

Hinduja Global Solutions
Q4 and Full Year FY2016
Earnings Conference Call

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Management: Mr. Partha DeSarkar – CEO, Hinduja Global Solutions

Mr. Srinivas Palakodeti – CFO, Hinduja Global Solutions

Moderator: Good day, ladies and gentlemen, welcome to the Hinduja Global Solutions' Q4 and Full Year FY2016 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Bijay Sharma from Churchgate Partners. Thank you and over to you, sir.

Bijay Sharma: Good afternoon and welcome everyone to Hinduja Global Solutions' Q4 and Full Year FY2016 Earnings conference call.

Joining us today on this call are Mr. Partha DeSarkar, CEO and Mr. Srinivas Palakodeti, CFO. Before we begin, 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. For the list of such considerations, please refer to our analyst presentation.

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

Partha DeSarkar: Thank you Bijay and good afternoon everyone and thank you for joining us on the call today. We hope you have had a chance to review our presentation and financials, which are available under the 'Investors' section on our website. I would like to start with an overview of the financials for the fiscal and quarter followed by operational highlights, after which I will hand over the call to our CFO Mr. Srinivas Palakodeti to discuss the financial performance in detail. We will then open up the call for the Q&A session.

FY2016 was an interesting year for HGS where we started off slow primarily due to the underperformance in Canada, but finished on a high. Q4 has been a good quarter both in terms of revenue and profitability. I would also like to say that it is the beginning of our climb back to normative profitability. HGS posted

revenue of Rs. 33,282 million for the year, a year-on-year growth of 18.5%. Growth was led by existing and new client wins, especially in healthcare and consumer product verticals, turnaround in Canada and a strong growth in recently acquired companies like Colibrium and the India CRM portfolio.

EBITDA was Rs. 3,130 million while PAT stood at Rs. 1,010 million. Our profitability during the year was hit by various factors including ongoing headwinds in our Canada operations, exit costs related to some of the unprofitable accounts and investments made in the upgrade of the Colibrium platform. We have taken corrective measures during the year; we believe that the worst is behind us and we should see an improved profitability scenario in the future.

In Q4 FY2016, HGS grew by 29.3% year-on-year to Rs. 9,139 million. Sequentially we grew by 3.5%, which included organic growth of 2.2% and a Forex impact of 1.3%. EBITDA rose to Rs. 981 million, an increase of 28% while the PAT was at Rs. 408 million, a growth of 138%.

The performance of PAT during the quarter might be a pleasant surprise to some of you given the below par performance of the first three quarters. It is a result of several initiatives that we have put in place over the last quarters even as volumes in healthcare - especially those in offshore accounts - increased significantly and helped us drive the business growth. You are aware that we have had some challenges in Canada due to the macro economic conditions. However our measures such as finalization of the revised commercial for a large client in that market and cost control initiatives are paying-off. Canada operations turned EBITDA positive by March 2016. As we expected, the acquired India CRM business portfolio has broken even in Q4. We are pleased with how this business is shaping up and we are looking forward to further leverage the synergies that it has brought to us.

Let me share some business highlights of Q4 in the geographies where we operate.

Starting with our US operations: Existing clients continue to show faith in us, engaging us for several of their program expansions. We launched a program for a consumer electronics client in January 2016 from our Manila facility. The Phase I ramp up is expected to reach 170 FTEs by mid-2016. This team will provide customer service, sales and technical help desk services for their entire product line. A major US healthcare company moved into production in US and Jamaica while another short term project was conducted onshore with 100 FTEs in February 2016.

The outlook for this region is very encouraging; we expect to benefit from both additional business from existing clients as well as new client additions. We exited from a low margin telecom contract in the US which has created some excess capacity and we look to fill this up in FY2017.

Jamaica is proving to be a fantastic investment for HGS. We started green field operations there four years ago and have grown rapidly since then. FY2016 has been a banner year for Jamaica... we expanded our clientele by adding four new logos worth about 400 seats including one in Q4. The new logos are an interesting mix with an internet broadband provider, a large US-based healthcare insurance player, a Chinese electronics company and an energy provider based in Texas. Client demand for this near shore operation is very high and we are now setting up a third center in Kingston in Q1 FY2017.

Moving to our Canada operations: The revised commercials were finalized with a large telecom client in Canada. We anticipate the benefits of these revised contractual terms to reflect completely from Q1 FY2017, which will help us further enhance our overall profitability going ahead. During this quarter, we also received an additional line of business from an existing telecom client. This new business will start operating with around 130 FTEs and will be serviced from multiple locations across Canada. Going ahead, HGS Canada's performance is expected to continue to be positive.

With a view to bring in best operational practices, build sales and account management synergies and optimize cost, we have reorganized the US and Canada teams into a single North America team effective April 1, 2016.

Touching on our UK and Europe operations a bit: The revenue growth in Q4 was strong on the back of new contracts announced in the previous quarters. We expect to see further growth in Q1 and Q2 with a ramp up of one of our new government contracts. In earlier calls, we have mentioned that some of the contracts were up for renewal in the current fiscal... one of the clients has decided not to renew the contract with us. The terms of the exit are being finalized and we will have more clarity as we go through the quarter. We therefore expect some softness in volumes in Q1.

Moving on to India operations: We will cover the international operations first. Q4 revenues were as per expectations led by increased volumes by a key healthcare client. For FY2016, revenue came primarily from existing healthcare clients. EBOS had a great year in FY2016; revenues almost doubled in the year posting a growth of 80%. Growth was fueled by a key new client and several smaller wins. HGS' domestic business performed according to expectations in Q4. We won several new clients in the year including a leading consumer goods conglomerate, a top global e-tailer brand, a leading e-commerce player in India and a fast growing life insurance company in India.

In September 2015, we acquired an India CRM business. Post the acquisition, we have initiated measures to bring in operational efficiencies and renegotiated prices with clients in a bid to turn the business around. We have turned EBITDA positive while exiting March 2016. Given the size of the transaction - over 7,000 employees, five new cities and seven new centers - this was indeed a remarkable achievement by the teams. Going forward, we expect India operations to continue to improve profitability.

We move to Philippines now. Growth continued to be the theme for HGS Philippines even in the fourth quarter with ramp up of new logos in progress.

Healthcare logos continued to make significant contribution to the revenue for the quarter. We won a new line of business for supporting provider medicare services with 90 FTEs for a healthcare client. We are working on a project involving prior authorization review clinical work by US registered nurses from Philippines for a healthcare client. The same client is also expanding to Alabang for our support services. We launched a program to support dental provider businesses in January 2016 for a US-based healthcare client. We also completed 10 years of partnerships for two key clients being supported out of Philippines. One, a healthcare insurance major, is a top 5 client for HGS overall and the other is a leading consumer products company. In the next few months, we expect significant ramp up in some client accounts including for a fitness product client and a home healthcare services company. We also plan to launch a new site in Q1 with over 300 seats to support an existing healthcare client.

I would call FY2016 a year of investments for us. We made investments in driving organic growth... we invested heavily in strengthening the client facing organization that is helping to build stronger pipeline across existing and newer sub verticals like fitness and e-commerce. Our pipeline has converted at a very encouraging rate this year. We signed twenty new logos in FY2016. These new logos have accounted for Rs. 1,424 million, which represents 4.3% of the total revenues for FY2016. We continue to organically expand operations to meet client demand. We set up six new centers in the year and ramped up locations for several clients.

We also invested in acquisitions to gain geographic presence and a platform play. We made our biggest ever acquisition in terms of headcount by recently acquiring an India-based CRM business portfolio and we are seeing the impact of having presence in North India with a couple of key client wins. Our Colibrium business had its first full year under HGS in FY2016. Since July 2015, the team has focused on building a newer, more robust version of its software product Tuo, revamped its website and marketing message and hired new sales teams. All these initiatives have started paying dividends in Q4 with the team closing four wins with two of them being new logos.

We are also investing in innovation. We are committed to offering innovative solutions to clients and helping them meet their ever changing needs. This year, we launched several solutions including web self-service and chat offerings under the HGS Digital Natural Assist (DNA) platform and HGS Health+ Care Solutions. They are resonating with the clients and we have signed up 21 digital engagements in FY2016.

We continue to leverage our process expertise to deliver innovative robotic automation solutions for our clients. Our consulting arm has worked on reengineering the sales operation for a US based healthcare client. We are now implementing multiple automation projects for this client including a front office solution and specific processes such as discrepancy reporting and enrolment, which can drive their efficiencies of over 40%. We also won a consulting engagement for robotic process automation (RPA) from a banking client in the US in Q4. We would collaborate with the client in launching RPA solutions organization wide.

We are investing and developing further capabilities in areas such as digital, analytics and automation. To give you an example, we are working on a new speech analytics platform to help predict Net Promoter Score and work on action plans set earlier. We expect to accrue the benefits of these ongoing investments in innovation to continue in the new fiscal and help us achieve higher growth.

We are pleased that HGS continues to receive positive recognition from the sourcing advisors and industry analysts who remain key influences for many clients for their outsourcing decisions. During the fourth quarter, we were cited by Nelson Hall, ISG, Everest and Gartner. You can get more details of this in our Investor Presentation.

To summarize, overall the year was a challenging one, primarily the first half of this fiscal year, which was impacted by Canadian operations. However despite the challenges, we managed a robust performance for the year. Client demand for offshore engagements as showcased by the phenomenal growth in Jamaica,

Philippines and India and the cost control initiatives enabled us to reduce the losses and record a good Q4.

Additionally, FY2016 was the year where we focused on developing innovative solutions and changing the overall customer experience. We also continued to focus on our sales and marketing efforts. All this has enabled us to build a strong pipeline and would be instrumental in driving our performance in the near term. Our outlook for the next fiscal is positive and we hope to improve our profitability. You may see a slight dip in Q1 on account of seasonality but that is normal for our business and we will build momentum in the second half to end the year with better profitability.

Over now to Pala, who will walk us through the financials in detail. Thank you once again for being with us on the call today.

Srinivas Palakodeti: Thank you Partha. Good afternoon everyone and thank you for joining on our Q4 and Full Year FY2016 earnings call.

Our revenue for the year increased by 18.5% to Rs. 33,282 million; this growth was driven by strong performance of the healthcare and consumer verticals. Additional business from existing clients coupled with new clients added to the revenue growth for the year. In constant currency terms, our growth for the period was 15.3% of which 8.3% was organic growth and the remaining 7.0% came from acquisitions of India CRM business effective September 2015 and the Colibrium acquisition, which we had made in March 2015. Foreign exchange fluctuations accounted for about 3.1% of the total growth during the period.

The average rate for the US dollar to the rupee was Rs. 65.64 in FY2016 as compared to Rs. 61.32 in FY2015, a depreciation of about 7%. The average exchange rate for the Philippine Peso to the US dollar changed from PHP 44.33 in FY2015 to PHP 46.28 in FY2016, which translates to a depreciation of 4.4%.

Moving to the revenue origination from various geographies, US accounted for 66% of the total revenues in FY2016 as compared to 64% in FY2015. This

growth was primarily due to contribution from the Colibrium business. The share of Canada originated revenues dropped from 18% in FY2015 to 13% in the current year. This decline was due to softness in volumes from a large client in the earlier part of the year as well as variation of the Canadian dollar to the Indian rupee. Business originating from UK and Europe declined marginally from 11% to 10%. The contribution of India originated business increased from 8% in FY2015 to 11% in FY 2016. Of the total India originated business, around 9% came from the CRM business and the balance 2% came from our HRO Payroll Processing Business. The growth in India originated business was significant on account of the acquired India CRM business.

Healthcare vertical showed a significant growth with share of revenues from the healthcare vertical going up from 35% in FY2015 to 42% in FY2016. The growth in vertical was driven by Colibrium coupled with better opportunities in the sector. The contribution of the telecom and technology verticals declined marginally to 26% as compared to 28% in the same period last year. The contribution from the consumer verticals remained flat at 13%. BFS was 7% for the year and the balance 11% came from media, chemicals & biotechnology and other verticals.

Our consolidated EBITDA for the year was Rs 3,130 million, a small decline of 1.3% compared to the same period last year. EBITDA margins for the year was 9.4%. Employee benefit expenses for the year increased by around 17% to Rs. 22,430 million as compared to the same period last year. However as a percentage of sales, they declined marginally to 67% from 68% in FY2015. Our interest expense for the year was Rs. 401 million as compared to Rs. 386 million in the last year. Other income for the year FY2016 was Rs. 194 million as compared to Rs. 201 million in FY2015. Profit before tax saw a decline of around 19% and stood at Rs. 1,559 million for the year. Our PAT for FY2016 for the year declined by about 39% compared to the same period last year. However the numbers are not strictly comparable as FY2015 also had a tax benefit of Rs. 248 million arising out of a recognition of some deferred taxed assets.

Moving to the financial performance for the quarter, our revenue increased by 29.3% to Rs. 9,139 million. We also saw our highest ever EBITDA in absolute terms of Rs. 981 million. EBITDA margin stood at 10.7% after factoring in the CSR spend of Rs. 32.4 million, which came in Q4. PBT for the quarter increased by 3.9% to Rs. 613 million with a margin of 6.7% and PAT for the quarter was Rs. 408 million at a PAT margin of 4.5%.

The Board of Directors has recommended a final dividend of Rs.1.25 per share. Taking into account the three interim dividends declared earlier during the year aggregating to Rs. 13.75 per share, the total dividend comes to Rs. 15 per share. Dividend outgo plus dividend distribution tax for the year comes to around 37% of the consolidated PAT for FY2016 as compared to around 30% payout for FY2015 and FY2014.

Coming to cash flows, with improvement in profitability and better working capital management, cash flows from operations and after working capital changes were Rs. 1,181 million for the quarter as compared to cash outgo of Rs. 948 million towards CAPEX.

In terms of capital structure, our total debt as on 31st March 2016 was Rs. 8,508 million. Our cash and treasury surplus at the end of the year was Rs. 4,646 million. The cash and treasury surplus includes \$27 million of funds of our subsidiary HGS International primarily in the form of bank deposits with Bank of Baroda, London Branch. Taking into account the cash and treasury surplus, net debt as on 31st March 2016 stood at Rs. 3,862 million. Our net worth at the end of the year was Rs. 11,815 million. Based on the current debt levels, we have a debt to equity of 0.72x and net debt to trailing 12 months' EBITDA of 1.23x. The business return on capital employed, i.e., Return on Capital Employed excluding treasury and cash surplus, stood at 17.1% for the quarter and 11.9% for FY2016.

As on 31st March 2016, we had a headcount of 39,834 of which 67% are based in India, 16% in Philippines, 7% in US, 6% in Canada and 4% in Europe. Of the 26,755 employees based in India, around 6,000 are in the offshore business,

1,800 in the HRO payroll business and the balance are for the India CRM business and the corporate functions. The total number of seats as of 31st March 2016 was 37,072, an increase of nearly 1,600 seats as compared to December 2015.

With this, I would like to conclude the finance section of this earnings call and would like to open up the Q&A session. Thank you very much.

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Rajat Kheda from Smart Equity. Please go ahead.

Rajat Kheda: I just had one question on Partha's comment regarding this volume softness. I think I missed that. Was that softness in a particular territory that you were talking about Partha or overall the softness in general?

Partha DeSarkar: Rajat, Q1 typically is a slower quarter for us. We pick up momentum as the year progresses; that is because we have seasonality in volumes.

Rajat Kheda: Sorry but you guys should be fine on a YoY basis, right?

Partha DeSarkar: That is correct, yes.

Rajat Kheda: Second was a structural sort of a question. See I have been observing the company for a few years now and it seems like the model of the company is to just invest more and more seats; that is how more and more cash flows get generated. So the net cash generation of the company is not as high as one would expect to be. Is my understanding or my reading of the company correct or you know because the past couple of years has been tough, that is why the cash flow generation has not been commensurate?

Partha DeSarkar: I think you answered the question in the last part of your question. The cash flow situation got worse because of the headwinds of Canada that we had in the year 2015. And that is why you will see cash flow situation worsened. But as the

profitability improves you will see the situation become quite comfortable...yes, our growth will have CAPEX but that is what we are investing in mostly offshore, which is high margin growth. So not too uncomfortable with that strategy, if you leave 2015 out, I will say that we have had reasonably good cash flows into our operations.

Rajat Kheda: Sir, you believe that the ROCE should improve going forward?

Partha DeSarkar Yes the business ROCE definitely will improve because one, we have made an accounting change in April and we wrote off the goodwill from our US acquisition against our reserves. So it shrunk the denominator of the balance sheet and as we improved the operations, the numerator i.e., the profits will improve and as a result of this, ROCE will expand.

Rajat Kheda: And also I was just looking at one very interesting slide, Slide #14 of your presentation where you give the average monthly revenue per employee and I was looking. I could not help but notice that the India domestic as well as the acquired India CRM business revenue per employee is quite low. Is that just the nature of the markets or do you think that there is considerable room for improvement in these figures?

Partha DeSarkar: See the India business is a tough business. We do not want to grow that business too much and it is still only 10% of our revenues. The reason we acquired the business was that we got it at a very attractive price and we were also sure that with GDP growth story and political change happening in India, the India growth story will be back. And then, we would be able to leverage an expanded network to service many of the foreign players who are coming into the market. So if you look at what this has helped us do the moment we completed that acquisition, we got an order from one of the largest e-commerce players in the world to service them from Indore and now there is a proposal to service them from Mysore though that is not concluded yet. But the Indore thing we are working on.

So the revenue per person will never be as high as any of our international operations, it will be at that level but profitability will be high single digit. That is

what we aim at. It is a very price sensitive market and it is not easy to get into double digit profitability in India. It is a very small part of our operations, only 10% of our revenue.

Rajat Kheda: And you were planning to not de-grow but keep it stagnant?

Partha DeSarkar: Yes we are not growing there too much... I mean on a growing basis, it will continue to remain 10%. This year we will grow our off shore business quite a bit, so next year if we do the same number we will see that the Indian operation probably will become a single digit number.

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

Mohit Jain: Few questions. First is on the organic growth, so can you help me understand what was the organic dollar growth this year?

Srinivas Palakodeti: The total growth was 18.5% of which if I remove the impact of exchange rates, it comes to about 15.3%. About 8.3% was organic growth in dollar terms and 7% is in terms of the acquisitions made during the year. Also note the timing impact of the Colibrium acquisition since that happened virtually at the end of March of 2015. We have no benefits of revenue from Colibrium in FY2015.

Mohit Jain: So Colibrium would have contributed around \$13 odd million to your top line, right?

Srinivas Palakodeti: About \$15 million.

Mohit Jain: Rs 15 million and acquired India CRM business would have contributed around Rs. 13 million?

Srinivas Palakodeti: In rupee terms, it would have contributed roughly about Rs. 99 crores.

Mohit Jain: Yes, around \$15 million again right.

Srinivas Palakodeti: Yes.

Mohit Jain: So this \$30 million is in a way coming from inorganic out of the \$507 million revenue. So my organic growth number turned out to be little lower... it turned out to be 4% to 5% actually. So when you say cost in currency, you are taking into account Canadian dollar to rupee movement is it?

Srinivas Palakodeti: Everything in dollar as compared to the multiple currencies like dollar to rupee, dollar to peso, dollar to Canadian dollar, everything else was same as last year.

Mohit Jain: And what is organic growth likely to be in FY2017? Do you see any improvement in the business or do you think the current rate is where the business is growing at?

Srinivas Palakodeti: Yes, we expect growth to continue but to be honest, our focus for FY2017 is improving the profitability rather than just topline growth.

Mohit Jain: Okay and anything on the margin front like 12% is what we used to do earlier... is there a possibility you can touch that number in FY2017 or you think 11% is the new normal sort of number for us in terms of margins taking into account Canadian benefit?

Partha DeSarkar: This is probably our lowest margin, so we will clearly improve from where we are today. While the Canadian margins are going to improve, they are not going to be back to the level that it used to be when we first acquired it because the government subsidy to the tune of \$5 million that used to come is not going to come back unless the government changes its plan. So the Canadian profitability will improve but it will not be the same as it used to be. So 12% is possible, it may not be possible for the full year but obviously our focus is on improving profitability and if everything works out well, we will try and achieve margin expansion of about 100 - 150 basis points for the full year.

Mohit Jain: From FY2016, not from the fourth quarter, right?

Partha DeSarkar: Yes for the full year that is what I said.

Mohit Jain So 100 basis points could be lower than what you did in fourth quarter... is there any headwind also which is coming up in terms of margins?

Partha DeSarkar: No, there is no headwind; Q1 is going to start slow, so we will pick up momentum as the year progresses. I would like to emphasize that we do not give guidance. So this is purely indicative numbers of what we are trying to do.

Mohit Jain: Sir, I understood. I am just trying to check the impact of Canadian which will come in Q1 because one month is included as per your opening remarks but two month benefit should come from Q1 FY2017. So I am just trying to judge how much impact Canada can do to your overall profitability?

Partha DeSarkar: It will not come in Q1 as I said, Q1 is a slow quarter. So you will not see that entirely in the Q1 you will have to see the impact over the full year of the next Fiscal.

Mohit Jain: Understood. You also spoke about one client who is not renewing the contract. So what kind of impact can we have and will it be done in first quarter or it is a gradual ramp down that will happen?

Partha DeSarkar: It will be gradual ramp down... it is not a very big client; it is a medium size client so we are not too worried about that.

Mohit Jain: And are we losing this to somebody else or they are doing it in house or what is the reason?

Partha DeSarkar: No, they have decided to move it to a different service provider.

Mohit Jain: Okay understood. And lastly on the CAPEX side, any plans for FY2017... what kind of CAPEX you are looking at?

Srinivas Palakodeti: It is hard to give a number, all I can say is it should be substantially lower than what we have in FY2016. It will probably go back to the levels which we had a couple of years back.

Mohit Jain: Okay so most of the part of the growth is already done with in terms of CAPEX?

Srinivas Palakodeti: You would have heard from Partha that we do actually have some empty seats especially in the US that we want to fill and the focus for expansion is going to be in either Jamaica, India or Philippines.

Mohit Jain: And two quarters back, you spoke about moving to a lease model completely. So should we expect some impact in terms of margins?

Srinivas Palakodeti: No, that is small and was more in terms of optimizing CAPEX. So wherever possible, if we open a new facility, especially outside the SEZ, we are looking where the landlord does substantial part of the CAPEX, especially in terms of leasehold improvements and infrastructure.

Moderator: Thank you. We have a follow on question from the line of Rajat Kheda from Smart Equity. Please go ahead.

Rajat Kheda: I just had a more broad based question regarding the structural changes that you know everybody seems to be talking about in the IT space and as well as in the specific niche industry you are in. So do you feel that there has been a structural sort of an impact on margins and customers have become a lot more aggressive as far as pricing is concerned and they really expect a lot more for the price that they are paying?

Partha DeSarkar: Yes, see our pricing environment the way we look at it has been a stable environment. We do not have lot of pressures on pricing. At best what we end up conceding is volume based discounts, which will give us more volumes you can get it at a lower price. So pricing pressure really has not been impacting our operations. Our operations have been impacted by whatever happened in Canada last year.

Rajat Kheda: Okay makes sense. And also sir, telecom and technology are 26% of your revenue, and telecom sector I believe at least in the US is under a little bit of a stress. Have you had any sort of an impact on your business due to that phenomenon or nothing as such?

Partha DeSarkar: Yes we have had challenges servicing telecom clients. So at one point of time, telecom used to be about 34% of our revenues. So in the last two years, we have deliberately taken a strategy to reduce our exposure to telecom. We have also decided to focus on healthcare because that is our strength and it is also a very attractive vertical to work. So what you see today is exactly the opposite of what you used to see few years back. Telecom has gone to 26% and healthcare has gone to 42%. If you had seen these numbers last year, telecom would have been 35% and healthcare would have been in the low 30s.

Rajat Kheda: I remember that.

Partha DeSarkar: So it is a deliberate priority to rationalize our portfolio, reduce our exposure to telecom and technology, and increase our footprint in healthcare.

Rajat Kheda: Okay and related to that sir, is most of the healthcare business coming from government agencies in the US or is it a lot of private insurers?

Partha DeSarkar: It is mostly private insurers in the US.

Rajat Kheda: Okay that makes sense and my last question is for the follow up sir. I know you cannot give guidance on the CAPEX but would it be around the depreciation number? So would it be maintenance CAPEX with some sort of an addition or will it be growth Capex again?

Srinivas Palakodeti: We do have growth CAPEX. We will have growth Capex... so you know I cannot link it to the level of depreciation because if you look at depreciation for the full year, that is coming to Rs. 136 crores and there will also be some growth CAPEX.

Moderator: Thank you. The next question is from the line of Aniket Nikumb from Apax. Please go ahead.

Aniket Nikumb: I just had one question. You spent Rs. 95 crores on CAPEX in this quarter. Just wanted to know if you could provide us a split of what was the maintenance CAPEX and what was the growth CAPEX here?

Srinivas Palakodeti: I will have to give it to you separately in terms of growth and replacement CAPEX for the year, I do not have it right now.

Moderator: Thank you. The next question is from the line of Anand Agarwal from Balaji Investment. Please go ahead.

Anand Agarwal: I just want to know what kind of top line growth and what kind of EBITDA and bottom line the company is looking at for FY2017 and going forward FY2018? Definitely it would not be the same numbers which has same kind of EBITDA and PAT growth which was earlier but just want to note what is the management's opinion?

Partha DeSarkar: See revenue growth will not be an issue... revenue growth we should be able to replicate our growth numbers of the past. The focus this year has been on improving profitability, so we definitely want to improve from where we are. We would like to first deliver a growth of about 100 to 150 basis points in this fiscal and improve that further in the next fiscal. I will not be able to give you any specific numbers beyond that we do not give guidance.

Anand Agarwal: Okay and one more question that is as I have gone through Partha DeSarkar's earlier interview that this company is aiming to become a one billion dollar revenue company in maybe next three to four years, so on that front, what is the management opinion now?

Partha DeSarkar: So that is an aspiration or goal that we have set for ourselves. We just crossed half a billion so that is a long way to go. As I said our focus is on profitable growth; we have always been very particular about that and we had some

challenges in 2015. So I would say that right now, I would rather talk about an EBITDA goal as opposed to revenue growth.

Moderator: Thank you. The next question is from the line of Srivallabh Bhaiya an individual investor. Please go ahead.

Srivallabh Bhaiya: I just wanted to ask whether you are having any dividend policy? What sort of percentage that you distribute by way of dividend?

Partha DeSarkar: So if you look at it, in the past we have had the dividend constant at about Rs. 20. This year, we had a little bit of a profitability challenge but the reason we have reduced dividend is actually not that. We do want to see that we deploy the cash generated by the company to fund its future growth and there is a lot of growth coming in the year forward and we want to make sure that we deploy that cash towards funding that growth as opposed to paying it out towards dividend. Is there a declared dividend policy, no, we do not have a declared dividend policy. We have track record of dividends, which you will be able to see has been Rs. 20 till the last fiscal. This year, we have come to Rs. 15 because of the reason that I explained to you.

Srivallabh Bhaiya: As there is not much capital expenditure spent in the next year what you are projecting, so is there a chance that this dividend distribution should be better in the coming years?

Partha DeSarkar: See that is for the Board to decide... I cannot comment on whether the dividend will improve. All I am saying directionally is that we would like to invest money into the growth of the Company as opposed to paying out high dividends that we have had in the past.

Moderator: Thank you. As there are no further questions, I would like to hand the floor over to Mr. Partha DeSarkar for closing comments.

Partha DeSarkar: Thank you once again for taking time to join us for results call. We appreciate the time that you take and we would look to be back with you again sometime in the month of August. Thank you very much.

Srinivas Palakodeti: Thank you everyone for joining in the call.

Moderator: Thank you very much, sir. Ladies and gentlemen, with this we conclude today's conference call. Thank you for joining us and you may now disconnect your lines.

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Note: This transcript has been edited to improve readability

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