

June 6, 2022

BSE Limited
Corporate Relation Dept.
P. J. Towers, Dalal Street
Mumbai 400 001.
Scrp Code : 532859

National Stock Exchange of India Ltd.
"Exchange Plaza"
Bandra Kurla Complex, Bandra (East)
Mumbai - 400 051.
Symbol : HGS

Dear Sirs/ Madam,

Sub: Transcript of Earnings Conference Call held on May 30, 2022

This is in continuation to Q4 FY2022 Earnings Call of Hinduja Global Solutions Limited (the Company) held on May 30, 2022.

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, we wish to attach herewith the transcript of Q4 FY2022 Earnings Conference Call of the Company held on May 30, 2022.

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

Thanking you,

For **Hinduja Global Solutions Limited**



Narendra Singh
Company Secretary

Encl : As above

HINDUJA GLOBAL SOLUTIONS LIMITED

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Corporate Identity Number:L92199MH1995PLC084610





Hinduja Global Solutions Limited

Q4 & Full-year FY2022 Earnings Conference Call

May 30, 2022

**Key Speakers: Mr Partha DeSarkar, Executive Director and Group CEO, HGS
Mr Srinivas Palakodeti, Global CFO, HGS**

Moderator: Good evening ladies and gentlemen, a very warm welcome to the Hinduja Global Solutions Limited Q4 and FY22 Earnings Conference Call. From the senior management, we have with us today Mr. Partha DeSarkar – Executive Director and Group CEO and Mr. Srinivas Palakodeti – Global CFO. 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 “*” star then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Snighter Albuquerque from Adfactors. Thank you and over to you sir.

Snighter Albuquerque: Thank you. Good evening everyone. And a warm welcome to the Q4 & FY22 Results Conference Call of Hinduja Global Solutions Limited. We are joined by Mr. Partha DeSarkar - Executive Director and Group CEO and Mr. Srinivas Palakodeti - Global CFO to discuss the Q4 and FY22 results and the key developments during the period.

Before we begin the conference call, I would like to mention that some the statements made during the course of today’s call may be forward looking in nature, including those related to the future financial and operating performances, benefits and synergies of the company’s strategies, future opportunities and growth of the market of the company’s services and solutions. Further, I would like to mention that some of the statements made in today’s conference call may be forward-looking in nature, and may involve risks and uncertainties. I would further like to mention that if there is a call drop during the course of the conference call, please bear with the management. Thank you and over to you, Partha sir.

Partha DeSarkar: Good afternoon Snighter and a warm welcome to all of you on behalf of Hinduja Global Solutions joining us for the conference call. I’m sure all of you’ve got the earnings deck that we have posted on our website. And I’m going to refer to that as I take you through my takeaways from this quarter’s performance. So, going to slide #3, we’ve made one segregation... with the healthcare business being divested, we are now showing you the performance of the remaining business as well. And since most of the year has been a combination of two businesses, and even quarter four had about five days of healthcare business (the divestment of January 5th). So some of these numbers will be a little difficult to interpret. But bear with us, we’ll try to see how best we can provide you more clarity on those numbers.

Just on quarterly revenue performance, you will see that the retained business has actually grown very handsomely, from Rs.7,620 million to Rs.8,655 million, a growth of about 13.6%. On an overall basis, the revenue number pertaining to our business is Rs.15,636 million coming down to Rs. 9,144 million. And this is where I think you will be able to figure out that compared to consolidated business, Q4FY22 is showing a lesser number than the number last year because it only has five days of our healthcare revenue in the right hand side of that particular graph. If you look at the Y-o-Y revenue performance, then the retained business has actually grown even better. It's gone from Rs. 26,108 million to Rs.32,637 million, a growth of about 25.4%, which is a very handsome growth. Whereas the growth numbers are more muted on a consolidated basis for the full year - Rs.55,889 million to Rs.57,959 million that constitutes a 3.7% growth, and the explanation for the muted growth is the fact that healthcare business in Q4FY22 contributed to only five days of revenue.

We'll move to slide #4 that talks about Q4FY22 in a little different perspective. In rupee terms, we saw a 13.6% growth in revenues and dip in EBITDA of about 69.5%. A large part of the transaction cost pertaining to the healthcare divestment has actually been absorbed in this quarter and that is what shows up in these set of numbers. PBT has grown from negative Rs. 176 million to positive Rs. 473 million and profit after tax is marginally negative from minus Rs. 106 million to minus Rs. 8 million.

If you were to look at it from a full-year perspective, you will see that the numbers are actually quite good... 25.4% growth in revenues, 46.1% growth in EBITDA, 133.1% growth in PBT and 105.2% growth in profit after tax. This is for the full year; you will see that the profitability numbers on a full-year basis have actually shown a good improvement. More details on these numbers will be covered in the financial section by Pala. I'm going to move on and give you an overall view of the business in my presentation.

Slide #6 talks about the overall business for the full-year, including the divested healthcare business. We saw 3.7% growth on revenues, 15% de-growth in EBITDA, 1,511.6% growth in PBT - that's because of the large amount that has come in towards the sale proceeds of the business and 1,716.3% growth in profit after tax, that again the numbers are so spectacularly better just because of the sale proceeds for the healthcare business, that are reflected in the Q4 number.

Moving on to slide #7 the healthcare business. This is the last time that we are going to talk about healthcare because the business has been divested. It was divested to unlock significant shareholder value at enterprise value of \$1.2 billion, subject to closing adjustments, effective 6th Jan 2022. 40% of the purchase consideration was received in India while the rest has been received overseas. The profit before tax is Rs. 65,543 million, out of which taxes were Rs. 8,007 million, giving a profit after tax of Rs. 64,742 million. What you are left with is now the rest of the business, which is the Consumer Engagement Solutions business, that has shown strong growth. Growth has been principally led by the UK and US geos, both onshore and offshore. Of the two businesses, the UK business has seen a spectacular performance in revenue and profitability. The year-on-year revenue growth was about 36.5%. EBITDA was about 3.8 times EBITDA for last year. We had one of the largest wins for the HGS public sector team, potentially a total contract value of £211 million (Rs. 2,100 crore) employing over 2,000 work at home positions across the UK, principally for vaccination support, test, track and trace support for COVID.

I also want to mention another significant activity that's happened in Q4FY22, which is acquiring the Diversify Offshore, Australia business. It happened effective February 25th. Integration is in process as we speak and is going on well. It has got a healthy sales pipeline; since the acquisition, we have signed 6 new clients across retail, power and utilities, banking and financial services, etc.

Moving to slide #9, the digital business, which is primarily based out of the US, saw revenues grow by about 28.2% year-on-year. Multiple clients have been signed up in the year. We began offering cloud-related services to a large multinational... Due to confidentiality reasons, we are not able to share the names. We are seeing great demand for our digital solutions, led by cloud and the 3As (Analytics, Automation and Artificial Intelligence.) Two internally developed solutions were delivered to the market for the digital business. One is the Cloud Accelerator and another one is HGS Agent X... these are platforms built by HGS and are proprietary platforms that will help give us a great competitive advantage in the digital consumer engagement solutions space.

Slide #10 captures a snapshot of the business that is left. We now operate in 7 countries, with 38 delivery centers, \$439 million in revenue, about 750+ digital

transformation consultants, have about 22,000 employees, while the number of clients on the BPM side is 200+ and HRO & Payroll services, which is a India business that we run, has got 730+ clients. We have given a total dividend in FY2022 of Rs. 245 per share on a pre-bonus basis. We also support 17 languages globally.

Moving to slide #11, a peek into the future of this business. The graph on the left shows data from an Everest report on the customer experience market; the outsourced market size and its growth potential from 2017 to 2022 is large. It is a range of about \$96 million to \$98 million, of which the digital customer experience management segment, which is HGS' target market, has been growing steadily from 3.5% CAGR earlier to 4.6% CAGR. Despite the effects of the pandemic, the market is expected to really grow fast. Digital demand is driving this, led by aggressive client activity. The deals are getting better and bigger, and there is a lot of work in digital customer experience transformation projects, which is more about personalization and end-to-end managed services.

HGS has been recognized by Gartner... happy to say that this happened in Q4FY22. If you look at both completeness of vision and ability to execute, we rank in the leaders' quadrant in Gartner's Magic Quadrant. We are very proud that this is the second consecutive year HGS has featured in the leaders' category in Gartner's Magic Quadrant.

This is where we are today.

Going forward, we want to become a digitally-led customer experience transformation company. A significant part of our work today is labor arbitrage driven, but we want to drive towards technology arbitrage, and to do that, we have to be able to scale our digital capabilities in artificial intelligence, analytics, automation, cloud, mixed reality for Metaverse, by leveraging our base book of retained business. We must make strategic and tuck-in acquisitions to create a comprehensive digital capability and expand markets while focusing on specific industry verticals and micro verticals by determining where to play and how to play. Three pillars — generating significant growth, achieving operational efficiency to improve profitability and focusing on successful M&As — are the three pillars on which we are going to build the company for the coming years.

Slide #15 is a slightly more detailed look of the strategy... the domains that we want to capture include marketing, payments, technology, data and analytics and process management. This will help us evolve into a full-service digital customer experience transformation services partner for our clients. Our chosen verticals would be banking and financial services, direct to consumer, retail and e-tail, technology media telecom, digital or fast-growing tech companies and the public sector. And we will operate across strategy and design, technology implementation, managed services, and analytics and insights. Service offerings will cover digital customer engagement, digital experience management, cloud and security, analytics and insights and intelligent automation. A large part of our growth in the future will be driven by technology partners; we have partnerships with Microsoft, Adobe, UiPath, AWS, Twilio, Automation Anywhere and Sprinklr, etc. This is going to be the basic platform on which we are going to build HGS 2.0. With that, I'm going to hand over this presentation to Pala. Over to you Pala.

Srinivas Palakodeti: Thank you, Partha. Good evening everyone. So, I will now move to slide #17. This gives the quarterly view of the retained business. As Partha mentioned earlier, on a sequential basis, revenue growth has been 7.8% and year-on-year growth has been 13.6%. In dollar terms of course, it's about 10.4%, given the depreciation of the rupee against the dollar. EBITDA margins for Q4FY22 were muted. As Partha mentioned, there were several costs during the quarter, including the cost related to the transactions of both the sale of the healthcare business as well as acquiring Diversify, which happened during the quarter. So, margins for the quarter of the retained business do look muted. The only other thing to call out is on the exceptional items there was a query last quarter as well. This pertains to the healthcare business, which the buyer has not taken over. So, from an accounting point of view, this is a classification issue being shown as part of the retained business but actually belongs to the healthcare business. As you can see, there is a big drop compared to Q3FY22 and Q4FY22. So, going forward, we don't expect this cost to continue. On a PBT basis, there has been an increase of about 368% on a year-on-year basis. And at a PAT level the growth has been roughly about 93% on a year-on-year basis.

Slide #18 is a view of the retained business. Again if you see, it's a very strong growth of above 25% in dollar terms and 25.4% in rupee terms, the variation primarily because of the rupee depreciation in the Q4FY22. While EBITDA margins looks low as

this has come on the revenue growth of **25.4%**, and in rupee terms, EBITDA has actually expanded to about 46% over FY21 for the retained business. As we mentioned earlier, there are certain costs, which are there during the course of the year relating to the transactions mentioned and some one-off items. Profit before tax has changed significantly from minus Rs.1129million . to profits of Rs.373 million .; at a PAT level as well, it has now turned positive at Rs.31 million from loss of Rs.586 million for the retained business.

Going on to the next slide, slide #19. This is a view of our balance sheet. We are a company with a net worth of about Rs.78,084 million, while book value per share is at Rs.1,868. We have issued effectively Rs. 245 per share as dividend on a pre-bonus basis. Because of the bonus, it has come to over Rs.220 per share. We are virtually a zero debt company, total debt is Rs.35 million. About half of this debt has gone away after March 31, and the balance amount technically shows up as a debt that's actually borrowed against fixed deposits of the company. Again as you see, the amount is not material, is not very big. In a manner of speaking, we are truly a zero debt company on March 31. We have Rs.35,209 million of cash and cash equivalence and we are a net cash company of Rs.35,175 million.

Moving on to the next slide. As of March 31, we have, as I said earlier, Rs.35 million as debt. We have ICDs to related parties of Rs.11,245 million. We have cash of Rs.35,209 million and there is additional amount in debt .investments. of . Rs.24,668 million.

Moving on to slide #21, these are some of the other key parameters. CAPEX for the year was Rs.2,371 million as compared to Rs.1,581 million in the previous year. That is primarily because of extra CAPEX required as we have grown over 25% in the retained business. Also, due to the sale of the healthcare business, there were some extra CAPEX required to be incurred on a go forward basis to help sort out and segregate the facilities and the IT infrastructure. In terms of DSO days, there is a substantial reduction... for FY21 it stood at 72 days for the total business healthcare and CX business; for FY22 we have taken revenues DSO days as of 31st of March that primarily pertains to the CES business, because the healthcare business receivables were sold I when we completed the transaction. And so the DSO days for the CES

business as of FY22 is substantially lower at 65 days compared to 72 days. So, roughly about 10% lower in terms of the number of days.

In terms of EBITDA to free cash flow conversion, this is for the company as a whole, including the healthcare business as well as the retained business. We have continued to operate well. As you see the EBITDA to free cash flow conversion, which was 43% for FY21 on an overall basis, has gone up to 48%. Obviously, the EBITDA has come down in absolute terms because of the sale of the healthcare business during the course of the year. And these cash flows are purely from operations after working capital charges and CAPEX, and do not take into account any cash flows from the sale of the healthcare business.

Moving on to slide #22. You will recall in the month of January 2022, the Board had indicated to give a buyback of roughly about Rs. 1,000 crores, subject to be based on the audited balance sheet of this year. The actual number comes to Rs. 975 crore or Rs. 9,750 million. Slide #22 shows how this number has been arrived at, which as per SEBI guidelines and the Companies Act. It's lower of the consolidated networth and standalone networth. In our case, the standalone networth comes lower than the consolidated. So, looking at the total pre-reserves, and if we applied 25% of the networth, which is the maximum amount permissible as per Companies Act and SEBI guidelines, the amount comes to Rs. 9,750 million or Rs. 975 crores as compared to the earlier estimate of Rs. 1,000 crores done in January.

One thing to bear in mind after the indication given by the Board and announcement made in January, we've actually declared Rs. 28 interim dividend in February along with the Q3FY22 results. So, there was an outflow of roughly Rs. 56 crores during Q4FY22. If that had not been done, about 25% of that, so roughly about Rs. 14 crores would have got added to the net worth -just to be the bridge between Rs. 975 crores and Rs.1000 crore. So, Rs. 14 crores is the impact of dividends, which were paid out during Q4FY22.

Moving on to slide #23, which is a quick recap in terms of what's been done for the shareholders. We have announced roughly about Rs. 195 per share of dividend in the form of interim dividends. And then we have announced, based on the Board meeting on Sunday, a final dividend of Rs. 25, which is of course subject to normal shareholder approval. So, Rs. 25 is on post the 1:1 bonus. On pre 1:1 bonus basis, the dividend for

Q4 should be seen as Rs. 50 per share and the total dividend paid out by the year is about Rs. 245 per share on a pre 1:1 bonus basis. So, roughly about Rs. 512 crore or Rs. 5,120 million is the outgo on the dividends, taking into account the final dividend, which will be done around in September subject to shareholders approval. As I mentioned earlier, the amount of buyback, based on FY22 audited financials, comes to Rs. 9,750 million. The detailed buyback process announcement would come at a later stage.

Moving to slide #24, this is again for the retained business for the full year. In terms of revenue by delivery with the sale of the healthcare business, the US accounts for about 34%, UK accounts for about 26%, followed by Canada which is about 17.7%, the India business is now fairly small, which is about 13% comprising of our HRO business and some of the digital business and some business which we do servicing the offshore clients. From an origination perspective, the largest share continues to be the US at 38.4%, UK comes next at 31.5%, followed by the Canadian business as well as the India business, which stands at 10%.

Moving on to slide #25, revenues from verticals for FY22, excludes the healthcare business. The largest, coming primarily from the UK but we do have some other countries as well, is basically public sector and from other verticals. After that, it is telecom and technology, which accounts for about 20%, followed by about 19% from consumer and retail, and we have banking and financial services that account for about 18%.

Moving on to slide #26 which is on client concentration. The healthcare business had significant client concentration, with the largest client accounting for close to about 40%. For the retained business, the top three clients account for about 10%, top five for about 39% and top 10 customers account for about 52%. On the retained business, we talked about the strong growth on the digital business. Now digital accounts for about 11.6% of revenues, 10.9% comes from non-voice back office business and the balance 77.6% comes from voice in the retained business.

Slide #27 is an update on the transaction NXTDIGITAL. This is a transaction by which the board of HGS and NXTDIGITAL have approved the demerger of the NXTDIGITAL media and digital business into HGS. The consideration will be through issue of shares to the shareholders of NXTDIGITAL, that for every 63 shares held of NXTDIGITAL, the

shareholders of NXTDIGITAL will get 20 shares of HGS. Post the approval from the Board, filings have been done with the stock exchanges. This requires approval from SEBI. Thereafter, we will require approval and will have to go through the NCLT process. So, we are right now in the process where the approvals are awaited. When we get the approvals from regulatory authorities, shareholders, etc., and the transaction goes through, the share capital of HGS will increase from 41.97 million shares to 52.48 million shares. So, there is an increase of share capital by about 20.4% to issue additional shares to the shareholders of NXTDIGITAL. Based on the last available information on the promoter shareholding, there'd be a small drop in the promoter holding from 67.1% over 64.7%.

Moving on to slide #28, this is the share price movement compared to CNXIT as well as NIFTY. This takes into account and normalizes for the 1:1 and the issue of the share price and index bonus on 22nd February 2022. Share price was roughly about Rs.950 at close of business today. That's all from my side, now I hand it back to the moderator. And we will take up the Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

Jyoti Singh: On the healthcare side, after divesting the healthcare service business, is the company looking to expand any other segment?

Partha DeSarkar: Yes. As mentioned in our presentation, we are looking at fast growing tech, e-commerce, retail, technology media telecom and banking & financial services.

Jyoti Singh: What are the strategies that company is adopting to build HGS 2.0 and how much margins are expected going forward and what will be the revenue growth for the FY23-24?

Partha DeSarkar: We will not be able to give you forward guidance. In one of the presentation slides that we shared, we did cover the strategy. If you go back to slide #15, we have tried to cover that in fair amount of detail. So, I would request you to go through that slide. In terms of margin profile, the idea would be to build it back to the level of profitability that we had before when healthcare was a part of our business. And as we add more

technology business, which are generally supposed to be able to generate better margins, we will try to improve our profitability going forward. I would request you to look at slide #15 that explains our strategy in one page itself with fair amount of detail.

Jyoti Singh: Yes sir, I got that sir. And recently company did the acquisition of NXTDIGITAL. Any other acquisition in the pipeline?

Partha DeSarkar: We acquired a company called Diversify Offshore Solutions in Australia. That also happened on February 25th.

Jyoti Singh: Okay. If you can guide.

Partha DeSarkar: NXTDIGITAL is a merger, it's not an acquisition. The scheme is still to be approved by the regulators.

Jyoti Singh: Okay, so how much time it will take?

Partha DeSarkar: It will take some time, I don't have a specific timeline but is a function of how much time the regulatory approvals take.

Jyoti Singh: Okay. And sir, you have mentioned about the buyback, but still you will announce further so, any light on the buyback?

Partha DeSarkar: Yes, the buyback cannot happen till the merger is over. So, once the merger is completed, only then the buyback can happen. So, I would say tentatively towards the end of this calendar year is when the buyback can happen and the details of that can also be shared only after the merger process has been completed. So, further details we cannot give you, we have given you all the details that we could, which is the quantum of the buyback of Rs. 975 crores that has been shared with you by Mr. Palakodeti. For any further details, you will have to wait till the merger is over.

Moderator: Thank you. Next question is from the line of Ruchika Sharma from Wealth First Advisor. Please go ahead.

Ruchika Sharma: My first question was with regards to our healthcare business. So, approximately how much time are we expecting to take to fill the gap created by divesting this healthcare business?

- Partha DeSarkar:** I would say it will take us approximately three to four years.
- Ruchika Sharma:** Okay, right. And also amongst the other segments that we have, like public sector telecom and TMT business, where do we plan to focus more and where do we expect to receive larger revenues from?
- Partha DeSarkar:** Public sector is the one that I would say would be our focus for this year at least.
- Ruchika Sharma:** Okay, great. My second question is with regards to our digital space... which type of mandates are we targeting in this digital space and are we having any prominent names of companies that we are catering to, because in the last quarter the management mentioned about winning a multi-million dollar deal from a global tech company, so could you just disclose a few details on that?
- Partha DeSarkar:** We can't give you the name of the particular company due to confidentiality, but it's a large deal. It's with a very well-known technology company worldwide, but beyond that, we are not able to share more details.
- Moderator:** Thank you. Next question is from the line of Rutvik an Individual Investor. Please go ahead.
- Rutvik:** I have a couple of questions. From the funds that are available for deployment, how much of that will go into organic and inorganic in value terms and the percentage terms?
- Partha DeSarkar:** Yes, again that's not a number that we're disclosing as of this point of time, but it is something that will be a function of what opportunity comes in front of us and what makes sense from a long term strategic perspective. But I have to say that a large part of the funds will be deployed for both organic and inorganic. We want to make the company a technology company and therefore our focus would be on acquiring technology.
- Rutvik:** Okay, fair enough. The second question is, could you just elaborate on this partnership between Digital and Khoros?
- Partha DeSarkar:** Khoros?
- Rutvik:** Yes.

Partha DeSarkar: It's not just Khoros; we have multiple partnerships with technology companies to support growth. On slide #15 of our presentation, we have mentioned Sprinklr; Khoros partnership is similar to Sprinklr.

Rutvik: It's in the press release sir.

Partha DeSarkar: Okay, got it. Khoros and Sprinklr are similar, basically tools that enable you to go through all the social media content that gets created and track reputation of what a company is talking about specific brands and other things. It's a reputation management tool and a new partnership that we have started this year. These partnerships are going to enable us to provide a differentiated customer experience management capability.

Moderator: Thank you. Next question is from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.

VP Rajesh: My first question was regarding the transaction expenses. Could you comment on that and tell us the quantum of the fees that was put in the Q4FY22 and anything that will be booked in Q1FY23?

Srinivas Palakodeti: The transaction expenses total is about Rs.2,438 million, that was lawyer fees, etc. We don't see anything spilling over into Q1FY23 because the transaction has been completed.

Moderator: The next participant line is Mr. Shailendra Mundra from Vaibhav Financial. Please go ahead.

Shailendra Mundra: On a normalized basis, it appears that your retained business is at best about 3% EBITDA business as of now. So, could you please give us any idea about how or you would be able to improve the margins substantially compared to your other peers in India?

Partha DeSarkar: That's a very good question. Our principal focus this year would be to shrink our real estate footprint. As you know, a large part of our business after COVID has moved to work from home. And therefore, we are stuck with many leases and properties, which we own or lease today, that are not required and people are not working from those. We are trying to see how many of the leases we can be exit from or how many of the

real estate can actually be sold out. That could help lower our operating expenses. When I spoke about the 38 operating centers, most of these operating centers are vacant today. And while some of these are own properties, there are some which are leased properties. And there are lease rentals that we are paying today, which actually are not being used. So, we are exploring options to see how we can exit some of these leases, and how we can sell off some of these properties. But that's going to be a big chunk of what we're trying to do to improve the margins of the business. And second thing we will try to focus on - we are trying to see how we can improve the revenue profile by improving our digital capabilities and selling technology services in larger deals. Today, if you see our revenue distribution, about 11% is digital revenues. Over the next three years, we see that our revenues will grow to the extent of becoming almost 50:50 of labor arbitrage business and our digital solutions. As that happens, we will see the margin profile increase.

Shailendra Mundra: Okay. So, are you saying that post COVID, you will not need to get those employees back into offices?

Partha DeSarkar: Look, the outlook as of now is that onshore people are still okay to work from home. There is some pressure to bring people back to work in Philippines. In India, we are still allowed to work from home. So, we are watching the space to see whether we really need the kind of real estate footprint that we have today. The future of work is going to be a hybrid model of work from home and work from office, and therefore we need to rationalize our real estate.

Shailendra Mundra: Can you please give us some idea on what is the EBITDA margin in digital versus voice, versus the non-voice?

Partha DeSarkar: That is a good question. Unfortunately we don't disclose that number in our published financials. It's something that we can look at in the future whenever we want to disclose those details, but right now I am not in a position.

Shailendra Mundra: Maybe you don't disclose it for your company but in general in the market, what is the general observation, since you're targeting digital what kind of EBITDA profile it has versus the voice?

- Partha DeSarkar:** For technology companies, the EBITDA profile would be in the mid-teens to high teens and some even have EBITDA in excess of 20%.
- Shailendra Mundra:** You have sold the best part of your business actually at a very good price. So, that's a good thing, but the question is since you have good experience in that business and you have scaled it up before, would you like to get into similar business or acquire small parts and scale up again or not, or is there any non-compete agreement there?
- Partha DeSarkar:** There is a non-compete, we will not be able to get into the healthcare.
- Moderator:** Thank you. Next question is from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.
- VP Rajesh:** I was asking you about the NXTDIGITAL transaction. So, in the situation when we are issuing the shares, are we acquiring the entire company or only a portion of that company as it's not very clear from your comments in the press release?
- Partha DeSarkar:** Pala you want to take the question?
- Srinivas Palakodeti:** Yes, Thank you Rajesh. To clarify, we are only acquiring the media and digital business of NXTDIGITAL and not the entire company.
- VP Rajesh:** Okay, alright. And then in terms of the ICDs, what is the maturity profile of that and are you planning to do more ICD to the related parties in this current year?
- Srinivas Palakodeti:** These are all repayable on short notice, essentially money deployed on demand. And the maturities are all maximum one year from the date of disbursement. As and when we need the funds, we can call the money back.
- VP Rajesh:** Right. So, is there any plan to reissue these ICDs as they mature this year?
- Srinivas Palakodeti:** So, look there is obviously money required for the buybacks as and when we do it. .. There is also money required for organic growth and acquisitions. Right now, we are able to earn better rates than what we get by putting in bank fixed deposits. And this is money made available to related parties and can be called back as and when funds are issued.

- VP Rajesh:** No, I got that point, I was just trying to understand if you will reissue to them that's all I wanted to understand, let's say they mature on 31st of December. And in that case, would they be reissued or this was just a one-time deal with the collated parties?
- Srinivas Palakodeti:** It depends what is the position as on the date and what is the yield you can get. We will obviously use up the lowest interest cost bearing funds first and we will callback the funds as and when we require on the ICD side.
- VP Rajesh:** Okay, understood. And then on the business side, how much cash would you need for working capital purposes because obviously you're profitable. So, the only cash you may need is for working capital?
- Srinivas Palakodeti:** Please complete your question.
- VP Rajesh:** No, I was just saying that in fact even that you may not require because what you said about disposing of real estate then you might have cash proceeds coming from that side also. So, I'm just trying to understand if you will be using the cash that you have on your balance sheet for any purposes in the business this year.
- Srinivas Palakodeti:** So, we would require cash because money gets locked up in working capital. Right now, the DSO days is roughly about 65, but there would be CAPEX and there would be any M&A which we do.
- VP Rajesh:** Okay. So, what are your CAPEX guidance for this year?
- Partha DeSarkar:** We are working through it because the CAPEX requirements change based on how much is going to be work from home and how much is going to be in office. We're working through that. And also the migration has been towards cloud based technologies, wherever possible, especially on the telephony kind of infrastructure rather than the traditional on premise servers. So it's a mixed bag but we're working through that.
- Moderator:** Thank you. The next question is from the line of Shailendra Mundra from Vaibhav Financial LLP. Please go ahead.
- Shailendra Mundra:** When I look at your cash, you have almost Rs. 7,000 crores of cash and after dividend and buyback, you will still be left with almost Rs. 6,000 crores of cash and because of

the limitation of buyback that you cannot do more than about Rs. 1,000 crores in a year, so you will have to aggressively deploy that cash to get some reasonable return on this cash hold. So, what is the plan, is there any intention of going for some aggressive acquisitions or making some investments in other good companies. If you invest this in fixed income securities, and that will be the current interest rates, the tax rates, etc. there's not much you can get out of it. So, could you please detail your vision at least a high level vision of what you plan to do with this cash?

Partha DeSarkar: You would have seen that within a few weeks of selling our healthcare business, we acquired a business in Australia. So, that was the first one we did, and within another few weeks, we did the merger... even though the merger is going to be a share swap and not going to be cash. So the short answer to your question is we need to acquire digital capabilities to be a technology company. Therefore, we are going to deploy most of the cash that we have in our books today to build that capability... either build organically or build through acquisitions in the technology space. That is the vision for utilization of this cash.

Shailendra Mundra: Okay. So, if you get opportunities you will like to invest all that Rs. 6000 crores in acquiring new companies or capabilities or businesses?

Partha DeSarkar: That is correct. So, till such time we get a concrete opportunity which is good, the money is parked in short term securities.

Moderator: Thank you. Next question is from the line of Avinash Nahata from Parami Finance Services. Please go ahead.

Avinash Nahata: Thank you for the opportunity in response to one of the participant questions that you would vacate some of the current leases, so assuming those all the employees were occupying those leases or those offices, our margins would be 3%. Is that correct?

Partha DeSarkar: Yes, so that is the current number. Yes.

Avinash Nahata: Is there a spare capacity also as far as the number of seats are concerned, or that's not the case?

Partha DeSarkar: Yes, there is spare capacity.

Avinash Nahata: So, spare capacity could be 10%, it could be 40% so any magnitude because you said that the vacating of lease would lead to a substantial rise in EBITDA margin. So, the idea to understand is about vacating of lease and ramping up as far as the new clients or new businesses are considered. So, from a shareholder perspective, we just want to understand that when can we see the ramp up as far as the new business is considered in one quarter, in two quarters and margins at least 7% to 8% margin in two quarters, three quarters give us some sense

Partha DeSarkar: Towards the end of this year towards quarter four, you will probably see a significant improvement in margin.

Avinash Nahata: Okay, so you're saying another three quarters time?

Partha DeSarkar: Yes, approximately yes.

Avinash Nahata: And this UK business which you have spoken about, that is classified under the government business?

Partha DeSarkar: Yes.

Avinash Nahata: And the ramp up of which will start or has it began?

Partha DeSarkar: It has begun.

Avinash Nahata: And you spoke about Rs. 2,000 crores over two years is it?

Partha DeSarkar: It is £211 million pounds.

Avinash Nahata: Yes, sorry +£200 million over two year period.

Partha DeSarkar: It's 2+1+1.

Moderator: Thank you. Due to time constraint, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Srinivas Palakodeti for closing comments. Please go ahead.

Srinivas Palakodeti: Good evening again. Thank you everyone for joining our Q4 and FY22 full year financial discussion. We look forward to meeting with you again in a couple of months' time to

discuss our results for Q1FY23. Thank you once again for joining this call. Good evening and have a good day.

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.

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.