

To

The General Manager, Listing Department, BSE Limited, 1 st Floor, New Trading Wing, Rotunda Building, P.J. Towers, Dalal Street Fort, Mumbai-400001	The Manager, Listing Department, National Stock Exchange of India Ltd, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400051
Scrip Code: 519602	Scrip Code: KELLTONTEC

Dear Sir/Madam,

Subject: Transcript of Q2/FY25 Earnings Call held on November 13, 2024

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Q2/FY25 Earnings Call held on Wednesday November 13, 2024.

Further, pursuant to Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the same is also available on the website of the Company.

This is for your information and record

**Thanking You,
Yours faithfully,**

For Kellton Tech Solutions Limited

**Niranjan Chintam
Director
DIN-01658591**

Kellton Tech Solutions Limited

Q2 & H1 FY25 Earnings Conference Call

November 13, 2024

Moderator:

Ladies and gentlemen, good day and welcome to Kellton Tech Solutions Limited's Q2 & H1 FY '25 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 this 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 2nd Quarter of the Financial Year 2025.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's concall may be forward-looking in nature and such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on the management's beliefs 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 in 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 a 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. Srinivas Potluri – Chief Executive officer (US).

I now hand the conference over to Mr. Niranjana Chintam – Chairman and Whole-Time Director, thank you and over to you, sir.

Niranjana Chintam:

Thank you, Neha. Good evening. Good Day to all. Thank you for joining our Q2 FY'25 Earnings Call.

Just want to start off with the financial numbers and then we'll get into the operational details and then I'll open up for Q&A.

First of all, I want to apologize ,there were some slight technical difficulties, so the call started late. Also, I have a severe cold and cough so I may be coughing in the middle please excuse me. I want to give that heads up already.

With that said, let me just go through the numbers:

For Q2, I'll start off with the quarter numbers and the six-monthly numbers.

The quarterly numbers:

We have a revenue of 270 crores close to 271 crores in this quarter. This is a growth of about 12.4% year-on-year. The EBITDA margin of 12.1% and the net profit of 19.6 crores. The PAT margin for this quarter is 7.2% and the EPS for this quarter is of Rs. 2.6.

For the six-month numbers, the revenue is 533 crores, which is about 8.7% growth year-on-year. EBITDA is 65 crores which is about an EBITDA margin of 12.2%, net profit of about 39.6 crores and the PAT margin of 7.4%.

The EPS was about Rs.4.10. Again, comparatively if you look at it on a year-on-year basis, it has gone up significantly.

Now coming to the operational highlights, we have about 5 clients wins. I'd like Karanjit to talk about the client wins for this quarter, Karanjit.

Karnjit Singh:

Thank you Niranjan and hello everyone. So, I'll just give a little bit of a color on the client wins that we had this quarter.

So, we've been selected by major gaming clients to modernize their existing Enterprise Data warehouse and migrate it to the cloud, specifically to snowflakes. So, this is something that they want a seamless cut over maintaining the same architecture, so this is a pretty significant project for them and we're glad that we've been selected for it.

Similarly, we have been selected by a very major contract food services client to build a critical kitchen operation system for them. So, this is something that we are completely building from the ground up for them. And the idea is to ensure that we build a scalable performance application with great user experience that helps them to align with their clients' expectations.

The other one that we have is an SAP type client which is basically selected to enhance the SAP Warehouse Management System. And this is something that we'll be leveraging the core SAP ABAP kind of expertise to facilitate first the development and then the deployment.

The other one that I would also like to mention is a major manufacturing client, a global client, for whom we will be developing a system which will help them streamline their sales and inventory management for about 2000 SKUs. So, this obviously is again a data project so this integrates with multiple internal sources as can be expected of any large global enterprise and this will help them get visibility and timely data and insights that will help them enhance their efficiency.

So, these are the client wins and a little bit color on the kind of work and the solutions that we will be helping these clients to implement. Thank you and back to you Niranjan.

Niranjan Chintam:

Thank you Karanjit. I know everybody probably is curious about what's going on with the US Elections and the impact on Kelton or IT services in general. Can you just take that and answer it upfront so that people get to understand what it means?

Srinivasan Potluri:

Sure Niranjan. Hello everyone. So, we have been waiting for the Elections to get done so that the dependency and who is going to come, who is not going to come is all sorted out. Before we go into what Trump's Presidency might look like for Kelton, I want to say that there were about four or five opportunities that we were going to sign last quarter, but due to the uncertainty of the elections and so on, customers have pushed them to the right. So, we expect to close all of them in this quarter and hopefully start some of them before the holiday season in December. So, having said that, obviously Trump has come with the roaring

majority. He wants to provide deeper tax cuts for businesses as well as individuals, and his campaign actually proposed lowering the corporate tax rate to 15% from its current 21%. What does it mean for business in general? The economy will initially grow slightly faster under Trump's plan to cut the corporate taxes, but over a long period of time that might phase but the initial reaction would be that there will be a lot of spending from businesses and corporations. And we expect to take advantage of that from an IT perspective from an implementation perspective. So, that is an immediate impact. You might have seen that the S&P has jumped up 2.2% immediately after the declaration of Trump's win. So, obviously all of these are indicators that in the initial phase of Trump's Presidency we will see some growth happening in the US Economy.

Niranjan Chintam: Thank you, Sridhar. Thanks. So, now I want to open up for questions. Neha, can you open up for questions?

Moderator: Yes, for sure. Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Narendra from Rubio Capital. Please go ahead.

Narendra: Thanks for the opportunity and so congratulations for the set of numbers. So, my question is both the outcome of the election in the US, so how achievable is the \$200 million target that we had set, how achievable does that look and what is the timeframe that we are looking at? Because I believe the order inflow should start picking up going ahead.

Niranjan Chintam: So, let me answer it in a different way. Maybe like Sridhar pointed out right. Some of the decisions that were pending for closure or sign off will be accelerated now. They were just waiting because clients were uncertain about and wanted to get this election over with. They wanted to know who is going to win, what the impact on the business is going to be because both these personalities had different visions of what the taxation is going to be, what it means for businesses and all that stuff. Now that is sorted out, everybody knows what Trump is and what his agenda is. We are hoping that the economy is going to be opening up. Interest rates will open up and like Sridhar said taxation will be reduced. That means that there will be quicker acceleration in the initial phases, like Sridhar was talking about. So, our thing is we have set ourselves certain targets for next year and in line with whatever we are progressing now, we will be on a similar path to get to the 200 million. It will be a slightly let's say aggressive target we can take from next year compared to what we had earlier. But to answer your question, probably we are looking at two financial years is what it's going to be. I'm not counting this financial year as one where we should be able to achieve those numbers.

Narendra: When would be a fair assumption, 2027 we will be a \$200 million company.

Niranjan Chintam: Yes, we should be in the calendar year '27, yes.

Narendra: Any other headwinds you see and also what kind of margins are we looking at when we hit that \$200 million target?

Niranjan Chintam: I don't want to give a specific number, but as you see quarter-on-quarter, we have been improving our margins. Because we did some realignment of our bench, realignment of some of the business offerings that we are doing. We are also targeting this is something that for the financial year, we are looking at and we have given a target to all our CEOs operations, sales related leadership that we want to reduce the number of customers while increasing per customer revenue. So, that also reduces some of the overheads. So, we anticipate that the

EBITDA numbers are going to be much better than where we are today for the next following years.

Narendra: Any other headwinds that we see going on that could impact our....

Niranjan Chintam: There is always going to be uncertainty, right? You can't expect, what is the unknown at this point? I don't know. But initial buoyancy will start the calendar year I want to say 2025. I want to make sure that I'm differentiating between the financial year and the calendar year when the Trump presidency takes off. And there'll be a lot of buzz around in the industry because there is going to be some wait and watch from whatever the campaign promises made to implementation, right? We want to see how that happens and then we believe that it's going to be stabilizing and business should improve. People have been just waiting and holding back on spending. Now they'll open up.

Narendra: Just final one clarification. So, if everything goes as promised by Mr. Trump, right, so everything should be positive for us. If I'm not wrong, I am just clarifying that.

Karnjit Singh: That is correct.

Niranjan Chintam: So, the only headwinds that we faced with Europe, Europe is still struggling, right, while we're still struggling, we don't know when it's going to come out of it. The baggage of Ukraine, how long it will continue in Europe, we don't know. We've been, for lack of a better word, on a flat line when it comes to Europe. We had so much growth that we anticipated as well as the pipeline that we anticipated has never materialized because of the Ukraine war that happened and the economy is shrinking there rapidly. What does that mean? Would Europe step up and take the whole baggage that the US was taking? We don't know. So, at this point, that's the only headwind that we see.

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

Dharani: My question is the promoter stake has been increasing over the quarter, like it has reduced from 51.68% in the last quarter to 40.82% in the September quarter. So, I just wanted to know the reason why it has been reducing and over the years, if I look at it, it has reduced from around 60% to 62% to 40% currently.

Niranjan Chintam: We did some selling of our shares last quarter. That's the partial reflection of that and partial reflection is related to some of our reporting requirements we have done. Other than that there's nothing else. To answer your question about 60 to where it is now, that is, we've been reporting that consistently, it's nothing that we have not reported. Everything has been reported. It is just over a period of time there were some sales that happened and that is reflected and also some dilution because of employee stock options that were issued. So, there's a dilution because of that.

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

Niranjan Chintam: Folks, sorry, I apologize again. I've been coughing on the call. Thank you for joining this quarter to the Earnings Report. So, we'll be happy to get you on another call in the next quarter or if you are in Hyderabad and or Gurgaon, please look us up. We'll be happy to talk to you and answer any further questions you might have. Thank you again, goodbye.

Moderator: Thank you. On behalf of Kelton Tech Solution Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.