



February 21, 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 February 14, 2023

This is in continuation to Q3 FY2023 Earnings Call of Hinduja Global Solutions Ltd. held on February 14, 2023.

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, we wish to attach herewith the transcript of Q3 FY2023 Earnings Conference Call of the Company held on February 14, 2023.

The transcript can also be accessed using: <https://www.teamhgs.com/investors>

Thanking you,

For **Hinduja Global Solutions Limited**

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Narendra Singh
Company Secretary

Encl : As above

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Hinduja Global Solutions Limited
Q3 FY2023 Earnings Conference Call Transcript
February 14, 2023

Key Speakers:

Mr Partha DeSarkar, Executive Director and Group CEO, HGS

Mr Vynsley Fernandes, Whole-time Director, HGS

Mr Srinivas Palakodeti, Global CFO, HGS

Ru Ediriwira, Chief Technology Officer, Digital Media Business, **NXTDIGITAL**

Moderator: Good evening, ladies and gentlemen. A very warm welcome to the Q3 and 9M FY23 Earnings Call of Hinduja Global Solutions Limited. From the senior management we have with us today, Mr. Partha Desarkar - Executive Director and Group CEO, Mr. Srinivas Palakodeti - Global CFO, Mr. Vynsley Fernandes, Wholetime Director and Ms. Ru Ediriwira, Chief Technology Officer, Digital Media Business.

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 pressing '*' then '0' on your touchtone phone. Please note 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 third quarter and nine months ended December 31, 2022 earnings call of Hinduja Global Solutions Limited. Before we begin the earnings call, I would like to mention that some of the statements made during today's call might be forward looking in nature and hence it may involve risks and uncertainties including those related to the future financial and operating performance. I would now request Partha Sir to share his views. Over to you, Sir.

Partha Desarkar: Thank you and a very good afternoon to all of you for taking the time to listen to all of us for this earnings call. I hope you have our earnings presentation in front of you that was uploaded on our website and I am going to refer to it as we speak. The first slide talks about the key highlights of the quarter and without much ado, let me tell you that it's been a very good quarter. Our total income growth was about 8.3% on a year-on-year basis and an EBITDA growth was about 57.1% on a year-on-year basis. Our net profit at Rs. 51.83 crores was a big improvement over the loss of Rs. 37.88 crores, a year ago. I'm also happy that the board has announced the third interim dividend of Rs. 2.50 per equity share.

The BPM business has signed a definitive agreement to acquire 100% stake in TekLink. We have also set up our new center in the city of Barranquilla in Colombia that is going to be our second nearshore e center in addition to the center in Kingston that we have in Jamaica.

Our digital media business launched its broadband- over-satellite (BoS) solution, it's named **"NXTSkyFi"** and the first variant of that product supports education enablement.

A quick update on where we stand on the much anticipated buyback plan. You would be aware that the final buyback price has been fixed at Rs. 1,700 per equity share. The total consideration for this buyback would be Rs. 1,020 crores excluding buyback tax. The record date of this is the 6th of March 2023 and the total number of shares to be bought back in this buyback shall be up to Rs. 60 lakhs equity shares.

We'll move on to slide 6, where we talk about specific financials. Here you have the revenue numbers in front of you. Our revenues on a Quarter on Quarter (QoQ) basis have grown from Rs. 1,075 crores to Rs. 1,165 crores, that is 8.3% growth. Our EBITDA has also grown handsomely from Rs. 81 crores to Rs. 128 crores, that's a growth of 57.1%. Profit Before Tax was negative last year, it's a small number of Rs. 5 crores this quarter and profit after tax is Rs. 52 crores. The EBITDA out here includes other income as well.

Move to slide 7. Here we are talking about on an YTD basis for a FY2023 overall. Compared with last year similar YTD FY2022 the growth is 18.2%, a handsome growth I would say from Rs. 3,262 crores to Rs. 3,855 crores. Our EBITDA has grown almost doubled. It was - Rs. 322 crores last year. We've grown it by 94.6% to Rs. 627 crores this year. PBT stands at Rs. 205 crores and Profit after Tax stands at Rs. 279 crores. Once again, we want to highlight that EBITDA here includes Other Income.

Slide 8 captures the trend line of the improvement of this business on a quarter on quarter basis. You will see that after the healthcare divestment we have been working on the profitability of the company, which was impacted by the divestment of a fairly highly profitable business. We have been working on quietly improving the profitability of this. You can see the trend line. I expect that we would be able to improve all this further in the years to come. But as it stands, the margin expansion has been about 220 basis points. The digital media business similar trend line, you will see that big improvement in profitability of about 220 basis points between quarter one and quarter three.

Coming to the business as a whole, the performance of the CES business onshore has been showing good steady growth, significant expansion in clients and a healthy pipeline.

I have been talking about the pressures that we have in the UK business. You would recall that the UK business won a large contract from the Health Services Agency, which was around track, trace and treat for COVID. Thankfully, COVID is now under control and therefore, the volumes coming out of that contract have significantly reduced from what we had initially thought it could be and that is why there are some headwinds in this business. We have hired a new CEO of the UK business, Mr. Patrick Elliott. He brings extensive experience in outsourcing business.

Offshore and nearshore businesses have actually grown very well. It has grown better than the onshore businesses. In Colombia, our new center in Barranquilla has been set up with a team of 30 and is going to ramp up in coming months. We have a good pipeline for Columbia delivery. This is going to be our primary destination for Spanish language work as well as some bilingual work.

Our digital solutions business has been a stellar performer. It grew the revenues by a whopping 36% on a year on year basis in Q3 and 51.2% on a year-on-year on a 9 month basis. Focused on deepening relationship with core digital clients, drive digital-led solutions for traditional CES clients, we are significantly strengthening the integrated sales team. We have both the digital team and the CES sales teams together under a single leadership, so that we get the benefit of revenue synergies across our traditional BPM service and our new age digital service. We focus on longer term deals such as managed services and cloud. I talked about TekLink acquisition - almost close to completion, condition precedents are being closed and this acquisition is expected to close shortly.

Moving to slide 12, little futuristic. We are shifting gears and Ru will talk about this later on in our presentation from being a services and labour-led business into a solution accelerators and platforms- led business. Some of the key solutions that we have developed in house in the last two years, called Agent X. It also built a cloud accelerator model for cloud telephony transformation based on platforms like Twilio, Genesis, AWS and we've also got our new analytics platform called DaVinci. The addition of TekLink will fast track this evolution, which is diversified portfolio in data and analytics. We are still on the outlook for relevant acquisitions that will bring new skill sets and accelerate our growth in this business. By 2025, we want to be a significant digital player with a large percentage of our revenues coming from digital and technology businesses.

We have the backing of clients. We had a Net Promoter score of 65 that has been the highest in our history. And I am also happy to state that this is a third party survey that is done by Feedback Consulting and is done for many of our peers in the IT services and in the BPM space. This NPS score of 65 actually puts us in the 90th percentile compared to our peer group. I won't quote some of the quotes, you can look into the slides that we have out there. Obviously, our clients are extremely happy.

Looking ahead, as I said, we've made good strides by improving profitability by 220 basis points. There is a continuous focus on improving profitability further to get to a point of at least 10%, work goes on. The demand for BPM services is strong, so we have to ride the way by investing in an integrated sales and go-to market strategy. We are leading with digital in client engagement. In the digital media services there's a huge opportunity in our hands, especially in areas such as convergence, broadband-over-satellite, educational enablement services etc.

And Vynsley is going to talk about that in the next section. Over to you Vynsley.

Vynsley Fernandes:

Thank you, Partha. Good afternoon, everyone. I'm going straight to slide 16. As Partha spoke about it our entire focus as Hinduja Global Solutions, the **NXTDIGITAL** being a part of the HGS global picture, we're looking at how to innovate and continue the acceleration into the digital space. Slide 16 will tell you that the innovative product that we launched called ONEDigital is already beginning to see significant traction and one of the reasons why we believe we're seeing traction is on the right side of that slide, which actually shows rather than just launching a product we also as HGS continue to walk the talk. We are training people across the country to be able to deliver these digital solutions and this digital upskilling program that we launched in August last year has already trained nearly 740 people. These are basically franchisees who connect a subscriber base of just under 150,000 and the process is ongoing even as we speak. That is what we're doing in terms of product.

Our big foray, which is on slide 17, is that we have successfully launched **NXTSkyFi**, which is our broadband over satellite solution. Interestingly, rather than launch a pure product or a pure platform, we've actually launched a solution through very innovative retail and enterprise model. We've partnered with Tata Class Edge and we've already rolled out education to places in the North and Northeast, including Jung in Arunachal Pradesh and Pulwama in Jammu and Kashmir. Students have already signed up there for the education. We're very happy because not only are we

delivering value, but also, we're happy that it's in line with the Prime Minister's Vision of digital acceleration and digital inclusion of India. That's something we're quite proud that **NXTSkyFi** has done. In line with that, we have also received our VSAT letter of intent last month. This reduces our operating costs further besides reducing our lead times obviously and we will be accelerating the direct service solutions under our broadband over satellite products shortly.

In line with that if you go to slide 18, we took the lead and brought together all our competitors from across the country to a single table and to a single room in December. The idea was to tell the entire ecosystem that now is the time to connect together, to converge in terms of products and therefore collaborate. Various presentations were made, one was by KPMG which gave a clear insight that the television industry is still the David of the industry compared to Goliath and there's plenty of room for growth. We also have Accenture presenting Metaverse and the challenges around it and the way to go. There were a lot of other sessions and there is a link available on that slide. Please feel free if anyone would like to know more about those sessions. There is a YouTube link embedded from that slide, you can click on that and go to that presentation.

In terms of KPIs and the next slide which is 19 tells you very clearly how strong the digital media business has been in Q3. Our focus has been clearly on improving the quality of revenue and the sustainability of the business rather than just aiming for top line. So, while we haven't really focused on growing our business, our focus has been on quality and that is reflected as Partha pointed out in the EBITDA performance where quarter on quarter, we've seen an expansion of about 220 basis point in Q3. The same story is relevant even for YoY performance for the nine months where we've been able to grow in terms of our EBITDA performance, not just in terms of absolute value, but also in terms of margins over the previous year. Staying on this slide a bit, there's been a clear focus in terms of stabilizing the video business, which went through some significant challenges in the last three years owing to the headwinds of the pandemic but that as you can see, is clearly stable and growing. Our broadband business, which is our focus continues to grow. All the three key parameters that you see on the second half of the slide, which is the 90 day net churn, the same month renewal as well as the on-time renewal, all of that is seeing very positive traction. That is the summary for the digital media business. I'm going to hand over to Srinivas Palakodeti, who is the Global CFO for HGS to take you all through the financial slide. Thank you, everyone.

Srinivas Palakodeti:

Thank you, Vynsley. Good afternoon everyone. Thank you for joining us on this session. I will move to slide 21, on the financial performance. Little over a year, there have been multiple changes in HGS. The healthcare business was sold off in January 2022 and during the year, the media business became part of HGS. So, these results are purely and strictly comparable on a like-to-like basis. It includes all the revenues, margins coming in from the digital media business and excludes anything pertaining to the healthcare business, so it's a like-to-like comparison.

On a year-on-year basis, our revenues are up by about 6.4%, other income is up by about 94.4% and total income including other income and revenue from operations is higher for about 8.3%. As you have seen from the results, we've had a loss of about Rs. 60 crores, which is from exchange rate variation. These are primarily mark to market in nature. So that's the reason there has been a dip in the other income in quarter ended December 2022 as compared to the quarter ended September 2022.

On a year-on-year basis, EBITDA is up by about 57%, depreciation is up by about 44% and in interest expense there is a reduction, so there is a drop of about 6% there. We do have an exceptional item. Reversal of some excess expenses recovered and that's why there is negative sign, so just add it as an exceptional item. We have a PBT of Rs. 4.7 crores and we have tax reversals of about Rs. 47 crores giving us a PAT of Rs. 52 crores, which compares very well compared to a loss of about Rs. 37.9 crores which we incurred in the quarter ending December 2021. So, the substantial increase on a YoY basis between December 2021 and December 2022.

Moving on YTD basis, I'm on slide 22. Total income is up 18.2% and out of which other income which includes FX variations as well as interest income, that's up about 26%. Our EBITDA come close to doubling from about Rs. 322 crores to Rs. 637 crores giving us total EBITDA margin of 16.3% including the other income. After taking into account depreciation, interest and the exceptional item the PBT has come in at about Rs. 205 crores compared to a loss of Rs. 125 crores for nine months of the previous financial year and the PAT is about Rs. 279 crores as compared to a loss of Rs. 78 crores in the quarter ending December. So, on a nine month basis substantial increase in PAT.

Moving on to slide 23, the book value per share taking into account shareholders' funds as of December of about Rs. 8,880 crores comes to about Rs. 1,692 and if you recall, the buyback price is at around Rs. 1,700 per share, which is at a significant premium to the current market price of Rs. 1,300. On a trailing 12 months basis, our

EPS comes to about Rs. 62 per share. We have gross debt of about Rs. 330 crores and cash of about Rs. 1,343 crores, leaving a net cash position of about Rs. 1,014 crores.

Moving on to slide 24. This gives a better picture in terms of where we have in terms of borrowing, which is Rs. 330 crores. Taking into account the cash investment in debt instruments as well as short term loans given, the total amount of cash in treasury surplus, the sum of these three items comes to about Rs. 6,716 crores.

Moving on to slide 25. This is the revenue split of our operating revenues of Rs. 1,165 crores. The BPM business accounts for about 65%, this is voice as well as non-voice. The digital services comprising digital media, digital cloud services, analytics, all that put together comes to about 31% and other income comprises of 4%.

Moving on to slide 26. On the split of the operating revenue from an origination perspective, US continues to be the largest source that's about 33%. 29% from India, this includes the digital media services. UK is about 20%, 13% is from Canada and others - Philippines, Jamaica, and Middle East accounts for 6%. On the left hand side, the revenue for delivery - India owns about 33%, US 26%, Philippines accounts for about 9%.

Moving on to slide 27. This is the split again, revenue by vertical. The largest vertical is media followed by consumer - this is consumer e-commerce products, anything consumer facing. Telecom & technology is the third largest sector at 11% and the same size is Public Sector, which is predominantly from UK. Moving on to the client concentration - this is based on the client's total revenues, operating revenues of Rs. 1,119 crores. The top customer accounts for about 7.3%, 28% will be for top five and top ten accounts for about 46%.

Our business in terms of DSO days continues to be healthy and it comes in at about 62 days compared to 60 days as of 31st of March.

Moving on to slide 29 that shows that a HGS share price movement and we were at about 1,300, close of Friday and we are at the same level today. This factors into account the 1:1 bonus which was issued in February 2022. So, our shares have been trading ex-bonus from about a year ago. With this my section comes to an end, so I'll now hand it back to Ru to discuss the digital future and how HGS will deliver the digital future.

Partha Desarkar:

Before we jump in, I want to just take a moment to say where the future for this business is. If you would now see that we've got a portfolio of services that we do. We have our traditional BPM businesses, we have technology businesses, we have digital media businesses, we have HRO solutions as well. Our goal is to deliver compelling digital solutions and services to fulfill client needs globally. Today and the future, that will take you through what that looks like. I'm going to hand it over to Ru to take us through the next three slides of what the future of this business looks like and about the new avatar of the HGS.

Ru Ediriwira:

Thanks Partha. As Partha said, our aim is to look at how we can deliver a wide variety of solutions and products and services to the market so that we can provide larger solution offerings to clients from multiple different industries. Through our acquisitions over the last couple of years, we've really built up a huge technology base, we've really invested in new talent and new products and service offerings that that put together offer clients a much wider selection of service offering.

If we just move to the slide 32. From being a traditional business process management organization, we are now able to look at technology services, software as a service, platforms-as-a-service, which we're already doing through products like Agent X and DaVinci. We have a very strong software development organization.

With the merger of **NXTDIGITAL**, we now have a very strong engineering base also to complement all of these technologies. The data services with TekLink and with our own internal development, we're starting to look at business intelligence and analytics to add the capabilities around artificial intelligence in various industries and how those can improve processes for companies. We have a very strong base through **NXTDIGITAL** itself with respect to networking and connectivity both for media and telecommunication which can expand well beyond India to the rest of Asia Pacific and potentially globally. The whole aim of this slide is to really demonstrate how we are expanding, and we are now able to offer all of these wide ranges services to multiple different industries whether that is media and telecommunications, financial services, energy, healthcare or any other of industry line, we can now develop end to end solution offerings for them.

If we just quickly move to slide 33. This is just a snapshot of one of these types of end to end solution offerings that we are starting to develop using all the skill sets and acquisitions and capabilities within the organization. In this first example, we are looking at a series of network management solutions aimed at any industry that has

multiple different networking and connectivity requirements and this is not the geography specific this can be applied anywhere globally in any geography. We are developing network management solutions both as software-as-a-service as well as the platform-as-a-service which will enable companies to really procure connectivity services in a much more organized fashion than they can do today as well as be able to monitor and manage large network connectivity platform. Think of the financial services industry such as banks which have hundreds if not thousands of branches across the geography can now manage all of that connectivity in a much more organized and clear fashion. We're also working on developing work from home solutions. Hybrid working very much is the scheme of things in this new world post COVID. How do we really improve the work from home conditions such that we ensure not just secure connectivity to backend systems, but also that we can monitor and ensure that people are actually delivering what they're supposed to be delivering.

As briefly discussed earlier on, another key area that we are working on is live interactive education. Again, this is not India specific, this is something that can be rolled out on a global and larger geography basis in terms of how we can deliver to our more rural and areas that are not well connected. Live educational facilities can really improve the quality of life in those areas. We are implementing managed services offerings with the advantage of **NXTDIGITAL**'s engineering team and HGS' existing customer support team - end to end solution of managing customer networks, designing, deploying, and then really managing them going forward. In terms of infrastructure, particularly in India, we have pan-India connectivity network and we will be able to expand those with partners and with competitors to be able to deliver wider connectivity services and broadband-over-satellites. As Vynsley mentioned with **NXTSkyFi**, the opportunities that are offered is just humongous whether that is monitoring remote wind farms, power generation or education, there's a whole suite of services that broadband over satellite can start to deliver both in India as well as internationally. So these are just some of the integrated solutions that we are already starting to develop as a combined organization and there will be many more of these as we go along. Partha over to you.

Partha Desarkar:

We have come to the end of our presentation we now hand it over to the moderator for the Q&A session. Over to you.

Moderator:

Thank you very much. We will now begin with the question and answer session. We take the first question from the line of Mr. Gunit Singh from CCIPL. Please go ahead, Sir.

Gunit Singh: Can you please help me understand the other income component in our financial statement because I believe without that our PBT would not be positive. Please help me understand what all does the other income in the quarter entail?

Srinivas Palakodeti: There are two three different components. One is the interest income. As I mentioned, the company is sitting on a large treasury balance. So that's the one which treasury income which comes there. Offset, in the current quarter, is an FX loss and you'll see there on the publishing page that comes to about Rs. 60 crores of losses which come from the FX variation. The other income is positive, after also the impact of Rs. 60 odd crores, which has come in the quarter end. From the digital media side, we had some additional income from sale of set-top boxes, those kind of things which come under other income.

Gunit Singh: My second question is regarding the digital business that we acquired from **NXTDIGITAL**. I believe that that business was not a profitable business at the time of acquisition and currently we are competing with large players in the broadband space. Also, considering that most consumers are moving away from the traditional set up box or the traditional TV channels to softwares like Netflix and HotStar so what would be our plan to compete with the bigger players and how can we drive growth in such a segment where we see such big plays and also a market that is against us?

Vynsley Fernandes: I think you're absolutely right in terms of the changing dynamics of the industry. More and more people are moving to online and content on demand. But there's also a significant part of India which is still not connected, and this is not something I'm saying but what the numbers point to themselves. There are about 80 million homes that are still unconnected in terms of a television, and those are aspirational market. We've been smart about one thing rather than launch a wired connectivity service for the television business, in 2015, we launched a satellite service. That means even the most rural part of India can go digital and receive television literally overnight. That's one side of the spectrum to answer to your question. The other side is that if you look at our focus in terms of growth, we are looking effectively at the broadband business and improving the quality of revenue in that area.

Just to give you a very short sense, if you look at clearly the broadband parameters, we're already the 4th largest Broadband Private ISP in the country today with over 1 million customers. Our entire focus of growth is on that. So last year, this time we were about 740,000 customers. We've grown by nearly 50% to where we are today at 1.18 million and we see that growth continuing because more and more people

want a wired broadband connection. As you know, the government recently changed the definition of broadband to 2 MBPS, so that is something that we're delivering. I mean, we deliver up to even 1000 MBPS as you would probably know.

The third thing is that as a business we're very proud about one thing in the group and HGS in particular is that we're always at the forefront of innovation. So right now, if you look at broadband over satellite, we are the only bundled solutions play in the country today, we've already launched. Everyone's talking about launching, and of course we welcome them because a lot of them are also looking to kind of align with us and become our partners, but we're not necessarily waiting for that. We've already launched our service, as I shared with you on the deck. We've partnered with Tata study to deliver education and it's already working beautifully in places like the Northeast and the north, where connectivity is a challenge. I think as an organization we are very clear that we focus on the trends and with the changing trend, we continuously innovate.

One more thing again just last point to your question, if you go back to slide 16, I specifically mentioned that our focus is not on pure play television but it is s on the integrated solution for customers, which is basically not just television, but that also includes broadband which speeds up to 1000 MBPS, includes international and regional OTT, voice over IP and Intercom, CCTV and also community and building Wi-Fi. I think we are well structured to take on the challenges and like I said, our focus is to continue to innovate and grow. I hope that answered your question, Sir.

Gunit Singh: Thank you for elaborating. I have another quick question regarding this only. Another thing that I want some clarification on the negative tax rate that we're paying, and what should be the expected tax rate going forward?

Srinivas Palakodeti: If you see the results for the quarter ending one and two, this is the impact of the consolidation and we've looked at the overall taxable position of HGS, and the media business put together. Taking into account the certainty of the future profits, we have created deferred tax assets and that's what you would see in Q3. That's why you're getting with the negative number. The changes are coming primarily from the deferred tax item, but otherwise at an overall level, the current tax would be in the 25% rate.

Gunit Singh: My last question would just be regarding the future outlook given that the IT is in a little bit of pressure and stress for the for the coming year and how do you see your

company doing in the next say one year and next couple of years in terms of the revenues and margins?

Partha Desarkar:

We have always had a good track record of growth. If you go back to our history, you will find that we we've grown at the minimum 10% year on year for a very, very long time. With the healthcare divestment, obviously there has been a pressure on margins, that's pretty clear because healthcare was an extremely profitable business. The team is now focused on improving the profitability of the rest of the business. So today you saw that the profitability is about mid-single digits. We would like to improve the profitability of the business to the double digits and the efforts are on and there are some plans in place as well. It's going to come from taking some costs out. It's also going to come from acquiring more profitable revenues and businesses as we go forward.

Gunit Singh:

Can we expect a double digit margins for FY24?

Partha Desarkar:

Look, I cannot give you a committed timeline by when we want to achieve that because that's going to be almost like a guidance, and we don't give one. If you look at our tracker and then decide for yourself. We have been highly profitable from our inception. And we've also seen that we've actually gone on improving the margins. There are some levers that we can pull around real estate rationalization as we know that large part of our workforce is now working from home in the North America and the UK, it is almost as high as 95%. So, last year and even till some parts of this year we had long lease liabilities that we are not able to exit on. Thankfully, we've been able to now exit of some of those lease liabilities. As a result of which margins will improve because our lease costs will go down. We've also been able to divest some of the properties that we used to own in Canada and the UK, and we've got reasonably good returns from those divestments, so that is also another lever that you can put. We also believe that we can improve our IT cost and that is the third level that we can pull it. Unfortunately, during the time of COVID, we locked ourselves into some long term IT costs that we can't exit right now without paying significant exit cost. But the current pricing of those services is actually much lower than the lock-ins that we have today. As and when we exit from those contracts, as per contractual commitments, then even our IT costs will improve further. These are four levers that we have and the fifth one is growing or acquiring businesses that are much more profitable, which is in the technology space. These are five things that we have in mind. I won't be able to tell you that it's going to all happen by 2024 but this is direction where I would like all of us to go to.

Moderator: Thank you. We take the next question from the line of Jyoti Singh from Arihant Capital. Please go ahead.

Jyoti Singh: Earlier we did demerge our healthcare business. After that we did the buyback. Now we are doing TekLink acquisition and also that educational thing. So overall what's your view on the company and what the big thing that we are planning to do going forward and what are the strategies that we are following to make our company more stable.

Partha Desarkar: Ru tried to cover that in the last closing the presentation slide. You should refer to that slide that tells you a broad spectrum of services that we want to get into. Some we are already in; some are at a nascent stage and some we want to scale them up. So, that broadly answers your question. If you have any specific question, happy to answer. But if your question is generically what we are going to do then the question is already answered in the specific slide.

Jyoti Singh: My question is on the slide number 19 mentioned about the ARPU. This slide is there since last few quarters. Are we working on any strategy to improve our or expecting to remain the range with the company focusing on volume gain? Both on the digital video also and broadband subscriber also.

Vynsley Fernandes: As I was mentioning earlier, the focus over the last three quarters for us has been on ensuring sustainability and quality of revenue. We have therefore our skew earlier used to be towards growth, if you look at the last couple of years and these last three quarters coming out of the pandemic and the challenges faced, we focused on two things. One was improving the quality of revenue and sustainability and the second was coming up with innovative products. If you look at the performance of Q3 and if you do an analysis and I'm sure you as an analyst would know if you look at the peer-to-peer comparison or if you look at for both nine months as well as QOQ, you'll see that there has been a consistently improving and upward trend in terms of the margin both in terms of value as well as the percentage margin that is reflective of the fact that we want to ensure growth and the retention of high quality and high ARPU customer. So the ARPU that we provide in the data is a blended ARPU of enterprise and retail customers. But that is a very significant and stable ARPU if you look at mapping it quarter on quarter. And you'll see that continuing QOQ as well as again last year as well, I hope that answers your question.

Jyoti Singh: Yes Sir. Another question is on the profit side that has been largely impacted by provision attributable to healthcare businesses. Wanted to understand why the provision has not been transferred despite being entire business demerge.

Srinivas Palakodeti: So this particular part was not transferred because it's an old legacy item and that has been settled and hence the reversal.

Jyoti Singh: On the buyback, the cash we will going to utilize, I mean what are the strategy on that side and how are we going to ensure some cash on the books for continuing our growth momentum?

Srinivas Palakodeti: So, we've announced a buyback of Rs. 1,020 crores and the record date is 6th March and we will see how the buyback goes. There will be some amount Rs. 1,020 crores odd which will go for the buyback. But the rest of the cash is available for growth of the business. As we've announced TekLink and we hope to close that soon and we will continue to look for opportunities to grow our overall predominantly digital strategy what we discussed a little earlier in the call.

Jyoti Singh: And on the digital services currently around the contributing 30% of the revenue? Is it our intention to increase the same given the higher EBITDA margin?

Srinivas Palakodeti: Digital in general has higher margins and obviously we would like to grow the share of the digital revenues.

Moderator: Thank you. We take the next question from the line of Hina Parekh from Fintiru Securities. Please go ahead.

Hina Parekh: Can you let us know what's the strategy for media & communication business and the loss has gone up year on year and quarter on quarter. By when can we expect the business to turn profitable?

Vynsley Fernandes: OK. I'll start with the strategy. As I was explaining to Jyoti, if you look at the kind of product portfolio that we've been focusing on. If you look at individual vertical, you will see cable television globally is on a structural decline. There's wire broadband in terms of being a standalone product, but when you look at combining and offering these solutions under a single window under a single operating method, obviously the offtake is much higher. I mean, I'll give you a simple example. You're at home and imagine you get one person coming over home for the cable bill, another one coming for the broadband bill, a third person for the voice bill, a fourth person for your CCTV

service, a fifth person for your OTT sorry OTT, of course you can go and do online, but all the other services tend to be a challenge. The idea was of integrating all of this and bringing it to the fore, which is something that we've done. And so ONEDigital is obviously our push. The second big thing and this is in sync with the digital inclusion and the digital vision and mission of our Prime Minister to take digital all across the country and therefore our broadband-over-satellite offering, which obviously has an uptime way beyond what a conventional connectivity of fiber can provide. We chose to launch it in the far reaches of the Northeast and the North.

But however, having said that, broadband over satellite is a strong enterprise product. We are already talking to corporates in terms of providing them a hybrid solution wired and wireless connectivity. So imagine if you have a network of ATMs in the cities you will connect them on wire wherever you have fiber and we have over 10,000 kilometers of our own fiber and more than 120,000 kilometers of fiber from our franchise. There are still parts of India which obviously require satellite connectivity, and that's where those ATM's and those services will be facilitated by broadband-over-satellite. There is significant traction that we're looking at in terms of which are the areas that we want to target, which are the markets. We've taken it and we're well on course. As we signed an MOU for this service only in May and that we announced it in June. Then in three 3-4 months' time, which is in October in Diwali, we launched the service and we expanded it in November. We applied for our VSAT license. We received our VSAT LOI in the month of January. I think you'll see a lot of traction in this space happening in terms of providing these solutions. So yes, the focus will be on ARPU, yes, obviously the focus is on improving the bottom line. Obviously, we have a strong EBITDA performance, but as the business, obviously we're looking at several levels below the EBITDA to be able to make sure that the business is on call. So that's the kind of approach that we have.

Hina Parekh:

And for the revenue for digital business has gone down the last couple of quarters while the EBITDA has increased. Is there any strategic shift in the clients that we are acquiring or serving to for this shift?

Vynsley Fernandes:

You're absolutely right. That has been the focus. The line of the mantra for us is improving the quality of revenue and sustainability. During the lockdown there was a lot of customers that were on boarded at very low ARPUs. Obviously, with the challenges of the lockdown, our job was to provide high quality service to anyone and everyone who needed it. As we've come out of the pandemic, our teams are focusing on quality and sustainability which is why, while there may be a marginal dip, in fact,

if you look at the nine month number, it's really about just under 1.6% reduction in revenues, while as the EBITDA has actually improved as well. So that will keep on happening as we improve the quality of revenue, are we also looking at improving the software, that's part of the focus as well. And we'll see that happening over the next few quarters.

Hina Parekh:

And so last quarter you had mentioned that the healthcare business was a kind of misfit and hence it was demerged and discontinued. Can we expect the EBITDA margin to improve from next financial year for the business without healthcare being included?

Srinivas Palakodeti:

The healthcare business was sold off in January 2022. So essentially for the last four quarters starting from January 2022 to December 2022, where results are available, whatever results we have published are excluding any revenues or margins from the healthcare business and if you see the earlier part of the deck, we have shown you the quarter on quarter improvement in our business and both the digital media business as well as BPM business excluding other income they have shown a 220 basis point improvement in the EBITDA margin.

Hina Parekh:

And one last question with regard to acquisition of TekLink, how soon do we expect the synergies to kick in and what kind of contribution can we expect in next financial year?

Srinivas Palakodeti:

I would refer you to the call we had post, we completed the transaction, but essentially the transaction was signed in first week of December. We are in the stages where the conditions residents have been fulfilled. Almost all of them are done. We do expect that to complete that and of course we will be making the announcement as and when we complete the transaction that we are required to do. That company would have revenue somewhere in the range of about \$ 30 million is the current run rate.

Moderator:

Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Mr. Srinivas Palakodeti for closing comments.

Srinivas Palakodeti:

Thank you, everyone. Really appreciate you joining this call to go over the earnings for the quarter ending December. Again, I do apologize couple of times you had to wait as we got disconnected especially during the Q&A session. Our apologies for that. And as we end the financial year, we do look forward to your joining us when

we go over the results for the quarter ended 31st March 2023 as well as the financial year 2023. Look forward to interacting with you in the near future. Thank you everyone.

Moderator: Ladies and gentlemen, on behalf of Hinduja Global solution, that concludes this conference. Thank you for joining us and you may now disconnect your line.

Note: This transcript has been edited to improve readability. For the sake of brevity, the edited version of the above content has certain abbreviations/abridgement of words and sentences.