



**“Kellton Tech Solutions Limited Q2 FY18 Earnings  
Conference Call”**

**December 11, 2017**



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**MODERATOR: MS. ASHA GUPTA, CHRISTENSEN IR**



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**Moderator**

Ladies and Gentlemen, Good Day, and welcome to Kellton Tech Solutions Q2 FY18 Earnings Conference Call. As a remainder, 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 the operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I would now like hand over the conference call over to Ms. Asha Gupta. Thank you and over to you, sir.

**Asha Gupta:**

Thanks, Stanford. Welcome to all who have logged in to the Q2 FY18 Earnings Call of Kellton Tech Solutions Limited. We have mailed the results and the earnings presentation to you, and the same is also available on the website of Kellton. In case any of you have not received the same, you can write to us and we will be happy to send the same over to you.

To take us through the results and answer your questions today, we have the top management of Kellton Tech, represented by Mr. Niranjana Chintam – Chairman and Whole-Time Director; Mr. Srinivas Potluri – Chief Executive Officer, USA; and Mr. Karanjit Singh – Chief Executive Officer, India.

We will start the call with a brief overview of the quarter gone past, which will be given by Mr. Niranjana, and then we will throw the floor open to Q&A session.

I would like to remind you that everything that is said on this call which represents any outlook for the future or which can be construed as a forward-looking statement, must be viewed in conjunction with risks and uncertainties that we face. These risks are included and not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual reports which you can find on the website.

With that said, I would now like to hand the call over to Mr. Niranjana Chintam. Over to you, sir.

**Niranjana Chintam:**

Good afternoon, everybody. Just wanted to go through quick overview of the quarter that has been for us, and then we will open the floor, like Asha was saying, for Q&A.

I will start off with quick highlights of the quarter on the awards and achievement we got this quarter. Kellton Tech was ranked 23rd fastest growing company by Deloitte, this is third year that we are getting this award from Deloitte, this is for 2017. In addition to that, we have also been recognized by Clutch as "56 Most Highly Recommended Companies in the World". So, these are the two highlights for the quarter from achievement points of view.

Now coming to the numbers, we will go quarterly first and then half yearly. In Q2FY18, we have achieved a revenue of Rs. 1,852 million, which is 5.4% quarter-on-quarter growth and 22.6% year-on-year growth. EBITDA stood at around Rs. 280 million which is about 9.6%

quarter-on-quarter growth and 34.6% year-on-year growth. The EBITDA margin stood at 15.1%, which is little bit higher than what we achieved last quarter. The net profit stood at Rs. 149.6 million, which is about 2.4% quarter-on-quarter and 15.6% year-on-year. The EPS stood at Rs3.17, which is 2.3% quarter-on-quarter and 15.3% year-on-year growth.

Coming to the half yearly numbers, we have achieved Rs. 3,610.7 million, which is about 24% growth year-on-year and EBITDA of Rs. 535.6 million, which is 34% year-on-year growth. EBITDA margin is trailing at 14.8%, net profit was at Rs. 295.8 million, which is 18.2% year-on-year growth with a PAT margin of 8.2%. EPS for half year is Rs6.26, which is about 18% year-on-year growth.

With that, I want to open the floor for Q&A and we will answer any questions that you might have.

**Moderator:** Thank you very much, sir. Ladies and Gentlemen, we will now begin with the question-and-answer session. We take the first question from the line of Agastya Dave from CAO Capital. Please go ahead.

**Agastya Dave:** Sir, one question was on the tax rate which has jumped substantially, if you can reconcile that for me. And any guidance in terms of what is the good assumption going forward, will we be hitting 34% quarter-after-quarter and also for the full financial year? And previously why was it on the lower side? And second question, on the sales momentum and what you are saying in terms of order book, how is your sales pipeline looking like? Any particular industry verticals which is picking up more than the other? Any new promising industry vertical or technology vertical that you guys are seeing some fresh breakthroughs? That would be nice. Thank you.

**Niranjan Chintam:** So, to answer your question about taxation first, since this is a six months result typically what we have is we got to catch up on taxes. Anything that we may have missed out we catch up on this quarter, hence the percentage is a little bit higher, but actually we are provisioning for a little bit higher to capture for last quarter and this quarter to average that. That is the first one. Coming to revenue growth, we will continue to grow around 5.5% quarter-on-quarter which is probably around a little over 20% when it comes to a year growth. Talking about the industry verticals, you would have seen that BFSI has gone up, this is primarily due to Lenmar acquisition, now we have many more BFSI customers coming from Lenmar and we are making a lot of traction on top of the existing customer base that Lenmar has and adding more customers using our other portfolio services that we have that Lenmar did not have before. From a technology point of view IoT is one area that is taking off rapidly for us, you see a lot of traction happening. So far it has been drips and drops, now we see lot of potential that is coming down the track.

**Agastya Dave:** Okay. And just a follow-up if I may, if I were to ask you what is the biggest bottleneck inside the organization or outside the organization in terms of stepping up your growth, is the constraint on the sales side or is it something external to the company or let us say the

bandwidth on the implementation side, would there be the biggest bottleneck? And what can you do or what can happen from an external point of view for growth to accelerate going forward, any updates on the QIP and the pledge share? Thank you.

**Niranjan Chintam:** Okay. So far we do not see too many bottlenecks as such, sales can always be better, as you know any businessman will believe sales can do a lot more. So, that is always going to be there for any company, and that is the same for us too, we are doing the best we can, and we are continuing to add more sales people to get us more revenue. Now coming to the fulfillment part of it or the execution part of it. We do not seek too much challenges there, while there is always going to be a challenge when it comes to the new cutting edge, bleeding edge technology where the depth or a number of people is a limited pool, so we will have to generate that talent in-house. So, there is a lot of training that goes on internally, if you would like I would ask Karanjit to explain it to you what training exercises we do to get the latest and greatest technology, skills, train internally or upgrade the skills which is the continuing process for us. And coming to question on QIP, we are not doing too much activity on that, and like I said this is work-in-progress last quarter, because of the headwinds of the IT industry we decided that this is a slow one, we are not pursuing this aggressively as such.

**Agastya Dave:** Okay. And any updates on the pledge shares?

**Niranjan Chintam:** So the pledge shares are still the same, they have not increased nor decreased. And I believe this is a year one when the pledge shares will come down, this should come down probably sometime July, August of next year, or may be June timeframe when the number of pledge shares get released by the banks.

**Moderator:** Thank you. We have the next question from the line of Rajesh Shah from Kanadia Enterprises. Please go ahead.

**Rajesh Shah:** I had attended AGM of the company and had requested for dividend. I was told that company is conserving profit for the growth of business and acquisition. But in the recent result we are having very moderate growth, our interest cost and other expenses have gone up. So, what is your review?

**Niranjan Chintam:** See, I still maintain that we want to conserve cash for growth. You are correct, you see that the financial costs have gone up, but that is primarily due to some bank guarantee fees that we have to give for some other contracts that we are executing now, or we are bidding on, that is one reason. The other reason is, there are some renewals of the debt limit that we have. So, whenever there is a renewals, some of these are yearly, some of them are every three years, so every year this cost is incurred, so that is what is reflected as the additional finance cost. And we have a growth of about 5% quarter-on-quarter, and I am not sure Rajesh if you are looking for faster growth than 5%, 20% year-on-year is also a great growth. Anything more than that, yes we will try our best but I cannot promise or commit to it.

**Rajesh Shah:** Okay. Can you please guide when the shareholders can expect reward in form of dividend and capital appreciation?

**Niranjan Chintam:** See, I will talk from dividend point of view, capital appreciation I cannot answer, that is not in my hand. So, FY2020 or FY2021 is when we would like to give dividends, and till then we want to conserve the cash for the growth of the company. We are still relatively small, we are relatively young if you want to look at it, because we really started in 2012 in the new avatar if you want to call it, so we need to conserve cash as much as possible because we have not raised any money on equity, it has always been self funded or through debt. So we need the money for growth.

**Rajesh Shah:** And what is the status for acquisition, this quarter we have not heard any acquisition or any...?

**Niranjan Chintam:** You are right, we have not done any acquisition. We are always looking for some good companies to buy, our strategy for acquisition still stays the same, either we buy for capability or we buy for customer base. So that strategy has not changed. When and if we will find a company that is going to fit in those two criteria's, as well as if we see a cultural fit is when we make a buy.

**Moderator:** Thank you. We have the next question from the line of Jai Sharda from Kelly Gamma. Please go ahead.

**Jai Sharda:** My question is actually a little more basic and abroad. Wanted to understand what is the typical length of a project and how quickly do the projects, is there sort of a repeatability for a project that we have?

**Niranjan Chintam:** See, the way we work Jai is around 80% of our revenue is coming from the same customer, 80% is the coming from the same repeat business. So, the length of a contract, some of the contracts we have are multi-year contracts but many of our contracts are what we call a project base, typically these projects range from six months to nine months. Once we finish the project we go on to the next project, it is not like we are losing the customer because we are in the digital transformation kind of a business or an industry, vertical, that kind of revenues that you see in let's say the big blue companies where they have multi-year contracts for maintenance and support, those are not the contracts that we typically sign up. There are always going to be mature companies that we are working with and that do have multi-year contracts, it starts off with a year or more of building it up and then there is going to be a few years of maintenance and support. So, we are seeing a combination of both.

**Jai Sharda:** Understood. And again, what would be the typical, I mean whether the industry size and the growth rate of the industry?

**Niranjan Chintam:** See, there is a slide that we have given, so the industry you are talking about or what we do our business in?

- Jai Sharda:** Yes, correct, digital transformation I mean.
- Niranjan Chintam:** So, today about 66% of the revenues comes from digital transformation for us. To talk about what is the market size on that, it is a trillion dollar plus industry that we are working in.
- Jai Sharda:** Okay. So, do you work in a particular niche in that whole business or is that ... Actually, I am trying to get a sense of the industry itself?
- Niranjan Chintam:** No we are not, we do not do any niche, we do horizontal play, we are not industry specific one, we work with any industry. With that said, there is always going to be leaders in adopting some of these technologies and there will be laggards too. So, we work with all the industries, so that is the reason why if you look at the presentation that we gave, we also give revenue by industry too. And you will see that the biggest industry that is giving the most revenue for us is Information services and technology, because this is technology based industry, it is the leader when it comes to a new age kind of technology implementation, there is always going to be a concentration there. With that said, you also see a lot of Retail, we see Media& Entertainment, we see revenue coming from Manufacturing, Energy & Utilities, Education, BFSI. So we work with all industries.
- Jai Sharda:** Okay, got it. Just one last question, you said the IoT space is kind of picking up for you guys, right? How do our offering sort of fit into that ecosystem and do we provide platforms for IoT communications, etc, or...?
- Niranjan Chintam:** So, I will let Karanjit and Srinivas answer the question because they are more of the technology guys. Let them answer the question, Karanjit, you want to take it?
- Karanjit Singh:** Yes. So, essentially on the IoT side, again in the new age digital technologies, the SMAC part of it has been happening for a couple of years now, it is a Social, Mobile, Analytics and Cloud. IoT, there has been a lot of talk and there has been a lot of POC kind of projects that have happened, but now that digital is becoming mainstream in enterprises and remember all industries have had some or the other sensor is always there. So now what is happening is they are now coming up with real requirement, so basically acquiring the data and doing something with it. So, that is what Niranjan meant that IoT is picking up. We are seeing traction where customers are now coming to us and saying, they are coming up with business solutions using the IoT things. Like one of things I would like to mention without naming the customer, a company that is actually trying to line extension in the solar energy space and basically they are going to have IoT embedded in all of these, and they do not want to sell it as a CAPEX but as a OPEX. So based on the energy that the customer actually uses they are going to completely build a digital platform where a lot of things, obviously there will be digital and all that, but there is also the IoT piece where they acquire all that data and essentially build the customer usage, otherwise the energy goes back into the grid and all that. So those kind of projects are now coming on-stream. Same is happening also on engineering industry where historically people have had card assistance and things like that, and these were paper based

system and things would go to Excel and all that, now they want to acquire all this data in real-time, transmit, analyze and essentially react to the triggers that were set. So, these kinds of projects are coming online.

**Jai Sharda:** If I may summarize, are you guys providing the entire platform for capture and analytics of the data?

**Karanjit Singh:** Yes. We have the capabilities to build the complete platform, the first one that I mentioned, we are actually building a complete platform that them, completely. So everything, all the hardware and everything they will do, but essentially the company platform where we will acquire, transmit, store, analyze, everything will be done by us, including the interaction with mobile, tablet or desk-top of the customer, that is being done by us. But again in used case some customers already have certain things already embedded, and they have supplied this data and analyze, so it depends on the use case. But yes, for us we can do everything end-to-end.

**Niranjan Chintam:** Jai, let me add a little bit to that, little bit more color to the industry vertical that we are working with one customer of ours, this is oil and gas industry where they have thousands of oil wells, I am talking about in a particular area they have thousand wells. Now, what is happening is they have sensors that are gathering information, they typically go into some kind of a spreadsheet and they go review it whenever there is a problem. We are working with the same well with a slight tweak to the sensors we are able to provide them real-time analysis all the way down to prescriptive kind of analytics where we say we are seeing this bore well is going to need maintenance because we are seeing some what of friction there or we see some bearings are not working properly. So, you might want to take this offline and do a service before it breaks down. So, we are able to get to that level of sophistication using some of the platforms that Karanjit and Srini are building, and then taking advantage of either existing sensors that are there or enhancing the sensors that are there and providing them with meaningful actionable intelligence so they can take advantage of reduced downtimes.

**Moderator:** Thank you. We have the next question from the line of Ashish Bagchi, an individual investor. Please go ahead.

**Ashish Bagchi:** I would like to understand one thing, what is the industry growth rate in the digital transformation space globally?

**Niranjan Chintam:** See, I cannot give you a specific answer to that because this is what we call digital transformation 1.0, people are still not sure. But I can quote a Gartner article where they are saying today probably 20% to 30% of the companies are either thinking of going digital or have gone digital. Whereas in 2020 they are saying 70% of the companies in the world have to go digital or they will perish or somebody would come, a new company would come and take over their market share. So, if you look at FY2020, it is another three years or less than three years now, everybody has go to digital, that is why you are seeing all these big boys are talking

about digital stories, how they are saying we are going to do this in AI (Artificial Intelligence) because they are recognizing that too. Whereas we have been doing this for a long time, we have recognized this three years back and said, okay this is what we want to do

**Ashish Bagchi:** Okay, thank you. My sense is that we are content with 20% of growth which is below the industry growth rate and my sense is we are losing market share to others.

**Niranjan Chintam:** I do not know how you came up with that, because industry growth is around single-digit or may be 12% - 13% at most.

**Ashish Bagchi:** Not sure, not in the digital transformation space. Like if you take cloud only, the cloud transformation industry growth rate itself is 26% according to Gartner.

**Niranjan Chintam:** Okay, so the cloud is one component of what we do, if somebody comes to us and says, hey just do this cloud for me, we would pass on that. For us it is the complete digital transformation, we are looking at specific piece of what we do. We are looking at the whole comprehensive, holistic solution. If somebody comes and asks us, can you take us to cloud? we would say, hey is that the only thing you want? If that is the one we do not want to do that. Or if somebody comes and tells us, hey we want you to build this mobile app only, then we say we will pass that because there are many more people who can do that. But now if somebody comes and says, can you transform our existing business from whatever traditional way of doing things to digital way of doing things, or to transform complete, reengineer their whole business process, that is what we work with. I hope you understand, we are not a niche player when it comes to those kind of stuff.

**Ashish Bagchi:** Right. And what do you think in terms of edge over say big boys like TCS, Infosys, so they are also trying to come to this space only, right, eventually they need to come. So we have advantage of few years today, so how long do you think that we have advantage over them?

**Niranjan Chintam:** So, we will always have an advantage because we are continuously investing in new cutting-edge technologies. By the time a particular technology gets mature that is when all these big boys come in, right, and they start competing on pricing, we move on to the next technology. AI today, artificial intelligence, we are talking about crypto currency, these are some of the things that we have already been working for years now. Whereas others are talking, by the time they come into play we move to a different technology. What is the technology today, I may not be able to answer, but we are always ahead of these big boys.

**Ashish Bagchi:** Okay. Are you developing some IPs in the company or you are more into implementation of customers projects?

**Niranjan Chintam:** So, we do have what we call frameworks or IP, frameworks is what are platforms, that is another word that we use. What these give us is advantage of implementing a solution much faster than others who do not have similar kind of frameworks or platforms. Because we have

been doing so many of these things in a particular industry, I am just going to pick media and entertainment just for discussion, we have already frameworks and platforms built, if some other media or entertainment company comes and says can you help us with this, we can do it much faster implementation and also leverage the pricing there. That is how we are able to do some of these things much faster than others are able to.

**Moderator:** Thank you. We have the next question from the line of Radha Krishnan, an individual investor. Please go ahead.

**Radha Krishnan:** Whether our company has any fund raising plan in near-future?

**Niranjan Chintam:** See, company like ours requires capital, the capital could either be in equity or debt, because we have aggressive growth plans. So, to answer your question, sure we would be interested. What is the timing of that, I do not have any particular one, equity would be probably an area we have looked at and we have stopped because we are facing headwinds or IT was facing or industry was facing headwinds. So, once we see that the market is favorable to IT industry again, we probably might come back.

**Moderator:** Thank you. We have the next question from the line of Jai Sharda from Kelly Gamma. Please go ahead.

**Jai Sharda:** Sir, just wanted to understand the whole issue with the H1B visas earlier in the year. And then I understand, you responded that they do not really affect us because our average employees salary in the US is about \$130,000. But has there been any sort of update or are you hearing any sort of noises on that front now which could be a challenge?

**Niranjan Chintam:** Srini, do you want to take that Srini?

**Srinivas Potluri:** Yes. I believe if I did catch the complete question it was about the H1 situation in India and \$130 salary requirement for H1 candidate. Was that the question?

**Jai Sharda:** Yes, in fact the question was beyond that which is that are you hearing anything new on those lines, because as I understand that is not really a problem for us. But has there been any updates and all?

**Srinivas Potluri:** It is definitely not, we are a very balanced company with respect to employees that we have. We have US citizens, Green Card holders in our employee payroll as well as H1s. Our reliance on H1s is limited, but even if extending your thought process and your question, going forward there is a lot of resistance with respect to the new regulations that are being proposed. Even the 130k resolution that was proposed is still in proposal stage and it has not passed, it is going to be discussed sometime in the new year, we were hoping as part of the new tax bill they would slide it in, but it has not happened. So, from that perspective, from a policy perspective it is going to continue, there is a lot of resistance in the Senate with respect to this particular

regulation. From our side, as we have always been saying from a cost parity perspective we have been paying salaries that are commensurate with respect to experience, with respect to what a regular US citizen or a Green Card holder would make. Since the balance exists for us between H1 and US citizens, it is not a problem for Kellton Tech.

**Niranjan Chintam:** One thing I want to add, Jai, on top of that. Currently the unemployment rate in the US is about 4.1%, which is historically low. So, typically when it touches close to 4% it becomes very tight for companies to hire people. So they will not or there would be huge resistance if there is going to be any regulation coming down for H1. So we do not believe that there is going to be any new H1 restrictions that are going to come into play.

**Jai Sharda:** Got it. And just one more question, apologies if I missed out on that. Is there any concrete proposal or plan for an inorganic expansion for us?

**Niranjan Chintam:** So, Jai, we are always looking for companies that are going to compliment us. And like I was saying earlier, the only reason why we do acquisition is either to acquire a capability or to acquire some customers that we believe are going to give us the next level of growth that we always look for. So, there is a continuous process that goes on internally where we have people in terms of staff as well as external staff that are looking at companies that could be a potential match for us. So, at this time I do not have any news that I can share with you or regulated authorities as to when we can make this acquisition.

**Moderator:** Thank you. We have the next question from the line of Vaibhav Gupta, an individual investor. Please go ahead.

**Vaibhav Gupta:** So, I have one question. We had guided top-line growth of Rs. 2,000 crores by 2020, how are we placed over there?

**Niranjan Chintam:** That is still our ambition, we still want to get to that number. Would it be 2020, 2021 or 2022, given what is going on, I am not sure, but that is till our ambition, our aspiration is to get to that number.

**Vaibhav Gupta:** So, what is the number are we looking to end this year at, we are clocking around 20% growth right, 15% to 20% growth on the top-line?

**Niranjan Chintam:** Yes.

**Vaibhav Gupta:** So, what number are we expecting to close this year, if we have some number?

**Niranjan Chintam:** So, I will just tell you that from an organic growth we are looking at 20%, that is what to today I can project or tell you. But beyond that I do not want to make any comments.

- Vaibhav Gupta:** Okay, fine. So, I have one more question in one of the lines of the balance sheet. We have pretty high trade receivables, if I read it right they are around Rs. 147 crores - Rs. 148 crores. So, any light you can throw over there, because the number is quite big?
- Niranjan Chintam:** Is it? Because it is around 73 days of receivables. If you look at from Rs. 185 crores of revenue and we look at Rs. 143 crores or whatever number that we have there, that is about 73 days of receivables which is in-line with the industry.
- Vaibhav Gupta:** I am sorry, I did not get that part. How many days?
- Niranjan Chintam:** 73 days of receivables in line is much better than what industry has.
- Vaibhav Gupta:** Alright, understood. So one more part, the goodwill that we show, it has increased to Rs. 212 crores as of now, right. So, any issues, like are you seeing any impairment over there or something like that, because that is on the asset side which cannot be ignored, it is the single biggest asset.
- Niranjan Chintam:** See, this goodwill is coming because of consolidation, you know that. And primarily in the IT industry when we make acquisitions there is no real asset, we are buying customers and we are buying people. So, typically that is the reason why this goodwill is showing up. So to answer your question on impairment, there is no impairment. Also as a part of IndAS, we had to show every future payment or contingent payment for acquisition also as a part of goodwill, take it into our balance sheet. So, now you see if we had to pay everything that we owe to the people, that will be the amount of goodwill that will happen. So that is the reason why you are saying that we have been growing both organically and inorganically, so that is the number that we get from inorganic growth. And again, this is due to consolidation only.
- Vaibhav Gupta:** Correct. And a couple of more questions, the highest turnover we get is from the digital transformation side, right?
- Niranjan Chintam:** Correct.
- Vaibhav Gupta:** So once that thing happens for a given client, what is the recurring basis of revenue from him, if there is any? Is that only the maintenance part of it?
- Niranjan Chintam:** No. So, typically what happens is when we start off with a one particular department or one particular, for lack of a better word BU let us say, and then if we go on to other parts of that business verticals, it is not like we just stop, that is the reason I was saying earlier, if we go from project to project to project, we do one project and move on to another project, so we go on like that. So, enterprises, typically what happens is initially we start off with taking the existing infrastructure, existing solutions that they have, put a wrapper around it, and then give them a digital transformation phase, for lack of a better word, creating a wrapper around existing solution and then make it digital transform. And then slowly start working on

transferring the existing infrastructure, existing software, existing applications to be built from ground-up to be digital. So that takes a lot of time and effort. So we start working with one application at a time or one department at a time, so this goes on, that is the reason I say 80% of our revenue is repeat.

**Vaibhav Gupta:** Right. So, in case of the work done for the U.P Government, M-Sehat, are some numbers still flowing in top-line from that client?

**Niranjan Chintam:** Yes, they are.

**Vaibhav Gupta:** Okay, numbers are still flowing and we still see visibility, numbers from them in future also, right?

**Niranjan Chintam:** Yes, there is still talk about 74 different districts they want to do, and only talk for last 1.5 years, you know how government works, right, so I do not want to make any projections based on what they tell me, once it happens then we will start projecting it out.

**Vaibhav Gupta:** Understood. So, just to wrap it up, one final thing, currently this crypto currency thing, like this block-chain technology thing, are we making any headwinds here?

**Niranjan Chintam:** Where, here in India? We have a couple of customers where we are doing proof of concept for which is what something we did last quarter as well, we announced that one customer will be working on proof of concept solution for airport in the US, so we are working with them. There is another customer with whom we are working on a distributed ledger. So, we are working with these two customers, and at the same time getting all of our people trained in that kind of technology, so that by the time it becomes mainstream we have enough people that are already trained on it.

**Moderator:** Thank you very much. We have the next question from the line of SumantaKundu, an individual investor. Please go ahead.

**SumantaKundu:** So, I want to know that are you working on robotic automation projects, do you have any robotic automation project also and back-to-back like VR technologies?

**Niranjan Chintam:** So we are working on automation, I would not call it robotic automation but we are working on automation, we have not come across robotic side of it. In addition, we are also talking to drone management also, there is a customer that we are in discussion with to manage the drones. The reason why they are talking to us is we have worked with one customer where we did fleet management, and for us when we told them that we are fleet management for trucks, they said can you drone management, and we said yes, because with the drone management is another fleet management where we also have to take vertical side of it instead of just only two dimensional we have to take three dimensional way of doing it, so we are working with that. So, coming to AR(Augmented Reality) and VR(Virtual Reality), when Google Glass initially

came out with, we started working with AR side of it. We have not worked on VR because we feel that VR is mostly to do with gaming where AR is where industry is going to go with. So we have started work long ago and continue to work with multiple customers of ours.

**SumantaKundu:** Okay. So, do you keep the employees on bench also, suppose tomorrow one big client comes to you how do you manage?

**Niranjan Chintam:** That is a good question, I will let Karanjit answer. But to answer your question on the bench, we do not have many people or we have zero bench today. It is always a challenge, I know Karanjit manages that so let Karanjit do the dance on that.

**SumantaKundu:** So, in future you mean to say you would like to keep people on bench so that whenever a big client or project you will be getting quickly you will implement employees there?

**Niranjan Chintam:** Absolutely, our goal has always been to have a bench, but unfortunately every time we hire people for bench, we place them almost immediately on the projects and we do not have any bench.

**Karanjit Singh:** So the question is, I am not clear on the question, the question is it like how do we manage the bench or how do we manage bench for new technologies?

**Sumanta Kundu:** Let me clear, so the thing is like suppose tomorrow you will be getting big customers where requirement is of 200 - 300 people at a time on different, different technology, how do you manage that?

**Karanjit Singh:** Okay. See, the thing is, we basically maintain a particular bench and we also have a pipeline, basically we have a lot of questions that we basically train on new technologies, that works very well for us. So, there is always some inflow and there is outflow and we are always planning for certain growth rate, which is what our growth rate is typically there. Obviously they do not always matter, so then we have some catch-up hiring at times that we end up doing, so we have to do catch-up hiring. So it is a combination of all those strategies. And then of course there is a tactic around how do you fulfill for that project, typically if it is a large project depending on the technology there is always a mix, there are going to be front-end developers, there are going to be server side developers, there are going to be people who are required for various specialized technologies and all that. So you basically then essentially take people from a mix of bench reassigned from some other project, back-fill them on the bench, you kind of use all those mix of strategy to fulfill the projects. And the team is pretty well configured to do that, so unlike a lot of other companies, we basically like our developers and technical people to be flexible and they also like the fact that they can switch projects and they can move on to other projects, they like it. Like a lot of companies they do not like the change, they want to be on the same project.

**Sumanta Kundu:** Okay. Another thing was like tomorrow you get one customer who is asking for automation part, automation like in blue prism, so they are having some services where automatically things are done so they do not want to implement people on that, they want to automate everything. So they need like blue prism software's or something so that they can do that. So, as you said that you are not doing, suppose tomorrow need arises, how you will manage?

**Niranjan Chintam:** So, to answer your question, typically what happens, like Karanjit was saying, we are able to source them either internally or externally. We have what we call two ways of hiring people, one is what we call panic hiring and other is what we call strategic hiring. The strategic hiring is where we do long-term planning and based on what is the pipeline like and we plan for every year and then refine it every quarter, that is the strategic hiring. Whereas when it comes to panic hiring is when we have somebody, we need to start immediately then we do panic hiring. So, we do a combination of both to get that and where it is not possible to get somebody as employee we do do some sub-contracting work. The sub-contracting work is they come and work with us, not that we outsource our work to somebody, because this is something that is very important for us from a quality control perspective and the quality assurance perspective that we need to have our people in-house. So there are some subs that come and work, but 95% and above are going to be internal employees that are working on these projects.

**Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand over the conference to the management for closing comments.

**Niranjan Chintam:** Thank you, Stanford. Thank you everybody for joining us on this earnings call. And also thank you, Rajesh, for coming to our AGM, the interaction was great there. I wish more and more people come and join us and ask their questions. Today also was an interesting exchange, this is something that I hope answers some of the stuff that we do and how we do, so I would like more and more participation and more and more interaction like this, looking forward to that. So, I think until the next quarterly call you are free to send us emails and or contact Christensen if you have any questions that we may not have answered or you may not have asked today. Thank you, everybody. And we will look forward to talk with you guys soon.

**Moderator:** Thank you very much, sir. Ladies and Gentlemen, on behalf of Kellton Tech Solutions, that concludes this conference. Thank you for joining us. You may now disconnect your lines.