



Expleo Solutions Limited
(formerly known as SQS India BFSI Limited)
Q1 FY '20 Earnings Conference Call

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(FORMERLY KNOWN AS SQS INDIA BFSI LIMITED)
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MODERATOR: MR. DIWAKAR PINGLE, CHRISTENSEN IR

Moderator: Good day, Ladies and Gentlemen and welcome to Expleo Solutions Limited Q1 FY '20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle from Christensen IR. Thank you and over to you, sir.

Diwakar Pingle: Thank you Stanford. Good afternoon to all the participants on the call and welcome to Q1 FY '20 Earnings Conference Call of Expleo Solutions Limited (formerly known as SQS India BFSI Limited).

To take us to the results today and answer your questions, we have the top management of the Company represented by Mr. Balaji Viswanathan, Managing Director and CEO and Mr. Desikan Narayanan – Chief Financial Officer. Balaji will start the call with a brief update about the quarter gone by which would then be followed by Desikan who will talk over the financials post which, we can open the floor for the Q&A session.

I would like to remind that anything that is said in this call which gives any outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with risk and uncertainties that we face. These risk and uncertainties are included, but not limited to what we mentioned in the prospectus and filed with SEBI and subsequent annual reports which you can find on the website.

With that said, I now hand over the floor to Balaji. Over to you, Balaji.

Balaji Viswanathan: Thanks Diwakar, thanks Stanford. Good afternoon everybody. I am here to talk about our Q1 performance certainly not a very encouraging number, but it is mixed with some of the sluggishness that we see globally particularly in the Europe region. However, we are confident with the group and with some of the changes that we are likely to do, this will change over the next coming quarters. We had a decline of around 16% year-on-year in terms of our revenues and from a profitability perspective, we have a decline. While last quarter we had a good profitable quarter primarily because of the financial year end with some of the provisions and other stuff that we tried up this quarter, you see a decline in our profitability. However, we are taking steps both to make sure that our revenues grow up and our profitability still remains similar to what we had in the past which is in the range of around 17.5% to 19% in EBIT. We had our biggest challenge in this quarter rather the first half of this year, primarily due to UK and Europe where we had a significant decline which to some extent got compensated with some of the other markets like Asia and Middle-East and India. However, the difference is so significant that it could not be fully bridged to fix that. We have not lost any customers, most of the impact was primarily because of some of the projects getting postponed or being pushed out or there are some of these budgetary decisions that the banks have actually deferred rather than losing any customers per se. So, we have not lost any customers in the first half of this year. We have only added more customers which is a positive sign and hopefully that should give us future

growth. If you look at some of our highlights, the decline has been in UK and Europe and the decline has been in our top 10 customers and this all indicating the sluggishness in the market.

US we are not touching much right now because like what we discussed in our last quarterly call as well, US has been a challenge for us and it continuous to be a challenge and we have not really done much in the last one quarter in the US in terms of any additional investments or increasing our sales force because we are waiting for the group to take a step, more aggressive step in the US, which the group is planning to do either in Q4 or sometimes during the course of next year and we will piggyback along with that which will actually drive our US growth so that is something which we have not focused on for this quarter. Our focus has been primarily in our market of Asia, Middle-East and India and to some extent outside of UK and the Belgium region into other parts of Europe. So, Spain has shown some uplift. Some of the geographies in Europe at slightly better economic conditions is what we started focusing now. So, the other elements outside of the numbers we have made significant investments in terms of resources and competency that we have built on DevOps. We have actually established in full-fledged lab where IoT and DevOps tools are being tested We have signed a partnerships with some of the robotic companies where we are doing R&D with that robotic tools as well. We have also launched a massive upscaling program that will touch almost 60% of our entire workforce in up scaling to be ready for what likely to come in the future which is more the continuous testing and continuous development and continuous integration. So, that quickly about our performance for this quarter we will cover specifically our numbers. We will pass it to Desikan who will cover the numbers in specific.

Desikan Narayanan:

Good afternoon to everyone. Let me take you through the financials of Q1 FY '20. We ended up with a revenue of Rs 619 million which is 7.6% lower than the previous quarter. EBITDA stood at Rs 104 million for the quarter as compared to Rs 135 million in the previous quarter. EBITDA percentage ended at 17.4% as against last quarter of 20.6%. Our profit after tax percentage was at 10.8% as compared to previous quarter of 13.9%. Earnings per share was at Rs 6.20 per share. To compare the same with year-on-year, revenue for the last year same quarter was Rs 740 million with an EBITDA percentage of 17.7% and a profit after tax of 11.5%. This concludes the financials; we can now take the questions.

Moderator:

Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Rohit Balakrishnan from Vridhhi Capital. Please go ahead.

Rohit Balakrishnan:

I just wanted to understand that in terms of looking out next couple of quarters or in the end of this year, do you see the sluggishness to continue because UK news does not seem to be any improving as such, so just wanted to get that first out?

Balaji Viswanathan:

The market sluggishness or the economic sluggishness and the impact on banks not spending much or trying to safeguard their budgets is expected to continue. Having said that for the results of whatever we are trying to do in this quarter will probably start showing in Q4 is what our expectation is, where we are trying to focus more on, where there is opportunity within the

market. So, for us Spain is an area of opportunity where it already had all the impact that the sluggishness used to have in the past. So, there is some signs of green shoots and apart from that we are looking at our Asia, India and Middle-East market so that is the reason why I also mentioned in my press note as well saying that while we try and look at some of the other regions the profitability that we particularly get in some of these other regions might not be the same as what you would typically see in European market off shoring to India. So, while I expect that we will probably be able to reverse the top line decline over the next three or four quarters. The bottom line might probably see a new normal it does not mean that it will probably go down significantly, but we expect that we should still be in the +17% EBITDA range.

Rohit Balakrishnan: You had mentioned couple of quarters back, the new initiative revenue from that segment, so if you could I mean just to keep a track on it what portion of the revenues are from there?

Balaji Viswanathan: So, we still are in the range of around 10% to 12% of the new edge the digital revenue is what we would call it as you know having said that it is slightly complex to try and segregate that side of the business. We are still trying to figure out some of the works that we do in a large contract also falls into that. We have only tried to look at where we have a contract specifically to do this activity. So, that portion of trying and figuring out which part is doing this particular segment is still on. We have not really spent much time on carving out that particular element, we are focusing on how do we make sure that we build a competency rather than carving out that from a number perspective which we would also do before end of the year.

Rohit Balakrishnan: And again, we have got Rs 78 crores of cash which would grow. So, any will we continue both with earlier it was dividend how we had buyback with this policy change, so any thoughts on that? I mean how is the promoter group thinking and any thoughts you would like to share on that?

Balaji Viswanathan: All options are on table Rohit at this particular point of time. We are trying to make sure that we use whatever idle cash that we have got that will drive our growth effectively. All options are at the table right from whether it is buyback or dividend or we want to look at some kind of getting into a customer agreement by taking on something existing or looking at anything in that particular segment where we can actually do an investment or a partnership. All the options are on the table we have not really frozen on anything we discussed that even with Board as well in terms of what kind of options are available. So, we need to freeze on something hopefully in the next 90 days to 120 days and then go back to the Board and then we will be able to see how we can make sure that we utilize the cash. Rest assured that all options are being evaluated.

Rohit Balakrishnan: I do not know from a regulatory stand point when you are again eligible to do a buyback when the price has become extremely attractive, so I am not sure?

Balaji Viswanathan: We will be eligible for a buyback after 12-months from the date of closure of the last buyback. So, it should basically mean that it will be only in sometime in the month of July next year.

Moderator: Thank you. The next question is from the line of Manish Jain an Individual Investor. Please go ahead.

Manish Jain: So, my question is that will this Company get benefitted after the change in policy or change in corporate tax rate for company below Rs 400 crore turnovers. So, we did not see that change from the Q1 tax rate so that is my first question. So, my other question is that I have been seeing various presentation and I have been investor for a long time company is facing challenges in many new markets so my own take is that our market in which we are successful for example India, Asia, Middle-East and some country in Europe why not concentrate there only and why even try let say US because Expleo Solutions is not so big that it cannot grow without US the kind of turnover which we have. I feel that the current market in which Expleo Solutions is operating that should be good enough or big enough for Expleo Solutions to increase its market share and have growth?

Balaji Viswanathan: I will ask Desikan to answer your first question on the tax rate and I will answer your second question.

Desikan Narayanan: On the tax rate, we have applied the new tax rate which has been announced in the budget which is 25%. But on the quarter-to-quarter we may not see the impact due to adjustments in the previous quarter tax amount. At 25% the effective tax is around 29% i.e. including surcharge and cess. If you compare the last quarter with this quarter, the previous quarter has some tax adjustments (i.e. reduction) due to tax assessment, so the reason you have lower tax in the previous quarter. One more aspect is that tax is calculated considering admissible and non-admissible expenses, with all included the effective tax amount will come at 31% to 32%.

Balaji Viswanathan: So, effectively you will start seeing that impact from next quarter onwards because this year we also had this financial year closure so that is why the comparison between last quarter and this quarter may not be the most accurate one and on your other question on why US why not just look at the current market. I agree because so US is always most attractive market for any IT services company, but having said that, this is what I mentioned earlier so we were looking at US as one of our strong focus markets, but given the current situation we said that the best option is to look at where we have the current strength rather than looking at or spending a lot of effort on US. We have two clients in the US and we are looking to grow them as a strategic account, but beyond that the focus is not as much as what we are doing for our other markets. That's what we are doing now at least for the last three to four months. And there is enough potential in Asia, Middle-East, India and the European market, European markets are slightly sluggish so that is why we have more focus on the Asia, Middle-East and India market. The margin profile like what I mentioned to Rohit just before this, the margin profiles might change because the market do not have the same kind of offshoring that European market would do, but from a business perspective there is enough and more potential in it.

Manish Jain: One small question now it seems Brexit will happen in next two months I mean all this while people have been waiting etc...and there were lot of things so my understanding is that it will

happen now, so any change in your revenue streams which will be impacted by Brexit and let us say Quarter 3 and Quarter 4?

Balaji Viswanathan:

It should not actually Brexit. Brexit might have some marginal impact or probably a short-term impact so to say, but it should not really impact us much from where we are right now because I think all those factors of Brexit has already been taken into consideration with the current fall even the current drop in our revenues. It will certainly have an impact, but it may probably a transitional impact for a quarter or so, not for too long. We are still figuring out what does the no deal Brexit mean as well because we really cannot figure out what that means does it mean that all the UK companies will have to establish other center outside of UK and then run business on their own which means that in the short term it will be good for us because at least they will have multiple investment within they have to do from a system and control prospective or that no deal Brexit means something else we really cannot figure out we are as uncertain as everybody else. So, we really do not know what all it will have, but from a scope and what our role of being a quality assurance partner, if there is any impact it will only be a transitional impact for a quarter or two at best. And we are hoping that it will probably be a positive impact in the shorter term if it goes down the path of everybody splitting their business between UK and Europe. These are all guess work at this particular point of time.

Manish Jain:

And no support from parent company in getting extra business for Expleo as India is a low cost country if business is given to Indian subsidiary it should happen at a low cost that is what I have been thinking when Expleo was acquired by foreign company like Thinksoft had acquired business should flow from the parent company, but I never saw that happening in last two, three years?

Balaji Viswanathan:

We continuously discuss this every quarter. The expectation is that the business will flow from our parent company to us. While the pace of moving of these businesses have not been great. The intent is certainly there it is just a question of trying because with all these uncertainties and unemployment rate on the respective countries going up. All the other elements of uncertainty in Europe how fast this will happen something which we are still trying to see at this particular point of time, but if you were to look at what the contribution between what comes from the group regions to what we get on our own it has been ranging from anywhere between 18% to 14%. So, that continues to be the trend. We are expecting that 18% to go to at least 30% or so that is the commitment of year, looking for but we are not sure when it will happen given all the market uncertainties. The commitment is certainly there and that is the reason why you find if you look at our Board and the representative that you have in our Board we have the senior most people from the group who are part of our Board, our global CEO sitting in our Board now since last quarter. So, he is fully aware of what the challenges are.

Moderator:

Thank you. The next question is from the line of V.P Rajesh from Banyan Capital. Please go ahead.

VP Rajesh: So, I joined a little late and I heard you give some guidance on the revenue side, so could you just clarify that a little bit more are you saying that basically this year as a whole is likely to be lower than the revenues that we did last year?

Balaji Viswanathan: I did not mention any specific number per se Rajesh, but what we are trying to look at it we specifically have a challenge in the business that we are getting from the UK market. Europe as a whole between Spain and between other markets they are compensating with each other, but UK has been a big decline for us for this quarter and even the previous quarter as well. Previous quarter we had some upside from some of our direct market such as Middle east in Asia which compensated but this quarter, we could not really have that big gap almost 25% of our last year number we did not get from UK and UK contributes to almost 30% of our business. So, we are trying to focus on where we can add to our top line and that is why we are shifting some of our focus into market like Asia, Middle-East and Australia where there is significant amount of traction at least from pipeline and opportunity perspective rather than waiting for UK to crank the engine again. So, UK will probably start doing it from may be Q1 of next year or so once all these uncertainties settle down. We are trying to figure out how much we will be able to bridge the gap. So, there will certainly be some sluggishness from the last year numbers, but we do not expected to be a significant one and apart from that because we are moving or because we are focusing on some of these direct markets where the margin profile is not the same because it is not so big on offshoring. You will have some marginal impact like what I mentioned to Rohit earlier as well. It is not that we are expecting the margins to go around significantly it will probably be in the range of around 17% EBITDA, but the expectation of being at 19%, 19.5% would probably not be there if we were to move into more of the near shore and onsite opportunities.

VP Rajesh: You said the UK was about 12% of the revenues last year, right?

Balaji Viswanathan: Last year the UK contribution was around 28% of our total revenues. Right now, they are at around 18% to 17%.

VP Rajesh: So, you are saying from 28% it has come down to 18% and are you also expecting it to stabilize it at this level or do you foresee further decline in that UK business?

Balaji Viswanathan: From what I can see and once again I am not sure whether my assessment is right or wrong. But, from what I can see, I feel that it is bottomed out, it cannot get anything lower than this, because at this particular point of time we had spread across in 7 different customers and we have not lost any customer either. So, to that extent I think it should stabilize at this level and it should grow once the market see some action.

VP Rajesh: The decline is being driven by one or two customers or is it you are seeing it across all the 7 guys I mean how is it is?

Balaji Viswanathan: So, it is a top 3 that is what I want to mention.

- VP Rajesh:** So, what you are saying is that all top 3 decline in this particular quarter?
- Balaji Viswanathan:** That is right.
- VP Rajesh:** Is it related to Brexit or is it specific issues with respect to each of these three, could you give some color on that?
- Balaji Viswanathan:** I certainly do not want to find an excuse with Brexit. The reason why we probably saw a decline was some of that project which we were expecting to happen have got postponed. Whether we want to actually now try and color it a thing and got postponed because Brexit is something which is up to us in terms of how we want to paint that picture, but it has suddenly got pushed out. So, whatever we were expecting it is not that we were expecting all these years to decline in this quarter, but some of the projects that we were expecting or what was there in the pipeline have all got pushed out it is not that it has got thrown out of the pipeline, but got pushed off by one, two three quarters and most of it is because of their own budgetary and everybody has expressed warning in terms of their budget being even more closely monitored and track from what it used to be earlier.
- VP Rajesh:** And you expect them to start coming back in Q4 or Q1 of next year that is I think what I heard. Is that sort of the expectation?
- Balaji Viswanathan:** Yes, that is our expectation.
- VP Rajesh:** And are you seeing that other IT vendors who are in those accounts even their projects are getting delayed or is it specific to the kind of work we were doing for them?
- Balaji Viswanathan:** No, we do not have visibility on one of the customers in terms of how much they do with other vendors, but for the other two where we have visibility, this particular constraint is across all the other vendors. The only challenge that we have is because we are being only a quality assurance partners in most of these engagements, the other competitors who are there are actually doing other work as well apart from quality assurance. While overall, the business has come down for everybody it probably might not be at the same drop in percentage is what it is for us because quality assurance comes in some part of the lifecycle of the project while they may probably invest in some development work for that to come and hit the quality pipeline will take a while, but everybody across at least whom we know have had an impact.
- Moderator:** Thank you. The next question is from the line of Zaki Abbas Nakhar an Individual Investor. Please go ahead.
- Zaki Abbas Nakhar:** Sir would the depressing scenario be only limited to the BFSI segment or would you think it is spread across all the services in IT. And two is I think this question has already been partly answered is when the Expleo Group took over I mean there were some kind of optimism that they will at least be some kind of integration and inflow from your parent which apparently is a marquee kind of a name and would you think that in balance part I mean the three remaining

quarters of this financial year, the current quarter would be like the worst you can do in the current year?

Balaji Viswanathan: I will probably try and reword that statement of ‘depressing’ it is certainly ‘not depressing’, it is probably a sluggish quarter, but certainly not a depressing quarter because there are lot of other positives that we want to take as well and in terms of whether this will probably be the worst quarter for this particular year with some of the changes that we are trying to do in focusing on markets outside of Europe based on some of these assessment which we saw around three, four months back should start paying back and it would probably be better than where we are for now, but it actually mean that we will go back to where we were in 2018 that is something which is still question mark, but it will certainly be better is what our expectation is with at least from our revenue perspective and with the investment that is coming in for the takeover by Assystem and we being renamed as Expleo start showing results our group contribution. There is all effort that is being made we expect that there will be some benefit that will come out of it, but overall since the market itself is slightly sluggish in Europe you know it has not impacted as much. The more impact is seen in some of the other segments outside of BFSI, in terms of group sending business to India. Your other question on whether this sluggishness is restricted to only BFSI? The answer is ‘no’. It is not, it is actually across multiple other segments as well. There are some segments which I have not seen the impact so far, but BFS, Telecom manufacturing all these industries are showing a decline across the market and it is not restricted to only BFSI. BFSI would probably see a much larger impact because if you go back to the history of IT industry BFSI always been more than 50% of the entire outsourced, offshoring industry. So, the impact will probably be more, but all the industries are seeing a decline.

Zaki Abbas Nakhar: And sir a follow up what about the pricing sir are you seeing pressure on pricing also?

Balaji Viswanathan: The pressure on pricing has always been there. I do not think it is something which is now or at least we do not have customer coming in saying that no you give me a discount is that is what your question is. It is not that they are saying that give me a discount and then we will retain the business. It is just that they are not making that investment at this particular point of time rather than coming and asking for a discount.

Moderator: Thank you. The next question is from the line of Anuj Sharma from M3 Investments. Please go ahead.

Anuj Sharma: If I just ignore this quarter and slightly expand my horizon for the past three, four years we see the revenue is roughly flat so we can have one quarter of Brexit issue, one quarter another issue, but by and large our revenues have been flat. If I just compare, it might not be equivalent, but if I take Temenos which exactly deals in Europe and exactly deals in BFSI, their revenues would have gone up 50% over this past four years. Now, even if I take the last quarter, they would be up 15% we would be down and even if I see the horizon the industry at large I do not see testing declining unlike what you seem to find in your peer group. Testing by and large seems interesting for all large IT company. So, you know there seems to be a disconnect in what you seem to be observing and what the industry seems to be depicting and I am not able to get a sense as to how

this difference of such large magnitude can be observed, so just your thoughts and just ignoring this quarter I mean just on a larger scale is there something more which you are not able to understand some underlying trends or something which is not helping our company like us to grow?

Balaji Viswanathan:

Anuj your points are very valid and we are not saying testing is declining at all. Our testing you know even if you look at the Gartner reports I think this was something which we discussed in the last investor call as well. Testing as a part of the overall budget is only increasing or have been stable at around 12% of the overall IT, it has moved from 11.4% to 12%. Testing as a service has not declined at all and it will not decline. It is just a question of how the testing is getting delivered which is what is changing in the market whether it is in the earlier days it used to be one testing center of excellence which everybody used to have, it used to be centralized and everybody used to come to that particular center to get it tested and verify it and that is the way the model was at least even three years back. Now as everybody is moving into agile and DevOps mode people are not waiting for a particular lifecycle or stage in the lifecycle of the project to do the testing. So, the testing is something which is like now continuous, you need to be ready to do it at any given point of time, you should have a person who should be able to do, not just do testing but also do some minor core fixes, some amount of assessment of where it is going wrong. The earlier testing industry used to be primarily looking at defect management or identifying defect and pointing out defects and retesting those. So, that model is changing, but in terms of testing as a service the numbers or the revenue is not changing at all and I think last quarter or the previous quarter we discussed about the changing competition as well. So, from what used to be an independent software or verification or testing model which used to be prevalent three, four years back that model is changing as well with the agile and DevOps. So, you have all the bigger guys also trying and getting into this zone and so the competition profile is slightly different from what it used to be earlier. Having said all this while we are not growing, I am not trying to blame it or saying that 'no' the market is changing. It is just that we have been little slow in probably adopting to this change or not just us if you look at any of the other pure testing vendors all of them have this challenge of trying and adopting to this because you need to attract the right kind of talent to move beyond just testing with the technical competence as well this is what we have been doing for the last almost 18 to 24 months. And this quarter once again like what you mentioned I am trying to take it out of the equation I do not want to put that as far the cycle, but last year we certainly had a marginal growth and we had a lot of traction. If you look at our pipeline, we seem to have a reasonably good pipelines in terms of opportunity. But it is not for the same set of services probably what we could for two years back or three years back. It is not no more at testing center of excellence and no you set up you have domain expert sitting and doing functional testing or any of those because most of it is related to how you are able to automate your testing, how you are able to bring in DevOps as part of your testing practice, how are you adopting to the agile model, how are you doing the terminology of CICD, continuous integration and continuous development and continuous testing. So, that model is changing, but the budgets or the opportunity the share of the pipe is not any different if at all there is any difference it is only growing it is not shrinking for sure.

Anuj Sharma: So, Balaji if I were to ask you what would be you know we have been trying to evolve and I understand that you have been highlighting that, what has been the biggest challenge for us to evolve to the newer delivery model so to say and where do you think or how much time do you think we will need to reach a place wherein we feel we are delivering as per the market demands on the market environments?

Balaji Viswanathan: There are three parts to what you are asking for. One is, are we evolving and where are we in that stage of evolution I would say we are certainly 50% and above in terms of trying and converting ourselves into what techno functional kind of an organization where we will be able to do both. The biggest challenges that we see is one is a brand image of ours. So, with that comes the ability to attract the right kind of talent and making sure that we are able to demonstrate to our customers that we will able to do both. So, all this are typical challenges that you will see in any other industry as well and when you are going through an evolution phase these are bound to happen that is why we are focusing on who are our key accounts and trying and figuring out, how do we make sure that we build these competencies with those key accounts and establish ourselves to do something beyond, just touching as well. Having said all this we will be a quality assurance company, we will be a testing company for sure, but it is just that it will not the way we do testing is going to be different than what it is earlier. So, our biggest challenges is getting out of that mould of being pure testing company and but still continue to do testing and the other element is that we are small at the same time we are part of a big organization as well. So, we are a listed entity so we need to figure out as to how much we will be able to invest because end of the day I am also measured based on what are the kind of profit we generate and how much we are able to put back into as a shareholder or a stakeholder commitment as well. So, there when you are small when you are generating only this much of a revenue there is only that much that we would invest back in terms of assets or building products or any of those kinds of stuff as well so that is another limitation. So, it is like you are caught in the middle of neither too small nor too big, but at the same time we need to also make sure that we have the right kind of pockets and funds to move into that model as well.

Anuj Sharma: And Balaji one last question if you permit I think the earlier question one of the earlier participant did ask the share of revenues is coming from your parent and we mentioned that it is 18% for some time I mean that something seems if everyone is keen for the business to move then it would be difficult to understand why it is not because it seems to be a win-win situation, it seems for a long time, but it seems to be much lower than. So, what are the challenges because this is a low hanging fruit, you know you could get it, done with and move forward, but even that seems to be pretty slow and challenging, so what are the challenges of you getting large part of business from your parent and he benefiting and you benefiting?

Balaji Viswanathan: So, I would not say that it is being the same because when I meant 18%, 18% is what has been purely offshored by the group that is where the customer agreement is signed by them and we are only a delivery partner. There are other businesses in the European markets, where they do the selling part of it even though the contract is directly with us. So, 18% might not be the right way to look at it but having said that it is not grown as well and we certainly have a challenge of how to make it work actually has two elements to it. One is how price attractive it is for the

customer to move the work here because at the end of the day it is not just the group moving the work at the end of the day the customer whom the group assigned should be willing to move above to offshore as well and unlike UK and US which has been a traditional offshoring market, the other markets in Europe has not so pro offshoring per se. So, it is a slow process in trying and making sure that they also understand, they also get to that culture and with all the economic uncertainties in that particular market and unemployment rates going up and the other stuff, it has not been easy, but this is the biggest focus area for our group CEO as well and he has been saying this even in our website if you look at it he has mentioned that one of his key priorities for the next two years is to increase our offshoring rate. So, I feel that we have the right level of attention right now and now with all the other integration and other stuff behind us we should see some traction on this.

Moderator: Thank you. The next question is from the line of Rohit Balakrishnan from Vridhhi Capital. Please go ahead.

Rohit Balakrishnan: I just wanted to understand from an overall group structure point of view we being the only listed entity and also I mean perhaps the only entity concentrating on the BFSI, so I just wanted to understand is there is enough support from or there is enough focus of the group on this segment given auto is a big focus for both Assystem and also increasing the SQS the erstwhile parent. So, if you can share your candid thoughts here?

Balaji Viswanathan: BFSI is still 12% of the company's revenue and probably one of the most profitable as well. So, if I look at only our business unit, we deliver lesser than 3% of the group revenue, but we contribute to more than 5% of the bottom line. So, you can be rest assured that there is enough focus in terms of how we can make this entity grow. You know whether there is enough focus on BFSI? that is something which part of it is being driven by us because we are from the earlier SQS based if we look at it now, we are probably almost one-third of whatever the group does in BFSI. Many of these initiatives are being driven by us that is here in Chennai while taking the funds and bring investments to the group to drive the strategy or to look at what market, what kind of services that you need to do, investment on what tools, whom we need to tie up with in terms of partnerships all those have actually at least if you look at the initiatives they are being run within BFSI more than 50% is run by us it is here in Chennai. I can tell you for sure that we have not had any issues on getting the right kind of budget approved or getting the right kind of focus on the business. It is a question of trying and changing that by showing some numbers as well because obviously investments will have a bottom as well. So, we need to figure out how and when these investments will pay back for the group and I am confident that we should be able to do something.

Rohit Balakrishnan: So, just two more questions one was if not focusing on this quarter but looking at the past and also maybe focusing on next couple of years. So, we have been not able to penetrate the US markets and the European markets have been sluggish for us. If you look at next couple of years with all testing market growth rate seeming to be at a decent rate, so where do we get growth from because Europe is fairly I guess we have all the big guys as customers, but will not be able

to sort of grow revenues there and US you have not been able to get into. So, I mean these are the two big markets, so how do we get growth and so profitable growth?

Balaji Viswanathan: Europe sluggishness like what I mentioned earlier, my opinion will be it is a transitional one for probably one or two quarters hopefully we should get back, but till then we are making sure that we are able to your focusing on our direct market which is Middle-East, Asia, Asia Pac including India as well. If you go with the right kind of approach even the Indian market we are seeing some of the recent wins that we have had here, can be at a reasonably good margin and if you start targeting capital and some of these other international companies all too operating out of India that could also be a reasonably good market, profitable market as well. US what I said is that we are trying to time whatever growth and push that we want to do along with the group when the group is making that investment. So, that is in front of we are going to refocus on US. The other question of making sure that we get the best for the buck that we are going to be investing in that market. So, that is why we did not want to make too much of an effort with one person sitting there and going from one end of the US to another end of the US this is not likely to fetch us big results in the short term, but US will continue to be one of the important markets, but when we focus on, how we focus on is something we will time along with the group.

Rohit Balakrishnan: And just the last question on I mean again sort of the structure of the group we being the only listed company I mean is there any merit in being listed at all given that now I mean SQS erstwhile had different focus and now may be the new parent has somewhat a different focus with a larger mandate, is there a merit we have been sort of delisted I am just trying to understand from overall thought process point of view?

Balaji Viswanathan: I think Olivier would be the best person to answer this question at this particular point of time. I wish we stay listed so that at least we have many of you with interaction like what we are doing right now, but the group strategy on whether they are going to stay listed or whether there is any other alternate thought process something which we are not aware of at this particular point of time.

Moderator: Thank you. The next question is from the line of Jay Daniel from Entropy Advisors. Please go ahead.

Jay Daniel: I just wanted to know whether the company will continue to maintain its payout policy because as an investor I mean going by your commentary when that is kind of the only thing that one can hold on to the for the current year I mean you do not expect anything great on the profit side, profit it is going to be brisk that is how one can interpret. So, what would be the payout policy I mean you would continue to payout the same percentage or same amount that you did in the previous years and what is the group intent on the payout I mean what is their expectation of payout from the company?

Balaji Viswanathan: No, there is no payout policy in terms of what we are looking at. We are not mandated to have a payout policy by the regulator as well. If you ask whether we will continue to be paying the dividend and in fact sending you to do the buyback? Yes, if the price points are good and if there

is opportunity with the kind of cash that we have got we would certainly do it, but like what I mentioned earlier to one of the other questions, all the options in terms of how we want to effectively use the cash being generated is on the table including looking at dividend, buyback, any of those elements as well so that has to be discussion deliberated on the Board depending upon what the options that are there in front of us. So, cannot make a statement at this particular point of time. Whether it will continue with what we are doing last year or what we did even in the beginning of this year, but we need to use the cash effectively and we will try and look at what other options that are available.

Jay Daniel:

What is the group view on this company I mean what do they plan to do because your commentary has been kind of at least on the profit side has been kind of pretty down beat and as if there is no hope but at least for the current year. We seem to be just struggling from one year to the other, just tumbling along, so is there anything which the investor can hope for I mean that is what I want to kind of?

Balaji Viswanathan:

If I sounded like saying that, it is going to be a downhill then I think probably either I have not been able to communicate effectively or it is not been interpreted correctly. What I meant to say is that we have a sluggishness in some of the markets that we are operating, but we are confident that we should be able to look compensate some part of it at least from the other market that we are trying to increase our footprint I mean whatever we are trying to do right now is only transitional, whatever sluggishness that we see in the UK, we expect it to be only transitional. From what the group is thinking of about the company the very fact that we have Olivier sitting on the Board, the group actually has an executive committee six people sitting in the executive committee and two of them are sitting in our Board as well. So, that shows, at least to me, the commitment and the interest in making sure that we as a unit will grow. And like what I mentioned earlier if you look at even our website in terms of what Olivier has called out as his priorities for the next three years, India is one of our key priorities and we are the largest entity in India of the group at this particular point of time. So, I do not see any subdued or downhill or depressing statement, but if we sounded like that then certainly not the intention.

Jay Daniel:

Even performance wise, I mean your profits were down 22% further year-on-year and looks as that is going to be the trend for the current year, I am not saying beyond that but I think based on that?

Balaji Viswanathan:

This quarter has been sluggish like what I mentioned and we hope that it is actually an exception than a norm, but some of the last year probably we had record kind of numbers that we saw both from an asset and from the numbers that we saw business growth as well. This year both of them have been doubled I think for us but having said all that and I am here only to make sure that we change the trend that is what my role is so I hardly I cannot sound as if it is depressing.

Moderator:

Thank you. Ladies and gentlemen as there are no further questions from the participants. I would now like to hand the conference over to Mr. Balaji for closing comments.

Balaji Viswanathan: Thanks Stanford and thank you so much for all the participants and very interesting questions that actually triggered a lot of thoughts in our mind as well. So, like what I mentioned this quarter was not so encouraging, but at the same time this has also given us a lot of learning as well. I hope to see you all in the next Investor Meet. That is all I have Stanford. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Expleo Solutions Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.