"Hinduja Global Solutions Conference Call to Discuss Q3 FY21 Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Hinduja Global Solutions Q3 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. R. Ravi, Vice President, Head of Investor Relations. Thank you, and over to you, sir.

Ramalingam Ravi: Thank you, Lizzan. Ladies and gentlemen, I R. Ravi, Head of Investor Relations at HGS wishing all a very good evening and a warm welcome to the Third Quarter FY2021 Results Conference Call. To discuss the third quarter and the nine months FY2021 financial results, I'm joined by Mr. Partha DeSarkar, Executive Director and Chief Executive Officer; and Mr. Srinivas Palakodeti, the Global CFO.

Before we begin the conference call, I would like to mention that some of the statements made during the course of the today's conference call may be forward-looking in nature, including those related to the future financial and operating performances, benefits and synergies of the company's strategies, future opportunities and the growth of the market of the company's service and solutions. Further, I would like to mention that some of the statements made in today's conference call may be forward-looking in nature and may involve several risks and uncertainties. Before, I hand over the call to Mr. Partha DeSarkar, I would like to mention that if there is a call drop during the course of the conference call, please bear with the management. Because of COVID-19, all of us are taking our call in mobile from different locations. Hence, call drops are proving to be a recurring problem.

Now I would like to invite Mr. Partha DeSarkar to provide his perspective on the performance of the third quarter and also for the nine months. Thank you, and over to you, sir.

Partha DeSarkar: Thank you, Ravi. Good afternoon to all of you, and thank you for joining us on the call today to discuss our third quarter and 9 months of FY2021 financial and business performance. Hope you had an opportunity to review our earnings press release and the attendant fact sheets of the reported financials, which are available under the Investors section on our website www.teamhgs.com as well as on the BSE and NSE website.

As always, I would like to begin the call with a brief overview of the financials for the quarter under review, followed by the strategic initiatives and operational performance. After that, I will hand over the call to our CFO – Mr. Srinivas Palakodeti, to discuss the financial performance of the quarter under review and of the nine months of the financial year in greater detail. We will then open up the conference call for Q&A session.

Before I dwell into discussing the operating performance of the quarter under review, I would like to bring to your attention that HGS U.K. limited, a subsidiary of HGS, which held 85.66% of the equity stake in HGS Digital LLC, U.S., formerly known as Element Solutions, as of September 30th, 2020, has acquired the balance 14.34% in two tranches between November 2020 and January 2021. Thus, HGS Digital LLC is now fully owned by HGS. The revenues of HGS Digital stood at USD 9.4 million in CY 2017 prior to the acquisition. This is now nearly doubled to 18.4 million in FY 2020. For the first nine months of FY2021, the revenues from HGS Digital were at USD 15.6 million. Our investment in HGS Digital LLC reflects the ever-growing importance of digital capabilities for our clients as well as for our in-house team.

I am delighted with our operating and financial performance for Q3 FY2021 and 9 months FY2021. Our Quarterly revenues of Rs.14,568 million, that is USD 197 million are within striking distance of USD 200 million per quarter. This quarter, our EBITDA has crossed Rs.2000 million mark. On a like-to-like basis, Q3 FY2021 revenues have grown over Q3 FY2020 by 15.2%, comprising FX impact of 3.1% and a very strong volume growth of 12.1%. We have seen strong volume growth in our healthcare businesses as well as our CES business in U.K. and Canada. We had some key new wins for the U.K. business, leading to a revenue growth of above 47% over Q3 FY2020.

This steep growth has resulted in substantial costs such as training in Q3 FY2021, but the benefits of those training costs would accrue in subsequent quarters.

Our margins have also kept pace. The EBITDA margin for Q3 have expanded by 20 basis points over Q2 and 240 basis points over Q1 FY2021. We exited Q4 2020 with an EBITDA margin of 13.8%. And now at the end of Q3 FY2021, we are at 14.2%. This margin expansion has been achieved with higher operating efficiency.

All our continuous cost rationalization and optimization efforts, like divestment of unprofitable contracts and the divestment of low-margin businesses, are having positive impact on these EBITDA margins. On a YTD December basis, the EBITDA margins for the 9-month FY2021 has expanded to 13.4%.

The strong operational performance has percolated to the bottom line as well. For the first 9 months of FY2021, our net profits are up by 35% over 9 months of FY2020. I also want to add that the Profit After Tax for the first three quarters of FY2021 of Rs.2,056 million has already equaled the full year profit after tax of FY2020.

I've assured many of you in the previous conference calls, in the investor conferences the focus of management is to grow profitably and increase capital efficiency. I'm glad to share that we are on our course.

Though the impact of COVID-19 may be showing the first signs of waning in some countries, we are yet to come out of the pandemic led disruptions in the global economic activity. The recent sharp spikes of COVID cases in many countries in Europe and in the U.S. continue to remain a concern. Nevertheless, HGS had a better-than-expected performance in quarter three and the 9-month period in terms of revenues, profitability and cash flows, despite the financial year being marred by this pandemic.

The strong growth in quarter three has been driven by revenues from our health care vertical as well as strong revenue growth achieved from our U.K. business. I'm glad to share our U.K. business is well with strong performance. We have won several deals originating from the public sector verticals, and the sales pipeline is strong and promising.

I'm really happy with the way we have swiftly realigned and restored our operating model to the new normal, and the financial results have shown HGS team has resilience and agility and adversity. The pipeline of orders from the health care as well as consumer products' clients are looking very promising to sustain the current growth momentum.

In order to adjust to the new normal, we've managed to map and mark majority of the workflow processes from the beginning of the current fiscal year. Everything from hiring and training to engaging with clients and associates and delivering high quality services, to how to sell and transition remotely has been redesigned for a sustained and permanent distributed operating model.

The growth in Q3 revenues can be attributed to the following reasons. All our top clients aided the Q3 revenue growth; healthcare vertical continues to report good growth rates; in Peso terms, the Philippines has aided the growth in a big way, and the COVID-19 support services in U.K. are also helping it increasing its contribution.

On top of that, we have also been awarded a new contract to provide support to the U.K. government for a Brexit related activity, and that is also one of the major contributors of revenue growth for U.K.

The global demand environment for BPM services has greatly improved since the beginning of the pandemic. From our regular interactions with our clients across geographies, we are reasonably confident that this trend will continue for the foreseeable future. Our investment in sales and business development efforts are paying off. We have been able to garner significant incremental orders from new and existing clients.

The key driver for growth has been the number of new logo signings this year and the strong pipeline conversion. Overall, in Q3 FY2021, we added 14 new logos for our core BPM services and 5 for HRO payroll services in quarter three.

We signed 45 new opportunities for expansion of businesses with existing clients in the quarter. We signed engagement with 17 clients (new and existing) for HGS Digital services, for robotic process automation, digital, analytics and social care services.

From these data points that I have shared, our sales pipeline, therefore will continue to be healthy led by our domain expertise and execution capability. We are in the middle of our open enrollment season that is going well. We are also looking to sign up many digital led transformation projects in the coming quarters.

Operationally, we are operating at about 95% + service levels across our geographies and continue to support majority of our clients with work from home model. This work from home model has also enabled us to quickly ramp up our capacity in the U.K. to support the new project wins that we have had for COVID-19 support and Brexit support.

However, a few thousand employees across India, Philippines, Jamaica and the U.K. are delivering essential services from few office locations in a safe and socially distant environment. I want to reiterate that HGS exposure to the verticals like hotel, airlines, car rentals, timeshare, etc. are very limited. Our core verticals like health care and insurance, telecom and technologies, consumer and public sector are doing better than expected.

Many of our recent deals in the BPM space do come with automation, analytics and high-end insights as embedded component. It is a trend that we are seeing as the clients look for partners who can enable them to win in an ever-changing market. Clients want their vendors to combine new technology and domain expertise to deliver enhanced customer experience.

To sum it up, the overall state of our core business continues to be very strong and will further strengthen after the divestment of the India domestic CRM business last year. On a like-to-like basis, we have been able to report strong revenue growth for the past three quarters. We will continue to review our business portfolio and take appropriate actions to improve the overall profitability of the business.

Looking ahead, the uncertainties relating to COVID-19 are likely to persist until the first half of the calendar year, for sure. And we believe that the work from home model will continue into the foreseeable future. It gives us tremendous flexibility for short term projects, and we are leveraging that in the U.K.

We are making investments in increasing our work from home and digital capabilities, but some of the wins may be of short duration projects types in nature. We do expect several of them to convert into long term contracts as well. The demand for our services from the healthcare vertical remains strong and we see demand to continue into the first half of the next fiscal year. With that, I will now hand over the call to Pala to walk us through the numbers of Q3 FY2021 and 9 months FY2021 in greater detail. Thank you once again for being with us on the call today.

Srinivas Palakodeti: Thank you, Partha. A very good afternoon to all the participants on the call, and thank you once again for joining us for our Q3 FY2021 earnings discussion.

As in the past, we would like to start by stating that, for this discussion the EBITDA and EBITDA margins have been computed after excluding FOREX losses and gains, which have been considered part of the other income. As required by accounting standards, we have published our financial results comprising continuing operations and discontinued operations. The discontinued operations refer to the India Domestic CRM business, which we exited in January 2020. For the purpose of this discussion, however revenues, profits and margins will be mentioned for the company as a whole, i.e. aggregating continuing and discontinuing operations.

Stand-alone financials: I will start with an overview of the stand-alone financials. The stand-alone operations comprise the operations in India and the branch of HGS in Philippines. On a like-to-like basis, standalone financials show total revenues of Rs.6285 million and a revenue growth of 11.2% over Q3 FY2020. It may be noted that Q3 FY2020 included Rs.709 million of revenues of the India Domestic CRM business, which we exited in January 2020. Hence, the reported revenues have dropped by 1.1%.

On a sequential basis, revenues have grown 6.6%. The standalone EBITDA margins for Q3 FY2021 were 25.8%, up by 320 basis points over Q2 FY2021 EBITDA margin of 22.6%. On a year-on-year basis, EBITDA margins have improved by 300 basis points from 22.8% in Q3 FY2020 to 25.8% in Q3 FY2021. Under other income, in Q3 FY2021, there was an FX loss (due to appreciation of the rupee and the peso) of Rs.94.5 million. This was offset by interest income on treasury surplus of Rs.86.6 million and other items of Rs.16.7 million, resulting in overall other income of Rs.9 million for Q3 FY2021. PAT for Q3 FY2021 was Rs.725 million, an increase of 86% on a sequential basis. Compared to Q3 FY2020, PAT is marginally down by 1.2% as compared to the PAT of Rs.734 million of Q3 FY2020, and this is primarily due to drop in other income by about Rs.200 million.

Now, I will turn to discuss the consolidated financials for Q3 FY2021. On a consolidated basis for Q3 FY2021, HGS reported total revenues of Rs.14568 million. And on a like-to-like basis, the year-on-year revenue growth was 15.2%, comprising 3.1% due to exchange rate variation and a very strong 12.1% volume growth. You may recall that in Q3 FY2020 had revenues of Rs.709 million of the India Domestic CRM business, which we have exited in January 2020. Hence, the reported revenue growth in Q3 FY2021 is 9.1% over Q3 FY2020. EBITDA margins for Q3 FY2021 were at 14.2%, an increase of 20 basis points over Q2 FY2021, but lower than 15.5% reported in Q3 FY2020. It may be noted that we have incurred significant ramp costs relating to the open enrollment season for our healthcare business and for the public sector contracts won in U.K. The benefits from the ramps are expected to accrue in the subsequent quarters.

In the consolidated financials under other income in Q3 FY2021 the FX loss of Rs.17.86 million. This was offset by treasury income as well as other items, resulting in overall other income of Rs.81.5 million for Q3 FY2021. Please note that the other income of 81.5 million in Q3 FY2021 is significantly lower than other income of Rs.198 million in Q3 FY2020.

PBT for Q3 FY2021 was Rs.1105 million, an increase of 22.1% on a sequential basis and 6.6% over Q3 FY20. You may recall that Q2 FY2021 had certain one-off items in the deferred tax line, which gave a boost to Q2 FY2021 PAT. These one off items are not there for Q3 FY2021. As a result, PAT for Q3 FY2021, which came in at Rs.752 million, shows an increase of 5.6% over Q3 FY2020 of Rs.712 million and a drop on a sequential basis of 7.5%. For Q3 FY2021, the board has approved interim dividend of Rs.6 per share, which from a payout perspective, that comes to 16.7% of the consolidated Q3 FY2021 profit.

Coming to YTD financials. On YTD December 2020, on a like-to-like basis, HGS has recorded revenue growth of 10.5% over YTD December 2019. Due to the revenues from the India domestic business and some pass through revenues which ended in July 2019, but were part of YTD December 2019 numbers, the revenue growth on a reported basis is 2.8%.

EBITDA growth on a reported basis is up by 13.5%. Depreciation, interest cost and other income were broadly in line with YTD December 2019, while PBT is up 28% over YTD December2019. PAT is higher due to lower taxes on account of changes in deferred and current taxes. Total dividends for YTD December 2020 come to Rs.18 per share. From a payout perspective, it works to around 18% of consolidated YTD December 2020 PAT.

We are pleased to share that in the first three quarters of FY21, PAT of Rs.2057 million is at par with the full year FY20 profit after tax. Coming to forward covers.

For Q4 FY2021, we have forward covers of USD 27 million at an average rate of Rs. 74.9, higher than the current spot of around Rs.73. We also have forward coverage for about USD 23.9 million in Philippines Peso (PHP), and these forward covers are at rate of PHP51.7 significantly higher than the current spot of USD to the PHP of 48.08.

During Q3 FY2021, HGS incurred capital expenditure of Rs.510 million and YTD December 2020, the CAPEX comes to Rs.1167 million. This CAPEX is higher than the cap YTD by December 2009 CAPEX of Rs.799.5 million, and this increase is primarily due to work from home specific CAPEX incurred in the earlier part of the financial year towards headsets and other IT communications equipment required to get work from home going.

During the quarter ended 31st December, 2020 gross debt reduced from Rs.5454 million to Rs.4944 million, a reduction of Rs.510 million over the previous quarter. Debt of Rs.4944 million comprises Rs.3568 million of debt in our overseas subsidiaries and Rs.1376 million of debt on the India balance sheet. The India debt comprises Rs.1186 million of external commercial borrowings and Rs. 190 million of working capital demand loan, which was due on end Jan 2021 and which has been repaid.

Cash and cash equivalence has dropped from Rs.6078 million as of 30th September, 2020 and has seen a drop of Rs.667

million from the levels of 30th September. As on 31st December, 2020, HGS has net cash position of Rs.467 million.

Taking into account Rs.4619 million of treasury surplus deployed in the form of loans, the net cash position as of December 31, 2020, is Rs. 5,087 million. During the quarter ended 31st December, 2020 there was a reduction in the loans given by Rs.303 million and the total outstanding loans given by the company stands at Rs.4619 million.

The collections are as per target and DSO days stand at 77 days for the first 9 months as compared to 71 days at the end of Q2 FY21. EBITDA to free cash flow conversion continues to be strong and stands at 44% for the first three quarters of the financial year.

As on 31st December 2020, OPEX stands at 38% of total seats as compared to 39% as on 30th September, 2020.

Revenues for the health care vertical grew 10.4% on a year-on-year basis and accounted for 55% of total revenues. With strong growth of our U.K. business, our share of our U.K. business has increased from 5.4% in Q3 FY20 to 7.6% in Q3 FY21. With the divestment of the India Domestic CRM business, the India originated revenue comprises HRO payroll and some interactive services business and accounts for 4.3% of total revenues as compared to 10% in previous years.

The drop in revenues from telecom and banking and financial service verticals is primarily due to sale of the India Domestic CRM business.

Our efforts to increase productivity continues and at end of Q3 FY2021, our average monthly revenue per employee stood at Rs.120369, up from Rs.99328 in Q3 FY2020, an increase of 21.2%, highlighting the change in the mix of the business as well as the exit of the India Domestic CRM business. Sequentially, revenue per employee grew by about 4%.

I now conclude my section, and now would open the floor for the question-and-answer session. Thank you.

Moderator: Thank you. Ladies and gentlemen we will now begin the question-and-answer session. The first question is from the line of Siddharth Oberoi from Prudent Equity.

Siddharth Oberoi: Sir, this is regarding the EBIT margin reduction from last year. Last year, the EBIT margins were about 16.7% and now it's 14.7%. So what is causing this change?

Srinivas Palakodeti: So Siddharth, this is Pala here. As I mentioned in Q3 of FY21, we have seen significant growth, we have incurred significant ramp cost for our open enrollment season for the health care sector and for the U.K. business. So the cost has been incurred in the quarter. We benefit from revenues that would come through in subsequent quarters. So there is a bit of timing difference, given most of our ramp cost have been incurred in overseas locations.

Siddharth Oberoi: So what are these mainly into, is it into employee cost?

Srinivas Palakodeti: They are primarily in the form of employee costs.

Siddharth Oberoi: All right. So as per your tax rate for this quarter is again 35%, if you exclude the onetime tax related to prior years, so what is the tax rate going forward, is it going to be 30%, 35% ballpark?

Srinivas Palakodeti: Yes. There's also of course the component of deferred tax. But if you see, on a consolidated basis, the current tax is in the range of about 33%. So we expect it to be in that range.

Siddharth Oberoi: Okay, but is it that there are some geographies that you're working on which are higher taxed in India, and therefore the mix is on the higher side because India is like 26% after surcharge?

Srinivas Palakodeti: Correct, but it varies from geography to geography, but they would be in that range. Average would come to somewhere in that 30% to 31% range.

Siddharth Oberoi: All right. Also, sir you have this, so the revenue run rate is very strong, averaging about 8%, 9% per quarter. So do we expect the same run rate or more in quarterly growth?

Srinivas Palakodeti: So as Partha mentioned, we have a pretty strong pipeline and demand continues to be strong. Partha, if you want to add anything more on specific in terms of revenue growth.

Partha DeSarkar: Some of the wins in quarter three and quarter four are going to translate into full year revenues next year. So that's going to drive some of the growth that we can see next year, yes.

Siddharth Oberoi: So on an annualized basis, somewhere about 15%, 20%, can we expect that much for FY22. Given the large orders that have?

Partha DeSarkar: We don't give revenue guidance, unfortunately, Siddharth.

Siddharth Oberoi: Okay. Also there is margin profile, so you said that there was a one-off because it is ramping up. So do we expect that in the subsequent quarters the EBIT margins would probably inch higher from 14.5% to somewhere about 15%, 16% range?

Srinivas Palakodeti: Again, we can't give specific guidance but typically we have seasonality in our business. And in general, second half of the year is better than the first half of the year. Having said that, as I mentioned earlier, we have seen significant growth in offshore locations and the cost of the ramp has impacted Q3.

Siddharth Oberoi: All right. So you have mentioned in certain notifications that large orders have impact Q3 and Q2. How large are these, are they can you give us any amount in maybe like $50 million, $100 million accounts, how big are these accounts?

Srinivas Palakodeti: These would, it would vary from contract to contract, but they would have potential to generate US$5 to, let say US$8 million to US$10 million additionally.

Siddharth Oberoi: Per quarter?

Srinivas Palakodeti: Yes, this is just in the U.K. market per annum. Each of this contract would generate $8 million to $10 million per annum in the U.K. market. And because some of them are still pipeline. So there's potential to it's a bit of a moving target, but some of them could scale up even higher.

Siddharth Oberoi: Okay. And what about the restructuring of the business, there has been no further progress on this?

Partha DeSarkar: So there is work in progress, we are basically restructuring all our healthcare businesses into one unit. If you've seen our corporate structure, it is there in our annual report, it is a fairly complex structure driven by a lot of acquisition components that were put in by the banks who finance those acquisitions.

So we are simplifying the healthcare holding structures to bring them under one operating unit. That makes it administratively convenient for us. It also helps us in our taxes. Some of those units are marginally loss-making as others are profitable, so you can club the incomes to get to a lower operating tax level.

Siddharth Oberoi: Okay. So, it is not that you would probably be hiring off the healthcare and listing it separately or something like that?

Partha DeSarkar: No, we don't comment on those kinds of speculations.

Siddharth Oberoi: Okay. So basically, the objective is probably tax rationalization or something of that sort?

Partha DeSarkar: I told you have a look at our annual report, you'll understand what I'm saying. Our healthcare operations are different operating units, many of them are acquired entity. And they are held under different subsidiaries. And that was done at that point of time because we had some financial covenants from the banks that provided acquisition financing. That made it administratively quite inconvenient, and that's what we are trying to tell you.

Siddharth Oberoi: Okay. So also regarding the loan to the promoters, so exactly in your last notification of Rs330 crores, it's gone to Rs461 now. So is that, how much of?

Srinivas Palakodeti: No, the numbers you are referring to are incorrect. We stand at Rs.4619 million as of December, and they were higher by about Rs.303 million or Rs.30 crores as of 30th September. So there's been a reduction between September and December.

Siddharth Oberoi: Okay. So are you saying, it's now Rs461 crores?

Srinivas Palakodeti: Yes, total is Rs.461 crores , while it was about Rs 491 Crores earlier . Please see the notes on the publishing page. You'll see it on the consolidated one

Siddharth Oberoi: Okay. So Rs491 crores has come down to Rs 461 crores.

Srinivas Palakodeti: Roughly, yes.

Siddharth Oberoi: Yes. So what about this Rs461crores because if it gets rolled over, then it's no more short term.

Srinivas Palakodeti: So as you've seen in our publishing page, these are scheduled to have to be repaid before 31st March.

Siddharth Oberoi: Okay. So, but we are already in February, so have the promoters, given any indications that they will be returning this by 31st March, I'm sure you must have that had to work with them?

Partha DeSarkar: Yes, the arrangement is that they will all be repaid before 31st March.

Siddharth Oberoi: All right, okay. And sir one thing, so this dividend has been last year it was Rs.15, this time it is Rs.6 in Feb. So why the change?

Partha DeSarkar: You need to look at it in entirety. The first two interim dividends in the previous financial year was Rs.2.50, Rs.2.50, which brings up a total of Rs.20 for the full financial year because there's no final dividend. Against full FY2020 dividend of Rs.20 in first three quarters, we have Rs.18 of dividends declared. If you want to average it that way it'll probably be a better one. It will come to Rs.5 per quarter for the previous financial year and Rs.6 per quarter for the current financial year. So actually, there's an increase in dividends in the hands of the shareholders.

Siddharth Oberoi: All right. Also this quarter, the CAPEX was very large, actually. So is this because of onetime ramp-up or is it written in nature?

Partha DeSarkar: See, one of the implications of work from home, and clearly all the growth is happening from work in home, it also adds a little more to the CAPEX. When people come to a delivery center to work and depending on how the workload is, but you can definitely use one machine or one desktop for more than one employee.

We may have 14 employees using 10 machines, this is an example, but then the work from home scenario, each of the 14 employees would need to have a computer at home to work. So some of it is coming from work from home as well as other IT equipment required to get work from home going, which especially in the initial part of the year.

Siddharth Oberoi: Yes, okay but I was referring to the last quarter's CAPEX, it was like Rs.597 million or so.

Partha DeSarkar: Yes, but some of it is if I'm going back, we've added a lot of employees in U.K on work from home.

Moderator: Thank you. The next question is from the line of Subhankar Ojha from SKS Capital. Please go ahead.

Subhankar Ojha: I have three questions. One, so I do not want a specific guidance, but do we have scope to improve this margin, we are pretty stable here and typically H2 is better in terms of margin. What are the levers that you have to improve our current margin?

Partha DeSarkar: We talked about it. I don't know if you understood. Q3 margins have a lot of costs pertaining to ramp up with no associated revenue.

Subhankar Ojha: Are you talking about the U.K. operations?

Srinivas Palakodeti: Healthcare operations, open enrollment, so there are a lot of ramp-up cost.

Subhankar Ojha: Okay. So that's largely the one key driver for our margins. So, secondly can you give a breakup of the other income, I couldn't get the numbers?

Partha DeSarkar: So if you look at the consolidated numbers, there was a loss of about Rs17.86 million on account of FX.

Subhankar Ojha: How much, Sorry?

Partha DeSarkar: About Rs.1.8 crores. And against that, we have interest of treasury income of a little over Rs.8.6 crores for the quarter. And there are some other.

Subhankar Ojha: Okay. And finally, this HGS Digital number, what was our 9-month revenue and EBITDA from that business?

Srinivas Palakodeti: Yes. Partha had covered, it has done about US$ 15.6 million YTD .

Subhankar Ojha: And what was the, six months was 9 million and so what was the EBITDA number?

Srinivas Palakodeti: It's about 13 to 14 %

Subhankar Ojha: So similar to what you were operating at the company level?

Srinivas Palakodeti: Yes.

Moderator: Thank you. The next question from the line of Jignesh, an investor. Please go ahead.

Jignesh: I don't understand that we have a good book value, we have a good margin and EPS, why don't we split the profit because there is a lot of liquidity, there is only a Rs.2 crores shares in the market.

Partha DeSarkar: Thank you for your suggestion, we will take it to the board.

Moderator: Thank you. The next question is from the line of Manish Parikh, an investor. Please go ahead.

Manish Parikh: My question is regarding loans to the promoter entity. Sir, what are the chances of that getting again rolled over or again given to promoter entities after 31st March, is there any option, is there an option that the chain to get roll over?

Partha DeSarkar: Right now, they all payable as of 31st of March.

Manish Parikh: Okay. So currently we don't have any intention to, give it again in the next financial year?

Partha DeSarkar: No, I can't comment about next financial year. But right now, they are all payable by 31st of March.

Srinivas Palakodeti: And they're also payable back on demand, so we can always call the loans back , if we need there is a funding requirement.

Manish Parikh: What is the interest income on this, Pala can you please share it with the investors?

Srinivas Palakodeti: Yes. As I mentioned, it's about Rs. 8 crores for the quarter.

Manish Parikh: And for the full year, for the 9 months, how much on these loans?

Srinivas Palakodeti: That will be roughly about Rs.23 crores.

Manish Parikh: And these have all been paid and collected, right?

Srinivas Palakodeti: Yes, all interest has been collected.

Manish Parikh: Okay. So, Rs23 crores, you are saying advances of around what, Rs.500 crores?

Srinivas Palakodeti: Rs. 491, crores it was higher earlier, but yes, right now Rs 461 crores.

Manish Parikh: Okay. Sorry, as of now the interest rate you said, what is the interest rate?

Partha DeSarkar: It varies by somewhere in the range of 7.5% p.a.

Manish Parikh: Okay. And sir, lastly, on the debt side because I've been following up with all the quarterly con-calls. So like we said that there is an expense component to repaying the debt early. So are we looking to repay debt in next financial year or coming quarters or anything on the placement you can give us a sense?

Srinivas Palakodeti: No. So if you look at it, there is if I just look at between March 20 and March and December 20, there is a reduction of roughly about Rs110 crores. So that's the reduction which has happened between March and December in terms of debt.

So, we have a lot of the debt in the form of term loans where we have a fixed repayment schedule and which we are paying down. And we have loans, like on the India balance sheet, and external commercial borrowings , where there are restrictions in terms of prepayment because the way RBI has stipulated this. So, we have limited flexibility in paying down such loans. But whatever is the scheduled payments, we are paying it down and as I mentioned, there is about Rs.110 crore reduction in debt between March 20 and December 20.

Manish Parikh: Okay. Sir, can you give an idea of blended cost in percentage terms, interest costs in percentage terms for the bad debt that we have on the books?

Partha DeSarkar: See, most of them are, a lot of the debt is LIBOR linked and with the margins of roughly, say, 300%, broadly speaking. So that’s our cost.

Moderator: Thank you. The next question is from the line of Sidhyati Shekhar, Individual Shareholder. Please go ahead.

Sidhyati Shekhar: The profit is, obviously, I understand the margins have lower side because of the ramp-up cost. But I have a specific question from the perspective of ECB loans. Sir, I want to understand that as far as the ECB loans, because we have that in some of ECB, why because we give advances to our future concerns. Why can’t we look at an opportunity of paying ECB loans I understand there’s a timeline basis RBI. But RBI would take positively because we are a net foreign exchange positive company.

Srinivas Palakodeti: Your question was not very clear. Your line was a little garbled, could you repeat your question, sir?

Sidhyati Shekhar: Yes, I will do that. So I was asking from the perspective of ECB loans, because ECB loans we are paying right now, short-term loans in fact we have given advances to our sister concerns. Why can't we look at an opportunity of reducing our ECB loans because I understand that RBI does take the cases on positive lines, prepayment of that, if your net foreign exchange positive company?

Partha DeSarkar: Okay. So that's a good suggestion. So we'll definitely see if that's possible and how long does it take to get approvals to prepay the loan.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. R. Ravi for his closing comments.

Ramalingam Ravi: Thank you, Lizan. This is Ravi here again. Thank you to all the participants for joining us in the results conference call. If there are any further questions or clarifications about the Q3 or 9 months financial, please e-mail me or to Pala, and we'll be more than happy to get back to you. This is Ravi signing off on behalf of HGS management. Thank you.

Moderator: Thank you.

Partha DeSarkar: Thank you, everyone, for joining us on this call.

Moderator: Ladies and gentlemen, on behalf of Hinduja Global Solutions, we conclude today's conference. Thank you for joining us and you may now disconnect your lines. Thank you.

Note: This transcript has been edited to improve readability. For the sake of brevity, the edited version of the above content has certain abbreviations/abridgement of words and sentences.