Saksoft Limited
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Moderator: Ladies and gentlemen, good day and welcome to the FYQ224 Conference Call of Saksoft Limited. 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 touch tone phone.

I now hand the conference over the Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thank you. Good afternoon, everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of Saksoft Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the second quarter and first half of the financial year 2024.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature, such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decision. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now let me introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We firstly have with us Mr. Aditya Krishna, Chairman and Managing Director and Mr. Niraj Ganeriwal, Chief Operating Officer and Group CFO. Without any further delay, I request Mr. Aditya Krishna to start with his opening remarks. Thank you and over to you, sir.

Aditya Krishna: Thank you, Anuj. Hello and good afternoon, everyone. Welcome and thank you for joining our Q2 and first half FY24 earnings call today. Let me first give a brief introduction to Saksoft for the sake of some of the participants who may be new to the company.

Saksoft is a digital transformation partner that assists its customers to 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 almost two decades now, with offices across 17 locations covering USA, Asia Pacific, UK and Europe. We have an associate strength of 2000 plus. The key verticals that we operate in are Fintech, Telecom and Utilities, Transportation & Logistics, Public Sector, Retail and Healthtech. The interconnected nature of the verticals mentioned addresses a huge market which also facilitates us to cross sell and upsell service offerings to our clients. These verticals are supported by horizontal service offerings spanning analytics, cloud solutions, legacy modernizations, intelligent automation, application development and testing. As a company, we offer a comprehensive suite of digital transformation services.

Now moving on to the quarter under review, we are happy to report another quarter of consistent and steady growth. In the current quarter, we continued our growth performance with 16% year-on-year growth in revenue and 31% growth in profit after tax. In the face of the evident slowdown in the IT sector, Saksoft's long standing track record of differentiation remains prominently evident. We continue to reward our shareholders with the Board announcing our 40% interim dividend for this financial year 2023 -24.

We take pride in stating that as part of our sustainability efforts, we have achieved "Carbon Neutral" status for the current year for the Saksoft group and are setting targets for reducing our carbon footprint year-on-year. We understand the value of making a positive impact on the environment and in pursuit of this goal, we are making sustainability one of our primary objectives.

Now I would request Niraj, my senior colleague, to give you the financial highlights for the quarter on the review.

Niraj Ganeriwal: Thank you Aditya, and thank you everyone for taking time and joining us for our earnings call today to discuss the results of the second quarter and first half year of the financial year 2024 under review. For the second quarter of Financial Year '24 revenues were reported at around Rs. 190.41 crores, representing a growth of around 3.8% as compared to the first quarter of FY23 - 24 and 16.21% year-on-year as compared to the second quarter of the previous financial year. The EBITDA reported is Rs. 35.81 crores. EBITDA grew by 3.7% as compared to the first quarter of FY23-24 and 39% year-on-year as compared to the second quarter of previous financial year. EBITDA margins reported are at 18.8% and the net profit for the quarter was Rs. 25.28 crores and the profit after tax margins stood at 13.3%.

For the first half of Financial Year '24 revenues were reported at around Rs. 373.88 crores, representing a growth of nearly 20% year-on-year. The EBITDA reported for the half year was Rs. 70.35 crores, which grew by 45.9% as compared to the half year of the previous financial year. The EBITDA margins for the current half year stood at 18.8%. Net profit for the first half of the current year is Rs. 50.43 crores, which grew by around 35.8% as compared to the half year of the previous financial year. The profit after tax margin for the current half year stands at 13.5%.

Now coming to the revenue split by geography for the first half of the current year, USA contributed to about 43% of our revenue, Europe contributed to 22%, while the remaining 35% have come from Asia Pacific and other regions. The onsite revenue was 45% and offshore at 55%. The revenue split across verticals for the first half of the current year is as follows. Fintech contributed to 36%, Telecom and Utilities around 19%. Transportation and logistics contributed 12%, public sector 4% and Healthtech and Retail commerce contributed around 6% respectively. The debtor days for the first half year of FY24, is around 68 days.

We now come to some of our customer metrics. Saksoft has around 15 customers of US $1 million plus revenue, and we've moved one customer in this current quarter from half a million to $1 million client profile. The total employee count at the end of the quarter stands at 2152, out of which 1940 were technical with the utilization level of the employees excluding trainees being at 83%. To achieve the USD 500 million revenue target, the company is strengthening its sales interest by adding more and more salespeople on the ground.

Moving to the balance sheet, as of 30th September 2024, the cash in hand is at Rs. 131.71 crores.

That concludes the updates for the quarter and half year, and we would now like to open the floor for Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Saurabh Shah from AUM Fund Advisors. Please go ahead.

Saurabh Shah: Thank you. If you could just give us some sense on what strengths Saksoft has, your geographic revenues split is interesting from many other companies. which kind of suits of strength you bring to the table when you look at your business going forward? Based on that opportunity that you see for Saksoft especially with the acquisition, how do you see the next three to five years, your growth, what investments you're likely to make? If you could just talk at a broad level what you expect to do for the next three years and what kind of metrics are you currently targeting?

Aditya Krishna: Saurabh, I hope I've understood your question correctly because the line is quite bad. If I understand you correctly, you're asking what are our strengths which will enable us to grow in the future, is that correct?

Saurabh Shah: Yes. And, given your current environment, the industries that you're looking to service both BFSI and the acquisition, others as well, how do you see your own internal targets? And again no guidance or anything, but how do you see your opportunity for the next two years?

Aditya Krishna: Okay. One thing I just want to highlight is that we are not in the BFSI segment, we are in the Fintech segment. That's quite a difference because we don't work for the large banks or financial institutions or insurance companies, we work for a lot of disruptors in these financial services, which are more classified under the Fintech target market.

Coming to our strengths, the whole growth of our business and the way we are growing in the last many years as well as how we plan to build the business going forward is based on market niches. It's about identifying a market niche, protecting that niche and growing in that niche. So, what are these niches? These niches are Fintech, Transportation & logistics, Healthtech, and what we call high tech / media, Telecom, Utilities. So, in these four niches, our value proposition is very strong. We're able to compete with almost all the Tier-1 companies and also companies larger than ours when we are competing in this space, and we stay in this space. Now these spaces are large enough for us to meet our growth objectives in the coming years. And we operate in these niches, we have identified these niches, and we protect ourselves in these niches by having accelerators. So, we have solution accelerators, frameworks, so that when we talk to a prospect in this niche, they prefer us over somebody else because we already have accelerators which other companies do not have because these are our specialized niches. And because of that, we are able to shorten the time for development, for taking something to market which eventually results in lower cost.

So, just to summarize the whole strength and the whole growth engine is determined on identifying market niches, protecting these niches and growing in these niches.

Saurabh Shah: Okay. Is it possible to identify two of the niches where you see the largest opportunity going forward? How have you defined them and what, as you said, unique strengths you bring where you are able to compete and kind of sendoff much larger players given your specialized skills?

Aditya Krishna: So, one of these niches or areas of our strength and which we find is a tremendous growth opportunity is fintech. We have a lot of traction in that space. We have a lot of reference customers. We have a lot of accelerators in that space, and we plan to invest more and more to grow in that space, so fintech is definitely one of those. The second is transportation & logistics. With the advent of e-commerce and online, transportation logistics is seeing a tremendous boost in technology spend. The business is growing, and these companies traditionally have not invested in the past in technology. So, now to keep pace with what is expected from their customers, they're investing in technology. So, I think transportation logistics and fintech are the two sectors where we will see more growth as we grow our business.

Saurabh Shah: Thanks. Aditya, obviously there are your two large vertical, I just meant is it possible to be a bit more specific, maybe about a specific client or you expect to grow much more or something which just gives us a sense of what kind of skills within fintech, is it on the side of kind of, and again, I'm just throwing this out, real time transactions. what are the new requirements of security, what specific areas are you looking to build this thing within fintech?

Aditya Krishna: Okay, so within Fintech, our specialization is in Regtech and Payment tech. So, Regtech is a big space now because more and more compliance, more and more regulations are coming which companies have to follow. So, that's one tech space and the other is payment tech, online payments, payment protection, etc. So, those are the two sub-verticals within the vertical of fintech that we specialize in. Now what do we offer these guys? What do we offer these prospects? It's the full suite of digital transformation services, it's product engineering, automated testing, everything around data and analytics, cloud, migration to cloud infrastructure, security operations, network operations, so the entire suite of digital services is what we offer. But the strength of our company is the focus, we are very, very focused. We are very specialized and we work only in the niches where we have protection and where we can grow.

Saurabh Shah: Okay, so say just taking Regtech as you mentioned, one of the two niches, is that the situation where you would work with certain central banks, their reporting systems for certain regions and something like that? Or is it more broad across regulators and how would you kind of define and also a little bit about what is the solution. Is it defining on creating specific projects for clients and then again kind of testing out those services and reporting systems and then stopping or is it more platform driven, are you looking to change any of that? Some more color if possible.

Aditya Krishna: Yeah, it's framework dependent. So, for example, when I say regtech, I'm talking about regulations. Let's take the case of US, in the US, SEC is a big regulator. Now they regulate hedge funds, they regulate asset management companies, they regulate financial companies, not necessarily large banks, because remember, large banks are not our customers. So, our customers are companies which are in the regtech space. So, companies which are helping their customers manage the compliance to SEC guidelines and SEC is issuing at least I would say on average two or three new guidelines every week so and compliance is becoming more and more difficult, more and more cumbersome for players in the financial services industry. So, we work for the organizations that support larger banks and financial companies to manage these compliances. So, we are not suppliers to the banks, we are suppliers to the organization, the regtech companies that are putting products together to be able to supply to banks.

Saurabh Shah: I understand. Any names you can throw out, so what kinds of companies these are without sharing what revenue, etc. But something just to give us a sense of how large these companies are and how they're doing?

Aditya Krishna: I can't give you the names of our customers. But what I can do is typical size of these organizations is anywhere between $100 million to $2 billion in terms of top line, $2 to $3 billion and their technology spend is typically 8% to 10% of their revenue. So, we have a fair amount of runway to be able to grow our business in these customers.

Saurabh Shah: So, your share of wallet you think can grow quite large? That's what you meant right and you have good visibility of....

Aditya Krishna: Yes, we can definitely grow in these accounts. Now obviously that's a generic statement. Every customer won't grow, but by and large, before we take on a customer, we try and analyze and assess that they have a reasonable amount of technology spend for us to be able to grow our share of wallet.

Saurabh Shah: And capital market regulations is a large part of your whole regtech kind of offering. Is that right?

Aditya Krishna: Yes. For example, hedge funds, there's a lot of focus on compliance of hedge funds. So, yes, capital markets would be one part yes.

Saurabh Shah: Fair enough. And payment tech, what would be your kind of profile of customers?

Aditya Krishna: Companies, I'll give you an example, a company that has developed cardless cash withdrawal. Now it's pretty much standard in the industry, but we worked with the first company that developed cardless cash withdrawal. So, go to an ATM and without a card you can withdraw cash. So, the entire product development, product engineering and testing was done by us.

Saurabh Shah: And here the customers are what kind of customers, independent networks who provide services to the large banks and other people or is it banks or is it, who are the customers?

Aditya Krishna: It could be software suppliers or companies building products to supply to banks. So, in this case it was a product company which sold the product to MasterCard. We developed the product.

Saurabh Shah: Okay, alright. So, it sounds like you're kind of working with the solution providers where there is a lot of technology change and digital change happening at the end customer level. And that sounds like that's a large constituent of your customers, right? I mean, of course the end customer would be in different industries, so the drivers could be different, but as far as your solutions are concerned, you're at the back helping these software guys kind of deliver to their client.

Aditya Krishna: Yeah, I mean that is one segment of it. I mean the independent software vendors and software providers, but we also work with enterprises. So, for example, in the fintech space, we work with credit management companies, companies that are actually operating and running credit bureaus. So, that's again fintech for us. So, it's not only product suppliers, it's also enterprises.

Saurabh Shah: Understand. what percent - would you be able to disclose how much would be - are these software kinds of companies as your customers versus the end enterprise, for using it on their own platforms.

Aditya Krishna: I don't have the number off hands.

Saurabh Shah: Okay, fair enough. And the model, I mean as it exists and as it continues, you expect it to be kind of again custom app and billing for a project or do you anticipate, I mean I'm sure your customers might be charging the end customer on a per use or on a different model, but do you have a variable model or a fixed kind of per transaction or per unit kind of thing at all or do you expect to get there?

Aditya Krishna: No, we don't. And that's not our engagement model. Our engagement model is predominantly time and material. So, 95% of our work is time and material.

Saurabh Shah: Got it. And how do you see over a period of time your building out more strengths, do you expect at any time to go and acquire any customer or be able to deal directly or you think that would be in the software customer space I'm talking about, or do you think that you're comfortable with the current business model?

Aditya Krishna: What do you mean by acquiring customers?

Saurabh Shah: Say for example just now you're providing services to people who are building out solutions for hedge funds. Would you like at some point to acquire somebody who's directly providing these services to the hedge funds and be engaged instead of going through another company or providing the backend to another company, engage directly at all?

Aditya Krishna: No, that is not in the plan, and I don't think that is something that we will venture into because that will mean that we will become a product company and we're not a product company, we're a technology services company and we plan to stay like that.

Saurabh Shah: Sure. I understand. And how do you see the market in terms of pricing and other things? You see continued large kind of blue sky available to you for both your enterprise and your software customers.

Aditya Krishna: No pushback on pricing as of now, the only thing that we see pushback is really a little bit of delayed decision making because of the fragility of the economy, the world economy, but no pushback on pricing.

Saurabh Shah: The contribution from AsiaPack seems quite large. Can you give us some context as to what solutions you're offering there and how is that growth and are you seeing less kind of delays over there or is that comparable to the rest of the world?

Aditya Krishna: That's a good point and the reason for that really is that we are following the customers. So, some of our customers for whom we were working, let's say in the US, they have built their own GCC, their global capability centers in India and now we are supplying services to them in

India. So, that's really one pocket to the other, so some of our business has moved from the US to Asia Pacific for that reason.

Saurabh Shah: Got it. So, the end customer nationality could probably be again in the developed market, but this is the GCC, the customer entity or billing versus the ultimate entity?

Aditya Krishna: Correct. That's right.

Saurabh Shah: Yeah. GCCs have scaled large. So, okay. Any other business, any other place that you expect to grow the most, Aditya, in the next two three years apart from these two segments because it sounded like very strong niche that you said, the credit bureaus and this kind of capital markets software solutions providers?

Aditya Krishna: No, I think fintech, transportation, logistics, US geography, I think most of our growth is going to come definitely from the US geography, that is the epicenter of technology spend in the world economy and I don't think that's changing anytime in the near future. So, really the focus and the growth will come from the US. And I think these two segments are strong enough, large enough for us to get to our goals, revenue goals. Saurabh**,** we need to give somebody else a chance too.

Saurabh Shah: Sure, I'll try to come back.

Aditya Krishna: Thank you, Saurabh.

Moderator: Thank you. The next question is from the line of Rahul Shah from Crown Capital. Please go ahead.

Rahul Shah: Hi, Sir. Good afternoon. In the niche areas you mentioned like and then you said there's two in particular where you excel and you see more growth, from an overall sense I wanted to ask what makes you unique because I'm pretty sure there are other competitors in this space very similar to you. Are there any? How many are there? And that's the main question. Like, what makes others choose you over your competitors?

Aditya Krishna: Okay, Rahul, let me answer it in a little different way. Let's say you have a problem. You go to a specialist. Now for that specialist you will do some reference checks. You will talk to some customers of that specialist. Now that's really our value proposition. So, when we go to a prospect, let's say in fintech, we are able to showcase the work we have done in the space, we are able to showcase our reference customers. We're able to get to prospect to talk to our reference customers. We are able to show accelerators and frameworks in that space and it's not that the larger players don't have similar frameworks, but they don't have the similar level of specialization like we do because they're generalists. For their size they have to do everything and everything, we don't do everything, we do only specialized work and those are the niches I was talking about. So, it's really a comparison when you chase a customer or you try and win business from a customer. You want to deal with the specialist who understands your space or you want to deal with the generalist who does everything. And normally customers prefer specialists, especially if they're mature in their software development lifecycle.

I'll answer it in another way. The Tier-1 players like big deals, they like deals where they can do a little bit of everything, they respond to large RFP's. They do multi-million multi-year contracts. We don't do that because we are #1 catering to small organizations who are not that sophisticated in their buying process, but they are very mature in their development side software development cycles. That's really our strength so specialization over a general player.

Rahul Shah: Got it. Okay. Secondly, given this vision statement of yours, right, you want to achieve a certain target by? So, how will this be spread over the years. Is it going to be gradual? The growth we will see will be gradual or is there a certain place like in certain niches like this, have investments going on right now so that will be scaling up way more than later. How is it going to work? Just a general sense from a demand scenario perspective and how the environment is for all the business verticals.

Aditya Krishna: I don't have a crystal ball, so I can't tell you what's going to happen this year, next year or the following year in terms of specifics, but what I know is if we grow 25% year-on-year, we'll get to 500 million by 2030.

Rahul Shah: The point I was trying to make is, in the near term, right, in the medium term at least, is it going to be a heavy kind of a growth or this will be like you said 25% is something you target and then you will work on that?

Aditya Krishna: So, we have to do minimum 20% to 25% to get to 500 million. Okay. And that's our goal. Now that will happen organic, inorganic, it all depends on what opportunities open up. It's difficult to really say that all of it will come from inorganic or organic. At any point in time we have multiple balls in the air which we're trying to land. So, it's really difficult for me to say that, okay, this year will be a mix. It'll be predominantly inorganic or next year will be purely organic. It's a difficult statement for me to make.

Rahul Shah: No, of course. Do you have any inorganic plans at the moment which you would like to share or it’s still under like process?

Aditya Krishna: I can't share with you, but yes, we're always talking to companies. If you see our track record in August we announced the acquisition of a digital commerce company called Solveda. So, at any point in time, like I said, we are talking to multiple targets and hopefully something will mature. But leave that aside, the goal is 20% to 25% growth organically and inorganically, a combination and if we can do that we can get to our goal.

Rahul Shah: Okay. From that growth, these margins are quite sustainable as well?

Aditya Krishna: If you see the last three years, last four years margins have been pretty much consistent increasing, maybe one quarter there's a slight dip because of salary increases etc. See lot of Tier-1 companies didn't give salary increases this year. We gave salary increases in April, so that will result in some drop in the EBITDA margins in the first quarter, but it catches up.

Rahul Shah: Okay. Thank you, sir.

Aditya Krishna: Thanks, Rahul.

Moderator: Thank you. The next question is from the line of Hasmukh Bisarya from SUD Live. Please go ahead.

Hasmukh Bisarya: Yeah, hi. Thanks for the opportunity. I have a couple of questions. So, firstly on service mix, so you called out let's say exposure through digital engineering, your cloud and infra, etc, but will it be possible to quantify it? How much, let's say revenue comes from all this services? Or what would be the service mix as such?

Aditya Krishna: Okay. How much is coming from product engineering, how much from testing, we can send that to you.

Hasmukh Bisarya: Okay. Fine. And in terms of, let's say deal wins, will it be possible to give a color how the current deal wins are for you vis-à-vis last quarter or one year back, or any sense around it?

Aditya Krishna: When we forecast anything, when we look at our numbers, we look at approximately 90% to 95% of our growth coming from existing customers and the balance only coming from new customers. So, for us we don't really have a deal pipeline. We have what we call a prospect pipeline. New customers being added to our mix and then how fast can we go these new customers to half a million and then a million dollar plus customers. So, that's typically how we look at it because unlike the Tier-1s, we don't really respond to RFPs and large contracts because we're not in that game. Like I explained earlier, we are operating in niches. We are operating in company with prospects who are specialized players. We are a specialized player, Typically they are not very mature in their buying process. They're mature in their product, in their software development lifecycle, but not in their buying. So, it's difficult to give you a deal pipeline, but we have a very strong prospect pipeline which we are constantly maturing and taking forward.

Hasmukh Bisarya: I understood, And lastly, considering you as a let's say niche player, what would be, let's say our competitors and how would pricing for a particular deal would be for us vis-à-vis let's say peers?

Aditya Krishna: In most cases, when we are operating in niches, prospect don't really worry so much about price. They are looking for a supplier or a partner who understands what has to be done because the cost of failure is very high. Remember these are mission critical applications. This is mission critical to the business of our customer. If this fails, the business of our customer or prospect will be impacted. So, they're not going to worry about pricing so much. They're more worried about capability. So, if we can demonstrate strong capability, if we can demonstrate strong case studies, reference customers similar work that we have done, pricing in 90% of the cases doesn't matter and where it does matter, the 10% and all, we normally stick to our rate card. We have a rate card in which we work give or take 5% here and there to win a deal we'll do. Otherwise, we'll stick to it.

Hasmukh Bisarya: Understood. And as far as peers are concerned who would be major competitors, if you can highlight some of the names.

Aditya Krishna: In most cases there will be a local player. For example, if we're talking to a prospect in fintech, they'll have a local partner who they're working with, who will not have really an offshore presence. It would be a pure consulting company that would be a typical partner and there are a lot of these small companies in the US. Then in terms of the larger players, we come across Capgemini quite often. We come across Accenture quite often. And we come across Persistent quite often, those are some of the names.

Hasmukh Bisarya: Understood. Thanks for that. That's it from me. Thank you.

Aditya Krishna: Thank you.

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

Drashti Shah: Hi, sir. I only have one question. So, we've seen most of the IT industry facing headwinds in Q2, but we've grown well both in terms of top line and bottom line. So, just wanted to understand our differentiator that's helping us grow.

Aditya Krishna: The answer is the same, Ms. Shah, it is the fact that we are operating in niches. Now when you're a specialist player you'll always have this. When you're a general player, you will have to struggle a little bit when there is a slowdown or there is a headwind and that's really it. And also because of our size being smaller than the Tier-1, it's easier to also show or grow better than the larger players. Whenever you're a market leader, a headwind in the market affects the market leader more than anybody else. So, I think that's one of the benefits of not being a market leader.

Drashti Shah: Sure, that was helpful. And just to confirm, we are seeing 18% to 19% EBITDA margins on a sustainable basis, right?

Aditya Krishna: That's correct, yes.

Drashti Shah: Sure. Thank you. That's it from my end. Good luck.

Aditya Krishna: Thank you.

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

Aditya Krishna: Hi, Amit.

Amit Jain: Hello, Aditya, and congratulations on a very strong set of numbers.

Aditya Krishna: Thank you.

Amit Jain: Aditya, just two questions. One thing on this you mentioned about that 90% - 95% of the business coming from the existing customers. So, our growth is basically dependent on those customers as they grow we grow. And secondly the rising of the wallet share. Somehow I'm just remembering, a year back you were mentioning about the problems on the sales side. So, acquiring or the acquisition of new clients, is it still a pain point for the company?

Aditya Krishna: Yes, it is and the challenge for us, and this is sort of a tightrope that we have to walk, Amit. We have to keep investing in salespeople. The good part is vis-à-vis the last time we probably had this conversation is, because we are a little larger company now we are able to attract better talent. So, for example, we have a new salesperson who has joined us on the West Coast of the US about a month ago and every six months we will hire another salesperson in the US, every six months, because that's the only way we can organically increase our growth rate of acquiring new customers. We need more feet on the street. And we will do that.

Now why can't we do more? The reason we can't do more is you've seen the questions that come on EBITDA margin, right? So, we have to pace ourselves. If we were not a listed entity, if we're private equity owned, it doesn't matter. You can let margins go to the dogs and keep investing in salespeople, but here we can't take that chance. We have to walk that tightrope.

Amit Jain: That's true. And Aditya, second, on this you mentioned about one of your competitors Persistent and this space is really doing well, this whole ERD space, engineering and R&D services. And if you can just give some color on this, maybe how the position, how Saksoft is positioned in this area and what's your view on the growth in this particular, because everybody is now optimistic on this space among all the. company in the IT sector.

Aditya Krishna: See #1. Persistent is a large company. Its a billion dollar plus, right. Now our customers or prospects are companies which are $100 million to $2 or $3 billion in sales. The product companies are smaller, they are typically $100 million, maximum $250 - $300 million. You don't see a billion dollar product companies in our customer base. Now those companies are not going to deal with Persistent because they're not going to deal with a supplier who's 10 times or 20 times bigger than they are. They want more attention which a company like ours can give them.

So, I don't think we need to worry so much about Persistent. The good thing about Persistent is that they are growing on their own. Secondly, they have developed the market to a great extent. So, product engineering is now something which is widely accepted and it's easier for us to sell. But again when we talk about product engineering, we're talking about that only in the niches that we operate in, fintech, transportation & logistics, healthtech, and high tech. So, really we are working in a much smaller subset of the target market that Persistent operates.

Amit Jain: No, Aditya, I was not worried about that. What I was asking about overall this space. How this space you see, and if you can just give some idea of how much revenue we are getting from this space, the product engineering side, just some sense of it and how you see that Saksoft is positioned in this particular space. I'm not comparing it with Persistent. I completely understand. I appreciate that you are not in direct confrontation with Persistent, that's completely different. So, my question was on this particular space and how the company is positioned in this space. How much revenue, if can just throw something, how much revenue we are getting from this particular service?

Aditya Krishna: So, how much revenue do we get from application services? More than 50% of our revenues are coming from application services and product engineering would be a subset of that. So, that's in terms of numbers. Now this is a hot space for sure, because more and more SaaS, more and more products are getting developed in the US and world over and outsourcing of, or offshoring of product engineering is becoming very, very common. So, definitely this is a hot space. Now where our strengths are and where we are different is again we are operating only in those niches that I spoke about.

Amit Jain: Thanks Aditya.

Aditya Krishna: Thank you, Amit.

Moderator: Thank you. The next question is from the line of Hemant, a retail investor. Please go ahead.

Hemant: Hello Aditya. So, just to understand this revenue is all one-time revenue is it or do you also have support services wherein you get recurrent revenue?

Aditya Krishna: 95% of our engagements are time and material, so they are ongoing. And ongoing means not only development, but also testing, also infrastructure, also support. So, to answer your questions, this is sticky revenue, it is ongoing revenue, and which is what is important for us and which is what we focus on when we look at new prospects and new customers.

Hemant: Right. But for a customer, it would come down at some point, right? It would be higher initially and then probably come down when it's just the support once you finish all the development? Is that how it works?

Aditya Krishna: Yeah, I mean one would normally think that that will happen, but life is not like that. You build a product as - I'm talking, let's take a company which is into product development, is building a software product. They will build the product. Once the product is over, there will be enhancements. There will be the next generation of products, so it never ends. It might taper off a little bit up and down, but it's pretty much never going to go away. It's a drug, once you're hooked on the drug, you can't let go of it.

Hemant: Got it. Thanks. Aditya. Another question is the third-party support expenses that I see on the P&L, is that your consultants for development activity or can you just explain what that is?

Niraj Ganeriwal: Hi Hemant, this is Niraj here. The third-party support is basically the cost of the freelancers and the contract market which we go to, to manage our utilization. So, it's basically when we don't want to hire full-time employees or there are some certain projects which require certain people to join, it's in relation to that. So, it's all related to development, and it's all related to the delivery costs.

Hemant: Got it. Understood. That's it from me. Thanks, and all the best.

Aditya Krishna: Thank you.

Moderator: Thank you. The next question is from the line of Soham Gupta, an individual investor, please go ahead.

Soham Gupta: Hi Aditya, congratulations on a good set of numbers. I had a couple of questions, Aditya. So, you had given a guidance of $100 million in revenue for FY25, but you were confident obviously, I mean of achieving the objective this year itself. So, if you see the first two quarters of this year, I think we've clocked around 376 crores of revenue. So, that's another we need to clock around 210 crores in the next two quarters. So, are you confident of getting that run rate for the second-half of this financial year? And my second question was regarding Solveda. I believe we acquired this company in August of this year. So, is the impact of the revenues of Solveda already in quarter two or we will see that from quarter three onwards? Thank you.

Aditya Krishna: The answer to your first question is yes. We're confident of hitting 100 million in this financial year which is one year ahead of what we originally targeted, yes, and Solveda, there is a portion of this quarter's numbers, a small portion this quarter and the full impact will be in Q3.

Soham Gupta: Okay, so then that should see the revenue jumping into the 200 club from Q3 onwards then is that right? Is my understanding, right?

Aditya Krishna: Yeah, absolutely.

Soham Gupta: Alright. So, thank you so much and wishing you all the very best for the future and hopefully the 500 million target can be achieved earlier than 2030. Thank you so much.

Aditya Krishna: Thank you.

Moderator: Thank you. The next question is from the line of Arvind, an individual investor, please go ahead.

Aditya Krishna: Hi, Arvind.

Arvind: Hello, sir. In the whole IT industry is getting slow down but Saksoft has done well. But in Q1 and Q2 of FY24 the revenues are getting flat [crosstalk 0:51:44]

Moderator: That was our last question. I now hand the conference over to the management for the closing comments.

Aditya Krishna: We thank everyone for taking out time to participate in this call and for their interest in Saksoft. I hope we have been able to answer your queries. In case of any other queries, please reach out to us or our Investor Relations advisors, Valorem Advisors. Thank you everyone for joining us.

Niraj Ganeriwal: Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Saksoft Limited, that concludes this conference. We thank you for joining us.