

## **YOUR GLOCAL TRANSFORMATION PARTNER**

RIGHT SHORE • ONE EXPERIENCE • COLLABORATIVE SOLUTIONS

### **Q3 FY2014 Earnings Presentation**

*February 11, 2014*



# Cautionary Statement

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*Certain statements in this presentation concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in the BPM industry including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-timeframe contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which Hinduja Global Solutions has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. Hinduja Global Solutions may, from time to time, make additional written and oral forward-looking statements, including our reports to shareholders. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.*

# Highlights of the Quarter

## Consolidated Financial Highlights: Q3 FY2014 vs. Q3 FY2013

- Net Sales increased by 26.0% to Rs. 6,569 million
- EBITDA increased by 72.3% to Rs. 919 million. EBITDA margin of 14.0%, an increase of 375 basis points
- PAT increased by 171.0% to Rs. 541 million. PAT margin of 8.2%, an increase of 440 basis points
- As of December 31, 2013, the Company had Net Debt of Rs. 621 million and Net Worth of Rs. 14,650 million
- As of December 31, 2013, Debt/Equity ratio was 0.43x and Net Debt/ LTM EBITDA was 0.20x
- Declared an interim dividend of Rs. 5.00 per share

## Management Commentary

Commenting on the results, **Mr. Partha De Sarkar, CEO, Hinduja Global Solutions Limited:**

*“We are very pleased to announce our fourth straight quarter of strong financial performance as we continue to set new benchmarks. Despite strengthening of the rupee during the quarter our consolidated revenues, EBITDA and PAT achieved new highs. This robust performance has been driven by strong growth from the US and Canadian markets. The momentum of offshoring has also picked up. Our margins have improved significantly due to better utilization of delivery centers across all geographies coupled with various performance optimization initiatives undertaken during the year. Keeping in view the strong demand, we started two new centers in Alabang, Philippines, one in Princeton, New Jersey and expanded the Bangalore center to service the healthcare sector. We are also focused on strengthening business from the middle-east region during FY2015.*

*The Company continues to see strong demand for its services and expects to continue this growth momentum with a focus on improving shareholders returns. Our strong sales pipeline and emphasis on new lines of services are expected to drive future growth. Encouraged by this strong performance, the Board has declared second interim dividend of Rs.5.00 per share for FY2014”*

# Highlights of the Quarter



## Business Highlights

- The US operation continues to perform as per expectations and has added new clients in BFSI and consumer verticals
- Canadian operations experienced increase in offshore contribution driven by a new project launched in Q2 FY2014
- Strong growth across all key healthcare clients for India International operations
- Rationalization of manpower, rate increases and training initiatives have resulted in better profitability for India Domestic operations
- The Philippines operation received a pilot project from a client in the healthcare vertical for provider data maintenance and telephonic case management. It also received approvals to increase seats from the existing healthcare and BFSI clients
- The performance of European operations remained soft and continues to focus on building new business pipeline in government, retail, consumer goods and telecom sectors
- Appointed Mr. Matthew Vallance as CEO of HGS Europe to expand the operations
- 135 active clients as of December 31, 2013 (excluding payroll processing clients). Clients contributing revenues more than Rs. 100 million for the quarter increased from 12 to 15 compared to Q3 FY2013
- As of December 31, 2013, total headcount was 25,676, of which 59% were based in India, 17% in Philippines, 10% in the US, 11% in Canada and the remaining 3% in Europe

Region	Operational Update	Strategic Initiatives
USA and Canada	<ul style="list-style-type: none"> <li>US: Economy continues to improve with better consumer confidence and business investments</li> <li>US: Added new clients in the BFSI and consumer verticals</li> <li>US: Added consumer electronics client to be serviced from Philippines starting Q4 FY2015</li> <li>Canada: Continued improvement in performance and volume growth</li> <li>Canada: Increase in offshore contribution driven by new project launched in Q2 FY2014</li> </ul>	<ul style="list-style-type: none"> <li>US: Continued focus on large deals with multi geography delivery model and across verticals</li> <li>US: Improve client profitability through price revisions and operational efficiencies</li> <li>Canada: Focus on acquiring new clients to drive future growth</li> </ul>
India	<ul style="list-style-type: none"> <li>International: Strong growth across all key existing healthcare clients</li> <li>International: Increased demand for new lines of services from existing clients</li> <li>International: 526 seats added in Bangalore to service growing demand in healthcare vertical</li> <li>Domestic: Rationalization of manpower, rate increases and training initiatives resulted in better profitability</li> </ul>	<ul style="list-style-type: none"> <li>International: Leverage on opportunities in healthcare sector arising from US healthcare reforms</li> <li>Domestic: Corrective measures taken during the year is expected to result in further margin improvement</li> </ul>

# Business Update

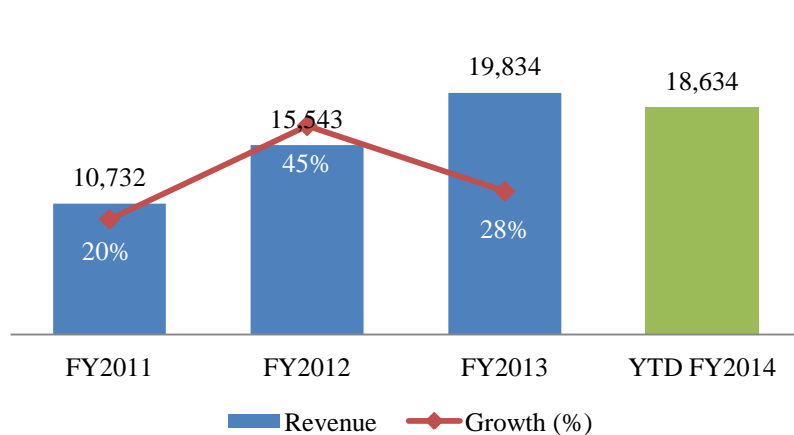
Region	Operational Update	Strategic Initiatives
Philippines	<ul style="list-style-type: none"><li>▪ First Canadian client is operating optimally and is expected to increase FTEs</li><li>▪ Started training with 50 FTEs for a consumer electronics client; expected to reach 100 FTEs</li><li>▪ Received pilot project from a client in the healthcare vertical for provider data maintenance and telephonic case management</li><li>▪ Started two new centers at Alabang from January 2014</li></ul>	<ul style="list-style-type: none"><li>▪ Provide new services such as medical case management to existing healthcare clients</li><li>▪ Build regional and local clients for daytime usage of existing seats</li></ul>
UK and Europe	<ul style="list-style-type: none"><li>▪ Performance of the European operation continues to remain under pressure</li><li>▪ The core CRM business segment remained soft during the quarter</li><li>▪ Secured additional business from an existing telecom client</li><li>▪ Signed a contract with a UK Government department, revenues to accrue from FY2015</li></ul>	<ul style="list-style-type: none"><li>▪ Building up the a new business pipeline in the government, retail, consumer goods and telecom sectors</li><li>▪ Increased focus on marketing and branding activities</li></ul>

# Financial Performance Summary

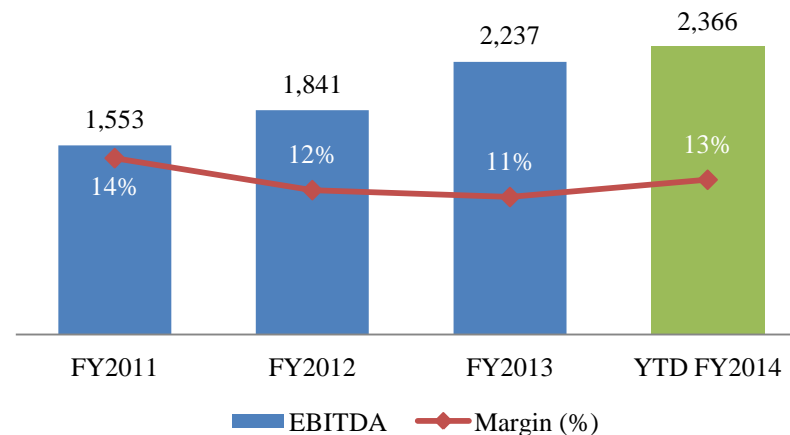
## Consolidated Financial Highlights

(Rs. Million)	Q3		y-o-y	Q2		Nine Months		y-o-y
	FY2014	FY2013	Growth (%)	FY2014	Growth (%)	FY2014	FY2013	Growth (%)
Net Sales	6,569	5,212	26.0%	6,473	1.5%	18,634	14,572	27.9%
EBITDA	919	533	72.3%	814	12.9%	2,366	1,479	60.0%
Margin (%)	14.0%	10.2%		12.6%		12.7%	10.2%	
Profit Before Tax (PBT)	618	321	92.2%	583	6.0%	1,733	810	113.9%
Margin (%)	9.4%	6.2%		9.0%		9.3%	5.6%	
Profit After Tax (PAT)	541	200	171.0%	429	26.0%	1,346	504	167.1%
Margin (%)	8.2%	3.8%		6.6%		7.2%	3.5%	
Basic EPS (Rs.)	26.27	9.69	171.1%	20.85	26.0%	65.39	24.48	167.1%

## Annual Revenue Trend (Rs. Million)



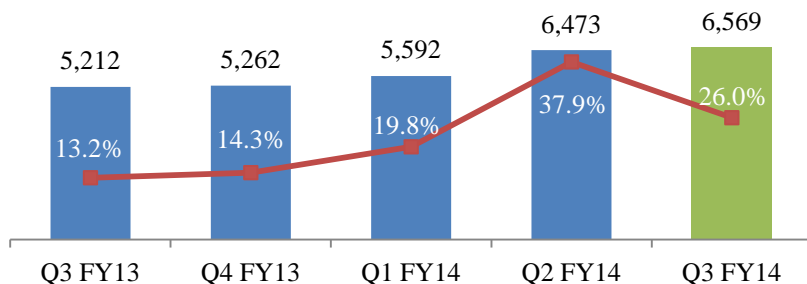
## Annual EBITDA Trend (Rs. Million)





# Financial Performance Summary

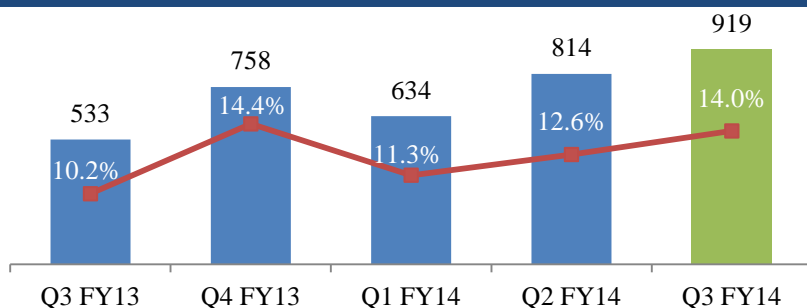
## Revenue (Rs. Million) and Y-o-Y Growth (%)



### Q3 FY2014

- Strong growth driven by increase in volumes from existing customers and new client additions
- Strong performance from geographies such as the Philippines, the US, Canada and India

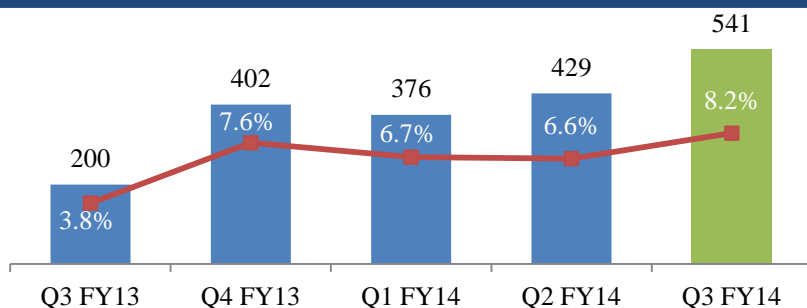
## EBITDA (Rs. Million) and Margin (%)



### Q3 FY2014

- Improvement in EBITDA margins due to better capacity utilization levels across all geographies
- Continued efforts on performance management and cost control measures have started yielding results

## PAT (Rs. Million) and Margin (%)



### Q3 FY2014

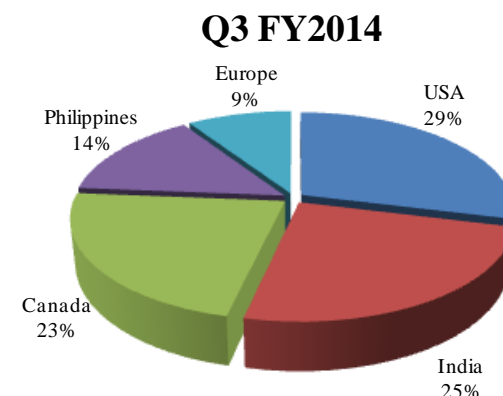
- Profitability improved due to lower interest expense as a result of debt repayment and better working capital management
- PAT includes benefits of lower tax expense due to MAT credit of Rs. 41 million for six months ended September 2013 and Rs. 55 million for previous years



# Key Metrics

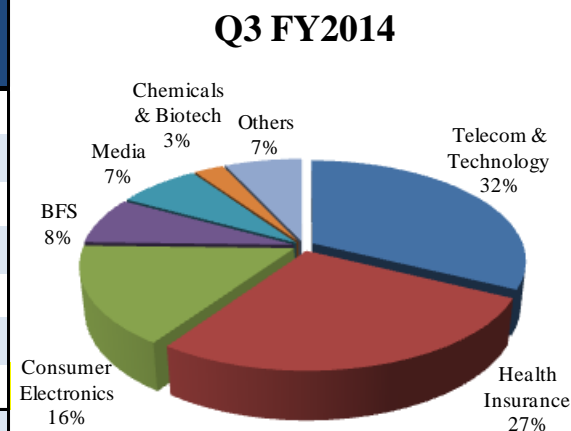
## Revenue by Delivery Centers

(Rs. Million)	Q3		y-o-y	Q2	
	FY2014	FY2013	Growth (%)	FY2014	q-o-q Growth (%)
USA <sup>1</sup>	1,869	1,452	28.7%	1,819	2.7%
India	1,634	1,444	13.1%	1,607	1.7%
Canada	1,499	1,043	43.8%	1,480	1.3%
Philippines	950	691	37.5%	968	(1.9)%
Europe	617	583	5.9%	598	3.2%
<b>Total</b>	<b>6,569</b>	<b>5,212</b>	<b>26.0%</b>	<b>6,473</b>	<b>1.5%</b>



## Revenue by Vertical

(Rs. Million)	Q3		y-o-y	Q2	
	FY2014	FY2013	Growth (%)	FY2013	q-o-q Growth (%)
Telecom & Technology	2,134	1,589	34.3%	2,155	(1.0)%
Health Insurance	1,801	1,328	35.6%	1,715	5.0%
Consumer Electronics	1,046	908	15.2%	1,080	(3.1)%
BFS	501	435	15.2%	504	(0.5)%
Media	488	346	41.1%	456	7.2%
Chemicals & Biotech	175	169	3.6%	208	(15.9)%
Others	424	437	(3.0)%	355	19.3%
<b>Total</b>	<b>6,569</b>	<b>5,212</b>	<b>26.0%</b>	<b>6,473</b>	<b>1.5%</b>



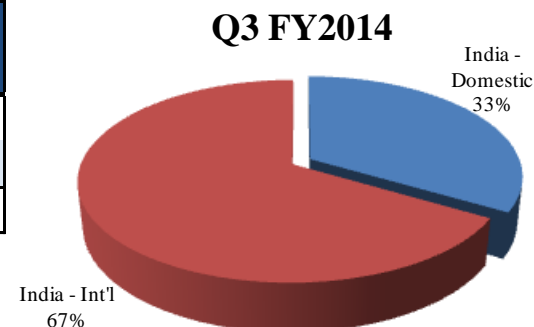
Note(s):

1. USA includes revenue contribution from Jamaica delivery center

# Key Metrics

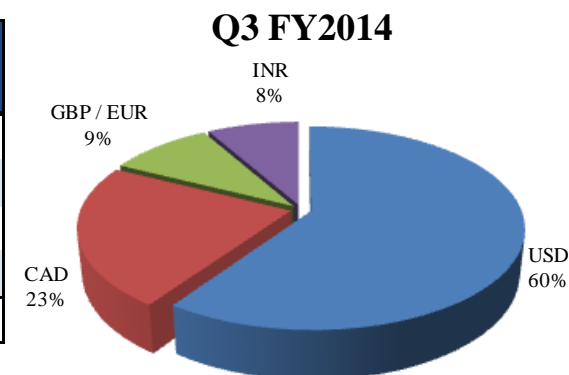
## India Based Exposure

(Rs. Million)	Q3		y-o-y	Q2	
	FY2014	FY2013	Growth (%)	FY2013	q-o-q Growth (%)
India - Domestic <sup>1</sup>	546	491	11.2%	535	2.2%
India - International	1,088	953	14.1%	1,072	1.4%
<b>Total India</b>	<b>1,634</b>	<b>1,444</b>	<b>13.1%</b>	<b>1,607</b>	<b>1.7%</b>



## Revenue by Currency Exposure

(Rs. Million)	Q3		y-o-y	Q2	
	FY2014	FY2013	Growth (%)	FY2013	q-o-q Growth (%)
USD	3,907	3,097	26.1%	3,859	1.2%
CAD	1,499	1,043	43.8%	1,480	1.3%
GBP / EUR	617	583	5.9%	598	3.2%
INR	546	490	11.5%	535	2.2%
<b>Total</b>	<b>6,569</b>	<b>5,212</b>	<b>26.0%</b>	<b>6,473</b>	<b>1.5%</b>

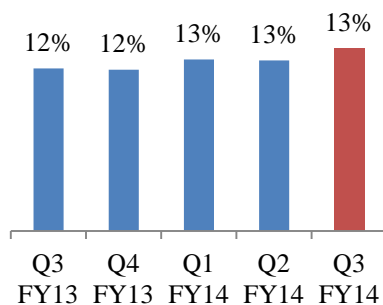


Note(s):

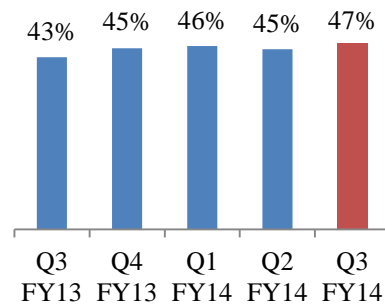
1. Includes revenues from HGS Business Services

# Key Metrics

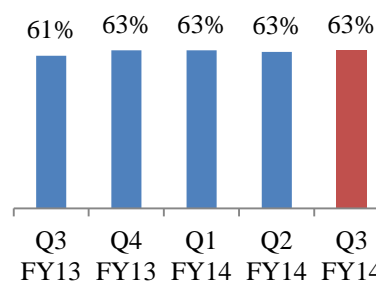
## Key Client Metrics



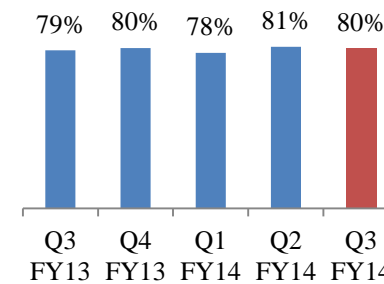
Top Client (%)



Top 5 Clients (%)



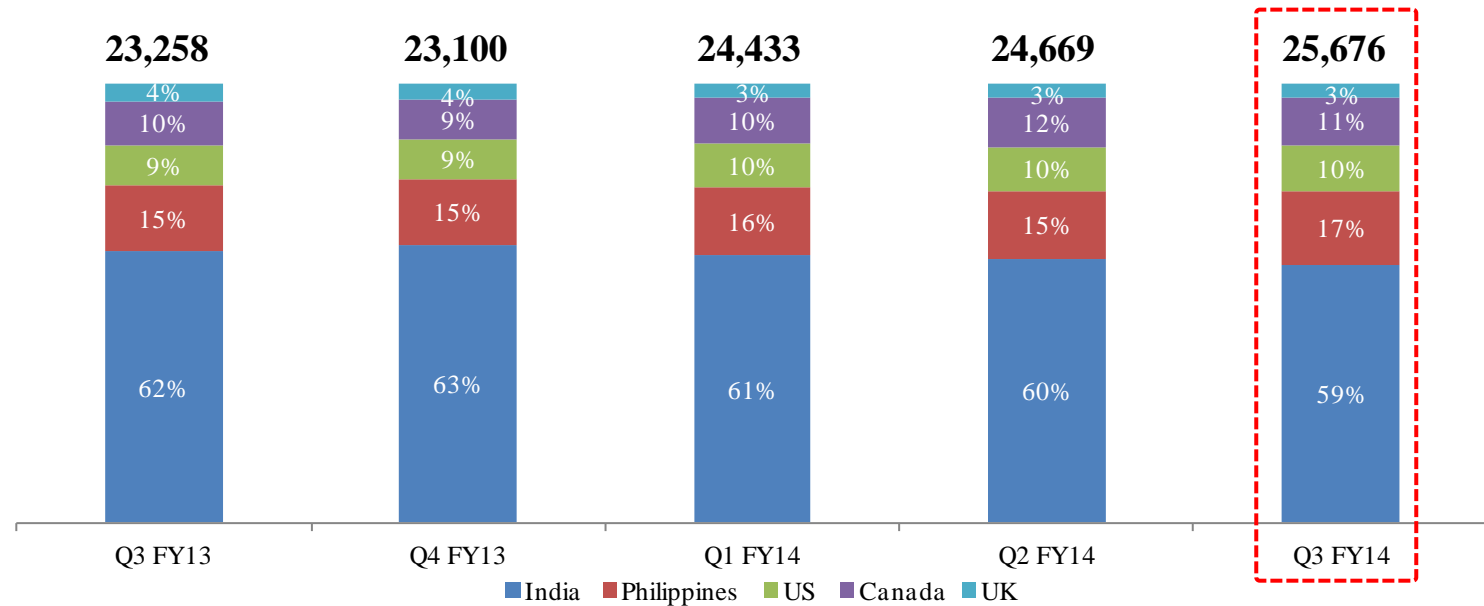
Top 10 Clients (%)



Top 20 Clients (%)

Client contributing revenues	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14
> Rs. 200 million during the quarter	7	8	8	9	8
> Rs. 150 million during the quarter	9	9	9	10	10
> Rs.100 million during the quarter	12	12	12	16	15
> Rs.50 million during the quarter	20	20	21	23	26
> Rs.10 million during the quarter	53	51	51	52	54

## Employee Trend by Geography



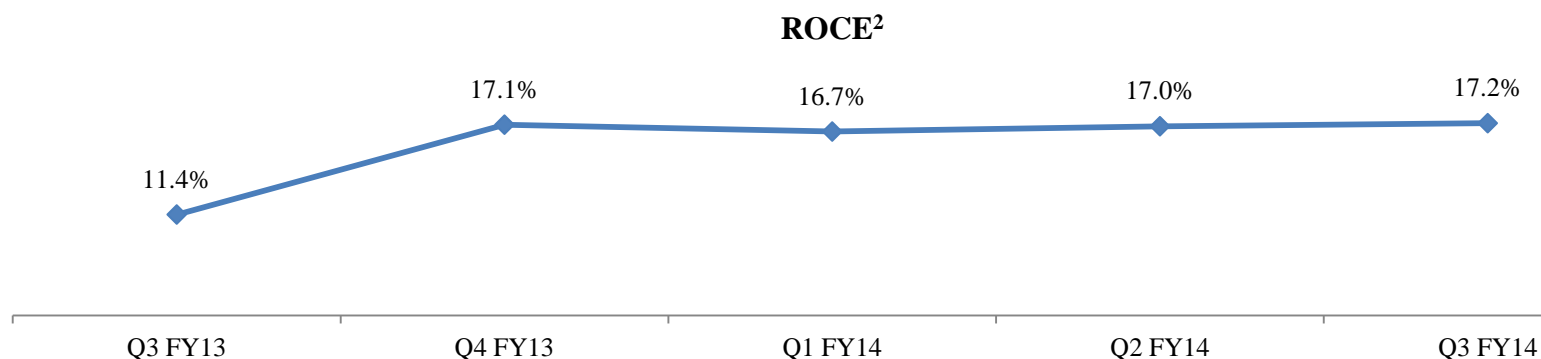
## Commentary

- Increase in total number of employees was primarily due to commissioning of site at Alabang in the Philippines
- Total number of seats during the quarter stood at 24,401

# Leverage Profile and Returns

## Conservative Leverage Profile and Consistently Improving Shareholders Return

(Rs. Million)	31-Dec-13	30-Sep-13
<b>Total Debt</b>	<b>6,362</b>	<b>6,110</b>
Less: Cash & Treasury Surplus	5,740	5,700
<b>Net Debt / (Net Cash)</b>	<b>621</b>	<b>410</b>
<b>Net Worth</b>	<b>14,650</b>	<b>14,364</b>
<b>Net Debt / EBITDA<sup>1</sup></b>	<b>0.20x</b>	<b>0.15x</b>
<b>Total Debt / Equity</b>	<b>0.43x</b>	<b>0.43x</b>

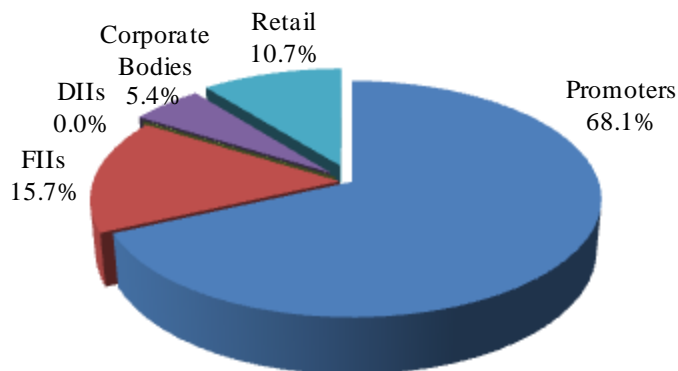


Note(s):

1. LTM EBITDA used for computing net debt / EBITDA ratio
2. Calculated as operating profit excluding treasury income / average capital employed excluding treasury surplus

# Market Information

## Shareholding Pattern



## Market Data

Market Cap. (Rs. million) (11-Feb-14)	12,583
Outstanding Shares (Million)	20.6
Book Value /Share (Rs.) (31-Dec-13)	711.36
Bloomberg Ticker	HGSL:IN
Reuters Ticker	HGSL.BO
BSE Ticker	532859
NSE Ticker	HGS

Shareholders	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Promoters	68.1%	68.1%	68.1%	68.1%	68.1%
Foreign Institutional Investors (FIIs)	15.6%	15.6%	15.7%	15.7%	15.7%
Domestic Institutional Investors (DII's)	3.1%	3.1%	3.0%	0.0%	0.0%
Corporate Bodies	4.6%	4.5%	4.4%	5.6%	5.4%
Retail	8.6%	8.7%	8.8%	10.5%	10.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

# Hinduja Global Solutions: At a Glance





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