"Saksoft Limited Q4 FY-21 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Saksoft Limited Q4 FY21 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during 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. Diwakar Pingle from Christensen IR. Thank you and over to you sir.

Diwakar Pingle: Thanks Steven. Good morning to all participants in this call. Warm welcome and welcome to the Q4 and full year FY21 on this call of Saksoft Limited. And the Results and Investor Presentation have been mailed to you and is also available on the website at www.saksoft.com . In case anyone does not have a copy of the Press Release and the Presentation please do write to us and we'll be happy to send the same to you.

To take us through the results today and answer your questions we have with us the top management of the company represented by Aditya Krishna – Chairman and Managing Director. And Niraj Ganeriwal – Chief Operating Officer and the Chief Finance Officer. Aditya will start the call with a brief overview of the quarter gone by which will be then followed by Niraj giving a detailed highlight to the financials for the full year. We will then open the floor for the Q&A session.

I would like to remind you that anything that is said in this call which gives any outlook for the future or which can be construed as forward-looking statements must be viewed in conjunction with risk and uncertainty that we face. These risks and uncertainties included but not limited to what we mentioned in the prospectus filled with SEBI in the subsequent annual report you will find on the website.

With that introduction, I'll now hand over the call to Aditya. Over to you Aditya.

Aditya Krishna: Thank you Diwakar. Hello, and good morning, everyone. Welcome and thank you for joining us today. At the outset, I trust all of you along with your families are safe. While in the first wave, we heard of fatalities from afar, the second wave seems to have impacted us much closer. I don't think there's even a single family that has not felt the pain of this pandemic. Saksoft as a company has kept health and wellness of the employees paramount and we still continue to work from home as we deal with the pandemic. As an industry, we're very fortunate in fact, I would say we are blessed that we can actually work from home. There are many organizations where working from home is not possible and employees are at considerable risks to go to work every day.

Vaccination is probably the only key weapon and only real weapon that we have with us to fight this disease and I would urge all of you to get yourself vaccinated at the first available opportunity. We have initiated the vaccination drive for all our employees and their families. You would be also pleased to know that we have decided to continue paying salaries for all of our colleagues that we have lost in this pandemic indefinitely till we can stabilize their families.

I'm sure a lot of you are regular listeners to our earnings calls but I would like to take this opportunity to introduce Saksoft to some of our new investors who may have logged on to this call.

Saksoft is a digital transformation partner that helps our clients automate, modernize and manage IT systems, through a combination of domain specific technology solutions, and solution accelerators from consulting to support. We have been in business for a little over two decades now with offices across 14 locations covering USA, UK, Asia Pacific and Europe and associate strength of over 1,250.

The key verticals that are our focus includes – FinTech, Transportation and Logistics, Retail and E-Commerce and Healthcare. The interconnected nature of the verticals allows us to cross sell and upsell service offerings to our clients. And we believe that the target addressable market in the said verticals will only grow in the future and we are uniquely positioned to address the same. Telecommunications in Public Sector are the other verticals where Saksoft has been at the forefront of some transformative and cutting-edge solutions to our partners.

The verticals are supported by horizontal service offerings spanning Analytics, Cloud Solutions, Legacy Modernization, Testing and Application Development. Our offerings are predominantly in the Americas at 47% of our revenue, Europe contributing 31% and the balance in Asia Pacific and other geographies.

Saksoft has used a string of pearl strategy in the past to grow with some tuck-in acquisitions that have enabled us to add to our service offerings. We will continue with this strategy in the future too if we come across any opportunities that would fit Saksoft's business model

While Niraj will delve into the detailed financials, I would like to say that Saksoft has been consistent with its performance. And our focus on cost efficiency and optimization has ensured that our profitability margins have seen an increase over the years. This has translated into a healthy cash flow, a dividend record over the last five years is a testament to our policy of rewarding the shareholders. I am pleased to announce that the company has declared a final dividend of INR.2.5 per share. That's 25% on equity shares or INR10 each for FY21. This along with the interim dividend will add up to INR 5 per share for the full year that is 50%,

Where do we go from here is the question in everyone's mind? Is there a space for another mid or IT company to hold its own against large players?

We believe in this age where change is a constant that is definitely an opportunity for companies like us. A few factors that could play for us include:

1. Saksoft's focus on emerging sectors, mainly FinTech, Transportation Logistics, Retail and E-Commerce and Healthcare which are definitely the verticals of the future.

2. Being nimble and agile is a feature that has won a lot of business and will continue to do so.
3. Our inch wide mile deep strategy where we focus on niche verticals and offerings is one another reason which we believe will win us profitable business.
4. Saksoft is consolidating its front end to ensure that we have more hunters that can source opportunities for us. We realize that we have not grown as fast as we should have, and this is an area of focus for us.
5. Lastly, focus on acquisitions will continue and our track record of successful integration of over five acquisitions gives us confidence to go down this path with these.

As I conclude:

I would like to say that FY21 has been a rather unique year in our history as we battled a pandemic that only disrupted businesses across the world but left a lot of mental and physical scars around countless people. Despite the headwinds, we believe resilience is at the core of our existence and it is my earnest belief that the commitment and support of the entire fraternity at Saksoft and our esteemed shareholders we will be able to charter a growth path in the current fiscal.

I would now like to hand over the floor to Niraj to take us through the financials.

Niraj Ganeriwal: Thank you Aditya. We will now go over the financial performance for Q4 and FY21:

First, on the revenue side, Q4 FY21 revenues are at INR 97.45 crores vis-à-vis INR 92.9 crores in the Q4 FY20, which is a growth of 4% on a year-on-year basis, and flat quarter-on-quarter basis. The FY21 revenues are at INR 385.81 crores vis-à-vis INR 358.78 crores in FY20 registering a growth of 7.5%.

If we now look at the EBITDA, the Q4 FY21 EBITDA is at INR. 15.55 crores versus INR. 13.85 crores in Q4 FY20 which is a growth of 12.3% year-on-year and a de-growth of around 11.2% from the previous quarter.

The Q4 FY21 EBITDA margin is at 16% as against 14.9% in Q4 FY20 and 18% in Q3 FY21. The full year FY21 EBITDA stood at INR 64.42 crores, as against INR 61.03 crores in FY20 with the margin at 16.7% with a 17% in the last year. Despite the challenging environment, the margins of the company have been stable as a result of strengthening of our niche capabilities in the selling industry verticals.

Now taking you through the profit after tax:

Coming to profit after tax, the Q4 FY21 PAT is at INR 12.51 crores versus INR 9.8 crores in Q4 FY20 a growth of 27.7% year-on-year and 3.6% growth on a quarter-on-quarter basis. The full year FY21 PAT is at INR .45.44 crores as against INR 38.65 crores in FY20, which is a growth of 17.6% over the previous year. The decrease in finance costs for FY21 led to a further improvement in net profit. This has resulted in our earnings per share being at INR45.68 during FY21 versus INR 38.67 per share in FY20. This is an increase of 18% in the EPS on a year-on-year basis. The impact of currency movement on our revenues for the current year is about 3%. Based on this, the pure volume driven growth in revenues is about 4.5% as compared to the previous year.

Now taking you through the revenue split by geography:

America's contributed about 47% of our revenues. Europe contributed around 31%, while the remaining 22% came from Asia Pacific and other regions.

In terms of mix of revenues the onsite and offshore revenue mix is 48% onsite and 52% offshore for the full year. We do expect this mix to be inclined towards the offshore in the longer-term.

The revenue split across verticals is as follows:

FinTech and telecom contributed about 27% and 23% respectively, while Transportation and Logistics, Retail, Healthcare and Public Sector contributed 9%, 11% and 10% respectively.

Now taking you through the customer matrix:

Saksoft has about six customers of million dollar plus segment and nine customers who are in the USD 0.5 million plus segment as of financial year 2021. The total employee count stands at 1,260, out of which 1,127 are technical and the remaining 133 are support staff. The utilization level of employees excluding trainees, stands at 82% for the full year FY21.

Moving to the balance sheet:

As of 31st March 2021, our debt position stood at INR 26.5 crores and cash position stood at approximately INR 90 crores, which makes us a net cash company. The improvement in cash position was mainly led by the improved EBITDA and margins, greater focus on the debtors collection, resulting in better AR collection period and cost efficiencies. For FY21, our return on equity stood at 17.5% and the return on capital employed stood at 22.1%.

This concludes the update on the financials, and we will now open the discussion for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.

Vaibhav Badjatya: Hi. Thank you for providing the opportunity. So, if I look at your revenue growth build up and try to look at vertical wise split . So, it seems to me that it is largely coming, again, from telecom vertical in Europe. And if I also look at your top five client, their proportion has declined. So, does it mean that we have added more telecom clients in European markets, and that is what is providing us growth during the year?

Aditya Krishna: Vaibhav that's actually not correct, what has happened is that, last year has been a very challenging year to add clients because of the pandemic, our sales team has not been able to do any face-to-face meetings with prospects. So, the growth has mainly come from growing existing customers, and growing our share of business with these customers. So, the growth in telecom that you're referring to is actually the revenue from our top telecom client has increased. So, that's, what's happened, we have added some customers, but the growth has been not as much as we would have expected because of the pandemic.

Vaibhav Badjatya: Okay. So, it means that the non-telecom top four clients have declined that's what it means, telecom has grown that much, around 23%, 24% growth generally come vertical. So, if the top client has grown then rest of the clients must have declined?

Aditya Krishna: Some of our top FinTech client declined because they started a captive in India and some of them just moved. It's a long tail so that continues to if I can use the word 'torment us', but it's been more like a hump.

Vaibhav Badjatya: Okay. And secondly, you mentioned about consolidating the front end, can you elaborate more on that what exactly you are doing and how it will impact either the revenue or the cost, what exactly you are doing when you see consolidating the front end?

Aditya Krishna: See if you compare our business and our company to any large IT player in the industry, you will see that in most of the metrics, utilization, onsite offshore mix, we are very comparable. Return on capital, return on equity, we are very comfortable, the only place where we are lagging is revenue growth, top line growth. Now, if that is something that we can overcome, and believe me, there is a lot of focus on that, to overcome that and 8% is not a great growth by any standards and we are not happy with it. So, if we can just get over this growth issue, then there is nothing which will stop us from really leap frogging our numbers, unfortunately the pandemic, the situation, the size of the business, makes it difficult for us to grow business. And if you would have, you are a regular participant to our calls, and you would have seen that every time this question comes up, and I answer it by saying we are continuing to focus on it. But, I have to say rather there is no silver bullet, there is no magic wand, it will require a lot of effort. We are making progress, progress will be small, but you can see over the years the progress has been there and it's been consistent. We're hoping we can accelerate that.

Vaibhav Badjatya: Right. So, does it mean that you're kind of reorganizing your front end or reducing it or you're hiring more, that's what I meant to say what does it mean consolidating front end, what exactly you're doing at the front end?

Aditya Krishna: What we're doing, when I say front end it's the sales engine. So, we are continuing to invest in the sales engine, we're not going to reduce spend in the sales engine because revenue growth will come from the sales engine, so we will continue to spend sales, use the optimal mix , onsite sales and offshore sales, to try and get more business into the company, more new customers into the company, that's really what it means.

Vaibhav Badjatya: So, you will be hiring more people, or it is just realizing the same business?

Aditya Krishna: No, we will definitely hire more sales people. We continue to do that every year, the only thing is because of the cost we have to sort of stagger the cost in-line with revenue growth. So, we can't obviously hire too many at one go because it will have an impact on the quarterly numbers, so we have to be careful.

Moderator: Thank you. The next question is from the line of Sunny Ahuja, an Individual Investor. Please go ahead.

Sunny Ahuja: Actually, you had alluded in the previous concall also that you were looking at the overall liquidity situation in terms of the number of shares, the free float of the shares. So, any particular strategy or something that we can expect in terms of boosting the overall liquidity or the number of shares that are there in the market to probably attract maybe slightly bigger investors in the company. Thank you.

Aditya Krishna: Sunny, one of the things that we are doing is, you would have noticed that as part of our shareholding we have about 5% of our shareholding in the ESOP trust, that's about 5 lakh shares. Now, the ESOP trust is formed at a time when, the company was formed and over the years, the relevance of that has been lost and it is no longer classified as promoter shareholding it's classified as other shareholding. So, what we would like to do is, with the proper governance and the proper approvals, we would like to over time offer that in the market. And the plan is that a part of that will be bought by the promoters and the balance depending on the interest will be sold in the market. So, that hopefully will bring some more floating stock into the market. Does that answer your question?

Sunny Ahuja: Yes, actually that does. So, again, just a follow up question on that, when you say a part of it will be bought by the promoters are you alluding to some kind of a buyback or would it be like a market in market purchase, or can you just elaborate on that a little bit more?

Niraj Ganeriwal: So, Sunny we are not eluding on any buyback as such, anything which would be done would be with proper governance and approvals. And any transaction would be done at market price and at the counter.

Moderator: Thank you. The next question is from the line of Amit Jain from Monarch Networth Capital. Please go ahead.

Amit Jain: So, most of the questions are centered around growth only, the growth challenges which company are facing. You have answered to the previous caller. But still, I would like you to the challenges that is being faced by the company and you have mentioned about the course correction, I was reading your annual report. You have mentioned about that post correction, so if you can just throw some light on that, so what exactly the company is doing to meet that. And something on the employee front, because employee front remains the same. So, that is something and about the attrition rate. And I was somewhat concerned about the client concentration where still the company deriving 40% of revenue from top five clients which is slightly on the higher side. And going forward, are you seeing some change in the offshore mix, maybe offshore mix going to rise. I have one more question that the company's share from the digital and future technology. So, that is something I couldn't find so if you can just share that details also, how much company is deriving from the digital front. Thank you.

Aditya Krishna: So, Amit, let me address the growth part first. The growth is our biggest challenge, if we were growing at 25% year-on-year, we would be in a different space in terms of our stock, you've seen our stock, we are at an earnings per share of INR45 we are roughly about 10, 11 price earnings. Industry is at 25 to 30. If we can, solve our growth problems and it's not an easy problem, but given the long, the tenure of the company, the foundation that we have built, the management team we have in place, I'm very confident that we will solve this problem, it will not happen overnight, but it will get solved and that's the opportunity. If we can solve this growth problem, then we get into a different league and a different corporate, and that's the goal. Now, how are we going to do it, we are going to do it with the same building blocks that I have over the years highlighted - the inch wide mile deep strategy, focus on certain verticals, focus on select geographies. So, a company of our size can't do everything for anybody. It has to be focused, it has to be niche driven, and that is what is allowing us to keep our profitability and our margins, at the level where it is, now when we do that we sacrifice growth obviously because, you're now working or getting new business and additional business in a smaller target market, then the universe. So, growth is a challenge. Having said that, if you notice the previous year, and I'm talking of FY20 we were flat, this year we have grown 8%, 8%, is not a great number, but considering what happened last year, it's not bad. We are hopeful that this year will beat that, and so on with each year and like I mentioned earlier there is no silver bullet, we have to work at it, we have to plot at it, you have to push at it, and only then it will happen.

Now, you asked a number of questions. So, I hope I remember most of them. Regarding the onsite offshore mix, we're at 48:52. We will push more towards offshore, but it's going to be a tough grind again, because 48:52 is pretty much better than industry standard. Maybe we can get it to 47:53 or something like that, but it's not going to be very significant. Niraj what else did I miss; would you like to pick it up?

Niraj Ganeriwal: Yes, Aditya. One of the questions Amit you had asked was on the employee cost and the count. The employee cost being stable, during the previous year which is the FY2021 we're talking about yes the employee cost have been stable, because in the pandemic situation and with everyone working from home, we were trying to manage our resources effectively. And rather than doing tremendous increase in the headcount, we have worked with more of the freelancers and the subcontracting and the contractor market, trying to get people who are available for short term basis, which is where you will see that the support and third-party charges lined that cost element has gone up, vis-à-vis the employee cost line. Other than that, on the Utilisation as I mentioned, we are at 82%, we have been maintaining that for quite some time. And, those were the questions.

Amit Jain: Niraj, you're talking about utilization, I asked about the employee count remaining same not about the employee cost. So, we have not grown it down the employee strength, and second is on the attrition because we have mentioned about the utilization but there is no mention of attrition, I couldn't find that detail. So, what is your attrition rate, so these are the two questions on the employee front. There is another question on the client concentration so I want something that because this is something slightly discomforting, I can understand our company has priced obviously as such, but like if we are working on that. And third question is on the digital technologies and emerging technologies company share so what exactly, how much share in the overall revenue from these technologies?

Aditya Krishna: On the attrition side, Amit we are tracking at about anywhere between 22% to 24% per annum attrition which is pretty much where the industry is at. Now, regarding the concentration of clients, yes that is an issue. But it's an issue which will go away as we grow, it is not an area of focus for us, because wherever I can get revenue today, I want to get revenue, even if it is from my largest customer. Now, the fact that the largest customer is working with us means we have removed some value to that customer. So, I'm not really concerned, it's a thing to keep in mind, but it's not something that is critical for us, growth at any cost is critical for us.

Amit Jain: And Aditya, last thing on the digital?

Aditya Krishna: Yes, so in terms of digital most of our business I would say at least 80% to 85% of our business is digitally. We are only in the new technologies, we are not so much in the run the business, we are mostly in the change the business technology. So, I would say almost 80% to 85% of our revenues are digital. Because what is digital, it's a very loosely used word. Everybody, because of the pandemic everybody is looking at digital, but what does digital really mean. Digital to me, the simplest definition is something that can allow a company or a business to operate with the absence of paper. Now, most technology allows you to do that. So, using that terminology and definitions, I would say 80% to 85% of our revenues are digital.

Moderator: Thank you. Next question is from the line of V. P. Rajesh from Banyan Capital. Please go ahead.

V. P. Rajesh: So, I am new to the company so my question maybe a little basic in some respects. So, firstly, on the dividend side, what is your capital allocation policy because with Rs. 90 crore of cash, Rs.5 per share seems a very small amount. So, that's the first question.

Aditya Krishna: I know it's a small amount Rajesh, but we need to keep the money to grow the business and we're always looking for opportunities to acquire businesses and so it's a tough balance between rewarding shareholders via dividends. and also growing the business, so more is better. But consistently we have been increasing dividend. Last year, it was 45%, which was INR4.5 a share, this year it's going to be INR5 a share and hopefully the trend will continue. And we would have seen our share price between last March or last April, and this March. So. shareholders had a good run, and dividend is one part of it.

V. P. Rajesh: Okay. Second question on the business maybe your BFSI revenues. So, I'm just wondering if you are at 80%, 85% digital, and that particular vertical seems to be growing for most of the IT companies out there, what was peculiar about our business review?

Aditya Krishna: Could you just repeat that question Rajesh?

V. P. Rajesh: Yes. So, if I look at your contribution from the BFSI vertical, it seems to have degrown. Whereas, most of the other IT companies are growing in that particular vertical on the digital side. And I heard you say that 80%, 85% of the business is digital. So, I'm just wondering, why did we degrow in that particular vertical?

Aditya Krishna: Okay, it's important to clarify Rajesh that. For us, there is no BFSI it's FinTech. So, we don't work for the large banks. So, we don't work for the JP Morgan's, we don't work for the Citi Bank. We work for companies which are FinTech, so companies which are in the compliance stage with products for anti-money laundering, companies which are in the credit management space, companies that are in the identity theft business, those are companies which are in the payment business, for example cashless card withdrawal applications, those are the places where we work and that we term as FinTech. So, and all that business is digital, there is no nothing, which is not digital, if I was to use the earlier definition of digital. So, please keep that in mind when you compare us with companies which are focusing on the BFSI domain.

V. P. Rajesh: Okay. Sir, thanks for the clarification. But why did we de-grew in that business because FinTech seems to be doing quite well, from what I understand at least in the U.S.

Aditya Krishna: Yes, so the only reason we have de-grown is that our largest customer in this space, which is one of the largest credit bureaus in the world has opened a captive in India. So, we have had to transition some of the work from America to India, and they have taken some of the work in-house. So, that is what has hit us in terms of de-growing in that segment.

V. P. Rajesh: Okay. And in terms of growth, you obviously made some comments in response to earlier questions. But, I'm just curious that are you looking to acquire something which is of substantial nature, that can really get you to some sort of scale, because around $50, $55 million, firstly I am not sure if you are being able to bid for a lot of deal also, we are slightly on the larger side. So, I'm just curious how let's say two, three years forget this year, but two, three years where do you see this business to be both organically, plus inorganically?

Aditya Krishna: Okay, so organically it's important to understand that our target market is companies which has revenues of 100 million to approximately $2 billion or $2.5 billion themselves. So, except for the upper end, companies which are $100 and $150 million in revenue, don't have a very formal procurement process. So, they will not have a bidding process or an RFP or a procurement organization. So, we don't get business through that route. And if you remember, from an earlier comment we stay away from the very large organization the Fortune 100, Fortune 500 companies, because they tend to be more formal in the procurement process. And we're at a handicap vis-à-vis the large players because of our size, so we don't play that game. So automatically. organically that challenges us in terms of growth. Now, as far as inorganic growth is concerned over the years since 2014, if you hadn't noticed every year, we have made some payout or the other for acquisitions. But our acquisitions have been more for capability than they have been for revenue, because we have always been strapped for cash. We have funded it partly through internal accruals and partly through debt, this is the first time when the company is sitting on some cash and we want to reserve that cash, grow that cash and do a reasonably large acquisition. And this time we want to do an acquisition for size. So, your point is well taken, if we can get an acquisition of a reasonable size, it will leap-frog us into a larger revenue space.

V. P. Rajesh: So, my question was, it seems from your comments that you're in the SME segment, small and medium businesses, your clients. So, could you talk about when you're competing for their businesses sales who are you competing, which are the IT vendors that you compete with?

Niraj Ganeriwal: I can't name any particular company that really comes to mind it is such an un-penetrated space, most of the times we're competing with some local company, remember that we are only targeting the UK geography and the U.S.. So, most of the places we are competing with a local player and sometimes, another offshore company, it could be Eastern European company, it doesn't have to be an Indian offshore company. So, no particular company comes to mind when we compete.

Moderator: Thank you. The next question is from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.

Vaibhav Badjatya: So, if I look at your growth again the vertical which is named as "Others" that has grown a lot. So, can you highlight what has driven that growth and what is exactly included in that vertical, which kind of businesses or which kind of segments are there in that others vertical?

Niraj Ganeriwal: So, Vaibhav when you say that it has grown, over the years it's been coming slightly down two years back the others vertical was around 23%. Previous year it came down to 18% and now it's back at 20%. So, there are some customers which don't actually fit within these five, six verticals where we operate, but we've been working with them over a period of time. And, so it's not good to just drop them like hotcake, they could be somewhere in the utility space, some in the manufacturing, which particularly don't fit across within these five, six verticals are the ones which are categorized there. But we don't believe that it will go beyond 20%, 25%. So, the major focus is on our top verticals, which should always be around 75% to 80%, 20% could be the manufacturing or utility and the residual sector.

Vaibhav Badjatya: Yes. So, again, if I look at your vertical, which is Retail and Healthcare, which is mostly your E-Commerce and Healthcare vertical. So, that vertical has also de-grown a bit. So, just wanted to understand what has happened in that, like you explained in FinTech that one of the client has launched his captive in India. That is the reason, for health care and Retail vertical what has happened which has led to the degrowth?

Aditya Krishna: See, I don't think you should get hung up on the numbers and the percentage too much, because at the end of it, it's 385 crores, it's not TCS which is very, very large numbers where 1% or 2% makes a big difference. So, these are just metrics which we are tracking to manage the business. The focus, like I said earlier is grow revenue, irrespective of where it comes from these four verticals. Now, if in the process, FinTech grows, transportation logistics falls or Healthcare grows and Retail, E-Commerce falls, it's really not something that we are so concerned about as long as we are growing. For example, if instead of 8% growth we could grow by 25%, I really don't care if Healthcare comes down and Retail, E-Commerce goes up. So, I appreciate your question, but actually from managing the business perspective, it's not so important for us given the challenge of growth.

Moderator: Thank you. The next question is from the line of Amit Jain from Monarch Networth Capital. Please go ahead.

Amit Jain: So, Aditya so just where we left on the digital front, so obviously, I was not referring to those things which are now be commonly used. So, my instinct was that typical so how company different from a typical IT Indian company than IT companies where the major revenue still comes from applications services. So, in terms of service mix, so just going through your annual report, and technologies which you have mentioned about the Saksoft's strengths in all those verticals so basically in those terms I was asking, so where Saksoft is positioned in those going to face that kind of disruptive technologies features, now almost threatening the whole IT space. I was referring to that point.

Aditya Krishna: So, is your question, what is our competitive advantage, vis-à-vis the other companies in this niche, is that the question?

Amit Jain: Yes, so in terms of those things, I can understand challenges, but at least on the technology front, the skill set of the employees where are we positioned, vis-à-vis the competition?

Aditya Krishna: The analogy would be a specialist versus a generalist. So, if I'm an expert in transportation, logistics. Putting it this way, if I was to look for, if I'm prospecting for new business and I go to a transportation and logistics client, and so does my competition, what will the prospect look at, prospect will look at capability, he would look at references, and he will look at case studies. And, very importantly he will look at how much domain knowledge does the company had in my business. Now, that's where we are different, we have solution accelerators, we have domain led solutions which give us a competitive advantage against our competition, because we only focus on these four verticals. So, if I was to go to a transportation logistics customer, I will tell them that I'm working with the top 25 companies in this space or the top 20 companies in this space, they will be able to relate to all of them, because they are competing with them in the market. So, they will know that okay, this company knows my business. And that's the difference between us and the competition.

Moderator: Thank you. The next question is from the line of Dev Rama from Triton Investment Advisors. Please go ahead.

Dev Rama: So, I've been tracking the company now for a couple of quarters, so not that long and it strikes me that the growth does seem to underperform. What, I think the capabilities are, now you mentioned that because your focus area is smaller to mid-market customers. This business, is often won in one-to-one negotiation. Given that my sense would be that you would need a larger sales force because you've got to reach out to customers individually. Now, given the focus on growth, why would you not think of compromising margins for a few quarters, but invest in growth upfront, especially since you have cash on the balance sheet, rather than worry about the quarterly number?

Aditya Krishna: So, how would we do that, give me an idea?

Dev Rama: I just think, I don't know the problem well enough to recommend a solution.

Aditya Krishna: Take a shot.

Dev Rama: Yes, let's assume the problem is footprint of your customer coverage, because you got to have that many salespeople reaching out to that many customers in the mid-market space. And what I thought you said was that you are recruiting the sales team in a modular fashion to manage the quarterly numbers. Now, my submission to you to borrow a statement you made is that you're a TCS, you don't need to worry about that quarterly number that much because your investors assume are not looking at this quarter-to-quarter. But if you actually put that sales effort upfront, you will have a margin hit. But, the revenues will catch up in a couple of quarters. And strategically, especially because you're in spaces that seem to have potential for growth, you missed the bus here, you will miss it.

Aditya Krishna: Okay, first of all, I have to commend you for summarizing the problem statement very well. Okay, you're bang on, because we're in this mid-market segment, we need a bigger footprint. Now, the challenge is twofold, one is the challenge of cost, the second challenge is getting the right sales guy, in the last 20 years may I call you Dev?

Dev Rama: Of course.

Aditya Krishna: Yes. So, in the last 20 years Dev, the biggest hurdle that I have faced is recruiting successful sales guy. Now, a good sales guy will never leave his company and join a company like ous,, because he will leave a commission stream and why would he do that. So, what you have available, is a bunch of rolling stones and a rolling stone gathers no moss, he just moves from company-to-company, puts a hat on every company that hires him and moves on. And we have lost so much money over the years with that. So, the problem is not only of cost, the problem is of getting the right sales guy. So, what we are doing now is, that we have said okay, we will classify our customers or prospects into A,B,C category customers. #A category are customers which are very large, which are the target market of the big players. If we get some business from them, we'll just take it, but they're not our focus. Then there are the #C categories, which are companies which are smaller and don't have sufficient IT projects to sustain us. So, we're not going to touch them, we're only going to target #B category customers, which can give us at least $0.5 million of revenue after we get them as customers, after at least two years. So, in two years there should be a half a million customers. Now, I'm going to target only those. So, what we've decided is that rather than keep looking for, we will keep looking for sales guys, but rather than wait and hire a bunch of sales guys who will get us nothing only take from us, increase our cost, let us in the meantime only target #B category accounts, who we can then grow into $0.5 million. And that's what we are doing. And I'm very confident that with this, we will see some improvement in our growth trajectory.

Dev Rama: Sorry, if I may just add a follow on to this. I just think that if you work the math, and you say look for acceptable growth at your size, if you're saying I need to add a 100 crores a year organically- How many accounts do I need to win, and how many calls would that, therefore, entail and how many salespeople would that therefore entail. I understand the challenges of managing salespeople, but what choice is there but, given the capability set you have and the direction the ship is pointing in, which seems like a very interesting on- Finding a way around that challenge is worth the battle in a way, rather than take a kind of conservative view here.

Aditya Krishna: Point taken, we will evaluate in more detail again, it's not that we haven't done it, maybe we need to look at it a little bit more from an outside in perspective. So, your comment is well taken, we will evaluate again and if we can, we will do it.

Moderator: Thank you. The next question is from the line of Sunny Ahuja, an Individual Investor. Please go ahead.

Sunny Ahuja: Just one question on the projection for the top line and the bottom line and I know that can be a little bit difficult. So, that's I'm not going to stretch it too far, say five years or so, but say within the next couple of years what kind of growth projections do we have in terms of our top line and the bottom line?

Aditya Krishna: Niraj can I request you?

Niraj Ganeriwal: Sunny unfortunately, we don't give guidance. And we have not started giving guidance, but definitely we are looking to make our growth better than what has been in the past. And in terms of profitability, or margins you've been seeing that they have been improving constantly, we are focusing on ensuring cost are effective and at the same time trying to see what we can focus from an offshore on-site revenue mix perspective. So, I'm not sure if that answers your question, but definitely looking at growth, which can better what we have done in the past, and try and have ways and mechanisms of improving our margins.

Sunny Ahuja: It's kind of, I'll get some sort of an idea from what you told me. Also, just one more thing, because as you said, these digital technologies, they entail a lot of different verticals. So, any one or two areas where you feel that the company can really capitalize on over the next few years and there you foresee, a good part of the revenue growth coming in from some specific sectors within this digital framework?

Aditya Krishna: Sunny, the biggest market for IT is the U.S. and in the U.S. we are strongest in Transportation & Logistics. So, today we work with literally the who's, who of transportation logistics. And we have done some really cutting edge and critical applications for our customers. If, I was to bank on one vertical, I would say it would be Transportation & Logistics, we all know because of the pandemic, we have seen how Amazon has grown and how that has impacted the logistics business. So, I would say to answer your question it's that sector.

Moderator: Thank you. The next question is from the line of V. P. Rajesh from Banyan Capital. Please go ahead.

V. P. Rajesh: Just a follow up question. How many total customers we have and secondly, how many sales people do we have?

Aditya Krishna: Niraj you want to address that?

Niraj Ganeriwal: Sure Aditya. So, our number of customers the ones with whom we work regularly, they are at least in the 70 to 75 number which we would pick on a constant basis with whom we keep getting revenues regularly. And your second question, sorry, I didn't get that Rajesh. What was the second question please?

V. P. Rajesh: Second question was how many sales people you have?

Niraj Ganeriwal: So, sales people, we have a large sales team, which we have split between what we call as a onsite which is feet on the ground in the respective geographies, and then they are well supported with a large inside sales team and a marketing team. So, in all put together, our sales and marketing engine is at least 65 to 70 people is what we would say.

V. P. Rajesh: And people who are actually in the geographic regions, that would be what 20, 30 people?

Niraj Ganeriwal: The one onsite, they would at least be 15to 17 people between the three geographies.

V. P. Rajesh: So, I was just listening to the earlier participant's question. And it seems that, that's probably one area where we need to invest to grow faster if logistics is your strong area, then getting 10% from that seems to be less than optimal. And again, I'm sorry I am just sharing some thoughts as I'm listening to your comments of this call for the first time. I feel that you probably need more salespeople in the areas where you're stronger, which can perhaps turbocharge your growth, or maybe you look for an acquisition in that particular segment, to really booster your revenue growth, just a comment.

Niraj Ganeriwal: Point taken. Thank you Rajesh.

Moderator: Thank you. The next question is from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.

Vaibhav Badjatya: So, have you looked at the cloud implementations as an opportunity, like there's been a lot of traction on Hana platform of SAP and Oracle cloud platforms, so have you have you looked at those opportunities or, because cloud is being adopted by smaller clients nowadays, because of the cost efficiency. So, just wanted to understand are you doing these kind of work or not yet?

Aditya Krishna: Most of our work, Vaibhav is on the cloud, when we talk digital, I don't know of any digital solution which is not on the cloud today. And it is mainly Amazon or Microsoft Azure, it is not Hana, and Oracle.

Vaibhav Badjatya: Okay, so it's not part of cloud platforms of this Oracle or SAP it's not that, you're more towards providing other services on Cloud.

Aditya Krishna: Yes, most of our customers want to either use their applications on the cloud. So, if they are building a new application it could be on the cloud, or if they have an application they will migrate it to the cloud. The days of on-premise servers and on premise applications are slowly disappearing. So, Oracle for example used to be either on premise or on the cloud. So, if a customer wants to move his Oracle application to the cloud, that is not something that we would do. But if he wants to bring a new application on the cloud, we would do that.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Aditya Krishna, for closing comments over to you, sir.

Aditya Krishna: It's been a real pleasure talking to all of you and thank you for taking so much interest in the working of the company and understanding its functioning and its dynamics. I appreciate some of the inputs, especially around sales, and what we should consider to accelerate the growth. And rest assured, there is one thing that's keeping me awake, and my senior team, like Niraj and his colleagues awake at night it is how can we accelerate growth. And I'm hopeful that this year, we will have some better news for you in the coming months in terms of growth. So, with that thank you very much for participating. Take care of yourselves, best wishes to all of you and your families. Stay well, stay safe. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Saksoft Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.