"Hinduja Global Solutions Q1 FY2020 Earnings Conference Call"

August 6th, 2019

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Moderator: Ladies and gentlemen, good day and welcome to the Hinduja Global Solutions Q1 FY2020 Post-Results Earnings Conference Call. As a reminder, all the 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 over the conference to Mr. R. Ravi – Vice President, Head of Investor Relations.

R. Ravi: Thank you ladies and gentlemen. I, R. Ravi – Head of Investor Relations at Hinduja Global Solutions wishing all a very good evening and a warm welcome to the first quarter of FY 2020 post results conference call. To discuss the Q1 results, I am joined by Mr. Partha DeSarkar – the CEO and Mr. Srinivas Palakodeti – the CFO.

Before we begin the conference call, I would like to mention that some of the statements made in today's conference call may be forward-looking in nature, including those related to the future financials and operating performances, benefits and synergies of the company strategy, future opportunities and the growth of 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 risks and uncertainties.

Now, I would like to invite Mr. Partha DeSarkar, CEO, to provide his perspective on the performance for this quarter. Over to you, Partha.

Partha DeSarkar: Thank you, Ravi. Good afternoon and thank you all for joining us on the call today to discuss our first quarter FY 2020 financials and business performance. I hope that you have had an opportunity to review our earnings press release and the attendant factsheet of the reported financials, which are available under the investor's section of our website www.teamhgs.com as well as uploaded in BSE and NSE. I would like to start the conference call with a broad overview of the financials for the quarter under review, followed by strategic initiatives and operational outcomes. After that, I will hand over our call to our CFO, Mr.

Srinivas Palakodeti to discuss the financial performance in greater detail. We will then open the conference call for the Q&A session.

To start with, I am pleased with how the fiscal has begun. We have done very well in expanding the business and the cost control measures are showing improvement as per the management expectations. To share some of our numbers, topline in quarter 1 FY2020 grew by 17.2% year-on-year to Rs. 12,905 million. Organic growth contributed to 15.3%, while forex gain of 1.9% was offset by a drop in revenues from the sale of GuidePoint contracts in December 2018. Revenue growth in constant currency terms was up by 15.3% and sequentially, the revenues in Q1 were up by 0.5%.

The robust growth was led by organic expansion and new client ramp ups, especially in the US verticals such as healthcare, logistics and consumer… Our recent digital solutions acquisition Element Solutions is also seeing good traction.

You are aware that we have been posting strong double-digit growth in the past few quarters. It reiterates a steady growing demand by clients for our BPM services across traditional call centre and back office segments as well as newer transformative and digital solutions. We will continue to pursue this aggressive growth.

Our EBITDA stood at Rs 1,496 million, up by 104.6% on a year-on-year basis and 0.6% sequentially. The EBITDA margins stood at 11.6%; this is a significant improvement from where we were at the same time last year. We have promised you all that we would start seeing the result of our efforts and measures of cost synergies taken up in the last few quarters in this fiscal. We believe that we are beginning to see sustained improvement in this regard. Most of these EBITDA improvements fall in five broad categories. The first is AxisPoint Health, where most of our synergy initiatives are now all in place. The India domestic business has turned around significantly, as most of our site closures are complete and we have also been able to reduce our telecom concentration of the India domestic business. Our realisation rates for this quarter was also much better than the similar quarter last year. In onshore, Canada and health care profitability has significantly improved in quarter 1.

The profit after tax for the quarter was flat, growing by 0.3% year-on-year. Do note that the growth in EBITDA and the flat PAT over last year's first quarter has an element of impact from the adoption of the new accounting standard IndAS116. Consequent to this adoption of new accounting standard, there has been a reduction of Rs 381 million in operating expenses. Our EBITDA margins have improved by 200bps from 6.6% in Q1 FY2019 to 8.6% in Q1 FY2020. Taking into account the impact of IndAS116, the reported EBITDA margin in Q1 was 11.6%. Adoption of IndAS116 resulted in reduction in operating expenses, but at the same time it led to an increase in depreciation and interest and finance charges. On a like to like basis, our depreciation costs have increased from Rs 355 million in Q1 FY2019 to Rs 447 million in Q1 FY2020. After factoring the impact of IndAS116, reported depreciation is now at Rs 748 million. Similarly, the interest costs for the quarter have fallen from Rs 95 million in Q1 FY2019 to Rs 91 million in Q1 FY 2020, but after factoring the impact of IndAS116, the reported interest cost now stands at Rs 247 million. To sum up , the overall impact of IndAS116 was around Rs 76 million for Q1 FY2020. Other income in Q1 FY2020 was Rs 67 million, which is substantially lower than Rs 315 million reported in Q1 FY2019. This decline is primarily on account of the adverse exchange rate fluctuations.

To sum it up, despite the steep drop in other income of Rs 248 million, adverse impact of Rs76 million due to IndAS 116 a strong operating performance has helped overcome the adverse impacts of aggregating Rs324mn and Net profit at Rs405mn, has remained at Q1FY19 levels.

Excluding the impact of IndAS, the Net profit for the quarter would have been Rs480mn, which would be 19% higher than last year first quarter

From a vertical perspective, both healthcare and CES, (which is basically all non-healthcare businesses,) are seeing strong

traction. The healthcare revenues grew by 9.2% year-on-year in Q1 FY2020, led by growth across payer and provider businesses. We continue to win new clients as well as expand in these markets. Our USP has been the domain expertise gained over 20 years of supporting the industry. We support some of the world's largest payers and providers in several areas of the administrative spend from sales and enrolment to financial recovery, across both back office and front office handling provider and member interactions. In the last couple of years, we have taken steps to move up the value chain and become a full services firm in healthcare. We have forayed into medical spend segment focusing on areas such as clinical services, nurse advice, coding, etc. Last fiscal, we acquired AxisPoint Health and gained new capabilities, from the ability to provide onshore nurse advice services to high-end analytics. These capabilities are helping us break into the higher value add mind space in the healthcare industry.

In the CES vertical, which comprises sectors such as retail, consumer, technology, banking and financial services, government and logistics, we are seeing good traction in the last few quarters. Q1 FY 2020 continued the trend with several new wins and client expansions, led by ramp ups with BFSI and the media entertainment sector posting a strong year-on-year growth in the quarter.

Pipeline for both the verticals, healthcare and CES is looking encouraging. We would be ramping up through the year for some of our new wins. We may also look at expanding our presence in a couple of geos to cater to this demand.

In terms of our geographies and businesses, all of them are performing as per expectations. In North America, i.e., US and Canada, the clients who we won in quarter 3 and quarter 4 of last year are ramping up. This includes a logistics client being supported from our Jacksonville centre in Florida.

UK business has won a couple of key clients in the government sector and we expect these to go live in the next few months. Jamaica, Philippines and India International are doing well. In Philippines, we have begun operations in a new facility in Bridgetowne, Manila in June. We will be consolidating all our current operations across Manila to this facility by the end of the year or

early FY2021 for supporting further expansion.

India domestic market has witnessed a turnaround… we have exited many of the unprofitable telecom related processes and are focusing on the fast-growing BSFI sector to help us grow and manage margins better. As part of the continuing consolidation in India, in Q1 we closed two centres, one each in Durgapur and Bangalore.

Our headcount stood at 42,371 as on 30th June 2019. We made additions in Jamaica, UK, India for International business and the Philippines.

I want to share some thoughts on our client wins and how market dynamics are changing demand. In Q1 FY2020, we added eight new clients across healthcare, consumer electronics and retail. We also expanded engagements with 18 existing clients. These are healthy numbers but what makes it more interesting is that eight of these wins are in the space of business transformation, leveraging our technology solutions in AI, automation, analytics and digital.

Several of the straightforward deals in BPM today also include automation, analytics and high-end insights as an embedded component. It is a trend we are increasingly seeing with clients looking for partners who can enable them to win in an ever-changing marketplace. They want someone who can combine new-age technologies with domain expertise to deliver enhanced customer experience. HGS' transformative solutions are helping connect the dots between the front office, middle office and the back office for our clients - be it through intelligent automation, digital, machine learning or social care. And we are continuously investing in building more capabilities, including through acquisitions like Element Solutions, a digital services firm and healthcare analytics company, Axis Point Health.

We have made good progress in getting clients onto the transformation journey, especially with existing clients in the last few quarters. This penetration gives us a big opportunity to expand in the addressable market as well as work on newer commercial gain share models. The current contribution by this segment to overall revenue is in high single digits.

However, it is growing fast. We expect business transformation to help drive higher value-added growth in the future.

To sum up, we have posted a very strong topline growth and business achievements in Q1 and had a strong start to the year. Looking ahead, HGS continues to be well positioned in the market. All our geographies have been doing well and winning new engagements. With the pipeline looking good and our continued focus on driving cost synergies within our core business and the acquired entities, we expect to post higher growth in the coming quarters.

I will now handover the call to Pala to walk us through Q1 FY2020 financials in greater detail. Thank you all once again for being with us on the call today.

Srinivas Palakodeti: Thank you, Partha. A very good afternoon to everyone on the call and thank you for joining us on our Q1 FY2020 earnings discussion. As in the past, we would like to start by repeating that for the purpose of this discussion, EBITDA and EBITDA margins have been computed excluding the Forex losses /gains, which have been taken as part of other income.

Now we turn to the financials for the quarter under review. On a YoY basis, revenues for the quarter grew 17.2%, comprising 15.3% of organic growth and 1.9% coming from forex variation. The strong organic growth must be seen in the context of 19% year-on-year drop in revenues of the India domestic CRM business. It may also be noted that in Q1 of FY2019, we had revenues from GuidePoint business of AxisPoint Health. Post the sale of a substantial portion of GuidePoint contracts in December 2018, revenues from those contracts no longer accrue to HGS. The negative impact of the sale of GuidePoint contracts in Q1 of FY2020 on an overall revenue growth basis is 1.9%.

During the Q4 FY20 earnings call in May 2019, we had mentioned that our new vertical of logistics support business would have “pass-through” revenues. The quantum of pass-through revenues, which was around Rs 274 million in Q4 of FY2019 has risen to Rs 726 million in Q1 of FY2020. So

overall, excluding the India domestic CRM business, the impact of sale of GuidePoint contracts as well as “pass-through” revenues, our revenue growth is around 15.5%.

Like always, revenues from healthcare and insurance verticals continue to show strong momentum growing by about 9.2% in Q1 FY2020 over first quarter of FY2019. However, on a sequential quarterly basis, healthcare vertical reported a modest decline as a result of base effect of Q4 FY2019 as well as the seasonality linked to open enrolment which happens every year. In Q1 FY2020, revenues from telecom and technology vertical grew by 9.6% on a Y-o-Y basis, though there was a decline of 9.2% on a sequential quarter basis. This growth has been achieved despite decline in India domestic business where telecom vertical accounted for about 50% of India domestic business. The strong performance of the telecom and technology vertical can be attributed to the growth that we have achieved in Canada, US and UK, which has significant telecom revenues.

In Q1 FY2020, revenues from the consumer and retail vertical grew by about 4.5% on a Y-o-Y basis. A part of this strong growth is due to revenues from one of the largest retailers in the world. The strong growth from this vertical has ensured that this vertical consistently delivers around 11% to 12% of revenues.

In Q1 FY2020, revenues originating in USD currency continued to perform well and grew by about 25.5% in Rupee terms over Q1 FY2019 and 4.4% sequentially. USD originated revenues accounted for around 76% of total revenues as compared to 73% in the previous quarter. In Canada, the revisions in pricing from clients coupled with increase in wages has led to HGS to be in a better position to address labour shortages and meet client requirements adequately. Consequently, revenues from Canada have grown about 17% Y-o-Y and now account for 10% of total revenues. In Q1 FY2020, if we look at revenue by delivery centres, the US and Jamaica grew by about 8.3% sequentially and around 40.7% over the first quarter of last year. India domestic revenues, which in the last quarter made a smart recovery, declined by about 12.1% on Y-o-Y basis.

The shift in vertical mix in the India domestic revenues is expected to continue from telecom to non-telecom. In Q1 FY2020, the onshore revenues, which include India domestic revenues, stood at 57.2% of the total revenues; this is about 230 basis points higher than what it was in Q1 of FY2019. This increase is coming primarily out of the acquisitions and growth in business in the US and Canada.

The Element acquisition made in early FY2019 continues to perform well and leads our cloud, digital and consulting offerings. In Q1 FY2020, its revenues grew by over 60% from USD 3.1 million to USD 4.9 million while EBITDA doubled.

AxisPoint Health's revenues for Q1 were USD 3.8 million. This business has substantially improved its performance through exit of loss-making contracts and by implementing cost reduction and cost synergy measures. EBITDA losses have dropped by more than 50%.

As disclosed in our published results, the Company has adopted IndAS116. Consequent to this adoption, there has been a reduction of Rs 381.3 million in operating expenses. Our EBITDA margins have improved from 6.6% in Q1 FY2019 to 8.6% in Q1 FY2020, an increase of 200 basis points before the impact of IndAS116. After taking to account the impact of IndAS116, the reported EBITDA margin was 11.6%.

Along with the reduction in operating cost, the adoption of IndAS116 has resulted in increase in depreciation and interest costs. Our depreciation costs have increased from Rs. 354.5 million in Q1 FY2019 to Rs. 446.9 million in Q1 FY2020. After factoring into account the impact of IndAS, the depreciation number as in the published financials is Rs 748.1 million.

Our gross debt has reduced from Rs 5,848 million as at 30th June, 2018 to Rs. 5,624 million as at 30th June 2019, a reduction of Rs. 224 million. Interest costs for the quarter have fallen from Rs 94.5 million in Q1 FY2019 to Rs. 90.7 million in Q1 FY2020. However, factoring the impact of IndAS116, the interest costs as per published financials come to Rs. 246.7 million.

To sum up, the overall impact of IndAS at PBT level excluding other income is adverse. Other income for Q1 FY2020 was Rs. 66.8 million, substantially lower than Rs. 314.9 million in Q1 FY2019, i.e., a drop of around Rs. 248

million. This is primarily on account of adverse exchange rate fluctuations and appreciation of the Rupee between 31st March 2019 and 30th June 2019.

To sum up, despite this drop in other income of Rs. 248.1 million, adverse impact of IndAS116, a strong operating income has helped overcome the adverse impact and the PAT of Rs 404.5 million has remained at nearly Q1 FY2019 levels, showing a growth of 0.3%. If the impact of IndAS was excluded, PAT for the quarter would have been about 19% higher than Q1 of FY2019.

As at 31st March2019, DSO days stood at 83, which has dropped to 80 days as of 30th of June 2019. During the post Q4 FY2019 earnings call of May 2019, we had mentioned that the Canada and the India domestic CRM businesses were in the process of renegotiating commercials with clients and the signing of fresh contracts had spilt over to April and March. This was the main driver for EBITDA to free cash flow conversion for Q4 being negative.

We are pleased to share that the contracting terms have been finalized, invoices raised and over dues have been collected. This can be seen by the fact that the EBITDA(before IndAS11) to free cash flow conversion for Q1 FY2020, stood at about 111%. On a more normalized basis, if we look at EBITDA to free cash flow conversion for the six month period ending June 2019, the EBITDA to free cash flow conversion stands at about 27%. CAPEX for the quarter was Rs. 130 million. Our gross debt levels have reduced by Rs. 224 million over 30th June, 2018 and around Rs. 371 million over 31st March, 2019. Gross debt as at 30th June, 2019 stood at Rs. 5,624 million and net debt stood at Rs. 533 million, which reflects the collections that happen between April and June.

During Q1 FY2020, ROCE stood at 13.8%, excluding the impact of IndAS116 and around 13% post the impact of IndAS116. Our endeavor to take more seats on OPEX basis continue. At the end of Q1 FY2020, OPEX seats accounted for 22.3% of total seats, up from 19.8% in Q1 FY2019.

Our endeavor to increase revenue productivity continues For Q1 FY 2020, average revenue per employee stood at Rs 101, 738 per month up from Rs

98,711 /employee/mth for Q4 FY 2019 as well as Rs.82,349/employee/mth for Q1FY 2019.

At the end of Q1 FY2020, the total head count stood at 42,371 as compared to 44,854 in Q1 FY2019. If we compare the headcount of India operations, it has seen a reduction of about 3,500 over Q1 FY2019. During the last 12 months, headcount has increased across all geographies except India domestic and in the UK. While the headcount of India domestic business has declined in last 12 months, headcount for India offshore business and in India payroll businesses has increased.

To sum up, we exited FY2019 on a high note and have started Q1 FY2020 well. Our endeavor to improve the margins across geographies, operations and of acquired entities will continue.

I now open the floor for 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 Subhankar Ojha from SKS Capital. Please go ahead.

Subhankar Ojha: Couple of numbers which I missed out. One of this is AxisPoint, can you say the revenue and the profitability of this entity?

Srinivas Palakodeti: For the quarter ended 30th of June, revenues from AxisPoint came in at about USD 3.8 million.

Subhankar Ojha: Versus what was the last year numbers?

Srinivas Palakodeti: Last year's number was higher, primarily because we also had contracts of the GuidePoint business which we sold in December. So, it is not comparable. I think you should just look at it in absolute terms of USD 3.8 million.

Subhankar Ojha: And how has the profitability been last quarter and this quarter?

Srinivas Palakodeti: So, once we sold off the loss making contracts, obviously the losses in Q1 have reduced. We have also put in a lot of cost implementation measures and cost synergy measures; these have also been completed. So, broadly speaking EBITDA losses are 50% lower; there is an improvement in the overall performance compared to where it was same period last year.

Subhankar Ojha: Are we on track for breakeven in H2 as we guided earlier?

Srinivas Palakodeti: Yes. As I said, the synergy measures are already in place on the cost side.. So it's a matter of adding more revenues because now it is at a level where it can support far more revenue. The cost structure is optimum, the pipeline is healthy, it is a question of when the contracts are signed. But we do expect profitability to improve as we go through the financial year.

Subhankar Ojha: Earlier we had some stated guidance of 15% revenue growth for AxisPoint and I expected to breakeven in H2, so I thought I will confirm that number with you.

Srinivas Palakodeti: See, I will not give a specific Q2 or H1 or those kinds of numbers but we expect improvement to happen as we go through the year.

Subhankar Ojha: And sir, what was the CAPEX number for quarter 1 and what is your FY2020 guidance?

Srinivas Palakodeti: We had a spike in CAPEX in Q4 FY2019 because we were setting up a new site in the US. This quarter it is in the range of about Rs 13 crores. I am not saying that is the run rate; we expect that number to go up. But as I said, we are taking more and more seats on an OPEX basis to reduce the CAPEX intensity of the business. So, we expect our run rate to improve but I cannot give a specific number on CAPEX right now.

Moderator: Thank you. The next question is from the line of Princy Bhansali from Anand Rathi. Please go ahead.

Princy Bhansali: The billing rates in US domestic and Canada has been inched up. So, any reason for that?

Srinivas Palakodeti: Yes, you are looking at revenue per employee right?

Princy Bhansali: Correct.

Srinivas Palakodeti: Yes, so it was about Rs. 127,000 per employee for Q1 FY2019… that has gone up to about Rs 181,491 in Canada. As I mentioned, we have done some renegotiation of the commercials and you can see the impact of that in Q1 of FY2020. Also, you need to take these numbers on a full year basis because sometimes we need to hire and train people ahead of revenue. So a quarter ending number can at times be a little misleading. That is one thing we have definitely achieved in Canada and in case of the US, we have seen growth in revenues from US originated business. There are also some components related to the logistics business and the new site, which we added. So that is also the reason for increase in the revenue per employee in the US.

Princy Bhansali: So, I just wanted to know that in terms of your domain in others, like what all domains are included in the others, miscellaneous?

Srinivas Palakodeti: It could be logistics, and some of the other verticals. For example, we do work for the UK government.

Princy Bhansali: And you said like around $ 10 million is the pass-through revenues this quarter.

Srinivas Palakodeti: Correct.

Princy Bhansali: So your actual revenue is $ 175 million?

Srinivas Palakodeti: Yes, that is the component, which has a pass-through component in our financials.

Princy Bhansali: How much of that is likely to reoccur in future?

Srinivas Palakodeti: No, it is linked to this contract which we have. So as long as we have the contract in the current shape, we will continue to have those….

Princy Bhansali: Of the same quantum or it will, it is likely to reduce?

Srinivas Palakodeti: No, there is seasonality in the business. So, I cannot say that it will be at this level… we are also looking at some of the contracting terms. But with the current state, the numbers may vary but we expect that to continue.

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

Madan Lal: Sir you are not giving clear figure of AxisPoint… USD3.8 million sale was there and what was the net loss against that?

Srinivas Palakodeti: EBITDA loss was USD 1.8 million.

Madan Lal: No, net loss?

Srinivas Palakodeti: Yes, that is there at EBITDA level of USD1.8 million.

Madan Lal: AxisPoint?

Srinivas Palakodeti: Yes.

Madan Lal: Sir, USD 3.8 meaning sales has declined?

Srinivas Palakodeti: We have sold some of the GuidePoint contracts. In Q1 of FY2019, we had revenues from this business; however, post the sale in December 2019, this revenue no longer accrues to us. That is why you cannot compare it with previous quarter revenue.

Madan Lal: I want to understand the clear thing that USSD3.8 million… if we see it for the whole year continuous, then I think only USD 15 million sales will come from this.

Srinivas Palakodeti: Then you assume that that no new sale will come.

Madan Lal: Sir, that is not my meaning. We have invested Rs 100 crore plus in a company, where the sales coming is of USD 3.8 million

Srinivas Palakodeti: So USD 3.8 million is the revenue for one quarter.

Madan Lal: Sir if you look at four quarters then also you are saying approximately USD 15-20 million.

Srinivas Palakodeti: Yes.

Madan Lal: Sir, Rs180 to 200 crore in this company we have invested in… only this much sale will come.

Srinivas Palakodeti: The benefits will come in the future. This is a long-term investment, so you cannot consider it in one year basis.

Madan Lal: Sir, what benefit will come in long run of Rs. 200 crores.

Srinivas Palakodeti: It is like this… whatever we do in healthcare today is primarily in the administrative back-end. So, let us assume a hospital or insurance company, whatever expenses they do, out of $100 - about $20 goes to back office and $80 goes in clinical or treatment side. Till now, whatever revenue we have generated has mostly come from the $20 market segment. The AxisPoint acquisition allows us to play in the USD 80 segment too. The opportunity is very huge, which is why we acquired this business. The benefits will be long term… you cannot see it from a one-year basis. The previous year was difficult; however, we have corrected the cost structure due to which the losses have reduced. Now we are trying to increase the revenue opportunity, which is very huge.

Madan Lal: Sir you mean to say that the 200 crore or whatever we have done in expenses means after two, three years you will get the reflection?

Srinivas Palakodeti: Those benefits are of long term; you cannot see it from one year basis.

Madan Lal: Sir, we are in the second year. I am not talking about one year and second year… also there is no such expectation. This means in future you are saying after three or four years, something new will happen?

Srinivas Palakodeti: No, we are expecting that this year also, we will have growth and in future also, we will have growth because opportunity is very huge in that sector.

Madan Lal: Sir, we do the sales of Rs 1,300 crore and the currency level previous year which you have done the hedging. According to that currency level, it is doing good near and about Rs. 69 or Rs. 70. The average should be coming… so that means you are saying accounting standard 116 because of that we have benefitted.

Srinivas Palakodeti: No, we have said that due to accounting standard IndAS 116 , there is a benefit at EBITDA level, and at PBT level, there is a loss. There is a net negative impact of around Rs 8 crores.

Madan Lal: Sir, approximate you are saying that indirectly if it would not have happened, then 18%, 20% the profits have been increased.

Srinivas Palakodeti: Yes

Madan Lal: Sir, in such a big business and in such a huge capital means there is no space of improvement in bottom-line, meaning we do not have any such business that because of that profit margin should increase big.

Srinivas Palakodeti: See last year, there was a problem. We have already improved the margins and if you see the whole year, there's a lot of improvement that's happened. You do not take the decision on just one quarter.

Madan Lal: No, I am not taking only of one quarter.

Partha : IndAS is an accounting standard which has been imposed. The company has no say in this matter. All companies which have long term leases are impacted by that. There is nothing we can do. Please look at operating cash flows, please look at EBITDA improvement, these are the factors that we can control.

Moderator: Thank you. The next question is from the line of Akshay Ramnani from HDFC Securities. Please go ahead.

Akshay Ramnani: So just wanted to get some color on potential impact of the minimum wages, which we may see on our margins, have you worked it out? Any sense of that would be helpful.

Srinivas Palakodeti: Sir, which one are you referring to in terms of increase in minimum wage?

Akshay Ramnani: So, the current minimum wages in Maharashtra region?

Srinivas Palakodeti: Yes, it is a little early because there are also some legislative changes, wage code, combining of different acts which has to be announced. The bill has been passed, the consent is awaited. So, it is a little hard to give the exact impact because the multiple definition of wages and hence the minimum wage and lot of it needs to be studied. So, I would request to be given a little more time to access the impact, given there is changes in legislation and also hopefully a simplification of definition.

Akshay Ramnani: And can you just share the EBITDA number for Element as well?

Srinivas Palakodeti: Yes, as I said it has gone up by about 50%... it was about USD 400K in Q1 of FY2019, which is about USD 800K now.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions for today, I now hand the conference over to Mr. Ravi for his closing comments.

R. Ravi: Thank you to all of the participants for joining us in the call. If there are any further questions or clarifications about the Q1 FY2020, please email me or to Pala, we will happy to get back to you. This is Ravi signing off on behalf of HGS management. Thank you.

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

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.