August 17, 2023

BSE Limited
Corporate Relation Dept.
P.J. Towers, Dalal Street
Mumbai - 400001.
Scrip Code: 532859

National Stock Exchange of India Ltd.
"Exchange Plaza"
Bandra Kurla Complex, Bandra (E)
Mumbai - 400051.
Symbol: HGS

Dear Sirs/Madam,

Sub: Transcript of Earnings Conference Call held on August 10, 2023

This is in continuation to Q1FY24 Earnings Call of Hinduja Global Solutions Ltd. held on August 10, 2023.

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, we wish to attach herewith the transcript of Q1FY24 Earnings Conference Call of the Company held on August 10, 2023.

The transcript can also be accessed using:
https://hgs.cx/wp-content/uploads/2023/08/HGS_Q1-FY24-Earnings-Call-Transcript__Aug16.pdf

Thanking you,

For **Hinduja Global Solutions Limited**

Narendra Singh
Digitally signed by Narendra Singh
Date: 2023.08.17 18:08:58 +05'30'

Narendra Singh
Company Secretary

Encl : As above

Hinduja Global Solutions Limited
Hinduja Global Solutions Limited Q1 FY24 Earnings Conference Call
August 10, 2023

Moderator: Good evening, ladies and gentlemen. A very warm welcome to the Q1 FY24 Earnings Concall of Hinduja Global Solutions Limited.

From the senior management team, we have with us today Mr. Partha DeSarkar, Executive Director and Group CEO; Mr. Srinivas Palakodeti, Global CFO; Mr. Vynsley Fernandes, Whole-Time Director, HGS and Head of Digital Media business; and Mr. Lakshmi Narayanan, CS chief of staff, NXT Digital and Chief Finance Officer, One OOT Entertainment Limited.

As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Darshan Mankad from Adfactors. Thank you and over to you sir.

Darshan Mankad: Thank you, Seema. Good evening, everyone. We welcome you to the Earnings Call of Hinduja Global Solutions Limited for the first quarter ended June 30, 2023.

Before we begin the earnings call, I would like to mention that some of the statements made during today's call may be forward looking in nature, and hence it may involve risk and uncertainties, including those related to the future financial and operating performance of the company. Please bear with us if there is a call drop during the course of the conference call. We would ensure the call is reconnected at the soonest.

I would now request Partha Sir, to share his views and do the opening remarks over to you, Sir.

Partha DeSarkar: Thank you very much. Very Good evening to all of you. So, once again, warm welcome to our quarter one earnings call and I am really grateful that all of you have taken the time to come and attend this call, pretty late in the evening.

The first item that I have on my things to talk about was the completion of our much-anticipated buyback plan. You would know that we finished the buyback process in June. It opened in May and was completed on June 9, 2023. As a result of this process, 60 lakh equity shares were bought back at a price of Rs 1,700 per share and in the process, we returned Rs 1,020 crores to the shareholders.

You would also recall that when we sold the healthcare business, we said that we were doing this to unlock value for our shareholders. So, over the last year, through significantly higher dividends and a very handsome buyback program, we have returned significant value back to the long-term shareholders of the company. On top of the Rs 1,020 crores of the buyback, which are tax free in the hands of the equity holder, buyback taxes of about Rs 226 crores were paid by the Company. So, with a combination of dividend and buyback we believe that we have kept up our promise of unlocking value for our shareholders and through the process of buyback we have also tried to do it in a very tax efficient way.

As I speak, I wanted to also highlight that the deck from which I am talking or this presentation, will be available on our website and therefore if you are in front of the computer or if you are in front of your mobile phone, you can go to our website click on the Investors Section and this presentation will be accessible to you.

The second thing that I wanted to talk about was TekLink integration. You would recall that we acquired Chicago-based data analytics company called TekLink on February 28, 2023. We had one month of revenue from TekLink in the last fiscal year. This, as I had explained when we did that transaction, was to build scale in our analytics practice and bring heft to our 3A strategy that is automation, analytics and artificial intelligence. So, the analytics piece of 3A that's complemented by the acquisition of TekLink will boost our services-led business. Our CX business, as you all know, is a service-led business. We are trying to move towards becoming solution accelerators and product-led business and this is a step towards that.

We strengthened our analytics team significantly with this addition of about 275 practitioners with deep demand expertise and consulting, specifically in the FMCG space. Also, strong client relationship with 50 plus top brands across consumer, retail, pharmaceutical, confectionery, manufacturing, etc. For quarter one, TekLink's contribution to the overall revenues which is for the full three months as opposed to just the one month that we had in quarter 4 of last year. TekLink recorded revenues of about $8.8 million with EBITDA margins of about 22.2% and signed multiple contracts with 24 existing clients. The encouraging thing about this acquisition is that we are really seeing a lot of traction in cross-selling opportunities with our CX business. So, we are referring our CX clients through the TekLink business, and vice versa.

We are finding the technology clients that TekLink has, are interested in buying our CX business, so it has been a good synergistic approach towards the market. We have not yet really built revenue streams from the synergies, but we expect those revenue streams to come in the later part of this year.

I want to also touch briefly upon what we did in Colombia. We have talked about expanding our presence in the Latin America region for a long time. It's a very interesting place due its bilingual population. The Spanish speaking, the Hispanic population of North America (a very large ethnic group) and the form of Spanish that is spoken in Colombia is the purest form of Spanish that you will find in Latin America. We have been wanting to open up in Colombia for a long time. We were exploring it in the pre COVID times, but COVID came, and we got delayed, so we opened up in November of last year.

We inaugurated the center last month and I am very, very happy to say that there, the center that we have built has already maxed its capacity. It has around 150 employees, it services 3 clients from North America in the logistics and consumer industries with English, Spanish and Portuguese, so it's a multilingual CX hub really with voice as well as data hosting ability and we already sold out. So, we are taking additional space in Barranquilla, a city, which is about an hour's flight from the Colombian capital of Bogota. So, it is going to be our CX hub for multilingual client support for the North American businesses.

All of you would have heard the buzz about ChatGPT, generative AI and large language models. We have also been excited by the evolution of this new technology that first showed us space in November of 2022. We believe that it is going to significantly transform the CX industry and as we speak, we are building our capabilities in generative AI and large language models as well. We are making significant investments in artificial intelligence, cognitive intelligence, analytics and automation, both for clients and for internal transformation. We spoke in the past about our platform called Agent X. It is a comprehensive cloud based cognitive engagement solution for enterprises. It helps shift to modern contact centers with automation, sentiment monitoring, unified dashboard, copilot etc. and is able to give cost savings to the tune of 50 to 55% in making engagements more rewarding, shorter and more efficient, all of the things put together in one neat AI driven package. We also have been able to automate about 140 internal applications using technology and consolidated to 50 using AI and cloud. We are building a generative AI lab in Bangalore and in the US. Our used cases are all call transcription, invoice audit etc. Speech based AI using LLM has been deployed in HGS - Agent X. Using a hybrid model, third party generative AI platforms, open source AI and internal AI model. So, we are using all the AI tools that are available in the marketplace to strengthen our capability in the AI space as well.

With that, I am going to turn it over to Pala to take you through the summary of financial performances. Over to you Pala.

Srinivas Palakodeti: So, this is the summary of financial performance. On the operating revenues, there is a sequential growth of about 6% taking the revenues to Rs 1,133 crores. There is a small dip compared to where we were for the quarter ended June 2022. This is primarily coming from the UK.

As we had mentioned in our earlier calls our UK business was doing a lot of work related to different aspects of COVID Track and Trace and also relating to the vaccination. If you recall, in January 2022, there was Omicron, and there were a lot of other worries in terms of COVID. So, we did a lot of work related to the UK Healthcare Systems. Obviously, that has tapered off. So, while it is great that life has come back to normal, there is a dip in the revenues coming from the UK. Obviously attempts are in progress to replace it with new contracts as we go forward.

The other thing I wanted to call out is that we are shifting our focuses on driving revenues offshore and reducing the dependence on the onshore revenues. So, as the mix changes, there is also moderation in the revenue, but the overall direction is better margins as we do more business offshore.

On the Other Income, which is there in the publication page, in Q1FY23 we had a significant amount in the form of FX gains that has come down and also with passage of time, money has been used for additional dividends, buyback as well as the acquisitions. So, there is also moderation in the interest income, which is part of the Other Income.

Coming to Q4 FY23, you will see there is growth on a sequential basis of about 16.1% on the other income side. Coming to the operating EBITDA, so this is the EBITDA which excludes Other Income, you will see there is a significant improvement in the operational performance. Our operating EBITDA has actually doubled by more than 100%; about 112% to become Rs.76.8 crores for the quarter ended June 2023.

Also, we have performed significantly better than the adjusted operating EBITDA of Q1 FY23. If you recall our results when we published for June FY2022, we had called out, there was a reversal of about Rs. 25 crores of excess provision pertaining to FY22, which was reversed in Q1 FY23. It’s there in the results which we published last year. So, if you exclude that, the operating EBITDA has actually gone up by almost three times from over Rs. 25.5 crores to about Rs.76.8 crores and the impact of the Other Income drop is also visible on the PBT level.

To sum up, operating EBITDA has improved, it's the other income drop between Q1 FY23 and Q1 FY24, which is pulling down the profit before tax. Back to you Partha.

Partha DeSarkar: So, I would say that with the financial metrics that Pala has explained with a fair amount of detail, I would call this quarter to be overall good performance quarter. The CX business has shown steady growth. There is strong demand, especially in Canada. And as Pala mentioned, we are also trying to grow our offshore business faster than our onshore business and the way that works is typically onshore revenues have come at a higher rate, but the margins offshore are better. As a result of this shift in focus from growing offshore versus going onshore, you may find that optically our revenue growth rates are slower than it used to be, but I believe that this approach is the right approach for us to improve our profitability of the business.

We had significant growth from existing clients. We have also started to win some new clients. We started focusing on the mid-market segment for new logos and when we say mid-market, these are clients with revenues of $500 million to $3 billion. So, this market we believe is a very attractive market for our technology led CX services and this will help us grow faster.

Our Mysuru center was launched sometime last fiscal, had to be reported as our offshore businesses have grown, the Mysuru Center has already completely and filled with 600+ employees.

I talked briefly about TekLink. Our technology business has produced good growth. Total technology revenue for quarter one would be to the tune of about $24.3 million, which is again a big chunk of our revenue composition. We are focusing on longer-term deals in areas like managed services. Strong interest for our contact center transformation solution, Agent X, we signed a couple of engagements for that. We have also signed up with some of the large cloud-based contact centers to provide cloud-based telephony services to other clients and this is a partnership model. These are partnership led deals. So, these contact centric cloud contact center providers are names like Genesys, Twilio and AWS. So, we are working as implementation partners with these big brand names to implement their cloud based contact center telephony solution and we are very excited with the kind of growth that we are seeing in the partnership driven model and we hope to strengthen our relationship particularly with Genesys and Twilio as well as AWS because that is the future of contact centre technology.

We will move to the next Slide where I would like to summarize how Q1 FY24 went. I think it is a strong sequential growth, higher volumes and better EBITDA margins. We will continue to focus on sustained growth. The sales focus has moved from enterprise deals to a more mid-market, which is where I believe we have closed more business, even though the size of the ticket will be smaller than if you were to chase only enterprise deals.

Enterprise deals are obviously massive deals, but the sales cycles are very, very long, at times a year, year and a half and we decided that rather than chasing only enterprise deals, you are going to focus on both because we are not going away from enterprise deals, but we are going to now also look at the mid-market segment.

Our sales strategy has also changed to now sell bundled offerings across CX and technology. Earlier we had two different sales teams, two different sales leaders leading these individual business sales, but now we have realized that there are a lot of synergies in trying to cross sell technology services to CX clients and CX services technology clients. So, the sales teams have been brought together the unified HGS team. They are investing significantly in technology and talent within HGS, we talked about the AI lab that will open in New York and in Bangalore and with all those technologies that are going to change our industry going forward is obviously need for us to upskill our talent quite a bit and therefore we are hiring software engineers with skills in machine learning, artificial intelligence and other things. We have hired 20 of them in

New York very recently and that is our scaling strategy as well, making new kinds of talent into the HGS workforce. So, that is the summary of how quarter one went and now I am going to hand it over to Vynsley Fernandes to take you through the digital media business. Vyns, over to you.

Vynsley Fernandes: Thank you Partha very much for that and I hope everyone can hear me. Good evening, everyone. I am on Slide 12 of the deck if you're looking at it and effectively this is the presentation on the Digital Media Division of HGS. The last quarter has been very eventful for us, in a lot of exciting ways.

The first thing, as I have put on Slide 12 is we launched a unique OTT Aggregator App. Everyone knows how popular over the top content has become in India, but the big challenge for everyone is there are so many OTT platforms and don't know where to watch, what to watch, just like television was a while ago, when you had so many channels and did not know where to surf, to look at what. So, we launched this product called NXTPLAY. We partnered over 25 OTT platform and customers can access this content through a single app using NXTPLAY and if you look at the screen, it has some very interesting features in terms of allowing and enabling a subscriber to discover what content to watch, where to find it, and to assess the reviews. So, there is a kind of content discovery process that we have put in, it's called the Gene which allows any subscriber to be able to search for content that he or she may be interested in, and more importantly, not just across genres but also across languages. We believe there is a significant requirement and a significant demand for regional content in regional languages and it is something that we have been pushing for very actively as part of that 300,000 content hours that we provide. So, that is on Slide 12.

How are we using this most effectively? If you go to Slide 13, we have done it. We have been very strategic about this product called NXTPLAY. We are leveraging it in fact in a two-pronged strategy. One is to ensure that we use NXTPLAY as a retention tool to be able to hold digital television customers by bundling NXTPLAY the lower end of the spectrum there and of course obviously upselling as we go along but also our big driver for this fiscal as I mentioned in the last couple of calls is broadband and we believe broadband penetration is going to be very important for us, especially in tier 3 and tier 4 markets in India. NXTPLAY as an OTT platform is being used as a penetration strategy as an add on with the broadband business. So, the entire broadband business in Tier-3 and Tier-4 we are using NXTPLAY, we are bundling it with the broadband connectivity that we have. So, again, to touch upon what Partha was mentioning, there is a lot of synergy that we have been able to leverage in launching this product because there is a lot of technology, there is a lot of AI, there is a lot of intelligence that goes behind this content. There are a lot of discovery patterns that are there. So, we have been working very closely and we have been able to leverage significant synergies with being able to roll out a product that is not just at the top end of the spectrum that starts to build in more features that requires what a customer wants, so that is something that we have been able to see very effectively.

Talking about broadband growth, if I can take you to Slide 14, we have a very exciting plan, one thing that we have realized is that there is a very significant amount of demand for us all across the locations where we have digital television today. Just to refresh everyone, we have digital television through digital cable and through Headend -In-The-Sky, (HITS) where we are the only HITS or Headend-In-The-Sky player in India with the presence now today with over 4,600 pin codes. We are seeing a lot of demand in those markets for broadband connectivity since the number of players is limited. That has been the strategy for FY24 to be able to engage with companies that have the base fiber for us to put in the electronics and ride on it to connect all these places.

So, there is an 8000-kilometer plan if you look at Slide 14 using companies like for example Power grid, when you look at that term called OPGW, it is nothing but if you looked at power transmission lines, they have string fibers as well overhead and this OPGW (optical ground wire) is part of that. So, companies like Sterlite, Odisha Power Transmission, Power Grid all of them offer this service. So, all we do is load the electronics and use that huge amount of capacity either on an OPGW technology or underground wherever capacity is available.

So, when you look at Slide 14, the network that we are looking at allows us not just to grow our base, our broadband base in markets other than just Tier-1 and Tier-2, but more importantly to provide unlimited or huge amounts of capacity. We are talking about delivering about 1 TB of capacity using, you know dark fiber or using fiber that is provided by the third parties where we load our electronics on top of that and be able to kind of optimize our connectivity all across the country. So, there are 5 phases to this business to rollout. The first phase which is from Mumbai to Pune and back, I am very happy to inform you that Pune and Nasik, which are part of phase one are already completed well on schedule. The schedule was actually end of June in phase 1 and it has already been done in Quarter 1 and the others are well in progress and we will not just connect 150 cities and towns through this, but there are also smaller towns. I will give you an example just for those who probably have a good sense of Mumbai and its surroundings. So, Mumbai Nashik Fiber, for instance Nashik, maybe our final destination, but on the way to Nashik we have places like Kasara, we have got Igatpuri. All these places fall onto our connectivity map. So, we connect customers in all those locations and continue to grow our broadband subscriber base. So, that is our strategy for growing our base cost effectively and at the same time being able to cater to the growing demand that we are seeing in Tier-3 and Tier-4 markets where not too many national players are there. We have the leverage and the benefit of leveraging our digital television connectivity and our relationships with our last mile owners in those markets to be able to optimize our broadband growth, which was on Slide 14.

Slide 15 is our KPIs that we report every quarter and again I am sure a lot of you or nearly all of you will know that the Telecom Regulatory Authority of India announced the new tariff order or what we refer to as NTO 3.0 across all digital platforms in February this year and the implementation started a bit later than that. So, we decided that we did not want growth at the cost of profitability. So, what we focused on is actually improving the ARPUs (The Average Revenue Per User).

If you look at the block in the center, the digital television ARPUs have gone up to Rs 122 per customer. That is very significant because it talks about growing revenues and growth. We have been able to maintain our base, we are already looking at growing and pushing growth in the DTV space in quarter 2, quarter 3 and quarter 4 and bringing down the churn, which was clearly a result of the increase in pricing that was announced earlier in this year, that's on the DTV side.

If I look at the three blocks below, the broadband business as I again mentioned to you in the last call that we had, we focused on growing the ARPUs and you will be pleased to know that the ARPU's have not shown any dip. We grew them from an average of about Rs. 266 last year, at the same time to Rs. 291 in this quarter. So, that shows that it is far from being commoditized as a result of us going to tier 2, 3 and 4 markets. Not only that, but we have also been able to bring down the churn, the 90-day churn, which is the barometer of the quality of service, to about 1.18% and at the same time, we have been able to marginally grow our broadband subscriber base.

So, all in all it has been a strong quarter for us where we have set the ground rules and set the groundwork most importantly for pushing our broadband growth not just in terms of ensuring strong ARPUs, but also building out a network or rather digitally enhancing an existing network to be able to go into markets where connectivity or barriers to entry are low at this point in time. On the other side, we focused on improving the ARPUs on the DTV side of the business, which now serves as the trigger or as we term it the launch pad.

We have this project called Project Launchpad to take it from here and now grow the business over the next quarters, while maintaining the ARPUs, so that is in terms of the business. There are a lot of synergistic aspects that are there as I shared with you on the CX side of things, on the artificial intelligence side of things. There is also the enterprise business unit, which is working very closely, our back end HGS Teams and the enterprise business unit teams are working on leveraging synergies on broadband over satellite and other aspects. We thought it would be nice to share it, once there is a little more shape and size given to it, to share it in the next quarter, but, there is a lot happening on that front as well.

With that, I will end my piece and handover to Pala, the Global CFO for the financial update. Thank you everyone. Pala, over to you.

Srinivas Palakodeti: Thank you, Vynsley. So, I am now on Slide 17 of the deck, I have covered some of it before. So, to sum up on a sequential basis, the operating revenue is up by about 6%. Other income is up by about 16%, primarily if you go back to the quarter ending March FY23, there was a FX loss in Q4FY23 and in Q1 FY24 there has been a FX gain. So, that is the reason for the increase in the Other Income.

Operating EBITDA, excluding the impact of Other Income, there is a significant jump, so it has gone up from about Rs. 36 crores to Rs. 76.8 crores and adjusted EBITDA.

So, , clearly from an operating performance point of view, the business is doing well. If you look at the adjusted EBITDA, this includes the impact of the Other Income. Again, there is the growth of EBITDA of about 42%, taking it to about Rs.191 crores. On the PBT side, Q4 FY23, there was a small loss of Rs. 2.8 crores that has become Rs. 28.3 crores. This has been driven by improvement in other income as well as improvement in the operational performance as shown in operational EBITDA.

On the PAT side, there is a drop compared to Q4 FY23, given that a loss of Rs. 2.8 crores of Q4 FY23 has come in and became an overall PAT of Rs.25.7 crores which is primarily coming in from deferred tax asset creation. So, it is a negative tax item. We did not have the benefit of that to that extent in Q1 FY24. So, PAT is more muted at Rs. 16.6 crores for the quarter ending June 2023. To sum up, good revenue growth on a sequential basis and a significant improvement in operating EBITDA.

Moving to the next Slide, we talked already about the adjustment in EBITDA for the reference point of view earlier. There is an increase in depreciation which is primarily coming from some amortization related to the TekLink acquisition and also on a sequential basis, while there is an increase in interest cost, some of it is also coming because of interest on deferred compensation linked to the TekLink acquisition.

To sum up, taking into account the depreciation interest, the PAT for the quarter was Rs. 16.64 crores. Moving on to Slide 19 - This is a snapshot on the balance sheet side. As at the 31st March, we had reported Net cash and Treasury Surplus of about Rs.6,370 crores that has come down to Rs. 4,962 crores. So, that is roughly a drop of about 1,408 crores. This is primarily being driven by the buyback. So, in addition to the Rs. 1,020 crores of buyback which got completed in June of 2023. There are also taxes relating to buyback owned by the company of about Rs. 226 crores and about Rs. 6 crores relating to transaction costs. So, the drop in Rs. 1,408 crores, about 90% + is coming from the cash flows relating to the buyback, rest has gone into the business.

If you see the table on the left-hand side, again the balance sheet is very strong. Shareholder's funds after taking into account the buyback and the taxes stand at about Rs. 7,480 crores. So, the book value per share is about Rs. 1,462 crores. We have gross debt of about Rs. 1,030 crores, but net cash and treasury surplus lands at a solid Rs. 4,962 crores.

Moving to Slide 20, this is the split by revenue, the BPM Business accounts for about 57%, the digital media and additional services at 34%, and other income is about 9%.

Moving to Slide 21, the left-hand table is revenue by delivery, India including the BPM part accounts for over 33%, Canada is at 13% and USA is about 25% and we also hope to add a new color for Colombia as that is ramping up going forward. On the originating side, the US continues to be the largest market at 34%. India, which includes the media business, is at 28% followed by the UK and Canada at 18% and 13%. Others basically Philippines, Jamaica and Australia. If you go to the next slide this is revenue by vertical. Media accounts for about 30%. This includes the media business in India as well as the media clients we have in North America. The next big section is, of course, Consumer and Retail at 21% followed by the banking and financial services at 15%. Not too much change on the client concentration, if I move to the next slide, the largest client accounts for 8.5% and the top 10 customers account for about 39%. Cash flows remain strong. DSO is under control. While there is a small increase over 6 days, this is only a timing difference given the extra efforts always put in for the year-end terms of collections. But overall, everything is in good shape as far as the quality of revenue is concerned.

Moving to the next slide, this is the stock price movement over the last 12 months. With this I bring my section to an end, and I hand it back to the moderator, and we will now open up the floor for Q&A. Thank you, everyone.

Moderator: Thank you very much, Sir. We will now begin with the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from the line of Rohit from Entrust Family Office. Please go-ahead Sir.

Rohit: Hi, thanks for taking my question. The first question is, I think our gross debt that has moved sequentially from about Rs. 320 crores at the end of the March quarter to about Rs. 1,030 crores. Could you explain the reason for that please?

Srinivas Palakodeti: Yeah, this is part of the overall Treasury management in the sense that you know you may have funds locked in terms of different maturities in terms of loans or in terms of deposits with bank. At times you may borrow if you have to meet any immediate requirement. So, that is the 30th of June position, but some of it is already decreased because as the deposits mature, funds are taken out from treasury and debt is retired.

Rohit: Understood and out of the Rs. 4,900 crores of cash, which we have reported in net cash and Treasury surplus, I believe last quarter you have carved out how much were short term loans and how much were other investments? So, how much would those two be out of this figure and basically what I am trying to get at is what are really the funds which have been given to our group entities out of this Rs. 5,000 crores?

Srinivas Palakodeti: So, as I mentioned earlier, the Company had surplus funds and these were parked in different avenues, including loans to group companies and you would notice with the buyback, these funds which have been returned and used for the buyback. So we were able to earn better interest rate than what banks may be offering and we have also withdrawn funds as and when required and used them for the business or for the buyback.

Rohit: Fair enough, sir, but it will be helpful if you could give me the broad quantum.

Srinivas Palakodeti: Yeah. So, the number is about Rs. 863 crores as of 30th of June.

Rohit: Rs. 863 crores are what has been lent to group entities (related party entities). Is that correct?

Srinivas Palakodeti: Yeah. Related party entities

Rohit: Understood and what if you could kind of articulate out of the other sort of odd Rs. 4,100 crores, over the next say 2-3 years what exactly do we intend to do with so much cash? Would it be all going into M&A?

Srinivas Palakodeti: So, it will be used to grow the business and it could be organic, it could be M&A. For instance, if you look the way what has happened in FY23 and subsequently, we started operations in Colombia, that's organic. We have done the TekLink acquisition that was clearly an inorganic growth, right. So, depending on the opportunity coming up, it could be a combination of both, and we have been expanding. We added a center in Mysore in India. We have added Colombia. So, we are always looking for, as we said, the focus is growing the offshore business and we will lack capacity based on where the demand is coming and where the client wants the delivery.

Rohit: Understood and in terms of lending to group entities, I believe the internal limits are about Rs. 3,000 crores is what you can go to, or does it come off after the buyback?

Srinivas Palakodeti: No. So, there are multiple things, right. So, we have an overall limit that could go up to Rs. 3,500 crores, but clearly with the buyback completed, the amount of funds deployed have also come down.

Rohit: Understood. That's helpful. Thank you so much.

Moderator: Thank you, Sir. We have the next question from the line of Mr. Yash, an individual investor. Please go-ahead Sir.

Yash: So, my first question is that you have mentioned that generative AI is the new area of focus. So, how do you plan to expand your footprints in this segment since the industry is dominated by bigger peers like Google, Amazon - AWS, Microsoft and also open AI? Can you please talk a little bit on that?

Partha DeSarkar: So, that is a brilliant question I would say, they have their own models. Okay and we build our own models as well. So, frankly, if you ask me, sir, you know you always have big players and you always have small players, but the industry is extremely fragmented, despite the presence of such massive players like Microsoft and Google, small players have also flourished. So, that is the nature of the industry. We are not into building platforms unlike a Google or Microsoft. We use technology. So, we partner with Google, we partner with Microsoft, we implement their technologies. So, there could be cases where we partnered with Microsoft and implemented Azure. We partner with Amazon, and we implement AWS for Contact Center Solution. So, it is ecosystem, Sir. It is not always a competition with the big guys because we cannot win that game, right. We clearly cannot win a game with such massive players. So, that is how the software industry works, sir. There are large players, large platform players and there are small players. So, there is enough for everybody. The world runs on software. There is enough for everybody, and I do not feel that just because there are big guys who are spending big money in generative AI, that we will be crowded out of this space. It just creates more opportunities to transform this space, so we are very excited with what the technology would allow us to do for the future and the more money that they put in, the better the products are going to be, but they are not going to be able to do everything, we will partner with them. They will probably go for their enterprise deal. They will use us for our big market target segment. That is what happened. So, when we partner with Google or Microsoft and all of that, we partner with them to implement their technology for the clients that they find too small to deal with, but they are good for us, so Microsoft does not go and implement everything on their own. They have system integration partners; we are their partners. We are partners for Google, we are partners for Microsoft, we are partners for AWS. We have partners for Genesys, we are partners with Twilio, we are partners for automation anywhere, we are partners for UiPath. We implement the technology, which is how we work sir.

Yash: Thank you. So, I also have another question. Is it possible to share the investment that you are doing in generative AI, like by when do you think we can expect to see a contribution from generative AI ?

Partha DeSarkar: It is already contributing, Sir. We have developed our own platform. I talked about it - Agent X. Every year we have been spending and maybe we could probably talk about it, I won't be able to give you the exact number because we have not disclosed that number, but we could disclose it in the future and once it is public information, I can share it. But yeah, over the last two years, we have been building Agent X, which is a platform for Contact Center Transformation. It is built on AI technology. I can give you a ballpark number. Okay. I cannot give you an accurate number because we do not report the numbers. We spent sort of $5 million on building this platform.

Yash: Okay. Just one last question from my side. You have mentioned about the UK business and that there is some dip in revenue and margins. Do you think this is likely to turn around in the next few quarters or how is the overall demand scenario in terms of the UK?

Partha DeSarkar: Sir if you have tracked our business, you would have seen that UK saw an explosive growth in the years during Brexit and COVID. Since 2020 when Brexit was announced we won a big contract to support the UK Government for Trader Support Services for Ireland. Okay, that was one big contract. The second big contract was the NHS contract or the UK Health Services Agency contract, which was to support the UK Government initiative to tackle COVID.

Now Pala talked about the fact, and you will recall from memory that January 2022 was when the first Omicron came out. Before that it was Delta. But Omicron came and it was found to be lot more less severe, but lots more infective as compared to Delta. So, it spread like wildfire in Europe, particularly the UK was completely covered with Omicron in the first quarter and in the second quarter of 2022. Since we were supporting the health services line, lot of our volumes came from that and the dip that you are seeing in quarter one is on account of that fact that thankfully and thank God that we have been able to bring COVID under control, right? Yes, and that is good for humanity, but in a perverse kind of a way, unfortunately it hit our revenue.

But I am glad that you know COVID has gone for good actually and yeah, we will build our revenues back. It was such a spectacular growth, sir. It is going to be difficult to replicate that kind of growth. It is almost impossible. We will build it back, but it will not be a spectacular level that you saw during Brexit and COVID. It will be steadier growth, but we are confident that we have got a new CEO and we have built a new scheme in the UK. So, we will be able to build that business back.

Yash: So, the coming quarters you are very hopeful of it.

Partha DeSarkar: Yes, Sir. As I said, it will not be as spectacular as it was in the last two years, and I explained the circumstance in which the growth was spectacular. It is going to be more reasonable, but a more sustainable growth.

Yash: Correct. That's it. Alright, thank you. Thanks a lot.

Moderator: Thank you. We take the next question from the line of Miss Hina, an individual investor. Please go ahead.

Hina: I just had a few questions. So, on the DTV side, you mentioned that net churn has gone up due to the increase in prices. How do you plan to keep the ARPUs high and reduce the net churn? Because reducing ARPUs won't be an option obviously because it will reduce the revenue, right?

Vynsley Fernandes: Sure, Hina. Thank you for that question, I think the net churn in DTV, you are absolutely right. If you look at it, what we were very clear about is that we wanted to take on pricing. Now there was there an option. It is a bit of a difficult one. Do we look at focusing on growth and pushing growth at a lower price or do we ensure that we kind of set the base for the future? So, while we did see an increase in net churn and you are absolutely right because we let go of lower earning customers because we could not obviously and did not want to go that route, we focused instead on growing the ARPUs. So, any growth now Hina now will obviously be at the higher ARPUs. So that we have already seen in Q2, which is the focus on growth. So, it was a strategic decision, very strategic Hina and I hope that answers your questions.

Hina: Yes, yes. Thank you so much. Thank you. I have a few more questions. So, the subscriber base for DTV and broadband is almost stable over last year. So, can we expect an NXTPLAY to help the company to grow the subscriber base, and also would it affect the overall ARPU as well?

Vynsley Fernandes: So, you are completely right, I think. You are sharing our strategy publicly and completely in sync with you. That is exactly the strategy, the NXTPLAY the OTT platform will help ensure the ring fence the customer, so the stickiness of a DTV customer or the stickiness of a broadband customer gets further enhanced through providing NXTPLAY, which is the OTT Aggregator App. At the same time, our focus is on broadband growth in Tier-3 and Tier-4 markets and those are markets where our tools are strong, and we hope to use NXTPLAY. We are not hoping to, we are already using NXTPLAY there as a kind of reuse sweetener. We are providing for example, NXTPLAY as an add-on for a sort of, I won't use the term discounted, it is probably wrong, but a more competitive price in those Tier-3 and Tier-4 markets where we are pushing broadband growth and that growth is already being seen in Q1 itself, albeit slowly, but it has definitely already started, with tractions already started and hence our focus on ensuring that we also provide the national long-distance connectivity which we are working on.

Hina: OK. Thank you so much and only one last question, are there any plans to collaborate with international partners to leverage their expertise in OTT and broadband market?

Vynsley Fernandes: We are already working with international companies to help us develop our back end. A lot of that work is also being done by our own HGS, one of the best backends in terms of software technology and development, and we have engaged with a couple. So, there is an international team already working on that aspect. In terms of broadband, when you look at Slide 14 where I talk about DWDMs or which is the technology that we use, which is basically dense wavelength division multiplexing, it sounds very fancy, but it is not just basically a technology using fiber optics. So, we are working with a lot of global companies already. Nokia being one of the key partners in the rollout, there are a couple of other partners also that we are working with. So, the entire end to end technology is leveraging the best of international learnings, but optimizing our own expertise that we have. I mean, we are the only ones to provide Headend -In-The-Sky Technology in India, there is no one else. So, we have got a lot of expertise in satellite delivery. We have got a lot of expertise in delivering our own proprietary technology through that model. So, broadband gets the benefit of having a strong technological backbone and a team that we have in the country while optimizing other technologies that are there.

Hina: Okay. Thank you so much.

Vynsley Fernandes: Thank you Hina, thank you.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Partha DeSarkar for closing comments. Over to you Sir.

Partha DeSarkar: Thank you very much once again for joining us for this call and we look forward to meeting you once again in November when our quarter 2 results will be announced. With that very good night to all. Thank you. Thank you everyone for joining this call.

Moderator: Thank you. On behalf of Hinduja Global Solutions Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.