



Quarterly Results Release – Q3 FY11

HGSL's Q3FY11 **Revenue higher by 29% at ₹ 2,869.9 million** **EBITDA at ₹ 431.2 million, PAT at ₹ 280.1 million**

Mumbai, February 08, 2011: Hinduja Global Solutions, a leading provider of Outsourcing Solutions to Fortune 500 companies, today announced its unaudited financial results for the quarter ended December 31, 2010

Financial Highlights

- Consolidated Revenue for Q3FY11 was ₹ 2,869.9 million against ₹ 2,225.4 million in Q3FY10, registering y-o-y growth of 28.9%. On a sequential quarter basis, revenues were higher by 7.9% than Q2FY11 revenues of ₹ 2,660.7 million.
- Consolidated EBITDA for Q3FY11 was ₹ 431.2 million against ₹ 418.6 million in Q3FY10 primarily reflecting revenue growth as well as transitioning of business to Tier III cities. On a sequential basis, the EBITDA in Q3FY11 was higher by 17.6 %, as compared to the Q2FY11 EBITDA of ₹ 366.6 million.
- Consolidated PAT for Q3FY11 was ₹ 280.1 million as against ₹ 301.9 million in Q3FY10. On a sequential basis, Consolidated PAT was higher by 10.5% in Q3FY11 as compared to the Consolidated PAT of ₹ 253.5 million in Q2FY11.

CEO's message

Commenting on the results, **Mr. Partha De Sarkar, CEO**, said, *"We are pleased with our performance during the quarter as we have delivered strong growth in both revenues and profitability. This has been driven by traction in the US market due to the holiday season as well as capacity expansion in India & Manila. Careline in the UK continues to make a steady contribution to our overall revenues."*

We expect to sustain these gains as the expanded capacities will allow us to grow our existing clients as well as pursue new businesses aggressively."

Operating Highlights

- The company added 2 new Clients during the quarter.
- Headcount of 18,730 associates at the end of the quarter against 16,740 associates at the start of the quarter.
- The Company, through its wholly owned subsidiary Hinduja Outsourcing Solutions India Pvt. Ltd., has taken on lease 43,000 sq. ft. of space in Global Village IT Sector SEZ in Bangalore.

Key Perspectives

- Consolidated PAT for Q3FY11 – ₹ 280.1 million
 - Diluted EPS – ₹ 13.59 per share (not annualized)
- Consolidated PAT TTM (Jan '10 to Dec '10) – ₹ 1,024.5 million
 - Diluted EPS – ₹ 49.76 per share
- Net Worth as on December 31, 2010 – ₹ 10,219.9 million
 - Book Value – ₹ 496.3 per share
- Debt of ₹ 1,730.3 million as on December 31, 2010
- Cash & Cash equivalents (Net of debt) as on December 31, 2010 – ₹ 4,907.8 million
 - Cash and Cash Equivalents (Net of Debt) – ₹ 238.4 per share
- Market Capitalisation – ₹ 7,058.0 million
 - Based on the closing price of ₹ 342.8 per share on NSE on February 7, 2011.

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 ₹ 8.6 million for the quarter ended December 31, 2009 and a gain of ₹ 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.

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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 30 delivery centers in the United States, Canada, U.K., Mauritius, Philippines and India. The Company employs over 18,500 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 ₹ Million)

Particulars	Q3FY11	Q2FY11	Q-on-Q Growth (%)	Q3FY10	Y-on-Y Growth (%)
Revenues	2,869.9	2,660.7	7.9%	2,225.4	29.0%
EBITDA*	431.2	366.6	17.6%	418.6	3.0%
EBITDA Margin	15.03%	13.78%		18.81%	
PBT (pre-exceptional)	361.7	284.2	27.3%	333.6	8.4%
PBT Margin	12.60%	10.68%		14.99%	
PAT	280.1	253.5	10.5%	301.9	(7.2%)
PAT Margin	9.76%	9.53%		13.57%	

Revenue Analysis

Growth by Geography

Particulars	Dec '10	Sep '10	Q-on-Q Growth (%)	Dec '09	Y-on-Y Growth (%)
India	880.8	829.0	6.3%	834.5	5.6%
Manila	512.7	495.2	3.5%	388.3	32.0%
Mauritius	0.7	3.1	(75.9)%	4.7	(84.3%)
North America	1,113.3	979.5	13.7%	997.8	11.6%
U. K.	362.3	354.0	2.4%	0.0	NA
Total Revenues	2,869.9	2,660.7	7.9%	2,225.4	29.0%

On a sequential quarter basis, revenues from North America have exhibited robust growth on the back of the holiday season. There has been a sustained contribution from all of the other major geographies as well.

On a corresponding quarter basis, Manila continues to deliver robust revenues as operations have stabilized following setting up of a new center. Revenues from North America witnessed healthy traction while revenue growth in India has been driven by healthy volume growth but impacted by pricing pressure.

Revenue Contribution by Geography

Particulars	Dec '10	%	Sep '10	%	Dec '09	%
India	880.8	30.7%	829.0	31.2%	834.5	37.5%
Manila	512.7	17.9%	495.2	18.6%	388.3	17.4%
Mauritius	0.7	0.0%	3.1	0.1%	4.7	0.2%
North America	1,113.3	38.8%	979.4	36.8%	997.8	44.8%
U. K.	362.3	12.6%	354.0	13.3%	0.0	0.0%
Total Revenues	2,869.9	100.0%	2,660.7	100.0%	2,225.4	100.0%

Contribution of overall revenues from North America increased smartly due to increased volumes owing to the holiday season.

Growth by Vertical

Particulars	Dec '10	Sep '10	Q-on-Q Growth (%)	Dec '09	Y-on-Y Growth (%)
Telecom & Technology	752.4	701.9	7.2%	611.0	23.1%
Consumer Electronics	687.3	592.7	16.0%	551.2	24.7%
Health Insurance	717.7	698.7	2.7%	602.1	19.2%
BFS	137.0	150.5	(9.0%)	124.4	10.2%
Chemicals & Biotech	131.8	122.8	7.3%	103.5	27.3%
Others	443.7	394.0	12.6%	233.1	90.3%
Total Revenues	2,869.9	2,660.7	7.9%	2,225.4	29.0%

Revenues from 'Consumer Electronics' and the 'Others' vertical were strong while 'Chemicals & Biotech' and 'Telecom & Technology' also reflected healthy growth rates.

Revenue Contribution by Vertical

Particulars	Dec '10	%	Sep '10	%	Dec '09	%
Telecom & Technology	752.4	26.2%	701.9	26.4%	611.0	27.5%
Consumer Electronics	687.3	23.9%	592.7	22.3%	551.2	24.8%
Health Insurance	717.7	25.0%	698.7	26.3%	602.1	27.1%
BFSI	137.0	4.8%	150.5	5.7%	124.4	5.6%
Pharmaceuticals	131.8	4.6%	122.8	4.6%	103.5	4.7%
Others	443.7	15.5%	394.0	14.8%	233.1	10.5%
Total Revenues	2,869.9	100%	2,660.7	100%	2,225.4	100%

Revenue contribution from the top 3 verticals - 'Telecom and technology', 'Health Insurance' and 'Consumer Electronics' verticals have demonstrated a steady performance.

Details of India-based Revenues

Particulars	Dec '10	Sep '10	Q-on-Q Growth (%)	Dec '09	Y-on-Y Growth (%)
India – Domestic	340.8	314.3	8.4%	335.5	1.6%
India – International	540.1	514.7	4.9%	499.0	8.2%
Total India based Revenues	880.8	829.0	6.3%	834.5	5.6%

India – Domestic revenues continue to display strong growth on a q-on-q basis as the centres in Tier III cities have started stabilizing. As guided, volumes have increased as part of the agreement when offering price discounts to customers. India International revenues exhibited healthy growth on a q-on-q basis aided by currency fluctuation.

By Currency Exposure

Particulars	Dec '10	Sep '10	Q-on-Q Growth (%)	Dec '09	Y-on-Y Growth (%)
Local US Earnings – USD	1,114.0	982.5	13.4%	1,002.6	11.1%
Exports – USD	1,052.8	1,009.9	4.2%	887.3	18.6%
Total USD Exposure	2,166.8	1,992.5	8.8%	1,889.9	14.7%
U. K. Exposure	362.3	354.0	2.4%	0.0	NA
India Domestic Exposure (INR)	340.8	314.3	8.4%	335.5	1.6%
Total Revenues	2,869.9	2,660.7	7.9%	2,225.4	29.0%

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 revenues. The Company's acquisition of U.K. based Careline Services has diversified its currencies of operation.

Profitability Analysis

- The PBT (*pre-exceptional*) for Q3FY11 was ₹ 361.7 million as compared to ₹ 333.6 million in Q3FY10, a rise of 8.4%. On a sequential quarter basis, PBT (*pre-exceptional*) has expanded by 27.3% than ₹ 284.2 million in Q2FY11.
- Consolidated PAT for Q3FY11 was at ₹ 280.1 million as compared to ₹ 301.9 million in Q3FY10 impacted by investments in capacity expansion and rupee appreciation. On a sequential quarter basis, PAT increased by 10.5% as compared to the PAT of ₹ 253.5 million in Q2FY11 due to the expansion in revenues.

Expenditure Analysis

For Q3FY11 Total Expenditure (excluding interest and exceptional items) expanded due to increase in employee costs and administrative expenses which mirrored growth in the business. Depreciation has increased as new facilities have come on stream.

Client Metrics

Client contribution to revenues

Particulars	Dec '10	Sep '10	Dec '09
Top client	12%	11%	9%
Top 5 clients	44%	44%	49%
Top 10 clients	62%	62%	62%
Top 20 clients	78%	77%	80%

The addition of Careline revenues has expanded the overall base of clients. On a sequential quarter basis revenues from Top client, top 5 and 10 clients have remained stable.

Client demographics

Particulars	Dec '10	Sep '10	Dec '09
Over \$ 20 million	3	3	2
Over \$ 15 million	4	4	4
Over \$ 10 million	9	6	5
Over \$ 5 million	12	11	10
Over \$ 1 million	43	42	31

The number of '\$10 million +' clients have increased. The company has been able to maintain the contribution from the other categories of top clients during the quarter.

Employee Metrics

Particulars	Dec '10	%	Sep '10	%	Dec '09	%
India	12,457	66.5%	11,063	66.1%	9,682	69.6%
Manila	3,055	16.3%	2,778	16.6%	2,346	16.9%
US	2,287	12.2%	2,047	12.2%	1,885	13.5%
UK	931	5.0%	852	5.1%	0.0	NA
Total	18,730	100.0%	16,740	100.0%	13,913	100.0%

The employee base in India & Manila continues to increased following ramp up in capacity and new business. The increase in the number of employees in the US is on account of the festive and holiday season.

Update on Cash & Cash Equivalents

The company has a net worth of ₹10,219.9 million, debt of ₹1,730.3 million and ₹6638.1 million (pre-dividend) in cash & cash equivalents as on December 31, 2010. Of this ₹5,680 million (US\$ 128.0 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 (₹ Cr.)
Bank of Baroda, London	95	422
Bank of Baroda, Dubai	26	115
Fiduciary Time Deposits	3	13
Current Account	4	18
Total	128	568

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

Capacity enhancement

During the quarter, the Company has commenced setting-up of a new centre in Siliguri, West Bengal and has identified a site for a third centre in a Tier 3 city in the Philippines. The Company now has a total of 18,730 seats across its global operations and has a seat occupancy ratio of 82.6% for the quarter.

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