



Quarterly Results Release – Q1 FY11

HGSL's Q1FY11 Revenue at Rs. 2,266.8 million EBITDA at Rs. 314.6 million, PAT at Rs. 231.1 million

Mumbai, July 30, 2010: 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, 2010

Financial Highlights

- Consolidated Revenue for Q1FY11 was Rs. 2,266.8 million against Rs. 2,216.0 million in Q1FY10, registering Y-o-Y growth of 2.3%. On a sequential quarter basis, revenues were 1.6% higher than Q4FY10 revenues of Rs. 2,232.1 million.
- Consolidated EBITDA for Q1FY11 was Rs. 314.6 million against Rs. 415.7 million in Q1FY10, a Y-o-Y decrease of 24.3%. On a sequential basis, the EBITDA in Q1FY11 was lower than the Q4FY10 EBITDA of Rs. 339.2 million by 7.2 % , as the Company had to simultaneously operate centres as it was transitioning business from Tier I cities to Tier III cities in India and business was ramping up.
- Consolidated PAT for Q1FY11 was Rs. 231.1 million against Rs. 361.4 million in Q1FY10, a Y-o-Y decrease of 36.1 %. On a sequential basis , Consolidated PAT in Q1FY11 was lower than the Consolidated PAT of Rs. 259.8 million in Q4FY10 by 11%. The drop in Consolidated PAT is line with drop in EBITDA.

CEO's message

Commenting on the results, **Mr. Partha De Sarkar, CEO**, said, *"FY11 has started off on an eventful note. We just inaugurated our Centre at Guntur. Our expansion into Tier III Cities like Nagercoil and Guntur in India is a part of our strategy to improve our value proposition to Indian domestic clients. We have also acquired 43,000 sq ft space in Global Village SEZ in Bangalore through our 100% subsidiary Hinduja Outsourcing Solutions India Pvt. Ltd., for our planned expansion of offshore businesses in India.*

- *Further, we acquired a 100% stake in UK based Careline Services during the quarter. Careline Services is a leading contact centre provider in the U.K. servicing more than 20 marquee customers across various verticals Established in 1997, it offers a range of services for inbound and outbound interactions and has nearly 800 highly trained employees across 3 sites in the U.K. - 2 in London and 1 in Scotland. This acquisition provides us with a new geography, new clients and new delivery centres.*

Investment in people and facilities in India and Philippines continues to grow to support the strong visibility of new business. The near term performance is slightly muted as we incur upfront costs while the resultant benefits will accrue in the ensuing quarters. We see continued demand for our services and the expansion of our global footprint during the quarter enhances our ability to capitalize on the opportunities of tomorrow.”

Operating Highlights

- The company added 2 new Clients during the quarter. 20 new Clients were added through the Careline Acquisition.
- Headcount of 15,936 associates at the end of the quarter against 15,615 associates at the start of the quarter.
- During the quarter, the Company formally inaugurated its centre in Guntur in India. This 15,000 square feet facility has 400 seats of which 165 seats will be operational in the first phase for one of its largest customers. The capacity can also be scaled up further to meet future demands.
- The Company, through its subsidiary Hinduja Outsourcing Solutions India Pvt. Ltd., took on lease 43,000 sq ft in Global Village IT Sector SEZ in Bangalore to accommodate the growth planned in our international business in India.

Key Perspectives

- Consolidated PAT for Q1FY11 – Rs. 231.1 million
 - Diluted EPS – Rs. 11.21 per share (not annualized)
- Consolidated PAT TTM (July '09 to June '10) – Rs. 1,170.7 million
 - Diluted EPS – Rs. 56.72 per share
- Net Worth as on June 30, 2010 – Rs. 9,950.7 million
 - Book Value – Rs. 483.3 per share
- Debt of Rs. 1,363.7 million as on June 30, 2010
- Consolidated EV/EBITDA – 2.9 times
- Cash & Cash equivalents as on June 30, 2010 – Rs. 6,689.3 million

- Cash and Cash Equivalents – Rs. 325 per share
- Market Capitalisation – Rs. 9,692 million
 - Based on the closing price of Rs. 470.75 per share on NSE on July 29, 2010.

Note on Exceptional Items

Exceptional items represent a provision made towards mark-to-market losses on outstanding forward exchange contracts held for hedging future customer receivables. It has resulted in a gain of Rs. 39.4 million for the quarter ended June 30, 2009 and a gain of Rs. 57.6 million for the year ended March 31, 2010. The company's forward covers relate to underlying business transactions and are not speculative in nature.

Attached: Details to the announcement

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About Hinduja Global Solutions Ltd. (HGSL)

Hinduja Global Solutions, a part of the multi-billion dollar conglomerate - Hinduja Group, excels in providing outsourcing solutions that include Back Office Processing, Contact Center services and customized ITES solutions to its global clientele comprising several Fortune 500 Companies. HGSL has been ranked the Best performing Call Center Worldwide by the Global Services Magazine in association with Neo IT in January 07. HGSL has its registered office in Mumbai, is headquartered in Bangalore and has 29 delivery centers in the United States, Canada, U.K., Mauritius, Philippines and India. The Company employs nearly 16,000 people worldwide.

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	Q1FY11	Q4FY10	Q-on-Q Growth (%)	Q1FY10	Y-on-Y Growth (%)
Revenues	2,266.8	2,232.1	1.6%	2,216.0	2.3%
EBITDA*	314.6	339.2	(7.3%)	415.7	(24.3%)
EBITDA Margin	13.88 %	15.20%		18.8%	
PBT (pre-exceptional)	270.1	262.9	2.7%	365.5	(26.1%)
PBT Margin	11.91%	11.78%		16.5%	
PAT	231.1	259.8	(11.0%)	361.5	(36.1%)
PAT Margin	10.19%	11.64%		16.3%	

*The drop in EBIDTA is on account of costs of simultaneously running multiple centers as the company transitions business from Tier 1 to Tier III cities.

Revenue Analysis

Growth by Geography

Particulars	June '10	Mar '10	Q-on-Q Growth (%)	June '09	Y-on-Y Growth (%)
India	786.6	792.2	(0.7%)	873.3	(9.9%)
Manila	435.7	409.0	6.5%	326.2	33.6%
Mauritius	4.3	4.1	5.0%	4.3	0.6%
North America	961.3	1,026.7	(6.4%)	1,012.1	(5.0%)
U. K.	78.9	0.0	NA	0.0	NA
Total Revenues	2,266.8	2,232.1	1.6%	2,216.0	2.3%

On a sequential quarter basis, Manila revenues delivered healthy growth as the new centre operations have stabilized. Revenues from North America declined due to seasonality while revenues from India declined as the company shifted business from Tier I Centres to Tier III centre resulting in lower overall billing but higher margins.

On a corresponding quarter basis, revenues from North America were impacted by currency fluctuation. Manila revenues were higher due to the addition of a second centre. Revenues from India - domestic were impacted by pricing pressure while revenues from India – international were impacted by currency fluctuation.

U.K. Revenues were introduced this quarter through the acquisition of Careline Services in June 2010. Hence, this metric is not reflected in earlier periods.

Revenue Contribution by Geography

Particulars	June '10	%	Mar '10	%	June '09	%
India	786.6	34.7%	792.2	35.5%	873.3	39.4%
Manila	435.7	19.2%	409.0	18.3%	326.2	14.7%
Mauritius	4.3	0.2%	4.1	0.2%	4.3	0.2%
North America	961.3	42.4%	1026.7	46.0%	1,012.1	45.7%
U. K.	78.9	3.5%	0.0	0.0%	0.0	0.0%
Total Revenues	2,266.8	100.0%	2,232.1	100.0%	2,216.0	100.0%

The contribution to overall revenues from Manila increased as the new centre was in operation for the entire quarter. Contribution from India and North America consolidated owing to pricing pressure (India only), currency fluctuation and addition of the U. K. geography. Revenues from U. K. have been included for only a part of the quarter.

Growth by Vertical

Particulars	June '10	Mar '10	Q-on-Q Growth (%)	June '09	Y-on-Y Growth (%)
Telecom & Technology	567.7	556.4	2.0%	637.7	(10.7%)
Consumer Electronics	529.3	553.5	(4.4%)	530.2	(0.3%)
Health Insurance	665.9	643.7	3.5%	569.0	16.7%
BFS	125.1	112.1	11.6%	97.7	28.0%
Chemicals & Biotech	103.7	94.8	9.4%	114.3	(9.2%)
Others	275.0	271.6	1.3%	267.1	3.0%
Total Revenues	2,266.8	2,232.1	1.6%	2,216.0	2.3%

Revenues from 'Others' and 'Health insurance' posted the largest growth rates. Revenues from the 'Telecom and technology' segment were impacted by shifting of business to lower cost centres while growth rates in revenues from other verticals were impacted by the rupee appreciation.

Revenue Contribution by Vertical

Particulars	June '10	%	Mar '10	%	June '09	%
Telecom & Technology	567.7	25.0%	556.4	24.9%	637.7	28.8 %
Consumer Electronics	529.3	23.4%	553.5	24.8%	530.2	23.9 %
Health Insurance	665.9	29.4%	643.7	28.8%	569.0	25.7 %
BFSI	125.1	5.5%	112.1	5.0%	97.7	4.4 %
Pharmaceuticals	103.7	4.6%	94.8	4.2%	114.3	5.2 %
Others	275.0	12.1%	271.6	12.2%	267.1	12.1 %
Total Revenues	2,266.8	100%	2,232.1	100.0%	2,216.0	100.0%

Revenue contribution from the 'Others' and 'Health insurance' verticals have increased in line with growth in these segments. 'Consumer Electronics' was stable while contribution from all other verticals was impacted by the rupee appreciation.

Details of India-based Revenues

Particulars	June '10	Mar '10	Q-on-Q Growth (%)	June '09	Y-on-Y Growth (%)
India – Domestic	279.6	301.9	(7.4%)	340.0	(17.7%)
India – International	506.9	490.4	3.4%	533.4	(5.0%)
Total India based Revenues	786.6	792.2	(0.7%)	873.4	(9.9%)

India – domestic revenues were impacted by a shift to Tier 3 centres. Export revenues have been impacted by currency fluctuation.

By Currency Exposure

Particulars	June '10	Mar '10	Q-on-Q Growth (%)	June '09	Y-on-Y Growth (%)
Local US Earnings – USD	965.6	1,030.9	(6.3%)	1,016.4	(5.0%)
Exports – USD	942.7	899.3	4.8%	859.6	9.7%
Total USD Exposure	1,908.3	1,930.2	(1.1%)	1,876.0	1.7%
U. K. Exposure	78.9	0.0	NA	0.0	NA
India Domestic Exposure (INR)	279.6	301.9	(7.4%)	340.0	17.7%
Total Revenues	2,266.8	2,232.1	1.6%	2,216.0	2.3%

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 Company acquired U.K. based Careline Services during the quarter thereby diversifying its currencies of operation during the quarter.

Expenditure Analysis

For Q1FY11 Total Expenditure (excluding interest and exceptional items) increased by 8.6%, on a corresponding quarter basis and on sequential quarter basis, total expenditure increased marginally by 2.3%. Increase in expenditure has outpaced the expansion in revenues.

This is attributable to higher depreciation with new facilities coming on stream, an increase in headcount and ramp-up costs for newly set up centres in Manila and Nagercoil. Further, transitioning of business from Tier I to Tier III Cities requires the company to run two centers for a short period in order to ensure business continuity in addition to ramp down costs of existing centers. The one-time costs of transitioning business centers and enhanced training costs have impacted the EBITDA for the quarter.

The company has also incurred costs of empty seats in Manila, Chennai and Nagercoil. The Manila centre which was inaugurated a few months earlier is stabilizing while occupancy in the Chennai centre was impacted due to shifting of associates to the Tier III centre at Nagercoil.

Profitability Analysis

- The PBT (*pre-exceptional*) for Q1FY11 was Rs. 270.1 million as compared to Rs. 365.5 million in Q1FY10. On a sequential quarter basis, PBT (*pre-exceptional*) was higher by 2.7% than Rs. 262.9 million in Q4FY10.
- Consolidated PAT for Q1FY11 reduced by 36%, at Rs. 231.1 million as compared to Rs. 361.5 million in Q1FY10 impacted, in part, by unfavourable currency movement. On a sequential quarter basis, PAT was 11% lower than the PAT of Rs. 259.8 million in Q4FY10 impacted by incurring of ramp-up costs for the two new sites in Manila and Nagercoil and pricing pressure.

Client Metrics

Client contribution to revenues

Particulars	June '10	Mar '10	June '09
Top client	16%	17%	17%
Top 5 clients	50%	50%	49%
Top 10 clients	65%	66%	66%
Top 20 clients	82%	84%	85%

Top client revenues were impacted by currency fluctuation while contribution from Top 10 & Top 20 has declined marginally due to addition of 20 new clients in U.K.

Client demographics

Particulars	June '10	Mar '10	June '09
Over \$ 20 million	3	3	2
Over \$ 15 million	4	4	4
Over \$ 10 million	5	5	5
Over \$ 5 million	11	10	12
Over \$ 1 million	33	30	33

The number of '\$5 million +' and '\$1 million +' clients have increased as the company added some marquee client names through the Careline Acquisition.

Employee Metrics

Particulars	June '10	%	Mar '10	%	Jun '09	%
India	10,857	68.1%	11,304	72.4%	10,333	72.7%
Manila	2,506	15.7%	2,312	14.8%	1,928	13.6%
US	1,801	11.3%	1,999	12.8%	1,944	13.7%
UK	772	4.8%	0	NA	0	NA
Total	15,936	100.0%	15,615	100.0%	14,205	100.0%

The Employee base has increased in Manila as the new centre stabilized operations while the decline in the US is on account of seasonality. Employee base in India has declined owing to transitioning of business. Further, the U.K. acquisition added nearly 800 employees to the headcount.

Update on Cash & Cash Equivalents

The company has a net worth of Rs. 9,950.7 million, debt of Rs. 1,363.7 million and Rs. 6,689.3 million (pre-dividend) in cash & cash equivalents as on June 30, 2010. Of this Rs. 5,770.0 million (US\$ 128 million) is lying in 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	427
Bank of Baroda, Dubai	25	112
Cash in hand	8	37
Total	128	577

*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

The Company formally inaugurated its Tier III Centre in Guntur . The facility has 400 seats of which 165 seats will be filled up in Phase I with business from one of its leading domestic clients. Further, the Careline Acquisition provides the Company with 1,000 seats across 3 sites in the U.K. – 1 in London and 2 in Scotland. The company now has a total of 16134 seats across its global operations and has a seat occupancy ratio of 82.7% for the quarter.

Careline Acquisition

In June 2010, the Company announced the acquisition of a 100% stake of Careline Services – a U.K. based Customer Relationship Management company.

This acquisition will act as a launch pad for HGSL to enter the large UK and European Markets and will also be a platform to cross sell its global delivery model to Careline's European client base. This is HGSL's first acquisition in UK and it expects to grow the business rapidly in the next few years. With this acquisition, HGSL will have a presence in 29 delivery centres across the USA, India, Philippines, Canada, Mauritius and the U.K. and its global headcount will reach nearly 16,000 people.

For Further details, please refer to the press release dated June 21, 2010 available on the corporate website – www.hindujagsl.com

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