

TRANSCRIPTION OF THE AUDIO CONFERENCE THAT WAS HELD FOR THE INVESTORS ON NOVEMBER 14, 2018

Meeting Opening

Good afternoon to everyone on the call.

I am pleased to welcome you all to our earnings call for Quarter 2- FY 2019. I hope you have all seen the presentation of our quarterly performance review which we have updated in the web site. Two major updates we have for the quarter are in the AML business. The first is the provision we have made this quarter for the legal case and the second is our advisory that the volumes in the AML business have gone down and we don't have any visibility for volume growth from the existing client for this year.

On the legal case we had a provision for this case in our March 18 accounts. There were a small number of contractors who had claimed for Overtime remuneration like an employee for past hours worked, which they were not eligible as a contractor. This came up after 3 years of engagement with them and was definitely not as per the contract and the company strongly feel it had a very strong defence legally. However our legal counsel believed it was better to make a settlement rather than go through a long and expensive legal process in the US. Once we made the settlement we also found a way to cover the other contractors through a US department of Labour scheme which helped us significantly to contain the overall quantum to a much lower number than we would have incurred otherwise. With this provision we have now completely covered all exposure and we don't anticipate any further provisions.

On the volume front our existing client have not promised any volumes yet going forward, and we are talking to a number of prospects and hopefully we should see some new customer on boarding soon. Till then we may incur some fixed costs in the US but don't have any Bench as all the contractors who have been in our operations team have been disengaged. That's the update on US.

Moving on to the Indian and Manila business, both have continued to grow and we have had significant growth in both these geographies. The Client Lifecycle Management continued to perform well with a growth of 14% quarter on quarter and 36% year on year. The growth is driven both from Manila, which continues to perform well and the domestic business in India which is improving steadily both in volumes and margins. The India international business remained at the same levels.

The HRO business had a growth of 8% quarter on quarter and 21% on a year on year basis. The Business has seen steady growth in the Indian domestic market and our International business is witnessing good jump in volumes. We are operating in 35+ countries now and believe that over the next couple of years this business will grow significantly.

At a consolidated level, our PAT for the quarter is impacted on account of the one-time provision in the AML business. The Indian and Manila businesses have shown significant PBT growth but the effect of full tax in India during the current year, while we had MAT and deferred tax credit in the previous year have reduced our PAT for the quarter as well as the half year.

To conclude, we continue to be in a good space with our CLM and HRO business, both improving in their revenues and Margins. The AML business is an area that we need to add new customers and we are putting our efforts to make that happen.

With these I invite any of you who may have a question or clarification to state their name, institution and ask the question. Both me, this is **Jagadish and Saravanan**- Cofounder, both of us are on the call and we are here for any of the questions.

If you are all on mute, you may have to enter *6 and then ask your questions.

Question & Answer Session

Question: Hi sir, this is Saurabh calling from Stewart and Mackertich Wealth Management. How are you sir? (Jagadish – Good Good thank you). On the balance sheet front, we have accumulated quite a significant amount of cash on the balance sheet. So are we planning for any inorganic acquisition in between, till the time we are in search of a new client in AML?

Answer (Jagadish): I think they are two different activities. Additional client in AML has got nothing to do with inorganic growth business. We are looking at targets as we mentioned even in last quarter. We are looking at targets in US particularly in the AML or in the HRO space. That's the approach we continue to have and we are looking at ideal targets to do this. We are working on that as well.

Question: Ok. And on the HRO side of the business, what kind of growth rate can you sustain going forward for the next 3-4 years and the margins profiled in this business segment?

Answer (Jagadish): I think we have been growing over the last four-five years at about 20% plus, Year on year I will say. So I think similar growth should definitely be possible.

Question: Ok. And growth will be primarily driven by the mining of existing clientele or will be led by entering newer geographies or adding newer clients?

Answer (Jagadish): No I guess it's a combination of all of them. We are adding new customers in India; obviously we are adding more services to our existing customers, and adding customers in new geography. We have done a lot of countries and today we are in 35+ Countries. We believe that mining more customers in each of these geographies will also be easier because we have existing track record in those countries and we have a referral point in those countries. So I guess it will be a combination of all of these.

Question: Ok. And last year this segment has done a PBIT of around 40%.What kind of PBIT or EBIT margin this business is expected to produce?

Answer (Jagadish): We will continue to be on the same levels.

Investor: OK.Thats all sir from my side. Thanks.

Question: Hi my name is Raj Sharma and I am an individual investor. Sir one question regarding AML business. Sales are kind of around 11-12 Crores now. And if we take a onetime provision of 8.26 crores then we have got some minor loss in that. So do you feel that that will continue for some more time till we get more clients or next quarter onwards that will kind of break even.

Answer (Jagadish): No we will have fixed costs in US which will be there for next few quarters. Because we have the marketing team in US and we have the facility costs in US and all of that. We will have some fixed costs in US going forward as well.

(Saravanan): This is Saravanan here, just to clarify or add to what Jagadish said, US operations includes AML and we have a team that does not only sell the AML services but other services as well. So like

there is a certain component of those operations which will have some kind of a cost and that cost has to be included.

Question: Ok. So AML is breaking even at this point of time or does it need more revenue to break even?

Answer (Saravanan): As of now, there is no revenue from AML business. So the revenues and the costs as far as AML business is neutral. However like marketing costs for AML business will be impacting the bottom-line.

Investor: Ok. Got it. Thank you very much

Question: Hello can I ask a question. This is Sachin from Lucky Investments. Sir 2-3 questions from my side. One was growth. How much of it driven by change in currency and how much is the growth in constant currency?

Answer (Jagadish): Actually no we don't have. If you look at India, significant part of this is either domestic or HRO business in India. So we don't have as much of gains from the currency business. We have some gains from translation of the Manila business and US business. But with US business this time coming up with negative returns, I guess it kinda gets off set. So we are actually neutral from a currency perspective.

Question: Ok. So for the first half, there is not much of a gain from currency side. Secondly on the AML business you indicated that current run rate will it continue? Or even the current run rate of 10-11 crores a quarter, will it gradually become zero over the next 2 quarters. What is the position sir?

Answer (Jagadish): Yeah, that will become zero.

Question: So if we see this quarter, if we take out the one off cost on a 10.5-11 crore sort of revenue, we have made a 1.5 crore loss. so is it to assume that excluding one off cost of 8.5 crores, also the loss in the AML business will increase as we go ahead in the next two quarters? Because the revenues from zero income costs will be there.

Answer (Jagadish): As of Sep 30th, rather from Oct 2018, revenue from AML business is zero. And we are taking all efforts to see that we are getting back on rails to make some kind of progress in terms of generating revenues from AML business. But for Oct-Dec quarter, I don't see anticipate any revenues from AML side.

Question: What is the fixed cost that we incur are like for the quarter, which is there even if the revenue is zero? What is the tab of fixed costs? What is that number?

Answer (Jagadish): I guess we will have probably about 1.5 crores kind of thing on a monthly basis.

Question: Sure. You mentioned that you are looking at some prospective clients. Can you give us a sense of what is the type of bidding in pipeline and what is the major type of contracts we are bidding for so that we can get some confidence? Next year may be we can hear something on the AML side?

Answer (Saravanan): See on the AML front we are putting our best foot forward to see what are the kind of clients we had got and as you... if you understand AML kind of business what we have been doing has been predominantly on the business which have been directed and contributed by the regulatory side of the whole system ok. And now we have expanded our scope into other services as well. So we are hoping that we will continue to be in the AML side of business providing services however, like we are not .. hello..

Investor: Yes, please Continue.

Answer (Saravanan): Ok. So we will continue to be in the AML services business but however I am not able to pin point and say like this is the kind of business what we will be able to do in the next few quarters. But we are reasonably confident we will be able to crack some kind of a new client in the various kind of services like what we are offering in the US.

Question: Yeah. That was precisely my question. Are there any contracts or any tender for the engagement regarding seriously

Answer (Saravanan): Of course. Of course.

Question: Or are they in very preliminary stage?

Answer (Saravanan): No no of course we are at a different stages of negotiation, stages of talking. So many activities are happening around that.

Question: Ok. And sir, do we intend to increase the dividend pay-out going ahead? So because have so much cash on the balance sheet. So is there any opportunity or process to increasing the dividend?

Answer (Jagadish): I guess, at this point you know we don't have talks on that. But, we will declare dividend out of earnings which we are getting any way in India. So that should not be a problem. And the cash in the balance sheet is more for acquisition rather than you know as a dividend pay-out. So we will definitely declare dividend out of earnings.

Question: As far as the acquisition what is type of the acquisition you are looking at. Are you looking at some acquisitions like 15 crores, 30 crores or is that we are looking larger acquisitions like 20 million dollars, 30 million dollars something like that.

Answer (Jagadish): I guess it's more a case to case. We are looking at it with an open mind and if we have an opportunity we believe that's commercially worth better if we have to go for a larger acquisition I don't think that it could be an issue for us. It depends on what we end up with.

Question: Sir, from the other two parts of the business you are looking sort of 20 per cent of growth, so at 20 per cent of growth..

Answer (Jagadish): In the HRO Space..

Question: Yeah, a 20percent growth, does it help sustain the margins or the 20 per cent margins also gives you some leverage that when you give 20 percent margin actually increase somewhere than in the previous year

Answer (Jagadish): I think we have in last year business, in the HRO business is at fairly high margin. You also mentioned saying we are at 40 plus margin in the business. So I think you know we are able to sustain that margin with the growth in the business as well.

Investor: Thank you very much sir. And wish you all the best.

Jagadish: Thank you.

Question: Hi this is Deepak Rajesh from Coimbatore just a quick question on the cash that is sitting on the balance sheet. Do you have any plans for any buybacks.

Answer (Jagadish): At this point, No.

Question: Ok. And secondly with respect to the AML business, did I hear you correctly that as of October there is no revenue from that business.

Answer (Jagadish): Yes, and if you look at the presentation, we also mentioned that in the presentation.. If you have seen our website the quarterly presentation clearly it says that as well.

Question: Ok. Sorry, I didn't get a chance to look at that.

Jagadish: Ok.

Question: Ok. I was just wondering you know. How do you feel about this business on going forward basis. Because historically this has been a very profitable business from a margin standpoint. I am just curious to know if you want to rebuild this or strategically is it make sense to moving away from this business, if the environment is not favourable for such a type of business.

Answer (Saravanan): No we are reasonably confident that we will be able to build this business. Because, as you rightly said like it is highly profitable and however like it is the sales cycles are really long and the opportunities like don't come from like a single source. So like we are expanding our net. We are expanding our capabilities. We have expanded our capabilities and we will continue to remain in the AML business. Because as you said its profitable and I mean we are doing so many things and wherein we are also applying technology and so many things to ensure that we continue to remain in the business. And we will continue to remain in the business and we expect to do definitely expect to take advantage of the opportunities available in that business.

Question: So, what is the of sales cycle meaning. Like let's say there won't be any revenue in the current quarter ending in December. So, should one expect that we will be in a contract in the March quarter or in the you know what is the time taken for the any revenue to be realised over the next few quarters.

Answer (Saravanan): See, we have done a set of activities where we have some significant amount of traction in the last 3 to 6 months. We expect something will come out of it. I mean, we are at various stages with various client and at various engagements and we definitely expect something to happen in the future quarters to come.

Question: So, ok. Is it to mean to assume that nothing will happen in the current year?

Answer (Saravanan): As I told you, you can.. I don't know whether you have heard about it. This quarter- October, November, December, you can take it like that there is nothing is gonna happen in the revenue front in the AML business.

Question: understood. Thank you so much. Appreciate it.

Jagadish: If there are no other questions, we will close the call. Thank you so much for the participation and look forward to see you all and .. Thank you all. Thank you all.