

ALLSEC CONFERENCE SESSION WITH INVESTORS

TRANSCRIPTION OF THE AUDIO CONFERENCE THAT WAS HELD FOR THE INVESTORS ON 08-FEBRUARY-2019

Meeting Opening:

Audio Starts

Hello and welcome to the meeting. Please enter the pass code followed by the pound or hash key and i will connect you. (Dialling Sound). Please hold while i confirm your pass code. Thank you for joining global meet. Everyone will hear music until the host joins the meeting.

Jagadish's Speech:

Hello this is Jagadish. We will wait for a minute for people to join in and we will start the call very soon. Thank you very much.

Good afternoon to everyone on the call.

I am pleased to welcome you all to our earnings update for Quarter 3- FY 2019. I hope you have all seen the presentation of our quarterly performance review which we have updated in the web site.

The presentation is already up on the web site and i am sure you had a chance to look at it. The quarter performance has been good in India and Manila, while in the US as mentioned in the previous quarter as well, we have not been able to add to our AML business and hence we have a loss which is on account of the fixed costs that we incur in the US.

Investor: Sir you are not audible.

CEO: Am i now audible?

Investor: Yes

CEO: Just a quick recap. We have the quarterly presentation updated in our web site and i hope you had a look at it. Quarter performance has been quite good in India and Manila while the US continues to languish because of lower AML volumes.

India and Manila have continued to grow and we have had significant growth in both these geographies. Both the CLM business and the HRO business has done pretty OK. The CLM business had a growth of 11% quarter on quarter and 45 % year on year growth and the growth is driven primarily from Manila and also the Indian domestic business. Because both been steadily growing in terms of volumes and margins. International business from India has kind of remained at the same level.

The HRO business had grown at 8% quarter on quarter and 17% on a year on year basis. The Business has seen steady growth and we believe that, that's something that will continue to sustain. We are operating now in 37+ countries. We recently made an announcement about Samsung. I am sure everybody would have had chance to look at it. We today operate for Samsung out of 28 geographies both in Middle East and Africa. And the growth in geography is something which we believe will give us significant growth as we go forward.

At a consolidated level, the PAT for the quarter is higher because of the big provision which we had for one time legal expenses last quarter. However the Year on Year PAT is significantly lower thanks to the drop in AML business since last year. Whole of 2018 we have had issues in the AML business and we believe that we will continue for another quarter or so and we are hoping something will come up in the next few months. If you have any questions or any clarifications and please if you are on mute, press *6 and ask your questions.

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Question & Answer Session

Question: Hi am i audible?

CEO: Yes you are.

Question: Sir I want to check on the Samsung revenue which is in media.(CEO :Yes) From when do you anticipate the revenue to reflect in numbers? And also what is the kind of revenue that we anticipate?

CEO: I guess Samsung from a revenue perspective, we have been doing work with Samsung for a long time and the growth we have had. We have announced this because of the growth we had in last 3-6 months. We have had significant growth in geographies. So per say Samsung contract will not be very significant from a overall HRO perspective. But it is very significant specifically because this will help us get root in more geographies and that will drive growth for us.

Question: You don't anticipate much of revenue in fact because of this?

CEO: No, No.We do anticipate revenue. We have been doing this kind of contracts. Basically Samsung is about 15,000 employees. It is significant, but it's not something which is going to be a significant number compared to the overall number. But we believe that it will help us grow strategically grow into these geographies. So the reason why we came out with the press release is because of the strategic impact rather than the financial impact of the contract. That is what I was trying to speak.

Question: My second question is regarding AML. Now that we have a clean slate with regards to AML revenue at US. Do you still want to have that offering? What I could make out of it is, it's really it looks like a onetime field and we had really a skewed number because of that and also the profitability from time to time was impacted because of all the issues we had. So the sustenance of revenue, how important it's going to be in our go to market strategy?

CEO: Ok.The AML business, we have done this for almost 4 years now and that's a track record which we believe will get us more business. We are in dialogue with a number of future prospects in US and we believe that's something which will fructify into contract ultimately. So we are still very hopeful that we will be in the AML business with multiple clients. So we have been in dialogue and we believe, whatever infrastructure we have been maintaining in US, this is just barebones infrastructure, and people in US. And we really believe this is something we really need to get back in that business. It's very possible we do that and we kick start the business very soon. As of now we believe that this is worth taking that kind of marketing costs.

Question: And also is it going to be sustainable? Like your other businesses?

CEO: It is definitely something that, once we have multiple contracts, it's sustainable. And we believe we will be in that position very soon.

Question: Thank you for that.

CEO: Thank You.

Question: Sir, can i ask a question?

CEO: Sure

Question: Sir just wanted to check you know, on the CLM side there has been a significant growth on YOY and also we have seen strong growth. So if you can highlight what kind of contracts we are working there and why has there been a significant ramp up in revenues from CLM side it will be great.

CEO: I think significant growth has happened both in India domestic as well as in the off shore revenue from US. We believe that's something which is very sustainable and you know we believe that growth in Manila happened because of multiple customers coming in we have had growth in the

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whole of last year. We believe it happened because of the overall improvement in the business. And our continuous efforts to get more customers fructified last year.

Question: OK. OK. How long are the contracts for this CLM?

CEO: Basically CLM contracts are 1-3 years. But it normally are, so long as the business remains for that customer it will get renewed. These are contracts which will get renewed regularly and so normally these contracts will continue for a long time.

Question: Ok. Ok. Any ball park figure for customer retention that we have in CLM?

CEO: I think there's nothing. Don't have that kind of number. But the fact, most of our customers in India we have had for a fairly long time. The biggest risk is the customers' business must be sustaining. So long as they do, we have never had a loss of contract because of our performance or with pricing or something like that. So we have always had great relationships.

Question: Ok. How much will be the Top 5 customers be upon total revenue currently including both CLM and HRO? Now that AML is gone.

CEO: We don't have any big customer concept in business

Question: There will not be. Let's say Single largest customer will not contributing more than let's say 10-15% of the whole revenue now? AML revenue is going away.

CEO: I guess for HRO we still have a large client who contributes 20% +. In CLM it should be about 15 %

Question: OK. Can you update us about what is the cash on books as on Dec 31? Cash on books for liquid investments as on 31st Dec

CEO: We have about 150 crores + cash. Thats something that is visible on this thing as well.(Yes)

Question: Ok. Any plans to utilize this cash going forward?

CEO: Absolutely. We are looking to invest and particularly the target market is US, because we believe that that's somewhere, where there is big growth in HRO space and in the AML space. Today HRO is an area we believe we can make an investment in US and grow significantly.

Question: Ok Ok. Are we looking at any inorganic acquisitions there?

CEO: Absolutely.

Question: Any thoughts on dividend policy? We are now having lot of cash. Any thoughts of formulating?

CEO: We have always been very conscious about it. And even last year, we declared whatever we can in terms of dividend. This year also we will definitely have a dividend.

Question: Has board formed any policies about you know -X% of profits will be distributed to the shareholder?

CEO: Guess we are too small for that. We will do as appropriately i guess.

Question: Ok, Ok. Thank you sir. Ok I will come back in the future

Question: Hello

CEO: Yes

Question: Sir I wanted to understand the tax rate. So we are paying 33 percent tax rate. So is this the same?

CEO: We actually will have. Its not 33 percent. What we incur in India is about 29 percent tax. Which is 25 percent tax plus all your surcharges and all of that and in Manila because the of different formula

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and because of PEZA and export zone and all of that we incur about 5 percent of our gross profit in Manila. So which comes roughly about 7-8 percent of the net profit and in US we are in a loss situation but in US its 21 percent. So in overall our tax rate will be lower than that. Your 33 percent has come mainly because probably because of the losses in the US. So which obviously you know, kind of replaced our overall profit but this tax has to be seen more from country to country rather than overall level.

Question: So if US is making losses, we are not paying any tax and for the nine months from this 26 crores of PBT so that transfers to 33 percent with India tax rate, Manila is less than 10 percent so and so consolidated should be in twenties so how can it be 33 percent.

CEO: So I think because we are netting of the US losses with Indian profits your tax rate goes up so you have to look at it as country to country tax.

Question: So if I remember correctly you mentioned that the US subsidiary which is looking after AML which will incur a loss of around 1 to 1.5 crore loss per quarter but this quarter we made a 5 crore loss so going forward what kind of losses do you see?

CEO: We had some one time marketing event and all of that in last quarter, so that the losses were little bit higher but you know overall we believe you know the loss which we believe that will happen is about one to 1.5 crores a month not a quarter.

Question: ok ok

CEO: Sorry may be I might have mentioned wrongly as last quarter but what we tried to communicate last quarter was that it will be 1 to 1.5 crores a month

Question: So that translates into the same kind of loss that we did in last quarter.

CEO: No I think we were more than that

Question: Sir I am talking about Q3 loss- about 5 Crores in AML

CEO: Sorry

Question: So this kind of loss, 3-5 crore per loss will sustain per quarter?

CEO: No no you are taking about AML but I am talking about US overall.

Question: No sir I am talking about AML division. That division how much loss per quarter do you foresee?

CEO: Around 3 crores

Question: Around 3 crores ok. and sir also as per the rates of the business apart from AML, CLM and HRO business at what rate can that go

CEO: Sorry I didn't hear you

Question: sir CLM and HRO business at what rate can this business go sustainably?

CEO: Ok I think you know HRO business we have been growing at about 20-25% percent year on year. We can definitely expect the same or marginally higher rate of growth. We believe we will be able to grow 20 percent comfortably in HRO business. On CLM business we had like extraordinary growth last year in Manila. We have almost double manila numbers so I don't see Manila growing significantly this year but India will grow so probably we will have about 10 percent growth in CLM space next year.

Question: So this is for FY20 you are talking about?

CEO: Yes

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Question: Ok sir. So finally is there or are you considering share buy back considering amount of cash we have, and for company this is a lean period if you foresee the AML business turning around then may be this is a good time to reduce capital so that whatever growth we get will get divided on a smaller basis. What do you think?

CEO: At this point you know we believe that we will need cash to make the growth. The best use of cash will be more on growing the business rather than you know and I think that will be the most efficient way of using the money rather than extinguishing capital.

Question: Ok. For a FY 20 do you see AML business breaking even for a full year.?

CEO: I think it's too early days for that .We don't have a customer yet, so I don't think i can even afford a guess there.

Question: sir so by when can have some clarity can emerge as a business if you are in discussion with a client

CEO: We are trying to see, we are doing our best but we at this point we don't have visibility on that .

Question: Ok sir, ok thank you very much and best of luck.

CEO: Thank you. Thank you so much.

Question: Hello sir, the AML business is it a very highly profitable line of business?

CEO: Yes

Question: More than HRO and CLM?

CEO: No I think it is about the same level of profitability. But it had big volumes.

Question: Ok. Sir how many countries were you present in with your HRO products?

CEO: As of now we are present in about 37 countries.

Question: Ok, so that includes that other customers which is the accounting firm big four account firm plus Samsung.

Question: Of course. Yes all our customers. We have overall about four hundred customers.

Question: Hello

CEO: Yes.

Question: On AML business just wanted to know, who will be our major competitors in US?

CEO: I think there are a lot of companies in both consulting as well as in the compliance space. There are many companies in US who are in to AML business.

Question: ok and sir any specific reason this contract from the bank was not renewed with us for AML?

CEO: No they didn't have volumes to renew the contract. Its not anything or nothing to do with us or with the bank but its more the business dried up.

Question: ok ok. Sir on the AML business one more question. Even in the last AGM also you had indicated that you know we are in talks with lot of big banks and you know MNC banks for this AML contract. So has there been any tendering process and everything has been completed for those contracts or its still in process.?

CEO: I don't get your question.

Question: Because what I am saying is like, have we bid for any contract on the AML side and lost because of pricing?

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CEO: Well I guess you know we have been bidding for contracts obviously we did not have a successful bid yet. But it can be because of variety of reasons not just pricing only.

Question: ok thank you sir.

Question: Hello

CEO: Yes

Question: Sir so in CLM business I didn't get you because you mentioned that top client is contributing to what percentage of CLM business?

CEO: I said we will not have anybody more than fifteen percent in CLM business

Question: ok sir. 15% one client?

CEO: I didn't get your question

Question: One, your top client in CLM is contributing 15 % of your sales?

CEO: Correct

Question: So the top five could be how much sir? Basically just want to get an idea of client concentration, like, what happened in AML can it happen in these two divisions?

CEO: No that's what i said. We don't have client concentration in both these divisions. So what happened in AML business will not happen in these two divisions

Question: But like if 20% revenue in HRO be contributed from one client and we lose that client?

CEO: It is still 20 percent right and not 100 percent

CEO: Hello is there any other question? If there are no other questions I think we will close this call. Thank you very much for being part of this call and we look forward to interacting with you soon. Thank you.