Hinduja Global Solutions Limited
Q2 FY2012 Earnings Conference Call
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Moderator: Ladies and gentlemen good day and welcome to Hinduja Global Solutions Limited Q2 FY'12 Results Conference Call. As a reminder, for the duration of this conference all participant lines will be in the listen-only mode and 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 like to hand the conference over to Mr. Ankit Hirawat. Thank you and over to you Sir.

Ankit Hirawat: Good evening to everyone in India and good morning to our overseas attendees. Thank you for joining us on this call to discuss our financial results for the quarter ended September 30, 2011 announced earlier today. We have with us Mr. Partha Sarkar, CEO and Mr. S. Palakodeti, CFO. Before we begin I would like to mention the 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 Sir.

Partha Sarkar: Good evening to everyone in India and good morning to our overseas attendees, thank you for joining our call.

I will begin with an overview of the operating highlights and the business performance before handing to Mr. Palakodeti who will take us through the financials in detail.

The revenues for the quarter were approximately Rs 358 Crore, which is USD 78.65 million, an increase of about 34% of the revenues of Rs 266

Crore, (approx. USD 69 million) for the quarter ended September 2010. On a sequential basis, revenues were higher by 29% over the quarter ended June 2011. This growth in revenue is higher for the following reasons, the acquisitions of OLS and HCCA took place in August and these acquisitions contributed to around two months of revenues in this quarter, accounting for 17% of the growth. Excluding the impact of this acquisition, the revenue growth is 12% over the quarter ended September 2010 and 7% over the quarter ended June 2011. These numbers clearly indicate strong growth in revenues, which has been driven, by business growth across all major geographies. The impact of the currency with the strengthening of the US dollar especially towards the end of the quarter has helped us to realize better rate for the USD-INR as well as for the USD-Peso conversion.

The EBITDA for the quarter ended September 30, 2011 was Rs 38.39 Crore and it has increased 5% from the EBITDA of Rs 36.66 Crore for the quarter ended September 2010. On a sequential quarter basis, EBITDA is higher by 29%. The EBITDA margin for the quarter stood at 10.7% after taking into account costs related to the acquisition. The EBITDA margin has also been impacted by above-normal ramp up cost in Philippines and start-up cost for new clients in India. These start-ups will yield revenues for us in Q3 and Q4 and we are looking forward to strong organic growth from India and Philippines in these two quarters. As a result of that we are expecting our margins to improve significantly in the second half of the year.

The net profit for the quarter was Rs 26.53 Crore which is 5% higher as compared to the PAT of Rs 25.35 Crore in quarter ended September 2011. On a sequential quarter basis, PAT is 31% higher than the PAT of Rs 20.29 Crore for the quarter ended June 30, 2011.

The global macro-economic environment continues to be uncertain. There are challenges pledging all major regions of the globe and the sustained flow of news is keeping all organizations on their toes.

Businesses need to be cognizant of the multitude of factors that are playing out across the global economy and assess the impact on their own day-to-today operations. In a scenario such as this, there is a clear preference for agility and growth. Customers realize that they need to protect their growth while at the same time make their organizations more nimble to enable them to successfully navigate the dynamic business environment. This is the factor that has been playing out very strongly for us at HGS ever since the global financial crisis of 2008. Post the crisis; a wave of belt-tightening has struck into customer consciousness, as there were chasing opportunities for growth with a focus of increased return on investment.

We have positioned ourselves to be more relevant to customers, giving the need for services to be more defined, and to offer greater variability to users. Apart from re-assessing business delivery and outcomes, we have refined our strategic initiatives and organization structure to help our clients to realize their business objective. That is why our clients continue to turn to us even when the operating environment points towards the moderation in demand for external service providers. We are also now in the process of developing our own internal IT development tools to offer some platform-based workflow and productivity tools for existing clients, which we believe, would be a strong speaking factor for the ongoing relationship with them.

We have also identified inorganic growth as a key component of our transformation strategy and we are fortunate to have abundant resources to enable us to action the strategy. As many of you are aware, during the previous quarter we successfully closed two acquisitions. Between the two acquisitions done in August this year and the acquisition that was done in UK in June of last year, in the last one year we have completed three acquisitions that has really given a big cushion for us across the globe.

The OLS acquisition was the first one; this was called OLS Support Incorporated. Just to recap, OLS is a leading contact center provider in Canada servicing marquee customers across verticals like media, telecom, technology, and BFSI. OLS's strategy of focusing on key delivery areas has provided them a niche positioning in the market allowing them to register healthy margins for a pure onshore-based business while enjoying significant scale and mind share from each of its five clients. OLS delivers in English and French language services and they serve Canadian domestic clients as well as clients based in the US. They have delivered very respectable growth over the last five years in a challenging market and FY'11 revenues were 63 million Canadian dollars.

We are delighted with this acquisition as it provides us many benefits. To start with, it is a strategic fit given the presence in the domestic Canadian market, which offers great potential. The delivery model focuses on delivery from smaller towns in Canada and compliments our successful strategy of scaling up delivery from tier-2 and tier 3 cities in India.

Further, it is our endeavor to build local delivery across global markets and the OLS model provides us with strong impetus towards that end. It blends in well with our global delivery model and provides additional options to our customers who are recalibrating their business to incorporate the right shore model. There is one with an optimal combination of onshore, offshore and near-shore delivery. It helps to strengthen our service offerings. We now have a sizable share of business from the media vertical due to OLS and Careline acquisitions. We also enhanced our presence in the BFSI verticals, the focus area for us.

Traditionally our revenues were dominated by billing in US dollars. With the growth of the domestic business, the Careline and the OLS acquisition, the USD billing now stands reduced to around 60%. Through the OLS acquisition, we have added clients of scale, our client metrics of

US dollar 1 million plus, 5 million plus and 10 million plus have all moved to northwards.

Our employee base has been augmented with addition of over 2000 employees and nearly 4200 employee based in North America make us a formidably player in that region.

Equally important is the fact that the Canadian market has done better during the global recession and is a market where outsourcing as a concept is fairly nascent unlike the other matured markets. This provides us with an attractive opportunity for growth.

We are pleased to increase our coverage of the North American continent, which continues to offer potential for growth. According to Gartner, the BPO market in North America is expected to grow at 3.8%. In the region, Canada is an active domestic BPO service provider market and has also seen major BPO initiatives throughout the decade in vertical markets for industry-specific BPO growth and for in North America retail, healthcare, transportation, and utilities. Within the horizontal sectors, dynamic growth is expected in the customer relationship management domain. So with our combined strength we are well placed to make the most of the opportunities that are expected to arrive.

For OLS, the global delivery capabilities and the right shore model of HGS will provide significant leverage to scale up the businesses. The process inputs from our global team will help to provide an edge to OLS delivery capability. The CEO and the senior management team of OLS will continue in their current posts after the acquisition and will add another dimension to our combined operations.

I want to now talk about HCCA acquisition. This was completed this quarter. We acquired HCCA Business Services Limited from 3i Infotech. This provides us entry into the human resource outsourcing domain. HCCA offers payroll, statutory compliance, and employee lifecycle support to about 350 clients in India. This acquisition will also help us to get a footprint in the Middle East market.

With over 25 years of experience and an extensive base of marquee clients, it gives us great opportunity to process the newly acquired expertise in HRO to our global clients, opening a new window of revenue flow and helping us to expand our portfolio of service offering. It also helps us to marginally increase the share of nonvoice business in our overall mix.

HCCA also gives us four centers and nearly 450 employees. The opportunities in the HRO space are huge and HRO is one of the fastest growing segments with large-scale offshoring opportunities.

The key challenge remains to integrate these companies and we are working on creating a mutually beneficial environment, where we can create value for the combined entities. We are excited to become a larger organization with enhanced competency and are geared to cross sell the existing offerings in the new market of Canada and the Middle East and to offer new competency in our existing markets.

We have added to our repertoire of domain-based solutions and I am sure that we are in a better position to capture business demand across major markets. The processes are encouraging as a recent Gartner report forecasts the worldwide business process outsourcing market to grow at 6.2% in 2011 and 5% in 2012. The outlook for BPO is mixed in developed economies and this has resulted in tempering of the growth expectation. Our global operations are performing well and we are encouraged by the response from our customers and heartened by our ability to drive business growth in difficult times for our customers.

Now, to go through the different markets one by one.

In the US, our onshore healthcare foray has started to gain traction. The new logos we added in recent months have been performing well and we will look to scale up businesses further. There has been a healthy pipeline of incremental business from existing clients, which is giving us good visibility for the next two quarters. We are ramping up our business with the major telecom players there by 200 seats, which is on an annual basis a run rate of about 8 million dollars in incremental sales to that particular customer.

In the UK, the response from Careline customers over the last one-year has been excellent despite a depressed economic scenario in the Europe; the UK business continues to deliver growth. Our pan European contract with Unilever has been moving on schedule with our Hamburg center going in August and the Rome center in September 2011. In the last quarter, we had shared with you that we had received a significant client win from a high-profile public sector company for which we are opening a new facility in London. Our first offshore contract in Manila with delivery in the UK went live in July.

Philippines continues to be an integral part of our global operations, we have commissioned our third site in Manila, which brings the total sites in Philippines to four. The fourth site will have a capacity of around 500 (??) seats. We have experienced strong growth in all major accounts and operating at close to 100% utilization level. We have commenced offshore delivery for a large US healthcare client and are in discussion with one of our major clients for global procurement and expansion to serve their Australian business. This could be a huge opportunity for us to foray into Australian market as well.

On the domestic front, the BPO market continues with growth trajectory despite an uncertain macro-economic environment. According to NASSCOM, the Indian IT BPO industry is expected to maintain about a 16% to 18% growth in FY'12 and it is estimated to become a 1.6 billion dollar market in 2012 and 2.47 billion by 2014. This indicates a sizable opportunity for growth, rural BPO is expected to be the next inflection point of the domestic market and strong growth is expected from 3G and value-added services in the telecom sector.

Our center in Siliguri, which started in May 2011, is currently running at full capacity. Mobile number portability has elicited a modest response from customers and helped increasing volumes. Our clients in the telecom industry have begun to witness increasing revenue per customer due to the tariff hikes taken and the introduction of 3G services, which would translate to greater revenue for us.

A notable achievement this quarter is that we have reached second position in an all India partner vendor ranking for our top telecom client. This places us in good position to win further business as we expand operation. Given our expertise in telecom, we have added new logos in the telecom sector as well. One of these clients have given us business after a gap of one-and-a-half years and the role of plan includes servicing their customers from three centers with a head count of 500+ in a mix of inbound and outbound processes, we have added new logos from NGO segments as well.

So our domestic operations are demonstrating a much-improved pipeline, I will also like to share with all of you that our strategy to shift to tier-3 cities in India has been a resounding success.

Our continued strong focus on top three verticals that is healthcare, telecom, and consumers have yielded good results for us and we have strong pipeline of businesses coming from these verticals as customers recognized the value we can add to their business. We are also in the process of acquiring another 750 seats in a new SEZ in Bangalore to add to our international businesses being delivered from India, the negotiations are under way and hopefully we will have something by Q4.

To conclude, it has been a quarter of significant progress both organically as well as inorganically. We have grown existing client accounts as well and have entered new geographies, added new clients and service offerings. I am confident of our growth over the next few quarters given the number of new areas and opportunities that we need to address within the organization as we are looking to integrate our global operations, that is all from my end. I will now hand over to Pala who will walk you through the financials. Thank you.

S. Palakodeti: Good evening everyone thank you for joining in the call. I will briefly take you through the financials. The quarter ended September 2011, the consolidated revenues stood at Rs. 357.82 Crore, which is an increase of 29% over the quarter, ended June 2011 and 34% over the quarter ended September 2010. The revenues for this quarter include two months of revenues from OLS and HCCA, as these acquisitions were made by us during August 2011. These acquisitions have contributed to around Rs 60 Crore which is about 17% of the revenues for the quarter. If we exclude the impact of the two months of revenues coming from the acquisitions, the revenue growth is around 7% over the quarter ended June 2011 and 12% over the quarter ended September 2010.

Coming to the EBITDA, the EBITDA for the quarter ended September 2011 was at Rs 38.39 Crore and it has increased by about 5% over the EBITDA for the quarter ended September 2010. On a sequential basis, the EBITDA is higher by about 29% over the EBITDA for the quarter ended June 2011. The EBITDA margins for the quarter stood at 10.7%, which is roughly at the same level for the quarter ended June 2011. While the acquisitions have added to the EBITDA, the overall margins have been flattish as Partha had explained earlier due to ramp up costs in India for new telecom clients, ramp up at a higher level than what was expected in Philippines i.e. gearing up for the Q3 and Q4, as well as some acquisition costs which we have charged to the profit and loss account.

Coming to interest, interest for the quarter ended September 2011 was at Rs 5.59 Crore as compared to Rs 2.8 Crore for the quarter ended June 2011. This increase in interest cost is on account of three broad reasons. There is higher cash outgo because we paid out total of about Rs 50 Crore in dividend and dividend distribution tax in the month of August, outgo for the HCCA acquisition. In addition we have taken a loan for the OLS acquisition - as we had mentioned earlier during the OLS acquisition conference call.

Other income for the quarter ended September 2011 was Rs 7.38 Crore as compared to Rs 8.52 Crore for the quarter ended June 2011. As required by accounting standards while arriving at the total income of Rs 7.38 Crore we have made a provision for the mark-to-market loss of Rs 3.85 Crore for the forward covers taken

Coming to the profitability after tax level for the quarter ended September 2011, it is Rs 26.5 Crore as compared to Rs 25.3 Crore for the quarter ended September 2010, which is an increase of about 5%. On a sequential basis, PAT is higher by about 31%.
Moving to the revenue analysis, we have seen good growth across all revenues, whether it is US, Philippines, UK, or India both on the domestic side as well of the offshore business.

The stack up of the vertical revenues has also undergone significant change because of the acquisition. The OLS acquisition brought in substantial exposure to media verticals that along with the work, which we are doing for a media client in UK, has led to a new vertical called Media, which now accounts for about 8% of this quarter's revenues.

Compared to the quarter ended June 2011, the share of telecom has also increased from around 27% to 29% primarily on account of the OLS acquisition, which has substantial revenues coming from the telecom vertical.

In addition to that, the change has also happened on the BFSI vertical, where the share of revenues has increased from 27% to 29% of the revenues. This is primarily because of the OLS acquisition and the HCCA acquisition where bulk of the clients on the payroll processing side are banks, private equity funds, asset management companies who have all been clubbed under the BFSI sector.

Consequent to changes, the share of the healthcare vertical continues to be still at attractive level and it is at 23% and share of the consumer electronic business stands now at 17% for this quarter.

The number of employees stands at 23,841 as compared to 19,854 for the quarter ended June 2011. Even if one excludes the effect of the acquisitions, the head count has increased on overall basis by 1300 employees, which has come across primarily for India and Philippines. As we said we are ramping up with new businesses coming in as well as the ramp up happening in Philippines for the Q3 and Q4.

In terms of number of seats, the number of seats stands at around 21,367 as compared to 17,874 as in June 2011. Excluding the OLS acquisition, there has been an augmentation of capacity by about 1400 seats.

A quick word on our cash balance, the cash balance stands at about Rs 731 Crore as of September 30, 2011. This includes about surplus funds of about 120 million, which is with our Mauritius subsidiary, which has been deployed, in the form of fixed deposits with various banks.

As we have mentioned in the call at the time of the OLS acquisition, we have initially funded the acquisition by taking a loan against the FD in order to maintain the FDs, otherwise we would have lost on the interest side and if you remove the loan against this FD, there are FDs of about USD 88.5 million which is about Rs 436 Crore.

If you exclude the loans taken against the bank deposits, it stands at Rs 565 Crore this includes 50 million Canadian dollars which is roughly about Rs 247 Crore of loans which we have taken for the OLS acquisition.

The growth in debt as I mentioned earlier is also on account of cash outgo for the OLS acquisition and HCCA acquisitions. As we have mentioned earlier in the call on the OLS acquisition, we have taken debt to finance the acquisition primarily to take care of interest arbitrage which are being offered and the tax shield arising out of the interest cost in countries like US and Canada, where corporate tax rates are between 30% and 40% plus. Whereas the treasury income, which we earn, which is in Mauritius is virtually tax-free. This is part of the overall financing structure, which we have brought in together.

The other aspect is, on a consolidated basis there is cash as well as debt, while the dividend for instance is paid entirely out of India, the acquisition of HCCA is done entirely out of India. Those are the debt and cash numbers, which on a gross level make them, look nearly equal. . But there are different levels of debt and cash surplus across different geographies.

That is all at this stage from my side. We could now move into the question and answer session. Thank you and I will now hand it over back to the moderator for the Q&A session.

Moderator: We will begin the question and answer session. Participants who wish to ask a question may press “*” and “1” on their touchtone telephone. Participants are requested to use only handsets while asking a question. Anyone who has a question may press “*” and “1” at this time. We have the first question from the line of Amitabh Sonthalia from SKS Capital.

Amitabh Sonthalia: Good set of numbers from Q-o-Q comparison basis. Just to get a better sense of what the second half would look like, you have given some breakup in terms of the Canada revenues from OLS which is for two months I suppose, what is kind of the quarterly run rate on a ballpark that we can expect for the second half of the year? Canada revenues for the two quarter is about I think Rs 55 Crore in Indian Rupee terms, is that a monthly run rate of about Rs 28 Crore or so, is that a fair assumption?

S. Palakodeti: The rough run rate for the Canada acquisition is roughly about $6 million per month, that itself in a broad level is about $18 million for a quarter which is close to somewhere in the Rs 85 to 86 crore mark.

Amitabh Sonthalia: If you look at this quarter numbers, on a proforma basis if we were to consolidate for the whole quarter it would add another Rs 30 odd Crore to revenues, because your other acquisition is quite small, so that would not probably impact the revenue base much?

S. Palakodeti: To get a sense, about $6 million of revenues got missed out from a timing difference from the OLS acquisition.

Amitabh Sonthalia: On that basis we are looking at about close to Rs 400 Crore of revenue run rates for HGSL as a whole from next quarter onwards?

S. Palakodeti: If you add Rs 358 Crore and Rs 25Crore, it brings us to about Rs 383 Crore and plus traditionally the third quarter has been a better quarter. If you look at September 2010 versus December 2010, there was a growth of about Rs 20 Crore at an overall level.

Amitabh Sonthalia: Next year we are looking at some organic Q-o-Q growth as well as further consolidation of OLS?

S. Palakodeti: Even in this current context, we have grown by about 7% on a sequential basis on our revenues excluding the impact of the acquisition.

Amitabh Sonthalia: You mentioned some sudden ramp up costs there this quarter, could you elaborate on that, what is the rough impact of that and how you are going to see the benefits due to this?

S. Palakodeti: Benefits, one part of it is in Philippines where the traditional busy season, especially for the consumer electronics client is the month of November, December, and January. There is normally a requirement to hire people ahead of the curve, but this time we have, based on indications given by the customers, higher number of employees than what we normally hire, so that is one part which we refer to in terms of ramp up cost. The other is that as you would have seen we have added about 10 clients on an organic basis and some of them have fairly large number of seats, and those ramp-ups in terms of hiring cost, etc. happened through August and September, and revenues from these seats would start coming in from Q3 onward Those were basically the costs which we are talking about. As I mentioned even if you exclude the impact of the acquisitions we are probably having about 1200 to 1300 employees more than what we had at the end of quarter ended June.

Amitabh Sonthalia: Also in terms of the EBITDA margins overall of course is contracted quite a bit Y-o-Y, so would you have any comments on what the sustainable level of margins are likely to be going forward, there could be some short-term impacts as you mentioned due to some of the factors, but generally we have seen a declining trend in margins over the last few quarters, so where do we hope to see the margins bottoming out and looking up, if at all?

S. Palakodeti: There is a certain amount of seasonality even if you look at what happened last year, the margins were low for the first two quarters and touched around 15% for the third and fourth quarter, so our sense is to hit 14% to 15% mark for the remaining two quarters. For Q1 and Q2, the EBITDA margins were in that range of 11%. Our sense is that we would go back to margins, which we have seen in Q3 and Q4 last year of 15%, for the second half of the year.

Amitabh Sonthalia: What is the likely impact of the interest cost, for example your gross debt is about Rs 720 Crore, , what is the average cost of this debt on a consolidated basis. As you explained it is in different geographies in 2011?

S. Palakodeti: It needs a little bit of granularity, for instance there was a loan which we had to take for the dividend payment, that is one lumpy outgo of about Rs 50 Crore, that would have been about on August 1, that we expect will be paid off down to zero by December or definitely by March. So there will be some phasing out of the debt from internal generations. Because we also missed out one-month interest cost while doing this for the quarter, I think the next quarter would roughly be the same, but after that you will start seeing a decline.

Amitabh Sonthalia: You are saying the interest that we have reported this quarter is not likely to change much. This quarter was about Rs 5.5 Crore, so next quarter it would go up?

S. Palakodeti: Quarter ending December would be same or slightly higher, but after that it will start coming down, as some of the short-term loans or higher cash credit utilization whichever way you look at it, those will start getting phased out.

Amitabh Sonthalia: The arbitrage that you talked about between your cash that you are holding in Mauritius entities versus cost of finance, what is the type of benefit that we are hoping to get for the full year, because on the face of it if I look at Q2 wherein other income is of Rs 7.4 Crore versus interest cost of Rs 5.6 crore, so that suggests roughly Rs 2 odd Crore of arbitrage gain there?

S. Palakodeti: If you look at the other income that is the net effect of two or three things, that is, to start with the income on the treasury surplus lying overseas. Because of the demand for dollars we got some increase in the rates, money which was earning around less than 3%, part of that money is now being redeployed in this quarter at around 4%, so there is a significant increase in the yields there. We have to see how things develop because things are a little uncertain, but the ability to earn could also be higher because of the demand for dollars whereas the borrowings which are typically LIBOR or CDOR those rates have not changed significantly, but if at all they have softened over the past couple of quarters, but the main thing is that the funds are being earned in Mauritius, those are virtually tax free, because net effect of tax rates in Mauritius is around 3%, it is as good as close to zero. Whereas the borrowings are in high tax bracket places like Canada or in the US, there the tax rates could be depending on the overall mix, it could be upwards of 40%. So while you are borrowing it somewhere between 3% to 5% and post-tax cost should knock off 60%, your ability to earn is definitely more in the current scenario. So it is definitely not negative, it is probably slightly higher on the positive side. As we have said, part of this is also in our objectives to have war chest to look at more acquisitions going forward.

Amitabh Sonthalia: Financing that you have raised is again based on the target?

S. Palakodeti: Basically it is typical acquisition financing, you would basically charge the OLS assets for the loan.

Amitabh Sonthalia: OLS assets, it is not based on the all the assets overseas?

S. Palakodeti: Basically whenever you borrow from an external party that is limited to the charge on the cash flows and the asset of OLS. What we have done right now is that since the acquisition financing was to happen and we did not want to break the fixed deposits, there is a 31.5 million loan against our own fixed deposits, which we have also mentioned in one of the earlier calls,. But this money has come from ICICI Canada, their access is limited only to cash flow and assets of OLS, it has no charge on any of our fixed deposits.

Let me also clarify, there is no corporate guarantee from the parent level, just from a clarity perspective. It is purely whatever cash flows which OLS will generate that is the sum and substance of the security package for ICICI.

Amitabh Sonthalia: On the long-term basis you have mentioned you withheld this cash for the future, to make further acquisitions which is understandable, but again would we do the similar structure, that is retain the cash and borrow against the future acquisition and keep leveraging?

S. Palakodeti: It is the function of what is the opportunity, what is the size. For instance if you look at our HCCA acquisition that was a small one, that is all come from cash which is being generated internally, whereas OLS is significantly large, so it is not to say that that is the only rule, it will depend on where the acquisition happens and what is the opportunity.

Amitabh Sonthalia: Just a quick word on your sundry debtors and which are up about 50% Y-o-Y?

S. Palakodeti: One is the impact of the acquisition because whatever is happening both on revenues, on debtors that is multiplied by 49 or 50 whatever the rate is, so everything would look higher from an absolute amount, plus as the business is growing, the debtors would also go up. There will also be some balance sheet, end of the period bit of distortion, for instance there is a big chunky cheque which came in mid-October which was actually due on September 30th. This is always a bit of timing difference, but from an overall perspective there are absolutely no areas of concern.

Amitabh Sonthalia: Just one quick question on OLS again, OLS has only five clients, so is the business model inherently more risky because you are dependent on a fewer larger clients?

S. Palakodeti: Actually we have come from the other end of the spectrum. They had substantially more clients if you go back to about 8 or 10 years,. They then took a view that instead of expending energies and client servicing efforts etc. on multiple clients, all those accounts as and when they expired got phased out and they identified three or four good clients and put all their efforts in growing the clients that has served them well, because they are have grown enormously over the last few years. Also for some of the clients dependence on OLS is very high. In at least one client they have some captive business and OLS is the only vendor in Canada. The dependence of OLS on the client is high; no doubt about it, but probably the dependence of the client on OLS is probably even more. There is one other aspect which is, it was being held by a PE fund which had stayed invested for a very long time and they wanted to exit. One of the mandates given by the PE is to just mine existing clients, do not spend money on acquiring new business because it means if there is a business acquisition cost, there is a cost of ramp up and they wanted to keep the EBITDA as high as possible to secure their exit,. But clearly now the team is very charged and there are looking to go out into the market under the new scenario and ownership, and grow the business in terms of getting more business from the existing clients as well as get new logos, so there is a bit of history and strategies behind that kind of revenues with four or five clients.

Amitabh Sonthalia: All right thanks that is it from me for now. I will come back in case if I have any further questions.

Moderator: As there are no further questions, I would now like to hand the floor over to Mr. S. Palakodeti for closing comments.

S. Palakodeti: Thank you very much for joining with us on this call. We have look forward to building on the acquisitions as well as the organic growth and look forward to having you with us again for when we meet for the results for the quarter ending December. In case you have any questions or further queries, please feel free to contact CDR, our investor relationship team. Thank you very much.

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