Hinduja Global Solutions

Q4 & FY12 Earnings Conference Call Transcript
May 24, 2012

Moderator Ladies and Gentlemen good day and welcome to Hinduja Global Solutions Limited FY12 Results Conference Call. As a reminder for the duration of this conference, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need any assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time I would now like to hand the conference over to Mr. Mayank Vaswani of Citigate Dewe Rogerson. Thank you and over to you Sir.

Mayank Vaswani Thank you for joining us on this call to discuss our financial results for Q4 and the financial year ended March 31st, 2012, which were announced yesterday. We have with us Mr. Partha Sarkar, Global CEO; and Mr. Srinivas Palakodeti, CFO. Before we begin I would like to mention that some of the statements made in today's discussion may be 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. I will now hand over the floor to Mr. Partha Sarkar to provide key highlights of our performance for the quarter. Over to you Partha.

Partha De Sarkar Thank you. As always I will spend some time on the operating highlights and the business performance before handing over to Mr. Palakodeti who will walk you through the financials. FY12 has been a momentous year for us with a strong growth through the organic and inorganic routes. Revenues for the quarter were ₹ 460.4 crore approximately US$ 93 million, it is an increase of 57% over the revenues of ₹ 293.5 crore, approximately $65 million, in Q42011.

On a sequential quarter basis, the revenues were marginally higher than Q3 revenues of ₹ 457.7 crore. FY12 revenues were ₹ 1,554 crore approximating US$ 324 million, an increase of 45% over the revenues of ₹ 1,073 crore approximately US$ 236 million in FY11. Keeping this in mind the Board of Directors have recommended a dividend of ₹ 20 per share which results in a payout of ₹ 47.86 crore including dividend distribution tax. This results in a payout of 45% of our consolidated PAT for FY12.

Organic revenue growth was driven by growth in all our key geographies. Inorganic revenue growth came from the consolidation of OLS Inc and HCCA both of which were acquired in August 2011. Lastly, the depreciation of the Rupee has also provided some thrust to our reported numbers.

EBITDA for the quarter was ₹ 61 crore and has increased 38.4% from the EBITDA of Rs.44.1 crore in the same quarter last year. On a sequential basis the EBITDA is higher by 11%. The EBITDA margin for Q4 FY12 is 13.3% against 12% in Q3FY12.

FY12 EBITDA was ₹ 184 crore and it has increased 18.5% of EBITDA of ₹ 165 crore in FY11. The EBITDA margin for FY12 was 11.8% as compared to 14.5% in FY11.

Profit after tax for the quarter was ₹ 31.07 crore as compared to the PAT of ₹ 30.7 crore for the last quarter of FY11. On a sequential quarter basis PAT has increased by around 10.3%. FY12 PAT was at ₹ 106 crore as compared to the PAT of ₹ 107.3 crore in FY11.

For those of you who have been tracking our performance, you would have noticed that our EBITDA margins have improved from sub 11% over the first two quarters to over 13% in Q4. The overall EBITDA margin for 2012 stood at around 12%. Compared to ₹ 130 crore of net profit of FY10, the profits of FY11 and FY12 are lower despite growth in turnover. The net profit for FY10 of ₹ 130 crore must be viewed in the context where it included around ₹ 6 crore of exceptional items as well as substantial tax benefits from India off-shoring business which have subsequently been phased out.

Profitability has been impacted in FY12 and FY11 due to pricing pressures in India domestic business, ramp up cost, cost of empty seats in Philippines and the overall low margins for the US domestic business. Overall profitability has been impacted on account of the higher interest cost due to acquisition financing. The company will continue to take steps to improve the overall profitability but the seasonality and the ramp cost would have a timing impact.

Before I discuss the business environment I would like to share with you some very important developments. Underwriters Laboratories Inc - ULDQS has rewarded HGS a level 4 in eSCM, the highest level that an organization can achieve in its first evaluation. ULDQS has informed us that HGS is the first organization in the world to go in for synchronized eSCM certification for multi-geography locations. This achievement is a huge leap for HGS in their journey towards excellence.

Now let's come to the business outlook. It's been a status quo with an operating environment for the last quarter while we have had snippets of positive news emanating from the US; the economy indicators still have room for improvement. In Europe the debt crisis is intensifying with the stress countries under intense pressure to execute austerity measures and drive improvements in their respective fiscal positions. The Middle East is stabilizing while China and India continue to face the moderating growth rates. However when we observe corporate performance in these regions it continues to be fairly robust.

Corporates have absorbed the lessons from 2008 and that is reflected in stronger balance sheets and greater cost consciousness. Ongoing news flows is an almost daily reminder of the need for austerity and our customers are definitely sitting across the table with us to discuss the ways in which they can reduce their opex.

In fact if you see our performance for the last 3 years, all of which have been fairly challenging years due to an uncertain macro environment, we grew revenues by 25%, 12% and 20% in FY09, FY10 and FY11 respectively and now in FY12 we have grown by 45% including of course growth through acquisition. Of the 45% our organic growth is about 20%, which given the current circumstances a number we are happy about; inorganic growth has contributed the balance 25%.

It is important to highlight that the companies acquired by us have grown as well, even though they are operating in economies with low growth rates. Careline's track record since it has been acquired by has been exemplary. Over the last 6 months we have also driven traction in OLS and HCCA with expansion of existing accounts and new customer wins. Customers in all geographies are speaking to us about large volumes and additional services. In fact business visibility is as good as it has ever been.

We are also benefitting from a differentiated delivery model with the presence in USA, Canada, Europe, Philippines, Mauritius and in India. We are able to offer customers an optimum mix of on, off and near shore delivery. We are also approaching significant scale as we now have over 25,000 employees at our 50 plus centers. We service nearly 500 customers and can offer demonstrated expertise in over 500 processes. Our quarterly revenues are steadily approaching the $100 million mark.

This places us well in a global industry which is large and is set to grow further however the industry is fairly fragmented with only a handful of sizable players, despite a fair amount of consolidation in the last three years there is no mega player dominating the industry. Hence we believe that we are uniquely placed in the market given our scale, our competencies, areas of specialization and our delivery capabilities.

Coming to our business, the US remained our largest customer market. We have been able to drive consistent growth in both on-site and offshore volumes however through our presence in Europe and Canada; we have reduced our dependence on the US to 55%. This is despite an increase in absolute revenues from the US markets.In FY12 there was a healthy pipeline of incremental business from existing customers, we have added agents in one of our key telecom accounts. Our onsite health care foray has also progressed well with an increased volume as we add new locations. We have also acquired the property from which we were operating in Peoria; this has therefore improved our margins because we will no longer be paying lease rentals for that property.

We are also extremely happy with the performance of Hinduja Outsourcing Solutions India which has become profitable in the first full year of the operation. The facilities leased at the Global Village SEZ in Bangalore are fast approaching full capacities. Looking at future growth opportunities HOSICO has leased an additional space for the second SEZ unit. We have recently received the approval for setting up the second SEZ in Bangalore.

We have also won a contract for delivering call center services in Jamaica as well and this center is expected to go live by June 2012. Jamaica has emerged as an attractive near-shore delivery center for the US markets and we expect significant ramp up in the next few years.

The Canadian market continues to look healthy with a robust economic climate and stable operating environment. The integration at the OLS has been progressing well. OLS has only 5 clients but each account is large with good volumes. They are focused service providers to these clients and have followed a good strategy of growing and increasing wallet share with high potential customers rather than spreading themselves thin, it has worked well for them and they are enjoying very healthy margins for an on-site delivery model. We have seen growth in the business as we have added 180 employees to their North Bay site. The ramp up is progressing well with healthy utilization levels and increased business momentum. We have also seen an interest in off-shoring of French language capabilities from Mauritius with delivery in Canada - so there is a scope for further growth and we are keen to leverage OLS's resources and capabilities.

We have also just received confirmation from one of the world's largest consumer electronics manufacturer for an additional business of 250 seats in Canada. We are now opening another site in Canada in Belleville to serve this particular client. During the quarter, OLS rolled out an audit program for the compliance with data security standards for the payment card industry. This certification will be important for us to go to market and demonstrate high end capabilities. We expect this to pave the way for the ramp up of our BFSI volumes.

In Europe we have made an excellent progress in our business expansion. Business growth in Careline's operations has been outstanding. Our pan-European rollout with Unilever is complete, while we rolled out our centers in Hamburg in August 2011 and Rome in September 2011. We have launched Paris and Netherlands during the last two quarters. During FY12 we have also won our first off shore contract which we service from Manila with delivery in the UK. The account that went live in November, December ramped up well to provide enhanced volumes in quarter 4, we have also seen a seasonal ramp up from one of our customers.

The UK market has turned out to be quite exciting given its growth potential, earlier this year we won a high profile public sector contract, this quarter we won our second public sector contract. We have recently finalized an agreement for setting up the third center in UK with assured business from an existing client. This is a major carve out deal with one of our existing clients in the UK. The deal is valued over a period of 3 years for GBP 19 million. To accommodate this expansion we are taking over an existing site for our client of 250 seats in Preston which is a two hours train ride from London.

Coming to other regions, Philippines remains a key delivery center in our global operations. Our third site which is located in Iloilo has been scaled up and we have already commissioned our fourth site, while it has a capacity of 500 seats we have gone live for 250 seats for one of our consumer electronic customers and are working with filling up the enhanced capacity. These increased capacities have reflected in the revenue front from that geography.

We also completed our 10th anniversary with two separate marquee clients in this quarter; we are poised to go live in May with a new client win for which training is currently underway. One of our large consumer electronic clients has provided us with additional new verticals which is the VAIO laptop from Sony which resulted in additional seat utilization. With this new project win, rising volumes and customers giving us new lines of business, the visibility remains very high in Philippines.

In India HCCA services had an encouraging quarter. Our account win from one of the leading private banks in India has gone live this quarter. We are setting up 66 seat facilities to meet the client requirement. We have also augmented the non-voice business of HRO and reduced dependence on its top clients. There are still a lot of interesting opportunities waiting to be tapped given the HCCA capability.

In India domestic there was a renewed traction this year with higher volumes and much improved pricing environment. The telecom clients we added earlier have given us additional volumes. We have also seen good traction in emerging areas like Media and BFSI. The volumes at our SEZ facilities are also seeing a steady increase.

We have restructured the leadership in our domestic operations, there will now be separate business heads across each of the 3 verticals that we have carved out, these are Telecom, BFSI and emerging markets verticals. We have streamlined our operations keeping in mind the significant potential of the domestic markets. In fact the NASSCOM strategy for 2012 to forecast the growth in IT to be 12% while the growth in the domestic market is forecasted as 16%. We have been focused on the Indian domestic market for some time and are pleased to see growth in greater scale and maturity.

We are also focused on improving our profitability, we are undertaking a case by case analysis of each of our accounts across geographies to identify and correct low margin accounts. We have also undertaken ramp up costs for new account wins and their roll out in nearly all geographies. While the impact of roll out was far more significant earlier; given our increased scale we see a diminishing impact on margins.

We are also working on overcoming brand confusion in various geographies; operations in Careline, OLS and HCCA are being rebranded. HCCA will now be known as HGS business Services Private limited. We are putting in place the ‘one HGS’ positioning across all geographies and that would be going live by June or July of this year. This will fit in with our various efforts to be a service provider of choice for customers. We are aiming for a differentiated offering which will result in premium pricing. This should also make us an employer of choice so that we can attract the best talent in each geography.

We are embarking on a next leg of our journey; HGS is of a materially different size and is poised to deliver steady sustained growth accompanied by improved profitability. That's all from my end. I will now hand over to Pala who will walk you through the financials. Thank you.

Srinivas Good Afternoon everyone, Thank you for joining our call, I'll briefly take you through the financials. For the quarter ended March 2012, our revenues were ₹ 460 crore an increase of 57% over the quarter ended March 2011. Revenue for the full year grew from ₹ 1,073 crore to ₹ 1,554 crore, a growth of around 45%.

The acquisitions - HCCA and OLS have contributed to around 25% of the revenues. If we remove the impact of the acquisition, the growth comes to around 20%. The average exchange rate for FY11 was about $1 to ₹ 45.2 and for FY12 it comes to around ₹ 49.8 to the dollar. Revenues for the quarter ended 31st March 2012 were based on an exchange rate of ₹ 49.77 and for the quarter ended December 2011 were at ₹ 51.35.

So, on a sequential basis while the revenue growth may have been flat or marginal increase, one needs to bear in mind there has been a 4% adverse exchange rate variation between the fourth quarter and the third quarter.

EBITDA for the quarter ended March 31st, 2012, was ₹ 61 crore and it has increased about 38% from EBITDA of ₹ 44.1 crore for the quarter ended March 2011. EBITDA for the full year at ₹ 184 crore has shown an 18% growth over ₹ 155 crore which was the EBITDA of FY11. The margins have improved in terms of EBITDA from about 11% for the first two quarters, then it has grown to 12% for the quarter ended December 2011 and it is around 13.3% for the quarter ended March, 2012.

This improvement in EBITDA has been achieved after factoring the costs of additional seats, training costs, agents under training across various geographies which are being estimated at around ₹ 6 crore. Interest costs for the quarter was ₹ 11.3 crore as compared to ₹ 9.5 crore for the quarter ended December due to higher working capital utilization.

Moving into revenue analysis all geographies have shown an increase. With two acquisitions this year, the share of US is now at 55% in terms of revenue. Share of Canada and UK now stand that 20% and 13%. Coming to the verticals as compared to the quarter ended December 2011 the share of technology and telecom sector has increased marginally and stands at 31%. The share of healthcare is 22% and of consumer at 18%.

Other key verticals are media, coming up primarily with the acquisition which stands at 8% and the share of BFSI stands at around 8.4%.

Employee count for the quarter stands at 23,899 as compared to 24,402 for the quarter ended December. This drop in terms of number of employees is in line with the seasonality of the business and this quarter ending March is typically slower than the quarter ending December. As of 31st of March the numbers of seats stand at 22,234 which is about 160 seats higher than the seat count of 22,068 seats in December 2011.

Coming to the debt and cash position, I would like to highlight there has been changes in the exchange rate. The exchange rate of the dollar to the rupee was ₹ 53.06 as of 31st of December 2011 and that changed to ₹ 50.87 as of 31st of March 2012. So, bearing in mind these exchange-rate variations the debt position from bank stood at ₹ 729 crore as of 31st of March 2012 as compared to ₹ 759 crore as of 31st of December 2011. So, the drop in debt levels by ₹ 30 crore is primarily on account of the exchange rate variation.

You may recall that during the course of the quarter 3 earnings call, we had mentioned there is a loan of $ 31.5 million against companies own deposits. While the situation continued as of 31st of March, post the balance sheet date in the first week of April on maturity of the deposits with 31.5 million debt has been extinguished against the loan against deposit.

As of 31st March, 2012, the cash in bank balance stood at ₹ 720 crore, this includes about $ 120 million of fixed deposits lying through a fiduciary role with the bank. That's it from my side. We can now move into the question and answer session.

Moderator Thank you very much Sir. Participants we will now begin the question and answer session. We have the first question from the line of A S Kumar from IDBI Federal. Please go ahead.

A. S. Kumar We are at a stage of reaching $100 million, will we see this every quarter on a sustained basis and can we expect greater than $100 million for the coming year?

Partha De Sarkar I hope so, it's a function of where the exchange rate will be because our reporting currency is Indian rupees so that is the only variable on which we have no control.

A. S. Kumar What is your target in next two years in terms of the top-line?

Partha De Sarkar I have one constraint that I'm not able to give you any guidance. Track record will satisfy you. In the first year of our recession, we grew by 24%, in the second year we grew 12%, in the third year we were back to about 20% plus and in the fourth year we have grown 45%. So there is a sustained and demonstrated growth track record. I think you should take comfort from that and today where we are, we have built a very strong foundation and a global team with global delivery capabilities. I think we are set for some explosive business growth and really strong performances in the year to come. That is the best I can indicate to you beyond that if you ask me for specific numbers, I won't be able to tell you.

A. S. Kumar With so much of the currency coming from different denominations of dollars in GDP, what sort of benefits can it accrue in the coming years and what is your sense on that, how much are we hedged?

Srinivas Palakodeti We have a significant amount of business which is delivered on the same shore so a, natural hedge is there. From an overall perspective what is exposed to exchange-rate variation is the India offshore business and the Philippine offshore business. These account for about 30% of the total revenues and while both are in the offshore business, the billing currency or the exchange rate variation between the dollar and the Peso, dollar and rupee is different. The Peso typically is very stable, shows tendencies to actually appreciate slowly against the dollar whereas rupee is not. So this 30% of the total revenue is what is required for hedging. We have hedges which we have taken some time in the month of, earlier in the year in March, we have about 30% which has been hedged. Apart from this we are right now keeping an open position.

A. S. Kumar How much of the revenue streams are from $20 million clients and how much from the $15 million, $10 million, top three metrics?

Srinivas Palakodeti We have about six clients that are over $20 million of annual billing.

A. S. Kumar What about the new Jamaican venture, can you reiterate on this point?

Partha De Sarkar We are also trying to build near-shore capabilities to the US. We had explored quite a few geographies and we narrowed down on Jamaica. It's got good English-speaking capabilities and is also a good near-shore English delivery option for the US clients who don't necessarily always want to take the long flight to India and Philippines to get the cost advantage. , It is not as cheap as India but it is not as expensive as mainland US and therefore provides a very interesting near-shore option to the US delivery.

A. S. Kumar What was the certification initially you said, because I was not able to hear it properly?

Partha De Sarkar This is a very rare certification called eSCM. It is Carnegie Mellon standard. It is awarded by ITSQC one of the premier quality organizations in the world. We are the only company worldwide who has got it across three geographies.

A. S. Kumar Very good. Congratulations.

Partha De Sarkar This is the level 4 certification which is the highest certification that you would get in your first stage. We have to show demonstrated improvement over the next two years, sustenance of our current level of performance which will give us the level 5, which is the highest level that you can get.

A. S. Kumar Coming back to the margin front despite we have a robust revenue growth, our margins have slipped, there are other expenditures that have increased , what I want to know is what sort of sustainable margins we can look, point number one and the point number two can you just give us the breakup of the other expenditure?

Srinivas Palakodeti The margins as you have seen seeing have increased on a quarterly basis, so in this business whenever you have growth you have costs which come in earlier.

A. S. Kumar The impact comes at the lag end and the cost comes at the front end. It is going to be a cyclical phenomenon of scalability what we have in terms of other expenditure and in terms of employee cost and other stuff.

Srinivas Palakodeti Yes.

A. S. Kumar What could be the sustainable for the coming year?

Srinivas Palakodeti What we are looking for is margins in the high-teens at the EBITDA level in the higher teens than what we have.

A. S. Kumar Can it reach to the level of FY11 levels?

Srinivas Palakodeti FY11 Yes.

A. S. Kumar With respect to other expenditure curve breakup, what are the major expenses?

Srinivas Palakodeti Basically employees costs and their benefits are one part. Other costs are typically rent, electricity, delivery all the others operating costs, bandwidth cost, telecom costs those are the ones which go under the other expenses in the public announcements

A. S. Kumar How has been the pricing scenario. You have been winning couple of new deals, how is the pricing scenario till date and where do you see the pricing moving ahead?

Partha De Sarkar The pricing scenario has stabilized, there isn't any more pressure on reducing the prices and all of that, our ability to negotiate, good prices has always been there. Because we have always differentiated on quality of service and therefore we do take slight amount of premium as opposed to many other providers in the same space and if we don't get a premium we stay out of that business like the kind of situation you see in India domestic, we have not grown in the Indian domestic because we do not get the premium in the Indian Domestic Market. So, the pricing pressure I think is not there anymore, and we are in a better situation than probably 2 years back.

A. S. Kumar We hear multiple things on Europe. What is the ground reality? We have been having good numbers, but what concerns exist from Europe, UK?

Partha De Sarkar Europe is very peculiar unlike the US situation which was caused by banks.

A. S. Kumar It is just the global corporation failure, one single entity failure, now it's more of a government failure.

Partha De Sarkar It is a government failure and I'm not seeing the reflection of that in the European Corporate performance and so long as the corporate performance remains healthy our clients remain healthy, we will remain healthy.

A. S. Kumar In terms of re-negotiations are we seeing any changes or in approach from them, in the changes of time cycles, what they talk about, may be a longer term contract into a short term contract, how is it all about?

Partha De Sarkar No, in BPO you generally do not get a short term contract, BPO contracts are long term contracts.

Vijay The policy that we have on dividend results in us paying a hefty dividend every year can we pay it over a quarter or half-yearly and secondly can we do something on the liquidity side because the stock is pretty illiquid considering the promoter holding as well as there are few clients who hold the stock, there is liquidity which is quite poor, can we do on the same?

Partha De Sarkar We will mention that to the Board.

Vijay If it can be proposed to Board at least it can be done on that part. That would be great.

Srinivas Palakodeti Yes we had communicated this to the Board, they had heard us out but we need to deliberate more on this.

Partha De Sarkar Yes given the situation in the market, it is in such a negative mode at this point of time whatever we do, I am unsure whether they will have an impact at all.

Vijay It's not a function of impact; it's just a function of people. People then seriously look at the business because of the lumpy dividend there are people who just come and keep us for dividend. Once we come into that category people know this is the dividend yield stock, offers good growth opportunity as well so it gets radar and secondly because of this liquidity issue many people who might come across like the story but they say liquidity is very poor, that's where people then just draw a line saying although the story is good but the liquidity is poor. So, these are the two barriers which people usually cite on the company apart from that nothing else.

Srinivas Palakodeti Thanks for the feedback. We will discuss that with the Board.

Moderator Thank you. The next question is from the line of Rahul Bhangadia from Lucky Securities. Please go ahead.

Rahul Bhangadia We have about 23,000 employees in total. What is the breakup of our agents between the domestic work and international work?

Partha De Sarkar When you said domestic, are saying how many people work for Indian clients and how many people work for non-Indian clients?

Rahul Bhangadia Yes Sir.

Srinivas Palakodeti I have talked about 24,000 about 10,000 are, a little under 40% you can say.

Rahul Bhangadia 10,000 are for domestic business?

Partha De Sarkar Yes, India domestic business working for India domestic clients.

Rahul Bhangadia Out of the balance 14,000, how many would-be near shore or countries other than India for the delivery?

Partha De Sarkar Onshore we have got about 2,000 people in the US, 2,000 people in Canada and just less than a 1,000 in UK adding up, we have 5,000 people working onshore.

Rahul Bhangadia 9,000 would be delivering from India for international clients?

Partha De Sarkar From India, Philippines and Mauritius.

Rahul Bhangadia For international clients?

Partha De Sarkar Yes.

Rahul Bhangadia Please give us the breakup of the EBITDA margins for the domestic business and for the international business?

Partha De Sarkar No we don't track that separately.

Rahul Bhangadia Can we understand that the margins are similar?

Partha De Sarkar No, margins are not similar because you see we have a lot of different flavors of business. So we have got an international onshore, we have got an international offshore. In international offshore we have got, India offshore we have got, Philippines offshore. In India domestic we have got voice business, non-voice business so each of these lines of businesses come with different levels of profitability which is difficult number to just give you off the cuff**.**

Rahul Bhangadia Can we expect the EBITDA margins to head towards 20 to 25% range, that's several of the international outsourcing companies also kind of deliver those numbers?

Partha De Sarkar If you are talking about international outsourcers to the best of my knowledge there is only one small company called eClerx which has those kind of numbers which you just mentioned. If you look at others none of them have crossed 20%. They are in a high teen, so we were also in the high-teens of about two years back, with the growth some of the profitability has gone down. Our aim this year is to restore the profitability back to normal levels while it will not cross 20% for sure, but our effort will be to improve it from what the current levels are.

Rahul Bhangadia The rupee devaluation has happened, will we be able to keep the benefit of the entire price moment or will we have to pass some of it back to the customers?

Partha De Sarkar No, contractually we are not required to do anything based on the Rupee price.

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

Subhankar Ojha Wanted to confirm one number of 6 crore additional cost in the last quarter related to the training and all, is that correct?

Srinivas Palakodeti For the quarter ending March 2012, this is roughly about 6 crore expenses, known as ramp up cost and cost of empty seats

Subhankar Ojha Are you going back to FY11 for EBITDA margin or you can get better margin than that in the current financial year?

Srinivas Palakodeti No, we are looking to improve the margins from where we are for the year.

Partha De Sarkar Yes, we can't give you specific numbers; we don't give guidance that's a problem. We can give you directional or indicative numbers at the best.

Subhankar Ojha What are the OLS margin post the acquisition, has it improved?

Partha De Sarkar By business we won't be able to give you. OLS is a highly profitable business and it will continue to remain profitable.

Subhankar Ojha What are the deals in the pipeline?

Partha De Sarkar The pipeline is quite healthy in fact we are seeing an increased influence in offshoring from Canada which has not been a geography that is traditionally off-shored before. We are very encouraged by that and that was the whole reason why we went to Canada. Also in the health insurance sector we are finding more and more clients looking at off-shoring to India so that's also something we are very encouraged by.

Subhankar Ojha Is this geography wise or US or Health insurance?

Partha De Sarkar Yes

Moderator Thank you. We have the next question is from the line of Hiren Trivedi from ENAM Securities. Please go ahead.

Hiren Trivedi The consolidated balance sheet is showing a long term borrowing of ₹ 374 crore versus ₹ 94 crore last year whereas the stand-alone balance sheets long term borrowings are not there, is this due to consolidation and can you break up-on that?

Srinivas Palakodeti Yes as of 31st March, 2011, we had a term loan in India of about ₹9 crore plus which had prepaid right at the beginning of the year. So on the standalone balance sheet there is no long term debt. Now we have debt totally in the overseas markets, there is a loan which we have taken primarily for the OLS acquisition and also if you are looking at the published figures based on the new Schedule VI presentation, earlier if it was one amount that has got broken up between current and non-current, you have to look at it from that perspective.

Moderator Thank you. We have the next question follow up from the line of A S Kumar from IDBI federal. Please go ahead.

A. S. Kumar What are the accounting policy changes we have made because couple of things have come for all the companies that has to be followed are there any changes on the debt side ?

Srinivas Palakodeti Earlier you could just classify everything as current or fixed assets. Now in the old case if I have a term loan of say ₹ 12 crore, ₹ 3 crore falling due in the current year, it would come up as term loans of not 6 months, basically everything would show up as term loans of ₹ 12 crore. But under the new presentation ₹ 9 crore will show as a long term liability and balance ₹ 3 crore will show as a short-term liability. Current and non-current of the borrowings as well as on the assets. Similarly, earlier if you had given an advance, you will show it as an advance and show as a part of current assets. Now you have to take a view whether it is realizable within next 12 months in which case you can keep it as current else move it under non-current.

Moderator Thank you. As there are no further questions. I would now like to hand the floor over to the management for closing comments.

Partha Sarkar Ladies and Gentlemen thank you for joining us on this call. We look forward to building up on our success and look forward to having you with us again. In case you have any further questions or queries please feel free to get in touch with Mr. Palakodeti or our investor relations team.

Moderator Thank you. On behalf of Hinduja Global Solutions Limited that concludes this conference.