Hinduja Global Solutions
Q2 FY2016
Earnings Conference Call

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

Mr. Srinivas Palakodeti – CFO, Hinduja Global Solutions

Churchgate Partners

Moderator: Good day ladies and gentlemen and welcome to the Hinduja Global Solutions Q2 FY2016 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bijay Sharma from Churchgate Partners, thank you and over to you sir.

Bijay Sharma: Thank you Malika. Good afternoon and welcome everyone to Hinduja Global Solutions Q2 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 earnings presentation. Now I would like to invite Mr. Partha to provide his perspective on the performance for this quarter. Over to you sir.

Partha DeSarkar: Thank you Bijay and a good afternoon to everyone and thank you for joining us for the call today. We hope you had a chance to review our presentation and the financials. These are also available under the investors' section of our website. A good way to start would be an overview of the financials for the quarter that would be followed by operational highlights. After that 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.

HGS posted a good financial performance in the second quarter of FY2016 compared to the first quarter of FY2016. We saw an improvement in the EBITDA margin in addition to revenue growth. Our PAT has also increased over Quarter 1.

Compared to the quarter ended September 2014, revenue increased by 12.4% year-on-year to Rs. 7,890 million. Excluding the impact of acquisitions, the revenue grew 7.1% of which 2.1% was on account of foreign exchange rate variations and 5.0% was on account of volume growth. The EBITDA for the quarter came in at

Rs. 807 million that is an EBITDA margin of 10.2%. This is a significant improvement over 7.3% EBITDA margin of Q1 FY2016. The EBITDA margins improved on account of improved revenue, enhanced operational performance, and the cost control measure that we put in place. The PAT for the quarter got in at Rs. 269.2 million with a margin of 3.4%. The Board has approved a second interim dividend of Rs. 5 per share for the fiscal year.

Overall, I would call it a turnaround quarter given that margin performance has improved quite a bit and this is despite the headwinds that we have had in our Canadian operations. We are right now dealing with furious growth across every geography - India, Philippines, Jamaica, US, and UK. We are heading into the busy season, where growth will be driven this time by public sector and healthcare open enrolment season. Earlier it used to be consumer electronics which used to guide our growth in the past in Q3 and Q4. This time it is going to be public sector and healthcare open enrolment. We have also made a very encouraging foray into e-commerce. We have hired a large number of people in our Indore location for one of the largest e-tailers in the world. We have also signed up with a big e-tailer in the US and another big Indian player in the e-tailing space.

Let me share some business highlights from the quarter. We continue to make progress on a number of fronts and we will take you through the four markets that we serve, that is, US, UK, Canada and India domestic.

Coming first to the US market, our largest market, we saw a very strong performance from this market in this quarter. The healthcare vertical continued to be the primary growth driver for us in the second quarter as well, led by higher volumes and win some ramp ups. Large part of this was driven by significant revenues coming into Philippines, India, and Jamaica. We believe that the momentum in the US market has been driven by open enrolment season. *Colibrium* has signed up about 150 FTEs for multiple clients. We have a healthy pipeline many of them targeted to close in Q3 and Q4. This season is very important for our *Colibrium* business which helps consumers buy insurance products to our sales and wellness automation platform. Our *Colibrium* revenue for the first half of the year is US$7.1 million which is in line with our projections. We are also investing in the *Colibrium* platform which reduces the customization effort that is required to on board a new client. It is already integrated with a few popular CRM platforms like Microsoft Dynamics and work is currently underway to integrate it with other popular CRM platforms as well.

We have signed two new logos in this market: an electronics product company and a leading food retailer. The quarter also saw the go live program for a leading consumer products company. There was a strong growth in the overall healthcare portfolio in Q2 compared to Q1. Specific to India delivery, there was some softness in volumes on one point but the rest of the portfolio showed healthy growth and profitability also improved marginally compared to Q1.

On the provider side of the healthcare business, we have signed up a large durable medical equipment company. We are also expanding our Hyderabad SEZ to handle that growth. Our Philippines operation which caters to the US market is seeing a bounce back quarter with a sharp positive note. The last couple of quarters have been impacted by investments in capacity expansions. We should receive significant addition of business from the two existing healthcare clients including work related to clinical reviews.

The most encouraging news however is the growth in Jamaica. The healthcare business in our Jamaica operations continues to demonstrate a healthy revenue growth. We are excited to see this nearshore destination that started operations with a headcount of 190, grow and will end the year with around 550 employees. As we speak, we are opening up a new center in Jamaica.

We continue our portfolio registering businesses and expect to exit a telecom client in Q4.

The forecast for the North American market is as follows:

As planned several client programs are set to go-live in Q3 and Q4 and we expect the growth in healthcare to continue. The new addition in El Paso and Jamaica ramping up in Q3, both Q3 and Q4 should see topline growth.

Now let’s come to Canada. The last couple of quarters have been very challenging for us in Canada due to various factors but primarily because of the economic recession. We entered the Canadian public sector market with the acquisition of a new client, a Canadian Crown Corporation. The expected ramp up of this workforce is about 100 full-time employees. This geography also received additional business worth another 100 full-time employees from a major Canadian telecommunications company. HGS will now have more than 400 full-time employees across the Belleville and Pembroke sites. We are in the process of renewing our contracts with one of our largest clients which is expected to drive better margins and additional volumes from new lines of businesses. In the first half of this fiscal, the losses on account of Canada are approximately C$5.2 million. We have right sized the business and have submitted our revised pricing list to our largest client in September. The contract negotiations are still on the way and will have a significant impact on future operations in the Canadian market because of the sheer size of this contract. Once the contract negotiations are completed the Canadian operation is expected to turn around. The forecast for this market is that we expect volumes from existing clients and the new public sector client launch to increase through Q3 and Q4. As we said, we are in the process of renewing one of our largest client’s contract which we expect will drive increased margin and additional volumes from the new lines of businesses from them.

For the UK, in the last quarter call, I had mentioned two new and big wins in the public sector verticals. We have established programs for two new engagements in the UK. These contracts are expected to generate annual revenues to the extent of $10 million each. HGS has announced the creation of 500 additional jobs in the UK on the back of these wins and to expand our Preston and Selkirk sites to support this growth. The forecast for the coming quarter is that these two large clients will go completely live in Q3 and Q4 at both Preston and Selkirk sites. We expect therefore strong growth in revenues and profitability in the second half of the year.

The pipeline remains focused on 3 core sectors, i.e government, telecom and consumer goods. Three existing contracts will be undergoing the renewal process in the forthcoming months.

Now let's move to the last market that is the India domestic market. The revenue here increased compared to Q1 as some of the ramps in telecom sector in Q1 started generating revenue. The profitability continues to be under pressure though. However, we have got cost of living adjustments (COLA) from one of our largest clients and that will improve the margin going forward. During this quarter, we went live with one e-commerce client with about 40 full-time employees and in October started hiring about 170 full-time employees for another e-commerce client for the festival season. We also went live with an insurance client and a healthcare client.

The transaction for acquiring a significant part of Mphasis Group's BPM business in India was closed in Quarter 2. The transition of 8,000 employees and clients was smooth. The revenues have accrued to us from the month of September.

The focus for this market is the COLA increase, which means we will have improved margins for the India domestic business. We continue to focus on growing profitable accounts only and rationalizing our processes. Ramp ups in e-commerce and other clients will grow topline and margins should see a pickup in Q3 and Q4.

Now the pipeline in general: We have signed up seven new logos this quarter. Pipeline continues to look very healthy across all businesses.

Coming to some new lines of businesses and new capabilities that we have developed, let me talk what we are doing in the innovation space. The demand for our core BPM services remains healthy. The disruption in our client's business environment creates new opportunities for us to provide new solutions such as digital services, analytics, consulting, etc., that will fundamentally change how we interact with our clients and customers and drive efficiency. As healthcare is moving towards consumerism, we are investing in solutions to enhance the customer experience. For our leading healthcare players, we have implemented multiple automation projects with our client's reduced operational costs. Additionally our consulting arm has seen traction with our largest healthcare Payers client where we are re-engineering the sales operations process with an aim to deliver $1 million in savings. We have also invested in HR analytics to improve our recruitment methodology. To streamline the customer service communication across all channels, a new customer experience platform called Digital Natural Assist was launched in our markets. So these are all the innovations on which we are spending significant amount of time. Today the revenue contribution from these new lines of services is small but these are expected to grow in the coming years.

Moving on to the various recognitions that we have received, we are pleased that HGS continues to receive positive recognition from the sourcing advisors and industry analysts who remain the key influencers for many of our clients' outsourcing decisions.

- HfS Research has named HGS to the Winners Circle in the Healthcare Payer Operations Blueprint, 2015.
- HGS continues to get mindshare with Everest Research. We were named the major contender in the CCO Peak Matrix in 2015 and included in the CCO's service provider Compendium in 2015.
- We have been included in few recent *Frost* & *Sullivan* reports including:
  - The *Frost* & *Sullivan* 2015 Europe Contact Center outsourcing Buyers Guide: Negotiating a Changing Landscape.
  - BPO Enabling Technology Part II Radically Transforming Plant Partnerships 2015.
  - 2015 North American Mergers and Acquisitions update contact center outsourcing growth at Warp Speed.

Looking ahead, the last couple of quarters have been below expectation for us with PAT being impacted by volatility in volumes in our Canada performance. HGS is taking requisite steps to ensure long term and sustainable growth. The improved performance in Q2 is evidence that these are working. With our sales pipeline looking healthy across geographies and verticals, we are confident of posting better performance in the coming quarters.

Before I hand it over to Pala, I would like to announce that we will hold our analyst and investor meet during February or March 2016 after the Q3 results. Please await further announcement on this. Over 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 Q2 FY2016 earnings call. Our Revenue for the quarter increased by 12.4% to Rs. 7,890 million as compared to the same period last year. In constant currency terms, our year-on-year growth was 10.3% comprising 5.0% on account of volume growth and 5.3% on account of the acquisition, namely the Mphasis BPM acquisition which was effective 1st September, 2015 and the Colibrium acquisition which was effective end March 2015. Revenues which originate in one geography and are delivered from offshore or near shore locations account for around 43% of the total revenues for this quarter up from 37% for the same period last year.

In terms of exchange rates, the average rate for the US dollar to the Rupee was Rs. 65.27 compared to Rs. 61.11 for the quarter ended September 2014. Average exchange rate for the Philippines Peso to the US Dollar changed from PHP 44.07 for the quarter ended September 2014 to PHP 46.36 for the quarter ended September 2015. On the other hand the Indian Rupee appreciated against the Canadian Dollar from Rs. 55.61 for the quarter ended September 2014 to Rs. 49.37 for the quarter ended September 2015.

Revenue origination from various geographies was broadly in line with our expectations. For the quarter ended September 2015, US accounted for 67% of the total revenues compared to 63% for the same period last year. This improvement was due to increased contribution from healthcare vertical coupled with an excellent mix of new client wins as well as growth from existing clients. The share of Canada originated revenues has dropped from 18% to 13%. This decline was primarily due to softness in volumes in our Canadian business and the depreciation of the Canadian Dollar against the Indian Rupee. Share of UK and Europe originated business remained flat at around 10% in the quarter compared to the same period last year. In terms of India originated business, 8% of the total revenues came from the CRM business and the balance 2% came from the HRO business.

As compared to the quarter ended September 2014, the share of healthcare revenue increased from 34% to 42%. This improvement was driven by capitalizing of opportunities in the verticals primarily in the US along with contributions from the Colibrium acquisition which we made in March 2015.

Softness in volumes primarily in Canada has led to the share of telecom revenues dropping from 29% to 25%. Share of the consumer vertical has increased from 13% to 15%. This improvement has been driven by improvement in performance of new clients in FMCG, fitness and food verticals. The share of consumer electronics clients continues to remain subdued. The share of BFS vertical was 7%; media was 2% and others including chemicals and bio tech around 2%.

Our consolidated EBITDA for the quarter remained relatively flat compared to the same period last year and stood at Rs. 807 million and the margin came in at 10.2%. EBITDA for the quarter was impacted due to underperformance by HGS Canada. Excluding HGS Canada, the EBITDA margin would have around 12.9%.

Employee benefit expenses for the year increased by about 12% compared to the same period to Rs. 5,331 million. However as a percentage of sales, it remained flat at 68% compared to the quarter ended September 2014.

Our interest expense for the quarter was Rs. 110 million as compared to Rs. 97 million for the same period last year. Other Income for the quarter ended September 2015 increased to Rs. 49 million as compared to Rs. 43 million in the same quarter for the last financial year. This increase was primarily on account of exchange rate variations.

Profit Before Tax for the quarter was Rs. 420 million, a decline of around 19% compared to the same period last year. Our Profit After Tax for the quarter declined by 30% compared to the same period last year. This was on account of lower operating profits along with higher tax incidence.

In terms of our capital structure, our Total Debt as on the 30th September was Rs. 7,725 million and our Cash and Treasury Surplus at the end of the quarter was Rs. 5,134 million. This includes around US$37 million of funds of our subsidiary HGS International in the form of fixed deposits with Bank of Baroda.

Taking into account the Cash and Treasury Surplus, Net Debt as on 30th September 2015 stood at Rs. 2,591 million. Our Net Worth as of 30th September 2015 was Rs. 11,222 million. Based on the current debt levels, we have Debt to Equity of 0.69x and Net Debt to trailing 12 months EBITDA of 0.88x. The Return on Capital Employed excluding treasury and surplus cash came in at 13.1%.

As on 30th September, we have a total headcount of 39,466… of this, around 68.5% were based in India, 16.4% in Philippines, 6.4% in US, 6.2% in Canada and the remaining 2.5% in UK and Europe. The Mphasis acquisition added little over 8,000 employees bringing the total number of employees in the India CRM business to 15,943. The headcount for the India International business stood at 7,621 and the HRO business at 1,681. The total number of seats as of 30th September was 35,088 an increase of around 4,700 seats over June 2015.

With this I would like to conclude my section and open the call for a Q&A session. Thank you very much for joining on this call.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Shubhankar Ojha from SKS Capital. Please go ahead.

Shubhankar Ojha: Good set of numbers, sequentially there has been strong improvement in the margins. I wanted to understand more about the Canada operations part of it. When are we going to see a meaningful improvement in the Canada revenue and profitability?

Partha DeSarkar: That's a good question. We have submitted our bid on September 30th and that adequately reflects increases that we need to return the profitability of the region to what we think is now needed. We are yet to hear back from them as to when this will get finalized. They are talking to multiple vendors that currently serve them. We don't really have a date as to when this will come through. Needless to say it is our largest client in that geography and therefore has a significant impact on profitability of that geography. In the meantime, while all of that is happening what we have done is we have right sized the operation to take into account that the volumes from the client has gone down because of many changes that they have done in their setup. So today we are trying to achieve a breakeven kind of a situation with this particular client. We can improve this further by right sizing even more but we do not want to take that step because we do believe once the price comes in, there will be opportunity to ramp up this business again in a far more profitable manner. Today we do carry certain amount of overheads, certain amount of swipes which are in excess of the capacity that we need but that we are waiting to hear from the client to make sure that we don't lose out on opportunity. If you were to right size it today then that will completely eliminate all opportunities for us to do more business with them.

Shubhankar Ojha: Secondly in terms of the acquisition that we have made, I think you said something which I missed out. On the performance of this acquisition have we started reporting the numbers in terms of the Mphasis part of the business which we acquired last quarter, the current quarter does it reflect the numbers?

Partha DeSarkar: Yes it has one month of that particular business from September 1 to September 30.

Shubhankar Ojha: Can give those numbers are out separately?

Srinivas Palakodeti: Revenues for one month came in at about Rs. 13.9 crores.

Shubhankar Ojha: In terms of margin front?

Srinivas Palakodeti: That is as per expectations as this is the first month. We are also tightening all the operations so we will see the benefits of this as we go through the year. But at a first month level, it is as per expectations.

Shubhankar Ojha: In terms of the increase in our gross borrowing number, is it because of the acquisition that we have made?

Srinivas Palakodeti: We have not directly borrowed specifically for the Mphasis acquisition as we have said earlier. But you must bear in mind that there would be some out go of funds on account of the Mphasis BPM acquisition plus in addition, I would have paid out salaries for about 8,000 plus employees as of 30th September and those revenues I would collect in Q3, so there is that impact of Working Capital which is adding to the borrowings.

Shubhankar Ojha: I am not asking for guidance. You have seen a good improvement sequential margins, September has been very decent and as you have mentioned that excluding Canada, we would have seen a very sharp improvement in margin… 12.9% is really good. So how is the rest of the financial year going to be in terms of the margin trajectory?

Partha DeSarkar: A lot of it is hinging upon which way the Canadian negotiations go. If we get the price increase that we want, that is going to be really good which means that our Canadian margins will get restored, we won't have to make any further right sizing move and the business will continue the growth trajectory that we have seen in the past. So for the moment that is an unknown, we don't know which way that will go. So I want to leave that discussion out and once we get more news we will obviously be able to talk about it in more concrete terms. If you look at the rest of the business, the rest of the business has been doing exceedingly well. The UK has grown, I mean to get two $10 million contracts for our current size which is reasonably small in UK speaks volumes of our ability to sell in that market. US has shown phenomenal growth. I think India with the new SEZ that we are planning in Hyderabad, Philippines completely maxing out on capacity utilization, Jamaica, another new center opening up because we are actually in an oversold position globally… We have more business than we can currently handle and that's rising up capacity utilization. So I believe in Quarter 3 and Quarter 4 as open enrolment comes in healthcare, we are going to see better margin situation with the rest of the business. The unknown today is which way Canada will go and till we have better visibility we will hesitate to tell you in specific terms how this will go. Canada has a significant impact in our operations. So that's the situation, the reality on the ground today.

Shubhankar Ojha: In terms of probability how hopeful you are in terms of getting a favorable…. kind of a better pricing from that Canadian client?

Partha DeSarkar: We would say reasonably hopeful. We are the largest provider today and we have also been in business with them for about 10 years. So these factors do count a lot. We do believe that those are the two factors that are going to give us a favorable outcome. Unfortunately it has taken us longer than usual to get a final answer from them.

Moderator: Next question is from the line of Jagdish Bhanushali from Florintree Advisors. Please go ahead.

Jagdish Bhanushali: Just wanted to understand there is a big swing from Q1 to Q2 in terms of margins and keeping Canada operations aside, the margins could have been much bigger. So wanted to understand is there any one-off in those margins, that is one. The second thing is, is this more of an off shoring that has been done in Q2 that is why the margins have been at a higher end? And do we see this offshore, if it is the same, more of off shoring, so will it be maintained at these levels?

Partha DeSarkar: I will give you qualitative answers and Pala can get into specifics. If you have followed our financials, you will see that there is cyclicality in our margins. Quarter 1 is typically our softest quarter because seasonality really dips and hits us in Quarter 1 and our margins pick up in Quarter 2, Quarter 3 and Quarter 4. So the improvement that you are seeing in Quarter 2 is driven by the fact that apart from Canada, the rest of the business has done really well. Capacity utilization is picking up, Philippines is doing well, India is doing well, UK is doing well, Jamaica is doing fabulously well, so all of that has contributed to the margin pickup. Had this been the Canada of old times, you would have seen really solid numbers in Quarter 2. Unfortunately it remains depressed because of the fact that we have almost lost in the first half of the year about $5.2 million in Canadian Dollars and which last year was actually positive contribution. The swing is almost about C$8 million from contribution that we had from Canada last year to the losses in EBITDA that we have this year. So that C$8 million swing is actually making the numbers look worse when you compare it with the last year. Pala if you want to add more specifics you can go ahead.

Srinivas Palakodeti: If you go back to our call for Q1 what we had said is while we reported at around 7.2%, excluding Canada it would have been somewhere in the region of 10%, so that's roughly about 280 basis points. And this quarter we have reported 10.2% and excluding Canada, the uplift would have been something similar by about 270 or 280 basis points. So just to add, we have seen revenue growth, better capacity utilization, we have tightened some of the operational metrics as well as some cost control measures which are being initiated. All that has led to an improvement in the overall margins Canada notwithstanding.

Jagdish Bhanushali: So is it fair to assume that this would be a sustainable one and we could see further improvement in the same?

Srinivas Palakodeti: Just to clarify your question there are no one-offs, this is all coming up from the normal course of business which we have.

Jagdish Bhanushali: Then in Q1 was there lot of onshoring that had happened compared to Q2?

Srinivas Palakodeti: As Partha said we have the seasonality in our business. So as we go to Q1, Q2 in the past it was consumer electronics, now healthcare which will go up. And as we said we have seen growth and lot of traction in Jamaica and which is not exactly offshore but nearshore which is also being driven by healthcare as well as we expect that to increase from other verticals as well.

Jagdish Bhanushali: I was just trying to gauge the margins exactly. Because the difference is only of $5 million in terms of Dollar revenue if I have to compare and the margin difference is much bigger, so wanted to understand that whether there is lot of offshoring that has happened in this particular quarter? As you guys have mentioned that the utilizations are at a peak at the moment in various places, so wanted to get an understanding of that.

Partha DeSarkar: The $5 million number is a margin number that I talked about.

Jagdish Bhanushali: Even in the Dollar terms of revenue, I see that we would have got some $121 million of revenue in Q2 and in Q1 we stand at about $116 million so there is a difference of about $5 million that comes up. Against that the margin difference is much bigger in those terms, so wanted to understand that.

Srinivas Palakodeti: Just to go back to what I had said in the beginning of my section, revenues which originate in one geography and are delivered in offshore or near shore location, that has gone up from about 37% for the quarter ended September 2014 to around 43% for the quarter ended September 2015.

Jagdish Bhanushali: Will we be able to maintain the same level of offshoring or the nearshoring what we have given in this quarter?

Partha DeSarkar: I think what we are seeing is offshoring from US is really strong. We haven't had great success in offshoring from Canada and UK. We believe next year actually one of the two wins that we have had in UK does have some amount of offshoring. So we are still waiting to see how much of that actually pans out but US offshoring is very strong today, it's very strong. The pleasant surprise has been the demand for Jamaica, so Jamaica is going from strength to strength. We did not think that Jamaica will go so far. In fact I mentioned that we are actually in an oversold situation in Jamaica which means that we have sold more business than we can deliver today because we don't have sites.

Moderator: Next question is from the line of Ashok Raminini from Karvy Stock. Please go ahead.

Ashok Raminini: I want to understand about the growth rate in the next 2 years considering the turnaround from Canada market and the growth from US market, so how much growth rate can we expect in Dollar terms for FY2016 and FY2017? And along with that can you give the guidance on the net cash, net debt levels by end of FY2016 and FY2017?

Srinivas Palakodeti: Traditionally, growth has never been the challenge. In couple of years back we have had growth which was about 26% in Rupee terms and if you back off the impact of timing difference on acquisition, we have had about like a 14% growth. So that's the kind of growth rate that we have achieved in the past. If you look at FY2015, the growth would look slower primarily because some of it has been offset by, in Rupee terms, the strengthening of the Rupee against the Canadian Dollar and also we have made decision and exited some unprofitable clients. So whatever growth you have seen in FY2015 is over and above whatever is the loss on revenue because of the decisions we make to exit. As far as net debt is concerned, we have term loans and those would continue to be paid down as per agreed schedule. The part where looking into the seasonality is the Working Capital debt and there would be some increases and decreases based on the seasonality of the business.

Partha DeSarkar: Can you provide guidance for the tax rate for FY2016 and FY2017? Effective tax rate?

Srinivas Palakodeti: So I just wanted to explain to you that the corporate taxes in India are in the range of 34%. In US, it is roughly in the range of about 38%. Canada depends on how the business is but tax rates are in the 28-29%. We do have some SEZ under a subsidiary called HGS ISPL. As you know as per the SEZ rules, there would be a 5 year tax holiday after which the tax holiday, the SEZ would go for the next 5 years into the 50% of normal tax rate. So the first SEZ has already come out of the 100% tax free bracket to 50% taxable. My hesitation in giving any numbers is primarily on account of whatever statements have been made by the Finance Minister in the Budget as well as some reports recently that there would be some tweaking of tax rates, tax exemptions, I don't know how that would play out in the longer run, so that's my hesitation in giving any specifics in terms of the tax guidance.

Moderator: As we have no further questions from the participants I now hand the conference over to the management for their closing comments.

Partha DeSarkar: Thank you for joining us for this earnings call for this quarter. We expect to get back to you for our Q3 earnings call sometime in the middle of February, the date to be announced soon. Once again good evening and a very Happy Diwali to all of you.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of Hinduja Global Solutions that concludes this 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