Q2 FY2020 Earnings Call Transcript - November 06, 2019

CORPORATE PARTICIPANTS

Mr. Vipul Khanna - Managing Director & Chief Executive Officer

Mr. Dinesh Jain - President and Chief Financial Officer

Mr. Ankur Maheshwari - Head Investor Relations

Moderator: Good day, ladies and gentlemen. And a very warm welcome to the Firstsource Solutions Limited Q2 FY 2020 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, 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. Ankur Maheshwari from Firstsource Solutions Limited. Thank you and over to you, sir.

Ankur Maheshwari: Thanks, Inba. Welcome, everyone and thank you for joining us for the quarter ended September 30th, 2019, earnings call of Firstsource.

To take us through the results and to answer your questions, we have with us, our MD – Mr. Vipul Khanna and Mr. Dinesh Jain – CFO. We will be starting this call with a brief presentation providing an overview of the company's performance, followed by a Q&A session. Please note that the 'Results', the 'Fact Sheet' and the 'Presentation' have been e-mailed to you and you can also view this on our website, https://www.firstsource.com/.

Before we begin the call, do note that some of the matters we will discuss on this call, including our business outlook are forward-looking, and as such are subject to known and unknown risks. These uncertainties and the risks are included but not limited to what we have mentioned in our prospectus filed with the SEBI and subsequent annual reports which are available on our website.

With that said, I now turn the call over to Mr. Vipul Khanna to begin the proceedings.

Vipul Khanna: Hi. Good afternoon, everyone. It is my distinct privilege and delight to present our Q2 results in my first proper earnings call.

Now, I have been here a little over three months. And in this period, I have taken time to visit our key clients, visit our operation centres around the world, meet talented Firstsourcers and understand their businesses. I met some of the shareholders, including some of you. And of course, I spent time with our leaders across our business and functions. It has given me a good perspective of Firstsource's strengths and the opportunity ahead.

My sense after these three months is that we have an impressive portfolio of clients in our focused industries, which are BFSI, Healthcare and Comms and media. Our solutions resonate well, and especially the digital reincarnations of some of our solutions, like the Healthcare Provider and the Collections tools are resonating very well in the marketplace and getting traction.

The feedback that I get from the clients is that they like Firstsource's agility, responsiveness, domain expertise and the tenure of the key leaders which serve them. I have also participated in some of our ongoing pursuits with our sales teams and appreciate the competitive value proposition that we bring in some of those opportunities.

As I expected, clients across industries are secularly focused on harnessing digital for their businesses. And they expect us to keep pace with them in all things digital. So things like automation, adoption of cloud solutions, using data, and above all the new customer experience, these are the things that they like us to participate more with them as they kind of change.

I have also interacted with our team through multiple channels and I like, and actually delighted by the smarts, the domain expertise and the hunger for growth in the employee base of Firstsource. As you would expect, I have also spent a fair time thinking about and working with our teams on our growth strategy and I will come to that in a minute, but let me just first start with our Q2 results.

For Q2, our revenue was Rs. 9,849 million, this is up 4.5% year-on-year on constant currency basis and 1.1% quarter-on-quarter on constant currency. This increase is in-line with our expectations for H1 and we are maintaining our guidance for 7% to 9% growth in constant currency terms for the full year. Our EBITDA normalized for Indian Accounting Standard 116 for Q2 was Rs. 1,035 million or 10.5% of revenue. This is a quarter-on-quarter reduction of 350 basis points or an year-on-year reduction of 340 basis points. This is primarily for two reasons; we had a one-time leadership change expense of Rs. 170 million and the remaining was some operational challenges in our CM and Healthcare business. Between these two, we have seen a contraction of the 320 basis points in operating margin. Now, one quick comment I wanted to make here is that, I believe operating margin or EBIT is the right metric to talk about business performance. And going forward, EBIT or operating margin is what we will focus on. So that number for the quarter was Rs. 870 million or 8.8%, which, as I said, is a 320 basis point reduction year-on-year for the two reasons, the one-time was for management change and the operational challenges in the CM and Payer business. On the same basis, our profit after tax was Rs. 674 million or 6.8% and we had earnings per share of Rs. 0.97.

We have some more tabular data for you in the slides that we sent out ahead of time. But if you look at the H1 results for the same metrics, our operating margin for the first-half of the year was 10.6% as opposed to 12% in H1 2019 and our PAT came in at 8.1% against 9.7%. It is primarily the same two reasons which are draining through different aspects of our margins.

A quick comment on qualitative aspects of our business. We had a total employee base of 20,000 at the end of September, of which 10,500 were in India and the remaining 9,500 were outside India. We had net addition of 1,450 employees in Q2 of this year. Majority of them in our Mortgage services business. Attrition in India improved, we came in this quarter at 40% compared to 45% in Q1. Our attrition in U.S. and Europe was higher at 55% compared to 47%, part of it is the continued sort of talent availability situation in the U.K. market. We have put together a bunch of measures, including strengthening the leadership team, looking at our compensation innovatively and changing our recruitment mix to make sure we get ahead of this problem in the remaining half of the year. We had outstanding foreign exchange hedges of $49 million and £84 million. Next 12 months we have 83% coverage on USD at Rs. 72.7 and 94% coverage for GBP at Rs. 101.2.

Just giving you a little flavour on the different segments. Customer management, which is one of our largest segments, we had shared with you in Q1 that in our largest customer, Sky, we completed the planned transition of one of the centres in U.K. to them. That happened at the end of Q1, so there was a revenue reduction in that segment for Q2, partly counterbalanced by growth in the BFSI segment in CM. Mortgage grew very strongly for us in this quarter, riding on the macro tailwinds for refinance volume and continued growth on market share gain in the servicing side of Mortgage business. We have started reporting Mortgage as a separate segment from this quarter onwards, given now it is a material segment. And we have updated the past numbers for an apples-to-apples comparison across these four segments.

If I talk industry verticals, BFSI continues to be sort of in a strong position. We saw growth in Mortgage, Collections and in the U.K. portfolio for BFSI. Media and Telecom declined, driven by the Sky reduction and partly made up to some of the other growth we saw in our U.S. client. Client concentration, again, same reason, Sky as our biggest client declined quarter-on-quarter. Although, we have good discussions and we see a healthy pipeline for remaining half of the year from Sky. But whatever slack came in from Sky, we made up through growth in other top accounts and we came in about 40% of our revenue making coming from the top five clients.

As we talk about rest of the year, we are maintaining a revenue guidance of 7% to 9% in constant currency terms. We see good momentum across Mortgage, Collection, U.K. BFSI and the Healthcare Provider and our recent gains in the Utility sector. The quality of pipeline is good and we see good new logo additions across our businesses. And as I mentioned earlier, our digital solutions are scaling well. We had earlier guided to an operating margin improvement, expansion of 50 basis points. From that, on top of sort of the 12% EBIT or operating margin that we earned last year. So from that 12.5%, we are now revising our operating margin guidance to 10.8% to 11.2%. As I said earlier, there is a full year impact from one-time leadership change of approximately 40 basis points. The operational reasons from CM and Payer will impact full year margin by about 30 to 40 basis points, and we plan about 60 to 80 basis points of strategic growth investments for the newer areas to build our medium-term strategy.

Let me take a minute to comment on our growth strategy and then we will open up for questions. Now, I tend to think of the market opportunity in three buckets; room for growth in our existing offerings, the opportunity in adjacent markets and emerging areas for BPM market in general.

In existing offerings, for Mortgage, the focus for us is to execute strongly on the current opportunity available in the refinance market. And as I said, we continue to make strong gains in the Mortgage Servicing segment. In digital, in Collections and Provider, our digital offerings are gaining traction and the focus is to aggressively go-to-market for this, while we simultaneously strengthen and adapt those offerings for different client segments.

Let me talk for a minute on the adjacent opportunity. CM is one of our biggest segments and the opportunity is to rapidly evolve it to next generation CM, or customer management. This entails more aggressive move to multichannel, self-serve and also developing consulting capability to help clients on their journey to digital CX. We are also planning to take our next generation CX offering or CM offering to the bigger North American market. Collection today, especially on the strength of our Digital Collection offering, is something we believe there is an opportunity to take it to newer segments like Tech and Utilities. And finally, we have strong presence in telecom and media, but we have not yet played in Tech industry vertical. That is one of the stronger growing segments and we plan to kind of make investments in that segment, starting with our CM offering. But also pushing for content management and other opportunities for tech companies.

In emerging areas, I think marketing BPM is evolving strongly and that is an interesting market for us to build on our strength for sales CM. And in Healthcare Payer, platform based services, especially for mid-market is an interesting market opportunity that we are thinking about.

And to achieve these three sort of growth areas in existing adjacent and emerging we will need to make strategic growth investment in two buckets; one, increasing our sales in GTM or go-to-market capacity; and secondly, developing new capabilities and skills. And as I said, for full year 2020, we have modelled about 60 to 80 basis points of investments for these two buckets. Again, these are early thoughts. We plan to share more details on our growth and transformation strategy in a dedicated Investor Day in the April - May time frame.

I am happy to take questions along with Dinesh now.

Moderator: Thank you, Ladies and gentlemen, we will now begin the Question-and-Answer Session. Our first question is from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.

Pavan Ahluwalia: Just a couple of questions, could you give us a little bit of colour on what exactly this Rs. 17 crores of leadership change expense involved? How much of it was related to the outgoing CEO? How much to the incoming CEO? Were there any other components? Could we get a little bit of colour on this? Was it a cash expense, is it an accounting thing?

And the second question is, in terms of the CM headwinds that we are seeing, based on your qualitative commentary; it looks like a lot of it is just the U.K. wage inflation issues. Could you give us a sense of how exactly this is impacting the business? Is it just a fact that to be able to get people to fill seats, we are having to pay more because the U.K. has a tighter labour market today? And how do we look at this going forward, because the U.K. labour market tightness is not going to go away. Are you just structurally making in lower profitability on Sky or is there some other way that you can offset that? And finally, are we pretty much done with the decline in Sky business now and that this is a trough value we are at? And going forward, they may or may not give us more but this business is likely to be stable?

Vipul Khanna: Hi, Pavan. This is Vipul. So on the first question, it is a component of both. There is obviously some payments to the outgoing CEO. And there were some one-timers related to sort of my appointment, search fees, etc., etc. So both combined, these are pretty much cash expenses and accrual for rest of the year on the one-timers. Your second question was on U.K. market, right?

Pavan Ahluwalia: Yes. Sorry, when you say accrual for rest of the year, means we are not going to see any more expenses on this, it is done after this quarter?

Vipul Khanna: Yes, the one-timers are all done in this quarter.

Pavan Ahluwalia: How much accrual is left for these? How much of a further hit are we likely to see on account of these for the rest of the year?

Dinesh Jain: No, I think that everything has been charged off. We are not amortizing.

Pavan Ahluwalia: Okay.

Vipul Khanna: Okay, I should have been clear. So look, on the U.K. market, the market is tight, it has impacted us in a couple of ways. One, to meet revenue, we have hired aggressively, which also impacts attrition, right? When you hire sort of aggressively, sometimes you do not select, take the time to select the right talent. So, when you have that sort of number of people coming in, attrition and then rehiring, retraining costs impacts you.

Second, I think, to address it more structurally, we started to put through some of the measures for creating sort of comp and benefit structure so that we can link compensation to tenure and higher skills and stuff like that. And some of those expenses, as I talked about, will come through in the rest of the year from trying to make it more stable and more productive operation in the U.K. And then we are also strengthening some of our operational leadership that are laid around it, to provide more engagement with the staff and the leadership and the operations leadership there. So between hiring, training, some of the creative comp and ben structures, as well as leadership investment is where we see the impact from CM in the U.K. market.

Your last question was on Sky. So Sky, clearly, the centre transition is over. There are some operational challenges with the broader market, which reflects that operation as well. However, as I have spent time with them, they were here, we had sort of a full week of meetings. There is a good sense of where we are going together for rest of the year and the years to come. There is a healthy pipeline, both for onshore and offshore growth and there are a couple of new interesting areas, especially in their streaming business that we are talking about to grow that line of business as that segment kind of picks up for them.

Pavan Ahluwalia: Got it. And could you talk a little bit about the operational challenges you referenced with the broader market? What does that really mean and how does that impact Sky? And how much more Sky business might we lose or are you pretty confident that it stabilizes at this level?

Vipul Khanna: So, the operational challenges are pretty similar, right, With the market situation, talent market situation, it impacts, or it impacted us in Q2 from a standpoint of ability to have the right level of capacity and that level of sustainability. So the same actions which I talked about the market, were symptomatic of Sky as well or reflective in Sky as well. I think the impact from transition is all baked in now, that revenue came in up to Q1 and then Q2 that kind of went away. So I think we have levelled off on that reduction. Now, it is about the puts and takes from new business, etc., which will come in the remaining quarters. Dinesh, anything to add on that?

Dinesh Jain: Yes, I think, all the transition and all other costs has been already charged off. I think, we are not going to see more growth coming into the play and where we are going to get probably a new centre for them and things like that, we are talking with them. And one of the centre where the major challenges were the Londonderry, where we are now thinking with the Sky and see that whether we can cap the number of people there and then they start thinking a new location for that. So I think that is a discussion on, and probably in few days we will decide on probably setting up a greenfield project for them and they are setting up a new centre. Which will probably take away all of their issues specific to Londonderry, where we are finding this attrition and other challenges and losing some revenue on the table. But I think that will be behind now.

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

Devanshu Bansal: Vipul, you mentioned about entering into the content management business. And recently, Cognizant also talked about divesting its content management business of about $250 million. Are we seeing opportunity there? Or is there something else that you talked about?

Vipul Khanna: Devanshu, content management is a big market. Personally, I have had some good experiences in building businesses there. Everything is on the table, like in terms of the immediate and sort of long-term opportunity. Content moderation is one part of the market, it is a broader market. And I think that there is a lot of juice and growth opportunity in that market.

Devanshu Bansal: Okay. So we will not hesitate if we get a chance to take those revenues, right? Is this the right way of understanding?

Vipul Khanna: So, as I said, opportunities are there for us to do all sorts of deal structures and yes, everything is on the table. We are focused on the right things to kind of build that business.

Devanshu Bansal: Okay. Sir, one more clarity, so this is a new service line which we will be servicing, and we were not into this business earlier?

Dinesh Jain: That is right. That is correct.

Devanshu Bansal: Okay. And one last on my side, we have retained our revenue growth guidance. So this implies a strong QoQ recovery on the lower end itself. So what is leading to this? And can we achieve the higher end of the guidance?

Vipul Khanna: So, we have maintained our guidance at this time given the visibility of 7% to 9% on constant currency basis. As I said, what we have seen up until now, up until Q2 is what we expected, given some of the movement in CM and stuff, especially from Sky. From this point onwards, we see continued strong growth in Mortgage, right, in Q3 and Q4. Q4 is historically a strong quarter for Collections and some of our Healthcare businesses so, they will kind of kick-in. And given some of the ramps that we had planned in CM business, we will see sort of that revenue yield start to come through more stronger especially in Q4. So at this point in time, we feel reasonably in good shape to be in that 7% to 9% CC range.

Devanshu Bansal: Okay. So one last I may squeeze in, so challenges with Sky were already there. So what was the reason which led to decline in our margin guidance and we attributed some part of that decline to this business as well?

Vipul Khanna: So, there were two factors, one was a decline in revenue because of the planned transition of the centre, that's been the revenue decline. But the operational challenges that we talked about in Q1, some of them continued through, given these are macro sort of situation in the labour market there. So some of those challenges continued in Q2. We have put together a new leadership focus, we spent a lot of time in kind of putting together how we attract talent, how we engage and how do we retain them for long. So some of those actions are early stages of sort of action in Q2. But they did impact the margin in Q2, that was CM. In Payer, we took a provision for one of the older debts which was in our books. And then we also had a promise sort of transformation, which is taking longer than we expected in one of the clients, which is impacting margins. So between Healthcare and CM is where we are seeing the impact combined for our Q2.

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

Mohit Jain: One thing on your receivable side, so is there some increase in receivables because cash flow for this quarter was quite low and your debt is also going up from a six-month perspective?

Dinesh Jain: I think this quarter, you know, we have a dividend payout happened and also the cash flow has slightly increased in the debtor because the Mortgage business we see a sharp uptake which happens in the last two months of the quarter. So automatically their receivables is going to happen in the first month of Q3, which is October-November. So I see that is only around Rs. 40 crores - Rs. 50 crores is the increase on debtors, mainly on account of Mortgage. And there are two accounts in the U.K. market where again, they had first time come to India and Philippines, and that contracting slightly will take more longer time. But we already recover those value in October. So there is nothing material callout on the debtor side. We are at the same reduced level what we historically are. I think, it is very comfortable position to be.

Mohit Jain: Okay. And therefore, your debt should also come down by next quarter, is it?

Dinesh Jain: Yes, absolutely. Because current quarter once you pay Rs. 167 crores as the dividend payout, you cash balances gets utilized. Automatically, that will have an impact. So your cash balances get used more for a dividend payout and then for a business deal, you have a normal working capital which gets kicks in.

Mohit Jain: Second is on the pricing side like you hired a lot of people and then you are looking for aggressive growth in 3Q and 4Q. Now if we expect that this hiring is in anticipation of growth in the second-half. And historically, Firstsource had better margins in the second-half. So will we see that trend? Or the revision in guidance is more reflective of that you will reinvest some of this amount into the business straight away from second-half?

Vipul Khanna: Good question, Mohit. So we have built in, in the full year guidance that we are giving for revenue, we have we have built in the improvement and you will see sort of our operating performance come up by Q4 to sort of historical levels. So that recovery and better margins from some of the investment that has gone in Q2, especially for Mortgage, you will see the impact and it's baked into sort of the revised guidance that we have given.

Mohit Jain: In first-half, your EBIT margin is if you look at it from 2Q and 1Q perspective and thereafter adjusting for Rs. 17 crores, not adjusting for the other one-off because that we continue for some time, your EBIT margin is 10.5% odd, is it?

Vipul Khanna: For the first-half of the year, right? H1?

Mohit Jain: Yes.

Dinesh Jain: H1 is 10.6%.

Mohit Jain: And second-half should be a little better than first-half. So we should broadly maintain 10.5% to 11% kind of the margin depending on which quarter is it?

Vipul Khanna: Correct. But also keep in mind that and as I said, we have, at this point in time, plan for about 60 to 80 basis points of strategic growth investments.

Mohit Jain: So that when you give guidance of 10.8% to 11.2% EBIT level that is after adjusting for the investment, right? Or we should build in 60 basis points lower than what you are doing right now in the first-half?

Vipul Khanna: No, in the guidance, we have already baked in that 60 to 80 basis points.

Mohit Jain: So you will broadly remain where you are in the first-half? If I am at 10.6% and my guidance is 10.8% to 11.2%, so you are broadly you will remain at the same level, right?

Dinesh Jain: Yes. So H2 will have some improvement on the operating side and automatically the investment kick in. But you are right, probably we may get into the higher end or a mid-range, it can be at 11%. So it would be slightly better on the H2, which is a year-on-year basis is still higher. Your Q1 is 10.6% and to make 10.8% for yearly, I have to do probably 11% -11.1%.

Mohit Jain: Correct. So that is the right interpretation. Second is, is there any change in pricing? Or is there a possibility you can get a price increase or that we should expect pricing to remain stable on the revenue per employee kind of a basis?

Vipul Khanna: At this stage, given our portfolio and the characteristics, we are not baking in any price increases. However, in the future as our digital products, especially Digital Collections, etc. as they become a more material part of our revenue that should impact our pricing and hence, margins from those businesses.

Mohit Jain: But you are not cutting in pricing in the market?

Dinesh Jain: No, no, we are not cutting any price and I think, only positive set as Mortgage, as you know, is more on the offshoring side of this that also in a percentage of giving a better margin. So I think that also be able to pick up.

Mohit Jain: The hiring that you have done in the second quarter that is purely for growth purposes, not existing for volume changes that may have happened or reset that may have happened?

Vipul Khanna: It is a mix of both, right. So we talked about 1,450 employees. Our Mortgage business did grow in Q2 over Q1. So part of it went to service that and part of it is sort of lined up. And as their output starts to come through in Q3, you will see greater revenue traction from some of that. So it is a mix of both for Q2 servicing revenue as well as for Q3 growth. I hope, I got the question. This is what you are looking for?

Mohit Jain: Yes, because if I adjust half of the employees for Q2 then there is a drop in pricing in Q2. But if I believe that or if I assume that the hiring is because there is a revenue drop of 1% odd in dollar terms, but there is a significant increase in headcount. But if you assume that this is for the growth or in anticipation of growth in second-half then the pricing remains stable or it bounces back in third quarter.

Ankur Maheshwari: So, from a revenue standpoint, there is a clear growth of 1% odd from a sequential perspective. With regards to the headcount, when you are talking about the growth coming from Mortgage business, now realizations per employee, given that they have more output or transaction based pricing models, may not be exactly in line with what our company averages would be, right? There is no pricing pressure per se, it is just that the volume that we are chasing at this point of time, the volume is more origination volume, which may have slightly lower yield per employee. We have not gone to that level of calculation yet because we do not monitor that. But, if that is what your math suggests, that number if it is lower than that possibly will continue to trend for the rest of the year.

Vipul Khanna: It is a portfolio characterization; it is a mix of portfolio of the revenue.

Ankur Maheshwari: Yes. So as and when the rest of the businesses grow and what we are focusing on more on platform based approaches, the revenue per employee yield would start to inch up back again.

Mohit Jain: Okay, understood. And the lastly, on your capital allocation, is there a change there? The investments that you are talking about are purely through P&L, they can be through balance sheet or is there any thought on that side?

Vipul Khanna: Sure. Now all these investments that I talked about, these are mostly people and sort of capability investments. So they are all SG&A investments all through the P&L. As we kind of develop the strategy more, I think the build partner and buy options we will evaluate in detail, depending on the business opportunity. And as it evolves, we will share with you, especially when we come to the Analyst Day. You would have a better sense for each of the growth areas, what will be your stance between build, buy or partner.

Moderator: Thank you. Our next question is from the line of Sachin Kasera from Swan Investments. Please go ahead.

Sachin Kasera: Can you give us some sense on how are you looking at this company from growth and margin perspective from say, a two to three-year time horizon?

Vipul Khanna: Sachin, great question. I have been spending a lot of time on this. At this stage, I will say, these are early stage of our growth investments, right. We are looking to get to a better growth profile than we have seen historically. We need to develop our strategic plans in more detail and then model out sort of the short to medium-term impact of growth, when does the growth come in and how long our investments sort of continue. So a better sense of our mid-term revenue as well as margin trajectory, we need to develop. And I am hoping that I am able to give you a better picture in the April - May time frame on the mid-term revenue and margin trajectory, baking in some of these plans.

Sachin Kasera: Sure. But you mentioned that you are looking at a better growth trajectory than what we had historically, it will primarily be driven by inorganic? Or you think that organically itself the way you had looked in the last three months of the company, there enough potential that we can expect the growth organically itself?

Vipul Khanna: So as I said earlier, I think it is a mix of all. Right now, we are looking at what are the opportunity areas for growth in the market. What are the trends out there, right? So there is a trend, for instance, for Digital Customer Management. There seems to be opportunity for Digital Collections. Now in Digital Collections, we already have a good tool, it has a good reference installed base. There is more about scaling it up and pushing it more aggressively in the market and potentially looking at even newer verticals to go from beyond BFS for Collections. Customer Management, as we make it more digital, I think it is more partnerships so that in the newer technologies emerging in the market, Salesforce, AWS connect that we have partnerships with them, develop capabilities around them so that when customers are looking to transition from their old to the new, we are positioned as a partner in that journey of transformation, and then hopefully, running on a long-term basis, some of their digital contact centres. So these are more examples of organic or partnership oriented goal. In some of the newer areas, if you want to target, for instance, the Tech sector as we sharpen our strategy, if it entails that we need to get a head start with some acquisitions that is definitely on the table. Again, I do not have a view one way or the other at this point in time. As we develop the strategy, we will see more closer to what is available, what kind of fits our strategy and then keep coming to you with those details. So back to summarizing it, it is a mix of everything on the table at this point in time. We have baked in the operating investment required, the P&L investment required to start going into those markets. And the one-off is required to inorganic will sort of be more time bound as it comes.

Sachin Kasera: Sure. Just one question on inorganic, if you see last couple of years, there is has not been too much of inorganic action done by company and the cash flow has been used a large part of it to pay out the shareholders. So going ahead, are we looking at any larger acquisitions? And if yes, in that case, we will pay out and take debt or reduce the payout? How are we looking at it?

Vipul Khanna: Look, it is an early stage question. I think, looking at our cash flow projections. When we look at the next sort of one to three years, we build up a good traction to pursue meaningful acquisitions. Fundamentally, my view is that we should do capability based acquisitions and not size of revenue chasing acquisitions, right. Acquiring tuck-ins, acquiring capabilities, which are additive is a better way in our industry, given we are primarily a people-based industry. So I do not expect that we will do massive acquisitions sort of strategically, right but who knows sort of how time plays out. But I think, between what is the right strategy for a company of our profile as well as our cash flows over the next few years, we feel good between our cash accruals and practically if required short-term debt to pursue meaningful acquisitions.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the floor back to the management. Over to you, sir.

Vipul Khanna: Great. Thank you all for joining, I know it is end of the day. So this was a quarter which had some noise from one-timers, some operational challenges. We have good visibility of how H2 will look like. Again, we look forward to coming back to you end of the next quarter. And we are hoping that we are able to give you sort of this sustained more stability in our business from our continued revenue growth as well as more stability in our margins as we go through the rest of the year. Thank you for your time and interest, and we look forward to speaking to you soon enough.

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