KELLTON TECH SOLUTIONS LIMITED.

To

The General Manager, Listing Department, BSE Limited, 1st 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/H1 – FY 23 Earnings Call held on November 15, 2022

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Q2/ H1 – FY 23 Earnings Call held on Tuesday, November 15, 2022 at 05:00 hrs (IST).

Pursuant to Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript is also available on the website of the Company at the following link:

https://d3tj4wnms16o5e.cloudfront.net/s3fs-public/Investor%20Call%20Transcript%20-%20Q2FY23.pdf

This is for your information and record

Thanking You,
Yours faithfully,

For *Kellton Tech Solutions Limited*

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Digitally signed by NIRANJAN REDDY CHINTAM
Date: 2022.11.21 12:12:16 +05'30'

Niranjan Chintam
Managing Director
DIN- 01658591
Date: November 21, 2022
Place: Hyderabad

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Kellton Tech Solutions Ltd
Earnings Conference Call
Nov 15, 2022

Moderator: Ladies and gentlemen, good day, and welcome to the Kellton Tech Solutions Q2 and FY23 Earnings Conference Call. As a reminder, all participant lines will be in 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 touch-tone phone. I would like to thank you all for participating in the company's earnings call for the second quarter of the financial year 2023. Before we begin. I would like to mention a short cautionary statement. Some of the statements made in today's conference call may be forward-looking in nature, and 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 information currently available to the management. The audience is cautioned not to place any undue alliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings 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 team participating with us in the earnings call today. We have with us Mr. Niranjan Chintam, Chairman and Whole Time Director, Mr. Karanjit Singh, Chief Executive Officer, India, and Mr. Srinivas Potluri, Chief Executive Officer, US. I now have the conference over to Mr. Niranjan Chintam. Thank you, and over to you, sir.

Niranjan Chintam: Good evening, everyone. Thank you for joining our Q2 earnings call. I'm going to start off with the financial highlights during the last quarter, which is the Q2 of FY23. Other revenues were around 228 crores, which is about a 9.1% increase year on year, with an EBITDA of 26 crores and a net profit of 16 cores. So the EBITDA margin was slightly dipped; it's 11.4% in the PAT of 7.4%. The earnings per share for this quarter has come down to ₹1.81, which is an increase over the last quarter. Coming to the six-month numbers, revenue is around 445 crores, which is about a 7.5% year-on-year increase in EBITDA of about 51 crores, a net profit of 33 crores. The EBITDA margin is around 11.6%, and the PAT margin is 7.4%. The earnings per share was around 3.6% for the six months of this financial year.

Looking at some of the operational highlights, last quarter, we added around 10 new customers. In the same quarter, Outlook magazine also selected us as one of the top ten software development companies in India. We have started our brand refresh - the one Kellton initiative - that we've talked about during the last six to seven months. So right now, our website has migrated from kelltontech.com to kellton.com. We are also working with an external agency to help us refresh our brand and get more brand recognition. The agency is based in New York and has come up with some preliminary analysis. We will look at it and expect more progress over the next few quarters. We also participated in a few SAP events. So these are some of the highlights that we have from an operational side for the last quarter. Karanjit, can you talk about the customer wins we had in the last quarter?

Karanjit Singh: So, as Niranjan said, we've added 10 new customers to our portfolio, and these wins are quite interesting. A lot of our customers this quarter had been on the newer technology, which is Web3, NFT marketplaces, and data engineering. Some of these clients are in the renewable energy, carbon credits space, and e-learning platforms. So this is kind of very interesting. I will just give highlights about a couple of them for you to get a sense of them. So we are helping build the next-generation technology ecosystem for a US-based financial technology company. The company is trying to build a platform to enable it to make MSP purchases by acquiring loans. If you remember, in the past, we have done a lot of work in Web3 and built-in FTP accounts. But this is interesting that they're building a platform where they're enabling empty containers by acquiring loans using a buy-now-pay-later kind of paradigm.

Similarly, we have another Web3 marketplace client, a US-based company, which encourages selling through live streaming. So, we're building this platform for the client where the sellers and retailers can show their products, how they look and work, to their potential customers. We are also working with a US-based renewable energy consulting company, which is again trying to build on a smart CRM and a next-generation platform, which is basically a self-service marketplace that will help their customers purchase carbon and energy credits, so carbon and energy trading and kind of hold then offset their footprints. Again we have heard we are also working with a Middle East Company, where we are kind of helping them with our data engineering expertise. There is another area that's seeing a lot of traction, where we will help them come up with a robust decision support system by looking through their data.

We're also hunting or we read some work in the healthcare space where we are working with a San Francisco-based company, which will have a single window system for their patients where they can access all their records like HR log, emergency rooms, and hospital records anytime and, of course, this complies with the client period standards. So it's not a standard way of looking at stuff which is more like the new-age platform for having their customers look up things in one place and not go all over. We are also helping a nonprofit agency to ensure refugee children have access to education through an e-learning platform. So these are some of the very interesting kinds of companies and the work that we were engaged in to help really build the new-age digital things, especially on Web3. Thank you.

Niranjan Chintam: Thank you. I know there's a lot of commentary around the economy in the USA being in bad shape or a global recession happening. Can you just give some color as to what's happening in the US, Shri?

Srinivas Potluri: Thanks for the opportunity to speak. As you said, there are three indicators. Whether it be inflation, whether it be recession, unemployment, etc. A lot of speculation is going on around all three of those and whether we are in the possession or not. But if we look at the inflation grade, it's been consistently coming down from June of this year, from 9.1 in June to about 7.7 in October of 2022. Whereas in the earlier part of the year it went up from about 7 to 9.1. So obviously, supply chains have rationalized coming up to speed. The rate we receive for a larger part of this year, they've been increasing the interest rate. It's expected that they will increase them through early 2023. So that's why I'm trying to control the installation, and it's seen in the numbers. So they're obviously not trying to trigger a recession but only wanted to slow down the economy. And if you look at the unemployment rate, it's been solidly below 4 for the entire year. It was about 3.84 to 3.7 in October. Obviously, we saw a lot of high techs releasing their engineers, about maybe 120K over the last one month or so. And this is not attributed to either a recessionary economy or anything but more with respect to over-subscribing to the workforce during the pandemic. Looking at the growth that they were saying. Right now, we have not seen any of our customers not being in. And so on, they continue to show that they will grow. They're planning for growth, and they have moved some of them to the right from the last quarter of 2022 to the first quarter of 2023, rightfully so from a budgeting perspective and so on. So overall, we see from our customer's perspective that they're planning for growth; we expect the growth to be there in 2023, as well as in this last quarter of 2022. Of course, Christmas, Thanksgiving, and all of these holidays, etc., will have a small impact, but that's not the economy with its more the seasonal change that we are going to see so. In short, I mean, I think it's not as bleak as everybody is making it sound. Indicators from our customers, indicators on any of the inflation or the recession and unemployment, show that this will not be a recession; there will probably be slower growth, but definitely a growth.

Niranjan Chintam: So with that, we want to open up for questions, Rochelle. Can you start queuing up for questions, please?

Moderator: Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Neranjan Chheda, an individual investor. Please go ahead.

Neranjan Chheda: So I have a list of questions for you, Sir, and your team, and you can add more colors based on what you have seen happening in the industry. Plus, where our company is heading and where we see ourselves in the coming quarters. So I'll go one by one quickly. So the first question is on its operating margin. The industry or, more specifically, our competitors have an operating margin of 25% to 30%, you can look at any mid-size or large-size company. I just wanted to know why Kellton has a 12% operating margin. Do you think we should now aim for an operating margin close to 18% to 20% as it is far, far lower than the industry standard? This is my first question. Also, how long would it take us to achieve this goal?

Niranjan Chintam: The first thing is, we have noticed that this was a discussion that we had for the last few years on how to improve the operating margin. One of the things, or the efforts, towards one Kellton, was that I'm not sure if you are aware of the one Kellton thing. So, that is one of the initiatives that we launched to get larger synergies within the organization itself. While we are still in that journey of getting that one Kellton going, we have made significant improvements within the last six to nine months of this calendar year; there were a number of meetings that happened all over the world to do this reconciliation. If you want to call it or in, look at redundancies. How do we get economies of scale going while we are operating in silos, that exercise is almost complete, so we should start seeing an increase in operating margins starting next year; I'm talking about the fiscal year. We are going to see some increase, but while we're doing this exercise, this year was bad. I guess a benchmark, if you want to call it, because of the increased labor costs. There is about close to between 2%-3% drop in the margins because of the increased labor costs. While you can always say that the Dollar is appreciated, that's not fully baked in yet. At the same time, in our increase in labor costs is outpaced even any dollar appreciation that we have seen in the last probably one year. The second thing is we have a significant presence in the US because we are on the cutting edge kind of industry, about close to 300 of our employees are in the USA. And about 100 are in Europe, where the cost factor is higher, so the margins are lower. So just to give you different numbers while we do margins in the US, If we are servicing from the US is 30%, whereas if we bring that same work, we do it in India. The margins are over 50% I'm driving my gross margins there. So the next question of this question is can we migrate them over? We are on that work of migrating, but we need to build up the scale. So we don't have the scale yet to get to that level. This year we have scaled up by about 300 employees once we publish our employee numbers, you'll see that we went from a little over 1500 to 1800 plus employees is what we have today, and that is growing. So the base in India is increasing. The increase in employees is significantly higher in India. If we talk about 80-20, 80% of the growth in the employee base is coming from India, and 20% in the US as this trend goes on, we will see a lot more margin improvement when it comes to the operating margins growth to start up with gross margin and then constructing knowledge.

Neranjan Chheda: Thank you, so I was about to ask you about the employee mix. I think you've already answered that. I'll go to the next question now. Our balance sheet says that we have close to 100 crores of borrowing. And for that to operate that auto finance back, they're paying close to 12 crores of interest every year. So roughly, I will say it is in the range of 11% to 12% of the total borrowing. Or what we hold now again, this is exactly in line with our operating profit margin, so ideally, in a nutshell, this number says that this borrowing is actually not helping out because we are paying 12% interest to the banks or from wherever you have taken this borrowing. Instead, we are just sending the 12% operating budget so in the plain math's point of view this is borrowing is actually not helping us but on the other hand there is 12 crores interest what we are paying this is exactly, if we add roughly more 4 crores it is 1 part of net profit. So I'm just trying to ask you whether you have any plans to retire this set. If yes, when and if not, then seriously, I think we have to think about quickly how to increase the operating profit margin because otherwise, it's not adding any value to the numbers.

Niranjan Chintam: See, I think I don't know if you know the history of our company, the way we grow, and all this stuff. See, we have not raised any money from the market. It has been either self-funded or through debt. Whatever growth we have achieved so far. Yes, there's a lot of capital that is stuck in the account receivables and related stuff, so the one way to do is we had a finance that we have always been growing any money left. We've been either investing in the company's growth or doing some strategic acquisition, so the answer is, ideally, I would want to have zero debt, but my other option to get to zero debt is either in internal accruals, retired with debt. We do have a little bit of are not payable that is still there. Then they need to pay out and also fund the growth. There is some R&D investments we are making, and all of this cannot be done through internal accruals while we have large companies. I don't want to name for the company the largest. Let's say the logistical company is a customer of ours. Now we have an account receivable timeline of 90 plus days. When we have that kind of a large company that pays us in 90-plus days. Somehow we have to service that I guess the work that we do and the invoice that time it takes. So we have to use debt for that. We're not sitting on cash today. So that's one of the reasons why we do that. But I agree with you, ideally, I would rise this well crossword ever gone to the bottom line, so that is like you said, if we divide by 3 crores, we would have added to every quarter. I'm not disagreeing with that, but unfortunately, right the business that we are in the way we grew and a lack of, let's say, equity in infusion from outside entities is what, where we are today.

Neranjan Chheda: I'll go with the next question. So the question is, one year back, you mentioned the company targeting post-300 million USD revenues. Where do we see the traction coming? Here so and by when.

Niranjan Chintam: Yeah, 200 million is what the target is by 2025 is what we targeted. I think we're still marching towards that, and I think we are given where we are today, we should be able to achieve that. Unless like there is what we call there is a recession or something else happens. So then, in a force measure. That's what we're working with word. Unless the force measure happened somewhere, we should be able to achieve that.

Moderator: Thank you. Our next question is from the line of Rajesh Mundra, an individual investor. Please go ahead. We are unable to hear the participants, so we will move on to the next question, which is from the line of Shanawaz. Please go ahead.

Shanawaz: So I have a certain questions so basically one is I take from for the previous quarter where you said that in one or two quarter we are going to see a drastic change for the P&L statement and profitability, and the second question that I had is from the balance sheet, a balance sheet I am noticing two things, one thing which I notice is that you have mention in other asset. It is 178 crore and receivable you are mentioning 210 crores, but together it is the last 400 crores and your revenue for the six month itself is somewhere 400. So I want to understand 178 crore of other assets that it actually comprises. Whether it is really achievable or it is a cash or fixed deposit. I mean, what is that particular 178 crores? Because it is every quarter, and seeing whenever you are seeing the balance sheet, it is increasing. And the cash realization in your balance sheet is very less.

Niranjan Chintam: Let me answer the first question related to where you asked about the growth in P&L. So yes, I did say that the growth in P&L we're going to start seeing. Yes, there is some improvement, but not to the extent that we wanted. We still are working on the one Kellton initiative while we are working on that we are making investments like I just told you earlier, where there's a brand refresh going on. We are using external agencies for the brand refresh. Where you start seeing changes. Probably not this year. I'm talking about the calendar year, you'll start seeing brand refresh activity coming into play from January on was one of the things like I said earlier from a Kellton tech brand, we went to a Kellton, Brand, that's a small change, but there are lot of improvements that we are making so that there's a stickiness to the customer of the Kellton brand. While in India, Kellton is known very well. It is not known in US & Europe. Europe, for us, has not been that great of what we anticipated that when we talked about six months ago. We had huge hopes on Europe. But unfortunately, because of Ukraine and associated inflation and the cost of living increases that have happened people. And companies have scaled back their investments. We have not grown to the extent that we wanted to grow while the revenue has gone up. But in a single digit numbers, so that's one of the setbacks that we have coming to the balance sheet items. You're right; money is stuck in accounts receivables and also accrued revenue. So when I say accrued revenue, this is the unbilled revenue. Typically what happens is we raise our bills around the 10th of the following month, so there's always one month's worth of revenue that is going to be unbilled, plus any fixed price contracts, milestone billing that we have not achieved that milestone billing. So effectively that number is going to be, you know. Like I said one month, if you look at it 227 so at least about 90-100 crores is going to be the accrued revenue scale roughly, not going without adding that milestone-based fixed price revenues. So that is where the money is stuck. So that is the cash stuck. That is why we use debt for some of our working capital needs. The earlier question Neranjan was asking. That is where the need for that cash is.

Shanawaz: Yeah, so you mean to say this 178 crores, there is no right off we are going to do. I mean, this is we're going to achieve that.

Niranjan Chintam: Yes, there is zero right off on that, now it's like there are in some cases right

Shanawaz: What I notice there in your cash flow statement you have mentioned other asset minus 44 crores in 2022 in March. So I don't know what that is whether you have purchased from asset. Or it is a write-off you have done. I could not understand that thing.

Niranjan Chintam: No, when the cash flow statement happens, it's compared to the previous year our previous period So the previous time we gave you a balance sheet, if there is an increase, it becomes positive; if there is a decrease, it becomes negative. That is all it is. It is pure accounting the way of doing it. It is not a right off there was a decrease in that line icon. That's why you're seeing that much

Shanawaz: In the financial year of March 22. You have generated hardly one crore rupees in operating cash. So, that is why I'm saying. I mean, how you're going.

Niranjan Chintam: Can we set up and solve separately to walk you through the cash flow? Because I wanted to talk to others about the question because this is purely the way the cash flow statement is created. The way it works is from the previous unit to this current period. Any increase or decrease is what shows up there, if there is.

Shanawaz: I am just taking your point, Sir. Just why I'm saying is consistently. If you see I was looking at you again, you have a profit of 80 crores in the last five-seven years, but the net cash, which is there in the balance sheet, is hardly for 20-25-30 crores, but. It's not more than that. There is a difference, so that's why it’s my query.

Niranjan Chintam: So remember that we are paying loans; we're paying earn-outs. We're investing in assets for the company, so those are all the adjustments that happen in cash flow. So the money it's not a write-off, it's just where it is going or where is increase or decrease from the previous time. That's how the cash flow should be read is different from your talking from pure cash in cash out. That is not what this is. This cash flow is adjustments to the previous period to the current period what it is. That's why I said I will be happy to have a separate call with you to walk you through the cash flow. This is an accounting way of treatment.

Shanawaz: OK, I mean, so are we going to see a server in the future, like from Q3 onwards? So how is going to be number when numbers are going to be on your table? Like whether it is the trajectory on the revenue. I'm just trying to put it together with the current orders. Like you said, 11 customers is being acquired in this quarter. So with that reference, I was just trying to get knowledge. How is the prospect?

Niranjan Chintam: OK, let me answer in the broad sense. I don't read the numbers and in the broad sense is that every time we have a new customer, it takes one quarter to two quarters for the revenue to start flowing in. So initially the revenue is going to be will be less compared to what it is going to be in the following next few quarters so that is the trend that has happened and that's across every company, that's the way it is. Now coming to our business is in the same boat as everybody else. Now to answer your question on what the future is looking like. Like I said, unless there's a forced measure, something happens, things are looking good. We want to achieve 200 million by 2025. So there is going to be growth in order to achieve that, we have to do a CAGR of close to 25% to 30%. I'm just going with the number is 29. From what I hear, so there is going to be growth but I want to use the caveat of what the recession effect. How long is the Russia-Ukraine war? If somebody has some same sense of seeing how it's affecting the whole world on the war, either is what is going to dictate some of these growth plans while Srini has given in this earlier commentary, Things are not as bad as what it is coming out in the new, yes we have a few customers that have ended our projects, but there are other projects that we have in pipe that have come on board while 80% of our revenue is repeat business. 80% of our customers are giving us revenue year on year on year there are about 20% goes away, but adding at a greater rate than what the losses. So there is going to be growth. It's just that today I don't want to tell you. OK next quarter is this going to be this much revenue growth or things like that.

Moderator: Neranjan Chheda, please go ahead.

Neranjan Chheda: I think we still have a lot of time, so I'll now start with the other questions. So I just want to ask you; we clearly know this company is very, very highly undervalued it has a book value of ₹52. The current stock price is sitting between 63-64. Likewise, we also have seen the competitors have the same book value. I'll let me give some examples it's already public, so I think I can give those examples. We put it Happiest Mind having a book value of 50, trading at 1000 books. To take our latent view a book value of 50 trading at 400 crores and all these companies they have come after 2018. Now whenever I see those reports, whenever I went in those calls as well and the theme is very, very similar the nature of work, what we do, digital revenues 90% is coming from the revenue is coming computer revenues. That's 10% some consulting work from the other ways along. It's very similar to the Employee mix is very different. Like you said or count on the employee mixes like most of them are sitting in high location like post location then the competitors where they are having the same geographies US and everything. But their employment is very different. They're having low cost location or lot of their employees. Now the thing is, since they are, I will say a very high value company's stock price point of views. Sir, do you think it is the right time for countdown? Appoint somebody assigned of PR where whatever work we are doing it the way Karan just mentioned we are doing Web3, we are doing NSP we are doing something on the carbon side. You also mentioned that, so the start of the call that we are doing so many things, like you mentioned that he came in outlook somewhere top ten companies. The start of the call you mentioned that somehow so this three doesn't understand this. They are not aware of it and somehow I believe it's a time where we really want a strong PR or marketing sell whatever work it's been done has to come on Twitter due to whatever this area is have to spread like anything in this area. What are your views on this?

Niranjan Chintam: So I agree with you in our stock is undervalued I guess we were. A little bit jaded. I'll be very honest there when I say jaded there we have tried all the things that you have pointed out. Earlier that was pre-COVID, we have had an analyst conferences. I've attended many conferences have been in Bombay multiple times to meet Analyst, Firm houses, all of the above that you listed out. So we were not successful so we got a little bit jaded there. Now with that said, we have not lessen hope we are reinitiating the engagement. One of the things that we first wanted to do was do a brand refresh and then go meet all the analysts. So the brand refresh has begun like saying earlier, we have hired an external agency that is looking at our brand complete all the way down to how we present ourselves to what our marketing wage should look like? How should be our sales pitches? Everything is being real effect. And we have revamped our marketing teams of all of those things we are doing. And we are also talking to a few of these. I guess analyst, not analyst firms. I would say industry analysts like the darkness of the world, right? So they're not going in targeting Gartner, but we are looking at a second level of that. Uh, to start off with to get our name in that Magic Quadrant. If you want to call it. So we are on those lines, we are making investments and that is also is going to show up in the cost factor for doing all these, we have decided we want to make the investment. Now is the time and they're doing it. We will be ready with the new pitch by January of next year and then we would be launching a complete PR slash analyst sessions going on from January onwards. So probably 2024 financial year is when you start seeing it, but the activity is going to begin in January of 2023 calendar year. OK, so we are doing we have done this before. Somehow we were not successful. Now we have revamped. We have a new marketing team that has come on board. Everything is being re looked at a fresh and then we're going to be coming out.

Neranjan Chheda: so I'll go with this last question for the day and basically this is to Karanjit and Srinivas, so I think they can add their perspective on this, so I'll start with Karanjit and then the similar question to Srinivas as well. So when supper of orders back you mentioned about in this call you mentioned about the Indian economy and you are targeting some customers in Indian having the studies with governments and everything, would you like to just tell us or what's the status there and by when you think that you can, you would be able to close it? Likewise, one question to Srinivas as well. You mentioned recently that US is going with all this inflation and blah blah stories. I just wanted to know since this big companies have started laying or start from Amazon to any of this quick tech companies or started laying off the employees said. Do you foresee anything happening for your clients or for continuance? And what are the new upcoming projects that you are working there or any new technologies on the new tech companies you're working there, or anything which you think that would be helpful for us to know what's really happening there in US.

Niranjan Chintam: We'll start off with Karanjit first, but let me answer for the government one because Karanjit doesn't deal with the government side of it, so he only is purely focused on the commercial side effect, so that government perspective things have been slow, so we don't know why a new contracts in a while there are other things that we see here that people are awarding everywhere that we have socialized or have had some I guess building sales, building activities. There they have been deferred it's not because of cash flow for some reason all the others are getting differed. We are unable to shake loose the contracts out, while once the contracts come out we are first in line because we understand that space is very well so. But unfortunately nothing has been at a contract state at this point OK now Karanjit can you answer about the Indian economy the commercial side. All the all the new wins and what activities happening and then we'll have Srinivas the answer the same.

Karanjit Singh: So I think your question was, is there anyone very generic, but let me do the best. So as Niranjan said, we have a good brand and we kept on building on it so we do have some good traction on the Indian side and we're continuing to even the previously acquired customers we have been working with a lot of them and deepen our relationship. That's been one of the programs that we have run, especially focusing on key growth accounts. We've been doing a lot of that work to ensure that they grow apart from that. Obviously, we continue to go in the market and sort of also try to get more customers so that's also work that's ongoing and that's been going at the same pace as it has been in the past as of now, so generally it is going on well as far as on the Indian side as of now. I don't know if it answers your question, but this is the broad reaction.

Niranjan Chintam: So I think the question was in all the new technologies and the new customers, the activity Karanjit. So let me answer that, we have seen a lot of multimillion contracts that we have won over the last one year in India that was not the case. Earlier, so there are a few customers is giving million plus in business and half a million plus there are multiple of them in India itself which typically we used to hear from outside India. But like Karanjit said earlier in the other regions other than India in Asia, pack of the territory we have made. Significant progress in the Middle East where we have a few multi million customers there also so there is a lot of activity going on and a lot of cool fun stuff happening in the web 3 space, that is probably the next cutting edge technology where there's a lot of hype in there while Web 3 because of the crypto side of it, there is a bad white going on, but the underlying technology of the block chains and the Web 3 is not going to go anywhere. While the cryptos might have a short term or a long term downturn, we don't anticipate the underlying technology will have any effort and we are seeing lot many, many customers asking us to do work in the web 3 space. We are probably one of a handful of global companies that have successfully deployed solution in Web 3 space, whereas others are not. Siri, can you talk about the US layoff? I know you did touch upon it, but a little bit more color please..

Moderator: So let me reconnect Mr. Potluri.

Niranjan Chintam: So while you are connecting, let me answer that so. So I mentioned the other thing that you asked about is what's happening in the US. The layoff so while yes Siri has pointed out a little over 100-120 thousand employees, got laid off in the tech industry space. That is primarily due to over hiring and not because of any reduction in the requirement. Yes, there is some different revenue when it comes to that, but people are looking at the growth rate that what was during COVID time is not there anymore for these tech companies. I'm talking about the Amazons, the makers of the world. So that is the reason why enough people are there companies are starting to reduce the employee base. Answering your question about the customers we have talked to our customers for the 2023 budgets because our 2023 this is calendar year. We do calendar year budgets for the current year budget so now that we have recently started to exercise what we have been informed is that there is no reduction in budget and also as in the industry trend whenever there is a recession or cutbacks, there is going to be greater outsourcing so in India is going to win. So we will probably may have to move some of that contracts. Or customers will be willing or readily willing to move over to India where they were earlier. So that would be your answer, Siri if your back do you want to add any color to that.

Srinivas Potluri: Sure, I had the last part of what you said, Niranjan, and then to answer Neranjan question. So we have these new people, right that have been laid off the high tech people and most of them are engineers. And if you notice, from our perspective of the last year or so, fulfilment was a huge problem. So these people will be, (Inaudible 46.17) which have struggled to or found it challenging to fulfill internally. So these companies have oversubscribed. They have actually hired a lot of people expecting a larger growth and seeing that there was a lull in the supply side. They started hiring a lot of people. All they're doing at this time is correction. So these people will be available in the open market and it will be good for us to actually get some of these people from a perspective of implementing our project, I think it's a big win.

Moderator: We have a question from the line of Rajesh Mundra. Please go ahead.

Rajesh Mundra: What is progressive company in the area of meta work?

Niranjan Chintam: OK, so Karanjit, I'll let you take that, but the high level thing is Meta works today while they are making baby steps. We are doing lot of R&D in Meta works. We do not have too much activity going on there other than the early work, but from when it comes to augmented reality, we are doing a lot of work in that. Karanjit do you want to add anything on that.

Karanjit Singh: You kind of got the crux of it there, so Meta works there is a lot of hype around meta works. In fact, it was pretty high about last two quarters back. We have done a lot of POCs engaged with a lot of customers, especially in the retail space or QSR space? But most of them have been sort of in the PEO CS and those kind of things, but if you see even in the customer wind, I did talk about there are some US cases that will emerge, so in fact, I talked. About live streaming for somebody to book and pay later. It's not exactly Meta works, but some of these things as well. As we hold 5G where screens will go up and it will all converge. So that is where we are at. A lot of excitement use cases are coming up, but they're more of what can we do with it and then some POCs. I think then it will build out to reality in a couple of years.

Rajesh Mundra: There was on Twitter Kellton. There was, you are specifying that there is innovation. What is that?

Niranjan Chintam: What was the question? What is what did you see on Twitter?

Rajesh Mundra: You specified that innovation only word innovation. What was that?

Niranjan Chintam: OK, I guess that's a little bit vague there, Rajesh. And when it comes to that so, but innovation, from our side we are talking about any R&D activity, anything new that we can accomplish with existing technologies or anything new that we can do within our new technologies like the Web 3 dado and or the meta work question that you ask. So that is what we have been doing. Innovation is in our DNA. Anything that we do. We would not the state, not the normal way of doing things. How can we think outside the box and do it different that nobody else has talked about or somebody has an idea, how do we now innovate that idea to make it much more palatable to his or in our customers. That is what we mean by innovation.

Moderator: We have a line, a question from the line of Ranjith Chandrasekaran. Please go ahead.

Ranjith Chandrasekaran: Sorry like this is my first question and in all the conference call of other companies as well and it might go with Charlie but What I could see from the balance sheet is on the other expenses. If you could see from the previous, the September quarter and the last quarter. The other expenses increase at the rate of 10%, but whereas if we compare it with this I mean like the 30th September quarter on the 30th June quarter, the other expenses is increasing at the rate of 20%. So I don't want to get into detail what the other expenses is. I just want to know like is there any way where we can control them or get it reduce?

Niranjan Chintam: So you're right. Other expenses in our case is nothing but the subcontractor or contractor expense. So yes, there was an increase compared to the previous quarters because we were unable to service our existing customers and the new customers that we are getting with the existing employee base that we have. We have almost zero bench or sometimes currently say negative bench. So we but we still have an obligation to our service our customers so we have outs not outsource. We have taken people from outside. To service the existing customers, that is where the expense is grouped into the other expenses bucket in addition to other professional fees that we might have professional fees are we talking about the lawyer fees, the other consultants that are helping out with w. So and also the travel right travel is another area that travel has now opened up, as you are aware where travel has gone up the cost of travel has almost doubled then what it was let's say two years back. So all these things are grouped into the other expenses, so the increase is due to constant to subcontractors and travel related expenses.

Moderator: Sir there are no further questions right now.

Niranjan Chintam: OK, then thank you everybody for joining us for the Q3 earnings call. Looking forward to talking to you either one-on-one. If you have any questions, please reach out to the numbers that we have online as a Rahul Jain I think is where finally reach out a question on an e-mail or ask for a one on one call. We would be happy to talk to you otherwise we'll talk to you during our next earnings call, which is going to be sometime in February. OK, thank you very much for everybody. I'm looking forward to talking to you soon.

Moderator: Thank you Mr. Chintam and members of the management team, ladies and gentlemen. With that we conclude this conference call. Thank you for joining us and you may now disconnect your lines.

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