"eClerx Services Limited Q1 FY16 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to eClerx Services Limited Q1FY16 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by entering '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to the Mr. Rohitash Gupta. Thank you and over to you, sir

Rohitash Gupta: Good evening everyone. Extremely sorry for the delayed start due to a technical glitch on the conference bridge. I welcome you all to the eClerx Earning Call for the First Quarter of FY16. It has been a very well rounded quarterly performance on account of satisfactory organic growth, strong profitability and consolidation of CLX results on expected lines. Our dollar operating revenues were $46.4 million in Q1 which is 14% up quarter-on-quarter and 28% up year-on-year. This includes revenues of CLX for the period since 22nd April 2015 at about $4.5 million. The organic constant currency sequential growth for Q1 was 4%. The Q1 operating revenue at Rs.298 crores grew roughly at 37% year-over-year while total revenue at Rs 314 crores grew at 44% year-over-year. The operating margin percentage for the quarter is 30% compared to 23.2% last quarter. CLX came in for the part quarter at 19% operating margin while eClerx native business came in at 31% giving us a blended operating margin percentage of 30% in Q1. This 30% consolidated OPM also includes 100 bps increase due to the change in goodwill amortization policy to better align ourselves with the impending adoption of NDAs next year.

The profit after tax of over Rs 73 crores in Q1 is our best bottom-line that eClerx has achieved in any given quarter and it saw a 37% increase year-over-year. This high PAT includes one-off gain of about Rs 11 crores due to revaluation of Euros kept for CLX acquisition funding and that was offset by about Rs 5 crores one-time write-off due to reassessment of prior period deferred tax assets. On the other income front the investment income dipped significantly this quarter due to the money used towards CLX acquisition which reduced our cash balance. The hedge gain loss was almost negligible as most of the pre-AS30 hedge gains were more than offset by the MTM change. This line item will increasingly become insignificant towards the H2 of this year as we deplete our remaining pre years AS30 hedges. The revaluation in realized gains stood at Rs.14.5 crores which includes the one-off big item of Rs 11 crores due to revaluation of euro kept for acquisition as I spoke about. We also had a revaluation loss of Rs 2.4 crores due to the addition of CLX, half of which was one-time consolidation effect and the remaining was due to the currency movement effecting the balance sheet items of CLX, remaining Rs 6 crores gain was due to revaluation of eClerx's balance sheet items due to the currency dollar INR movement.

We have a very strong forward hedge book worth $111 million with a strike rate of Rs.68.59 to a dollar. Hedge ratio will trend lower from now on due to the addition of CLX revenues which has majority of cost in the same currency as the currency of its revenues and thus having a natural hedge. Almost $100 million of these $111 million hedges will reflect into our operating revenue over next two years at the effective rate of Rs.68.2 to a dollar.

Moving to the detailed P&L – the employee cost as a percentage of operating revenue increased noticeably due to CLX addition, wage hikes across the board and increase in onshore delivery which was partly offset by the increase of bonus and retirement benefits in Q4 that we saw last year. Our G&A has come back to our historical levels of 12% to 13% now, however G&A of CLX is slightly higher percentage of OPR which got added this quarter and hence the number is likely to be volatile in a narrow range as we go forward through this year. The quarter-on-quarter drop in G&A is primarily due to Q4 FY15 effect where CLX transaction cost were booked in the legal cost head. Selling and distribution as percentage of operating revenue has also come down significantly because of CLX coming with lower S&D as percentage of its own OPR. Further, we had lower marketing cost in Q1 which is likely to increase as the year progresses and we have also done clear realignment of some onshore staff into delivery rolls now and hence these cost have now moved out of S&D cost and gone into the employee cost bucket.

Depreciation reduced due to recurring year start effect when the net block is restated to the new lower levels after the WDV of last year and also we have changed the amortization policy so there is no amortization charge for the goodwill either due to AGI, Agilyst or due to CLX now. We had Rs 358 crores of cash and cash equivalent at the end of the quarter which includes Rs 129 crores dividend which was subsequently paid out in July'15. We added 500 seats capacity that went live in Chandigarh and that city now also holds a small footprint of our digital business in addition to the cable. We have provided for Rs 1.3 crores of Corporate Social Responsibility spends in the quarter in line with our overall year plan of about Rs 5 crores.

Lastly, in continuation of several innovative and industry leading changes done in human capital management policies last year we have now earmarked up to Rs 2 crores to support employee entrepreneurship program to create a differentiator to attract and groom high caliber business leaders. Our business concentration metric like top 5 revenue share, geographic dependence on Americas and dollar dependence have improved significantly due to addition of CLX business this quarter which has helped us derisk our profile as per their stated long-term intent. The decrease in DSO of our native business was partly offset by relatively higher DSOs of CLX business, thus showing a modest overall decline to 78 days from 81 days of last quarter.

We have added a new metric of top 10 revenue concentration to convey our focus on this next frontier. Our FTE business mix has dropped noticeably as CLX revenue modeled largely transaction or project based or IP based. Staff utilization has now been very steady for last many quarters at roughly about 65%. We have also now discontinued providing the total client build and the new client added metric from this quarter onwards. We feel that the new client addition in our long tail revenue curve were not reflective of our concentrated business and that effect got magnified with the long list of clients that CLX has brought with it.

We will now let you focus only on the $ (+0.5) million client list and movements there in. So we got two net additions in the $0.5 million to $1 million bucket range while we added three net clients in the $1 million to $5 million bucket. Two new entrants in the $0.5 million bucket and one new entrant in the $1 million plus bucket are due to CLX revenues and out of these three clients two were common retailer clients of eClerx and CLX while the third one is a popular luxury brand. Since these revenue buckets are constructed using the last 12 months revenue reported, you can hope to see few more CLX client logos added in the list as we consolidate more quarters of revenue through this financial year. Top 5 clients have shown a constant currency Y-o-Y growth of 8% this quarter while the native emerging portfolio continued its movement with 45% Y-o-Y constant currency growth. Now with the addition of CLX our emerging business has become $80 million run rates with a stronger mix digital capabilities. The delivery and support headcount was over 8700 at the quarter end with eClerx now establishing its global delivery capabilities with operations in three European and two Asian countries including India. The BD and sales staff count has dropped slightly to 82 from the last quarter's number despite the addition of CLX sales staff, the primary reason for this decrease is that we have now made our reporting more reflective of a true business development headcount by excluding a few onshore admin roles and realigning some partly onshore delivery roles into employee cost bucket.

The India attrition stood at 31% for this quarter which is slightly up compared to the full FY15 number, given the fact that last year attrition was less due to radical changes in pay and performance management policies which since then have become new normal. We have inherited Rs 160 crores of goodwill on consolidation of CLX which has increased our intangible assets. The net current assets have decreased due to reduction in cash balance on account of CLX acquisition. Minority interest had has appeared in both balance sheet and P&L because of CLX Thai entity which has direct minority shareholding of CLX Europe as per the applicable Thai incorporation regulations.

With this I hand over the call back for Q&A.

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 Manik Taneja from Emkay Global. Please go ahead.

Manik Taneja: If you could give us some outlook across the segments of our native business. And second question was with regards to margins more over the near to medium term, if you could help us understand if there was any one-off benefits to margins because you have delivered almost 30% EBIT margin despite the headwinds from wage hikes and CLX consolidation, so how should one be thinking about operating margins going forward? Thank you.

PD Mundhra: Rohitash, maybe I can take the first one and you can take the second one on margins. So in terms of an outlook Manik I would say that nothing much has materially changed in terms of our expectations from the year as we have been sharing in prior calls, we see FY16 also to be roughly similar to FY15 in terms of organic growth somewhere between 10% and 15% in dollar terms, within that we will have lumpy quarters, this quarter was clearly very good for us but overall we think that the outlook is unchanged. At the business level we continue to expect the cable business to grow strongly this year, we have a good pipeline and there are a lot's of meaningful discussions going on for growth opportunities with clients. For digital also I think the outlook is decent and I think for us more importantly is how we are able to integrate with CLX to create some cross sell opportunities and revenue synergies across the two businesses. For banking, I think it will be an environment similar to last year where we continue to see some opportunities in compliance and risk management areas and regulatory compliance which will offset some of the declines that we are seeing from our erstwhile derivative centric business. But overall I think bottom-line to net it out, we would see similar outlook in FY16 as what we actually delivered in FY15. With that, over to Rohitash for the margins.

Rohitash Gupta: So Manik if you look at the operating margin for this quarter only for the native business, it came in at 31%. The only change or exceptional item I would say in that is the removal of amortization of goodwill which was a Rs 3 crores charge till last quarter on account of amortization of Agilyst goodwill. So that is the only change, if you exclude that and try to prepare a comparative from last quarter I think our operating margin for native business would be 30% which is what we have been roughly guiding at for long now.

Manik Taneja: Could you help us understand the breakup of the impact between wage hikes, the CLX consolidation, and the onsite reorganization in terms of impact on margins?

PD Mundhra: So the reorganization part does not impact the operating margin because whichever bucket you put the employee cost, it gets into the operating margin level, so that is not the reason. As far as CLX effect is concerned, yes they have higher employee cost as a proportion of revenue and the overall operating margin for CLX in this part quarter was 19%.

Moderator: Thank you very much. Our next question is from the line of Vishal Desai from Axis. Please go ahead.

Vishal Desai: Just wanted to get a better sense coming from the previous question, what would have been the impact of the wage hikes that we had seen during this quarter?

Rohitash Gupta: So Vishal we have given around 10% headline wage hikes to the India staff and about 4% to 5% for onshore and that typically causes around 200 to 250 bps impact on the standalone eClerx P&L excluding CLX.

Vishal Desai: Sure. Just on the selling and distribution expenses and the G&A which probably from a year-on-year perspective is around 100 bps high. Could you give us some trajectory as to do we see this going up given that you all were saying that some of S&M investments will be made?

Rohitash Gupta: So I will talk about G&A and probably PD or Anjan can talk about S&D investment also. So G&A for this quarter was roughly 12% or so and if you look at the historical range of our native business, G&A has been trending 11% to 14%, I think last year was significantly higher, specially the last quarter. And I think now it is trending back to the overall long-term trend with increased scale and also due to addition of CLX which has almost similar percentage of G&A as a proportion of its own operating revenue around 13.5%. So overall I think we are back in the range of 12% to 13% for G&A including CLX and this number will remain volatile depending upon in a very narrow range although, depending upon what all initiatives we take or what all projects we entail which may include some increased legal cost or some other cost head for that matter.

PD Mundhra: And on selling and distribution expenses, as you might have noticed over the last two, three years we had significantly increased our investment in sales and account management but we now think that those teams are more or less right sized for the business that we have and so I would expect in future our cost for selling and distribution to be more or less constant as a percentage of revenue. So although this quarter was a little lower, but I would say somewhere between 15% and 16% would be representative of where that number might settle.

Vishal Desai: Sure. And in terms of CLX, how is the business momentum that you all are seeing on a standalone basis?

Anjan Malik: No, I think the business continues as normal, the primary rational for them coming to us and asking us to purchase the company was that they said that they could get more traction under the umbrella for stronger PAT then they were and the distributor structure that they had in the past. So certainly the filing will be having more meaningful conversation both as individual CLX and as a combined entity so next year we would expect performance to be good. Now it is to be seen what actually these guys can do because to some extent it is a new business for us, but certainly the early signs from Q1 and Q2 since these are bigger into traction, very strong both in the sales side and in the execution side, so we are pretty confident about it**.**

Moderator: Thank you very much. Our next question is from the line of Subham Gupta from Nirmal Bang. Please go ahead.

Subham Gupta: Sir my question is around the productized offerings that we have been talking in last number of calls. So sir what is the proportion of revenues that you generate from these productized offerings and which are the verticals around which they are focused on? So are they focused on around all the three verticals or it is just focused on one or two of the verticals?

PD Mundhra: So maybe I can take a crack at that. I think that strategy is aimed broadly across all of our three businesses, but I would say the relative maturity of each business is somewhat different. So starting with our cable business which has historically been and organized along product lines I would say that the strategy of productization is pretty well advanced and therefore most of the revenue for that business is coming along the products that we are pushing. Then if I next talk about the banking business, I would say that it is a journey that we have started so there are certain products we created and investments we made in terms of hiring people around specific areas of opportunity, for example regulatory compliance which I talked about earlier. So I would say that that's more of a work in progress and similar is the report card in the digital business. So while CLX is very heavily productized because of the way that that business has evolved over the years, our native business is now starting on that journey. So big picture I would say that maybe roughly half of our revenue today would be coming-in in the area of our chosen product, the other half would be sort of legacy revenues but overtime we are trying to shift that mix.

Subham Gupta: And sir what will be the margin profile of these offerings, will they be margin dilutive for the overall company revenues or not?

PD Mundhra: Today there is no systematic difference in margins between those two buckets of revenue. Of course the hope is that if we are successful in this transition then it helps improve our win rates at least in those product areas for new business and also maybe gives us some potential to amortize cost better and therefore improve margins. But for the near future I would say we do not really expect any difference in margin between the two buckets of revenue.

Subham Gupta: And one more sir, continuing on the same line sir, your fixed price revenues this quarter has basically gone from 5% to 15% I guess, so this is mostly due to CLX I guess and when we are talking about productized offerings, most of our revenue should not they come from fixed price instead of time and material basis? If we look at the last two years, our time and material proportion of the revenues have been largely constant at around 95% or so. But if we talk about productized offering so a large proportion of revenue should it not come from fixed price contracts instead of time and material contracts?

PD Mundhra: So we are not defining productized revenues based on the commercial model, whether you charge FTE or whether you charge on a transaction basis or an outcome basis. The way we think about a product is that it is a similar service that is being sold to multiple clients, perhaps using similar processes and similar workflow tools, IT tools on our side and it is an area where we have built a good footprint in the market place for that industry needs. So that is how we are thinking about a product and it is less about the choice of commercial model, it is more about multi tenancy and dominance in the market place in that limited area.

Moderator: Thank you. Our next question is from the line of Pankaj Kapoor from JM Financial. Please go ahead.

Pankaj Kapoor: PD, if I take a slightly longer range view, do you think that the organic top-line growth of us is now trending more in a matured phase maybe in the 10% to 15% bucket which you have been talking about and likely because of not many white spaces left where we can push our services into which means that from a top-line perspective it will be more of inorganic momentum which will come from any selective acquisition that we do over the year?

PD Mundhra: So Pankaj I would say yes, clearly if you look at our performance for the last three financial years, organic growth since FY12-13 has been in that low double-digit range between 10% and 15% and even as we look forward I have no reason to say that it is going to be significantly better. So I think it is an accurate statement to say that the organic trajectory we are on is between 10% and 15%. As far as inorganic opportunities go, it is hard to predict what will happen in that area because it is very opportunity and even driven. Having said that, both Anjan and I feel that in our business a fairly large number of niche to mid-sized assets which could be interesting opportunities for us to look for. So it is not unrealistic to say that you may find opportunities once every two, three, four years to find an asset where everything makes sense. But organically you are right, I think somewhere between 10% and 15% is where we are at right now.

Pankaj Kapoor: So just on an organic basis only, you mentioned earlier about the transition from services to more productized services kind of a thing that we are attempting, does it mean that the earning momentum on organic basis going forward will be more driven by margin expansion, is that the financial picture which I should be building in?

PD Mundhra: I am not sure Pankaj because I think our margins compare pretty favorably with most of our peers out there. So we are thinking about it is that over the long-term hopefully profit will compound in the same fashion as revenues, so if we can keep margins constant then I think that's sort of how we see it. I am not sure I would bake in a possibility of margins improving from where they are substantially.

Moderator: Thank you. Our next question is from the line of Ankur Rudra from CLSA. Please go ahead.

Ankur Rudra: Could you help me understand how the business has broken up now that you have got effectively a slightly more diversified business segment in terms of perhaps digital, banking and cable?

Rohitash Gupta: Sorry, Ankur you were talking about the growth or…?

Ankur Rudra: Yes, the growth and how the business breaks up now.

Rohitash Gupta: Okay. So as you can see CLX came in with a run rate of slightly more than $20 million even if you count for the part period and the native business last year exit run rate was $154 million or thereabout which is now 4% up. So till last year, so I will not talk about Q1 because it has a CLX effect but till last year the breakup was capital markets or financial services were slightly higher, slightly more than 40% and the erstwhile digital marketing services were slightly less than 40% and the rest being cable. Now to that $20 million worth of run rate or more than that has been added because of CLX which squarely goes into digital. So now with that digital will be much stronger vertical when we think about our three distinct businesses.

Ankur Rudra: Okay. So from a full year perspective you think this sort of run rate will sustain, you do not see any difference in relative growth rates across these, I mean I assuming cable is growing a lot faster, how do you see that growing for the rest of this year?

Rohitash Gupta: Yes, cable will edge out the remaining two verticals if you talk only about the native business per say, but I think that distinction will lose its meaning specially for the digital vertical as Anjan and PD mentioned about the possibilities of cross selling either way. So I do not know if we can make that distinction but still on a native basis if we can somehow carve out I think cable will edge out at least for this year the remaining two native verticals.

Ankur Rudra: Okay. And just wanted to understand, clearly your top five companies have also given you decent growth this time, 8% constant currency year-over-year. What makes you, I have noted PDs comments earlier, what makes you still a bit more skeptical about not increasing your organic growth rate expectations?

PD Mundhra: Ankur let me take that, I think that is simply driven by the fact that we have lumpiness across quarters, so while there is no doubt that this quarter was very strong on a number of fronts organic growth as well as margins, I am sure somewhere in the course of the year we will also have a quarter that is not that strong. But the good thing I think is our top five clients return to some growth compared to a flattish performance last year, our expectation is for they as a whole hopefully we will see somewhere in the mid-single-digits kind of growth for the top five. But if the non-top five keep growing somewhere between 30% and 50% as they have done in the past, that is a fantastic outcome at least as far as management is concerned because it is great growth and it also helps us de-risk the business.

Ankur Rudra: And you basically got most of the billing rate increases you were hoping, I am guessing from the numbers?

PD Mundhra: We have got some of them and there are one or two which will come in later on in the year, but yes I think again from a realization perspective I think where we are compared decently with what our competition is doing.

Ankur Rudra: Should we break in about 2% odd increase there in realization for the large customers?

PD Mundhra: I think the more realistic assumption would to be assume that for the rest of this financial year realization stayed roughly where they are.

Ankur Rudra: Okay. And wanted to get one book keeping question, the headcount you mentioned in the slides is mentioned as India but is that including CLX, this 8700 odd?

Rohitash Gupta: Yes, 8747 includes CLX.

Ankur Rudra: And just to clarify, what was the headcount added because of CLX?

Rohitash Gupta: CLX is roughly 300 people all across including high single-digit of sales staff.

Ankur Rudra: Okay. And just lastly, what was the actual bps impact of moving of the cost base, some of the cost base form S&D to gross you mentioned this restructuring, I know there is no change in margins but I just wanted to understand from a long-term perspective how does that impact?

Rohitash Gupta: So Ankur I do not want to give you a number simply because some of these roles are project based right, specially the onshore consulting ones. So I do not want to give you a misleading number for this quarter which may or may not hold good in long-term.

Ankur Rudra: Okay. But I think the 15% to 16% number that PD mentioned that's what we should assume as your long-term S&D cost?

Rohitash Gupta: Yes, that's right.

Moderator: Thank you. Our next question is from the line of Madhu Babu from Centrum. Please go ahead.

Madhu Babu: Sir what would be the gestation period for cross selling of CLX? And how is the competition from IT services players?

Anjan Malik: We have had some early interactions with joint customers at senior levels with both CLX and eClerx management and those meetings have been very positive. So as you know and I think PD was speaking about the productization strategy that we have across all our businesses extends also to digital, in fact the reason for CLX being added to our portfolio was that we see the work they do in digital asset management technology and in content creation as a very good hand to our content ecommerce product. So as we take that to the market we feel that we are having very extreme conversations where our analytics and ecommerce activities are being discussed with their clients and content creation capabilities in Digital Asset Management (DAM) that we discuss with our clients and we are seeing demand. So it is to be said how we convert it, but they certainly see more potential than we did we had them in our portfolio. That's the answer to your first question. To answer your second question on big IT, I would argue that big IT has always been there and it continues to be there. So I think we can be at different levels, whereas I think you will find all of it in the case the big IT tends to come from top-down where they will come in from the CIOs office or the CEOs office and do large transformational change programs, we can go the other way where we will go into individual stakeholder buyers and solve specific problems and extent our footprints in there. And I think at the moment we are seeing that there is a room for both to offer it and that certainly playing out all the numbers that we have seen in this quarter.

Madhu Babu: And sir I missed the earlier part of the call, so what was the wage hike for the quarter and attrition has spiked up so what is the outlook there?

Rohitash Gupta: So Madhu we have given around 10% headline hikes to our India delivery staff and the onshore staff hike was around 4%. And about the attrition, yes the attrition in Q1 when compared to the full FY15 is about 300 bps higher but keep in mind that last year we had done radical changes in the performance, management as well as pay policies which almost 12 to 15 months have passed now and that has become a new normal. So the attrition in this year will be more in line with the historical averages and you will not see the blip down that we saw in FY15.

Moderator: Thank you. Our next question is from the line of Vishal Desai from Axis. Please go ahead.

Vishal Desai: Just wanted to check, on a standalone reported numbers which you all have published there is a significant jump in the revenue of around 14.6%, could you just roughly take me through this Rohitash.

Rohitash Gupta: The standalone numbers pertain only to eClerx India and it does not account for Agilyst or CLX revenues and our cable business has gone through several rounds of transformation as far as contract structuring and then entity which contracts business is concerned. So that standalone number may not be very reflective of what you want to interpret from that, you have to look at consol business only because revenues could be parked anywhere depending upon what clients chose to contract with.

Moderator: Thank you very much. Our next question is from the line of Sandeep from Edelweiss. Please go ahead.

Sandeep: Hi, this is Sandeep from Edelweiss. PD I have couple of questions, one, as you already have given an idea on the legacy business where you are saying that 10% to 15% is the kind of growth we should expect, any direction on the CLX side, means I am not asking for specific guidance or I do not want to add both of them up and reach a number, but if you can give directionally how do you see?

PD Mundhra: Sorry, is your question about expected growth rates on CLX?

Sandeep: Yes, means some direction on that side.

PD Mundhra: So I think we disclosed their historical numbers when we announced the acquisition, and as you would have seen from that we have had a little bit of an up and down last two three years, revenues going both up and down. But as we sit right now, I think aiming for a similar growth rate as our native business around 10% seems to be realistic. So that is what we are looking for over the next 12 to 18 months.

Sandeep: Okay. So which means that overall our revenue growth will itself be in 10% to 15% range with probably similar kind of margins, so similar kinds of earnings growth is what you are expecting?

PD Mundhra: Yes, I think somewhere between 10% and 15% on a consolidated basis as we have explained earlier is what the outlook is and from a margins perspective yes, you will see some volatility quarter-on-quarter but somewhere in that 29% - 30% operating margin range is what we see.

Moderator: Thank you. Our next question is from the line of Sachin Gupta who is an individual investor. Please go ahead.

Sachin Gupta: So can you give some color on the new two clients that you added in the $1 million category which practice are they from and also on the clients which got upgraded in the $1 million to $5 million category?

Rohitash Gupta: Yes, so actually there were three net clients that got added to the $1 million to $5 million bucket and two in the $0.5 million to $1 million bucket, so there was a net addition of 5 clients in the $(+0.5) million bucket. Our of these five clients one client was from cable and two were retailer clients which were common between eClerx and CLX, one was luxury brand and last one was another client from DMS vertical but not from retail segment.

Sachin Gupta: And just another follow-up question, so now that you have reached ten $1 million to $5 million clients so if you compare them with your top five clients which are quite significant in size, so do you see a potential that some of them who maybe in next two, three years grow to as big as one of your top five clients?

PD Mundhra: So let me take that, as you can guess from the numbers our top five clients are giving us a little over $100 million in revenues, so on average they are $20 million each or thereabout. So I think at the current stage the clients which are today $1 million or $2 million it is not easy to envisage how we get them to $20 million, our limited objective right now would be over time to migrate some of them at least to the $5 million bucket.

Sachin Gupta: Okay. Just last question from my side, so now that the top five clients we have witnessed some growth, so could you give some color on which particular verticals are the ones that are growing or is the top-line again growing, how is that?

PD Mundhra: So actually our top five clients represent all three businesses and we had some growth as it so happens in all three sides with are large cable clients in digital services as well as in banking. So we had some growth, not exactly even but we had growth in all three businesses so that was an encouraging sign.

Moderator: Thank you very much Mr. Gupta. Our next question is from the line of Madhu Babu from Centrum. Please go ahead.

Madhu Babu: Sir hedge gains, can you give any picture of what the forward hedge gains would be and that would be reflected in the top-line right with the AS30 norms?

Rohitash Gupta: Our total hedge book is $111 million out of which $11 million are hedges which fall under pre-AS30 regime and they will strike at Rs.72 a dollar and most of them will deplete by the third quarter of this year. So this will definitely go into other income and they will be offset by the MTM gain or loss that happens. So you should not just factor that Rs 72 is a very good rate compared to the spot and build in hedge gains because it will be offset by MTM, point number one. Point number two, around $100 million worth of hedges are post AS30 regime and they will strike at Rs.68.2 a dollar over next two years.

Madhu Babu: And that will come in revenue line, right?

Rohitash Gupta: That will come in operating revenue, correct.

Madhu Babu: So this quarter what was the gain, you are disclosing that number or…?

Rohitash Gupta: No, we are not disclosing that but obviously that has become normal since we adopted it almost 15 months back.

Moderator: Thank you. As there are no further questions I now hand the conference over to Mr. Mundhra for closing comments. Over to you, sir.

PD Mundhra: Thank you everyone for taking the time for attending our call this evening. Apologize once again for the technical problem that led to the delayed start and we look forward to talking with you again with our Q2 numbers in a couple of months. Thank you.

Moderator: Thank you very much sir. Ladies and Gentlemen, on behalf of eClerx Services Limited that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.