Hinduja Global Solutions Limited
Q3 FY10 results Conference Call
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Moderator: Good evening ladies and gentlemen. I am Gaurav, the moderator for this conference. Welcome to the Hinduja Global Solutions Limited Conference Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to WebEx International Bridge. After that, the question and answer session will be conducted for participants in India. I would now like to hand over the proceedings to Mayank Vaswani of Citigate Dewe Rogerson. Thank you and over to you sir.

Mayank Vaswani: Thank you Gaurav. Good evening to everyone in India and a good morning to those of you from overseas. Thank you for joining us on this call to discuss our financial results for the third quarter of FY 2010 announced earlier today. We have with us on the call Partha Sarkar, CEO, and Anand Vora, CFO, of Hinduja Global Solutions. Before we begin, I would like to state that some of the statements made in today's discussions may be forward looking in nature and may involve risks and uncertainties. For a more complete listing of such risks and uncertainties, please refer to the investor presentation hosted on our website. Documents relating to our financial performance have been e-mailed to all of you earlier, and we have also posted these on our corporate website. I would now like to hand over to Partha to provide key highlights of our performance for the quarter. Thank you.

Partha De Sarkar: Very good evening to participants from Asia and good morning to the participants from the US. Thanks for joining us on this call. I trust that all of you have been through our numbers which were sent out to you earlier. I will touch upon some industry trends and operating highlights for the quarter before handing over to Anand for the financials.

A quick take on our numbers, our third quarter FY '10 revenues were above Rs. 222 crore, approximately USD 48 million, an increase of 1.74% over the corresponding period last year. The revenues were slightly lower on a sequential basis, the reason for which I shall come to later. EBITDA was Rs. 41.86 crore, approximately US dollar 9 million, an increase of 12.03% over the corresponding quarter last year. PAT was Rs. 50.19 crore, approximately USD 6.5 million for the quarter, an increase of 40.40% over the same quarter last year. On a sequential quarter basis, both EBITDA and PAT were lower, and I shall discuss that shortly.

On the macroeconomic front, the domestic economy in India is looking very buoyant while the global economies especially those in North America and Europe continue to emit mixed signals. Some of the data emanating from these economies are encouraging while other measures of economic progress continue to indicate recessionary trends. Having said that, there is greater optimism from the IT and ITES industry regarding prospects for the upcoming financial year. Several companies have upped their guidance as there is enhanced visibility of IT budgets in place and expectations of a significantly different operating environment in FY 2010-2011.

At HGSL, we have a three-pronged strategy for growth. We have been increasing business from existing customers, and we have been phenomenally successful in those efforts historically. Getting new logos generally is associated with a longer sales cycle and the current scenario seems to be improving. We are also exploring new verticals and markets. The reason we have been performing consistently over the last few difficult quarters is because of our diversified business model. In this downturn, the real winners were the diversified ITES companies who have been able to deliver sustainable growth rates continuously. The players who were affected in this downturn were the ones who had high sector concentration. The recession has been fruitful for companies like ours because of the increasing pressure from various clients to outsource more work.

We have worked out attractive volume discount structures for our clients to attract more work going forward. In order to benefit from these opportunities, we are concentrating on reducing our cost, diversifying in different markets and verticals, and setting up new centers in tier-II and tier-III locations in the various geographies that we operate in.

Coming back to our numbers, as I had shared earlier, our revenues has dipped marginally on a sequential basis. There are a couple of factors behind this. Firstly, we have grown our dollar revenues on a sequential basis. The dip in rupee revenue is largely attributable to the strengthening of the rupee during this quarter. Secondly, as we have also shared with all of you earlier, it is actually more appropriate to view our business over a slightly longer duration. Performance in a single quarter may not be representative of steady-state operating environment as it is more easily influenced by minor events or trends. By nature, as you all know, our contracts are long term with annuity revenue streams, and therefore, quarterly fluctuations are not really fundamental shifts of business. Keeping that in mind, you have to look at our revenues for the nine month of this fiscal. They are up 15.5% over the same period last year. EBITDA for the nine months FY ’10 is up 29% and PAT for the same period is higher by 80%. This is accompanied by an increase in margins. So, if you look at our numbers over an appropriate period of time, it is apparent that the financial performance continues to be fairly robust.

Now, coming to some of the challenges that we face, we did not see a surge in volumes from our North American clients due to the holiday season which we generally see. The state of the economy has resulted in moderate demand in that region, and the demand for our services were therefore marginally below expectation, and I repeat, it was marginally below expectations and not a whole lot. Secondly, there is more pricing pressure in the domestic market. The customers that we serve are facing intensifying competition in their industry. So, they have come back to us with negotiations on price. To counter that, we are getting into agreements under which we will witness substantial increases in business volumes at slightly discounted prices. In order to maintain our operating margins, however, we are expanding our centers to tier-III cities now. We are among the first few companies who are exploring opportunities in tier-III cities and seeking to capitalize on the first mover advantage in this lower cost destination.

Business outlook for clients; another development is that we have been ranked as the top partner by our leading domestic client. This places us well to reap incremental business as they undertake vendor consolidation. Further, we have a pipeline visibility of over 500 seats in place over the next couple of quarters. This will be spread over our India and Philippines locations. We also won an order of 150 seats from a leading telecom client to offshore additional work to Manila. This client is already serviced from our North America geography, and this is our first attempt to wean him away to an offshore destination. So, we are very excited with this prospect.

An existing US healthcare client has signed for additional 300 seats of which 200 seats are expected to be serviced in Manila and 100 seats from India. We have also won incremental seats from an existing US consumer electronic client. Lastly, a very exciting development had been an order win from a new media client in the UK. This is our first win in this geography and is a significant milestone as it opens up a new vertical, a new geography, and a new currency. The other point to note is that we have been able to demonstrate capabilities that have helped us open up a vertical on an organic basis. Doing so through an inorganic route would have been relatively more expensive.

We have also undertaken preparatory work on the infrastructure front and for hiring and training our personnel for these order wins. Thus, there has been a slight dip in margins this quarter on account of up-front start-up cost for some of these accounts where revenues are expected to be generated in the upcoming quarters.

An outlook on infrastructure and facilities; last quarter, we had inaugurated our second center in Manila, which has a capacity of 1,000 seats. Of this, 700 seats are currently in use and 100 seats are being used for training purposes. As mentioned, we have also received commitments for another 150 seats and this center should be filled up by the end of the financial year. As a part of our price volume commitments with some domestic clients, we will be setting up new centers in tier-III towns. The first two sites identified by us are Guntur and Nagercoil. We expect these centers to be beneficial in terms of cost as well as attrition rates.

The total seat capacity for the company now stands at 14,065 seats and the utilization for this quarter was at 76%.

Employee trends; this quarter we continued to witness a moderation in attrition rate compared to last year. We have a slightly reduced headcount at the end of this quarter compared to the immediately preceding quarter and we have 13,913 associates as of December 31, 2009.

To conclude, I would like to say that our outlook for the future remains intact, and to use an expression that is a current favorite, let me just say that "All is Well." With that, I will now hand over the floor to Anand.

Anand Vora: Thanks Partha. Good evening to you all. I will briefly take you through the financials and then we can get into the Q&A session. This quarter, we have had revenues of Rs. 221.41 crore, an increase of 1.74% over the same quarter last year. On a sequential quarter basis, revenues were down by 1.15%. As shared by Partha earlier, the dollar revenues are up on a sequential quarter basis. The EBITDA for the quarter was Rs. 41.86 crore, an increase of 12.3% from Q3 of last year. More importantly, we have expanded our EBITDA margin by 170 basis points, from 17.1% in Q3 last year to 18.8% in the current quarter. This was achieved essentially through improved operating efficiencies. On a sequential quarter basis, EBITDA was lower by 7.88%. EBITDA margins have been impacted a bit this quarter as we have undertaken up-front cost on hiring and training for new business. Revenues are expected to materialize in the upcoming quarter.

For those of you comparing the P&L statement for Q3 this year with Q2 of this year, you will see a decrease in employee cost. However, the infrastructure cost and hiring and training cost for new businesses have been worked under direct cost, connectivity cost, as well as other expenditure. These have trended up when compared to that of the last quarter.

Consolidated PAT for Q3 was Rs. 30.19 crore as against Rs. 21.50 crore in Q3 of FY '09, an increase of 40.4%. PAT was 20%

lower on a sequential quarter basis. The PAT margins have been impacted by the strengthening of the rupee.

Now, I will turn to the revenue analysis provided by us. As is evident, Manila has posted good revenue growth as the effect of our seat addition was in place for the entire quarter. Revenues from North America were up in dollar terms, while Indian revenues were impacted by pricing pressure.

Our top client contribution remained stagnant at 16% when compared to last quarter. The contribution from our top five clients and top ten clients has increased as we were able to garner incremental business from these clients.

Having said all of this let me share with you some key valuation parameters about our business. Our consolidated PAT for the quarter is Rs. 30.19 crore. Diluted EPS for the same period is Rs. 14.66 per share. We have a net worth of Rs. 991 crore, which works out to a book value of around Rs. 482 per share. Of this the amount represented by cash and cash equivalents is Rs. 649 crore which works out to nearly Rs. 315 per share. The debt on our balance sheet amounts to Rs. 154.5 crore. Compared to our net worth and cash balance, this is not too large. The closing price of our share on January 22, 2010, was Rs. 470.

Based on these metrics, a quick look at some valuation parameters tells us that the trailing 12 months EPS of Rs. 68, a market price of Rs. 470, our stock is trading at a price to earnings ratio of 7 times. Book value per share is Rs. 482 and the market price is roughly Rs. 470 giving us a price to book ratio of just 1.

Market capitalization is just under Rs. 1,000 crore and revenues from the trailing 12 months are about Rs. 890 crore. The market cap to revenue measure is at 1.1 times. With an enterprise value of Rs. 470 crore and EBITDA for trailing 12 months of Rs. 170 crore, we are trading at an enterprise value to EBITDA multiple of 2.75 times.

A quick word on the cash balance; of the total cash and cash equivalent of Rs. 648 crore, a sum of Rs. 580 crore or US dollar 125 million is in our 100% Mauritian subsidiary, Pacific Horizon. This amount was received as sale proceeds of our stake in telecom subsidiary. As we had mentioned earlier, it has been placed with overseas foreign branches of Indian banks as these are covered by the RBI's sovereign guarantee. As is evident, there is a significant amount of cash on our balance sheet. We are conservative about its use as we are clear that any deployment of cash must be value accretive to the shareholders. We will share any material development on this front as they take place.

That's it from me. We can take your questions now. Thank you.

Moderator: First in line, we have Nikunj Doshi from Bay Capital.

Nikunj Doshi: If you look through the presentation in the last four quarters, our revenue and profitability stagnating. So, despite being improvement in business sentiments over the last four quarters, why are we not seeing momentum in the business?

Partha De Sarkar: If you go back a little bit, you will realize that our revenues in quarter four are typically higher than quarter one and quarter two and that is because historically we have had seasonality in our business. This was the first year in which we were able to counter the dip in seasonality with new business. What looks like a flat revenue is actually a correction that we have been able to bring in by which revenues would have….historically has been dipping in quarter one and quarter two to pick up in quarter three and quarter four. So, that is the way you have to look at those numbers. Essentially, quarter one, quarter two revenues if you go back to last year, you will see that the numbers are much lower than quarter four. We have rectified this situation today; however, if you do not understand that, it will look like we have got a flat revenue line.

Moderator: Thank you very much sir. Next in line, we have Neerav Dalal from Capital Market. Please go ahead sir.

Neerav Dalal: I wanted the dollar terms revenues for the quarter?

Anand Vora: We have a global mix of revenues where we have India domestic business and international business, Manila international business that is Philippines and then we have US international business. So, 85% of our revenues come from our customers in the US, through the dollar denominated revenue.

Neerav Dalal: So, what will be the figure for the quarter? Last quarter, it was $ 47 million, how much is it this quarter?

Anand Vora: $ 48 million.

Neerav Dalal: I wanted to know about the ramp-up. How is the ramp-up scheduled for the customer wins that you have got in Manila and in India?

Partha De Sarkar: As I said, the new center that was built in Manila was essentially to fill up the requirement that we had from our existing customers.

Neerav Dalal: On the new deals won? You won 150 seats in Manila.

Partha De Sarkar: Revenue streams that we have won sometime last fiscal itself, the full force of the revenues will actually start kicking in, in quarter four. You have only seen a part of it kicking in, in quarter three.

August is when we inaugurated this center for hiring, training and all of that, 300 people are now ready to be productive. Only partial effect of that has come in quarter three. The full effect will come in quarter four. Of the 150 seats that we talked about from the telecom client the hiring and training is going on right now. Revenues will start kicking in from first of March of this year. So, there will be a one month effect that will come in quarter four. The other 200 plus 100 that I talked about, our visibility of seats that will be filling over in the next fiscal, will be spread over both quarter one and quarter two.

Moderator: Thank you very much sir. We have a follow up question coming from Mr. Neerav Dalal of Capital Market.

Neerav Dalal: I wanted to know the cost differentials in Manila and India, setting up a center in Manila and in India?

Anand Vora: You want to refer to the Capex or Opex?

Neerav Dalal: Yes, Capex.

Anand Vora: In Manila, the cost would be about 15% higher than what's in India

Neerav Dalal: And the billing rates?

Anand Vora: Billing rates would be anywhere from 15% to 20% higher than that of India.

Moderator: Thank you very much sir. Next in line, we have Mr. Ashish Chopra from OHM Stock Broking. Please go ahead sir.

Ashish Chopra: I wanted to know a little bit about the order from UK in the media sector. With regards to when is the revenue expected to kick in from the same and an idea about the size of the order.

Partha De Sarkar: See, we expect the revenues to kick in, in quarter one. The hiring is just getting done. The size of the order, to start with it is a pilot of about 25 seats. In fact, we will expect that to grow pretty big in throughout the next fiscal.

Ashish Chopra: So roughly how many seats should it go up to?

Partha De Sarkar: To be conservative, I would say that we should be able to do 100 seats.

Ashish Chopra: A question on the employee numbers. There has been a significant dip in the numbers in India. I think it is around close to 400?

Partha De Sarkar: Yes, significant dip in a sense that you know we just managed our employees very well. And we strive to make sure that we rationalize our hiring this year because we don't want to end up in a situation where we are hiring excess of demand. We are very prudent about bench management. So, essentially we have not replaced attrition and that is also another reason why you see such higher profitability numbers. We have essentially managed to deliver higher revenues with lower headcount by running the operations more efficiently and pruning any bench that we had earlier.

Ashish Chopra: As far as the sector-wise revenues are concerned, there has been a drop in telecom and particularly in chemicals and biotech sectors quarter-on-quarter. Has this been purely the impact of pricing or was there any volume reduction as well?

Anand Vora: Essentially, it has been the telecom vertical where you have seen a small dip and it's essentially because of pricing. Volume again remains the same. And as we mentioned, we are at the moment running dual costs because we are setting up centers in tier-III cities, one is coming up in Nagercoil and the other one is coming up at Guntur and training and other costs have already been incurred for both of these centers at this time. So, just to come back to your specific question, the dip is because of the price function.

Ashish Chopra: With regards to these tier-III cities, tier-III centers coming up. Is it going to be just the replacements from the current locations to the locations or are there some seats being set up totally from new business that we are expecting?

Partha De Sarkar: Yes, to start up with, replacement of the seats from the existing center, but most certainly we will be offering very competitive pricing because of the tier-III location; we will be definitely attracting new business.

Moderator: Thank you. We have a follow-up question from Ashish Chopra of OHM Stock Broking. Please go ahead sir.

Ashish Chopra: Just wanted to know about the debt position which stands at around Rs. 154 crore. What is this debt ratio and is it raised from India or from one of the subsidiaries abroad?

Anand Vora: It is a mix of both. The debt from India is about roughly Rs. 75 crore. Rest is all debt which is raised in our subsidiaries in the US.

Ashish Chopra: Would it be possible to know about the performance of AFFINA and how it has been shaping up now?

Anand Vora: AFFINA is doing very well. There has been significant improvement in the EBITDA margin. And one does not expect a double digit growth from the US markets, but we are close to the double digit number in growth and in terms of revenue also.

Ashish Chopra: Would it be possible to share the numbers on that?

Anand Vora: Our US, North America geography as we have mentioned we have total revenue of Rs. 996.5 crore. It is a marginal dip from the last quarter and that differential is because of the currency impact. Dollar term, we are still growing.

Moderator: Thank you very much sir. Next in line, we have Mr. Amitabh Sonthalia from SK Securities. Please go ahead sir.

Amitabh Sonthalia: We have seen flattish revenue and profits quarter-on-quarter, in fact profits have declined Q-on-Q and whereas the expectation usually was that our growth is more back-ended. So, is there a disconnect or is there something which is surprising on that front or was it along the expected lines in your opinion?

Partha De Sarkar: The seasonality in our business typically historically has always kicked in, in quarter three and quarter four. Historically, our revenues in quarter one has always been low. This time we opened the year very strongly by being able to replace the seasonal revenues with new businesses that came in, in North America in quarter one and quarter two. So, if we look at it from that perspective, typically a quarter one which used to go below quarter four, we have held it at a growing level in quarter one and quarter two both. That is why you will find that the revenue line is a little flattish. I would urge you to look at it from a nine month perspective and compare nine months of this year with the nine months of last year and you will realize that the growth has been reasonably decent at 15.5% has been the growth of this year against nine months of last year. And if you look at EBITDA and PAT, the growth has been 29% and 80% respectively: So, those are handsome numbers. All I was trying to explain earlier in the call was the fact that don't look at this quarter being the indicator of how business has been. This quarter has been impacted by two major changes. One is the fact that the rupee has strengthened. Two is the fact that we have got start-up costs associated with three centers going live, all together. We have got the Manila center that is going live for which the revenues will start kicking in, in quarter four and quarter one. We have got duplicate running costs in our centers in the tier-III cities in Nagercoil and Guntur, where we are shifting our business from Chennai and Hyderabad respectively. So, the start-up cost is the reason why some of our operating profitability has dipped. The third factor is that some of the seasonal revenues that we were expecting did not materialize to the extent that we thought. Typically, consumer electronics gives us a sharp boost in quarter three and quarter four. This time it was much more moderate. It is not something to be alarmed of because from the same client we have got additional business and that is going to kick in, in the next fiscal. It is just that the buying pattern of consumers in the US had been much more moderate than we had expected. So, typically, where we see in excess of 100% volumes to which we generally staff up, volumes for the large part of the quarter were at about 90% levels and suddenly in December it hit a 140% levels. So, typically you would see the larger impact of volumes coming through November, December, January, February, these things are only restricted to the month of December. So, a combination of these four or five things that I talked about is what has impacted quarter three and I would like to assure you that this is really a temporary aberration, you need to look at it from a medium-term perspective. We do not have project revenues. All our revenues are long term. There will be some aberration if you have three centers starting up in one quarter itself. All that is reflected out here. I do not know if you have heard about our pipeline. We have already sold positions for another 300 to 400 seats across India and Philippines and that you would see quarter four, quarter one, and quarter two.

Amitabh Sonthalia: I know you do not give guidance on a quarterly or yearly basis, but is it correct to assume that the seasonal factors will not perhaps impact our fourth quarter this year?

Partha De Sarkar: No, I do not see a problem in the fourth quarter.

Amitabh Sonthalia: A quick word on the acquisition front. I know, we have been close on the heels of some acquisition in the past. I understand that you cannot really talk about it, but just a larger question, the company holding large cash balances which are kind of, it is creating some kind of a drag on the company, your having to take on high-cost debt. May not be high cost but at least higher than what you are running on your deposits, significantly higher. So, with the dollar interest rates being at historic lows and expected to remain at those levels for the foreseeable future next year or two perhaps, is there any thought process in the company of bringing in some of that money to at least to the extent of the debts that you have taken on just to save on the differential in interest cost. If you have that figure, it would also be helpful to know what that differential would be, probably be earning 1% to 1.5% on your dollar deposits I assume and perhaps have a cost of 8% to 9% on your rupee loans?

Partha De Sarkar: We do have good visibility on some of the targets and therefore we do believe that, that is the best to utilize any funds with us. I know, we have talked about this on quite a few quarters, but it is something that we have a good visibility of a particular quarter. I can't reveal anything more than that. So, I think that in our belief that is the way with the optimum utilization of cash.

Amitabh Sonthalia: And you would require the available cash for those acquisitions which you have in mind?

Partha De Sarkar: Yes, we do have some aggressive plans of diversifying our revenue base from just US, UK, Asia and Australia. So, we have just seen the first win in the UK geography. We do have plans to expand in the UK. We have also got some targets identified in Asia and Australia. So, if we are able to execute all of these over the next one, one and a half year cycle, we will have a fairly diversified revenue base and a substantial portion of this cash would have used up.

Amitabh Sonthalia: So, at the moment, assuming that you do not announce or succeed in making any acquisitions in the next six to eight months. Would you still continue to hold the cash the way it is? At the moment is there any thought process on that?

Partha De Sarkar: Yes, I think we have good visibility. So, right now, six to eight months, if any deal does not happen, what we will do, it is a little premature to talk about.

Amitabh Sonthalia: Just for the sake of information, what would be the approximate negative carry on the debt versus the cash we hold because that to my mind is the only drawback of holding cash versus taking on debt?

Anand Vora: It will be in the range of about 6%.

Amitabh Sonthalia: Okay, on a base of about Rs. 150 crore?

Anand Vora: That is again is a mix because as I mentioned earlier in the call, we have some debts which are in dollar denomination and which are for our US subsidiary, which should be at a lower spread and some which are in Indian rupees. So the rupee one would be at about 6% spread and the dollar one would be much lower at about 4%.

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Moderator: Thank you very much sir. Next in line, we have Mr. Ankur Rudra from Noble Group.

Ankur Rudra: Just very basically to begin with could you breakup the volume and price numbers?

Anand Vora: On the nine months basis, we have had a volume increase and as far as the price is concerned some of the, as mentioned to you, there was a price drop. The total volume increase, okay let me complete that. The total volume increase was at about 7%.

Ankur Rudra: This is quarter over quarter or year over year, what number?

Anand Vora: It is for the year, YTD for nine months.

Ankur Rudra: And in the quarter there was a decline I guess?

Anand Vora: In the quarter, there was no volume decline. There was a price decline.

Ankur Rudra: So should I assume all the revenue decline is purely price or currency also?

Anand Vora: There is also a currency impact. So, we have the PVC, so, price, volume and currency.

Ankur Rudra: So, is it possible to break it, price and currency for the quarter may be Q-o-Q or Y-o-Y only for the quarter?

Anand Vora: For YTD nine months, we have a total increase in volume of about, as I mentioned, 7%. And the currency impact is about 1.4%.

Ankur Rudra: I was looking at the operating numbers. The EBITDA margins typically you might have been impacted; I think you mentioned a start-up cost. If I exclude that what were the margin difference or may be if you can just give me what the start-up cost was and I can work in backwards?

Anand Vora: There were several reasons for this drop in EBITDA, and it is a mix of these three or four reasons. One is because of the price impact in domestic market. Second was because we have started cost of two centers one of them has gone live, the Manila one, and the other one will go live in this quarter. Manila is our second center, but as you know, we have already started doing training and recruitment for this center which is going live in this quarter and so those costs are also built in. So, these are the reasons why you would see that there has been a drop in the EBITDA. And actually, partly the EBITDA would have also gone up because of the increase in productivity.

Ankur Rudra: In terms of you know, from where we go from this point on and I know you do not give guidance, but just structurally trying to understand how much the margins can recover, will be one part of it which will be structuralized, I guess your deals ramp, your Manila center ramps, you will see sort of margins come back, but the second part I think the Indian costs going up that is something you will to deal with by going to cheaper centers. So, there I think I did catch a bit of a call where you said you were opening up tier-III centers, is that right? Is that the way to understand it?

Anand Vora: That is right Ankur. We have planned two tier-III centers, one at Nagercoil and one at Guntur. Nagercoil center will go live during this quarter. Guntur will go live in April that is the Q1 of next year.

Ankur Rudra: This is mainly for the domestic business?

Anand Vora: That is for the domestic business that is right.

Ankur Rudra: What cost saving do you do in these sorts of centers as opposed to your older Indian centers, just to get a sense of the numbers?

Anand Vora: Well, the capex cost definitely is lower by about 20 odd percent, but the operating cost once we start operating, so clearly you know 60% of our cost as salary and other things and you know we expect attrition, etc., in these centers to be much lower.

Ankur Rudra: So, capex you may negate the fit-outs because you tend to rent the center rather than own them?

Anand Vora: Yes, we do not get centers like that. Once we figure out the talent which we generally attract, then we decide what we would like to have our centers like.

Ankur Rudra: And do you tend to outsource anything, you know, just if you want to ramp-up quickly outsource it to existing tier-III operators who do not have the brand but can give you the capacity?

Anand Vora: We have not tried that model but we are not averse to that model also, but typically, you know, what happens is then these regional centers directly also try to pitch for the same business. So, we prefer to put up our centers. I think we have mastered that art. We can put up a center in 60 to 75 days, and we do it quite efficiently. So, the good thing is that, then these centers have the same look and feel and therefore it helps to, you know, maintain a certain brand.

Ankur Rudra: But your Indian customers don't require you to own your centers, you can outsource if you like?

Anand Vora: Yes, if you like you can, but finally, it affect in the SLAs and other things because these customers do visit our centers. Some of them could have their person stationed there for quite sometime.

Moderator: At this moment, there are no further questions from the participants. I would like to hand over the floor to Mr. Partha Sarkar for the final remarks. Over to you sir.

Partha De Sarkar: Gentleman, thank you for joining us on this call. We look forward to building up on our structure during this quarter and look forward to having you again. In case you have any further questions or queries, please feel free to get in touch with Anand or our investor relations team. Thank you.

Moderator: Ladies and gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.