



# “Saksoft Limited Q4 & FY-19 Earnings Conference Call”

**May 28, 2019**



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**Moderator:**

Good afternoon ladies and gentlemen. Welcome to the Q4 and FY19 Earnings Conference Call Saksoft Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aditya Krishna – Chairman and Managing Director of Saksoft Limited. Thank you and over to you sir.

**Aditya Krishna:**

Good afternoon and a warm welcome to all the participants. Since this is our maiden earnings call would like to share an overview about Saksoft, its business and verticals it operates in followed by our operational and financial performance for the quarter and year ended FY19.

Saksoft Ltd. was incorporated in 1999 with the objective of providing IT solutions for businesses in the banking vertical. In 2005, the company came out with an IPO and got listed on the BSE and NSE main board. Over the years, the company has transitioned from a single vertical focused player to become a digital transformation specialist and an IT solution provider sharply focused across select industry verticals.

In the IT sector there is a growing demand from customers to work with specialists rather than generalists. There is a wider recognition that customers who once played safe in their selection of IT vendors and worked only with the large players are now willing to trust and assign mission critical assignments to the smaller and specialized players. This is where Saksoft has an edge by providing niche and customized solutions across selected industry verticals. This integrated IT capability with business knowledge makes it possible for us to address varied customer needs with effective and desired business outcomes.

We believe our string of pearls strategy has helped us address a customer's expectation of a niche IT service provider with strong capabilities. While the individual companies in our group provide us the 'inch wide mile deep' focus. Collective strength of our group gives the flexibility and required scale to be considered as a digital transformation partner of choice by our customers.

During the last few years we have strengthened our business model by complementary acquisition.

In 2014 we acquired 360Logica, a specialized independent testing company with a focus on the US geography.

In 2016 the acquired DreamOrbit Softech, a Bangalore-based IOT specializing company focusing on the logistics domain. The DreamOrbit acquisition enhanced our competitive edge around service offerings, enhancing upsell and cross sell abilities in the logistics sector.

In 2018 we acquired Faichi Solutions, a healthcare solutions provider in the US offering a wide array of healthcare technologies services including product development, integration, meaningful use compliance, BI and analytics, chronic care management and consumer health. These acquired companies focused on superior delivery experience in their chosen industry verticals and use a common front end of sales in the US, UK and Asia Pacific geographies.

Today the company operates in six industry verticals which are fintech, telecom, transportation and logistics, retail and e-commerce, healthcare, public or government. In these verticals typically we address customers with revenue sizes ranging between US 200 million and US 5 billion. Companies below this revenue size do not generally possess adequate technology spending budgets and on the other hand companies larger are typically processed driven and prefer Tier I companies. This is where we have created a niche business opportunity with more than 90% of our business from repeat clients from these mid-corporate entities. We serve customers across the world. The US and Europe being our key markets accounting for about 90% of FY19 revenue.

Catering to the needs of the above industry verticals, our capabilities are in the areas of application services, information management, testing solutions and infrastructure services.

In application services we offer Mobile and Cloud-first customized Digital Solutions with the help of Internet of Things, Artificial Intelligence, Blockchain and Robotic Process Automation. All of which are emerging trends across the business in recent times.

In information management services we offer Analytic Solutions in the areas of Business Intelligence insights, reporting and visualization to guide Enterprises in using data and intelligence to transform into an intelligence led enterprise, leverage evolving opportunities, secure future performance and improve customer experience.

In testing services from a mere quality assurance, testing is now evolved as an integral part of the digital revolution. Digital testing ensures high quality applications to the less vulnerable security threats or sudden breakdown, with seamless user experience and high performance. We offer independent testing services in all areas such as end to end web application testing services, development of complete test automation framework, complete test management and specialized software product testing.

In infrastructure services we enable enterprises to undertake digital transformation by utilizing Cloud for the infrastructure needs and by migrating their application state to Azure and AWS Cloud platforms. We also enable them to adopt Cloud-based software solutions such as Office 365 and SharePoint online.

At Saksoft we believe we are presently in a sweet spot and we will be able to capitalize on this sectoral phenomenon of a level playing field in selection of IT supplies by customers. Going forward we are confident of delivering stronger and sustainable performance from each of our business verticals which have immense growth opportunities.

Now I will request Mr. Niraj Ganeriwal – our CFO and my colleague to take you through the financial performance for Q4 and FY19.

**Niraj Ganeriwal:**

Thank you Aditya. Now moving towards our operational and financial performance:

I'm happy to announce that for the year we had a major order win which was converted to a million dollar customer within a year's time. This customer operates in Fintech industry and the delivery is being serviced from offshore.

I would first like to focus on our historical financial performance:

From FY15 to FY19 we registered revenue growth CAGR of 12%. However it is important to understand that this 12% CAGR also includes the revenue forgone with lower margins and customers outside our target geography or immediate focus verticals in order to enable us focus on the core business verticals.

Coming onto the financial highlights of Quarter 4 and FY19:

For financial year '19 our revenues were Rs. 358.05 crores as against Rs. 285.87 crores in FY18, a growth of 25.2%. Our Quarter 4FY19 revenues grew by 20.1% to Rs. 93.67 crores as compared to Rs. 78.01 crores for Q4FY18. The impact of currency movement on our revenues and PAT is about 5% and 11% respectively for the financial year '19 based on the same the pure volume driven growth is about 20% in revenues for the FY1919.

The revenue split by geography: America consisted of around 55% of our revenues, Europe consisted around 30% while the remaining 15% was from APAC and other regions.

Coming to the on-site and offshore mix: The on-site and offshore mix for FY19 is 50:50 whilst for FY18, the on-site off-site mix is 53:47. Going ahead we expect this mix to be more on the offshore Revenue split across verticals for FY19: Fintech and Telecom contributed 31% and 16% to the total revenue respectively. Whilst logistics, retail and healthcare and public sector contributed 11%, 9% and 10% respectively.

Saksoft now has six customers of US million dollars plus as compared to five customers for FY18 and seven customers in the range of \$0.5 million to \$1 million. Total employee count stands at 1,168 of which 1,031 are technical and the remaining 127 are support staff.

Utilization levels of employees excluding trainees stand at 84% for FY19.

The EBITDA for the FY19 stood at Rs. 59.16 crores as against Rs. 39.6 crores in FY18, an increase of 49.4%. The EBITDA margin for FY19 stood at 16.5% as compared to 13.9% for FY18, an increase of 267 basis points. The EBITDA margins for Q4FY19 stood at 18.2%, an increase of 371 basis points over Q4 FY18, and absolute EBITDA for Q4FY19 stood at Rs. 17.03 crores as compared to Rs. 11.29 crores for the same period last year.

PAT for the FY19 stood at Rs. 38.21 crores as against Rs. 24.41 crores in FY18, an increase of 56.5%. PAT margin grew by 213 basis points as compared to FY18. The PAT margins for the Q4FY19 stood at 11.4%, an increase of 169 basis points as compared to Q4FY18. The PAT for the Quarter stood at Rs. 10.64 crores, an increase of 41% as compared to the same period last year.

On the balance sheet side:

Our debt position as of 31<sup>st</sup> March, 2019 stood at Rs. 40.93 crores and the cash on the book stood at Rs. 40 crores which makes us effectively a zero net debt company.

The return on equity (ROE) for FY19 improved to 20.8% from 14.7% in FY18 and the return on capital employed (ROCE) improved to 26.7% from 19.7% in FY19. We are confident of sustaining and enhancing these return ratios.

That concludes my update and we will now open the discussion for Q&A.

**Moderator:** Thank you very much sir. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Vaibhav Badjatya from HNI Investments.

**Vaibhav Badjatya:** **Hi sir. Thanks for providing this opportunity. Congratulations for the good set of numbers.** I have a slightly longer-term question and then one or two short term questions. So, from a longer-term perspective if I look at your history you have gone through acquisitions quite smartly, right from 2006-2007 you have been making acquisitions. But on organic growth front what's your view as to why our company has not achieved a good growth on organic front itself? And what are the factors that are holding us back in attacking organic portion of the growth?

**Aditya Krishna:** I think it's a very valid and good question and I will give you a very straight and honest answer. Saksoft started a little late. We did not start and capitalize on the Y2K boom for example. We started 1999-2000. Funding was difficult, so money in those days was difficult to get. So, we were always been undercapitalized, we have always had to be careful of where we spend money, how we spend money and that is why it has taken us longer to build a very solid foundation and if you notice this is our first earnings call after so many years being in the industry because we are now ready. We have all the building blocks, we have a solid foundation, we are no longer handicapped by our small equity base. In fact, that number starts to become a strength rather than weakness and we have got our business model clear and perfect. So, now like I said in the points that I made and my colleague Niraj made, we are at the right place at the right time.

**Vaibhav Badjatya:** On the positive side of it most of the investors have seen that no matter how carefully you make acquisition, most of the time just doesn't work out well. But for you it has been on the other side and you have successfully integrated and have been able to grow those businesses. So, what has uniquely worked in your case so that you are able to implement this strategy in a very successful manner?

**Aditya Krishna:** Firstly we always acquire for capability, we never acquire for customer or for access to market because that's the most risky. Capability doesn't disappear. If you do your due diligence right, if a company is good in delivery it will remain good in delivery after the acquisition also. So, that's number one, they acquire for capability.

Secondly, we always have a model by which we keep the founders of the company that we acquire, with us for at least 3 years so they have upfront payment where we acquire 51% of majority and then there is an earn out over the next 3 years. Now a lot of companies work in a way that the founders don't make the earn out. In our case we work extra hard to make sure that the founders earn the earn out because if they succeed, we succeed and that has been I think one of our secrets of why acquisitions have worked for us.

Lastly as we have acquired companies which are not very large, so we have always acquired companies that we can manage effectively given a management bandwidth. But I would say the middle reason where we work extra hard to make sure that the founders make the earn out. That's a great feeling because the founder now not only makes it upfront payment when we acquire majority but over the next 3 years earns the money that is part of the earn out and he becomes then your reference for your next acquisitions. So, whenever we have an acquisition we ask the founders to speak to the previous acquisition founders and they always say good things about us. So, on day one we start on good note and I think those are some of the reasons why it's worked for us.

**Vaibhav Badjatya:** So, whatever acquisitions that we have made in the last 2-3 years, on the balance sheet is there any pending payments pertaining to those acquisitions which is there and if it is then what is the amount that is there pending for acquisitions?

**Aditya Krishna:** The only pending payment is the last payment for our DreamOrbit acquisition, so that is an earn out of Rs. 8.5 crores and again I'm happy to state that the founders have earned it, so we will be making that payment in July of this year.

**Vaibhav Badjatya:** So, apart from this there is no other liability on that account?

**Aditya Krishna:** No other liability and we already have this money in our internal accruals

**Moderator:** The next question is from the line of Keshav Garg from Counter Investments.

**Keshav Garg:** Since the past 3 quarters we are doing around Rs. 10 crores profit and Rs. 90 crores sales, so do you foresee this run-rate continuing or do we hope to increase our turnover and profit?

- Aditya Krishna:** Nobody is happy to stay where they are. Everybody wants to grow, everybody wants to grow faster, so that's the goal and that's what we are working for.
- Keshav Garg:** So, what growth do you foresee for FY20?
- Aditya Krishna:** As a rule we don't give guidance but I would say that he have a CAGR of 12%. We will definitely meet or beat that and obviously I have to be conservative.
- Keshav Garg:** And also our dividend payout has reduced to less than 10% and as it is dividend is very inefficient, so are you considering a share buyback?
- Aditya Krishna:** No, our dividend has been steadily increasing. In fact this year the dividend that we have paid out is 40%. There was an interim of 10% and then there is the final dividend which the board announced yesterday of 30%, so we are paying f 40% dividend for FY19 and if you look at the history of dividend, we have been consistently paying dividends since the inception of the company. In last year it was 35%, this year it's 40%, prior to that I think it was 30%, so we're steadily increasing. And there is no share buyback because we hardly have any shares out there.
- Keshav Garg:** For last 2 quarters we had negative other income and also in this quarter our other expenses jumped from around less than Rs. 9 crores to around Rs. 13 crores whereas the turnover is same quarter-on-quarter, so what's the reason for this?
- Aditya Krishna:** I will ask Niraj to answer this please.
- Niraj Ganeriwal:** On the other income being negative I think that's very little in our control because that's the implication of the Forex movement. We have seen that upto September '18 the dollar movement was high and the rupee was depreciating but subsequent to that it has strengthened. Overall on a year-to-year basis if you look at it, our other income is more or less constant. We have a hedging policy by which we hedge up to 50% of over receivable which I think is reasonable from the stage at which we are.
- On your next question in terms of other expenses that's the kind of business mix we have whilst the revenue is constant not only have the other expense gone up but if you look at there is a line on support third-party charges that has come down. So, it is because of a particular deal which we had in this quarter the cost for which was captured in the other expense line vis-à-vis the support third-party charges line. If you look at it together, both these items they are more or less in sync.
- Keshav Garg:** I want to appeal you to please do a share buyback and your shareholding is less than 70%, it can really go to 75%, so please consider it.
- Moderator:** The next question is from the line of Viral Mehta from Equirus.

- Viral Mehta:** If I look at your utilization today, you are running at slightly north of 80% utilization. So, is it fair to assume that this is the peak utilization you can do?
- Aditya Krishna:** Yes, we are pretty much max out but 84% is an average. There are certain units, certain areas which are higher for example our testing business is running at 95%-96% utilization. So, the average is 84%. But I would say between 84% to 88% is something that we always try and maintain.
- Viral Mehta:** So, if you try and maintain 84% to 88% then is it fair to assume that there is still slight operating leverage which is left in the system when you have revenue growth and utilization goes up?
- Aditya Krishna:** Definitely there is leverage there and also remember that as revenue goes up you are going to have a SG&A which is going to be a smaller percentage, so EBITDA margins will obviously benefit.
- Viral Mehta:** Also wanted to ask in terms of when you say that you had 12% CAGR growth in last 5years, the growth has also been there because of a lot of acquisition that Saksoft has done. Organically assuming that we do not do any growth, do you still see doing 12% or 12% to 15% kind of top-line growth?
- Aditya Krishna:** At the bare minimum because now like I said we've got the model in place, we have got the foundation in place, we have got the front end of sales in the US and UK geographies in place. So, the engine has started to fire, so there is no reason why we will not be able to organically grow. In fact whenever we've planned, we plan on organic growth and acquisition happened is icing on the cake.
- Viral Mehta:** In your press release you have written that company is confident of maintaining the same growth both on top-line and bottom-line going forward. Just my clarification was this is assuming no acquisition, right?
- Aditya Krishna:** I don't want to be held to that. Finally what matters is growth. How it comes it doesn't matter as long as the model doesn't change. In other words, as long as we remain focused on our industry verticals and we remain focused as 'inch wide mile deep' IT services India. If we get that growth or better than that growth organically or inorganically, that's the objective.
- Viral Mehta:** Because I would say that our stock is also trading very cheap and we are generating cash I think dividend is a very-very tax inefficient way to distribute capital. I would also urge like the previous participant to consider a share buyback. And just last one question, we have around Rs. 40 crores of cash on books and 40 crores of debt on book, so why is that?
- Aditya Krishna:** We always need cash to run the company because there is always going to be different geographies, cash gets locked. So, you can't freely move money from the UK or US to India. So, there is always going to be, we will have to keep cash balances in the different countries, so that's what mainly it comprises. And also, we want to keep some money available for the last



installment that we have to pay for the last acquisition which I mentioned earlier for the DreamOrbit.

**Viral Mehta:** But I'm assuming that that will not run through the P&L, right?

**Aditya Krishna:** But if it doesn't run through the P&L it still consumes cash, right?

**Viral Mehta:** Yes right I understand. It will consume cash but it will not be an expense, it will be an acquisition, right?

**Aditya Krishna:** Absolutely. It's not an expense.

**Moderator:** The next question is from the line of Vijay Gor from First Global.

**Vijay Gor:** My first question is what is our hiring plan?

**Aditya Krishna:** Actually I am very happy to hear this question because hiring is what will determine maintenance of utilization levels at 84%-85%. If you go back to what I said in the beginning of the call where I gave you an overview of Saksoft, we are a very focused company. The way to see us is as a 'inch wide mile deep' organization. So, we do few things but we do with them really well and the few things that we do are growing rapidly, for example all our verticals are growing rapidly. All our service offerings, the demand for that is growing rapidly because we are all in the digital disruption space. To answer your question, the hiring will be very much in line with these opportunities. When we hire, we will hire for Application Services in our key competencies of .NET, Java, Ruby on Rails etc. For Analytics it will be on Predictive Analytics of R and Hadoop as an example, for Infrastructure Services that will be on AWS and Azure and Office365. So, all the modern technologies is where and the digital technologies is where we are hiring and because of the focus, today hiring is always at a lag. The business is coming faster than the hiring.

**Vijay Gor:** The second question is, how we are safeguarding these Trump and H-1B? I think we are employing moving to offshore services but I think the revenue is still we are generating the revenue from US which is around 55%. So, how are we safeguarding from these Trump activities or like that?

**Aditya Krishna:** I would say our revenues are very insulated from Trump. All the revenue mix is 50-50 offshore and onsite. Please keep in mind that most of our growth in revenue is coming from offshore. What we have is a historical business which is remaining onsite which again happened before Trump's time, so that will not go away. But our growth strategy is not focused on getting new H-1Bs or getting new visas either in the US or the UK. We are not dependent on placing bodies in the US for example.

**Vijay Gor:** So, we don't find any problem with that?

- Aditya Krishna:** Our business model assumes that Trump will continue.
- Vijay Gor:** What are the growth targets, you are targeting at 12% to 15% CAGR? We are in 5 to 6 segments, so which segment will be leading for that?
- Aditya Krishna:** All the segments are growing. If you look at Fintech you see the boom in Fintech, you see the boom in Transportation and Logistics, you see the booming e-commerce and you see the boom in Healthcare. All the sectors that we are in are really booming and because they are booming, we don't have any plan to say 'okay' we will only grow 10% in e-commerce or 20% in Healthcare. We will grow wherever we find opportunity in these sectors. We will not do another sector unless we are ready with that sector. Right now, there are no plans for another sector but in these sectors, we will grow wherever there is an opportunity.
- Vijay Gor:** What is our employee leaving ratio?
- Aditya Krishna:** You mean attrition rate?
- Vijay Gor:** Yes, employee attrition rate?
- Aditya Krishna:** 20%.
- Moderator:** The next question is from the line of from Ankit Gupta from Bamboo Capital.
- Ankit Gupta:** Just wanted to check with you, if you remove the new client that we added during the year which could contribute more than a million dollar of revenue, whether there had been the organic growth of the other remaining clients that we have which contribute more than a million-dollar revenue?
- Aditya Krishna:** The new client that we acquired is roughly about \$ 1 million. If you take a million out the top 5, it is contributing 45% versus last year was 42%, so I would say 3% increase.
- Ankit Gupta:** So, removing the million dollars the remaining growth would have been from the existing clients and the older clients which contribute between 0.5 million to a million-dollar of revenue for us?
- Aditya Krishna:** Correct.
- Ankit Gupta:** So, decent growth has come from existing clients as well?
- Aditya Krishna:** Absolutely.
- Ankit Gupta:** Can you also talk about what is our deal pipeline and how many clients are we looking to add during the next year or so?
- Aditya Krishna:** For a company like ours, deal pipeline is the number of deals is very large because the size of the deals is not as large as the Tier-1 players, so our deal size, we normally look at in the range

of \$ 250,000 to \$ 350,000. So, we would have at any point in time a pipeline of over \$ 20 million. But this again I'm saying this is pipeline, this is not revenue and a lot of our revenue is stable revenue, so at least 80% of our revenue is repeat revenue. What we need to grow really is to convert portion of this pipeline.

**Ankit Gupta:** Last year your Company got a big million-dollar client so do you think this traction from this client will continue over the next few years?

**Aditya Krishna:** Absolutely. It's a Fintech client and their business is growing there the Compliance space, Compliance is a very hot space so they are spending more and more money and we are benefiting from that.

**Ankit Gupta:** Apart from this client, any other deal pipeline that we have for future clients for any other clients during the next year?

**Aditya Krishna:** Like I said we have a fairly healthy pipeline, we are always looking to convert as many logos per quarter as we can with the objective of making them at least a half a million or a million-dollar client.

**Ankit Gupta:** One specific question on business model per se, so basically what we understand is the kind of clients we target are relatively much smaller compared to what clients Tier I IT company targets. So, is it that the competition in this space is much less that we get such kind of clients or why would a customer come to us? Is it based on pricing, is it based on our services so what differentiates us from a bigger IT company or other IT company of our type?

**Aditya Krishna:** The IT industry is I don't think there is any shortage of demand. It's like I have a bucket which I need to fill and I have the ocean in front of me. It doesn't matter where I fill the bucket from because water is the same. That's literally the analogy of IT industry. There is so much spending that happening in IT, if you look at all the disruptions that's happening even in our domestic market you will see it's all IT driven, whether it's Swiggy, Ola Cabs. What drives them? Finally, it's the IT spending that's driving them and that disruption is coming maximum in the verticals that we are present. There is no shortage of business. It's our ability to grab this business which determines how much we grow.

**Ankit Gupta:** So, let's say a contract comes from a client from a decent pipeline, so that would be inviting bid, so is pricing the only criteria on which a new client is won?

**Aditya Krishna:** A lot of the business that we get is not through formal bids. It is through relationship, so the customer is happy with the relationship, he is happy with our delivery, he is confident of our delivery, so as and when he wants to spend more money or has new digital programs, he automatically comes to us. It's not that we have to compete with the competitor to win the business. I would say the majority of that business is in this space and keep in mind this is the

mid-tier enterprise. They don't have the organization structure to do an RFP process to do a formal bid process or a supplier selection process that some of the large companies have. They are also careful of how they choose and once they choose then the business keeps coming.

- Moderator:** The next question is from the line of Saumil Shah, an investor.
- Saumil Shah:** I have two questions firstly USD-INR, if we say in 2017-18 was broadly in the range of Rs 64-65 per USD which ranked to as high as Rs. 73-74 per USD in current year and now settled around Rs. 70 per USD. So, just wanted to understand this improvement in margins is mainly because of that?
- Aditya Krishna:** No, it's not mainly because of that there are two factors but exchange definitely has contributed. Niraj will give you an idea.
- Niraj Ganeriwal:** So, just to explain that the revenue growth which has come as I had mentioned in my earlier—when I was speaking through the results—is out of the 25% growth for FY19, around 5% have come because of the exchange but the balance 20% is the real growth which has come in. And the improvement in margins is because of the mix of our onsite-offshore revenues which have improved from 53:47 onsite-offshore to 50-50 onsite-offshore. In IT industry in general the offshore revenues come with a much higher margin as compared to the onsite margins.
- Saumil Shah:** If tomorrow say USD-INR goes back to Rs. 67 or 65 per USD range then would we be able to have similar growth in FY20 as well?
- Niraj Ganeriwal:** Currency always plays a role, so if it goes down it will definitely have an impact on the INR numbers. So, we will have to factor that but currently we believe it is stable around this number and based on that stability we have forecasted revenue growth.
- Aditya Krishna:** Keep in mind we are following a consistent hedging policy. 50% of our contracts are hedged. So, to that extent it will be insulated.
- Saumil Shah:** If we see other comprehensive income, net of taxes, there are items that will be reclassified to P&L from **Rs. 5,51,00,000** loss of something. So, what is that basically I didn't understand that?
- Niraj Ganeriwal:** That is under the new Ind-As Accounting Standard. We have something known as a Foreign Currency Translation Reserve which arises only on account of consolidation. When you consolidate various entities will multiple exchange currencies because we operate under USD, GBP, SGD, so when you translate everything into INR there will be a foreign currency translation reserve which is a notional amount.
- Saumil Shah:** It's not the actual thing.
- Niraj Ganeriwal:** Yes, it's a notional amount because that was never be an P&L item but from a consolidation perspective it has to be disclosed here.

- Saumil Shah:** Just one suggestion we should hold this con-call quite often, now since we have started.
- Aditya Krishna:** Yes that will be our objective for sure and please participate every time.
- Moderator:** The next question is from the line of Vinod Kashyap, an investor.
- Vinod Kashyap:** When I see the historical earnings of Saksoft I see it's been a little erratic in the top line and bottom line. For example if I see just the standalone income in March 2016 it was like Rs. 10 crores then it fell to Rs. 6 crores and now it has started moving up again. So, my question is what gives you confidence for this sustainability and the quality of earnings in terms of more customer engagement and more skill presence how do you avoid this past erratic results?
- Aditya Krishna:** Firstly, looking at standalone does not make sense for a IT company because majority of our revenues are either US or UK driven so the billing entities are US subsidiary and UK subsidiary so the real picture or the only picture really is a consolidated. Your point is valid though that even on a consolidated basis there have been years when growth has been little tepid. But that has been predominantly because we have tried to get our business model perfected and that is the reason why we never came for earnings call, we never came to the market because we were getting our act together. Now that we have the confidence that our model is in place, our foundation is in place, the building blocks are in place, we are very confident that the growth that we are seeing is something that we can emulate going forward. That's what I kept saying again and again that the time is right for us now.
- Vinod Kashyap:** So, you are saying that the things are looking positive now where would you like to invest or what would be approach to become something like a mid-tier IT company since you said the deals are still in the range of \$ 350 K something, wouldn't you want to have more million dollars deals? Where would you like to attack in the Fintech space or is it going to be the subsidiaries or where would you want your focus to be on?
- Aditya Krishna:** Good question and we are very clear on this that we cannot or it's not that we cannot, it's difficult for us to compete straight for a million-dollar deal. So, what we do is we approach customers in our target market, companies in our industry verticals which are \$ 200 million to \$ 5 billion in revenue size. We approach them with what we can do for them from a digital disruption, digital transformation perspective. How we can help them in their business model. We win confidence with these customers through deals sizes of \$ 250,000 to \$ 350,000. We build relationships at this level. Now keep in mind these are organizations which are much smaller than the Fortune 500 or the Fortune 100 even the Fortune 1000. They are not very comfortable dealing with Tier I players. They are comfortable with dealing with companies of our size because everybody wants to deal with people of a similar level. They are comfortable with us as we are able to respond fast; we are more flexible in the way we deal, so the relationship starts building at a \$250,000- \$ 350,000 level. Once that relationship builds then these organizations like I mentioned earlier don't go through an RFP process, they don't go through a bidding process. They just keep all their IT work to one supplier or two suppliers and that's where we capitalize. Once we are in the good books of them, we are delivering well we keep getting business from

them repeat business and that business grows. If those companies' business model grows we grow. That's really been our approach to this market.

**Moderator:** The next question is from the line of Keshav Garg from Counter Investments.

**Keshav Garg:** During last AGM you told us that you hope to grow by 20%-25% for the next 3 to 5 years and you also said the margins are going to expand because you have got out of your big size contract. But now you are saying that you hope to grow at half the rate that is 12% and also you are saying that there is no dearth of business, it is like filling a bucket with the ocean? How come this growth rate expectation has halved in last one year?

**Aditya Krishna:** I mentioned that we are going to equal or beat our CAGR for the last so many years which is currently at 12% that's the only thing I have said. Like I said we don't give guidance but our objective is obviously to grow which is why we are having this earnings call. If we don't grow the business nobody is interested. Our objective will be to grow now whether we will grow at 12% or we will grow at 25% or 30% I really can't give you that guidance.

**Keshav Garg:** Your point is well taken and one thing is there if you can think about it so whatever we grow our profits by whatever percentage our EPS of the growth by that percentage only. But if you do a share buyback then the number of shares will permanently reduce and so our EPS growth will be more than our profit growth because the denominator has gone down and it will be permanent. Once you give a dividend you pay DDT and then the shareholder pays tax on that and it is a one-time thing. But if you do a buyback then the buyback will have permanent effect. It will permanently reduce the number of shares, so next time whatever dividend you give per share dividend will increase even if you keep the dividend constant, the payout constant. I hope I am making sense to you.

**Aditya Krishna:** I hear you and I also heard the previous two gentlemen giving the suggestions of share buyback. Unfortunately, our capital base is fairly small, our paid-up capital is Rs. 10 crores approximately which means 1 crore equity shares. In today's days that's a pretty small equity piece and out of that floating stock is 25%. You are talking 25 lakh shares in the market. Out of 25 lakh shares if you're going to buyback what is going to be left? Anybody wants to invest is going to drive up the price unfairly. I don't know if it makes sense but since you and two other gentlemen have already suggested we will evaluate.

**Keshav Garg:** That problem can be very easily sorted out with the bonus issue. Bonus is just a book entry so that can take care of the liquidity aspect and if you see all the big IT companies TCS, Infosys, Wipro they are doing repeated buyback, so that's why they're EPS is growing more than their profit growth and the stocks are outperforming.

**Moderator:** The next question is from the line of Viral Mehta from Equirus. Please go ahead

**Virral Mehta:** All my questions have been answered.

**Moderator:** Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Aditya Krishna for closing comments.

**Aditya Krishna:** At Saksoft, we believe that the building blocks of the next phase of our growth are in place. We stand at the cusp of an inflection point that should translate into enhanced value for all stakeholders of our company. I hope we have been able to answer all your queries. In case you require any further details, you may please contact us or our investor relations advisors, Strategic Growth advisors. Thank you to everyone for spending their time with us and for joining us on today's call. Thank you.

**Moderator:** Thank you very much sir. Ladies and gentlemen on behalf of Saksoft Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.