Kale Consultants

Header: Flying high
Strap: This is a niche operator. While it took IT services almost a decade and half to earn revenues of Rs 35 crore, this BPO company has clocked in revenues of Rs 15 crore in less than two years

Kale Consultants is a very interesting company that the mainstream media has given insufficient attention to. While i-flex and other companies are today being lapped up by the media for developing products, Kale was into products as early as 1991. Again while most IT companies have focussed on the usual banking, finance and manufacturing segments, Kale has made a niche for itself in the relatively off-track airline segment.

Kale has also capitalised on the emerging opportunity with the BPO boom. Through the 1990s, Kale sold IT services by customising its IT products. However, the turn of the century has also seen a change of focus. Kale started offering BPO services in April 2001 through its Managed Process Services division. Last year, out of revenues of Rs 50 crore, almost Rs 15 crore came from the Managed Process Services. Thus, while it took IT services almost a decade and half to reach revenues of Rs 35 crore, the BPO division has clocked revenues of Rs 15 crore in less than two years.

The marketing division at Kale has entirely changed focus to the BPO division so much so that Arun Gala, senior manager, operations, Kale Consultants, says that out of 10 customers, 8 are likely to be in the BPO space. However, Kale has wisely chosen to focus its BPO services in the airline segment. Thus, the same marketing team that addresses the airlines for software services and products would sell the BPO services. But growth is expected in the BPO segment.

Kale provides revenue accounting and revenue audit services. Revenue accounting has two segments. The first segment involves accounting for the revenues to be accrued from agents who sell tickets. Agents are required to send ticket coupons to airlines along with a statement on financial information on sales – price of the ticket, discount applicable and so on. This is sent to Kale either in the form of a hard copy or images. The revenue accounting team firstly tallies the coupons with information in the statement. Secondly, there is a tally of amount mentioned in the statement and amount mentioned in ticket coupons. The amount payable by the agent is ratified. Thirdly, the statement is used to get financial information on the average discount, average sales price and so on. The second part of revenue accounting is
subsequent to the flight. A sale of ticket is merely a liability, and revenues accrue only after the flight. The airline sends Kale information on tickets sold and revenue realised for each flight. Analysis is done on most profitable routes, the cost per seat and so on. Apart from revenue accounting Kale also provide revenue audit services. Revenue audit confirms if the agent is using proper discount rules. Kale has a software engine that can capture discount deals in computer understandable format. This engine compares discounts provided on each ticket with the logic in software and points out any errors and generates invoices to be sent to agents on any payment liabilities in case excess discount was given.

Kale currently has four customers – Qatar Airlines, Malaysian Airways, Air Luxor and Canadian North. Out of the 195 employees at Kale, 120 work for Qatar Airlines, 45 for Malaysian Airways, 12 for Air Luxor and 18 for Canadian North. Kale recruits graduates who have passed certain IATA courses. Though the salaries are not high, attrition is around 10 per cent since the work hours are predictable unlike in the call centre business.

Kale is seeing rapid growth in this segment and hopes that within three years the headcount in the BPO division would increase from the present 200 to roughly 1,000. It is interesting that out of 600 employees at Kale’s, 200 are software engineers and 200 are BPO employees. Thus, while the head count in the BPO area has rapidly increased to 200 within just two years, it took IT services almost 12 years to reach a similar head count.

<table>
<thead>
<tr>
<th></th>
<th>2000-01</th>
<th>2001-02</th>
<th>2002-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from BPO</td>
<td>0</td>
<td>63.48</td>
<td>151.33</td>
</tr>
<tr>
<td>Revenues from IT services</td>
<td>345.99</td>
<td>431.83</td>
<td>348.16</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>345.99</td>
<td>495.31</td>
<td>499.48</td>
</tr>
</tbody>
</table>

If one analyses the revenues from IT services and BPO services, it is pretty obvious that the revenues from BPO services have been increasing at a rapid pace. Indeed, while the BPO revenues grew almost 140% in the last financial year, revenues from IT services have declined 20% last year. In fact, IT services revenues in financial year 2002-03 are almost the same as revenues in 2000-01. However, revenues from BPO have increased from zero to almost Rs 15 crore. Clearly, BPO is, without any doubt, the area of growth for Kale.
Vipul Jain, managing director, Kale Consultants confirms this analysis. For instance, he projects revenue to grow to around Rs 100 crore rupees within the next three years. Interestingly, he mentions that almost Rs 60 crore would come from the BPO area. This means that within the next three years, while the BPO operations are projected to grow from Rs 15 crore to Rs 60 crore, IT services will marginally only grow from Rs 35 crore to Rs 40 crore. However, Mr Jain adds that instead of seeing this as a diversification, it should be seen more as provision for a complete business solution.

Start-Up Year: 1986, BPO in 2000
Area of Operations: Airline IT services and Airline BPO services
Location: Mumbai
CEO/Managing Director: Vipul Jain
Promoters : Narendra Kale and Vipul Jain
Approximate Headcount: 600
Approximate Revenues: Rs 49.958 crore (2002-03) – Rs 15 crore from BPO, Rs 49.5 crore (2001-02) – Rs 6.348 crore from BPO