



December 02, 2022

BSE Limited  
Corporate Relation Dept.  
P.J. Towers, Dalal Street  
Mumbai - 400001.  
*Scrip Code: 532859*

National Stock Exchange of India Ltd.  
"Exchange Plaza"  
Bandra Kurla Complex, Bandra (E)  
Mumbai - 400051.  
*Symbol: HGS*

Dear Sirs/Madam,

**Sub: Transcript of Earnings Conference Call held on November 28, 2022**

This is in continuation to Q2 & H1FY2023 Earnings Call of Hinduja Global Solutions Ltd. held on November 28, 2022.

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, we wish to attach herewith the transcript of Q2 & H1FY2023 Earnings Conference Call of the Company held on November 28, 2022.

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

Thanking you,

Yours faithfully,  
For **Hinduja Global Solutions Limited**

Narendra Singh  
Digitally signed  
by Narendra  
Singh  
Date:  
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**Narendra Singh**  
**Company Secretary**

Encl : a/a.

**HINDUJA GLOBAL SOLUTIONS LIMITED**

Regd. Office: Hinduja House, No. 171, Dr. Annie Besant Road, Worli, Mumbai - 400 018. India. Telephone: 91-022-2496 0707, Fax: 91-22-2497 4208, Website: [www.teamhgs.com](http://www.teamhgs.com)  
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

Corporate Identity Number:L92199MH1995PLC084610



HINDUJA GROUP



**Hinduja Global Solutions Limited**  
**Q2 FY2023 Earnings Conference Call Transcript**  
**November 28, 2022**

Key Speakers:

Mr Partha DeSarkar, Executive Director and Group CEO, HGS

Mr Vynsley Fernandes, Whole-time Director, HGS

Mr Srinivas Palakodeti, Global CFO, HGS

**Moderator:** Good evening, ladies and gentlemen. A very warm welcome to the Hinduja Global Solutions Limited Q2 & H1 FY23 earnings conference call. From the senior management we have with us today, Mr. Partha DeSarkar - Executive Director , Mr. Vynsley Fernandes - Whole-time Director and Group CEO, 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 pressing '\*' then '0' on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Rushabh Shah from Adfactors PR Investor relations team. Thank you and over to you, Sir.

**Rushabh Shah:** Thank you, Good evening everyone and a warm welcome to the Q2 & H1 FY23 Results Conference Call of Hinduja Global Solutions Limited. We are joined by Mr. Partha DeSarkar - Executive Director and Group CEO, Mr. Vynsley Fernandes - Whole-time Director and Mr. Srinivas Palakodeti - Global CFO to discuss the Q2 & H1 FY23 results and the key developments during the period.

Before we begin the conference call, 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 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.

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:** Thank you Rushabh and a very good evening to all of you who have taken the time to join us for the call. At the very outset, I would like to invite Vynsley Fernandes who is joining us in the earnings call for the first time, post merger of **NXTDIGITAL**'s Digital Media business. I will be referring to a presentation which I believe has been uploaded on our website that talks about our earnings call.

If you go to slide 3, that lays down the future vision and road map for HGS as a different kind of a company, which is a technology and digital led customer experience transformation company. It talks about a revolution over the last two decades from being a pure labor arbitrage provider to somebody who brings in technology and add value. So there are five distinct pillars that would lead our transformation. We would be broadening our journey in the digital marketing piece. We've always been strong in process management and technology. We are bringing in capabilities, data, and analytics, ecommerce payments and all of that. So all these 5 pillars will drive our journey into a digital-led customer experience transformation company. This is the future of HGS and we are building components of it and strengthening other components, which are already traditionally present.

If you go to the next slide, I want to give you a quick update on the **NXTDIGITAL** media business and the buyback plan. The Honorable NCLT order for the merger of **NXTDIGITAL** Limited's (NDL) media business into HGS was received on November 11, 2022. 1.0689 crore shares were allotted to NDL shareholders on November 25, 2022. New shares allotted are expected to be listed by December 6, 2022. The share capital of HGS has increased from Rs. 41.79 crore to Rs. 52.48 crore as a result of this exercise. The NDL shareholders would own 20.4% of the shares of HGS and the promoters holding in HGS would drop from 67.13% to 66.63% after this.

Another update, on the eagerly awaited buyback plan (which was announced in January 2022) is that we are coming very close to it. This will be taken up after the completion of the listing of the shares to NDL shareholders and the amount determined for the buyback is around Rs. 1,050 crore. The reason I'm talking about this in approximate numbers is because this will be done post a complete audit of the combined balance sheets of the company. So that is a fairly important update on a matter of interest to all of you on this call.

Today, as I welcome Vynsley into the call, we are a combined entity. I'm on Slide 5, HGS and **NXTDIGITAL** together, bringing in technology for the future technology of connectivity, technology of process improvement, automation analytics and artificial intelligence. Slide 6 talks about the key brands, which become a part of HGS – INDigital, ONEOTT Entertainment, IN Entertainment and **NXTDIGITAL**. The merger boosts HGS' presence in India, adding about 1,200 people of the **NXTDIGITAL** team and India-originated revenue. We suddenly have a massive reach all over the country with 1,500 cities coming into the network. As a franchisee base, we have 10,000 franchises who are part of the family now and digital services partners who are delivering digital services to more than 5 million customers. So this is a transformative leap for HGS as a company.

What are the strategies and what are the opportunities here? Sheer opportunities to participate in the Government's Digital India initiative. As you all know, COVID has accelerated work from home and there are changing trends in digital content consumption. The possibilities are really limitless. We have to make India digital, not just the Tier 1 cities which already have very good infrastructure, but we need to be able to connect the hinterland of India. Tier 2 and Tier 3 cities have huge number of consumers, but they do not really have the digital access that

enables them and that is what this aims to do. We will create a global telecom and media ecosystem to serve B2B and B2C segments.

As you all know that even before the merger, technology and telecom was a large part of our global footprint and our attempt would be to take some of the things that we acquired as a part of this merger to our global clients going forward. I am now going to hand over to Vyns to take you through the digital media business and it's Q2 highlights before I come back again to give you the highlights of the combined business.

**Vynsley Fernandes:** Thank you Partha and on behalf of all of us at **NXTDIGITAL**, a big thank you to the HGS family for being so welcoming. I think there's nothing but exciting times ahead and we all look forward to that under the guidance of the team, so without further ado. Partha has been able to talk about the brands, but if you look at Slide 9, just a recap for the benefit of everyone. There are four key brands that are there in the business.

We have India's only Headend In The Sky platform, called **NXTDIGITAL HITS**. This platform, in fact, is one of the few platforms in the country to be able to have a spread of over 4,500 pin codes; today we are in Andaman and Nicobar Islands, Lakshadweep, proudly serving in Arunachal Pradesh, on the borders in Ladakh, Wagah border, Jammu and Kashmir etc. So there's a lot of pride in the brand as well.

Our broadband business, "One OTT Entertainment" is one of India's top 4 private ISPs, we've crossed over a million customers. Today, our presence has expanded to over 150 cities and towns, and we provide speeds of about 1,000 MBPS, which is 1 GBPS fiber connectivity through our flagship brand, "One Giga Fiber". We also have a digital cable business that we have nurtured ever since several decades actu-

ally and the reason why we continue to nurture it is that there is a backbone of over 10,000 kilometers of hybrid fiber optic network; so we look to leverage that and continuously monetize that for rolling out a whole bunch of solutions under the Digital India initiative.

We also have "IN Entertainment Limited", it effectively works a lot on content syndication and teleshopping. And if you look at the map to the right of it, that just gives you a sense of the incredible presence that **NXTDIGITAL** and the brands have been able to achieve. Rather than focus too much on **NXTDIGITAL** as the background, I thought it important to share some developments in Q2 .

One of the things on slide 10 is that we have very proudly launched India's first convergence product. Everyone talks about convergence. Everyone talks about how the importance of convergence is going forward, especially during work from home and after. We are the first to launch it during Diwali; it's an incredible product which has six products attached to the solution - starting with ~650 digital television channels, 1,000 MBPS of broadband connectivity, access to the best international/ national/ regional OTT content of over 300,000 hours... we also have a voice over IP solution linked to it (the intercom solution) and built-in Wi-Fi and bespoke TV solutions. As you would understand and appreciate, all these digital products require a very strong customer experience and customer backbone as well as obviously analytics and a whole bunch of automation is involved here. That's what gives us the edge by virtue of being a part of TeamHGS. So the backbone is complete for us.

We started this service in Mumbai (Phase 1) and we're looking to extend this to the other key cities in early 2023. It's important to note that it's not just a product or solution that we've launched, we're also making every effort to improve the skill sets of the franchisees.

We've got over 10,000 franchisees as Partha pointed out and about 40,000 feet on the street. So the idea is to train them on products and solutions for the future. And we've launched this campaign called NXT Sangram, where we're training operators across the country to metamorphosize into digital solutions or digital service providers to offer all these offerings. So that is already started, that was one aspect.

I think the best part about what we've just done is on slide 11. We are the first broadband over satellite commercial operator in the country. In terms of bundled solutions, we partnered with "Tata Studi" for Education and "Jadoos" for digital direct cinema. Now if you look at the top five technology trends for the next decade, one of the top three is broadband over satellite. As you all know, there are so many companies globally who are looking to launch broadband over satellite and clearly India is a very important market and as **NXTDIGITAL**, we're very delighted that we've been able to launch a product called "NXT SKyFi". It's not just a retail model but also a very innovative enterprise model where if you look at the photograph on slide 11, it's incredible that we've started a hybrid model of education using a cinema in the day-time for classes, and then using the cinema for direct digital cinema experience in the evening. So this is something that we're very proud about and the best part is, given our franchisee network in our entire base, we're able to not just sell but also service and support any kind of requirements across this vast country of ours. We've already launched in Tawang, Arunachal Pradesh and in Pulwama, Jammu and Kashmir. We chose these two locations specifically because they have poor connectivity and the solution is already working beautifully there.

We're also very proud that on the enterprise side, which is where the industry will see significant growth, we've already been able to sign up a solar farm in Ahmednagar recently, and we're providing 24\*7 remote



sensor management there. So this is something that we believe will be the future for the country and again, as Partha pointed out, the part of the Digital India initiative of how to bring digitalization and digital inclusion to every single citizen across the country, and one of the key drivers is connectivity and when you use broadband over satellite, there is no constraint on connectivity because irrespective of where you are, a satellite will always reach you. So we're very proud to have launched that.

I'll move on to slide 12. This is a reflection of the strength and the stability of the media business if you look at it and I'm sure that a lot of you will know the challenging trends that the industry is facing in particular the media and entertainment industry. Yet **NXTDIGITAL's** digital media business has been able to hold its base strongly. In fact, we've seen a marginal growth against quarter of last year. If you look the subscriber base of video, it has grown to about 4.18 million, but I think the most exciting thing for us has been the continuous push on broadband, where we've been able to grow up broadband subscriber base to 1.15 million, making us the 4<sup>th</sup> largest private ISP in the country today. The 90 day Net Churn, which we believe is a very important barometer of the strength of a company, we've been able to control it much better than last year, which is reflected in the 1.9% 90 day net churn that we had and the same month renewal again, which is when customers renew their subscription. Whether it be video broadband, this is of course in the case of video, we've been able to hold at 90.16. That means 9 customers out of every 10 renew their subscription in the same month and don't wait for any lag time to renew, so this is a wonderful aspect.

Thank you again, on behalf of **NXTDIGITAL** for hearing me out patiently and thank you Partha for the opportunity for all of us to be a part of TeamHGS. With that Partha, I'm going to hand back over to you.

**Partha DeSarkar:** Thank you. So with this exciting story that Vynsley laid out for us, you will be convinced that the future of HGS is all digital. In slide 14, for the first time in Q2, we are going to report the combined results of HGS' BPM and digital media businesses. We had a strong solid revenue growth of 25% Y-o-Y, a 34.4% revenue growth in the core BPM business, while Consolidated net profit was Rs. 238.9 crore, up by 118.1%. We announced the second interim dividend of Rs. 5 per share to our shareholders. The dividend outgo would be to the tune of Rs. 26.2 crore. The BPM business added two new delivery hubs, one in Mysore, India and another one in Belfast, the UK. The digital media business launched its 100th owned and operated NXTHUB, this continues to be the growth driver for broadband digital television and OTT solutions.

We move to slide 15 which gives key highlights of financial performance. Q2 Revenues for the BPM business was Rs. 1,102.9 crore. EBITDA was Rs. 224.7 crore and PBT was Rs. 170.2 crore, this is impressive growth in all these three reported numbers. The EBITDA here includes the other income part of the business as well. Now speaking of the overall combined financials with the digital media business, then we've got Rs. 1,369 crore of revenues at 25% growth that I spoke about. An EBITDA of Rs. 276.5 crore, a 135.6% growth, a PBT of Rs. 123.4 crore and PAT which is reported in two formats – PAT of our continuing operations of Rs. 192.3 crore and PAT overall of Rs. 239 crore, which has grown by 118.1% that I mentioned in the headline numbers.

You go to slide 17, this is for H1 FY23. Revenues for the BPM business were Rs. 2,147.4 crore, a 30.3% growth, Rs. 395.6 crore in EBITDA, which is 179% growth, and Rs. 288.4 crore in PBT, which is 1,423.1% growth. So all these numbers are for HGS' retained business comprising the digital enabled customer experience solutions and HRO payroll businesses. If I combine that with the digital media business (that's in

slide 18), revenues were Rs. 2,690.3 crore, a 23% growth over H1 FY22, while EBITDA was Rs. 499.6 crore, a 104.2% growth over last year. PBT was Rs. 200.3 and PAT for continuing operations of Rs. 227 crore and an overall PAT of Rs. 273.2, a 35.6% growth compared to H1 FY22.

Overall performance in the CES business is strong; onshore US, Canada and the UK saw steady growth. We added about 854 employees in the UK in Q2. India, Philippines and Jamaica showed very strong growth and thankfully this is our higher margin offshore businesses, especially from existing customers. I talked about 2 new centers. We are also rationalizing our real estate footprint and closed down four centers in Canada, which are not being used because most people are working from home. I'm also encouraged to share with you that we started up a small center in Colombia in a city called Barranquilla. This is going to be our ninth country that we have started operations in and is meant for near shore operations for North American clients. Diversify, our Australian unit, continues to do well and has won 9 new logos since April 2022.

Digital Solutions business continues its strong momentum. Its revenue grew by 63% year on year. Cloud security and digital experience practices have expanded significantly. In September quarter, we signed 28 digital-led engagements across existing and new clients and the pipeline looks healthy. The most exciting thing is that our proprietary CX transformation platform "HGS Agent X" has been rolled out. It's an AI-powered cloud contact software and it's witnessing interest from several clients as we speak.

We've seen a good performance in H1 and are cautiously optimistic for H2. There are some headwinds in certain segments like the UK public sector. The demand for offshoring business is very strong, which is en-

couraging. We are continuing our efforts in improving margins, focusing on winning new clients through an integrated strategy, which is Digital and traditional brick and mortar businesses together.

We continue to explore acquisitions, starting with digital capabilities and geographic expansion. In the digital media business, our aim is to integrate and drive synergies through people, technology and domain. We are scheduled to roll out NXTPLAY, a content aggregator app shortly, providing access to international and regional content. With this, I'm going to hand over to Pala for the financial update.

**Srinivas Palakodeti:** Thank you Partha. I'm on slide 23. This is the performance of HGS plus Digital media business. On a year on year growth in dollar terms, revenues are up by about 15.3%. In INR terms, revenue from operations is up 9.5% and total revenue is up overall 25%. On a year on year basis, EBITDA is up 135.6%. If you look at the depreciation and amortization line, those have seen sharp increase primarily because of NDL as well as the addition of the business from **NXTDIGITAL**. Interest expenses has seen a reduction and there is a significant portion of interest which is linked to NDL.

At a PBT level for the Q2 FY22, there was a loss of Rs. 32.4 crore after factoring in an account exceptional item of Rs. 24.8 crore; in Q2 FY23, the profits which we have reported is Rs. 123.4 crore. Under Tax, there is a negative line of Rs. 68.9 crore... this is primarily because we have reassessed the tax of HGS plus **NXTDIGITAL** media business and we have reversed Rs. 92.76 crore pertaining to tax of the previous year, leaving us Rs. 192.3 crores as profit from the continuing operations as compared to a loss of Rs. 18.6 crore.

In addition to that, we have profit after tax from the discontinued operations. As you know, we sold off the healthcare business. There were

some working capital adjustments that crystallized during the quarter ended September 22. In addition to that, there were some excess tax provisions relating to the healthcare business, which have been trued up. So there is a tax reversal, giving us a net Rs. 46.7 crore as profit from discontinued operations. Leaving a total PAT of Rs. 239 crore.

Moving to slide 24, this is the view of H1 FY23 – revenues are up by about 14.9% in dollar terms. In rupee terms, revenues are up by about 23%. EBITDA is significantly higher at about 104% (little more than double). Depreciation has seen an increase, whereas on interest expenses, there is a reduction of about Rs. 4 crore at a PBT level.

We have PBT of Rs. 200.3 crore compared to a loss of Rs. 54 crore in the first half of the previous financial year. PAT from continuing operations, after taking into account the tax going up, comes to Rs. 227 crore as compared to a loss of Rs. 36.4 crore and PAT from discontinued operations as I covered earlier comes to Rs. 46.2 crore in H1 FY23. So the overall level profit after tax payment for H1 FY23 is Rs. 273.2 crore as compared to a profit after tax of Rs. 201.5 crore in H1 FY22.

Moving on to slide 25, this is on the balance sheet. It continues to be strong and includes the acquired digital media business. The shareholders' funds stand at over Rs. 8,600 crore. Book value per share is Rs. 1,639. Current price is roughly about Rs. 1,253.5 per share. We have declared second interim dividend of Rs. 5 per share; At the overall gross debt level, we have Rs. 638.5 crore... this has come primarily from the NDL India business, and we have total cash and cash equivalents of about Rs. 2,311 crore, leaving net cash of Rs. 1,672.5 crore.

Moving on to slide 26, we have debt of Rs. 639 crore, treasury surplus in the form of short term loans given that comes to Rs. 2,575 crore, cash and cash equivalents as I mentioned on the earlier slide of about

Rs. 2,311 crores, and we have debt investments of about Rs. 2,645 crore. Moving on up to the CAPEX numbers, the numbers for FY22 also includes the CAPEX for the healthcare business, whereas the CAPEX for H1FY23 includes the CAPEX incurred for the digital media business, which has come down in terms of CAPEX from Rs. 237 crore to Rs. 97 crore. In terms of DSO days, there is a small increase. FY22 again is inclusive of the healthcare business at 60 days, which has gone up slightly to 64 days at the end of September (excludes healthcare).

Moving on to slide 28, it's basically the split of the revenues – about 67% or Rs. 922.3 crore comes from the BPM business, about Rs. 245.2 crore (18%) comes from the digital media business and about Rs 201.4 crore (15%) from the other income. Moving on to slide 29, here you would see significant changes compared to the way we have reported numbers earlier. This includes revenues from the India business where the origination and the delivery all happened in India. So if we look at Q1, the India business would have been somewhere in the range of about 12% to 13% that has gone to about 28% in terms of origination, and about 31% in terms of delivery. In terms of other geographies, UK is about 18% by location and 22% by origination. Canada is in the range of 13% to 14% both by delivery and location and US we have 31% revenue by origination and about 24% in terms of delivery. Jamaica is about 5% in terms of our delivery location.

Moving on to slide 30, this is the revenue split by vertical, and again this includes the revenue which have come from the digital media business. If you look at our Q1 numbers, the media and entertainment business was about 13%. Now with the **NXTDIGITAL** digital media business, it comes to about 32%. So that's the big change you would see compared to what we have reported in the previous quarters and if you add what Partha has mentioned in terms of technology and telecom (, those will

account for roughly about 43% of our revenue. Banking and financials is 15%, consumer retail is also at 15%, while others at 28% include revenues from public sector clients, primarily in the UK and Canada.

As Vyns mentioned, the digital media business has 4 million plus of the digital video customers and 1 million plus broadband customers. So this chart is primarily on the BPM business since we can't factor those into the revenue profile. So from our client concentration perspective, the top client accounts for about close to 10%, top five at 38% and top 10 at about 58%. From a delivery channel mix perspective again, this is for the BPM business... voice accounts for about 73%, digital has been growing rapidly and is now at 14%, and it's actually now marginally higher than the non-voice business of about 13%.

Moving on to slide 32, this is the stock price as on Friday (25<sup>th</sup> Nov 2022)... it was Rs. 1,253 compared to the CNX IT, which has dropped about 18.6%. The share price of HGS has dropped by 8.6%. This does factor in the 1:1 bonus as , the HGS share has been quoting ex-bonus since February 2022. Whereas the NIFTY 50 share price has gone up there was 1.7% over the last 12 months. With this, I will conclude our presentation and we will now open up the floor for question and answers. Thank you everyone.

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

**Jyothi Singh:** My question is I need some clarity on the BPM business, what's the organic growth, and second question is about the tax - Are those tax write backs because of media business because as per the result, it seems like acquisition was made just to get the tax set-off.

**Partha DeSarkar:** First part of the question is I think I answered in slide 15, so Jyothi, have we looked at slide 15? The revenue growth is shown to be 34.4%. That's the pure BPM business. The second part of your question was on tax write back. So if you could repeat the question, Pala can answer that for you.

**Jyothi Singh:** Are those Tax write back because of media business? Because as per this result, it seems like acquisition was made just to get the tax set-off.

**Srinivas Palakodeti:** So we did cover in the earlier slide-s the rationale for the transaction. Why we have now rolled up the digital media business under HGS is because of the synergies and the ability to participate in the entire digital initiative in India, and also to give a better customer experience to the media customers. So that was the primary reason for the transaction.

There are always synergies which come out of a transaction on the costs and operational efficiency. There are maybe having some tax reversals, but some of the tax reversals have also come in relating to the health care business which we sold off,

The purpose of this transaction is to take part in the entire Digital India initiative and also leverage on the customer experience, which we bring to the table.

**Moderator:** Thank you. We'll take the next question from the line of Ritvik Rai from Star Invest Capital. Please go ahead.

**Ritvik Rai:** Couple of questions. Earlier in the previous quarters, HGS was uncertain to guide with the future growth outlook. Now with this integration and with this acquisition, could you assist us with some guidance in terms of business growth and future outlook.



**Partha DeSarkar:** If you go to slide 17, you will see that our revenues have grown from last year from Rs. 1,648.4 crore to Rs. 2,147.4 crore, that's a 30.3% growth in revenues. Part of it has been accomplished because in the last half year, we did not have the Diversify business. The Diversify business in Australia came in only in the 2<sup>nd</sup> half of the year but this is the kind of revenue growth that has been clocked by the company in the first half of the year. So when you ask me for growth outlook, we have again tried to answer that in slide 21. Our first half of the year has been quite good and we're cautiously optimistic for H2. But there is one headwind that I wanted to just highlight to people. The UK public sector was a big part of our growth story last year, we are facing now some headwinds there, so these are the two qualifiers that I will have for our growth outlook. The offshore business is growing very strong, and we're deliberately focused on that business because that is the business that comes in with improved margins. We've tried to rationalize in onshore because there everybody is working from home. We were stuck with a lot of real estate that we did not need. So we have been getting rid of those real estate to the extent that our leasers allow us and the digital business (if you look at Slide 20), revenue grew by about 63% year on year. So this is the kind of outlook that I will be able to give you.

**Ritvik Rai:** Fair enough sir, and the next question would be which is the company or what kind of company is the management planning to acquire next, and how will NXTDIGITAL help overall with the plan of utilization.

**Partha DeSarkar:** So the second part of the question I will allow Vyns to answer. What kind of acquisition targets I'm looking at? I told you that we are trying to be a digital experience company which is technology led. If you look at the history of evolution of the BPM business in India, we were providing people support either for call center services or back office

services. That's been the history for the last two decades. Now, we have increasingly been bringing in technology. So some of our targets this year are going to be laid around increasing our digital capabilities in the data and analytics space and even in the public sector space, we have looked at some targets. So that's going to be the focus, that answers the first part of your question. The second part of the question is answered in slide seven where we tried to explain the synergies and the opportunity that the digital media business brings in. But if you want Vyns to speak through it, then over to you Vyns.

**Vynsley Fernandes:** Thank you very much for the question. To add to what Partha just mentioned, if you look at the kind of digital space that we are in, there's a tremendous amount of data required, a tremendous amount of analytics, and all of it is kind of boiling down to a very strong digital customer experience. So when you look at, for example ONEDigital, which is a convergence product. I'll just take one example so that will give you a sense. Imagine rolling out public Wi-Fi where you need to build a database of connectivity, usage patterns, customer experience, customer usage pattern and keeping on changing your package. You need a very strong digital customer experience back end to be able to support it as well as an entire lifecycle management. The same thing applies in the case of NXTSkyFi, which is broadband over satellite, with people in multiple places using different kinds of connectivity. It is not all B2C, it's also B2B2C, which therefore makes the back end process and the CX process even more challenging. This gets sorted obviously by the significant expertise of HGS to be able to support that growth and in those verticals. I hope that answers your question.

**Moderator:** Thank you. The next question is from the line of Ridham Desai from M square capital, please go ahead.

**Ridham Desai:** So I was just going to the balance sheet of **NXTDIGITAL**. I think they announced the results in October and if I look at the balance sheet, the debt part is around Rs. 800 crore, both short term and long term. And in the presentation that shows consolidated figures, it's around 639 crore. I just wanted to understand how the debt part has been treated in the consolidated balance sheet.

**Partha DeSarkar:** OK, so to clarify... what we have acquired from NDL in the process is not the complete **NXTDIGITAL** Limited. We have only acquired the digital media business of **NXTDIGITAL** Limited. So NDL, as the entity remains, they have some real estate, etc. So those aspects remain with this rest of the business. I think it's difficult to do a strict comparison between the two because it's not like to like the case where you're just adding two balance sheets together.

**Ridham Desai:** So you say that you have just acquired the business part of its digital media business.

**Partha DeSarkar:** Business aspects are associated there, we will discuss business aspects someday, but the number which is reported is the net number taking into account the BPM business and the digital media business. So all I'm saying is you will find it's difficult to adjust that balance sheet and this balance sheet together right, and there will be some regulations because now **NXTDIGITAL** digital media business is part of HGS.

**Ridham Desai:** Understood. A second question was on the overall performance. Now though **NXTDIGITAL** is EBITDA positive, there is a net loss which has been witnessed since last few quarters. So now I just wanted to understand what kind of strategy is in place to convert this loss at the net level into the profit for next few quarters.

**Partha DeSarkar:** So if you see the current business, at overall level, we are PBT positive. If you take the figure of Rs. 200.3 crore, that's the PBT which we have

achieved in the first half and even if you take for the quarter, we are profitable at the overall level. Clearly we will look for synergies as well as growth in customers or with a better customer experience, that's what we are focusing on as we go through going forward.

**Ridham Desai:** Last question on the overall discontinued operations. So last year also, we had the PAT at around Rs. 240 crore. This year also, around Rs. 50 crore of PAT is from the discontinued operations, so any particular reason behind discontinuing the operations, which are actually profit making? Healthcare was a profit making vertical for you, what was the original thought behind discontinuing such operations?

**Partha DeSarkar:** We realized that the public markets in India were not valuing the business appropriately, even though it was very, very profitable. The valuation of the business was very poor compared to what kind of valuation that business would attract in the hands of a private investor. I think the difference was very stark and everybody has seen how stark the difference was. That was one of the primary reasons that we believed that to unlock value for shareholders, as unfortunately the public markets in India were unable to value the business at appropriate levels, we would be better off by divesting the business and unlocking the value for the shareholders in a different kind of way.

**Ridham Desai:** Last question Sir. On the broadband or satellite part, that NXT is planning to launch, we just wanted to understand it... will this be in direct competition with Jio Fiber and Airtel who are already present in these metro markets.

**Vynsley Fernandes:** Yeah, thank you for that question. We are the only provider who is launched on geo-stationary satellite, the only other player who is currently in the space is a huge telecom player. As far as we're concerned, our model is different as we are on geo-stationary satellite. We will see

a lot of entrants coming up. There is no question of that... India is a very big market and given the kind of terrain, we see tremendous amount of use cases both at the retail and enterprise level. But the good thing is that we are off the blocks already. We launched on Diwali in Tawang, we launched a few weeks later in Pulwama with our partner Tata Studi and we've just signed on our commercial customer already, which is a solar farm in Ahmednagar. So our focus is on continuing to grow. We have one big strength, which Partha also mentioned, and that's very critical. One of the important things of broadband over satellite is to have a significant national footprint; considering we have a presence in 4500 pin codes and over 40,000 feet on street, there is a sales to supply to service chain already there, so perhaps we hit the ground running and we're looking at leveraging that for growth going forward. I hope that answers your question, Sir.

**Moderator:** Thank you. The next version is from the line of Imran Contractor from Quantum Investments. Please go ahead.

**Imran Contractor:** Can you elucidate more on what are the timelines for getting the accounts audited for the last March and announcing a buyback and the board meeting? And what would be the timeline you are looking at?

**Srinivas Palakodeti:** So just to clarify, the audit is for 30th September and that should be done fairly quickly.

**Imran Contractor:** OK, because we announced the buyback last February I presume and about 8-9 months have gone, and second thing, this **NXTDIGITAL** business which has been brought in. When is it likely to turn profitable on a bottom line basis?

**Srinivas Palakodeti:** There is a bit of misunderstanding, so let me clarify that. In terms of the buyback, see the healthcare business was sold in the month of January and if we had done the buyback based on the earlier balance sheet, the

buyback amount would have been significantly lower. Because you don't have the profits from sale of the healthcare business.. So as per SEBI guidelines, once you are doing the capital restructuring through a demerger etc, you cannot do any buybacks. So what we have indicated is the amounts which have been earmarked based on the 31st March balance sheet, and the estimated balance sheet of 30th September. So as we said, now that the shares have been issued, the buyback and the listing is expected to be in shortly. The proposal for consideration of the board will be after this.

**Imran Contractor:** NXTDIGITAL business will it become profit accretive. What is the timeline are we looking at or it will require continuous investments?

**Srinivas Palakodeti:** So that business has already been EBITDA positive and there are costs arising out of interest. With the stronger balance sheet, we will be able to negotiate or get better terms for things like interest or vendors. It's a business which requires more and more set top boxes for growth. So that's where it has an impact on depreciation. But overall level, we are confident and as we can see that even at PBT level, the combined businesses is profitable.

**Moderator:** Thank you, the next question is from the line of Preeti Sharma from Invest First advisors, please go ahead.

**Preeti Sharma:** My question is regarding the cash position that we had, so I was going through the presentation. We have around more than Rs. 2300 crore cash on our books, so could you please let us know what would be the plans with this cash - like would it be used for NXTDIGITAL Business or is it used for something else could you please elaborate on that.

**Srinivas Palakodeti:** If you look at slide 26, we have surplus funds in the form of loans, cash as well as debt investments. So these will be used primarily in 2 to 3 buckets. One is of course the buyback and the taxes payable on the

buyback. A second part would be in terms of any acquisitions, which we may make. Partha talked about it that we are interested in the digital space such as automation, AI, or technology-led services. Third of course, is to grow the business both in the BPM side as well as the digital media side.

**Moderator:** Thank you. As there are no further questions from the participants, I now have the conference over to Mr. Srinivas Palakodeti for closing comments.

**Srinivas Palakodeti:** Hello everyone, thank you for taking time out and participating in the first time investor call of HGS including the digital media business. Thank you for a very interesting question and answer session. We look forward to interacting with you when we come up with the results for the quarter ended December 2022 in the month of February. Thank you once again.

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

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*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.*