigue has set in, especially for junior folks, who were stuck alone. Let's say, in NCR or in Hyderabad where they are living in PGs, and they can't get out and those kinds of things, those issues happened. But, as the lockdown progressed and relaxed a little bit, we allowed people to go back and relocate themselves to whatever their parents, their house, or whatever. So those things going on, and as Niranjana mentioned, we are also providing the necessary support; hardware support was an issue, in fact, initially during the intense lockdown, even power supplies going off, or laptops going off, there were some accelerated incidents. Personally, things opened up, and there were new things that came out, and so we managed it through, and now we're getting into a more programmatic way of managing all of this. That's my update. Thank you.

NiranjanaChintam:

Thank you, Karanjit. Just a little bit of more commentary on that. What we have noticed is, the customers are now looking at new opportunities, something that in these pandemic times like Karanjit was saying delivering, be it delivering some of these trainings online to manufacturing-related activities. How do you automate manufacturing activity? We are seeing a lot of traction going on, something that in our book Karanjit and I have been talking for years-and-years. Now we start seeing adoption happening very rapidly, which was pleasantly surprising, but only validates what we have been talking about for the last five

years. While all this was going on, we did add 11 new customers too, which is also a huge kudos to Karanjit Singh and Srini and his team, our salespeople who are able to sell sitting at home, which earlier was a face-to-face meeting with the customers now they're able to sell by sitting at home. Srini, do you want to add something from the US geography on the Q1 challenges and how we overcome that?

SrinivasPotluri:

Sure, absolutely. Thank you, Niranjana, Karanjit, and I just wanted to add to whatever Karanjit and Niranjana have been talking about. Kellton's reaction to the COVID, obviously, it's not something that only Kellton got impacted with the entire world an unprecedented situation. One thing that I would like to speak very highly about is the speed and the agility with which Kellton reacted internally to the COVID pandemic so, we basically came together created a task force or a tiger team. Globally, we had representatives from each business unit and geography. We got together, made some decisions twice a week, understood what everybody was facing. So that was great; we reacted quickly to the changing situation. It was a new environment every day with changing dynamics. So, we responded very well. Some of our customers in the US decided that they wanted to either cut down on the number of resources or the number of hours, not understanding how long the impact would be. So we had to make a quick decision in the US, and we did. We sent out emails and notes to all of our customers, picked up the phone, called them personally at the executive level, made sure they were comfortable and understood what their ask was, reacted in a lot of cases, and gave them some discounts either on the billing rate or on the number of hours billed and these were obviously time-bound for a quarter. So everybody was happy, the business continued but at a slightly slower pace, because the customers wanted us to slow down to figure out how things would be. The staff reacted extremely well, and opportunities were created for our technical resources to come together and get trained. We obtained more partnerships from the technology side, and then, obviously, everybody got trained, certifications, etc. etc. We did a lot of outreach from our business and worked on building our pipeline and started doing proactive webinars, reaching out to clients and talking to them about changes in technology, etc. So we were set up once the first quarter ended, meaning around June of this year, clients and customers came back; we reached out to them, and we said we are doing fine now, we understand what the new normal is. Let's get back up to speed and so on. So we have seen things coming back to normal, and in the third quarter, we expect to be fully functional like we were last year. We don't see any changes. So yes, there was a slight drop in revenue, but we didn't lose any clients, though we did have requests from the clients to slow down. Started picking up again, we are concentrating on the next news now. So things are going well. Kudos to the Kellton team and the internal employees that stepped up and understood the new normal. We made sure that they were healthy, and there was no pressure from the clients to have them travel to the client-side. We made some policy decisions internally. So, everything worked out as well as it could have during the new normal. And I'm happy to say that we are back on track. Of course, we expect to reach the potential that we are saying we will fully. Thanks, Niranjana.

NiranjanChintam: Thank you,Srini. Tanya, can you open up for questions, please?

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

Vibhor Gupta: My question was, I have a couple of questions. The first of them is, the deal pipeline is the same, is the company geared towards closing a larger deal looking at the current scenario?And the second question is, the revenue from Europe has decreased over the last quarter, is there any specific reason for that?

Management: Vibhor, can you repeat the second question?

Vibhor Gupta: Revenue from Europe has decreased over the last quarter?

Management: Got it okay.So let me answer first the pipeline and then answer the Europe question. The pipeline looks healthy, just like we said earlier, 11 new contracts were signed inQ1. So they started generating revenue for this quarter,andwe are continuouslyadding more on the pipeline. As I said earlier, our salespeople have figured out a way to sell from home without physically sitting face-to-face, which is now entirely happening virtually, keeping the customer’s convenience in mind, through whatever tools or technology available with the customer.Even during these times, we have closed multimillion-dollar deals in both US, and you can say multi-crore in India, while this entirepandemicwas going on, and these are not just a one time, we see that for multiyear contractsthat they have signed. Now coming to Europe, Europe has faced a severe lockdown,and yes, there is additional revenue, but we see that now it is again opening up. We see customer engagements happening,and we believe that probably like Srini was saying, the Q3 of this year, we should be back to normal of what we were in Q4 of last year. So, our hope is that this is the new normal, and the second wave of COVID will not impact us. And we should be back to normal or back to the same numbers that we were in Q4 last year by Q3 of this year. That is what we are anticipating, given where we are with the pipeline today.

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

Agastya Dave: Most of the questions you have already covered in your opening remarks. I had a few questions where there are certain things which I’m missing. So you can probably help me out. So one was the auditorresigned,and it was very early in his tenure. I believe hewasgoing to be there for another four years. So what exactly happened there?

Niranjan Chintam: So, with the auditor, there was some disagreement on the fees part of it,and when we saw that, it’s kind of an uncomfortable feeling that both he and us said okay, it makes sense, volunteer to resign we said okay that is fine. He wanted to resign, and we accepted his

resignation, that is all it is. He was there for two years. He did a great job from where we were to where we are today. When it comes to some of these reporting requirements, some of it be it compliance requirements or what he has made us go through a number of hoops, we are a better company because of him, and we appreciated his style of doing things and all that stuff. That is the only reason why, but now we have good control in place, and we are able to provide timely numbers to the new auditor. Now every auditor comes up with their own controls, and we are getting more and more mature in our controls, which is good for us. That's the only reason, not anything else.

Agastya Dave: Right. Sir, another thing, somebody had asked a question in the previous concall about the promoter stake coming down, and you had said that a two year, best of your understanding, that has not been the case so, but when we look at the shareholding pattern, there has been a dip. So, again is there something which is not adding up there?

Management: So, yes, I did state that, that was what the information that I had then, what I was later on told was yes, there was a slight dip because there were two reasons. One is because more and more ESOPs got allocated, so our percentage as a whole came down. In addition, there was some cash that we needed for the company, and we did take, sold some shares, and got back; we'll be using that. We saw that the pandemic is going to require a lot of cash to be there as a cushion. So we are pumping in that money into the company to get back, and you are aware Agastya, we talked about this multiple times, where we are having challenges with closing with the banks. And when we thought we were going to close some events or the other happened that's not in our control. So this was more in control. Our people felt there was some strategy around it, and I was not part of that. We did reduce our shares, and that money is now being used for the growth of the company.

Agastya Dave: Sir, then I had two, three questions on the annual report which has come out in the schedules, and again these are some things which I'm pretty sure I'm missing something here. If I look at the earn outs, that number has actually gone up, earn outs, which are due, so that is one thing. Second is that the goodwill has it gone up, and I can't understand because we have sold one business, and I can't recollect us buying anything. I don't know, so excluding the translational exchange difference, there is a 17 crore increase in the goodwill. So that is one thing, then another thing, the earn-outs have gone up, which is again slightly confusing, because what my understanding was that this year whatever was remaining on the balance sheet that was supposed to go. The third question is, so this balance sheet was released during the Q4 results also, but now that we are going for the schedules, I see that there is a 105 crore number, which is part of accrued revenues, which I would under most circumstances read as receivables. So, our receivables of 300 crores on a revenue base of around 700-750 crore, that's a lot of receivables. So, can you explain that?

Management: Sure. Let me first answer your goodwill and earn-out. We did buy **Tivix Europe** Agastya last year, and that is what is reflected in additional earn-outs that they need to be paid. But the

other one is you're right; it comes to the currency fluctuation. When we started off another prior year to this year, the rupee went up by about Rs.5 to Rs.6; sorry dollar went up by Rs.5, which is also reflected. So, that's why you would see the goodwill and the earn-outs going up, the goodwill primarily as I said, is currency fluctuation, the second one is a **Tivix Europe** purchase that we made. Now coming to talking about your question on, you can call it that these are receivables. These are not receivables; we have not raised the bill yet. So, when we say accrued, this is unbilled revenue, we have not billed it. The bill takes place at any given time. Pretty much we have close to 20 to 30 days, depending on the type of contract. That is unbilled because we have to do on an accrual basis. We do accrual basis both for accrued revenue as well as accrued payable. That is what is being reflected as still going on.

Agastya Dave: Sir, I can understand 20 to 30 days, but this is 105 crores on a revenue base of 700 odd crores. So, that would mean that.

Management: So, this is a quarter bill.

Agastya Dave: This is what 14%, so that's more than a month?

Niranjan Chintam: Yes, that's typically what it is when we have this government contract that we end up when we have this government contracts in India, India is the one that scales it up. That's why it went up. There were a couple of projects that we have worked on and did not get confirmation from the government. So we were not able to raise the bill. Hence it became that express mode. Typically it is close to 30 days is what it is, you are right on that, but in this Q4 scenario, because of COVID, some approvals did not happen that's why it's so, but that should come down now and because 20 to 30 days what it usually was.

Agastya Dave: Right. Sir, the reason that I asked this question is that the same schedule is showing that you had 85 odd crores in the previous year as well, and again how I understand is that last year, we did not have any government contracts, this year, we do have so; still, this number has gone up so, that is where I am?

Niranjan Chintam: It went up by 20 crores, which is the milestone of the government contract. But if you look at 80, 80 times, it comes almost to 240. So that is typically our quarterly revenues. So, one month is always going to be there in excess revenue.

Agastya Dave: Okay. And sir final question is on the cash flow statement. There is this entry, which I haven't seen in many companies, which is cash flow from financing activities. You have changes in reserves of 15 crores, 15.5 crores, and last year there was a negative number of 5.64 crores. Again, what's the nature of this? What are these reserves, and why is this appearing in cash flow from financing?

Niranjan Chintam: Okay, let me get that answer to you. I'm going to ask our finance guys. They're going to answer that to me, I'll take the next question from you, while they are discussing that and telling.

Agastya Dave: Yes, that's about it. The final question actually was a combination of that. So receivables, obviously there will be some problems we discussed last quarter also, during this COVID period. So are you seeing the business, it seems to be slowly getting back on track but are you seeing the receivables coming down now?

Niranjan Chintam: So this quarter also we saw receivables are around 96 days, slightly four to five days more than last quarter. But we are seeing, starting with Q2, we are recovering that amount because of lockdown people were unable to answer, or in some cases, people are working from home, how do you reach people, so all those challenges were there in Q1. But Q2, we are seeing things coming back because people have figured out how the system would work, and we are getting better responses for payments as well as, but there are still some delays Agastya on receivables. Let's normally say what we suggest x plus 30 days now it's become x plus 20 days. But it's still a challenge there we have not come back to x yet, and we are hoping that by next quarter we would be getting back to normal. But we understand, and all our customers also are facing this cash flow crunch. The same is the case with every bank, despite whatever the government is trying to do, the banks are still not lending freely, but has been a challenge, and these three are facing that. We are trying to figure out how to do fundraising raising in this alternate finance world, so we are able to get that.

Agastya Dave: It's just that, sir, just one final thing on this: if we look at the trade receivables and look at the unbilled revenue, the total is over 300 crores, if I add the two numbers, it is 317 crores. That's approaching 50% of sales, which is like six months, that's a huge number. So, I understand in IT companies; I have a private equity investment in an IT company. I see them struggle a lot with receivables; 100 to 120 days is understandable, but we are now approaching 180 days, so that's a very big number. So that's my only thing, but anyway, sir, thank you for answering all the questions, sir. Thank you.

Management: Sure, Agastya. So the answer to the question on the cash flow reserves Agastya, which is acquisition contingent payable, that is what is added in there. That is the reason why you see that. So the difference is 19 to 20 acquisition contingency. That is why, as financial liabilities, right, that is what is showing there, that is about 17 crore.

Agastya Dave: Can you repeat that sir, I lost you.

Management: Okay. So, I was saying that this is mainly due to an increase in acquisition payments, and that is what is showing up in the cash flow as acquisition contingent payment was 36 crores was this 21 crores, last year was 21 this was 36 that is the difference.

Moderator: Thank you. The next question is from the line of TarunSharma,anindividual investor. Please go ahead.

Tarun Sharma: So my question is, how is the business outlook in the US and how currency fluctuation has affected Kellton?

Management: Okay. So, let'sSrinianswer the business outlook in the US. I will answer about the currency fluctuation you're talking aboutprimarily. Now that the rupee has depreciated, what is the impact because of that?

Tarun Sharma: Yes, and US operations, the business?

Management: Yes. Today we are not because one thing you need to keep in mind is Tarun is that we are making money in dollars, we are spending money in dollars. So for us, it's a natural hedge. Even in India, when we borrow money, we are borrowing against the US dollar. At least 50% of our borrowing is happening as US currency borrowing. So it becomes a natural hedge. Our revenuesin India are also about 50% of the revenue we are taking from the US/Europe. So the natural hedged has happened there, but coming to the business side, I'll let Srinian answer that, how are the things doing in the US, Sriniiyou want to take that?

SrinivasPotluri: Sure. Like, I mentioned earlier during my comments. Yes, the first quarter was a little bit of a pickup. Second-quarter, we have all of our existing customers, existing contracts are all back to normal,and we have started to focus on net new. We have seen the pipeline that we have built due to our business development and outreach, and sales activity has tremendously helped us. We see a great pipeline within our system, and clients are reacting. They see – the new normal; we have to adjust to it. We cannot stop our business flow. Other than maybe the industry which caters to hotel and travel,all of our clients have bounced back.We are doing well. I am expecting that because the business is going to go up by the third quarter. Even the hospitality industry is going to come back up. So it is looking very healthy, it is looking good,and we expect to be back to the 2019 numbers by the third quarter. Does that answer the question?

Tarun Sharma: Yes. I got it,and about the pipeline, like in the call. In the introductory call,it was mentioned that about 11 clients had been closed. So is it possible to give a breakup, maybe US and India wise, how many wins of the client as per the geography-wise?

Management: Karanjit, can you answer that? He is doing the count, and while he is doing the count,I'll talk about most of it are US-related customers there unless Karanjit comes up with a number while I am answering this question. From what I am looking at, probably you are looking at about three or four hours from other geos, and the rest are from the US.

Karanjit Singh: Yes, three of them are from our geos India and others, and all the others are, the remaining eight are from the US.

Tarun Sharma: Okay. That seems the US is performing quite well.

Management: Yes, that's right. People have realized, like I was saying in my earlier commentary, where I said, our existing customers are looking at new avenues for growth. And for that, the new competitor with the digital transformation part of it or we are seeing new customers coming in and asking us to do initiatives that they have not done before and like Karanjit Singh was saying earlier digital transformation has accelerated in this COVID time. We had been predicting that this would happen, but it has happened suddenly, which is a good thing for us. We are hiring individuals, we are having a lot of openings, and we are having challenges of finding people, which is normal, and a good problem to have, which we will continue to face in this quarter and the next quarter.

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

Mahindra Kanakia: Now recently, our share price has increased, but still trades are trailing 12 months or TTM for 5.5, and it is one of the cheapest in the IT sector. Now recently, IPO Happiest Mind, an IT company mostly in digital technology, has been oversubscribed by 151 times TTM less of a third. However, TTM EPS is about Rs.7.5, and if we use 30 P, then it translates into a share price of about 225. But our share price is tracking at approximately 44.20, with a TTM of 5.5. Now our FY20 turnover net profit is higher than the Happiest Mind of FY20. We also have a significant presence in digital technology as we use the company as a bond digital. Therefore, it is my humble request that the management should make the investing community aware by giving interviews and information on business channels, such as CNBC TV18, CNBC Awaaz, ET Now, Bloomberg Quint, etc. And also, in print media, such as Economic Times, Business Standard, and Financial Access, etc. etc. and signify them with the company's business. And in particular, digitalize some business providing a comparison of our business with Happiest Mind. The company can also hold conferences with the analysts' community and familiarize them with its digital license business. And based on that, the analysts can prepare a research report on the company, which will provide more visibility on investing in our company and our regular business because from this Happiest Mind IPO with the tons of money available for the IT company.

Management: Okay. So good input there, Mahindra. We have done this earlier; we have not been doing it lately. It's time now that Happiest Mind has set the trend. Earlier, there was no benchmark for us to compare ourselves with, we were compared with the big boys, we were compared with Mindtree, and now we have somebody that the investors and the shareholders can compare ourselves with. We feel the same kind of heartburn that you see where we have been there earlier, and we're not getting recognized, and Happiest Mind has been recognized, which is a

good thing for us. Because people will start noticing us, and probably our share price would reflect that. But we take your input, and we'll give it to our investment team, our Investor Relations team, to see how we can re-engage with the analysts and the shareholders. With all the points that you've pointed out, a very good point, we have re-engaged once. I guess this is a challenging time for COVID. Travel is important; we will try to figure out a way how to do this. One way to do it is we have an AGM that is on the 28th; if you can tell your friends to participate in this AGM, they get a feel for what we do, how we do, we have been trying to be as transparent as we can. And we are making strides towards more transparency every year. But in great advice, we will take that and give it to other Investor Relations people and see where we can go with this. Thank you.

Mahindra Kanakia: Okay, good. And I have one more question, just curious, since COVID-19 so the whole world now knows that people can work from home and the location is not a matter. Now, we have a lot of staff in the US, and there is a problem with the H1B visa, and all this thing is happening. So we cannot shift a lot of work to India, where we pay in rupees at a lower cost, and then it can significantly improve our earnings?

Niranjan Chintam: You are right, Mahindra; we are looking at that. We are also looking at nearshore. Srinivas initiatives where we are saying we are having difficulty finding people in the US. He's looking at probably potentially looking at maybe Canada being an option for us. For the nearshore part of it earlier, it used to be you're right, earlier it used to be that the customers requested all of our employees to be on site. Now they're appreciating work and seeing that productivity is not dipping by working from home. That home could be wherever in the world all of these technology companies are doing that, and we are approaching our customers, hopefully, next year. This year it's too early to make changes because once COVID, I guess we have to figure out what happens, is this the new normal, or is it going to change to something else. And once we figure that out, we will make changes towards that and try to bring some of the work to India. And you're right; our margins are more significant. But one thing I want to caution Mahindra is that I am just making numbers up for discussion's sake. Our top-line will come down when we were charging \$100 an hour to a customer. I know we could only charge probably \$40 an hour if you're working from India because they know that the difference there. Our top-line would dramatically drop too, because now instead of making 100, I am making 40. That challenge is there, while that's a good challenge, but we would still work towards that because our gross margins are more significant by working in India versus in the US. So, great point, and we are looking at that, it's just that a little bit early days to make additions towards that.

Moderator: Thank you. The next question is from the line of Jay Sharda. Please go ahead.

Jay Sharda: Actually, I have a bunch of them. So please get rid of the housekeeping questions first. So, I see that the EBITDA margins in this quarter are a little lower than the earlier number

compared to Q4 because of the extraordinary time that was, is there any reason for that specifically, or is it just the continuation of the COVID impact?

Niranjan Chintam: So, it's a continuation of the COVID impact like we are talking about earlier. So coming to your questions, it is a COVID impact we have to give discounts to our customers, there is an impact because of that. So it came down from let's say if you compare year-on-year from 16% to 14%. But if you look at it from March to now, it is better. So, but year-on-year, you are right; the numbers are lower. That is primarily due to the COVID impact, we should recover some of it this quarter, and hopefully, we'll be back to normal next quarter. Again, the reason why we say hopefully always Jay, we're hedging is because we don't know what COVID resurgence; if it happens, what would that impact be. So that's the reason why your numbers today look this way, and we should be able to recover from this.

Jay Sharda: That's great. In terms of hiring, I am sorry if I missed the numbers because I missed a part of the opening statement, but any numbers on the headcount in this quarter and the current quarter?

Niranjan Chintam: I don't have a number top of my head, Jay. But, I know Karanjithas quite a few openings, I know Srini has quite a few openings. And it is a good problem to have at the same time; I'm always worried about cash. So, I'm also we're doing just in time hiring. So if we can close with the banks that we anticipate we close soon, then we would probably open up a little bit more on the hiring. I think Karanjit will talk towards some of the interns that we took in or newly hired. Karanjit, can you talk about the freshly hired we took in and the deferred, and now we are again back to bringing them back on the board?

Karanjit Singh: Yes, just when the lockdown started, there was a plan we usually do about two batches of hire a major and a minor way, and so we had about 54, 60 odd people that were planning to join before the lockdown happened. And so we had to defer because we're just trying to work out things. And in fact, we restarted that training virtually for the first time, somewhere around the end of June or July. We look the same for our business hires from MBA schools. And while we're conservative, but we talked about these ways, and we have had to stop up, and I would say we would have a valid significant number of lateral hires as well and as we see, I must have about at least 30, 40, 50 positions open at this time.

Jay Sharda: The next question I had was on the Warrents, and I see that, is my understanding correct that the entire subscription to the Warrents is by the management team?

Niranjan Chintam: No, it's only some part of it. Srini and Karanjit felt that business-wise we are doing good, and despite what the COVID is doing, we have been in discussions to price it, raise this money. We would be talking to you also Jay in some of this stuff. What happened is Srini found some likeminded people in the US, and they have decided to invest. Unfortunately, we, as promoters, could not participate in this round as we have already invested a lot and

don't have any more to invest in the company. So Srinivas found some investors in the US to invest in this.

Jay Sharda: That is a commitment?

Niranjan Chintam: Yes, correct. That is somebody that Srini has worked with before and has intimate knowledge of those individuals. So they wanted to, then he started they are talking about, especially during this COVID time we shall say we need to raise money. We don't know how long this impact would be, and the impact in cash flow, we see the strain. We talked about this multiple times, where we said there is a strain in cash flow, and we were worried about what would be the impact because of COVID. So Srini found some investors. He wanted to participate, Karanjit wished to participate, that's why we went to this round. The pricing was something that is determined by the market. When we started talking, the price of our share was about Rs.15 to Rs.17, but when we finally closed, it was about Rs.25.

Jay Sharda: Okay, got it. And the last question I have is on the pledging. So, because of the fall in share price, there is some additional pledge in shares, right? Is that with the increase in stock price that is expected to reverse now and?

Niranjan Chintam: Yes, it is supposed to right in normal circumstances, it is supposed to, we've been pushing the banks to release the shares aggressively, and it's always like you do this for me, we'll do it. Now, I said I stopped playing that game anymore they wanted more business to release my shares back, I reversed it and said, give me the shares or give me more business, it came that way back, and I had to put a draw at somewhere. I can't always be being dictated to by the bank and telling me, you do this for me and I said, you give me your shares I'll do it, that's where we are today, so there's an argument going on with the bank and us by the agreement, they have to release it. They're not releasing it. Whatever is on paper, they have to release a significant amount of shares. It's not like a small one; they are talking. I'll get my finance team to tell me, but they are looking at probably about 80 lakh shares to be released. And then which are not releasing, the finance team can you confirm that, please. So, that is where we are, and that is what we are fighting with the banks.

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

Abhishek Harkat: Sir, I just wanted to know, we have sold a few companies in the past to improve our operating margin and the PAT margin. So, we are more or less close to where we have been targeting around 10% should be our PAT margin. Right now, as we have achieved that target, what kind of growth we are targeting, can you throw a bit of color on that and the warrant that we have issued right now? So is that meant for growth, or is it a war chest to have in COVID times?

Niranjan Chintam:

It's primarily for war chest in COVID times. As I said, we were worried about cash flow strain, I wouldn't say strain, so we didn't know how COVID or how long this impact is going to be and what would be the impact on our balance sheet. So that's the reason why we wanted to have some money for COVID related war chest to make sure that we are okay on a rainy day. Today we are okay on a rainy day but come flat what happened. That is what the worry was because we have to be continuing as a business; hence we went to the war chest. I know you asked this question earlier; one was about the selling of a few companies. Yes, that is currently the reason why we see some good opportunities, even in this COVID time, to increase our footprint, I would say our customer base. So we're looking aggressively on that cycle. One of the reasons why I'm in the US is because of that. I am talking about buying to help us give us some additional working capital lines to grow in this market. Srinu asked for money, and Karanjitalso, like I was saying earlier, which answered the person's questions, where is the aid? We have growth plans, but the cash limits us, but if we get the cash, we would be able to hire aggressively and increase our customer base both in the US and India. Hence, the reason I am in the US.

Moderator:

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

Niranjan Chintam:

Great again. I just want to confirm that the number of shares to be released by the bank is around 80 lakhs is what I said earlier is accurate. Now, I wanted to talk to you. Some of you have bought up very good points. Mahendra is one, where he said that we should be talking to investors during investor calls, during presentations going on CNBC. Earlier, I used to be all the time on CNBC. Lately, we pulled back, but if we have to be engaged, now that somebody else has set a benchmark. Also, the stock price should be easy for us to compare ourselves with them, we are doing that, and more so, our number should be higher.

I don't want to talk. I never like to talk about the stock price. But we can always compare and say that we are doing this. We are doing this, that is one way for us to compare ourselves with them, and we will make efforts hopefully maybe starting next quarter or after this calendar year because that's when the COVID would subside. We should be able to get out and do a lot of things like that we are unable to do now. So, want to close out with, we have AGM on August 28. I look forward to all of you participating. It's a video-call-based AGM. Many of you sitting at home can join. Tell your friends, family, and investors, whoever you have as your financial advisors, to come on board and hear our story. It's not anything else. Listen to us, how we do what, and how we can get many customers and success stories despite all the limitations that we are facing. That would allow many people to look us from inside and understand and then probably invest in that. With that, I want to thank everyone who got on this call.

We look forward to seeing you all at the AGM. Thank you.

Moderator:

Thank you. On behalf of Kellton Tech Solutions Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your line.