Q2 FY2016 Earnings Call Transcript – October 29, 2015

CORPORATE PARTICIPANTS:

- Mr. Rajesh Subramaniam – Managing Director and Chief Executive Officer
- Mr. Dinesh Jain – CFO
- Mr. Ganesh Iyer – Head Strategy & Investor Relations

Moderator: Ladies and Gentlemen, Good Day, and Welcome to the Firstsource Solutions Limited Q2 FY16 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only modes. 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 '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ganesh Iyer of Firstsource. Thank you. And over to you, sir.

Ganesh Iyer: Thank you. Welcome everyone and thank you for joining us for the Q2 FY16 Earnings Call for Firstsource. Please note that the results, the fact sheet, and the presentation have been emailed to you and you can also view them on our website www.firstsource.com. To take us through the business highlights and the results today we have with us our Managing Director and CEO Mr. Rajesh Subramaniam and Mr. Dinesh Jain who is our CFO. We will be starting this call with a brief presentation, providing an overview of the company's performance followed by Q&A session.

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

With that said, I would now turn on the call to Mr. Rajesh Subramaniam – our MD and CEO.

Rajesh Subramaniam: Thanks Ganesh. Good morning, good afternoon and good evening Ladies and Gentlemen, thanks for joining our call today.

In terms of our Q2 FY16 performance highlights, operating revenue in Q2 came in at Rs 792.5 crores compared to Rs 774 crores in Q2 last year and Rs 747 crores in Q1 of FY16 representing a quarter-on-quarter growth of 6.1% in rupee terms and 3.2% in constant currency terms. Year-on-year growth is 2.5% in rupee terms and largely flat in constant currency terms.

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Operating EBIT for Q2 FY16 was at Rs 80.1 crores compared to Rs 77.1 crores in the same period last year and Rs 72.5 crores in Q1 FY16. On a sequential basis we grew by 10.5% also representing a margin expansion by 40 basis points from 9.7% to 10.1%. Year-on-year growth, there has been a 4% growth in profitability and marginal margin expansion of 10 basis points to 10.1%.

Profit after tax for Q2 FY16 came in just under Rs 62 crores compared to Rs 61.2 crores in Q2 last year and Rs 56.4 crores in Q1 FY16. A quarter-on-quarter sequential growth of just under 10% and a margin expansion of 25 basis points to 7.8%. Year-on-year, there has been a very marginal margin decline of 10 basis points from 7.9% to 7.8%, despite this decline we are not changing our guidance of 100 basis points improvement in the next financial year at the end of the year.

Other highlights, cash and debt position, cash and cash equivalents of Rs.172.3 crores as of September 30th 2015 compared to Rs 194.6 crores, slight depletion on account of CAPEX for some of our customers that we are scaling with specially in North America. We also repaid $11.25 million of our debt obligations on September 30th 2015. At this point our net long-term debt is $105 million and as we have guided we would be closer to about $75 to $80 million at the end of March 2016.

Outstanding FX hedges at $37 million for USD and £87 million for GBP. For the next 12 months 86% coverage for the dollar INR at 68.2 levels, 85% coverage for the British Pound at INR 113.1 levels, 38% coverage for the pound to the Philippino Peso at 73.1 and 24% for the US dollar to Philippino Peso at 46.8. For the ensuing 12 to 24 months, our US dollar coverage to the rupee is 45% at just under INR 71 levels and 78% coverage for the pound at INR 112.4 levels.

From an employee strength capacity utilization attrition perspective, our net reduction of about 281 employees, companywide 23,658 employees as on September 30th, 2015. Our seat capacity has increased to 23,159 on account of some of the expansions that we are undertaking for our clients in the US and in the UK. 46 delivery centers, same as last year. 14,135 employees in India, 9,523 based outside of India that is a reduction of 281 in Q2 FY16. Seat fill factor has come down to 66.6% from 68.4% in Q1FY16 largely on account of capacity expansions in our centers, in Cardiff, in Middlesborough and Louisville and Eugene in North America.

Attrition, we have done well on the attrition standpoint, 45% compared to 50.3% in Q1 FY16 in the offshore estate, 48.9% compared to 46.4% in Q1 FY16 in our onshore estate in US and the UK. India and Sri Lanka came in significantly lower at 76% compared to 96% in Q1 FY16.

Take a look at the revenue contribution by geography verticals, delivery locations and client concentration, the North America contribution showed a slight decline from 56.3% to 54.8% largely on the back of growth in our largest client in the UK which represents why the UK segment has increased on 34.7% to 37%. The India business, the 9% reduction to 8.2% reduction largely is on account of some of the shutdowns that we did in Q1 FY16, the tail end of reflection of those centers shutting down and employees ramping down reflecting in why the revenue contribution is at 8.2% in Q2 FY16.

From our revenue verticals perspective, healthcare continues to be our largest vertical which has been so for the last couple of quarters before which it was telecom and media. Healthcare contribution 39.2% in Q2 FY16, telecom and media 38.4%; banking, financial services and insurance at 22.2%. Some of these numbers will reorient itself next quarter onwards when we see the banking vertical showing significant improvement on the back of a particular deal that we won, a long-term deal that we won which I will touch upon when we talk about the business highlights.

From a delivery location, largely stable onshore 70.5%, offshore 22.3% and then domestic 7.2%. We had some growth in our largest client in Q2 FY16 which explains why the top client contribution went up from 21% to 23% within Q1 FY16 and Q2 FY16.

Next slide, the financial performance, the tabular representation, no specific callouts just the fact that I guess all the metrices are looking green for a long time, so that should give you some comfort that the growth is back and profitability metrics are looking much better than what they have been for previous three, four quarters.

And on Slide #10 which talks about our performance**,** it basically shows a graph that in the six month that we have delivered results we clearly have recovered from the $32 million loss of a large telco client last year which was present in the first six months of FY15 and it clearly represents that the growth that we have been talking about is now clear and present and on the back of stabilization of our operations in our telco client in Louisville and Eugene and with a new win which we have in the baking business, the second half is quite significant momentum going forward. So overall we are really good where we are today.

Specifically on the business outlook, the demand environment in healthcare and customer management look extremely robust, these are the primary engines of growth for the organization, we are witnessing a robust pipeline, quality of deals are improving, our qualification rates are improving. The aero heads, the investments in the aero heads that we are making both around digital, around analytics and around patient access technology and revenue enhancement technology and healthcare are all bearing results. We find a large transaction processing lift out deal with one of the largest UK banks in the area of commercial finance. The transformational nature of the deal was significant element of process reengineering, automation, cash flow management and deploying tools around NPS predictor in churn management. These revenues will start delivery, the cutoff date is in the middle of October, October 13th is the pay date, and from Q3 FY16 and Q4 FY16 we see a significant uplift in the revenues of this deal. This deal, we have signed a 10 year contract with our clients and it represents almost £119 million over 10 years, roughly US$17 million a year going forward.

As explained to you, some of the setbacks we have had in our US telco clients, those operations have stabilized, Q3-Q4 it will not bleed our margins, the performance metrics are looking good, the revenue setbacks that we saw have stabilized while the catch up of the revenue that have been impaired in the first half will take time to recover over good part of FY17. The good thing is the performance in this business is back on track on the back of some operationary changes that we made in the organization in North America.

I spoke about the new product development, I think we are feeling very good, the enrollment cycles between November and February will see us gather impetus in our healthcare business both on the payer side as a more enrollees into the healthcare exchanges and with the Medicaid expansion and the determination of the Medicaid expansion which has happened historically, we see our provider business also gaining some tail winds in the next three months. So this is expected to give us positive momentum going forward.

We have had some headwinds in our provider network, we have had consolidations in some of our hospital networks which have had negative impact in terms of some of the point solutions that we undertake on eligibility services, but some of those are a way of life and largely offset by some of the other value added services that we are connecting into our client base working.

The collections business, I think will do well. The delta between Q4 of FY16 and FY15 will be a lot more sharper than what we anticipated, given how we see the quality of the inventory charged of debt building up and the quality and the potential liquidation rate improvements that we see. And obviously on the back of better US economic activity with unemployment rates reducing, it just places that much more credibility on the improvement in liquidation rates where people's ability to pay is a lot better at this point in time than it has been in last year.

The domestic business, right now I do not believe we have any headwinds but this is a business where I come back to you every quarter that is the nature of the business. At this point in time whatever ramp downs that we have done is already reflected in our performance, there is nothing to believe that this business will face any more headwinds over the next 3 to 6 months, but if there is any I will be more than happy to update you in the next call. So at this point in time it is business as usual and the profitability matrix is this business lost its money in Q1 on account of shutdowns and on statutory payouts related to the shutdown, but the turnaround has been pretty significant and profitability which sets us up well for Q3 FY16 and Q4 FY16.

To conclude, H2 FY16 will witness very strong growth momentum. I think the top of the mind question for all of you is, for the first half we have done zero, our guidance is about 7% of revenue growth, 100 basis points improvement in net margins and 70 basis points to 80 basis points improvement in our EBITDA, we are still holding on to those numbers. At this point in time on the 7% growth I have line of sight, a clear line of sight of 4% to 4.3% growth as of March 2016. We have two big deals which are under negotiation, one is a left out deal where the decision is expected before the end of the calendar year, could get delayed into Jan'16 but that deal is real and we are positioned well with an existing client, there are a couple of other managed services deal which will ramp very quickly. So overall I am looking at how we will end FY16, we are extremely optimistic about the results of Q3 and Q4 and the margins wherever whatever is evidence at this point in time will see a clear uptick in Q3 and Q4. Q3 is seasonally our weakest quarter given the holiday season, but despite that we definitely see our numbers in the right direction and Q4 is seasonally a strongest quarter and we feel very comfortable in holding on to some of the numbers I have just articulated to you right now.

Having said that, I will now hand it back to the moderator to open it up for questions.

Moderator: Thank you very much sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Priya Rohira of Axis Capital. Please go ahead.

Priya Rohira: I just wanted to understand two things, one in terms of our confidence on the margins and the top-line, especially if you could throw some light on this large transformation deal which you have won with a UK bank, how does it spearhead in terms of H2 FY16, does it go in our revenue guidance or does it start contributing from FY17 which gives a more visibility for FY17. Second thing is with respect to the utilization, the seed fill factor has been at 66.6%, last quarter we had 68.4%, so if you could just help us over there.

Rajesh Subramaniam: The deal that we won with a UK bank is in commercial finance is in credit operations, this is helping our client deal with more than 3,000 to 4,000 of their SME clients around working capital funding, sales ledger funding, debtor funding, balance sheet funding and high end transaction processing work as a superior margin profile to the kind of work that we play in the market around our contact center operations, so that provides an uplift in our margins. This is a two pay deal which means the day I take over this staff I start generating revenues, it does not have a buildup of revenues linked to hiring, training and scaling, it is from day 1 that we take and then we really start working through our transformation agenda on how we drive efficiency and wherever the SLAs that we have signed with our clients. So this is a part of our guidance for H2 FY16 and what this does Priya is it basically to a great degree offsets the reduction that we have seen in the US telco deal which has not reached its steady state. So the softness in revenues that we see because of not achieving steady state in our US telco program in Louisville and Eugene is now offset by this two pay deal, albeit at a much higher margin profile than what the telco deal would have given us. So that is on the first part of your question.

The second part of your question is around the fill factor, we have won a couple of clients in the UK which requires us to get out more seats in Middlesborough in our center where we work for another top bank. And also what has happened is with Eugene going live the capacity that we have built for both Louisville and Eugene is for 400 seats each and today they are both at 50% utilization. So Eugene got capitalized in Q2 FY16 where the capacity is for 400 seats and today currently the operations are at about 50% of that, so that reflects why there is an underutilization there. But these things will correct itself, once the revenue catch up with the telco happens the utilization will improve, once the two or three deals which I spoke about smaller ones for which we had to get out seats start playing out, it will work itself forward. So the utilization right now it has fallen to 66.4% but in Q3 FY16 I definitely expect this to come back to a reasonable level and in Q4 FY16 we see some of the best matrix that we have seen in this business.

Moderator: Thank you. Our next question is from Srivathsan Ramachandran of Spark Capital. Please go ahead.

Srivathsan Ramachandran: Wanted your thoughts on the margin profile of these new deals, you did mention it is better than our existing portfolio, this you would say more ex adjusting the upfront amortization or post that you still think at an EBIT level it can still be better than our portfolio, existing portfolio of services?

Rajesh Subramaniam: This is after amortizing the upfront over the contract tenure Srivathsan and see typically any captive deal, any customer that run the captive for 15 to 20 years, innately there are inefficiencies built in. So the way the deals are structured is you agree on a per transaction fee irrespective of the number of FTEs that you use and a combination of effective base lining post which we drive our case management and automation technologies that we have home grown which is today largely used in may payer business will enable us to drive a level of efficiency in creating a differential margin profile on the base that we inherit. And then the game in this business is once these efficiencies are also not just looking at cost reductions but also on some of the outcome metrics, for example here the customer has a churn rate of ‘x’, now if I reduce that ‘x’ to ‘0.9x’ on that delta it just improves the lifetime value and enables me to get a certain piece of the outcome. So there are a lot of these nuances which are built in into this deal which we have not, on the NPS predictor or churn manager we have not built in any financial metrics and say what it will translate into numbers but I expect some of those to provide me operating leverages as we look to scale this business given the universe from which we have carved this out there is still a lot more to go and get.

Srivathsan Ramachandran: And in terms of from a service portfolio point of view this would be a newer service offering, within our existing client franchise do you see any opportunities where we can cross sell this service offering, it may not be now, maybe 6 months or 12 months from now.

Rajesh Subramaniam: Excellent, so we work for 3 of the biggest names of which this is one of the big names, there is no reason why I cannot take this to the other two.

Srivathsan Ramachandran: And on the healthcare payer side we have been seeing very good traction, just wanted your thoughts in terms of there has been a number of M&As that have happened in that space, any repercussions of it, are we exposed to any of those companies that are going corporate action?

Rajesh Subramaniam: I think we are beneficiaries of what is happening in smaller clients getting acquired by larger ones, I mean in my customer base we work for 3 of the top 10 players, two of the top five and one of them is a largest Medicaid payer whose business is growing by 20% to 30% every year. So for me at this point in time whatever is happening from a consolidation perspective in the US is actually helping us as people are getting on to the healthcare exchanges and looking to get the best policies suited for their budget and based on their requirements. And the larger guys for three of whom we work for we are seeing an inordinate expansion in volumes and this is expected to continue for the next couple of years as long as there are 7 million to 8 million Americans enrolling every year which is expected until 2017, 2018. So with the right place, the right time, with the right clients and so with the same set of capabilities we are seeing significant expansion in our portfolio and this business three years back was less than $35 million and potentially exited about $100 million this year.

Srivathsan Ramachandran: In terms of the various productivity measures or the productized services that we have been launching to it, any client on-boarding that have happened, any insights you can provide on that front?

Rajesh Subramaniam: Absolutely. So we have won $1 million worth of business in the provider network on MPAT which is MedAssist Patient Access Technologies and HIE Analytics, Healthcare Information Exchange Analytics. So $1 million has been signed up, out of that $1 million 60% is on an outcome basis of the impact of the analytics which we play in so there could be an upward bias as to where that $1 million could end by March 2016. So yes, so traction is the perception that we are point solution providers in eligibility and receivables management, last one year, 18 months we have worked very hard in trying to bring a broader suit of services and the proof of the pudding is the fact that we have got our first few SOWs which are under implementation as we speak.

Moderator: Thank you. Our next question is from the line of Mohit Jain of Anand Rathi. Please go ahead.

Mohit Jain: Few questions, one is on the net debt, this position seems to be more or less stabilized, now you are guiding for $80 million on a net basis by FY16. Earlier I think we were activating that by 2017 you should be more or less debt free. So is there a change in the debt repayment, etc?

Rajesh Subramaniam: Nothing, we are repaying $11.25 million every year, so we repay $11.25 million in December 2015, we will repay $11.25 million in March 2016, which will take $22.5 million, and there will be accretion in cash, so it is nothing.

Mohit Jain: So do you still maintain that it should rundown automatically by next year?

Rajesh Subramaniam: Yes, so you take out another $45 million next year and next year there will be obviously EBITDA growth, so largely it could down to meaningless levels by FY17.

Mohit Jain: On a net basis?

Rajesh Subramaniam: On a net basis, yes.

Mohit Jain: Second thing was this UK bank payout deal, so any revenue included in this particular quarter or it will come from…?

Rajesh Subramaniam: Nothing, it is from October 13^{th}.

Mohit Jain: So this 3% dollar terms growth is fully organic?

Rajesh Subramaniam: That's right.

Mohit Jain: And should we expect similar momentum in the next two quarters also on organic basis?

Rajesh Subramaniam: Absolutely, I think the next two quarters, as I said right now we have line of sight of about 6% to 7% growth on I mean I am not spreading it against organic and left out, so as I am saying today I have line of sight of about 6% to 7% in Q3 FY16 and in Q4

FY16 and with some luck those numbers can depending on the relation cycle on couple of deals those numbers can grow far robust in Q4 FY16.

Mohit Jain: 6% to 7% sequentially is it?

Rajesh Subramaniam: Sequential yes.

Mohit Jain: And that is in dollar terms assuming constant currency?

Rajesh Subramaniam: That's right. Rupee terms would be closer to about 10% in Q3 FY16.

Mohit Jain: And this new deal that you are talking about, another left out deal, so that will include certain payments so that will be paid out separately in Q4 FY16 or how does that deal work out?

Rajesh Subramaniam: That's right, that will again involve a certain capital allocation, but again these deals are hugely accretive and unlike M&A deals the payback on these deals are fairly shorter.

Mohit Jain: Similar size in terms of payout and in terms of revenue or it could be bigger?

Rajesh Subramaniam: Deal size is much bigger.

Mohit Jain: And so I am assuming that is not included in your sequential 6% to 7%, that is not part of your line of sight?

Rajesh Subramaniam: That is not part of line of sight at this point.

Mohit Jain: So that could be add on to what you are talking about. And lastly on your large client, I saw some growth, this was up for renewal sometime back, so is it done, not done, what is this?

Rajesh Subramaniam: We are extending it on a rolling 6 month basis at this point in time, as they are figuring out their own estate, design those plans, we are just waiting for guidance from them when they are ready, some broad heads of terms of agreements have been exchanged on both side but I think this will take time as Kai is bringing together all the investments they have made in various parts of Europe and some of the new launches they are undertaking going forward. So I am not worried at this point in time and basically you see between last quarter and this quarter there has been growth. So Q3 again Christmas season, holiday season and normally there volumes look good then they soften and then depending on the weather, benign weather ensures volume softness but if the weather is rough then it ensures a different level for the helpdesk related queries which then ensure there is a different level of growth that can be evident. So not worried at this point in time in what is happening with that client, at this point in time we are on the rolling six months contract extension.

Mohit Jain: So all terms and conditions etc remain same, you just move forward for six months?

Rajesh Subramaniam: That's right.

Mohit Jain: And lastly on your margin, given your exchange rate in hedges it looks like bulk of the other income is going to come in the second half if we assume a constant exchange rate, so your EBITDA margin guidance of 100 basis points expansion takes into account that or is it also some level of operational improvement that you are expecting from the G&A initiative that you have spoken about earlier.

Rajesh Subramaniam: So I think what has happened for us is we have had an almost $4 million deterioration in our margins because of US telco client and I will be very upfront to you based on the cost of growth and the cost of higher than anticipated attrition and delivery of volumes. So some of that has been offset by operational efficiencies that we have driven in the first half which is why in an ideal world my margin profile in the first half should have been slightly better than what we have demonstrated. But second half a combination of some of the hedges, the delta between the first half and second half coupled with a superior margin profile of the deal that we have won right now will ensure that I get back to the margin profile that I had guided to at the start of the year despite the setback with the telco client I spoke about.

Mohit Jain: And the payout is $10 million, the UK bank deal that you are talking about which will come in December 2015, that payout will also happen in the next quarter?

Rajesh Subramaniam: That's right, so there will a depletion in the cash balance to that extent.

Mohit Jain: And you are still maintaining it to be $75 million - $80 million by FY16, so we are generating like $10 million cash every quarter?

Rajesh Subramaniam: That's right.

Mohit Jain: And then out of that…

Rajesh Subramaniam: We are generating more than $10 million, we are generating almost Rs 100 crores every quarter, Q2 was Rs 100 crores.

Mohit Jain: So I am taking working capital requirement separately, so the free cash flow to that extend would be like $10 million only for 2Q as well? Sir I am on Slide #four.

Rajesh Subramaniam: About $12 million.

Mohit Jain: So you have to deduct this Rs 9 crores from that current assets also and taxes paid also, right?

Rajesh Subramaniam: Yes, taxes paid, yes that is fine.

Mohit Jain: So it will be much lower and interest expense also?

Rajesh Subramaniam: Yes.

Mohit Jain: So that $10 million is what you roughly generate and $11.25 million is the repayment and then you are talking about payouts related to the deals so how do we…?

Rajesh Subramaniam: No, that is $10 million in Q2, the cash generation in Q3 and Q4 will be much higher and Q2 was, my DSO at 64 days is I would get somewhere of at least four days beyond where my average should be in Q3 and Q4.

Mohit Jain: So you are also expecting significant increase in cash generation that could take you…?

Rajesh Subramaniam: Yes.

Moderator: Thank you. Our next question is from the line of Archit Singhal of Nomura. Please go ahead.

Archit Singhal: Sir my question was relating to the deal with the UK bank, what is the uptick in the revenues we are expecting in second half from the deal?

Rajesh Subramaniam: It will be roughly about $8 million to $9 million, about $8.5 million.

Archit Singhal: So on an annualized basis it would be around what, $17-$18 million something of that sort?

Rajesh Subramaniam: Yes, so first year it will be $17 million, then it will be about $16 million, stabilizes at $15 million but how deals are very much from the end of first year onwards you start seeing growth, at least in my own experiences that we have had with left out deals, within the first year it demonstrated the key metrics the numbers start looking up rather than down.

Archit Singhal: And this is for how many years?

Rajesh Subramaniam: It is a 10 year deal.

Archit Singhal: And sir my second question was regarding the revenues, so we are still maintaining the guidance of 7% growth for the full year right, year-over-year in constant currency terms?

Rajesh Subramaniam: As I said right now I have line of sight of about 4.5% right now with addition on couple of deals which I will know in Q4, the ability to get to 6% to 7% becomes real.

Archit Singhal: And the other deals you are talking about, one is the left out deal which we mentioned previously, apart from that what else is in the pipeline?

Rajesh Subramaniam: There are a couple of big managed services deals with couple of our banking customers in the UK which provide revenue, the time to revenue and profits is not as much as growing those businesses organically.

Archit Singhal: And we are fairly comfortable in the view that we might get the deals**.**

Rajesh Subramaniam: At this point, absolutely yes.

Archit Singhal: Because otherwise the revenue growth would be 4% to 4.5% you said?

Rajesh Subramaniam: Yes.

Archit Singhal: And sir last question was, what was the shortfall in revenues from the US telco clients for this quarter?

Rajesh Subramaniam: The US telco client for the full year would be about $16 million to $17 million reduction for the full year, so the revenue from the client likely at about $38 million to $40 million will end up between $20 million and $22 million.

Archit Singhal: So that is for the full year?

Rajesh Subramaniam: Yes.

Archit Singhal: And what was the scenario in first half?

Rajesh Subramaniam: First half was about $6 million to $7 million.

Archit Singhal: Shortfall you are saying?

Rajesh Subramaniam: That's right.

Moderator: Thank you. Our next question is from the line of Abhishek Shindadkar of ICICI Direct. Please go ahead.

Abhishek Shindadkar: Sir based on the commentary that you made for H2, would it be fair to assume that you could have a fair visibility on the revenue for six months given at any point of the time?

Rajesh Subramaniam: No, actually normally when I start a year I have visibility of 90% of my revenues at the start of the fiscal year. So six months, absolutely yes, six months the degree of certainty is a lot-lot higher, where the changes happen is if there are volume softness or volume growth for any reason which is beyond some of the forecast that the client provides us, at that point in time some changes happen. Otherwise, to give you an absolute sense when I start the fiscal year I have visibility of almost 90% of my revenues for that year.

Abhishek Shindadkar: And the second question is, thanks for providing an elaborate commentary H2, now do you perceive any risk to the growth commentary that we are making about FY16? And also if you can give us a glimpse of FY17 if you could. Thank you.

Rajesh Subramaniam: So on FY16 at this point in time given portion of the impetus is through this left out deal the risk to some of the numbers I have given you are less and our life always throws its own funny challenges if volume softness are there but also gives the opportunity if the conversions of some of the deals become a lot more robust. So at this point in time whatever I have given you the level of certainty is very high. Looking into FY17 our Q4 numbers based on what I have explained to you will set us up for anywhere between, I will start with the 5% to 6% growth for FY17 starting in FY16 and our exit profit after tax adjusted for collection seasonality could be anywhere north of Rs 320 crores at that point in time. So yes, based on what we have explained the Q4 run rate setting is up for FY17, definitely looks good.

Abhishek Shindadkar: And just to talk about Q4, so excluding FY15 I think in all the previous years of Q4 we have had at least kind of 11% to 13% kind of growth in the quarter on a year-over-year basis. So at this point in time that looks a doable for Q4 FY16, right?

Rajesh Subramaniam: Absolutely.

Moderator: Thank you. Our next question is from the line of Ruchi Burde of Emkay Global. Please go ahead.

Ruchi Burde: First I wanted a couple of data points, what is our deal win in this particular quarter?

Rajesh Subramaniam: About $37 million.

Ruchi Burde: And what is the pipeline we are running currently?

Rajesh Subramaniam: About $0.5 billion.

Ruchi Burde: Also in previous call you had mentioned that there are some two, three Indian deals which were about to come for renewal in September-October timeframe, so any update there or we are dong through the renewal on the favorable terms?

Rajesh Subramaniam: Yes, so those large telco contracts have been renewed, we have got our price increases on majority lines of the SOWs that we work in. As I said domestic is the business we literally live from every quarter to every quarter, so at this point in time as I said all the headwinds are behind us and we expect stability at least for the next six months we definitely have stability in the business where we obviously see a turnaround in the margin profile which we have demonstrated in Q2 itself.

Ruchi Burde: Sure. And also we have won one e-commerce deal in India in this particular quarter, if you could throw some light on the margin profile of that deal?

Rajesh Subramaniam: Yes, the margin profile of that deal would be at least 40% to 50% higher than the margin profile of rest of my domestic business which is why it makes it attractive for us and this is among the larger e-commerce players in India and the reasonable size is scale of operations when it gets to steady state.

Moderator: Thank you. Ladies and Gentlemen, that was our last question. I now hand the floor back to Mr. Rajesh Subramaniam for closing comments. Over to you, sir.

Rajesh Subramaniam: Thank you. Thank you very much. Ladies and Gentlemen, thanks for your time today in joining our call. Just a limited point I want to make is that H2 FY16 prognosis is looking robust, we are in a much better place at this point in time where we would have been given the last challenges we have seen over the last three, four quarters. And thanks for your patience and thanks for your time today. And any specific questions you know where to find Ganesh Iyer, Dinesh and me and we will be more than happy to take your questions and address any queries you may have. Thanks for your time today. Cheers. Bye.

Moderator: Thank you. On behalf of Firstsource Solutions Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.