



ALLSEC TECHNOLOGIES

*Building Lasting Relationships*

Q2 FY 2019

H1 FY2019

Earnings update

**November 13, 2018**

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**1. Performance Highlights**

**2. Performance Review & Analysis**

**3. Business Outlook**

- 1. Performance Highlights**
2. Performance Review & Analysis
3. Business Outlook

# *Onetime provision in the US for a legal case*

- A Class action suit was initiated against the US subsidiary in the previous year where certain class of contractors had claimed to be classified as regular employees thereby claiming additional overtime benefits for the past three years. These were contractors who were paid on hourly basis and who had no claim for additional overtime benefits.
- The Company strongly believes that it has not done any transgression and has paid all contractors as per existing laws. However, as per the lawyers advice the Company has decided to settle the claim rather than go through this in a court. The company also decided to approach the Department of Labour (DoL) in the US and have offered to settle with all the contractors to avoid any further claims.
- Initially the claim was restricted to a small number of contractors and an amount of US\$550,000 had been provided for on account of this in FY2017-18. A further amount of US\$140,000 was provided in Q1 FY2018-19 based on further claims received.
- In Q2 the Company has made a further provision of US\$ 1.2 Mn (INR 826 lakhs) which is the management estimate to settle with all the contractors.
- The Company does not anticipate any further impact on account of this going forward

# Q2 FY 2019 Standalone Highlights

- Operating Revenue
  - Q2 FY19 revenue at INR 37.8 crores compared to INR 34.3 crores in Q1 FY19 and INR 31.3 crores in Q2 FY18
    - QoQ growth of 10%
    - YoY growth of 21%
  
- EBITDA
  - Q2 FY19 EBITDA at INR 8.9 crores compared to INR 8.2 crores in Q1 FY19 and INR 7.4 cr in Q2 FY18
    - QoQ growth of 8%
    - YoY growth of 20%
  
- PBT
  - Q2 FY19 PBT at INR 8.1 crores compared to INR 7.6 crores in Q1 FY19 and INR 6.4 crores in Q2 FY18
    - QoQ growth of 7%
    - YoY growth of 26%
  
- PAT – The Company moved out of MAT to normal tax from Q1FY19. In FY18 we had deferred tax credit which resulted in a negative tax situation.
  - Q2 FY19 PAT at INR 5.9 crores compared to INR 5.3 crores in Q1 FY19 and INR 7.3 crores in Q2 FY18
    - QoQ increase of 10%
    - YoY decrease of 19%

# H1 FY 2019 Standalone Highlights

- Operating Revenue
  - H1 FY19 revenue at INR 72.0 crores compared to INR 61.5 crores in H1 FY18
    - YoY growth of 17%
  
- EBITDA
  - H1 FY19 EBITDA at INR 17.1 crores compared to INR 13.1 crores in H1 FY18
    - YoY growth of 30%
  
- PBT
  - H1 FY19 PBT at INR 15.7 crores compared to INR 11.4 crores in H1 FY18
    - YoY growth of 38%
  
- PAT – The Company moved out of MAT to normal tax from H1FY19. In FY18 we had deferred tax credit which resulted in a negative tax situation.
  - H1 FY19 PAT at INR 11.2 crores compared to INR 13.5 crores in H1 FY18
    - YoY decrease of 17%

# Q2 FY 2019 Consolidated Highlights

## ➤ Operating Revenue

- Q2 FY19 revenue at INR 68.7 crores compared to INR 63.0 crores in Q1 FY19 and INR 91.2 crores in Q2 FY18
  - QoQ growth of 9%
  - YoY decrease of 25%

## ➤ EBITDA

- Q2 FY19 EBITDA after the one time impact of INR 8.3 crores on account of US legal case stood at INR 5.7 crores compared to INR 11.8 crores in Q1 FY19 and INR 19.1 cr in Q2 FY18
  - QoQ decrease of 51%
  - YoY decrease of 70%

## ➤ PBT

- Q2 FY19 PBT after the one time impact of INR 8.3 crores on account of US legal case stood at INR 4.7 crores compared to INR 10.8 crores in Q1 FY19 and INR 18.0 crores in Q2 FY18
  - QoQ decrease of 57%
  - YoY decrease of 74%

## ➤ PAT

- ❑ In India, the Company moved out of MAT to normal tax from Q1 FY19. In FY18 we had deferred tax credit which resulted in a negative tax situation.
- ❑ In US, after the one time impact of INR 8.3 crores on account of US legal case
- Q2 FY19 PAT at INR 2.0 crores compared to INR 8.1 crores in Q1 FY19 and INR 17.1 crores in Q2 FY18
  - QoQ decrease of 76%
  - YoY decrease of 89%



# H1 FY 2019 Consolidated Highlights

- Operating Revenue
  - H1 FY19 revenue at INR 131.7 crores compared to INR 175.5 crores in H1 FY18
    - YoY decrease of 25%
  
- EBITDA
  - H1 FY19 EBITDA after the one time impact of INR 9.3 crores on account of US legal case stood at INR 17.5 crores compared to INR 37.5 crores in H1 FY18
    - YoY decrease of 53%
  
- PBT
  - H1 FY19 PBT after the one time impact of INR 9.3 crores on account of US legal case stood at INR 15.5 crores compared to INR 35.0 crores in H1 FY18
    - YoY decrease of 56%
  
- PAT
  - ❑ In India, the Company moved out of MAT to normal tax from H1FY19. In FY18 we had deferred tax credit which resulted in a negative tax situation.
  - ❑ In US after the one time impact of INR 9.3 crores on account of US legal case
  
  - H1 FY19 PAT at INR 10.1 crores compared to INR 32.2 crores in H1 FY18
    - YoY decrease of 69%

1. Performance Highlights ✓

**2. Performance Review & Analysis**

3. Business Outlook

## Summary – India Operations Q2 FY19

In INR Lakhs	Q2FY18	Q1FY19	Q2FY19
Income from Services	3,126	3,428	3,777
Other Income	146	162	143
<b>Total Income</b>	<b>3,272</b>	<b>3,590</b>	<b>3,920</b>
Personnel and Operating expense	2,529	2,766	3,032
<b>EBIDTA</b>	<b>743</b>	<b>823</b>	<b>889</b>
<b>EBITDA (% of Income from Services)</b>	<b>23.8%</b>	<b>24.0%</b>	<b>23.5%</b>
<b>Depreciation</b>	<b>81</b>	<b>94</b>	<b>98</b>
<b>Interest (Income) /expense, net</b>	<b>20</b>	<b>(31)</b>	<b>(19)</b>
<b>PBT</b>	<b>642</b>	<b>760</b>	<b>810</b>
<b>PBT (% of Income from Services)</b>	<b>20.5%</b>	<b>22.2%</b>	<b>21.4%</b>
<b>TAX</b>	<b>(84)</b>	<b>226</b>	<b>223</b>
<b>PAT</b>	<b>726</b>	<b>534</b>	<b>587</b>
<b>PAT (% of Income from Services)</b>	<b>23.2%</b>	<b>15.6%</b>	<b>15.5%</b>

### **Q2 FY19 vs Q1 FY19 :**

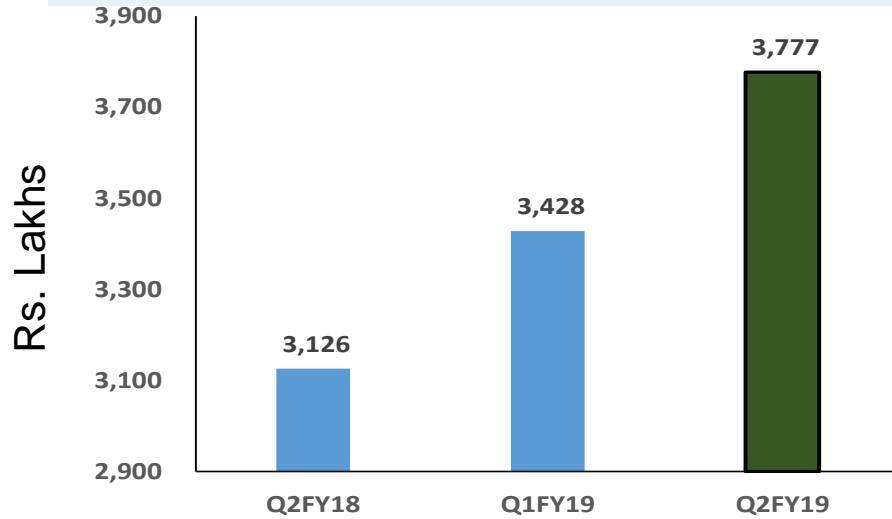
*Revenue increased by 10%. EBITDA grew by 8%. PBT and PAT higher in line with higher EBITDA.*

### **Q2 FY19 vs Q2 FY18:**

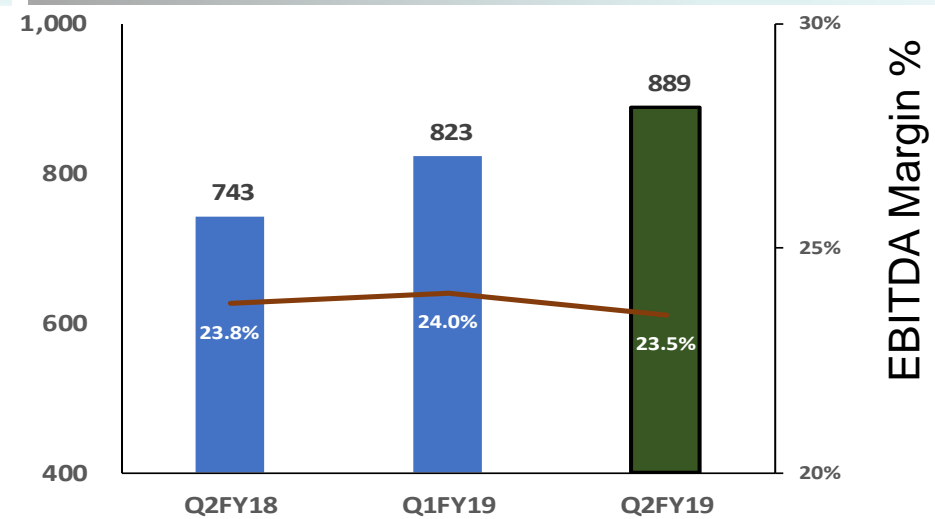
*Revenue increased by 21% and EBITDA by 20%. PBT higher in line with higher EBITDA. PAT lower due to MAT and deferred tax credit in Q2 FY18.*

# Summary – India Operations Q2 FY19

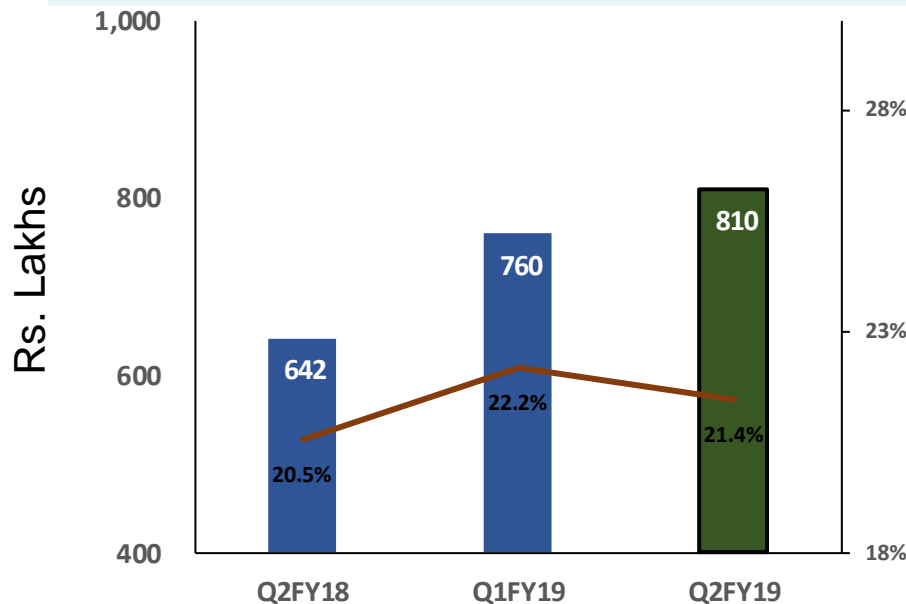
## Revenue from Operations



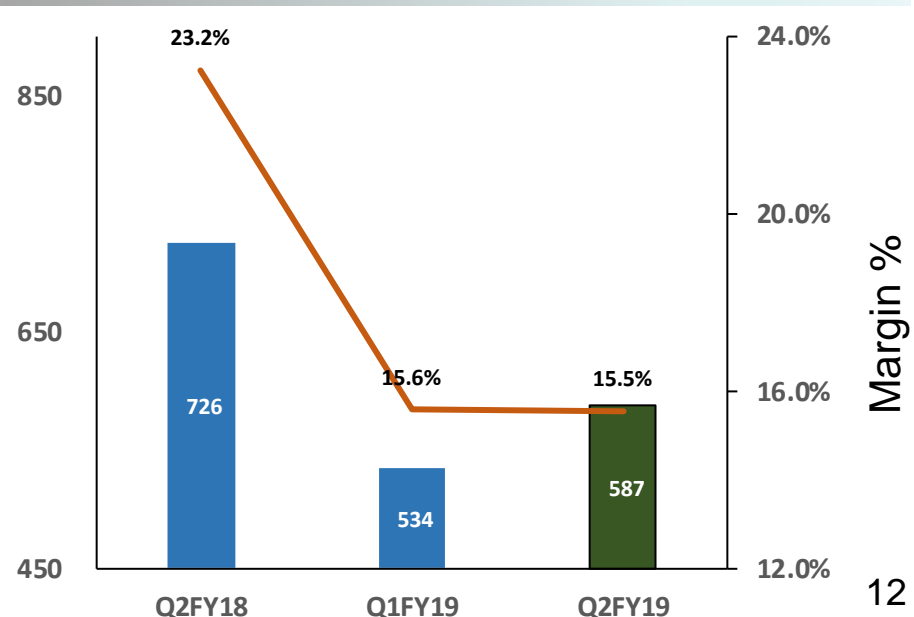
## EBITDA



## Profit Before Tax

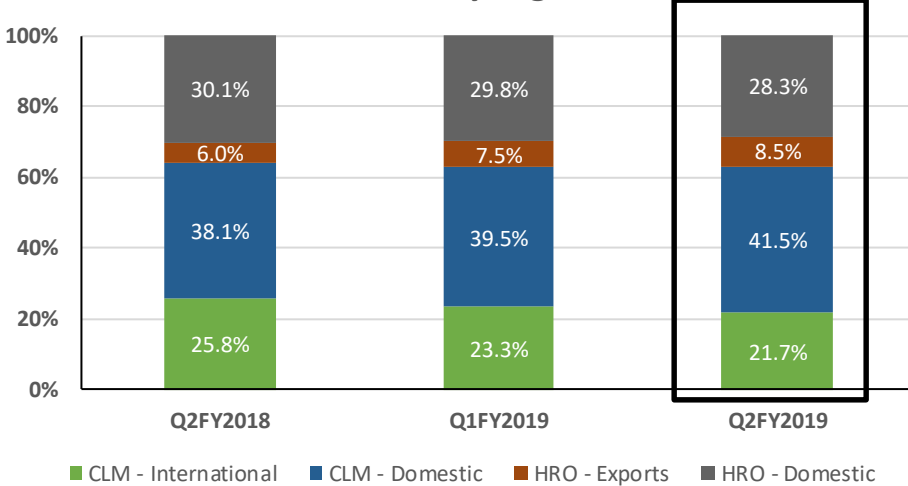


## Profit After Tax

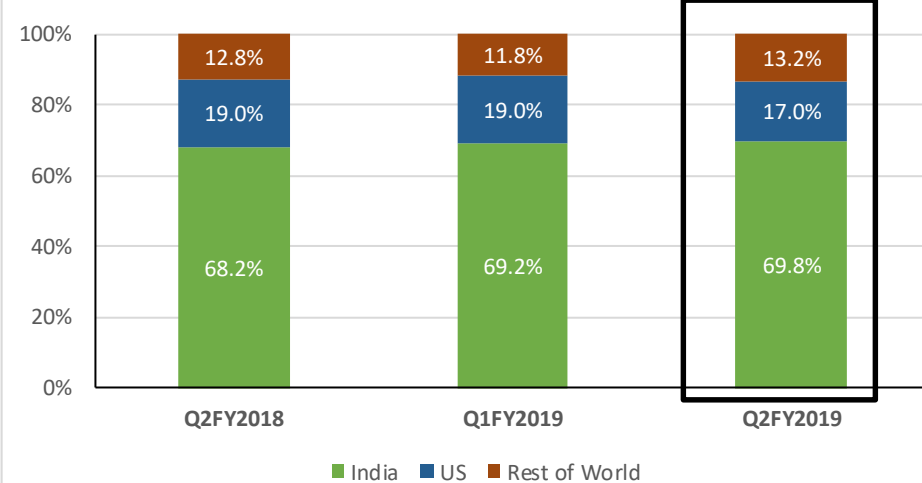


# Revenue Analysis - India

## Revenue by Segment



## Revenue by Customer Origination



(IN INR Lakhs)	Q2FY2018	Q1FY2019	Q2FY2019
CLM - International	806	799	821
CLM - Domestic	1,190	1,352	1,567
HRO - Exports	189	256	320
HRO - Domestic	941	1,021	1,069
	<b>3,126</b>	<b>3,428</b>	<b>3,777</b>

- CLM International remained stable against Q1 FY 2019 and yoy
- CLM domestic grew 16% against Q1 FY 2019 and 32% yoy
- HRO exports grew 25% against Q1 FY 2019 and grew 69% year on year
- HRO domestic declined 5% against Q1 FY 2019 and grew 14% year on year

## Summary – Manila Operations Q2 FY19

In INR Lakhs	Q2FY18	Q1FY19	Q2FY19
Income from Services	1,270	1,792	2,061
Other Income	8	31	29
<b>Total Income</b>	<b>1,278</b>	<b>1,823</b>	<b>2,090</b>
Personnel and Operating expense	951	1,244	1,372
<b>EBIDTA</b>	<b>327</b>	<b>579</b>	<b>717</b>
<b>EBITDA (% of Income from Services)</b>	<b>26%</b>	<b>32%</b>	<b>35%</b>
Depreciation	9	18	20
Interest (Income) /expense, net	-	(0)	(0)
<b>PBT</b>	<b>318</b>	<b>562</b>	<b>698</b>
<b>PBT (% of Income from Services)</b>	<b>25%</b>	<b>31%</b>	<b>34%</b>
Tax	31	39	46
<b>PAT</b>	<b>287</b>	<b>523</b>	<b>652</b>
<b>PAT (% of Income from Services)</b>	<b>23%</b>	<b>29%</b>	<b>32%</b>

### **Q2 FY19 vs Q1 FY19 :**

*Revenue increased by 15%. EBITDA grew by 24%. PBT and PAT higher in line with higher EBITDA.*

### **Q2 FY19 vs Q2 FY18:**

*Revenue increased by 62% and EBITDA by 119%. PBT and PAT higher in line with higher EBITDA*

## Summary – US Operations Q2 FY19

In INR Lakhs	Q2FY18	Q1FY19	Q2FY19
Income from Services	4,977	1,400	1,390
Other Income	-	-	-
<b>Total Income</b>	<b>4,977</b>	<b>1,400</b>	<b>1,390</b>
Personnel and Operating expense	4,104	1,627	2,423
<b>EBIDTA</b>	<b>873</b>	<b>-227</b>	<b>-1,033</b>
<b>EBITDA % (of Income from Services)</b>	<b>18%</b>	<b>-16%</b>	<b>-74%</b>
Depreciation	18	15	8
Interest (Income) /expense, net	12	2	2
<b>PBT</b>	<b>843</b>	<b>-243</b>	<b>-1,042</b>
<b>PBT % (of Income from Services)</b>	<b>17%</b>	<b>-17%</b>	<b>-75%</b>
TAX	142	2	0
<b>PAT</b>	<b>701</b>	<b>-245</b>	<b>-1,042</b>
<b>PAT % (of Income from Services)</b>	<b>14%</b>	<b>-17%</b>	<b>-75%</b>

### *Q2 FY19 vs Q1 FY19*

*Revenue remained flat over previous quarter. EBITDA lower on account of claims settlement amounting to US\$1.2mn on account of one time costs relating to overtime wages of contractors.. PBT and PAT lower in line with lower EBITDA.*

### *Q2 FY19 vs Q2 FY18*

*Revenue lower by 72%, EBITDA lower on account of one time costs mentioned above. PBT and PAT lower in line with lower EBITDA*

## Summary Consolidated Q2FY2019

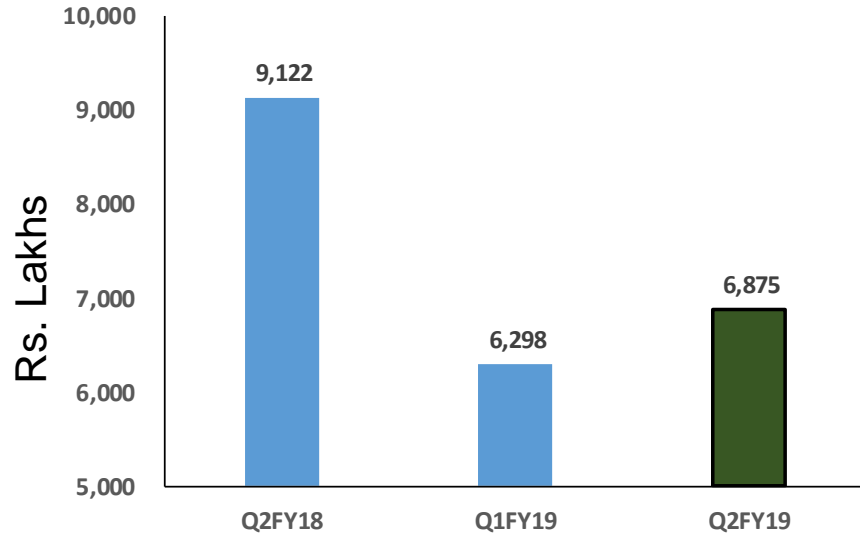
In INR Lakhs	Q2FY18	Q1FY19	Q2FY19
Income from Services	9,122	6,298	6,875
Other Income	139	193	172
<b>Total Income</b>	<b>9,261</b>	<b>6,491</b>	<b>7,047</b>
Personnel and Operating expense	7,354	5,315	6,474
<b>EBIDTA</b>	<b>1,908</b>	<b>1,176</b>	<b>572</b>
<b>EBITDA % (of Income from Services)</b>	<b>21%</b>	<b>18%</b>	<b>8%</b>
Depreciation	106	127	125
Interest (Income) /expense, net	3	(29)	(18)
<b>PBT</b>	<b>1,799</b>	<b>1,079</b>	<b>465</b>
<b>PBT % (of Income from Services)</b>	<b>19%</b>	<b>17%</b>	<b>7%</b>
TAX	90	267	269
<b>PAT</b>	<b>1,709</b>	<b>812</b>	<b>196*</b>
<b>PAT % (of Income from Services)</b>	<b>18%</b>	<b>13%</b>	<b>3%</b>

\* Q2 PAT is nett of the one time charge for US legal case INR826 Lakhs

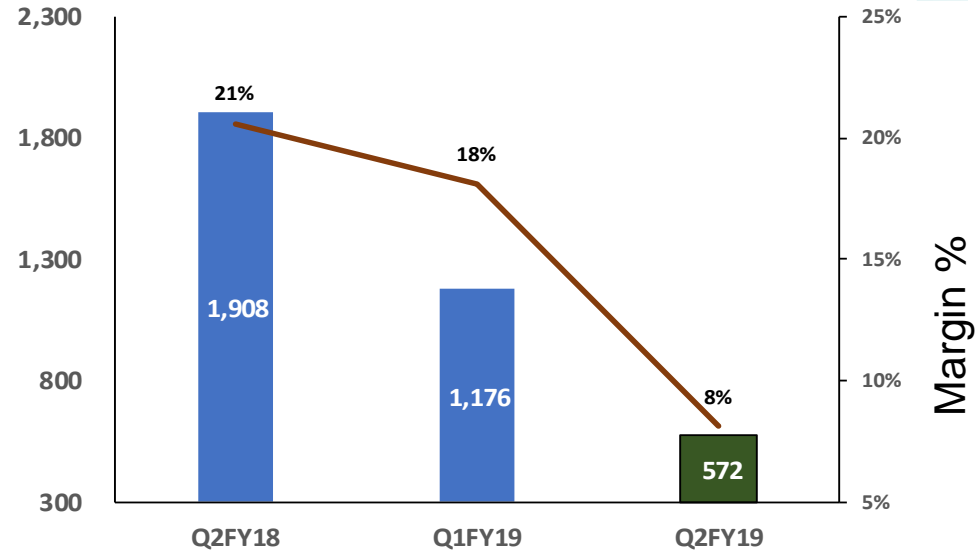


# Summary – Consol Q2 FY19

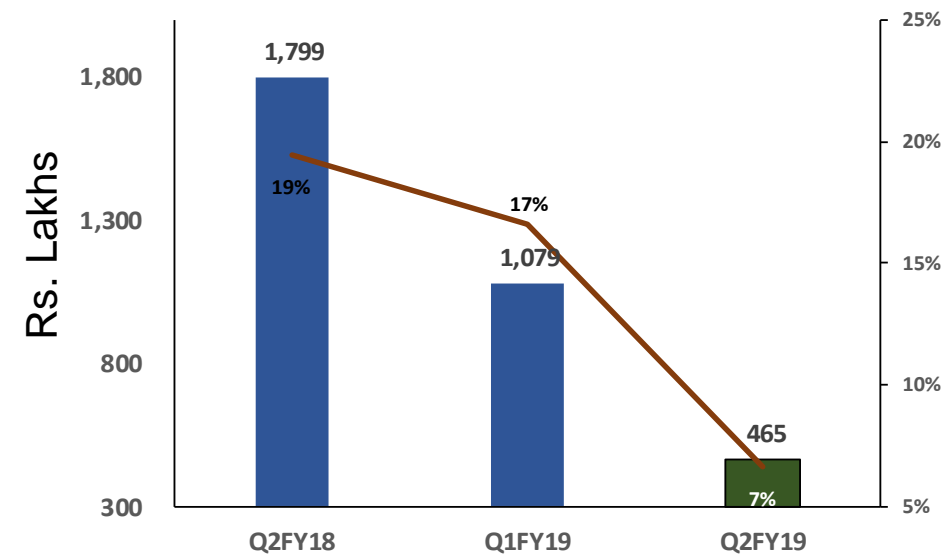
## Revenue from Operations



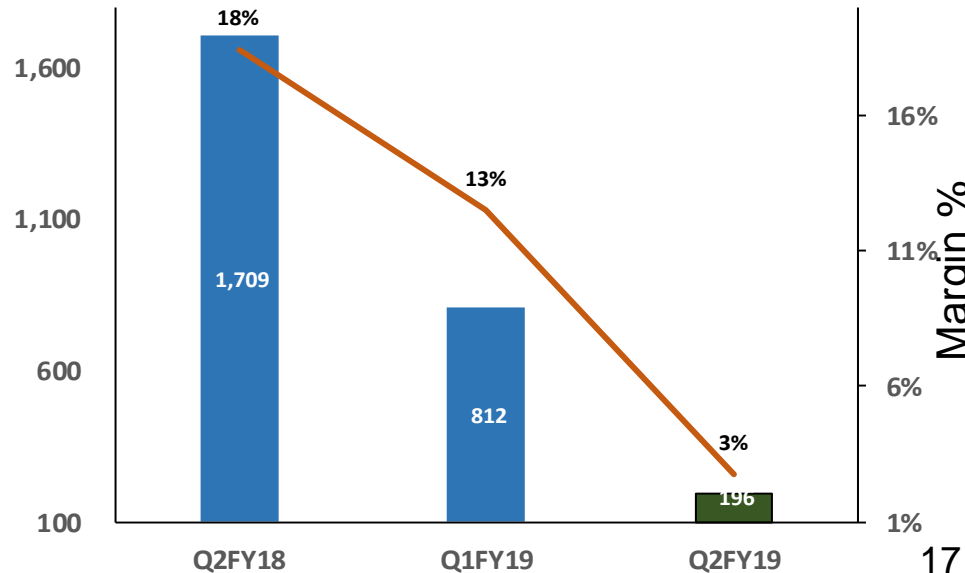
## EBITDA



## Profit Before Tax

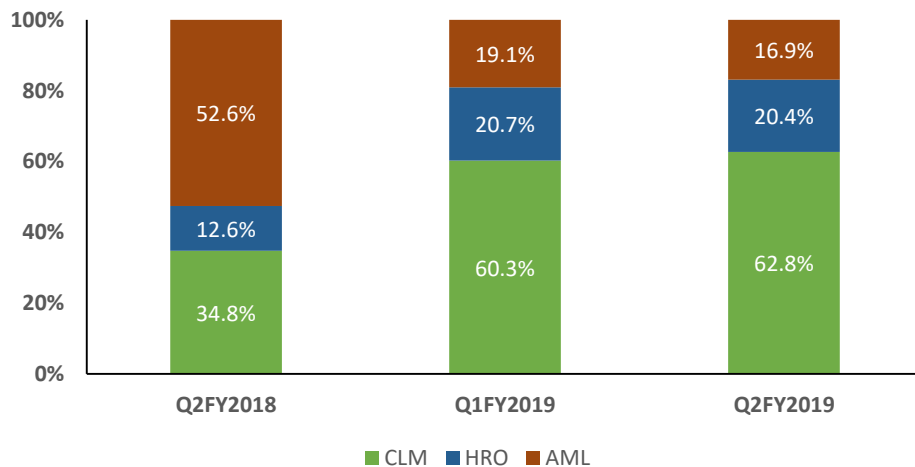


## Profit After Tax

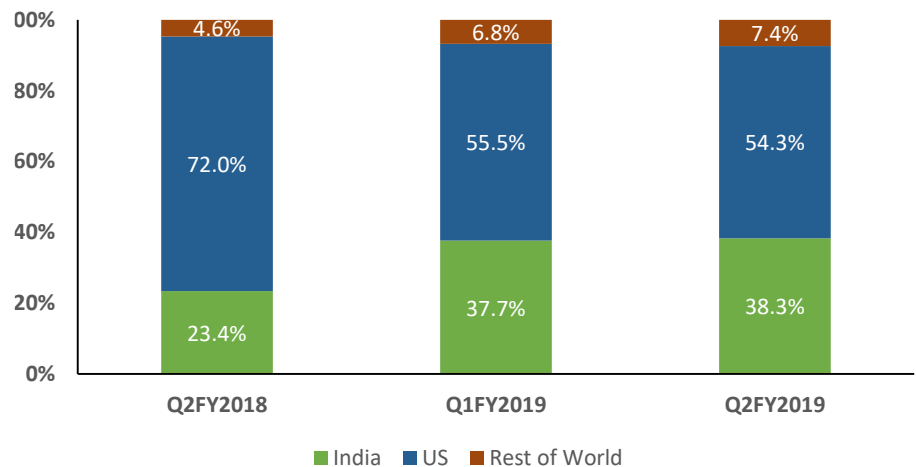


# Revenue – Consolidated

Revenue by Segment



Revenue by Customer origination



(IN INR Lakhs)	Q2FY2018	Q1FY2019	Q2FY2019
CLM	3,175	3,796	4,315
HRO	1,153	1,301	1,400
AML	4,794	1,201	1,161
<b>Total Revenue</b>	<b>9,122</b>	<b>6,298</b>	<b>6,875</b>

- *CLM witnessed strong growth during the quarter, growing 14% QoQ and 36% YoY*
- *HRO grew 8% QoQ and 21% compared to Q2 FY 2018*
- *AML remained flat compared to Q1 FY 2019 and down significantly from Q2 FY 2018 due to reduction in volumes*

1. Performance Highlights ✓

2. Performance Review & Analysis ✓

**3. Business Outlook**

# Business Outlook

- *India and Manila Operations continue to look promising and likely to sustain current momentum.*
- *HRO will continue to do well in rest of FY2019 with growth coming from both the HRO international and domestic markets.*
- *CLM India domestic business and CLM Manila business likely to continue its growth, while CLM India international business is expected to be stable*
- *In the AML business, we are unlikely to have any volume in Q3 and Q4 from the existing customer and the growth in the business is dependent on our ability to win other customers in this space.*
- *All the one time expenses with respect to the classification of contractors as employees have been provided for completely and we do not anticipate any impact on account of this going forward.*