

November 16, 2023

BSE Limited
Corporate Relation Dept.
P. J. Towers, Dalal Street
Mumbai 400 001.

National Stock Exchange of India Ltd.
“Exchange Plaza”
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051.

Scrip Code : 532859

Symbol : HGS

Dear Sirs/ Madam,

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

This is in continuation to Q2FY24 Earnings Call of Hinduja Global Solutions Ltd. held on November 10, 2023.

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, we wish to attach herewith the transcript of Q2FY24 Earnings Conference Call of the Company held on November 10, 2023. The transcript can also be accessed using: https://hgs.cx/wp-content/uploads/2023/11/HGS_Q2-FY24-Earnings-Call-Transcript_Final_Nov16.pdf

Thanking you,

For **Hinduja Global Solutions Limited**

Narendra Singh
Company Secretary
F4853

Encl: As above

HINDUJA GLOBAL SOLUTIONS LIMITED.

Corporate Office: Gold Hill Square Software Park, No. 690, 1st Floor, Hosur Road, Bommanahalli, Bengaluru - 560 068. India. Telephone: +91-80-4643 1000 / 4643 1222
Regd. Office: Tower C (1st floor), Plot C-21, G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400 051. India. Telephone: +91-22-6136 0407, Website: www.hgs.cx

Corporate Identity Number: L92199MH1995PLC084610



**Hinduja Global Solutions
November 10, 2023**



**Hinduja Global Solutions Limited
Q2 FY2024 Earnings Conference Call Transcript
November 10, 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

Mr. Lakshmi Narayanan CS – Chief of Staff **NXT**DIGITAL and CFO, ONEOTT iNTERTAINMENT Limited

Hinduja Global Solutions Limited
Q2 FY24 Earnings Conference Call
November 10, 2023

Moderator: Good evening, ladies and gentlemen, a very warm welcome to the Q2 & H1 FY2024 Earnings Conference call of Hinduja Global Solutions Limited.

From the senior management, we have with us today Mr. Partha DeSarkar – Whole-time Director and Group CEO, Mr. Srinivas Palakodeti – Global CFO, Mr. Vynsley Fernandes – Whole-time Director HGS and Head of Digital Media business and Mr. Lakshmi Narayanan CS – Chief of Staff **NXTDIGITAL** and Chief Finance Officer, ONEOTT iNTERTAINMENT Limited.

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

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

Darshan Mankad: Thank you Lizzan. Good evening, everyone. We welcome you to the Earnings Call of Hinduja Global Solutions Limited for the second quarter and first half year ended September 30, 2023. 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 risk and uncertainties including those related to the future financial and operating performance.

Please bear with us if there is a call drop during the course of the conference call. We would ensure the call is reconnected as soon as possible. Next, I would like to hand it over to Mr. Partha DeSarkar – Whole Time Director and Group CEO to share his views. Over you too, sir.

Partha DeSarkar: Thank you, Mr. Mankad. A very good afternoon to all of you who have joined the call today. I wanted to give you a summary of the first half of the year for the BPM business, and I hope you have access to the presentation that you have put on the website, which we are going to talk all of you through as well.

So, overall, I think in the first half of the year we have seen reasonable growth in revenues, but we can see that the revenue growth outlook for the full year is going to be a little muted.

This is because, as seen by other people in our peer group, there has been a fair amount of uncertainty in the global economic outlook, and that's where clients have actually cut spending and have delayed decision-making. As a result of which we do see that it's slowly catching up with us. It wasn't really that visible in Q1 FY24, but in Q2 FY24 we are seeing some part of it as well, and like our other peers, we seem to be facing some revenue headwinds.

So, what we have done as a result of that is we've really focused in Q2 FY2024 on managing costs and improving margins, but we haven't really given up on investing in growth. So, we have gone ahead and hired two heads of business development in both the US and UK, very senior professionals whom we expect will add a lot of value in terms of our operations in these two geographies.

We have also, as a part of the cost-rationalized exercise, continued to cut down on our real estate footprint onshore. We had talked about this earlier, saying that our onshore footprint is almost entirely itself.

So, I'm going to start from the beginning. I was explaining that this quarter we have seen a little slowdown on revenue growth, and as we head into Q3 FY24 as well, we believe that there are some revenue headwinds cropping up. It's something that even our peer groups in this sector have talked about. So, it looks like it has caught up with us as well.

We are seeing that there are global uncertainties leading to client spending cuts and delayed decision-making. So, the new logo acquisition has been a bit of a challenge. Despite this, we have gone ahead and strengthened our business development function. So, we have hired two head of business development for both our U.S. and UK geographies.

Given the revenue headwinds that we see, we have focused on managing costs and improving margins, and our real estate footprint rationalization exercise is also continuing as we speak. In the US, UK, and Canada, 99% of our workforce work virtually from their homes. We were stuck with a lot of brick-and-mortar footprints when we started, but over the course of the last 1.5 years, we have significantly cut down. Even this quarter, we have shut down one more office in Illinois, and our focus this quarter has been on administrative expense management, overhead management, and real estate cost management. So, slower growth of revenues in Q2 FY24, but we improved margin by focusing on cost rationalization, real estate footprint, and G&A costs. So, that is a summary for H1 FY24.

The CX business has had a reasonably strong performance from the Canadian business, with a lot of good volumes coming in. We have also focused on offshore and nearshore businesses. The APAC region is doing very well; India and the Philippines are doing really well.

Diversify is showing some improvement. Colombia and Jamaica are also seeing steady progress. Onshore U.S. and UK businesses remain muted in both revenue and profitability. We have signed some new logo wins and have had some key renewals in the UK, but the challenge has been to replace the COVID and public-related health revenues in FY21–23 and the subsequent ramp-downs, because of which the UK business has continued to shrink.

The change of business mix, real-estate footprint rationalization, and cost containment have allowed us, on a YoY and a QoQ basis, to improve our EBITDA margins.

When we go to the technology side of the business, it has been a modest performance. The TekLink business has ramped and continues to do very well. It performed at an EBITDA level of 20% in Q2 FY24 as well . We have won new logos and improved cross-sell opportunities with our existing clients and CX business.

We continue to focus on longer-term deals. Our pipeline looks good, led by cross-selling efforts and sales enablement. Our new solutions, like Agent X, seem to be doing very well, and while the slower client spending because of economic activities continues to create some headwinds, we remain optimistic and have continued to invest in growing our business development function.

Let's move on to some of the dashboard metrics. Compared to the previous quarter, operating revenues have improved by 4.1%, operating EBITDA by 26.9%, other income has seen a drop of 5.8%, and profit after tax has grown by 10.8%. Other income in Q2FY24 was lower by Rs. 77.8 crore compared to Q2FY23. If you have the presentation in front of you, we have given you the breakdown of what the other income components are.

We'll move to the next slide. Operating revenue in this particular case, we are showing you the numbers for the H1 FY24 up by 5.7% compared to H2 FY23; that is what I meant by slightly muted growth, but operating EBITDA, the thing that I've been harping on, we have focused on cost containment measures, overhead management, etc., because of which our operating EBITDA has grown significantly – 47 %, other income 54.4%, The other income in H1 FY23 was higher by Rs. 136.2 crore, and because of this other income fall, we are having issues with lower PAT.

I'm going to the next slide now. As you know, historically, the current state is that we have our traditional CX business, which is primarily a contact center, and we have our digital business. The contact center has been traditionally very labor heavy. Back-office processes and technology are seen as job tools, whereas traditional application development, cloud deployment, and migration have been the cornerstones of our digital story. What we are trying to do is bring these two together. In our future state, we will have something that is the hybrid of the digital and the traditional CX business, which is what we are calling the Digital Operations business.

A significant part of that will be driven by the levers of artificial intelligence, automation, and analytics, as well as the cloud. So, we'll have AI-driven process management, AI-supported unattended customer service, which is going to be generative AI-driven, chatbots, and an interactive voice response unit. AI supported attended customer service as well as AI Ops, which is essentially data tagging and labelling.

Generative AI has been the most exciting development since November 2022, and it will continue to dominate CX strategy going forward. We are deploying AI for monitoring, supporting, and improving CX across the front office and the back-office processes, while we are driving the transformation of customer journeys. This should be giving us faster handling times, better and smarter responses, and training for success when new people join generative AI, which gives them access to very relevant articles on knowledge-based topics, because of which it's possible for them to come up to speed quickly and enhance self-service because, apart from being very menu-driven bots that we have seen in the past, the bots can now be made really intelligent because they are using generative AI to back them up.

We have used generative AI to embed in our internal applications as well, including our data analytics platform, HR apps, and training portals. We have adopted a hybrid model comprising Open-source AI on a subscription basis and internal AI development. We have our own AI lab that we have invested in. We have opened up an AI lab in New York as well. We are working with natural language processing and machine language to improve our client databases.

We are using the Fit Index and early warning systems to predict attrition possibilities. Focus on predictive and cognitive analytics, cloud migration, social, contact centers telephony, etc.—these are the parts of our new offerings in the technology space. So, this is what we're going to be doing with generative AI. We are very well positioned to harness the potential of this new technology to take our CX operation to a completely new space, which is what we are calling digital operations. So, that's what the future looks like.

I want to hand it over to my colleague, Vynsley Fernandes, to give an update on the next Digital Media Business. Over to you, Vyns.

Vynsley Fernandes:

Thank you, Partha. Good afternoon, everyone, and this is Vynsley Fernandes, I'm on Slide #13. It's been a very, very exciting quarter for the Digital Media business division of Hinduja Global Solutions.

If you look at Slide #13, this is by far the marquee event in this last quarter. We launched our enterprise business unit called CelerityX, which is effectively a strong competitor in the fastest-growing segment globally, which is enterprise business or enterprise connectivity solutions. This service was launched in September. We have already bagged a significant amount of corporate and enterprise customers and we will share those with you in the next

quarter because a lot of them are under implementation, testing and commissioning, but if you go to Slide #14, in which the headline says CelerityX launched, we have a very clear value proposition. There are four products in this portfolio. One is SkyX, which is a broadband over satellite solution. We're already providing high-quality connectivity right now across the country, and a lot of businesses in remote areas, factories and remote areas, e-commerce companies, and remote areas have already logged on to this solution called SkyX.

There are three other products. I won't spend too much time. There's NetX, which is a single window kind of solution for providing feasibility and delivery of connectivity for corporate customers who are looking to connect their businesses nationally, and this isn't just connecting customers through satellite or through fiber; it is over multiple services, whether fiber, radio frequency, 4G, 5G connectivity, and of course, broadband over satellite.

So, it's a tremendous product, NetX, that was launched. OneX is also a strong product, which has seen by far the greatest traction where companies with multiple or thousands of retail outlets have been able to connect seamlessly without compromising their security, and this is a very important thing. We all know the importance of the fact that there are no geographies today and companies are pretty much Pan-India global, and this solution has worked beautifully for them.

HomeX is a solution as more and more people move. Even my colleague Partha was explaining that there are a lot of hybrid workplace models that are there, and it's not just providing them with a broadband connection at home; it's also important to provide security to provide access to core applications and data integrity, and this solution, HomeX, works beautifully for them. So, this is the value proposition of CelerityX, which was launched in September, and we've already seen great traction.

If you see Slide #15, you will get a sense of the incredible coverage that the media has attributed to this product. These are just some of the clippings of the press coverage of the online coverage that we have secured for launching CelerityX, and we hope to make some even more exciting announcements around CelerityX in the next quarter.

Going on to slide #17, and here again, a great one for the broadband business. We promised you that we would look at how we could expand our footprint across India, and we launched our project called Project NLD, our national long-distance backbone for broadband across the country. Our target was 8,000 kilometres, and we had set a deadline of October 31st, and then, of course, the remaining spur connectivity by the middle of November, etc.

I'm really delighted to tell you that, as of date, we've commissioned over 6,000 kilometres of these NLD networks, which have been operationalized. As against the 351 cities to which we already connect, we've added another 125 cities and multiple towns and villages on routes, not just that the kind of capacity that we've created is over 800 gigs of capacity for our

existing and new customers, and we've connected key routes like Mumbai-Nagpur, Delhi-Patna, Delhi-Dehradun, Mumbai-Delhi, and Mumbai-Goa.

And the best part is that there is no additional cost for adding customers now in these locations because we have a strong backbone that provides that kind of throughput. So, our broadband business, which we believe is the driver not just for the next two years, but we believe for the next decade at least broadband will become the key considering the penetration is so limited in India. As you all know, with over 300 million households in the country today, broadband, wired broadband is barely in about 33–37 million households, which is about 8%, and we believe that that penetration will keep on growing YoY, at least for the next five to seven years, if not longer.

So, we are at the forefront of that as your company and our broadband business. We're at the forefront of leading that charge, and the performance of that is reflected very strongly in slide #17. This slide to the key performance indices that we use for our business to track our strong performance. If you look at digital television, the subscriber base has grown from about 4 million to over 4.16 million on a QoQ basis, as against the challenge it was facing in Q1 of this year in Q3 and Q4 of last year as the new tariff order came into place.

So, it shows that the digital television business is well on track for growth. I think the most exciting is the broadband business. As you know, as I mentioned to you all in a couple of calls earlier, we spent the last year stabilizing, building processes, weeding out low-cost, low ARPU customers and just QoQ basis we have grown by about 9% over Q2, and this is something that will keep on growing exponentially. Another very important parameter if you look at the lower right quadrant. The broadband 90-day churn, which is a very important barometer of the quality of service, shows that the number of customers that the percentage of churn has come down significantly—nearly a full percentage point—to 4.79%.

Overall, as I mentioned, it's been a very strong year from three perspectives. One is the growing digital television business, which is beginning to see major growth across the country as we enter new markets. Our broadband is growing by nearly 10% on a QoQ basis, driven largely, of course, by two factors. One is the national long-distance network, where we've commissioned and operationalized over 6,000 kilometres of connectivity and created capacities of over 800 gigs for customers. And third, the launch of CelerityX, which propels us into a segment of the industry where there are not too many players and where there's tremendous growth as corporations and enterprises look to be able to improve their quality of service to the customer, their networking, and their retail base.

So, with that, it has been a good quarter, and at HGS, we will continue to drive this piece of the business as well for the next quarters and well beyond that. Thank you, everyone, for your time, which is much appreciated. I will hand it over to my colleague Pala for the financial update. Thank you so much, everyone. Pala, over to you, please.

Srinivas Palakodeti: Thank you, Vyns. Good afternoon, everyone. Thank you once again for joining our Q2 FY24 earnings call. I will cover the financial update. I am on Slide #19.

Srinivas Palakodeti: So, I'm on Slide #19 of the deck. We thought we'd start off by giving a quick overview of what has happened at HGS since the sale of the healthcare business way back in January 2022. So, the transaction got concluded in January 2022, and since then, we have made three acquisitions. The first one was Diversify in March 2022, and that acquisition cost about US\$28 million in consideration. After that, in February of this year, we completed the TekLink acquisition, which had US\$57 million outgo. As Partha mentioned, it's a business that is doing well and delivering EBITDA margins of about 20%. We also acquired the digital media business effective 1st of February last year, and that was a non-cash transaction. Over and above that, we have paid Rs. 548.2 crore as a dividend, and about Rs. 1,246 crore was in the form of buybacks, Rs. 1,020 crore was returned to the shareholders, and the balance of Rs. 230 crore was used for the buyback for the taxes relating to the buyback borne by the company. So, Rs. 1,020 crores went back to the shareholders without any tax. After all this, we still have, on a net cash basis, around Rs. 4,875 crores as of September 30th.

Moving on to the next slide, slide #20, this is the quarterly performance. As you would see, there has been a significant improvement in our operating margins. While revenue growth has been flat, EBITDA margins have improved from 6.4% to 8.3% on a year-on-year basis and have gone up by 150 basis points from 6.8% on a sequential basis.

So, as Partha mentioned, while revenue growth may be muted, a lot of cost rationalization is also moving businesses from onshore to offshore, which has led to an improvement in the operating EBITDA margin. Coming back to other income, as Partha covered in the earlier slide, there is a drop in Other Income, and that was primarily because of two things. Higher interest income earned on treasury surplus in Q2 FY23 over the period has been used for buybacks, dividends, and acquisitions. In Q2 FY23, we also saw profits from the sale of real estate, which was there to a much smaller extent in Q2, as well as lower effects and other components of other income. So, that has led to a drop in Other Income, which is also showing up in the form of a drop in PBT. So, this is a case where the EBITDA operations have become more efficient and financially better. It's the drop in Other Income that drives down the drop in PBT.

In addition to that, if you see the tax line in Q2 FY23, there was a tax reversal of Rs. 69 crores coming from the combination of the media business with HGS. So, there's a clear saving of about Rs. 69 crores. This quarter we had a tax of Rs. 6.1 crore, so there is a significant swing of about Rs. 75 crores on the tax line. In Q2 FY23 we also had roughly about Rs. 46 crores of profits from the Discontinued Operations, the sale of the healthcare business, which we don't have right now.

So, to sum up, there is a one-off sale of healthcare business profits. There is an absence of tax reversals that took away Rs. 75 crores, as well as a drop in Other Income. So, these are three big drivers for the drop in profits, but again to highlight significant improvement in the operating EBITDA in Q2 FY24, both on a YoY basis as well as on a sequential basis.

Moving on to H1 FY24 performance. You will see again that there is a significant improvement in the EBITDA margins by about 200 basis points, from 5.4% to 7.5%. The PAT is lower again, primarily for reasons mentioned earlier coming from Q2. Drop in Other Income, lack of profits from the sale of real estate, as well as a lower change in the tax reversal. So, because of this PAT for the quarter, H1 FY24 is lower than H1 FY23.

Moving on to the next slide, I'm on Slide #22. This is the balance sheet. We have a net worth of about Rs. 7,488 crores, which remains strong. If there's a drop in networth compared to March 23, it is primarily on account of the buyback. Also, because of the buyback, there is a reduction in treasury surplus and additional payments to be made to TekLink sellers as per the transaction documents.

Moving on to Slide #23, this is the summary of cash flows. You will see that cash flow from operations after adjustments for working capital has also improved from a negative of Rs. 28.3 crore for quarter ending September '22 to Rs. 31.7 crore for the period ending September '23.

Moving on to slide #24, this is the summary profile. Our book value is at around Rs. 1,600 per share. We have a gross debt of about Rs. 873 crores, and we have net cash and a treasury surplus of about Rs. 4,875 crores. So, there is a small drop of about Rs. 87 crores between June 2023 and September 2023. This is primarily coming from the additional payments to TekLink. At an overall level, cash flows have improved, and business margins have also improved at the operating EBITDA level.

Moving on to the next slide, this is the total income composition for Q2 FY24. You would see that the BPM business accounts for about 56%. 36% comes from digital services, and about 8% comes from Other Income.

Moving on to Slide #26, this is revenue by delivery. The India portion includes the revenues of the media business, which are about 38%. Canada is about 16%; there has been growth in this quarter there. The UK is at about 13%, and the U.S. has come down significantly to 19%. As Partha mentioned, we are focusing on moving revenues by reducing the onshore footprint to having more revenue growth on offshore business with delivery from the Philippines, Jamaica, and Colombia.

From an origination perspective, U.S continues to remain large at 32%, followed by Canada and UK in the 15% to 16% range. The India portion consists of the HRO business as well as the digital media business, which account for about 31% of the total revenues by origination.

I am moving on to the next slide, Slide #27. This is revenue spread by vertical; media accounts are the largest at about 32%, followed by telecom and technology at 14%, and consumer and retail at 21%. A lot of the TekLink revenues come from the consumer and retail segments.

Moving on to the next slide, Slide #28. This is the client concentration, where the largest client accounts for about 10%, the top 5 accounts for 27%, and the top 10 accounts for about 38.5%. These revenue concentration numbers are primarily for the BPM business, and if you see the table on the right side of slide 28, our DSOs are stable. There's actually been an improvement from 68 days as of June to 67 days, and as you can see in the cash flow statement, there is a significant improvement from where we were at the same time last year.

So, we are seeing better collections as well as improvements in the EBITDA margins, driven by a change in the mix of businesses as well as a reduction in costs. Our balance sheet remains strong, and we still have around Rs. 4,875 crores after the buyback return of acquisitions made and investments in CAPEX for the business.

This is my last slide and I will now hand it back to the moderator for the Q&A session. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Mandira from Invesco. Please go ahead.

Mandira: So, my question to you is, do you think the decline in PAT is likely to continue for the next few quarters following the lower source of other income, and if other income is lower, what would be your strategy in place to improve your overall PAT margin?

Srinivas Palakodeti: As you said, the drop in Other Income is primarily because of a drop in interest as well as the profit on the sale of assets, so that was clearly a one-time item, and so we do not expect any significant changes on that line on the profit on the sale of assets.

The other side is interest income, which obviously may come down because funds are being deployed for the business, but at the same time there are opportunities, as you know, interest rates have been on the rise. Some of the older investments made, i.e., funds deployed at lower rates as they come up for renewal, there is an upside to the increase in interest rates. The third component is the FX variation, and that's difficult to predict because it's FX variations between June and September. So, that's a little difficult to predict, but with all the uncertainty, there is a chance that the various currencies may depreciate against the

dollar, especially in view of all the global uncertainty. But to go back to the other part, we will focus on improving our margins, as we have shown in Q1 both sequentially and on a year-on-year basis.

Also, we are invested in sales, as Partha mentioned that hiring is being done in both the US and UK to focus on growing back sales, improving margins, and also improving the business mix to grow more offshore than onshore, as well as the digital business.

Mandira: And one more thing, what is your sense from the interaction that you have had with your customer over the spending cuts and the delay in decision-making, and how long do you think this is likely to continue as we see the global market and the geopolitical conflict ending soon?

Partha DeSarkar: That's also a good question. So, this is a little unpredictable now. I think it's going to continue for this year.

Mandira: Generative AI business in today's world. What contribution do you expect from this segment of your CX business? What kind of further disruption can be expected, and can this alter your market share?

Partha DeSarkar: We believe that generative AI is actually going to be very, very good for the CX industry. Today, when you are dealing with bots, most of these bots are unintelligent bots. They can handle only a limited set of queries and are very frustrating to use. So, all these bots will become highly intelligent, and they will be using the artificial intelligence of generative AI. So, I believe that generative AI is going to be a big boost for the CX industry.

Moderator: Thank you. The next question is on the line of Kevin Gandhi from CapGrow Capital. Please go ahead.

Kevin Gandhi: Just wanted to understand the future trajectory of the cash utilization of approximately Rs. 4,800 crores. That's a huge lot. How do we wish to use that cash? Have we seen any possible tech acquisitions on the cards? So, any sort of guidance would help, and that's the first part of my question.

Second part, how do we see the tech is to CX ratio building over 3 years? So, that's the first part of the question, like the two that I have stated. The second question is on the TekLink and the **NXTDIGITAL**, so how much are the sales of the TekLink and the **NXTDIGITAL** businesses in this quarter out of the Rs. 1,179 crore of sales that have done in this quarter?

Partha DeSarkar: So, look, most of the funds that we have on our balance sheet are meant to fund our organic or inorganic growth. So, organic growth will be CAPEX, opening new centers in new countries,

and all of that. And the inorganic part will grow through digital M&A. So, that's what the cash is going to be used for.

Kevin Gandhi: And sir, how do you see the ratio of the tech to the CX business building after two or three years? How much ratio do you anticipate because, as we know, you just mentioned TekLink being a very, very high margin accretive business, whereas the CX business is not performing that well. So, as an investor, I would want the digital business to grow well. How do you plan the same, sir?

Partha DeSarkar: So, we expect that the technology business will be at least 50%, if not more, in two to three years.

Kevin Gandhi: And the last, second, question was on the sales proportion of the TekLink and the NXT businesses, how much has been a contribution in the Rs. 1,179 crores approximately this quarter?

Partha DeSarkar: So, the TekLink business for this quarter was about Rs. 67 crore that's the revenue for the TekLink business.

Kevin Gandhi: Sir, my other part was the sales of TekLink. How much sales have TekLink contributed to this quarter?

Partha DeSarkar: TekLink has Rs. 67 crores of revenue, and the **NXTDIGITAL** media business gave Rs. 273 crores for the quarter.

Kevin Shah: The last question was whether I could possibly squeeze in the NLD backbone, which sir mentioned as having 6,000 kilometres of NLD network. So, that looks very promising, as we see the matrix of the **NXTDIGITAL** business hasn't done quite well since many quarters since we acquired the **NXTDIGITAL** business. How does the NLD backbone or the broadband business shape up for Hinduja Global, and how much growth do we expect in the broadband business? This is what I want to know, sir, if you can please highlight certain points.

Vynsley Fernandes: I think the one critical thing that sees growth is driven by the fact that I mentioned to you that there's barely about 8% of penetration in the country today in terms of wired broadband. So, that is the kind of opportunity that there is across the country because you're talking about 300 million homes and barely 33- 37 million homes have wired broadband.

Even if you discount the number of homes and say listen 50% only once you get wired broadband displayed about 150 million wired homes considering television today, penetration is close to about 200 million. So, one would expect a minimum of 200 million homes to have wired broadband going forward. So, that is obviously the kind of potential that we are looking at.

Now, the critical thing is: where is the growth happening? If you look at reports from the past couple of quarters, I'm not talking about our reports; I am talking about general reports. Rural connectivity is growing faster than urban connectivity because, obviously, people have aspirations there. They want to be able to have a reliable kind of connectivity available to them, and they want to be able to use broadband for not just broadband, not just day-to-day usage, but also content and other aspects of governance, etc.

So, the entire NLD rollout that we did of 8,000 kilometres is based on the markets that are actually on route. So, when I say, for example, Mumbai and Nagpur, it's not just Mumbai, which is the key, and Nagpur. The 41 cities on route, whether it's Jalgaon, Akola, Amravati, Aurangabad, Karjat, etc., automatically become part of that growth story.

So, Kevin, when you look at it, the moment you have your own backbone, two important things happen. Number one is that you can acquire customers with a higher quality of service. Number two, and more importantly, your cost of acquisition of a customer comes down significantly because you're using your own operationalized backbone.

Yes, you're riding on someone else's connectivity, whether it is overhead connectivity, say, Mumbai transmission, power transmission, Odisha power transmission, or whatever, but the fact is, you're riding on your own connectivity. So, your cost per connection, or, as we term it, CPC, comes down radically.

So, for us, we believe that that is symbolism or that is the kind of ethos in terms of taking this business significantly higher. The entire organization of HGS is strongly behind this, and I think in the next quarter you'll probably get a better sense of how we are trending considering that just Q2 FY24 over Q1 FY24, we've already grown to about 9% of the customer base.

Kevin Shah:

Sir, how many touch points do we cover now versus how many touch points will be covered once this NLD operationalizes?

Vynsley Fernandes:

The NLD capacity can easily add another 1.5 million to 2 million customers, given the routes that they're on. Today, we're already 1.2 million customers in terms of broadband. As I mentioned to you, 1.11 million is the quarter out of that. If you look at it, all the growth that's happened is 10% growth that's happened in Q1 FY24 over Q2 FY24, and the NLD rollout has happened mainly at the end of Q2 FY24 and early Q3 FY24, as I mentioned in the Q1 FY24 call, if you recall.

So, out of the 10%, I think barely a fraction is on that NLD. So, the real NLD growth you'll start seeing in Q3 FY24 and Q4 FY24. So, that's sort of a thing, Kevin. Probably at the end of Q3 FY24, I'll be able to actually give you a sense of what percentage of the base is riding exclusively on the new initiatives that we have taken, namely the NLD.

Moderator: Thank you. The next question is from the line of Praveen Sharma from Sharma Investments. Please go ahead.

Praveen Sharma: I had two questions. First, I wanted to understand how you are leveraging your AI Ops framework and how major consumer tech companies trade India AI for their product portfolios. And secondly, I just wanted to understand: will the acquisition of Reliance Capital by the Hinduja Group impact the profitability and share price of HGS? These are my two questions.

Partha DeSarkar: AI will significantly improve our CX operations because I think I tried to explain that in one of the questions that was asked before. Today, if you look at it, whether you are visiting a particular website or talking on the phone to somebody, a large part of the initial interaction happened to either chatbots or through IVAs. These chatbots, or IVAs, in the older design are all very manageable.

They have very limited functionality, and they could only do a limited set of interactions. Most of the time, they were not able to properly understand you or answer your question. Now, generative AI, the AI tool itself, can make these health service options, whether it's chatbots or IVAs, very powerful because we will be able to use the tools and techniques that generative AI has to firstly understand what you are saying, what you are asking, and then, based on the question, if you have used ChatGPT or Bot anything, you can ask any free form question. It will search the database and give you the correct answer. In that scene, when you look at the customer knowledge base, when you ask a free-form question, the chatbot or voice bot will be able to accurately search through the customer's database, the customer's proprietary data base, and give you an answer that is curated from the database, which will be much more useful than the chat bot capabilities that you currently have. So, that's how it's going to fundamentally change CX front office operations.

Yeah, it is also going to use automation, intelligent automation, and do a lot in terms of streamlining the back-end process. So, that is also something that we are working on. So, fundamentally, as I said earlier, AI is going to completely transform the way businesses perform front-office, middle-office, and back-office functions.

There is going to be a lot of technology, and the fact that we have acquired technology capabilities from our acquisition of Element Solutions in 2018 to TekLink now gives us an opportunity to play in the field. So that is the answer to question number one.

Question number two on the Reliance Capital transaction is a separate transaction; it doesn't have anything to do with HGS.

Moderator: Thank you. We'll move on to the next question that is on the line of Ranga Prasad an Individual Investor. Please go ahead.

Ranga Prasad: My question relates to the performance of the media division earlier. Mr. Vynsley had presented a growing report on the future growth of the media division. My concern is with the sharp losses that were incurred by this division in the last quarter. The losses seem to have increased from Rs. 15 crores to Rs. 30 crores in spite of the growing business. So, I would like to get a sense of when we can expect to see breakeven levels in this division. Can you please shed some light on that?

Vynsley Fernandes: Pala, you want to first talk about the numbers from a perspective of the numbers itself.

Ranga Prasad : I want to talk from a bottom-line perspective. See, I'm a little concerned that the losses are continuing to mount, that is my main concern.

Vynsley Fernandes: So, I'll just put it to you slightly differently. I think this business's growth in customers results in two aspects, sir. One is the fact that top lines increase pretty systematically and pretty significantly, but equally there is the cost of customer acquisition, which is the device, etc., which impacts to some extent the depreciation factor.

Having said that, I think if you look at it from a perspective of trending, the top line trending, we believe that we are already seeing a lot of benefits happening, like, for example, the NLD. Once the NLD backbone is built, which obviously is a capital expenditure investment as well, all the customer acquisition, Mr. Prasad, on top of that, is actually revenue straight to the bottom line because there is no additional capital expenditure that we will incur per customer.

So, as I was explaining to Mr. Kevin earlier, the entire NLD rollout is not just for digital for broadband; it is also equally for digital television that rides on this capital-intensive business. Now that the investments have been made to be able to connect all these networks, you will see a significant improvement in the top line already. As Pala pointed out, the top line has already been significantly enhanced by the media business in this quarter. We'll see that, sir.

From the perspective of how many quarters it will take, I think the next two quarters Q3 FY24 and Q4 FY24 will give us a very, very good sense of how the NLD is benefiting the bottom line, and therefore not just the EBITDA levels but also the PBT and PAT levels. So, I think, sir, if you allow me, we'll see a much better trend over the next two quarters, sir, to be able to answer your question specifically.

Moderator: Thank you. The next question is on the line of Raghav an Individual Investor. Please go ahead.

Raghav: Sir, I wanted to understand that since there was a huge amount of cash on the balance sheet, how are we placing it for the next two quarters to invest it in the organic expansion?

Srinivas Palakodeti: I'm not sure I understood your question. So, do we have cash, and if you see the cash flow statement, the amount that has been used for CAPEX is not very large, like this is relatively not a huge amount from a CAPEX perspective. So, we will use the growth required as and when required.

For instance, in the BPM business, the traditional model was to set up a delivery center and get people to come to work. In a lot of markets, like the US and UK, everybody's almost working from home. In markets like the UK, employees even bring their own devices. So, it depends on geography-to-geography, but we have adequate cash to make sure that we have to fund any organic growth.

Raghav: Very clear. So, organic growth does not require a lot of cash. So, the requirement could be for inorganic opportunities only. Is that understanding, correct?

Srinivas Palakodeti: Yeah.

Raghav: So, are we looking at any sizable deals at the moment or we'll just take it as it comes?

Srinivas Palakodeti: So, we are in the process of evaluation, but beyond that, I can't say more until something conclusive happens, but we are looking at acquiring new capabilities more on the digital side; that's all we can say right now; that's all at the evaluation stage.

Moderator: Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to the management for the closing comments.

Partha DeSarkar: Happy Diwali to all of you. Thank you for joining the call with us today, and we hope to see you back again in Q3 FY24. Have a good weekend, everyone.

Srinivas Palakodeti: Thank you everyone and wish you a very Happy Diwali.

Vynsley Fernandes: Thank you everyone for joining the call today, truly appreciate it. We take this opportunity on behalf of Hinduja Global Solutions, our Board of Directors, our promoter and all our employees to wish each and every one of you and your family a very Shubh Deepavali. We wish that this new year starts wonderfully for everyone, and we look forward to our next quarter connecting with you again. Good day to everyone.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Hinduja Global Solutions Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.