Management Discussion

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
Thank you, Yashaswi. Good evening, good morning, good night, wherever you are. Thank you for joining our Kellton Q2 earnings call for FY27. I want to start off with the financial numbers, and then we'll talk about client wins, then we'll talk about operational highlights, in that order. So we'll start off with the financial numbers. For this financial quarter, we had a revenue of INR320 crores, INR321 crores in rounding off, which is about 6.5% year-on-year growth, an EBITDA of INR39 crores, and a PAT of INR23 crores.

The EBITDA margin is around 12.1%, the PAT margin is 7.2%, and the EPS is INR0.43 per share. Now coming to the 6-month numbers, we are at Rs 637 crores compared to the previous year at Rs 597 crores, which is about 6.6% growth over the last year's year-on-year 6-month numbers. Now we have a client win of six wins that we had this quarter. Now I'll hand it off to Karanjit to talk about the client wins. And also talk about some of the operational highlights that we have accomplished this quarter. Karanjit, over to you.

Karanjit Singh - Chief Executive Officer, India, Kellton Tech Solutions Limited
Yeah, thank you, Niranjan, and hello everyone. So let me first speak about the client wins. So as Niranjan said, there are six of them that I'd like to mention here. I'll start off with the first one, which is basically a leading automotive finance company. In fact, it's a global company. And we have just engaged with them to design and build an enterprise loan integration platform. This is basically- this will cover things from origination, customer management, credit assessment, all the way to servicing.

And this system is basically the core that they will build on which it will prepare them for the AI-led credit decisioning as the next step. So that's the first one. Similarly, we have signed up with the leading US healthcare claims processing company. So they process claims for multiple companies, and we have been selected to design and build an AI-driven enterprise claim management platform. They want to have their own. Today it is disjointed systems and, manual processes. So this basically, covers everything from submission of a claim, verification, reviews, and all the way to workflow and settlement.

And this, of course, integrates with the provider's network, the policy administration, and the billing and payment systems. This again, similarly, is, something that is foundational to the AI-led claims automation which they're working towards. The third one is basically a low-cost airline from Saudi Arabia. We have just engaged with them for providing quality engineering. So they want an on-site quality engineering, pods for their customer-facing application that's under development.

So of course, this is- we'll just begin our engagement with them and we hope to, strengthen this. And this will also lead us to further opportunities within Saudi Arabia as well. The fourth one is basically It's a premium automotive logistics provider, and we basically have engaged with them first as an audit to their digital platforms and infra. And from there onwards, we have graduated to actually managing their IT infrastructure support and maintenance. So as I said, we started with an audit and we made some recommendations, and now we're kind of helping them with that whole infrastructure layer and help them scale as well as optimize it.

The fifth one is a seed engineering company. We've actually worked with- we work with two agritech companies, so this is a spin-off from one of them, and we have been chosen by the new entity. So we will be building all their, four or five applications, which is basically three backend

systems, two customer-facing applications that cover the whole distribution and the retailer chain. So this, as I said, strengthens another- adds another logo to our agriculture or agri-customers. The last one that I'd like to mention is basically a global hearing aid manufacturer.

They are within the top 5, and we are basically going to help them with basically the engineering and R&D operations in India. So they have a presence in India where they do global R&D and engineering. So we will be helping them with, software, firmware engineering, testing, and things like that. So yeah, these are the six client wins. Let me also quickly go to the operational highlights. Yeah, some of these have already been shared as PRs, but, I will just bring- refresh all of you about them.

So the first one you would have seen is that we participated in the Global FinTech Fest, and SEBI, which is our markets regulator, they had a Tech Sprint and we built an AI-based agent for regulatory compliances, called NIYAMA. And we basically were the first prize winners on that. Almost 525 companies participated and 145 were filtered and 25 were in the final round and we emerged as the winners. In fact, this is one which has been And there's been a lot of interest. We have been getting a lot of inbound emails from a lot of customers saying, hey, we, we're very interested in understanding NIYAMA and the regulatory compliance.

And this, tends to be a very, very important case for, BFSI, banking, fintech. The second one is basically the ADB. At their- they have a Wonder Summit. Which they call IDQ Winter Summit. And we were recognized as the- so we onboarded onto ADB about a year back or so. And we received the Emerging Excellence Award from them, which basically recognized Kellton for rapidly scaling as a technology partner during this last year. And in fact, now they are also asking us if we can help them in their new setup in Spain.

The next one is again something similar. It was again a Global FinTech Fest, and this was basically done for SBI AURA, similar hackathon and a concept development for AI. In this case, we won the fourth position in the hackathon, and this again is an agentic AI solution, but this is for personalized banking. So essentially, it helps in the personalized banking where it anticipates customer needs and acts on them and enables proactive banking. So, that's, another one. We also have another agritech company that we've worked for a long time.

It's a global company. We just completed a complete revamp of all the retailer and distributor platforms with an upgraded technology stack. So that was achieved. It's been going on for a while, but we achieved it during this quarter. So this is a real-time schema engine and loyalty, crap protection, volume. And this obviously was done without any downtime to their- the migration was done pretty much without any disruption to business in a pretty live environment. So yeah, those are the operational highlights.

Yeah. Thank you. And back to you, Niranjan.

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
Thank you, Karanjit. So one thing I wanted to state Karanjit has not mentioned is that anything we're building where we're saying AI, we take it to the core. It's not like, we're slapping it on. From the ground up, we build the platforms, the architecture, everything is thinking ahead of what AI would need. And then we build it so that, tomorrow they don't have to redesign or re-engineer applications and our frameworks and our platforms. So it's AI ready. If they're not using it now, they will use it in future.

So we're making it future-proof. That's one thing I want to state. Thank you, Karanjit. Yes, Yashaswi,

please open up for questions.

Questions & Answers

Operator
Sure, sir. [Operator Instructions] We have a first question from the line of Shweta [Phonetic], an individual investor. Please go ahead.

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
Hi, Shweta [Phonetic].

Shweta - Analyst, Individual Investor
Hi, sir. Good evening to the chairman. I had a question regarding FCCBs. In September, the board approved a, FCCB is amounting to 50 million, and that's a big amount for company and its size. So how much dilution should we expect?

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
It's a good question, Shweta. And, the FCCB currently is, on hold in the sense from the perspective because of the global climate, the macroeconomic conditions, be it the Iran-Iraq War, what's happened with the elections in the US, all that. So yes, our stock price has taken a hit. And just like everybody else in this IT industry, we are also taking a hit. But we think that, the bottom has- is done. So we should be going up. So when the market conditions improve, when the financial conditions improve, is when we will dilute.

And we are not going to dilute at this price point because, we believe that, there is a lot more value in our stock than what is reflected currently. So once that is there and the market condition improves is when we're done with it. So the $50 million that we have, going to raise is to retire debt. We have quite a few acquisitions that we have targeted that we would want to do, and also we want to invest in the IP. One of the things whether we realize is, the, products are getting better valuation than the services side of it.

So we're looking at investing in IP so that we own IP, be it the frameworks that we're building. Some of the stuff you already know, the Phoenix AI or related like Structi.ai, all that stuff that we have built, that is going to yield a lot of traction for us. And we believe that, that is going to be the future because we can deliver something faster, quicker using frameworks. And also like Karanjit always reminds us, it's easy to sell a copy. 'Cause already we have invested money into building something.

Selling the next copy is almost like zero cost, right? Other than the marketing and sales cost. So yes, we believe in that and we want to invest in our IP a lot more. Hence the reason why we were looking to raise the funds. So thank you, Shweta, for the question. Next question, please.

Operator
Thank you. Next question is from the line of Ram, an individual investor. Please go ahead.

Ram - Analyst, Individual Investor
Hi Chairman, good afternoon. Ram this side. I wanted to know, I wanted to know that there was a board meeting held, to approve right issue. Can you, let me know like what's the status of it now and will the promoter take any part in it?

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
Yeah, thank you, Ram, for the question. Yes, there was a board meeting. We have applied to the exchanges And we are waiting on the approvals from the exchanges, the NSE and BSE. It's a work in progress on that. As soon as we get approval, we would work on opening up the rights issue. And yes, the promoters are going to be participating in that rights issue. So hoping that, we're going to have the news sometime soon, probably towards the end of the month or beginning of next month is when we're looking, that we're going to get permissions and then we open up the issue.

Okay, thank you for the question. Next question, please.

Operator
Thank you. Next question is from the line of Raghu, an individual investor. Please go ahead.

Raghu - Analyst, Individual Investor
Hello.

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
Hi, sir. Good evening. Yeah,

Raghu - Analyst, Individual Investor
So my question is, the company Goodwill has gone up significantly over the last year. What caused it?

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
Okay, so the goodwill is related to a Kumori acquisition. That's why it went up. as, as some of the people who have been long-term investors with us would have known, we have written off all goodwill in the US, or international- internationally, whatever goodwill we had, and we only left with the Indian goodwill. We have not written it off because there are slightly different rules when it comes to income tax related rules and regulations in India. So we didn't want to wait through that, but we will ultimately have to.

But the answer to your question is that it's the Kumori acquisition that caused it- the goodwill to go up.

Raghu - Analyst, Individual Investor
Okay,

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
Thank you for the question. Next question,

Operator
[Operator Instructions] We have a question from Vishwanarayan [Phonetic], an individual investor. Please go ahead.

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
Hi Vishwan, how are you?

G. Vishwanarayana - Analyst, Individual Investor
Good evening, sir.

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
Yeah,

G. Vishwanarayana - Analyst, Individual Investor
Good evening, sir.

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
Good evening, good evening, Vishwan. Go ahead, please ask your question.

G. Vishwanarayana - Analyst, Individual Investor
Sir, I appreciate all your hard work in the good result in the current scenario, sir.

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
Thank you, thank you, Vishwan.

G. Vishwanarayana - Analyst, Individual Investor
Sir, one thing, sir, only thing is that, the SEBI and rights issue, when both are all both, how much with both you are leaving the equity dilution going to be more, it seems. Any idea about both?

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
See, at this point we have not decided anything. We will announce that after we get the all the approvals. So yes, the price is not right for the dilution, but given with that, right, we still need money, for the investments that I talked earlier about. We want to invest in, the IPs because a lot of AI-related activities going on. There's a lot of IP that we want to get to. Otherwise, the valuation the way it is today is going to continue on, because when multiples that we're going to get with the product is a lot greater than what multiples we're going to get, with services.

Hence the reason why we are diluting some to acquire IPs and also to retire some of the debt that we have on the books. We don't want to have debt.

Operator
I'm sorry, sir, you're sounding muffled. Can you just repeat the answer, please?

Ram - Analyst, Individual Investor
Sir,

Operator
I'm sorry, still muffled. Hello sir, we are unable to hear you.

Ram - Analyst, Individual Investor
No, madam.

Operator
One moment please, ladies and gentlemen, please stay connected. Ladies and gentlemen, we have Niranjan sir back on the call. I'm sorry,

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
Yeah, we had some technical difficulty. My landline went down, so I'm talking to you through my mobile phone. I apologize if the connection is bad here also. So I, want to continue on with what I was talking about, Vishwan's question related to dilution of rights issue. From a rights issue point of view, there should not be any dilution because Now, whatever it is that you hold currently, you can

get the same number of shares from the rights issue. Whereas the FCCB, yes, there is going to be some dilution, but the reason I think I explained- I'll explain because I was talking in AS on my landline when I was answering this.

So the reason why we are taking the FCCB is to retire some debt as well as to acquire IP. So that is the reason why we're doing those things. And IP in today's market is very important because the valuation that you get for the services is completely different from what you get for a product slash framework slash platform. So that is what the future play is, and we're going to be in that. That is the reason why, we are going for that FCCB route. But FCCB is not happening anytime soon. The reason for that is the macroeconomic conditions as well as the IT industry is facing a challenge when it comes to valuation, and we will wait for the right time to raise the money.

It's just an enabling resolution we have taken from the, from the board, the shareholders, and when the time is right is when we will do that. And, we don't have current plans to do that, CCB, whereas the rights issue, we're just waiting for approval from the exchanges to open it up. Hope I answered your question there, Vishwan. I apologize again for getting disconnected.

G. Vishwanarayana - Analyst, Individual Investor
Thank you, sir. Thank you, sir.

Operator
Thank you. [Operator Instructions] As there are no further questions, I now hand the conference over to Mr. Niranjan Chintam for closing comments. Over to you, sir.

Niranjan Chintam - Chairman and Whole Time Director, Kellton Tech Solutions Limited
Thank you, Yashaswi. Thank you everybody for, joining the call, Q2 FY27 earnings call. Apologize for my voice quality. It's just going through my mobile phone versus the landline. The landline went dead. Hopefully the next time, right, we will have better connection and I will be able to talk and you folks are able to hear me clearly. Looking forward to your participation the next time, and thank you for continuing to trust in us.

Operator
[Operator Closing Remarks]