



Expleo Solutions Limited  
(formerly known as SQS India BFSI Limited)  
Q2 FY 2020 Earnings Conference Call

**October 31, 2019**



**MANAGEMENT: MR. BALAJI VISWANATHAN – MD & CEO,  
EXPLEO SOLUTIONS LIMITED  
(FORMERLY KNOWN AS SQS INDIA BFSI LIMITED)  
MR. DESIKAN NARAYANAN -- CFO,  
EXPLEO SOLUTIONS LIMITED  
(FORMERLY KNOWN AS SQS INDIA BFSI LIMITED)**

**MODERATOR: MS. ASHA GUPTA, CHRISTENSEN IR**

**Moderator:** Ladies and gentlemen, good day and welcome to the Expleo Solutions Q2 FY 2020 Earnings Conference Call. 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, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Asha Gupta from Christensen. Thank you and over to you, ma’am.

**Asha Gupta:** Thank you, Raymond. Good afternoon to all participants on the call and welcome to Q2 FY 2020 Earnings Conference Call of Expleo Solutions Limited (formerly known as SQS India BFSI Limited).

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

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

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

**Balaji Viswanathan:** Thanks, Asha. Thanks. Raymond. Good afternoon, everybody. Thank you for joining the call. Q2 FY 2020 (July, August, September of CY 2019), we certainly had some upside in terms of performance because Q1 probably was our lowest in terms of what our numbers were, for a long time. Q1 performance, just business income without government subsidies, went up by close to around 10%. We also had a reasonably good profitability run during this quarter based on a lot of measures right from looking at what kind of people to hire, what kind of costs that are incurring on the overall project as well, we had a significantly good profitability run as well compared to what we did in the last quarter. We also had some good successes in terms of signing up new type of work which is in line with how the industry is moving, particularly in DevOps and AI led data management referencing resemblance which we got, may not be in terms of size but it is certainly is a direction in which we would like to move in being a techno domain company focus down BFSI. So, overall, I think we are going in the right trajectory at this particular point of time.

In terms of new clients addition, we added a couple of clients, we renewed a few key account holder, we still seem to have the same challenges what we had last quarter or since the beginning of the year, where some of our key accounts and the most important market for us, which is Europe seeing some softness in demand. We think that is temporary and that should change, and certainly taking a little bit of time from the changeover. We are seeing some positive

traction there, but currently not to the level that we expected it to be. Like what we said in the last quarter and even in the beginning of the year, our focus towards the direct market or the market where we operate directly and apart from the group, which is India, Asia Pac, Middle East is showing reasonably good traction and whatever growth that we see between the Q1 and Q2 of the financial year a significant portion of that comes from those markets.

We are going in the right direction in terms of upskilling and having the right set of talent, we are also progressing and signing strategic partners who will actually help us in winning these results. We have added a couple of partners for the last 90 days to 120 days. And we are looking to add another couple of more before the end of the financial year, which should help us in reducing some of our sales costs and tagging along with some of these key strategic partners as well.

So, that is a quick summary in terms of where we are from a business perspective. I would hand over to Desikan to go to specific numbers before we start taking questions.

**Desikan Narayanan:**

Thanks, Balaji. Good afternoon everyone. Good quarter, we have ended the revenue of Rs. 65 crores as compared to last quarter of around Rs. 59 crores, around 10% increase in the net revenue and EBITDA ended up at Rs 14.4 crores which is almost 38% more than what we had in the last quarter. The total comprehensive income was at Rs. 8 crores compared to Rs. 6.6 crores in the previous quarter, around 25% increase. So, the EBITDA has increased from 17.4% to 22% and PAT has improved from 10.8% to 12.7%. Also, our earnings per share had an increase from Rs 6.2 to Rs 8.5 which is around 38% increase. Our cash in hand also increased from Rs. 74 crores to Rs. 76 crores. This is the summary about quarter 1 to quarter 2.

With respect to H1 of last year to H1 of current year, the net revenue ended up at Rs. 125 crores compared to Rs. 148 crores in the H1 of last year and our profit before tax was around Rs. 22 crores compared to the Rs. 33 crores in the H1 of last year. But if you look at EBITDA percentage, as a percentage we ended at 19.8% which is a near to H1 of last year at 20.2%. We did better on the EBITDA. On the total comprehensive income, which is PAT, we did 11.8% compared to the last year's H1 of 14.6%. So, even if I compare my cash balance to last half year, we were at Rs. 76.3 crores and in H1 of last year it was at Rs 76.0 crores, so that way we maintained the cash balance even after the buy back.

So, that is the details with numbers from quarter 1 to quarter 2 and H1 of last year to H1 of current year. I will now open the floor for Question-and-Answer.

**Moderator:**

Sure. Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Pranav Mehta from Value Quest. Please go ahead.

**Pranav Mehta:**

Good evening, sir. The first question is on our growth rate. So, if you can just provide more details on from has this 10% Q-o-Q growth come in? Because so as I understand we were facing issues in a couple of our large European clients, so have we seen some bounced back in growth from those clients? Or is it growth from other non-top five clients? And second is if you can just

provide an update on each of our key geographies how we are shaping up in terms of growth for the second half? Thanks.

**Balaji Viswanathan:** The growth what we saw in this quarter, like what I mentioned in my summary, has come from one of the key clients in the German speaking countries apart from that the majority of the growth came from Middle East, some part of it came from India, domestic and the other major part coming in from Ireland not from our current top 10 customers, but from a new set of customers whom we added in the Q1 of financial year, sometime in April-May when we added them. And most of the growth is actually coming in from these three segments. If you look at it, the growth is primarily around 600 K euros, if I look at it from euro perspective, out of the little over 200 came from our direct market and little over 200 came from the new clients whom we added in the last quarter. And for going forward, for q4 when I do not want to make a forward - looking statements, we do not see this trajectory changing much at least in this quarter or next quarter. So, some of the key accounts that we talked about where we see softness, we expect them to change probably sometime around the end of the calendar year Q1 of 2020.

**Moderator:** Thank you. The next question is from the line of Jakir Abbas, who is an individual investor. Please go ahead.

**Jakir Abbas:** I would like to ask two questions. Number one is, there was some announcement of office open in Philippines. First question is regarding that what is the headcount there and what do you plan to do there? Next is there is a slight increase in headcount in the current quarter over Q1. So, where do you see this headcount going? Maybe couple of quarters down the line? Do we expect it to cross thousand numbers?

**Balaji Viswanathan:** Yes. So, Philippines is something that we added last year. We had one customer there last year. And we have now added two more customers in Philippines. Now, we have an established branch office in Philippines starting from last quarter onwards. We are currently having a little over, I think up 18 to 20 people in Philippines. And we expect Philippines is one of the fast-growing markets as well. And we expect that should grow, if not higher, at least in the 18% to 20% range in the next three - four quarters sort of things. And it is a reasonably profitable market and what we are selling there is not a standard, it is new software testing we do work on RPA, AI so these are all high value services. And what was your second question on headcount, yes.

**Jakir Abbas:** The headcount, sir, do you expect it to cross 1,000 in next two quarters - three quarters kind of stuff?

**Balaji Viswanathan:** So, we have already actually crossed 1000, you know in this quarter including some of these, including the contract employees. So, with the changes that we are doing right now since we are also focusing on the markets in India, in the Middle East and Asia which grab the revenue per head count is not as high as what you typically see in the European and U. S. market. These headcounts will grow and what we are trying to do is to make sure that we are actually hiring the right profile at the right level. So, that we can maintain the margin profile as well.

**Jakir Abbas:** And in answer to your previous question, sir, you had said that you expect the atmosphere to become better in the first quarter of 2020 that is the last quarter of this financial year, right, sir?

**Balaji Viswanathan:** Yes, by end of third quarter what we are expecting, sometime around March, we should have a clear picture.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference back to the management for closing comments.

**Balaji Viswanathan:** I did not expect this to get close so soon. Probably we did not sent the information on time or probably early enough for people to join the call. Thanks for, the couple of participants who joined the call and ask the questions. Thanks for continuing with us and understanding what we are and what we are doing. We will make sure that we upload all the information in our website so that you could actually see it and rest of the investors can also get the details. And we are always available to answer any queries, whatever details you can email as well. Thank you so much. Thanks, Raymond and thanks, Asha.

**Moderator:** Thank you very much. On behalf of Expleo Solutions, that concludes the conference. Thank you for joining us, ladies and gentlemen, you may now disconnect your lines.