HGSL's Q1FY12 Revenue at Rs. 2,784.0 million EBITDA at Rs. 297.3 million, PAT at Rs. 203.0 million

Mumbai, July 29, 2011: Hinduja Global Solutions, a leading provider of Outsourcing Solutions to Fortune 500 companies, today announced its Audited financial results for the quarter ended June 30, 2011

Financial Highlights

- Consolidated Operating Revenue for Q1FY12 was Rs. 2,784.0 million against Rs. 2,266.8 million in Q1FY11, registering Y-o-Y growth of 22.8%. On a sequential quarter basis, revenues were 5.14% lower than Q4FY11 revenues of Rs. 2,934.9 million. The sequential decline in revenues was due to seasonality in our clients business.

- Consolidated EBITDA for Q1FY12 was Rs. 297.3 million against Rs. 314.5 million in Q1FY11, a y-on-y decrease of 5.5%. On a sequential basis, EBITDA was lower due to the decline in revenues and due to implementation of wage hikes.

- Consolidated PAT for Q1FY12 was Rs. 202.9 million as against Rs. 231.1 million in Q1FY11, a y-on-y decrease of 12.2%. PAT for Q1FY12 was lower on a sequential basis. This was attributable to decline in EBITDA, reduced other income (due to fluctuation in foreign currency rates) and an increase in interest costs.

CEO's message

Commenting on the results, **Mr. Partha De Sarkar, CEO**, said, *"Our performance has been heartening in the light of the many challenges posed by the macro–economic environment. In addition to the seasonality of our client business, this quarter reflects the effect of wage increases, weakening of the dollar and ramp up costs of new centres in Philippines and India. During the quarter, HGS has opened a delivery centre in Delhi primarily for the BFS sector.*

We have initiated steps for setting up a 4th centre in Philippines. The other positives include steady progress in UK operations and an improvement in the outlook for the India domestic business. Additionally we have undertaken investments for future growth in the areas of sales, human resources, branding and technology upgradation. Despite these investments we have been able to rationalise our costs. We have a healthy pipeline of new business and are confident of improving our performance over the course of the year."

Operating Highlights

- The company added 5 new Clients during the quarter.
- Headcount of 19,435 associates at the end of the quarter against 19,442 associates at the start of the quarter.

Key Perspectives

- Consolidated PAT for Q1FY12 – Rs. 202.9 million
  - Diluted EPS – Rs. 9.86 per share (not annualized)
- Consolidated PAT TTM (July '10 to June '11) – Rs. 1,045.1 million
  - Diluted EPS – Rs. 50.76 per share
- Net Worth as on June 30, 2011 – Rs. 10,223.1 million
  - Book Value – Rs. 496.52 per share
- Debt of Rs. 2,223.8 million as on June 30, 2011
- Cash & Cash equivalents (Net of Debt) as on June 30, 2011 – Rs. 4,925.4 million
  - Cash and Cash Equivalents (Net) – Rs. 239.22 per share
- Market Capitalisation – Rs. 7,455.4 million
  - Based on the closing price of Rs. 362.1 per share on NSE on July 27, 2011.
- Consolidated EV/EBITDA – 0.9 times

Attached: Details to the announcement

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About Hinduja Global Solutions (HGS)

HGS, part of the multi-billion dollar conglomerate - Hinduja Group, is a world leader in Customer Relationship and Business Process Management, with a global footprint across North America, Europe, Asia and Africa. With over three decades of experience with some of the world's most recognized brands, it delivers the best practices that drive exceptional results for its clients. Its contact center solutions, back office transaction processing services, domain analytics and process consulting solutions combine operational excellence with functional expertise. It enjoys "Preferred Partner" status with most of its major clients. HGS currently serves over 100 clients through its 32 Global Delivery Centers & employs close to 20000 people worldwide. HGS is a public limited company, listed on both the leading stock exchanges in India, the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). It had a turnover of $242 million in the fiscal year 2010-11

Disclaimer

Some of the statements in this document that are not historical facts are forward looking statements. These forward-looking statements include our financial and growth projections as well as statements concerning our plans, strategies, intentions and beliefs concerning our business and the markets in which we operate.

These statements are based on information currently available to us, and we assume no obligation to update these statements as circumstances change. There are risks and uncertainties that could cause actual events to differ materially from these forward-looking statements. These risks include, but are not limited to, the level of market demand for our services, the highly-competitive market for the types of services that we offer, market conditions that could cause our customers to reduce their spending for our services, our ability to create, acquire and build new businesses and to grow our existing businesses, our ability to attract and retain qualified personnel, currency fluctuations and global market conditions and other risks not specifically mentioned herein but those that are common to industry.

Further, this document may make references to reports and publications available in the public domain. Hinduja Global Solutions Ltd. makes no representation as to their accuracy or that the company subscribes to those views / findings.

Details to the announcement

P&L Perspective (all figures in Rs. Million)

Particulars	Q1FY12	Q4FY11	Q-on-Q Growth (%)	Q1FY11	Y-on-Y Growth (%)
Revenues	2,784.0	2,935.0	(5.14)	2,266.8	22.82
EBITDA*	297.3	441.0	(32.59)	314.6	(5.50)
EBITDA Margin	***10.68%***	***15.03%***		***13.88%***	
PBT (pre-exceptional)	242.4	385.2	(37.07)	270.1	(10.26)
PBT Margin	***8.71%***	***13.12%***		***11.92%***	
PAT	203.0	308.6	(34.22)	231.1	(12.16)
PAT Margin	***7.29%***	***10.51%***		***10.19%***	

*The decline in EBIDTA is due to decrease in revenues & implementation of wage hikes.

Revenue Analysis

Growth by Geography

Particulars	June'11	Mar '11	Q-on-Q Growth (%)	June '10	Y-on-Y Growth (%)
India	926.0	920.8	0.56	786.6	17.73
Manila	543.1	607.4	(10.59)	435.7	24.65
Mauritius	0.8	0.3	166.67	4.3	(81.40)
North America	948.1	1,048.6	(9.58)	961.3	(1.37)
U. K.	366.0	358.0	2.25	78.9	363.88
Total Revenues	**2,784.0**	**2,935.0**	**(5.15)**	**2,266.8**	**22.82**

On a sequential quarter basis, North America (onshore) and Manila (offshore) revenues declined due to seasonality and impact of currency fluctuation. However, UK revenues showed steady progress and India domestic revenues are indicative of an improved outlook.

On a corresponding quarter basis, revenues from North America were impacted by rupee appreciation. Manila revenues were higher due to increased volumes which helped to overcome pressure on account of appreciation of the Peso. India – domestic revenues were higher as increased volumes have led to business growth. U.K. Revenues have shown steady progress over the year.

Revenue Contribution by Geography

Particulars	June '11	%	Mar '11	%	June '10	%
India	926.0	33.26	920.8	31.37	786.6	34.70
Manila	543.1	19.51	607.4	20.69	435.7	19.22
Mauritius	0.8	0.03	0.3	0.01	4.3	0.19
North America	948.1	34.06	1,048.6	35.73	961.3	42.41
U. K.	366.0	13.15	358.0	12.20	78.9	3.48
Total Revenues	**2,784.0**	**100.00**	**2,935.0**	**100.00**	**2,266.8**	**100.00**

The contribution to overall revenues from India and UK increased due to improved performance by the domestic business in both these geographies. Contribution from Manila and North America declined due to seasonality and currency fluctuation.

Growth by Vertical

Particulars	June '11	Mar '11	Q-on-Q Growth (%)	June '10	Y-on-Y Growth (%)
Telecom & Technology	750.3	756.3	(0.79)	545.6	37.51
Consumer Electronics	588.9	667.2	(11.74)	519.7	13.31
Health Insurance	734.9	755.1	(2.67)	663.7	10.73
BFS	145.9	145.0	0.58	124.1	17.52
Chemicals & Biotech	153.2	126.1	21.48	103.7	47.67
Others	410.9	485.3	(15.33)	309.9	32.56
Total Revenues	**2,784.0**	**2,935.0**	**(5.15)**	**2,266.8**	**22.82**

On a sequential basis, the 'Chemical & Biotech' vertical and the 'BFS' vertical were the only two verticals to post positive growth rates. Revenues from all other verticals were impacted by seasonality in clients businesses and by a decline in the USD-INR and USD-Peso exchange rates.

On a corresponding quarter basis, revenues from the 'Chemical & Biotech' vertical registered the sharpest growth rate. Among the larger verticals, the 'Telecom and Technology' vertical delivered strong growth due to an improvement in the India domestic business. Other verticals like 'BFS', 'Consumer Electronics' and 'Health Insurance' were able to register double digit growth rates despite a weakening US dollar.

Revenue Contribution by Vertical

Particulars	June '11	%	Mar '11	%	June '10	%
Telecom & Technology	750.3	26.95	756.3	25.8	545.6	24.1
Consumer Electronics	588.9	21.15	667.2	22.7	519.7	22.9
Health Insurance	734.9	26.40	755.1	25.7	663.7	29.3
BFSI	145.9	5.24	145.0	4.9	124.1	5.5
Pharmaceuticals	153.2	5.50	126.1	4.3	103.7	4.6
Others	410.9	14.76	485.3	16.5	309.9	13.7
Total Revenues	**2,784.0**	**100.0**	**2,935.0**	**100.0**	**2,266.8**	**100.0**

Revenue contribution from the 'Telecom & Technology' vertical and from 'Chemicals & Biotech' verticals have increased in line with volume growth in these segments.

Details of India-based Revenues

Particulars	June '11	Mar '11	Q-on-Q Growth (%)	June '10	Y-on-Y Growth (%)
India – Domestic	383.2	379.8	0.9	279.6	37.1
India – International	542.8	541.1	0.3	506.9	7.1
Total India based Revenues	**926.0**	**920.9**	**0.6**	**786.6**	**17.7**

India – domestic revenues have demonstrated sustained progress for the last few quarters as contribution from new centres has kicked in. Export revenues have been impacted by currency fluctuation.

By Currency Exposure

Particulars	June '11	Mar '11	Q-on-Q Growth (%)	June '10	Y-on-Y Growth (%)
Local US Earnings – USD	948.9	1048.8	(9.53)	965.6	(1.73)
Exports – USD	1085.9	1148.4	(5.44)	942.7	15.19
Total USD Exposure	2034.8	2197.2	(7.39)	1908.3	6.63
U. K. Exposure	366.0	358.0	2.23	78.9	363.88
India Domestic Exposure (INR)	383.2	379.8	0.90	279.6	37.05
Total Revenues	**2,784.0**	**2,935.0**	**(5.14)**	**2,266.8**	**22.82**

The Company continues to receive a large part of its revenues in USD. However, earnings from US based businesses are matched by local expenses in USD. Hence the company's exposure to currency fluctuation is less than 40% of consolidated revenue. The addition of U.K. based Careline Services has helped diversify currencies of operation.

Expenditure Analysis

For Q1FY12 Total Expenditure (excluding interest and exceptional items) increased by 26.6% on a corresponding quarter basis. This is attributable to an increase in headcount in all geographies, higher depreciation with new facilities coming on stream and increased other expenditure over the same quarter last year. Interest costs were higher due to increased borrowings as well as firming up of interest rates while the tax provision was only marginally higher.

On a sequential quarter basis, employee expenses have increased due to implementation of wage hikes in the India domestic business. Despite investments in HR functions, selling and marketing expenses, branding and technology upgradation, other expenditure is lower by 1.1%.

Other income is lower due to adjustment for fluctuation in foreign exchange rates. Interest costs are higher due to a rise in interest rates while tax has been provided for on a conservative basis given increases scale of business from SEZ and anticipated investments in infrastructure.

Profitability Analysis

- The PBT *(pre-exceptional)* for Q1FY12 was Rs. 242.4 million as compared to Rs. 270.1 million in Q1FY11. On a sequential quarter basis, PBT *(pre-exceptional)* was lower by 37.1% than Rs. 385.2 million in Q4FY11.

- Consolidated PAT for Q1FY12 reduced by 12.2%, at Rs. 202.9 million as compared to Rs. 231.1 million in Q1FY11 impacted by higher expenditure, currency fluctuation and an increase in interest costs. On a sequential quarter basis, PAT was 34.2% lower than the PAT of Rs. 308.5 million in Q4FY11 due to decline in EBITDA margin apart from currency fluctuation and increase in interest rates.

Client Metrics

Client contribution to revenues

Particulars	June '11	Mar '11	June '10
Top client	13%	13%	11%
Top 5 clients	47%	45%	50%
Top 10 clients	63%	60%	62%
Top 20 clients	78%	75%	76%

Share of revenues from Top client was stable during the quarter. Contribution from Top 5, Top 10 & Top 20 has increased due to ramp-ups and additional volumes from key clients.

Client demographics

Particulars	June '11	Mar '11	June '10
Over $ 20 million	3	3	3
Over $ 15 million	4	4	4
Over $ 10 million	7	7	5
Over $ 5 million	13	12	11
Over $ 1 million	44	46	34

The number of '10 million +' clients has remained stable while number of '$5 million +' clients have increased.

Employee Metrics

Particulars	June '11	%	Mar '11	%	June '10	%
India	13,539	69.7	13,663	70.3	10,857	68.1
Manila	3,194	16.4	2,964	15.2	2,506	15.7
US	1,900	9.8	1,989	10.2	1,801	11.3
UK	802	4.1	826	4.2	772	4.8
Total	**19,435**	**100.0**	**19,442**	**100.0**	**15,936**	**100.0**

The Employee base has increased in Manila as the new centre stabilized operations while the decline in the US and UK is on account of seasonality. Employee base in India has declined owing to transitioning of business.

Update on Cash & Cash Equivalents

The company has a net worth of Rs. 10,223.1 million, debt of Rs. 2,223.8 million and Rs. 7,149.2 million (pre-dividend) in cash & cash equivalents as on June 30, 2011. Of this Rs. 6,152.7 million (US$ 138 million) is deposited with international branches of Indian banks. This sum of cash has been received by the company as its share due to a stake sale of a telecom business in the year 2006-2007. The company sees it prudent to keep cash on hand keeping in view its strategies to grow through acquisitions that provide real synergies. Although, cash on hand is available the company has been very prudent with its acquisition strategy believing that any acquisition it makes should provide real value, synergies and growth opportunities.

The surplus funds are deposited by Pacific Horizon, Mauritius in the fixed deposit schemes of the following banks:

Name of the Bank	Amt ($ Mn)	Amt (Rs. Cr.)
Bank of Baroda, London	95	422
Bank of Baroda, Dubai	26	115
Fiduciary Time Deposits	14	64
Current Account (AMAS)	3	14
Total	**138**	**615**

**through its Fiduciary Bankers Hinduja Bank (Switzerland)*

The money has been deposited in overseas branches / Dollar deposits of Indian Banks to maximize safety of capital.

Capacity enhancement

In India, the Unit at the Global Village SEZ in Bangalore is fully functional and utilization is being steadily increased as new orders are being serviced from that facility. During the quarter the company opened its centre in Siliguri and Delhi.

Internationally, the third centre in the Philippines at Iloilo is filling up and the company is opening its fourth centre in the Philippines which will be located in Metro Manila. In the U.K., an additional centre is planned in London for new business catering to the public sector.

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