



**“SQS India BFSI Limited Q3 FY18
Earnings Conference Call”**

January 29, 2018



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MODERATOR: DIWAKAR PINGLE – CHRISTENSEN IR



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Moderator: Ladies and gentlemen, good day and welcome to SQS India BFSI Limited Q3 FY18 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 call please signal an operator by pressing '*' then '0' on your touchtone telephone. 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: Thanks Karuna. Good afternoon to all the participants on this call. Welcome to the Q3 FY18 Results Earnings Call of SQS India BFSI Limited. Please note that we have mailed the Results Presentation and the same is also available on the Company's website. In case any of you are not on the mailing list or you have not received the same, you can write to us and we will be happy to send the same over to you.

To take us through the results and answer your questions today, we have Ms. Aarti Arvind – Managing Director & CEO – SQS India BFSI and Mr. René Gawron – Director SQS India BFSI and CFO of SQS AG.

We will start the call with a brief overview of the quarter gone past which will be given by Aarti, which will be followed by the Q&A session.

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

With that said, I will now turnover the call to Aarti. Over to you, Aarti.

Aarti Arvind: Thanks Diwakar. Good evening everybody and thank you for joining the call today. I would provide an overview of our business performance as well as some of the key financials. Ramaseshan, our CFO and Executive Director, is in Executive Education Program this week and could not join for today's call.

We just finished the calendar year 2017 and when I look back it was a challenging time for us as an organization because we began the year with our lowest quarter in terms of revenue but during the year we built up the momentum and had good growth across most quarters to get back to a good quarterly revenue run-rate. Despite challenges, we maintained a certain level of profitability throughout. We added 24 new clients during the year and of these some would be key customers for the future, some are multiyear contracts with us being preferred QA partner for these clients. These clients are across geographies with both direct as well as through the group. We recalibrated our delivery team to be more technically focused and at the same time



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continue to build our domain capability. It is a combination of domain and technology which is the key for the future and this is something we focused on during the year. We had good traction in Europe and UK (Ireland) during the year and we are making investments in the US which will help us in the coming year and the future. Towards the end of the year, we have the announcement about the open offer of SQS by Assystem Services Deutschland GmbH backed by financial advisor Ardian. This has been successful and is a very positive development for the group as well as for SQS India BFSI. Our group CFO – René Gawron would share more details on this development later on the call.

Now coming to the last quarter: I will cover some of the key performance indicators both business performance as well as certain financial areas. On the revenue front, we are relatively flat with an increase of around 1% compared to the previous quarter. We closed the quarter at \$10.93 million which is the highest revenue we have achieved till date. In the last two quarters, we have grown by over 10% quarter-on-quarter which has helped us to come back to the revenue levels of over \$10.5 million per quarter. Typically, Q3 is a little lower due to holiday season in India as well as across most western countries. In the above context, we have done reasonably well in terms of revenue for the quarter and overall growth for the calendar year 2017. This revenue includes SEIS Scrips sale of Rs.16.3 million. This was from the sale of the Scrips for the financial year 2016-17. Onsite-offshore revenue mix has not changed much and onsite is at 63% of total revenue. Our revenue from top 5 clients grew well and our overall customer satisfaction has been quite high during the year and the quarter. On the profitability front, our EBITDA remained the same as the previous quarter at 15%. As I had mentioned previously, we do expect certain challenges in profitability, but I think we managed our expenses and other areas well so that we could make effective use of the savings in terms of some of the investments that we were making. Our PAT was lower compared to previous quarter primarily due to exchange loss. Compared to the previous quarter we had a strong rupee which appreciated against most currencies, though 90% of the loss or more than 90% of the loss is unrealized forex loss. This is something which happened during the quarter. Group business continues to be strong at over 18% of our total revenue. In terms of onsite-offshore, group revenue moved from being around 30% offshore to around 70% of the revenue being from offshore delivery which is extremely profitable. We added customers in the group across UK, Ireland, Europe and the US and I think this is a positive development in terms of Group revenue. The regional mix has not changed much in the quarter where around 65% of our revenue comes from UK, Ireland and Europe, around 26% from Asia and around 8.8-9% from the US and we added 12 clients across the quarter and I think this is across region. We continue to invest in the US and during the quarter added a senior person to support us on Engagement Management and has just recruited a sales person who is joining us in the next couple of days. Revenue from India and Asia decreased during the quarter, but we expect India to pick up in the current quarter and Asia in the next quarter. We have won some prestigious orders in these regions and we have added clients with whom we would be able to work across multiple years which is a very positive development. Practice revenue has changed a bit in the quarter where we have more revenue



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from BFS which includes Banking, Treasury and Capital markets and lower revenue from Insurance. We added 8 new clients in BFS during the last six months and if you look at our BFS revenue it had gone down compared to earlier in 2017 but we have added new clients and are expecting this to increase during the year. We had a decrease in Insurance which is temporary with some of the projects in UK ramping down during the quarter. In the current quarter, we have increased business from these clients that we had a ramp down in UK in the last quarter and also added a couple of new Insurance clients in UK and Europe and we expect Insurance to pick up in the coming quarter as well as in the subsequent year. Cards and payments revenue has increased marginally during the quarter and we continue to see good momentum in this vertical. On the employee front, I am happy to share that we had a Long Service Awards event for those who have completed 10 years and above. We had close to 120 employees in this category whom we have recognized and over 30% of our organization has been with us for over 5 years and they have been the foundation for us to be able to deliver excellence to our customers. This is a significant plus for us in terms of having this number of people who have been with us for quite a few years.

On the SEBI matter, I am glad to update that we had received a closure report from SEBI in early December mentioning that in the absence of any prima facie evidence in any aspect there were no reasonable ground to further verify the financials of the company warranting an audit and that the actions as per SEBI's letter dated August 7, 2017 on SQS was liable to be revoked. We would like to thank the investor communities for your trust and support during this challenging period and apart from that I think our Board as well as employees, clients had complete faith in us and we have gone through this challenge and come out of it exceedingly well.

Debtor days' have improved significantly and is currently at 57 days. Our collections during the quarter was very high and helped us to decrease debtor days from the previous 69 days that we had in the previous quarter. Interest income during this period increased to Rs.5.7 million. We moved our funds around so that we were able to have larger amounts in fixed deposits and earn more from our cash reserves. We continue to hold a good amount of cash balance outside India for our operating expenses, but in last six months we are very conscious of moving more a bit to India so that we could earn better interest income from the reserves available. These are some of the key highlights in terms of the financial as well as business areas for the quarter.

I am sure most of you would have seen the update on my resignation as the MD & CEO of the company. I have been with the company for the last 17 years and it has been a great experience throughout. At this point of time, I have some personal priorities which I need to focus on hence felt that it would be appropriate to step down from the position. I would be serving out my notice period of six months and would be supporting and identifying a suitable successor as well as in helping in the transition. It has been considerable regret that I have made this decision but the



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BFSI Board and SQS management have been very supportive of my personal commitment, so I thought I would share this with you.

I would now request René Gawron – SQS Group CFO to share his comments on some of the recent developments in SQS.

René Gawron:

Thank you. First of all, I would also like to express from our side we fully respect Aarti's decision for personal and family reasons to resign by middle of this year. We regret this very much because she has been instrumental and she has been a very good manager, but we do understand and respect that there are sometimes personal reasons why you need to do such a step. It is very good that Aarti will also help in, we are currently kind of identifying and screening a potential successor and Aarti will be part of this process, so it will all be a very smooth process of a handover going on in that respect.

The other thing I would quickly like to update you on and I am sure there will also be questions is the takeover of the bids for SQS AG, the head company by Assystem Technologies backed by a French Private Equity Investor, Ardian. As you may have picked up from the news we have posted the bid and taken over has in the meantime, been declared as unconditional. So, all conditions from entire trust of merger, control authorities as well as more than 75% of the shares of SQS have been tendered to the bidder and these were all the success criteria, so we are in the technical execution of the take over which is taking place, in fact more than 93% in the meantime of the SQS shareholders have triggered their shares to the bidding company. And we are very proud of this because this was very much a takeover, we think it is strategically very good for all stakeholders, for clients, employees and shareholders and we very much as management supported this. Since it is unconditional, it has triggered the open offer for another 26% of the share capitals of SQS India BFSI which is now on its way as we had announced old offers in middle of December.

I am handing back to the Q&A session now.

Moderator

Thank you very much sir. Ladies & gentlemen we will now begin with the question and answer session. The first question is from the line of Kashyab Jhaveri from Emkay Global. Please go ahead.

Kashyab Jhaveri:

Thank you for the opportunity. Three questions – question #1 during the quarter 1% QoQ revenue growth, how does it break up between SQS Group and Non-Group related growths. So what were the revenue growths from within the group and from the outside? Question #2 is on your tax rate which has been pretty high in this year, what is the guidance on the full year tax rate as well as for FY19? Question #3 is on your US business. We have been making investments for about a quarter now in terms of hiring employees and other expenses. When do you expect the revenue pickup happening if you could give some timeline?



Aarti Arvind:

On the revenue growth split between the group and our direct client honestly it is not very different. There has been growth across most customers because if you look at Europe as well as UK, Ireland and certain new customers added in the US also from the group, our revenue growth is pretty much there, but quarter-on-quarter it varies because you have different customers different projects but if you look at the year our growth has been pretty consistent because the group revenue percentage has not really changed or is around 16% to 20% or so. So, I would say that in the last 12 months or so the growth both the direct clients as well as group has been pretty much even and matching one or the other. So, that is on the revenue growth. On the tax rate, I think for us to give a guidance on the tax rate would be difficult right now but if you would like more specific details on what could be certain questions on the tax rate, if you could mail Diwakar I am sure he will be able to connect with Ramaseshan, our CFO, and get back on that. Coming to the US related question, we started our investments in July-August timeframe and we have invested both in terms of marketing requirements which could be there, lead generation, then certain event participation. So, all that has been happening for the last couple of months. We had somebody who is focused on sales in the US at the same time somebody focused on Engagement Management. It was more of the last quarter and the other sales person is more recent as in we are expecting that person to join us in the next couple of days. So, some of our investment started a little earlier in terms of couple of events that we participated in as well as certain marketing expenses in certain local sourcing requirements but some of our expenses are starting now, some of our investments and benefits should come out of this. So, I would still say it is quite nascent in terms of the extra investments we are making because it is around 4 to 5 months or so that we have started investing and are adding the capacity now.

Kashyab Jhaveri:

Based on this would you sort of put a guess as to when the revenues would flow in or probably the pickup in the revenue would flow in?

Aarti Arvind:

I mentioned this earlier also, we do expect that in the 12 months' period or so when revenue starts kicking in, so I would expect that during the calendar year 2018 and financial year 2018-19 is when this would kick in. Exactly which quarter is difficult to say because lot of it is also sequential and some of the things we are investing in are not all at one shot on the particular day that we started the investment decision, so it kind of would flow in the next 12 months or so. That is what even earlier we had said it would take a certain amount of time to kick in.

Moderator:

The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi:

I could not join on time because the line was engaged so I joined a bit late. I would like to know, company has hired some high-paid salary employees I think 2-3 quarters back, but we are not seeing any impact on the company topline to grow. So, can you tell me when the topline will grow in the company?



Aarti Arvind:

If you look back at the year 2017, when we started the year we had much lower revenue and subsequently you would see that the revenue from April onwards increased and subsequently we grew more than 10% quarter-on-quarter and this quarter we have been relatively flat. So if you look at the proportion of salary to revenue, it has increased when we started growing in terms of revenue and in some of the previous calls I have also mentioned that we had a higher salary or outflow due to people because we had also rebadged some people who are onsite in particular European country where the cost to these individuals is much higher but it is also when you get a new customer whom we are looking at for multiple years, sometimes the rebadging or the shift of those employees to or contractors to us for a certain period would be effective and this was one of the primary reasons why we have higher cost compared to revenue in the last couple of quarters. It is not higher but compared to the earlier quarter of January to March definitely revenue is much higher and hence the people cost is also higher, but this is one of the reasons why this is higher. We would expect in 2018 that overall our employee cost we may not have such a high consultant cost, we are not expecting a big hike but that should be something that is settled and in terms of revenue as I mentioned even during when I started discussion. If you look at the year we have grown from revenue of \$8.66 million when we started the year January to March quarter towards the last quarter, we were at more than \$10.9 million. So, I think this is a significant growth for us if you look at it in the period of 12 months the growth has been pretty good and October to December quarter is lower. It is also not that every quarter you will have a sequential set growth. You will have some quarters where you are much higher, some quarters where it is slightly lower. So, I think this balance out but we have done well. We have added good number of clients. Some multiyear clients will grow very well in the coming year, some clients will fall off, so it is kind of a mix but we see good traction, good opportunity pipeline, so we are starting 2018 on a good wicket in terms of customers that we have added as well as the pipeline.

Ravi Naredi:

Madam, one more announcement was there that the holding company was selling some thing or any open offer will come, can you tell me something about it?

René Gawron:

As you probably know SQS AG, which is the holding company, there has been an open offer on all of our shares which was announced in the middle of December and which in the meantime has been declared as unconditional, so we now just to execute it. So, we are all through this and this has triggered that we need to do an open offer for a further 26% of the share capital of SQS India BFSI. This open offer is now on its way. I have received some questions on the value or the price of the open offer which is Rs. 475 and a little bit per share which is almost exactly the same profit after tax multiple as the open offer on SQS Group was, so, it has been valued kind of at the same kind of profit after tax multiple which is somewhere between 17.5x to 18x profit after tax.

Ravi Naredi:

And what will be the impact of this sale in future, can you tell us on the company?



René Gawron: It is going to be a positive impact on SQS India BFSI. SQS as a holding company, as a Group we had up to now a revenue in the range of €325 million. Now, with the company that acquired us which also services as a consulting company we are more than €1 billion or \$1.2 billion actually, so, we acquired boutique specialist but a much bigger one than previously and the BFSI vertical plays a very important and instrumental role in this enlarged specialist which will give us inroads into new clients but also put us little bit higher on the preferred vendor list of some of the clients. So, we expect it is going to be, there is more firing power when we go to market than it was previously and I think it will also have a good aspect on SQS India BFSI.

Moderator: The next question is from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.

VP Rajesh: Two questions. One is Aarti I think you mentioned the offshore and onshore split of the revenue and I missed that. Could you please say that again?

Aarti Arvind: If you look at the overall revenue we have around 63% from onsite and the rest from offshore, whereas I think I also talked about from the group revenue the onsite-offshore percentage is much higher in terms of offshore. It is close to 70% is offshore. This is something which has helped us in terms of overall profitability and having more offshore.

VP Rajesh: And then year over year the employee cost has gone up somewhere around 24%, so how does one think about that? Is it now more stable number or depending on how the onshore offshore mix changes we can see higher cost on the employee side?

Aarti Arvind: See I think the two years are slightly different in terms of employee cost. In one of the earlier questions I was talking about large part which is also relating to a certain customer in Europe where we had rebadged, as in we had taken on a set of contractors who slightly higher cost in Europe were typically tends to be higher. This was one of the requirements where since this is a customer they are going to service for multiple years. This is the requirement to initially have this group for 9 to 12 months and once we have a certain amount of transition we can look at changing the mix a bit, so that is something we will be looking at. But this also resulted in slightly higher cost and if you look at onsite offshore ratio, since our onsite is slightly higher. Our range is from around 62-63% or so. Cost wise it is slightly higher.

VP Rajesh: Right, and when will this transition occur sometime in Q2 or Q3 of the coming financial year?

Aarti Arvind: If you look at it, no change in terms of this would be dramatic. Even previously their onsite mix has been quite high, but I think with us not having some of these consultants it should improve over the year. But as long as we would try to do more offshore and we are expecting that but at the same time I think in the next couple of quarters we need to see how that goes.

VP Rajesh: And what has been the attrition in the employee base?



- Aarti Arvind:** If you look at the last 12 months attrition, it is around 19%.
- VP Rajesh:** And has it gone up or down in the last quarter or so?
- Aarti Arvind:** It has gone down in the last quarter. It was higher in the previous quarter. So, we had less people leaving, around 2%.
- VP Rajesh:** One question for René, you talked about the open offer for SQS here, could you also comment on the timeline because as I understand that the parent company transaction will perhaps close around the last week of February. So, could you just comment on how the process will unfold for the Indian company here at SQS BFSI?
- René Gawron:** Yes, as you picked it up. last week we had announced, at the beginning of the last week I think when you say that the open offer on SQS has been declared as unconditional, so all conditions have been fulfilled. And this is now triggering the open offer for the shares for SQS India BFSI on the 26%, I am not fully familiar. Actually, I must refer to the things that we have published because I am not having the full details of the timeline of the open offer in India, but I can only confirm it has to now triggered it and we do it through our lead manager which is ICICI Securities and I would refer it to the various publications we have made.
- Moderator:** The next question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.
- Viraj Kacharia:** Just had a couple of questions. One is, if you look on year on year basis, our topline has actually grown by 15-16%. So just want to understand a bit more in detail what exactly has driven the growth? And second is, if you look at the BSFI space currently we talked to other players in that space, we are sharing a lot of optimism in terms of more growth and further strengthening of deal pipeline in that space. So, how are we looking in, and do we also see the feasibility improving in the space?
- Aarti Arvind:** I think if you look at the topline growth in the last 12 months between \$8.66 million and \$10.9 million that we did, there have been various factors – one, of course new clients but I think an important factor is also then existing clients and growing our existing clients are top 5 and 10 customers, so a lot of focus has been on that and apart from that strengthening our sales pipeline opportunities and making certain investments across multiple geographies so that we are leveraging each region's capabilities. We will always have a year or quarter where one is more, one is less but I think building the pipeline so that you have enough potential deals in the pipeline that one does not hurt is important and this has helped us in the last 9 to 12 months. If you look at region wise also Europe has been good but the onsite/offshore mix has not really changed that much. It is still at 63% which is also one of the reasons why we do have some challenges on profitability. But overall, I would say strengthening the pipeline and adding new customers has



been an important step and focusing our top 5 to 10 customers making sure we are leveraging them, servicing them and delivering extremely well. This has helped us in the last 9 months to move up quite a bit in terms of the revenue. In terms of visibility and the opportunity, yes, we do see more in the BFSI pipeline. We are finding across region there is more traction on opportunities and there is also better traction in terms of winning deals and one is winning deals, but winning deals with customers who have the ability to give you higher revenue per customer as well as long term engagement instead of trying to pitch for every single deal that comes, you get a long-term visibility into the customer to say that you are preferred QA partner. This is something which we have improved in the last year because we have got even existing customers to look at as a single partner. We have won new customers who have engaged us for multiple years. So, I would say there is lot more, one visibility, but even the visibility that we have is with customers who have the long-term potential, both existing as well as new which is according to me equally important.

Viraj Kacharia: Okay. Second was you talked about the change in ownership of the parent and the combined entity having close to little over 1.2 million in sales, where is their maximum strength, so when they say consulting which space they have a much more strong strength, so are they very strong in BFSI vis-à-vis non-BFSI sector? Where is that strength basically?

René Gawron: I think to say the key strength is coming from the combined SQS story and our sustained technologies group it is the size. It is we are higher on the food-chain in many of the larger potential clients as a preferred supplier because of the size and the wider range. This is also true for few financial services clients and especially on insurance and banking especially in French speaking countries market including Belgium. So, therefore, we expect, this is also one of the strengths and kind of business we can acquire going forward that will flow down to SQS India BFSI.

Viraj Kacharia: So, what will be the typical exposure from BFSI vis-à-vis other sectors?

René Gawron: Here is the exposure is that if we get bigger deals or deals with clients in the French speaking market where we have not been very placid up to now, that means more business. But first we got to win the business. So, nothing concrete I could tell you now.

Viraj Kacharia: No, no in terms of the new parent what kind of exposure they would be having in BFSI space

René Gawron: Assystem Technologies, actually directly it has no exposure in the BFSI space because they mainly work with aerospace and automotive for manufacturing companies. But the private equity companies that is backing the whole deal and is very much involved is Ardian and when Ardian being a private equity and they have very-very good inroads and connections to some of the major BFSI players especially in the French speaking market. So, it is more through the investor probably the inroads into BFSI then through sustained technologies.



Moderator: The next question is from the line of Siddhant Maheshwari from Mutli-Act Equities. Please go ahead.

Siddhant Maheshwari: Could you please confirm the Euro currency exposure of the SQS India? I am aware that 50% sales of the companies from Europe and GBP mix is 25%.

Aarti Arvind: If you look at our revenue from UK it is around 19.5% for the quarter and if you look at Euro it is between around 46% or so.

Siddhant Maheshwari: Okay, so when it is at Euro 46% this is entirely denominated in Euro or it is converted in USD and then it is coming in INR terms?

Aarti Arvind: This is revenue that we earn in Euros from customers whom we bill in Euros. So, we would typically not convert this into USD and then bring it here. At the appropriate time, we would directly convert it, use it for our operating expenses because in most regions we have expenses also that we have to bear. So, we would keep it in the local account, use it for expenses and when the need for funds is there and then the conversion rate is appropriate or suitable and makes sense for us we would convert it and move it.

Siddhant Maheshwari: One more question, can I understand the hedging policy of the company because when I see Euro has been appreciating for last six months, but we see no forex gains in the financials and similar thing is with GBP? Could you please explain?

Aarti Arvind: See if you look at the last quarter compared to the previous quarter rupee had strengthened across most currencies and we convert directly from whichever other currency outside India into rupees. So, from that perspective it is also important in the last couple of days of the quarter which determine the closure also. So, in the last couple of days the rupee had appreciated significantly and I think this made a difference. And if you look at our Forex losses more than 90% is unrealized loss as in it is in the books but it is really not a loss which we have incurred because of converting it. We do hedge when it makes sense for us. And apart from that at a group level we have somebody advising us on conversion between multiple currencies and which is the right time because it also matters making sure that you convert at the right time and then see how much you can earn on the amount that you have converted. So, we look into various aspects and do that and I would say that in the last quarter if we had not done a certain amount of hedging or taken forward covers, our Forex losses could have been higher. So, we managed to bring it down by having some of these implemented in the last quarter.

Siddhant Maheshwari: Can we get some ballpark number that what has been the percentage hedging in the past?

Aarti Arvind: May be we can get back to you on this. If you can send this query to Diwakar we could check and share this with you if possible.



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Moderator: The next question is from the line of Rahul Jain from Emkay Global. Please go ahead.

Rahul Jain: First of all, on the decision of the CEO change I would just like to say that Aarti has done a wonderful job and I would appreciate if she could reconsider that part and I think it would be in the best interest of the company. My question is basically on this Assystem development, I mean we need to understand what is the holistic approach of these entities when they acquired, when they did their due diligence for the BFSI entity, how they try and leverage this business because one thing is that the growth of the business has come off after SQS acquired this business and that was most of the growth basically came from the SQS offshore, offshoring some business to this entity of what could be a possibility I should just state this after this development and are there any more thought process in terms of what the new entity can give business to India entity because their current outsourcing position is very low. So, are they averse of this thought or any other color?

René Gawron: I think there are two things to consider with respect to your question. One is we have seen in the market the development over the past 2-2.5 years that many clients especially on the BFSI sector but also other than corporate clients are moving in their software deployment and software development from previously the waterfall model to a much more what is called an agile software development model. There is quite a big change implied for quality assurance into that. So, if you have waterfall, very often there is a centralized test center and kind of all projects go through this test center more at the end of the implementation life cycle. Whereas in Agile, often the QA part is distributed over the 20 different projects they have. So, there is a much more decentralized demand. That also has led to and I think SQS India BFSI had a client like BNP Paribas a very good showcase example of how they have adapted to this. But all and all it also requires that in the QA part, on the quality assurance business we enhance our services portfolio also to more software design and also have more software engineering skills because now there is not always pure separation as it used to be between development and testing. And coming together with a large kind of engineering services company like Assystem Technologies it also offers us to more easily enhance our services offering to be even more competitive in more agile way of deployment of products. We will certainly go into areas like, also like software design which previously were only seen as a QA-only company which was good for the waterfall market but we now need to adapt this more to the Agile market. We have already done this sumo management consulting where we also shape and design the deployment and we think coming together with our sustained technologies will help us also in this repositioning of SQS as a whole and make this more successful going forward.

Rahul Jain: Okay, one bit of this that since the core revenue growth that is the non-SQS business piece growth has been sub 5% for the last 3.5 years, so is this something we were anticipating when we acquired this business and how you see this number should behave going forward based upon how the industry is spanning out?



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René Gawron:

I think if I recall kind of how the market was or seemed to be 3 years ago when we acquired SQS India BFSI, it was certainly a different market. The market is constantly changing and evolving, and I know that many of our clients have also been a little bit surprised by the speed of how they have to change and our changing into kind of more agile software deployment. And that certainly has also moved from a more centralized to a decentralized QA demand for many clients. It has also made it a little bit harder sometimes to increase the topline as easy as it used to seem some years ago because it is now more decentralized demand. But it is simply a matter of fact. This is how the market is today and that is why also SQS and SQS India BFSI. We are changing, we are adapting to this also with a wider range to be more competitive in the agile software deployment market. So, I think all the steps we are doing we expect also on the group level as much as for SQS India BFSI will or expect to be more competitive to have higher topline growth going forward for this. That is all our expectations.

Moderator:

Thank you. Ladies and gentlemen, as there are no further questions from the participants I now hand over the conference to the management for their closing comments. Over to you sir.

Aarti Arvind:

I think this has been a quarter of consolidation and I think we have set a good base in the last 6 to 9 months for adding new services, reskilling our employees and increasing our customer base. Our opportunity pipeline has improved, and we would continue to keep up the momentum in terms of opportunities, new clients, new services and of course developing our team. We have started the year on a positive note and I look forward to a good year of it. Thank you all for joining.

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of SQS India BFSI Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your line.