“Allsec Technologies Limited Q2 FY22 Earnings Conference Call hosted by IIFL Securities Limited”

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Moderator: Good day ladies and gentlemen and a very warm welcome to the Allsec Technologies earnings conference call hosted by IIFL Securities Limited.

As a reminder, all the participants' 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 touch-tone phone. Please note that this conference is being recorded.

I am now glad to hand the conference over to Mr. Ashish Johri – CEO of Allsec Technologies. Thank you and over to you, Mr. Johri.

Ashish Johri: Good morning everyone. Thank you for joining our earnings call today. The results and the presentation have already been uploaded on our website.

Anything we say which refers to our outlook for the future is a forward-looking statement and must be read in conjunction with the risks that the company faces. These uncertainties and risks are included but not limited to what we have already mentioned in the annual report.

Let me now start with a very brief overview of our financial performance following which I will go on to the business update. Let me start first with financial performance. We have achieved a revenue of Rs. 77.1 crores during the quarter, a growth of 8% over Q1 and 14% over Q2 FY21. Our EBITDA at 18.8 crores is a growth of 19% quarter on quarter and 35% year on year. Our net profit at 12.9 crores is a 64% growth over the previous quarter and 101% higher than year on year.

For the half year, we have achieved a revenue of 148.6 crores, 13% higher than H1 FY21. Our EBITDA for H1 FY22 is at 34.7 crores versus 26.9 crores previous year.

The board has also declared an interim dividend of Rs. 45 per share after considering the strong cash position and the positive outlook for the company.

Before I move on to the business updates, I would like to thank all our employees and acknowledge the role all employees have played over the last 6 months as we have battled jointly the second wave of Covid. We have been unfortunate to lose a couple of our associates, but I am glad to say that we have come out stronger and we are poised extremely well coming out of this second wave. I am also pleased to state that 80% of our employees in India are now completely vaccinated.

Now, let me kick things off with an update on strategic themes that we have been working on for the last 12 months and the continuing 6 months as well.

First is, improving top-line growth. That's the first theme. North America has always been the key focus for our DBS international business. We have expanded our sales teams over towards the end of last financial year and also over the last 2 quarters. We have added some real heavyweight leaders on the team and I am delighted to welcome a couple of leaders over the last quarter as well. We have also been running very strong digital marketing campaigns in North America and those campaigns have yielded results in enquiries.

Our inside sales teams have also been revamped, are extremely strong now and their activities are also yielding high proposals and wins. Our joint GTM strategy with Quess' North America sales team has also helped us reach more targets and we have a strong pipeline building along with them as well. All of this has borne fruit, and over the last 6 months as you guys are aware, we have added 5 new logos in this year and added almost 30 crores in ACV with these new logos. In addition to these 5 logos, with a few of our existing customers, we have added new entities with these customers, new referrals with these customers. So, even we have seen growth coming from existing customers as well, and we believe this growth story should continue.

Our DBS domestic business which had a Covid-related volume drop in Q1 has also rebounded with a 10% quarter-on-quarter growth in revenue. During H1, we have added 2 new logos in this space with ACVs in excess of Rs. 4 crores. We have also seen volumes returning with our existing customers on the domestic side.

Moving to HRO, HRO also has seen a strong growth momentum which was moderated in the last 12 months because of Covid lockdown, but now over this quarter, we have seen strong growth momentum. We believe that we have past the sales as can be seen from a strong 9% growth quarter on quarter in this segment. We have also increased our sales force in this business substantially both in India and our chosen global locations. And we are also focused on building our partner network and global payroll partner network to service some of the global geographies.

In H1 FY22, we have added 46 customers with an ACV of 3.5 crores.

Our cross-sell initiatives, that's the second theme. Our cross-sell initiatives are also seeing tractions. We have added almost 2.5 crores in the ACV cross-selling to our existing HRO and compliant customers, and we will continue to have a very strong pipeline with the existing customers where we are up-selling and cross-selling our existing solutions. We will continue to pursue this stream of revenue with the existing customers and leveraging the larger Quess network as well.

Moving to the 3rd theme, our cash position and collections, both continue to be extremely strong. Our OCF for H1 FY22 was 30.6 crores, an increase of 11% over H1 FY21. Our DSO also continues to be very strong at 53 days.

Moving to our 4th theme on investments in innovation, I will touch upon the HRO payroll platform that we have been working on. That platform modernization continues to progress on schedule and we expect to start on-boarding customers towards the end of this financial year. In anticipation, we have already started building a sales team, and we have already started forming channel partnerships in anticipation of being actively in the market end of this financial year.

I will now move on to the detailed business segment performance. Let me start with the HRO business first. The HRO business continues to perform well to end the quarter at a revenue of 28.4 crores, a growth of 9% over the previous quarter. We have added 21 new customers and more than 2,00,000 payslips during the quarter. Our EBIT in this segment grew by 13% over Q1 and 6% year on year.

We continue to invest significantly in the digital innovation as I briefly touched upon and this is driving both revenue and margin improvements. This business currently has a very strong pipeline. Both our pipeline and our win rates continue to be at historical highs. I would also like to add that in September 2021, we crossed a very significant milestone of processing more than a million payslips in a month. In the last year, our payslip count has increased by almost 31%, an addition of 230,000 payslips per month. This is a testimony to our strong technology and the client relationships that we have and the dominant market position that we have achieved over the last decade or so.

We are also seeing a very strong interest from global customers for some of our HRMS and HCM solutions, primarily leave-time-attendance. We have signed 2 global deals over the 1st half of this financial year. We have also strengthened our global payroll platform capabilities through partnerships to be able to better serve our global customers.

I will move on to the DBS business now. The DBS business was the one most affected by the Covid pandemic in FY21 and also had a moderate impact in the 1st quarter of FY22. The business has since rebounded back very smartly and we closed the quarter with revenues of 48.7 crores, a 7% growth over Q1 and 13% growth over Q2 last year. Our headcount increased by 20% over Q1 reflecting the strong momentum that we have built in this business. We also upgraded our technology. We had a significant upgrade of our communication systems moving to the latest version of **Avaya Communications Manager** which provides us with much greater flexibility in serving omni-channel requirements from customers.

We have had strong sales wins in this space as I mentioned earlier and our sales pipeline in North America is also at historical high.

I thank all of you for your support for being here today and would like to take questions at this point.

Moderator: Ladies and gentlemen, we will now begin the question & answer session. We will wait for a moment while the question queue assembles.

The first question is from the line of Sugandhi from InCred AMC. Please go ahead.

Sugandhi Sud: Congratulations on the great results. I have 2 questions. You have mentioned ACV wins to the tune of 38 crores in the 1st half, and if I remember correctly, in the 1st quarter, you had mentioned a number that was close to 23 crores. So, can we assume this 15 crores as incremental gain in the 2nd quarter?

Ashish Johri: Yes, you can, that's correct.

Sugandhi Sud: In terms of your Covid costs, I notice that there are around 1.5 crores. Could you just make us understand the nature of these costs and how should we be forecasting this cost in the coming quarters?

Raghunath P: The Covid costs are primarily two. 1) In Manila, we still have a general quarantine in place. So, we have our employees boarded in hotels close to our office. So, we incur expenses on that. In India, we also incur expenses where we still have some people working on work-from-home mode to maintain social distancing norms. So, we have some rental desktop and laptops. We think the India cost will go down in Q3, but the Manila we still don't have visibility on when the general quarantine is going to be lifted. So, until that is lifted, we will continue to incur this cost. As you can see, this Covid cost has kind of flattened over, over the last couple of quarters. We think that is how this will play out in probably the rest of this year.

Sugandhi Sud: It is encouraging to hear that you have made significant appointments on the sales side both in HRO and DBS. In terms of the impact on your SG&A, how much of that has already come true and how much of that will come over in the 2nd half of the year?

Raghunath P: Because we have added people during the course of the last 6 months, obviously there will be some incremental cost if you compare like to like, but that is not going to be very material to change the overall SG&A costs % to revenue.

Moderator: The next question is from the line of Jatin K from Alfa Capital. Please go ahead.

Jatin K: Congrats for your very good set of numbers. Sir, you have talked very good details about in terms of new additions and all. So, what kind of growth can we expect going forward?

Ashish Johri: Jatin, we have a strong pipeline both in our DBS and HRO businesses – both in North America and in India. We have done extremely well for the last 6 months in North America especially. We have added more logos in North America versus what we have done over the last 5 years. This has been a historic 1st half. While our pipeline continues to be growth and I remain very optimistic, but that said, the environment is difficult regardless. There is a holiday season we are approaching in North America. So, I am optimistic but also mindful of the external environment. That said, we will not be issuing any forward-looking guidance on what we should expect in terms of the sales momentum, but that said, we are all here to build that momentum above and beyond what we have achieved.

Jatin K: Sir, we are giving very good dividend and we have very good cash on the balance sheet also. So, can we expect this kind of high dividends to continue or how we should think about the dividend policy?

Raghunath P: The dividend that we paid for this quarter or whatever interim dividend is a special dividend. As you would have seen, Allsec has been accumulating cash over the last few years, and therefore, the management felt that this was the right time to reward the shareholders who have been with us for a long time. We have also kind of paid to the maximum extent possible from a India stand-alone financial's perspective because the dividend is paid out of India stand-alone. While I may have retained earnings in Manila, but we cannot use that funds. Going forward, we will take a call at the end of the period on where we are from a retained earnings perspective in India stand-alone and do it, but we need to be aware that this was a special dividend that we have declared to reward the shareholders who have been with us.

Moderator: The next question is from the line of Ashish Kesrichand Jhaveri from Ashish K Jhaveri.

Ashish K Jhaveri: Congratulations for the excellent results. My question is that in the last quarter, you declared that we received a dividend from Manila. This dividend was from the operations from once a year or it had been accumulated over a period of time?

Raghunath: This has been an accumulation over a period of time. We have never brought money from Manila in the past. We did that in Q1 and the idea was to get the cash into India which then gave the management the flexibility to decide future course of action in terms of utilization of the cash. That is what has helped us in declaring dividend in the current quarter.

Moderator: The next question is from the line of Shrey Loonker from Motilal Oswal Asset Management. Please go ahead.

Shrey Loonker: Just a couple of questions. 1) On the DBS front, our incremental ACV is incrementally far more towards 7% of the ACV just coming from international. What does this imply for the margins of the DBS business? 2) The Covid expense of 1.5 crores per quarter if you can demarcate how much is for India and how much is for Manila, probably that would help.

Raghunath P: I will take the first one which is on the margin. Typically, international business margins are better than the domestic business and obviously the more we do in terms of the mix, the margins will improve, but having said that, our aim is to grow both together. We have seen in the past except during the quarters when we had Covid-related drop in volumes, our split has been in 60-65 versus 35-40. We expect that to continue in the long run because domestic we also have volume growth coming from our current customers. So, we think this margin will improve as the revenue goes up which is obviously going to be the fact, but the mix is unlikely to change in the near term. The second one on the Covid-related costs, out of 1.4 crores, we spent around 1 crore in Manila, the remaining is in India.

Shrey Loonker: On the HRO business, two things. One is I think in one of the slides you mentioned that the headcounts are up 50% whereas your payslips are up 30% Y-o-Y. To the best of my memory, this is a huge employee expansion that we have embarked upon. Could you just detail it out a little bit more? I understand it's for the new HR SaaS product sales build out, but if there is a way you can help us understand that what would be that we will need to be at when the product is launched and why are we being 6 months early? How does the business work? If you can just help us a bit of that finer dynamics, that will be helpful.

Raghunath P: In HRO, the payslip count has increased. The employee headcount has not increased that much. The employee headcount has actually increased only in the DBS side of the business. On pay slip, obviously we have grown around 31% year on year. That is coming from the growth in both the existing customers' employee headcount as well as the new customers that we have added, but the employee headcount at Allsec for HRO has not grown significantly. That is not a measure that we also look at from a performance perspective because this business is more scalable compared to the DBS business.

Ashish Johri: Shrey, also – just to add – on the question on the SME product, we continue to be in beta with a few friendly customers where we are building the product out. That process of building the product out is not complete yet. I don't think we have reached a point where we can say we have a competitive product. That process will continue. And we also understand that this is a tough market, so we are very cautious about our expansion plan for the sales as and when that happens, but I don't see that happening this calendar year or this quarter for sure.

Shrey Loonker: Ashish, one more thing; in the opening remarks, you did mention that from an HRO standpoint and the international arena standpoint, you are trying to toggle up the capability through partnerships to increase the value proposition. Could you just elucidate a little bit more on that?

Ashish Johri: There are 3 kinds of partnerships which we are going after in the HRO business. There is this sales channel partnerships and referral partnerships. That is one kind of a partnership. That effort has already started and we have almost 5 odd channel partners signed up and leads, etc., have started coming in over the last quarter. Second is, for the India market, we have signed up with a lot of niche solution providers – for instance, in learning development, etc. – to complete our offering for customers. These are white-labelled solutions that we take to our customers. That is the second nature of partnerships. The third nature of partnerships is global payroll where we have existing customers asking us for payrolls where we don't have capabilities, and on a case-to-case basis, we are making decisions either on building the platform ourselves where scale justifies it or going through local partnerships that we are forming. All three are very active for all three partnerships On the solutions side, both kinds of partnerships, we have a pipeline that is beginning to build up.

Shrey Loonker: Ashish, one last question. From a very long-term perspective if you can give us some sense because there are a lot of things that are changing. One is the domestic competitive pressures I am sure will keep dialing up as they always have plus this incremental partnership-lead model would require you to share more incremental for all the global business you get. On top of it, the SME HR SaaS product that will come through which will be a tough one and hard one, how should one really think from the margin perspective on the HRO business, say over the next 3 to 4 years? If you can just give us some ballpark idea of how each of these 3 businesses are really different in their margin profiles at a unit level, that will be probably a little better and then the mix.

Ashish Johri: Shrey, while I won't issue any forward-looking guidance in terms of growth rates, etc., to expect, but I will just give a few general comments on the business outlook and the strategy. Over the midterm next 3 years, I don't see too much erosion of margins coming from any of this. We continue to expand globally. Our global footprint in Manila and rest of the world, primarily Middle East, is growing faster than India and that's a higher margin business. Also, the incremental deals that we are adding in in India, while they are larger deals than what historically Allsec has done and hence price slightly lower but they are higher margin and EBITDA deals. Because of all that, I expect margins to remain flattish. I will leave it at that. I don't expect too much change in margin profile.

Shrey Loonker: Actually, the question, Ashish, was specifically for the HRO business.

Ashish Johri: Yes, my comments were specific to HRO.

Moderator: The next question is from the line of Raghuram N S from Your India Fund Managers. Please go ahead.

Raghuram N S: Just a couple of questions. Obviously, as you have mentioned, there have been very strong customer additions over the last 6 months. It would be very useful if you could just run us through a theme of – for example, in HRO, there are obviously new customers coming in that is what you call as new logo and there are existing customers who are expanding maybe their services which they require from Allsec, if you can just run us through some kind of a broad theme of where the new…. which parts of the HRO offering that Allsec has, where are they stepping into the line, and then existing customers if they are expanding, where they are expanding? That would help us maybe understand how this whole thing is panning out, the whole service profile of Allsec is panning out. Maybe if you can do that for both the HRO and the DBS businesses, that would be very useful.

Ashish Johri: Raghu, the current profile of the HRO business is, there are a few components to it. By and large, it is India payroll business followed by the international Manila and Middle East followed by almost equal to the global footprint is our HRMS offerings, especially leave-time-attendance. That's the current profile of the business. On the payroll side, I find that we are beginning to win…. Even in the future and the pipeline, the mix continues to be very similar to existing profile, but there are a few shifts happening. Shift No. 1 is, our pipeline and our wins on larger deals is looking good at this point. What we have on our books right now in terms of pipeline is focused towards larger deals. Like I mentioned, these could be and these are by and large managed services payroll centric. These tend to be lower pricing but better EBITDA deals, and this will continue to fuel our growth in payroll, especially India payroll.

Second is, our growth rate for managed services payroll in the Philippines and rest of the world continues to be…. Q1 was slightly off for us in terms of growth rate for international, but it has started picking up again.

On the third, there is again an interesting shift happening where our leave-time-attendance solutions which coupled with our payroll, we are beginning to get some interest from international customers – international meaning APAC and Middle East region both – largely with existing global customers who are now taking us into these regions. That's an interesting development. It is early days for to know where it will go, but we are excited with that. We will see how it shapes up in the next 6 months. This is the nature of the beast, but by and large, I don't see our business mix between the 3 components changing too much over the next year or year and a half.

Raghuram N S: If you can help us through in the same way on the DBS side please?

Ashish Johri: DBS side, Raghu, the CFO also answered this question. We obviously have had a very good international 1st half with growth coming in on the international side from North America and pipeline continues to look strong in North America. Domestic as well, while we don't actively sell in this market but we continue to have reference customers coming in, and we are happy to onboard them. I don't expect the business mix between domestic and international to change too much given that in domestic, our existing customers also are expanding. So, in the near term, I don't see the business mix changing over the next 6 months to 1 year. We obviously continue to remain bullish on our international prospects given the kind of period we have had in the last 6 months. So, our focus obviously is to keep expanding the international, but next 6 months, I don't expect the business mix to change too much between international and domestic.

Raghuram N S: Ashish, I was more coming from a perspective of the offerings. I was not really focused on the international versus domestic mix. Obviously, you guys have said AML investigation has been added, introduced BOT monitoring. So, I was more focused on you guys expanding on that kind of theme.

Ashish Johri: From an offering perspective, I will give you color on what we have won and what's in the pipeline. We added AML in India again. This is for international customer – North America based customer. And then we added a bunch of services which are very different from the kind of offerings that we have had historically. For instance, there are 2 offerings we added. One was the automation BOT monitoring almost like a command center. Another one was tech helpdesk – we added helpdesk. And then we have added some back-office work in for BGV companies in North America, etc. There is no pattern other than AML. Everything has been very diverse coming from the sales activities in the region, very different from our historical offerings which centered around contact centers. I think that's good news actually. On the pipeline, I do see that the BFSI tends to be slightly heavy – banking and insurance tend to be slightly heavy – in terms of pipeline. And after that, everything is again very broad based and secular. There is no vertical meaning beyond banking that I see.

Raghuram N S: Anything on the insurance BPaaS and those kind of industry-led you can say initiatives. Obviously, you guys have been very strong on retail and e-commerce and because of the Quess are obviously the background of Fairfax and there is that insurance, you can say, strength that has been passed on. Any kind of developing theme on that side from an industry perspective?

Ashish Johri: Raghu, we have added some small prophecies with existing customers. We have expanded on the insurance side. With the existing customers, we have been able to cross-sell and upsell BPO offerings and expanded their footprint a little bit. We also have a fairly reasonable pipeline with insurance customers that I am hoping we should have some wins coming in the next 6 points out of that pipeline. But otherwise, it's slightly early to have a meaningful conclusion drawn on that offering just yet. We are just 3 to 4 months into actually figuring out how to sell, what to sell, etc., from the insurance BPO perspective.

Raghuram N S: Anything on the e-commerce retail side, any theme developing there?

Ashish Johri: Yes, after banking, that would be the second largest vertical, but not by a long shot. After banking, everything is very broad based, but if you pick out 1 vertical, it would be retail and we do have some strong prospects coming in that vertical.

Raghuram N S: Moving on, obviously I have been one of the longstanding investors and very happy with the dividend which Raghunath also mentioned to be a special dividend for people like us. Now, looking forward – like one of the other people who were asking questions – is this a clear thing that M&A is more or less you can pay off the table, then maybe even after paying out this dividend, we still have more than 100 crores of cash still sitting on the balance sheet? Is that something that is going to be used for any further M&A or is there any other way of rewarding the shareholders which is more maybe tax friendly way. Obviously, dividend is something that is not so tax friendly, but is there any other way being thought about or is this something we are now back to business as usual?

Ashish Johri: Raghu, we are actively scouting; we continue to scout for inorganic growth opportunities. We continue to be in that space. Over the last year and even now, we have come across a fair number of opportunities where we have had management conversations, but nothing has come to fruition because we didn't come across anything that was strategic to be honest that excited us, and in a few cases, the valuations didn't make any sense. So, we haven't moved on it, but that said, we continue to actively scout for opportunities.

Moderator: The next question is from the line of Nishit Rathi from CWC. Please go ahead.

Nishit Rathi: I just had one big-picture question which I would love to get your thoughts on. Your HRO business is an excellent business which is extremely sticky and is extremely stable and has great opportunities, but at the same time, we are seeing a lot of innovation coming from a lot of startups and a lot of SaaS companies which are trying to look at this opportunity at the same time. So, just wanted your thoughts on around it. How do you see the challenge that comes from them? What kind of challenges do you see coming from the increased competition and how do you see this as an opportunity for yourself? You alluded to the fact that you are taking a partnership approach in creating a service into more of a platform approach. So, we would love to get your thoughts on that bet.

Ashish Johri: We remain extremely bullish about the HRO business and our position in the market. We are dominant leaders in the large enterprise space and that space is very sticky and very stable. Some of the SaaS competition that you are talking about has not broken into this segment and for this market, which is where our HRMS offerings built for the large enterprise is beginning to pick up traction, not just in India but across the board. In the large enterprise segment, we remain happy with what we have and we continue to invest in our solutions. For this market, we have announced 2 projects over the last 1 year – very significant technology investments we have announced. One is, we are rebuilding our payroll platform to make it more scalable, more SaaS oriented, more global in nature with easier to implement, etc., also to open up SaaS market for us. That project I touched upon in my comments as well, is on track. it's a pretty significant and very ambitious investment. The other investment that we have done is in building end-to-end HRMS suite meant for small and mid-enterprises. That also I touched upon in my comments. We are in beta with a few customers. We continue to build the product out. We are cautious about the SME segment, but we are happy with the products that we have and the ability to take that product to other market segments, not just the SME, but we will see how it shapes up. We are at least 6 months away from having a differentiated product there. That's investment number 2. Investment number 3 is, in our existing enterprise leave-time-attendance and there is more stuff beyond that, we continue to invest with our customers and co-create solutions with our large customers. That investment is BAU and we continue to do that and continue to have wins on the back of all of those investments.

Nishit Rathi: Ashish, is it fair to say that maybe the competition has not yet woken up and at some point of time, they will hit you. The way you are thinking about it is, you are yourself preparing for that and whenever that hits you, the way you are thinking about it is, any kind of challenge that will come on the pricing side will be compensated by more offerings wherein you will in a way protect your turf. You will offer more, you will get more services into the same customers and might be required to lower some of the pricing whenever it comes. Is that the way you should be thinking about it or that's not even a challenge in your mind?

Ashish Johri: My honest take is that too much is made out of the competitive pressures, and most people confuse about competitive pressures in our market segment which is large enterprise. The large enterprise market is very different from the SaaS players which is medium and small enterprise market. The pricing pressures while they are everywhere, but they are more dominant in the mid and small enterprise markets which historically Allsec has not done, but we are making an attempt at…. we are building products for that, but that is out in the future. In the large enterprise which is bread and butter market, we remain happy with what we have – our positioning. We are cognizant of the competition, we respect the competition, and hence we continue to innovate and invest in our products for this market segment as well.

Nishit Rathi: If my understanding is right, you are saying that right now you are not seeing that that market is different. It takes time, and it needs a lot more stability which you offer. If someone offers price, it's not like overnight you can lose someone but you are aware of that. At the same time, you are one of the challengers yourself in the SME space. So, that is an opportunity. It is a tough crack but you will try that. Is that understanding correct?

Ashish Johri: Yes.

Nishit Rathi: Just the last part on it. In terms of mortifying, what do you think is the biggest barrier for a SaaS company? Why is it tougher for the SaaS companies to get into large enterprises? Is it exactly the same thing that the expectation and the delivery that is required, they are not there or it is just that they just like the stability or whatever you offer?

Ashish Johri: I will give you my perspective but this is debatable. I feel that too much is made out of SaaS software capabilities and not enough is spoken about quality of service and quality of delivery. Quality of service and delivery is what prevents the upstarts and the newer companies from actually making a dent in this market.

Nishit Rathi: Just to get a sense, how much time does it take for you to break into a customer? Basically what you are saying is it takes a lot of time for these companies to develop trust and move from one system to another, right? And once they are into it, they don't like changing. Is that understanding correct? That's the biggest entry barrier. So, it's a very long sales cycle. It's not easy to do that.

Ashish Johri: That's right.

Moderator: The next question is from the line of Rahul Kayan from SMIFS. Please go ahead.

Rahul Kayan: Just wanted to understand the competitive intensity in the DBS business in North America. Who are our typical competitors and how many people are vying for the same client? And the plans for future increase in the North American sales team for DBS?

Ashish Johri: Rahul, we play in the mid-sized company market in North America which means the giants like Infy, TCS, Wipro is not our competition by a mile. Our competition is very dispersed actually. There are a fair amount of players with no one having a dominant position. We run into Fusion BPOs vision net, etc., all relatively small scale and the nature of the wins, etc.... There isn't a dominant player. We also run into a fair amount of near shore, small footprint, local North American BPOs, but those tend to be more niche oriented. They tend to be either collections or they tend to be very focusing on a specific offering or industry vertical, but we do come across them. The competition is…. There are 2 things in what I said. One is, no one has dominant position. And second is, that said, there are a lot of players vying for the pie, not too much differentiated positioning amongst a lot of people, but whoever like Quess has a full service play in that market has an edge. Through our Insurtech and tech offerings with MFX, it adds an edge to Allsec's offering in North America and that stand has been vindicated with a few wins we have had in the last 5 months, which are tech-oriented wins. For instance, the BOT monitoring, the automation monitoring command center. Another one was tech helpdesk. Some of our pipeline is also helped by the fact that we have tech behind us.

Rahul Kayan: Any plans to add more people in North America?

Ashish Johri: Rahul, we have just added 2 heavyweights in this last month and a half. With that, at least for the next 6 months, we are done. We are anyways headed into the holiday season in North America. So, for the next 6 months, we are done. We continue to augment our India pre-sales

sales support capability. That we will continue to expand. We will continue to also expend on our digital marketing campaign, but the sales team for the next 6 months, we are most likely okay.

Rahul Kayan: Lastly, Ashish, on the Quess synergies which you spoke about at the beginning of the call, how is that playing out on the DBS and HRO front? And if you could please speak about any other synergies you could think of with Quess. Besides on the marketing front, what other synergies you are seeing? That will be good to know.

Ashish Johri: Rahul, on North America DBS, I briefly touched upon the synergies. Sales synergy is one. The other is offering synergy with Insurtech, and being able to present tech services along with our BPO offerings, it does give us a little more leverage. That is already there. And in North America, we also continue to run joint marketing, digital marketing campaigns. In India for HRO especially both on compliance, offerings, and on our HRMS offerings, there is a healthy list of cross-sell, upsell with Quess customers. Their customer list is obviously longer. And we have had a fair amount of large wins coming from that list as well over the last 1 year. So, I remain delighted with the way that pipeline is. There is also a very strong systematic and methodical cross-sell and upsell team in Quess that we leverage when we need help across larger customers or where we don't have connect. So, there is a very systematic process around that and that engine is working extremely well in my view.

The third synergy is on the operational side. Lot of our tech work, for instance, in our tech modernization is also being done by Quess group companies. In particular, Heptagon and MFX are helping us drive a lot of our tech innovation. The platform modernization, etc., that we are talking about is, we are being helped by some of those entities. We also leverage the deep IT expertise that sits in Quess corporates.

And then the final synergy, I will say, comes from procurement and getting better deals, etc. Whether it is IT vendors the likes of Salesforce, etc., or just commodities, the telco lines, the internet bandwidth, etc., we just have access to better rates, etc. That's the 4th synergy.

Moderator: We will take the last question from the line of Jatin K from Alfa Capital. Please go ahead.

Jatin K: Sir, on the balance sheet, how much cash would be in India and how much would be in Manila?

Raghunath P: After this dividend is declared, we will have around 80 crores in India and around 30 crores will remain in Manila.

Jatin K: Sir, if 30 crores which is in Manila if we bring it into India, we will have to pay the taxes there?

Raghunath P: Correct, but Manila will also need money to run its operations. So, we will have to figure out what to do and when to do.

Jatin K: Sir, in the last year, we gave Rs.15 dividend which was like 60% to 70% of the profit of the last year. Is this kind of thing we should continue assuming? because current as you are saying is special dividend. So, 60% to 70% kind of dividend distribution plans or what would be that please?

Raghunath P: This interim dividend that we have given now is a special dividend which obviously is taking into account the vast cash accumulation that we have had in Manila which we got in Q1. Going forward, we will look at what is the amount that is permissible under the Indian Companies act and what is the requirement for this at that point of time. But just to very clearly say that this 45 is a special dividend that we declared.

Jatin K: I understood that, sir. I am talking about last year. We gave Rs. 15 dividend last year FY21 which was like 60% of last year's profit. So, that kind of number should be a more sustainable number or what should be a more sustainable number going forward?

Raghunath P: At this point of time, we have not worked out on that. What we did last time was also to give the dividend based on the amount that was maximum permissible under the earnings at that point of time. Since we had not declared dividend in the previous year. Now that we have cleared all the past accumulated profit, we will have to now look at what is going to be the ongoing profits.

Moderator: As there are no further questions, I now hand the conference over to Mr. Johri for closing comments.

Ashish Johri: Thank you everyone for joining us. As always, it was a pleasure speaking and fielding questions from you – thought provoking questions from all of you. Closing the call, I wish all of you a very happy Diwali and the festive season coming up. Thank you so much for your time. Take care.

Moderator: Ladies and gentlemen, on behalf of IIFL Securities Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.