

Hinduja Global Solutions Limited

Q4 FY2011 Earnings Conference Call

May 12, 2011

Moderator: Good evening ladies and gentlemen. I am Triveni, the moderator for this conference. Welcome to the Hinduja Global Solutions FY 2011 results Conference Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to WebEx International. After that, the question and answer session will be conducted for participants in India. I would now like to handover the floor to Mr. Mayank Vaswani of Citigate Dewe Rogerson. Thank you and over to you sir.

Mayank Vaswani: Thank you. Good evening to everyone in India and a good morning to our overseas investors. Thank you for joining us on this call to discuss our financial results for the quarter and full year ended March 31st, 2011, announced earlier today. We have with us on this call Mr. Partha Sarkar, CEO, and Mr. Srinivas Palakodeti, CFO.

Before we begin, I would like to mention that some of the statements made in today's discussion maybe forward looking in nature and may involve risks and uncertainties. For a more complete listing of such risks and uncertainties, please refer to our Investor Presentation. The documents relating to our financial performance have been emailed to all of you earlier. These have also been posted on our corporate website. I would now like to handover the floor to Mr. Partha Sarkar to provide key highlights of our performance for the quarter.

Partha De Sarkar: Thank you Mayank and good evening to all of you and thank you for joining our call. I trust that all of you have been through our numbers. They were sent out earlier today. I will take you through the operating highlights and a business overview before handing over to Mr. Palakodeti, who will be taking us through the financials in detail.

The revenues for the current quarter were 293.5 crore, approximately 65 million dollars, an increase of nearly 32% over the revenues of 223.2 crore, approximately 49 million in Q4 of FY' 10. Our numbers clearly indicate strong revenue growth, which has been driven by business growth across all major geographies. It is largely driven by volume growth and with a small contribution from pricing.

EBITDA for the quarter was 44 crore and it has expanded 30% from the EBITDA of 34 crore for the same quarter last year. On a sequential basis, EBITDA is higher by 2% and the EBITDA margin is steady at 15% despite fresh investments in Q4 FY '11.

The net profit for the quarter was nearly 31 crore, which was higher by 19% compared to the PAT of 26 crore in quarter four of last year. On a

sequential quarter basis, the PAT was higher by 10%. The focus on cost optimization and an increase in topline growth has led to an increase in profitability.

Operating revenues for FY '11 were 1,073 crore, representing a 20.3% growth over the revenues of 892 crore in FY '10. EBITDA was at 155 crore compared to 163 crore in FY '10. There has been a dip in EBITDA due to the impact of the new centers that were set up, especially in the first half of the financial year.

The consolidated PAT was 107 crore and was lower than the 130 crore that we delivered in FY '10. We are pleased to have been able to improve our profitability every quarter this fiscal on a sequential basis, but if you compare this to our performance last year, you would notice that our profitability has gone down. This can be attributed to three main causes; the higher tax rate because of the discontinuation of the tax benefits under section 10A of the Income Tax Act. Our taxes this year are at 22.8 crore as compared to about 12.8 crore in FY '2010; reduced profitability of our India domestic operations on account of pricing pressures and start-up costs of our tier II and tier III centers; and about a 5% reduction in the Dollar-Rupee and Dollar-Peso conversion rate.

I think it is also worth mentioning here that our revenues from Careline Services, UK, which is a pure onshore operation, have a lower profitability than HGSL's norms. This has had an adverse impact on our consolidated profitability, and we are working on ways in which to increase our margins in the UK operation.

Some key highlights to share with all of you upfront. During FY '11, HGS has crossed 1,000 crore in annual revenues for the first time. That is a landmark for us. We have also completed ten years during the period under review and have entered into a second decade of our operations. We have had many significant customer wins during the period. We started work in four new sites, the Global Village in SEZ, Bangalore; second site in Durgapur; a new site in Siliguri; and a new site in Iloilo in Philippines.

In appreciation of the support from our shareholders, which was instrumental towards attainments of these milestones, the Board has recommended a dividend of Rs. 20 per share.

We will now briefly talk about the market that we serve; 75% of our revenues originate from the US. The US market is now in a stronger footing than it was last year. The economy is showing signs of recovery, but overall growth rates are still muted. All indications are that the growth rate would continue to remain muted for some more time. The welcome change this year is that the corporates are much more assured about their business this time and have definite budgets to cut cost from their operations. We continue to see good demand for our services from our client. Cost optimization continues to be foremost importance to our

clients. We are seeing that there are a significant number of contract renewals from our existing clients. We have just won a new order from one of our large insurance client. This new queue has annual revenues of about 3 million and is starting off in our SEZ unit in Bangalore. Another top insurance client is also ramping up its presence in our Philippines and US call center. We have also won a new contract from a large West Coast-based health insurance provider to start with 30 seats in our Bangalore facility and about 20 seats in our Manila facility. All these wins in the health insurance space demonstrates our commanding position in this domain.

Our outlook for this industry and the market is shared by NASSCOM in their recent report. I will quickly share some of those numbers with you. Worldwide IT outsourcing grew by 2.4% in 2010. The Indian IT/BPO industry grew by 19% this fiscal as revenues were approximately USD 76 billion, of which the exports were USD 59 billion. Within this, the BPO exports increased 14% to USD 14.1 billion. India continues to be the leader in global sourcing with a 55% market share in 2010 as compared to 51% in 2009.

In the UK, we continue to make good progress with the Careline business. A significant share of our revenues has come from our UK operation and this has helped us to diversify our overall revenue base. We have completed three full quarters with Careline and I am pleased to share with all of you that the progress on integration is very good. We have received a very encouraging response from Careline customers, given our experience with global delivery model. Plans are underway for expansion of business and I am delighted to share with you that we have already signed a contract with one of Careline's largest customer to expand into the European market. The initial plan was to expand our presence to four European cities.

We continue our efforts to enter new markets. We have made significant progress in the Canadian and the Chinese markets. Revenues from these new markets are aimed at diversifying our dependence on the US market. We are also very close to set up a Greenfield project in the Central American region. We are in talks with the Jamaican government to set up a center in Jamaica. We are hopeful that we will be able to start up operations in Jamaica in quarter two of next fiscal. This center would primarily cater to the near-shore market of US.

Our Philippines center is doing really well. Increased capacity utilization has resulted in improved bottomline for this center. Recent studies have shown that the Philippines have now become the second largest service provider in the world after India with turnover of about 12 billion and is expected to post a 20% annual growth for the next five years. The Philippines has proved to be a huge success story for the company. During FY '11, we fully ramped up our second center in Philippines and have now commenced our work at the third center in Philippines, which is

located in Iloilo, which is a tier II city. This center has gone live towards the end of March and we are excited with the progress in this region.

On the domestic front the BPO market continued its growth trajectory despite an uncertain macro-economic environment. According to recent Gartner report, the Business Process Outsourcing market in India touched 1.139 billion in 2010, an increase of 28.6% from 2009 . The market growth was driven primarily by increasing volume of existing BPO engagements and clients expanding the scope of their existing BPO relationships. According to Gartner, India is one of the fastest growing BPO markets in the Asia-Pacific. The domestic market continues to offer strong domain for our services, and although we have a smaller share, it is well placed with a growth rate of about 16%. The industry is among the largest recruiters in the India domestic market as it gears up to provide services to verticals like telecom, insurance, travel and tourism which are steadily expanding their customer base. I would like to mention here that we were one of the first companies to recognize the potential of the domestic market. We have been proactive to consolidate our position by branching out in tier III cities, thus promoting sustained development. We have ramped up operations in our center in Nagercoil in Tamil Nadu as well as our second center in Durgapur, West Bengal. Within this year, we also commenced operations in our unit in the Global IT Village in SEZ in Bangalore. The order flow is strong, and we expect the SEZ to be running at its peak capacity utilization by the end of this year. Further, the Siliguri center, the third HGSL center in West Bengal, is expected to start operations in the quarter ended June 2011.

In spite of the emergence of other destinations, India continues to grow faster than any other geography having the world's largest pool of employable talent, service oriented infrastructure across multiple geographically-dispersed locations within the country and a supportive policy regime have helped to maintain the advantage. Also, India has achieved a high rating in a category of data and intellectual property, security and privacy and the combinations of skills. Currently, the India domestic telecom industry...is the largest client and telecom operators have been facing competition over the last couple of years. The declining ARPU's have led to enhanced negotiations for reduced pricing which has resulted in greater volumes. This has resulted in a slightly muted growth in the domestic market. However, there are signs of an improvement in this market when coupled with the introduction of 3G services; the prospects for the telecom industry are set to improve. Further, there are opportunities from the emerging service industries like direct-to-home television, home shopping, banking and financial services, etc., which will help us to drive growth in the domestic market.

As announced by us in the previous quarter, we have begun the process of reorganizing all our global entities into one identity. This is the rebranding exercise that aligns our global subsidiaries into the identity of the parent. A new logo will be launched end May and will be visible in our

annual report this year. This will also be accompanied by new-look website and a new email domain name.

What made us opt for a new logo? Over the last ten years, we have established ourselves as a well-recognized global brand with operations in six countries, nearly 90% of our revenues originate from the US and UK with over 65% of our revenues being delivered outside India. We have reached a stage to make the logo more international. We needed our logo to be easy to remember and pronounced for an international audience. There was also a need to have a new international brand under which we can hold a diverse and multicultural brand that we have acquired like Source one, C-Cubed, AFFINA and Careline. In other words, there was a strong need for a new, young and bold new global brand. So, our new logo retains the identity of the parent, but it also lends itself for a high brand recall value with a crisp and international touch that is easy to recall for an international audience be it clients, vendors, or employees.

Our outlook continues to remain positive. According to NASSCOM suitably exploring opportunities both in the global and domestic markets can help Indian IT/BPO industries to contribute about 7% to annual GDP and create about 14.3 million employment opportunities in FY '15.

To conclude, through our global delivery model and our focus on providing high-quality services, we aim to take the company to the next pedestal of growth. We are continuously investing in infrastructure and expanding our management bandwidth to enable our transition to the next decade as a larger and a more global player. That is all from my end. I will now handover to Pala who will walk you through the financials. .

S. Palakodeti:

Good evening everyone and thank you for taking time out to join this call. I will now run through the financials before we move into the question and answer session.

For the quarter ending March 2011, our revenues stood at 293.5 crore, an increase of nearly 31.5% as compared to the quarter ending March 2010. On a sequential basis, revenues were higher by about 2.3% from Rs. 287 crore which were the revenues for the quarter ending December 2010. The numbers exhibit fairly strong performance and are representative of the volume growth with addition of new centers with some marginal improvements in pricing.

EBITDA for the quarter ended March 2011 was Rs. 44.1 crore as compared to Rs. 33.9 crore for the quarter ending March 2010. On a sequential basis, EBITDA was higher by about 2.1% from Rs. 43.1 crore which was the EBITDA for the quarter ending December 2010. The EBITDA margin has been sustained at 15% for the quarter ending March 2011.

The margins have been stable as compared to the previous quarters despite costs incurred for our recent centers in the SEZ in Bangalore as

well as the third center in Philippines which is located in Iloilo. Despite undertaking upfront investments, we have been able to maintain the EBITDA margins at 15%. On a corresponding quarter basis, the EBITDA margin is lower, but it is important to note that over the last year, we have added 4 centers and have undertaken 1 acquisition. All of this comes in at lower margins, and as we increase capacity utilization as well as optimize our incremental business infrastructure, we expect to see the EBITDA margins trend up once again. The consolidated profit after tax for the quarter ended March 2011 was Rs. 30.9 crore as compared to Rs.25.9 crore for the quarter ended March 2010. PAT was also higher by about 10.4% on a sequential quarter basis as compared to the PAT of Rs. 28 crore for the quarter ended December 2010. I just wanted to reiterate what Partha mentioned earlier. There had been strong sequential growth in PAT throughout this financial year; however, compared to last year, there is a dip in the net profit after tax due to the tax benefits going away, the addition of UK business which, while profitable, is at a lower margin than what HGSL has, the impact of new centers, so these 3 or 4 factors have contributed to the overall drop in margins. Moving into the revenue analysis, increase in volume due to new centers has helped the revenue grow across geographies. Revenues from Manila increased sharply as the second center which was opened in FY'10 has reached now peak utilizations. North America witnessed a 2.1% revenue growth despite the changes in the currency. The decline of 6.2% in revenues for a quarter ending March 2011 as compared to the quarter ended December 2010 was due to seasonality of the business. Domestic revenues grew by about 4.5% as compared to the sequential quarter and this is largely gains due to increased volumes. Our UK revenues are now contributing steadily to overall revenues and they account for about 12% of the revenues.

Coming to the vertical-wise revenue generation. Telecom has shown a healthy growth of 36% year on year. Consumer electronics has grown around 20.5% on a year-on-year basis. Chemicals, banking and financial services and others have also shown healthy growth rates. All our verticals have grown in double digits compared to last year showing you the demand continues to be strong. In terms of currencies, we had some decline in local US earnings during the quarter due to seasonality and bad weather and variation in exchange rates; however, there has been growth in work offshore largely with a ramp up in Manila. India domestic revenues are higher during the quarter demonstrating the benefits of large volumes. UK revenues were marginally lower due to currency impact; however, UK has helped us to diversify our geography of operation as well as the reporting currency. A quick look at the India based revenues shows strong growth on a sequential quarter basis. While we are marginally ahead of the FY'10 performance, our momentum is strong and attaining peak capacity utilization with new centers will carry it further. On the expenditure side, there have been costs; there have been pressure on costs especially in the domestic business. Our tax rates for FY'11 are higher due to the phasing out of the 10-year benefits as discussed by Partha earlier in the call. We have an SEZ which is ramping

up. It would give us some relief on the tax side but the overall tax rates will continue to remain higher than in the past. We have increased our overall base of clients and have ramped up our employees as well. Employee growth has increased in India as recent as centers are being set up following the transition and now they are running at peak utilization. Compared to the quarter ending December 2010, there have been drop in the employees in other geographies primarily due to the seasonal nature of the business for the quarter ending December 2010.

A quick word on our cash balance. Of the total cash and cash equivalents of about 619 crore, around 567 crore or around approximately 127 million is in with the Mauritius subsidiary of HGSL. This is net of debt which we have in different geographies and the net cash comes to about 468 crore which approximately works out to 227 Rupees per share. This represents around 45% of our book value. That is all from my side. We will now invite you to the question and answer session

- Moderator: The first question comes from Mr. Senthilkumar from IDBI Federal.
- Senthilkumar: Coming back to the revenue breakup for the last year and this year, the North American as a pie contribution has come down from 46% to 35.7% this time, and Europe has gone up. Is the pie is going to be this way in the coming years?
- S. Palakodeti: As part of our strategy, we want to reduce the dependence on North America. So, the moment we did the UK acquisition, which currently accounts for about, on a run-rate basis around 12% but for the financial year, around 10%. so there is automatically a reduction there. But in an absolute term. So, as we look to add more geographies, the dependence could decrease in the US market. So, while we would grow or look to grow the US business in Dollar amount, at an overall level, we would like to reduce the dependence on North America as it is still pretty high at 75%.
- Senthilkumar: UK has been a new market for you, and lot of growth is also happening if I am right?
- S. Palakodeti: Yes
- Senthilkumar: But how has been the pricing scenario at the UK markets?
- S. Palakodeti: Stable.
- Senthilkumar: And what was the volume growth that we saw completely now this quarter?
- S. Palakodeti: It is pretty much flat. Also, bear in mind that the December quarter is a busy quarter. So, taking that into account, it is pretty flat as far as the UK market is concerned.

- Senthilkumar: Okay, and the taxation also will be like at the same rate right?
- S. Palakodeti: Yes, it will be somewhere in that range about 22 to 23%.
- Senthilkumar: Now with this year ending, I think we have done close to about 20%. For the coming year, what sort of growth we can look at, with your capacity expansion?
- S. Palakodeti: Yes, we would be looking at a growth rate in the high teens.
- Senthilkumar: Probably can we exceed this year's growth?
- S. Palakodeti: We don't really give guidance, so we don't want what we are saying to be construed as guidance for next year. We have historically got a good track record of growth and I think that is the basis on which you should judge our performance.
- Senthilkumar: How much head count you are planning to add this year?
- Partha Sarkar: It will be probably about 2000 people.
- Senthilkumar: What is your current utilisation level of across centers?
- S. Palakodeti: Seat utilization is about 85%.
- Moderator: The next question comes from Yash Gadodia from Sunidhi Securities.
- Yash Gadodia: Wanted some update on the other income. It has gone up substantially this quarter. Can you throw some light on that?
- S. Palakodeti: One part is the income on the treasury surplus which we have. And in the past, we had made some provision for bad debts, but we recovered the money, so there was some write-back on those provisions and rest is essentially the forex variations which would come under.
- Yash Gadodia: On a steady-state, what should be the other income we should be looking at as in on a quarterly basis?
- S. Palakodeti: We have close to 600 crore roughly. Or \$127 million and those earn typically on deposits, interest rates of about 3%. So, that is essentially the substance of the other income. Rest is Forex gain, etc. in which there is no steady state.
- Yash Gadodia: Have you frozen on any wage hikes as in what are you planning in terms of wage hikes next quarter?
- S. Palakodeti: Yes, they are planned, so they would be in the normal range we have been doing in the past.

- Partha De Sarkar: Yes, in some clients we have gone even as high as 10% and in some clients even 15%.
- Moderator: Next, we have a follow-up question from Senthilkumar from IDBI Federal.
- Senthilkumar: Will we be in a position to maintain our margins for the coming year with utilization at the peak, with people addition and salary hikes?
- S. Palakodeti: See, while these measures are implemented, there would also be the ramping up happening in the volume because the things which we are adding, they would also start contributing. So, what we are hoping is the best thing to do is to maintain the margins.
- Senthilkumar: Okay and the tax rate will be similar what we have had this year of 18%, close to that.
- S. Palakodeti: No, because if you take it on a quarter-by-quarter basis, it will be somewhere in the 22% to 23% range
- Moderator: Next in line, we have Tushar Patel, an individual investor.
- Tushar Patel: I just wanted to understand a couple of things. First on the utilization front, you mentioned that we are operating at a utilization of 85%, right?
- S. Palakodeti: Correct.
- Tushar Patel: So, in that case, I see a disproportionate increase in the employee cost compared to the growth in the number, so has there been some sort of pressure on pricing or if you can give me some sense on those numbers?
- S. Palakodeti: No, what we have talked about is the seat utilization. If I have 100 seats, what I am saying is there are 85 seats which are being utilized which is pretty much like the peak. So, if you are comparing to FY'10 because of the acquisition which has happened, there will be a growth on the employee cost in that level, but otherwise, you know, as we ramp up, there would be people who are on training but who may not be on the production floor. So, that would explain the increase in costs, for instance if we are setting up a center in Siliguri which went live yesterday, you have employees prior to that who are undergoing training. So, that would explain the difference.
- Tushar Patel: In case of Careline you mentioned that all your operations are onsite, right?
- S. Palakodeti: Yes, that is a pure domestic UK business.
- Tushar Patel: Okay, so any way of outsourcing those revenues to India?

- S. Palakodeti: No, our overall approach is not to outsource what the existing clients, but to go back, show and demonstrate and prove our global delivery model and get additional business.
- Tushar Patel: Okay, and you mentioned an addition of around 2,000 that you are targeting this year right?
- S. Palakodeti: That is what we expect.
- Tushar Patel: Okay. Sir, any way of increasing the pricing because somehow if I calculate the numbers, the pricing comes out to be quite low for our business currently?
- S. Palakodeti: Discussions are on with clients for revision in rates.
- Tushar Patel: Yes, that is true, but on an average, the pricing somehow seems to be quite low. Is there any way we can increase that pricing in the future because that is the sense we are getting from the IT major as well. So, for a BPO business, is that going to be possible for us in the future?
- Partha De Sarkar: See, I don't know what benchmark you are using. I see we have thought about 3 or 4 price points. One is India domestic price point, which is pretty low, which is where bulk of the headcount is today. Then, there is an India price point, then there is India offshore price point, then there is a Philippines offshore price point and then there is a UK onshore price point and US onshore price point. So, there are different price points. If you just divide the revenue by the head count, you will get a number which will really be a mix of different price points, it will not be an actual reflection. And the differential could be a factor of 4 or 5, so that is where the risk of averaging is coming out.
- Tushar Patel: Okay, that seems right, and on the cash front, we have been sitting on this pile since a long time. This question comes up every time in the con-call, are we in the process of acquire anything or you considering a buyback or increase in dividend payout of something for the investors?
- S. Palakodeti: Yes, so we are looking at making acquisitions, so that process continues.
- Tushar Patel: Okay, so we cannot expect the buyback or increase in dividends?
- S. Palakodeti: Yes, we have just increased the dividend, you know, from 2 years' back, you know, we have been steadily increasing the dividend, so we will see going forward.
- Tushar Patel: Okay, thank you sir.
- Moderator: Next in line, we have Yash Gadodia from Sunidhi Securities.
- Yash Gadodia: I just wanted to clarify. You said 2,000 is the headcount addition or the seat addition?

- S. Palakodeti: No, we were talking of the approximate expected employee addition.
- Yash Gadodia: Okay, so from 19,500 that you have a little less, you go 2000 on that.
- S. Palakodeti: Yeah, you add roughly 10% on that.
- Yash Gadodia: Alright, thanks a lot.
- Moderator: Next in line, we have Amitabh Sonthalia from SKS Capital.
- Amitabh Sonthalia: Good to see the company back on the growth path as we saw last couple of quarters, it seems like the business and performance have turned around and seems to be sustaining on that path. Just a few general questions, you spoke a little about the restating why the PAT margins have come down compared to a year ago, so if you look at the latest quarter as a normal quarter where we have had the full impact of our acquisition and growth across our businesses, also you are still investing across business verticals and setting up new centers and coming to that extent, the full impact of the investments are probably not captured, but in spite of that, I mean, if you take into account the earlier investments which are probably bearing fruit, we have a PAT margin of about 10.5% in the latest quarter, compared to say 14.5 in FY' 10, so is this a new normal or I mean, due to the higher tax rates and other factors that we mentioned, just wanted your comments on that?
- S. Palakodeti: Yes, if you look at last year compared to this year, we had substantial export incomes out of India and that is obviously now become taxed due to phasing off the 10-year benefit, so that is making an impact on the tax rate. The other part which we note, you know, we have added Careline. While it is profitable, you know, going ahead of expectation, the margins overall in a territory like that would be lower compared to what you have been seeing in HGSL excluding Careline, so at an overall level, that is also pulling down the, PAT margin levels, because you added a business with high tax rates and a lower EBITDA margin than compared to what you have at HGSL earlier, which had a substantial offshore business delivered out of India or Philippines. So, what you are seeing is the weighted average.
- Amitabh Sonthalia: Right, and where do you see this going in the current year or the years ahead, you are likely to maintain this or you are looking to improve upon this?
- Partha De Sarkar: We will improve upon this.
- Amitabh Sonthalia: Roughly, where would you like it to be, not to give any guidance?
- Partha De Sarkar: So, if we stop growing, we will probably go back to 17% to 18%.
- S. Palakodeti: EBITDA margins.

- Amitabh Sonthalia: In your India operations, you have expanded capacities and set up new centers despite having spare capacity, is that correct or are you anticipating major growth there, I mean, we did see a big slowdown in the Indian business a year ago, last one year, are we still dependent on the telecom vertical in India or are we able to sort of diversify to other verticals in India?
- Partha De Sarkar: See, telecom has been the vertical which is outsourced the most. And that will always be the growth vertical. Banking has been really, slow in outsourcing and that is the vertical that we are hoping will open up. So, that is one vertical that we are targeting. Plus we are also trying to get into niche areas, which right now, would be new competencies for us, so we are looking at probably seeing if it makes sense for us to get into human resources and something like that.
- Amitabh Sonthalia: So, what kind of growth are we expecting in the Indian operations this year in terms of what is visible, what is the region based on the capacities that we have set up or versus that we have targeted?
- Partha De Sarkar: So, Indian business, I would say that we will be able to fill up our current capacity. There is not any plan to set up any new centers in India this year because we already have added quite a few centers. Our plan would be to just fill up and run those to full capacity.
- Amitabh Sonthalia: So what is the debt levels we have in the India books, standalone, domestic debt?
- S. Palakodeti: Domestic debt is about 52 crore.
- Amitabh Sonthalia: Okay, that has come down a bit.
- S. Palakodeti: Yes, we had some term loans, so which we have been paying, which we have paid off over the period of time. So, this is essentially working capital.
- Amitabh Sonthalia: Okay and so you are saying essentially that there is no capex planned in India this year?
- S. Palakodeti: No, there would be capex. Capex would be of two kinds. For instance, the SEZ unit that is ramping up, so you know, we will have capex for filling up that center. It started at Siliguri Center, which went partially live yesterday, so there would be capex related to that and there would be of course normal capex, as we said earlier, the business is about 10 years old, so some of these capex items which are there, those would also need to be refreshed.
- Amitabh Sonthalia: So, what is the amount we are looking at, overall on a consolidated basis in terms of our capex this year?

- S. Palakodeti: We would be at an overall consolidated level, we would be at, you know, somewhere in that 60 to 70-crore mark.
- Amitabh Sonthalia: India and including Manila?
- S. Palakodeti: Overall consolidated level because you know there is some technology refreshers also which needs to be done in other parts.
- Amitabh Sonthalia: Okay, and that is as far as the capex goes and the quarterly run-rate that we saw this quarter of about Rs 290 to 300 crore, can we construe that as a run-rate for the next few quarters? And is this normalized level of operations across all your geographies? What kind of capacity utilization was this number based on overall, if you look at a consolidated basis?
- S. Palakodeti: In some of the geographies, there would have been a small dip because of the seasonality of the business, but a drop in US and UK has been made up by growth in other geographies and you know if you look at it, the quarter ending June is typically a slightly weaker quarter in terms of revenues at least in North America and UK, so what we are hoping is that will be offset in India and Philippines.
- Amitabh Sonthalia: Okay, you are talking about the next few quarters?.
- S. Palakodeti: Quarter ending June onwards. If you look at it, the quarters towards the end of the year are better.
- Amitabh Sonthalia: Yes, so that was typically the case earlier, we saw in the last 2 to 3 years, we have seen revenues peaking in the March quarter and then dipping in the coming quarter.
- S. Palakodeti: What we are hoping to do is to offset that since we have added capacities in Philippines and in the domestic business plus the SEZ, so we will be able to reduce the normal dips which are happening.
- Amitabh Sonthalia: Okay, but other than that, we are still going to follow the seasonal trend for the coming year, after that flattish June quarter or perhaps a slight dip, you expect that similar seasonal trend that you see in the last few years to continue for the remaining year where things pick up Q-on-Q basis.
- S. Palakodeti: Yes, because of the nature and the fact that you know we have a strong exposure on the consumer electronics side, especially in North America, the drive there comes from the Christmas, Thanksgiving, etc. So, some of the business is inherent or the seasonality is inherent.
- Amitabh Sonthalia: Are there any sort of currency hedges that have contributed to our income or losses this year?
- S. Palakodeti: Overall, we need to take hedges for about 40% of our revenues, which is primarily the US-Philippines or US-India, so we have been taking forward cover, depending on time to time to neutralize any adverse variations, but

as you know, there have been some dip in the rates if you look at overall FY'10 to FY'11, so we are trying our best to hedge through taking forward cover.

Amitabh Sonthalia: Okay, alright, thanks a lot and all the best for the remaining quarters

Moderator: Next in line, we have Yash Gadodia from Sunidhi Securities.

Yash Gadodia: Are there any tax credits available to us in terms of MAT credits?

S. Palakodeti: They would be there because in the periods when we were zero tax, we were under MAT, so we would be paying that MAT, and as you know, we come under tax, we would get this MAT credit.

Yash Gadodia: So, would you have a figure as to what is the outstanding?

S. Palakodeti: Not right now, but I can give that to you later.

Moderator: Thank you very much sir. I would like to handover the floor back to Mr. Partha Sarkar for final remarks.

Partha De Sarkar: Thank you for participating and taking the time to participate in our call. I would now hand it over to Mayank.

Mayank Vaswani: Thank you everyone for participating in our call. Please feel free to get in touch with me if you were to have any further queries or questions. Have a good day. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, thank you for choosing WebEx's Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice evening.
