"eClerx Services Limited Q1 FY'20 Earnings Conference Call"

August 02, 2019

MANAGEMENT: **MR. PD MUNDHRA – COFOUNDER AND EXECUTIVE DIRECTOR, ECLERX SERVICES LIMITED**
MR. ANJAN MALIK, COFOUNDER AND DIRECTOR, ECLERX SERVICES LIMITED
MR. ROHITASH GUPTA – CHIEF FINANCIAL OFFICER, ECLERX SERVICES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the eClerx Services Limited Q1 FY'20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohitash Gupta – CFO, eClerx Services. Thank you, and over to you, sir.

Rohitash Gupta: Good evening and thank you everyone for joining us today for our first quarter's earnings call.

At the start of this year, we have made a number of changes and additions in disclosures and you would have noticed those changes in our investor pack today. As our business has moved towards volume based managed services, volume fluctuations have added to the existing seasonality of CLX business. Hence, we will be focusing more on year-over-year trend, instead of sequential movements going forward thereby reducing some of the distraction caused by sequential volatility.

We have also adopted INDAS 115 since FY19, which impacts revenue recognition for certain fixed price projects compared to earlier method, as it pushes more revenue towards either the milestone achievement or the project completion, as the case maybe. This year, we have also adopted AS116 for our facility leases, which has minor negative impact of INR 3.5 million at the PBT level and it may have a similar small offsetting positive impact in subsequent years. While the impact of AS116 is immaterial, the requirement to classify certain G&A items into three different categories has allowed us to relook at our various operating metric and realign our focus from erstwhile operating margin to absolute INR EBIT.

With this background, let me come back to our quarterly performance: eClerx completed Q1 with USD 50.9 million in revenue with a resurgent constant currency growth of 4.5%. While this is tad below the organic industry CAGR, we are pleased to see that our revenue growth has been nudging in the right direction. In line with our previous commentary, onshore business constant currency growth in Q1 has been faster at 14% YoY, whereas offshore business grew modestly at 2% year-on-year. As of quarter end, we see our high probability pipeline not only higher on year-over year basis but also slightly more skewed towards onshore business than before, suggesting continued momentum in the onshore business. The double-digit growth in both onshore and managed services business so far have given us scale and it also presents newer opportunities of improving margin on those revenue books. Many of our larger long term managed services projects are now at margins which are superior to corresponding FTE business. Similarly, on onshore consulting business, clients are appreciating our agile deployment and solutions approach, thereby entrusting us with more variety of projects with a pricing commensurate with higher value that we deliver compared to larger competitors.

Among our three businesses, over last few quarters, Financial markets have displayed best traction in offshore revenue followed by Digital. While our Customer Operations offshore revenue have been subdued for a while now, the vertical has made up through significant ramp up of Fayetteville which by itself is now larger than many independent US-based small call center companies. Fayetteville presence also have shown positive rub-off on increasing stickiness for our offshore business as a number of offshoring averse clients use superior business outcomes delivered from eClerx Fayetteville as a reason to choose us for hybrid delivery programs.

Our absolute EBIT has declined year-over-year by about INR 300 million despite increasing the core revenue by INR 152 million year-over-year. Significantly, INR 225 million out of this INR 300 million decline was due to uncontrollable factors like currency movements in the other income and pending clarity of applicability of SEIS incentive scheme for FY'20 amidst the backdrop of several global geopolitical events and uncertainties. If anything changes on SEIS from what we know today, we will provide for suitable catch-up of SEIS revenue in subsequent quarters. G&A and depreciation which have been clubbed together under IndAS has been flat year-over-year. However, note that a significant portion of erstwhile facility rent is now below EBIT line and that component largely represents the cost of Pune consolidation and inflation. The India delivery cost increase is mainly due to wage increment which typically normalizes in later quarters of the year. Onshore delivery cost increase is in line with onshore mix increase of about 180 bps year-over-year in Q1.

We have made significant investments in business development team as visible in our people metrics however that increased cost is somewhat offset by lower travel cost as our growing onshore organization reduces dependency on international travel.

On the margin improvement levers for near-term, in addition to wage hike normalization and possible future SEIS revenue, our headcount has rationalized as bulk intake of campus hires got adjusted against the Q1 attrition and we might see some improvement in wage cost in Q2 because of that. We will also benefit from increasing hedged rates in coming quarters and we also anticipate Pune consolidation benefits to increase from current Q1 levels in future and we expect continued moderate upticks in pricing in FTE book given steady currency in last few quarters. However, we will also have headwinds coming from higher onshore growth rates as I alluded to earlier, increased share of short-term projects and recently announced minimum wages revision in Maharashtra. While our UK exposure is sub-10% of our revenues, a large number of our clients are keenly watching political events in UK and we feel that uncertainty around variety of outcomes could lead to delaying of discretionary projects in short-term by some of our UK clients.

I want to touch upon three areas to provide some sense of how onshore presence and pivot to technology has allowed us to capture emerging opportunities through specialization.

1) We have started a large onshore consulting project in Compliance area for US division of a new European bank where work entails understanding KYC requirements, fulfilling those requirements, collaborating with client's sales teams to escalate issues, screening for adverse news and then enriching and closing KYC cases through our Quality Control and

QA process. This work falls into our highly productised Client Lifecycle Management practice.

2) We are providing development support across the portfolio of the small to medium sized IT projects for the markets business of a new US Asset management client driving the entire SDLC using a hybrid offshore/onshore delivery model. Our involvement in these projects aims to provide better pre-trade Compliance, better front office decision-making through the sourcing of more and better data and upgrading of the tech stack.
3) Roboworx, our flagship automation product has been slowly gaining strength in a cluttered market of RPA tools and a world where many Fortune 500 clients have sunk early costs in fragmented approach of buying third-party RPA platform licenses, appointing consultants, choosing implementation partner, creating in-house COEs and then hoping for business outcomes. In contrast, eClerx's comprehensive automation solution, centered on Roboworx leverages our now mature hybrid delivery model ready to deliver promised business outcomes. Apart from myraids of the small clients who have chosen eClerx's unique automation approach in BPM industry, we now also have several Fortune 500 clients in Banking, Travel, Tech and Manufacturing running on Roboworx.

We successfully completed our INR 2,620 million buyback in Q1 and would like to reiterate that our capital allocation approach and long-term payout ratios will remain unaffected irrespective of the recent budget announcements. Our DSOs have remained steady in previously guided 80-90-days range. Our cash balance of INR 5,287 million is lower by INR 780 million despite the cash spent on buyback due to continued strong cash flow generation in the business.

We have now added more color to our clients revenue bucket disclosure. However, it will be advisable to focus on long-term trends of aggregate +1 million client bucket as many clients in intermediate buckets will show volatility due to high proportion of short-term projects in some of them. Amongst several new logos added this quarter, most notable were four new Fortune 500 clients in Beverages, Computing, Telecom and Hotel space. Our emerging client revenue progress has continued with healthy year-over-year growth although we saw another YoY decline in our top-10.

Our overall headcount number remained flat with two major exceptions of business development investment as well as onshore delivery ramp up that we have alluded to earlier. We strongly feel that involuntary attrition is fairer representation of true people churn in our business given the continued flatness in our offshore revenue with lot of underlying churn in portfolio and requirement of newer skills to deliver them. Our involuntary attrition has remained steady in Q1 despite Q1 being seasonally high attrition quarter for us. Our mid to senior management attrition remains at lowest levels in last three years thereby creating opportunity for leveraging pyramid efficiencies when the offshore revenue improves.

With this, I would like to open up the call for the questions-and-answers. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Harit Shah from Reliance Securities. Please go ahead.

Harit Shah: My question is regarding the increased wage cost in Maharashtra. I think Rohitash has mentioned earlier in the call. So, what is the likely impact on margins and from when it is likely to get affected?

PD Mundhra: I think there is not complete clarity on this yet because while the minimum wage has been announced, some of the other components like Dearness Allowance and Special Allowance have not yet been notified by the government. So, at this stage, our assessment is that at minimum this will have an impact on our outsourced services things like housekeeping and potentially security guard where the increase in the minimum wage will result in some increase in cost. Whether it affects our full time employee pool? I think will depend on the magnitude of upward revision in DA and SA, etc., which has not yet been notified by the government. So, we do not have any quantification of that. On the security guard also, the guard board who needs to announce new rate which has not yet happened. So, really, we do not have very good numbers on this but I think in a month or two the situation should become more clear.

Harit Shah: Any data on the number of employees that are based out of Maharashtra?

PD Mundhra: I think of our 8,500 people in India, probably around 6,000 approximately would be based in Maharashtra with the remaining being in Chandigarh.

Harit Shah: Any data percentage of your revenue has come from your short-term contracts? There were some momentum of possible margin issues because of that also.

Rohitash Gupta: Short-term projects as you can imagine have been quite volatile because their duration is short and their timing of when they will start and come is also not sure. So, that metric particularly as to what percentage of our revenue or pipeline is short-term is difficult to say. But typically if you take a very long-term average it will be around 15-20% on the outer side.

Harit Shah: And short-term is typically up to one year or…?

Rohitash Gupta: Short-term is typically less than one year in our terminology.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Two questions: First of all, our delivery cost as you mentioned gone rising. In Q3 of last year we thought that this is the maximum probably what we will have and again I think we are hitting newer highs in terms of cost of delivery. So, any guidance on have we reached maximum levels or will it further increase from here also because the margins keep getting affected because of the same?

Rohitash Gupta: If you look at our margin bridge disclosure in our 'Investor Pack' I think that will give you a very good sense because on one hand you will see about Rs.15 crores of additional revenue and on the other side you will see certain increases in our India as well as onshore employee cost.

Now, it is very-very easy to understand that most of that Rs.15 crores additional revenue would have come from onshore given the onshore traction, right, and that Rs.15 crores will require typically Rs.10 crores plus kind of employee cost onshore to service that. If the growth is more on onshore, the revenue and cost on the employee side will be closely tracking each other because there is not much arbitrage left below the GM.

Sarvesh Gupta: Yes, that I understand sir, but I want to understand where will this stop?

Rohitash Gupta: Do you mean the onshore share of revenue?

Sarvesh Gupta: No, if I just see your onshore percentage, that has been broadly stable over the last five, six quarters. But your costs have been going up irrespective of the onshore delivery percentage mix which has not changed in the last five, six quarters. So, I want to understand what will be the sort of bottom in terms of your margins because we have already reached quite a very low number; we are almost like one-third of where we were many years back, so is there a bottom to it or this keep going and hitting lower and lower numbers in terms of the margins?

Rohitash Gupta: To be honest, I have laid down both the headwinds as well as tailwinds on various cost and revenue elements and it will depend how the business mix evolves and how those margin levers play out either favorably or adversely for us. But just focusing on the India employee cost as an example, I clearly mentioned that Q1 typically is the high attrition quarter and that is also a time when bulk hiring is possible through campus route and then you try to do all of that and try to mitigate high possible attrition and build a little buffer. But given our recent high attrition rates, typically, that excess or flab gets adjusted very quickly and I think we have already come down due to the natural attrition now as we speak in July-August and that excess cost has gone. But the wage increment impact that we have given does take one or two quarters to subside.

Sarvesh Gupta: Any guidance on the revenue side because that has again been sort of flattish, so where are we seeing in this year?

Anjan Malik: We continue to see challenges in the revenue outlook; however, we continue to also see lots of opportunities for growth. So, in certain parts of our book, as you know there are challenges in automation and we have seen insourcing biases. But we continue to see growth in onshore, we continue to see growth in analytics and in particular we are seeing opportunities in areas where we got what I would call "Productized Services." And those of the areas in which we have seen the maximum amount of growth. So, pipeline is healthier and has been in the recent past, our close rates are good and I think what we can see is roll-offs over the last six months look more encouraging in terms of being lower than been in the recent past.

Sarvesh Gupta: Will you want to quantitative guidance to the revenue growth for this year?

Anjan Malik: Yes, I think we have a sort of policy of not really providing revenue guidance to the street, so, I think we are not in a position to give you that but I think what we can say is that it is definitely looking little stronger than it has done in the immediate recent past.

Sarvesh Gupta: Finally, on the capital allocation point now, we as a company have been doing buyback every year and that was because buybacks were also more tax-efficient but now with the recent change in the taxation, I do not think there is any advantage of waiting for a year to do the next round of buyback. So, is it not better for us given the Rs.150 per share cash that we have to just announce a special dividend and just dividend it out rather than retaining it in a company, deploying it on liquid funds?

PD Mundhra: This is PD. To respond to that, a figure of Rs.550 crores give or take is not too large compared to the size of our business and historic levels of the cash that we maintain. We had a pretty large payout just a couple of months ago in terms of the buyback of Rs.260 crores that was completed. So, I think our preference would be to wait for about 12-months and see what transpires also in terms of regulatory changes in the next budget and so on and then take a call but the long-term goal to Rohitash's comment in the opening remarks remain to keep returning at least 50% of net income back to shareholders. Choice of vehicle obviously depends on variety of considerations including tax but I think for this year we see we have already returned Rs.260 crores just a couple of months ago and we do want to maintain a certain amount of liquidity in the business also from a point of view of exploring acquisition should something interesting come along. We think that Rs.550 crores, $70, $80 million in the context of $200 million revenue company is not inordinate.

Sarvesh Gupta: Just as a suggestion, I think if you can give some revenue guidance going forward because you have made so many other changes in the presentation as well, that would be very helpful. Thank you Sir.

PD Mundhra: Thank you.

Moderator: Thank you. The next question is from the line of Manik Taneja from Emkay Global. Please go ahead.

Manik Taneja: I had a few questions. The first question was with regards to the stability of our onshore operations. Just wanted to understand how the progress on that side has been? The second thing that I wanted to understand is that we have seen some of your IT peers talking about once again seeing offshore growth both because of the hiring challenges in onshore decision and a related maturity of the digital engagements. Do you see something like that happening in our space as well?

Anjan Malik: I think being compared with the large IT guys is always difficult because they operate at a very different scale and I think fundamentally the business is very different. I would say that we have seen certainly a much more success onshore than we have seen in offshore in terms of growth rates, right, and that's gone up in the numbers that we have been showing over the last couple of years. I think what was interesting to watch in this quarter is some of the early, I think in the last call of the quarter, surely in the investor call, I have personally mentioned that, we have made an effort to invest in onshore because we believe that onshore will ultimately drive more offshore. It is too early to call whether or not the strategy was successful. I think certainly in the last three to four months we have seen more evidence that, that strategy does work and is working. To the point that Rohitash made in his opening preamble, we are certainly in gigs that we would not have , had we not have that onshore presence right, whether it is a hybrid onshore delivery in the sort of tech enabled space or whether it is the customer example that we gave or even the result of the work that we are doing in dispatch along with our site in North Carolina. So, I am not sure if that drives the offshore is happening because all of a sudden hiring in-location or client locations is difficult or because there are net new buyers that are opening up to offshore because having the onshore presence allows you to convert a net new buyer to be offshore. So, I think it maybe more of a latter than former.

Manik Taneja: My first question was around the profitability of your onshore operations. I think you had some challenges in the last couple of years in terms of …

Anjan Malik: Some of that is about scale and the investments. So, that will continue to improve over time and as we scale and as we build maturity in that business model we anticipate that will improve and as we gain experience around execution we expect that to continue to improve, I think that is the improvement and we will continue to improve.

Manik Taneja: You are breakeven at a gross margin level with your onshore operations?

PD Mundhra: I think we disclose at about 23% of our revenues come from onshore. The collection I would say of sort of three different buckets – there is the CLX bucket which is classified largely as onshore where we are clearly positive EBITDA, positive growth margin and positive net income. And there is onshore consulting business which is typically people that we place on client premise both in our markets business as well as in digital. That is also positive from a gross margin and operating margin perspective. And then the last piece is our investment in Fayetteville in North Carolina which you can think of like high end call center in the US. That business has been negative in terms of gross margin. So, I think of the three components, one is negative, certainly at gross margin and even more so operating margin, the other two are positive.

Manik Taneja: Any indication on what is the share of these three segments within the onshore component for us?

Rohitash Gupta: Manik, clearly, CLX is the largest component here. Roughly, half of our onshore business typically will be contributed by CLX. Fayetteville will be the smallest piece in relation to CLX but by itself it is a multi-million-dollar revenue business for us as I just alluded to. And the consulting business that PD was talking about is somewhere in between.

Manik Taneja: If you could give us a sense of what is the share of the three broader business segments for us now and what is your commentary across the three segments on a go forward basis?

PD Mundhra: I will let Anjan speak about commentary. But in terms of size, Manik, it continues to be roughly 40:40:20 like it has been for a long time. We have variations of a percent or two quarter-on-quarter but it has not changed much beyond that. We are still roughly 40:40:20 give or take. And I will let Anjan talk more subjectively about markets.

Anjan Malik: The three businesses continue to have different challenges. Of the three businesses, markets had probably the most tailwind in the recent quarter. I think that is partly a function of maybe the early shift that we made doing more automation-enabled operations and the focus towards consulting. I think certainly the acquisition that we made couple of years back has really helping us out. In the customer outface, we have seen growth, we have signed on some new customers specifically around our technical operations services actually which is different from where we were seeing growth last year which is more on quality and contact center optimization services, so this year it has really been around technical operations and engineering services. And in digital, we continue to see growth in analytics. It is an interesting space where we are doing really more end-to-end larger gigs and certainly largest that we have done in the long-term. And we have probably got the most interesting pipeline of a long period. So, I think we see good momentum and really interesting discussions happening that are probably different from what we have seen in the past.

Manik Taneja: Historically, I got your remarks regarding the higher share of short-term engagements. If I recall correctly, in the past the indication was that some of the short-term engagements were actually both revenue as well as margin accretive. But now the sense is that you seem to be giving simply is that even the lack of visibility around these engagements they have been margin dilutive. If you could essentially help us understand that?

Rohitash Gupta: Yes. So, Manik, that comment was partly influenced by my preceding statement about adoption of IndAS 115 last year. That some of the short-term projects happen to be fixed term projects where the new revenue recognition standard does have a tendency to defer the revenue to the later period. So, I think that comment has to be seen only in light of that statement. In general, there is no rule that short-term project will be lower or higher margin than long-term business. But as we all know, longer-term business is overall accretive simply because you do not have to resell it again. So, from that perspective, long-term business is always better on margin.

Moderator: Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Firstly, on the SEIS front. Is there a quantum that we can disclose as of now or it is not certain?

PD Mundhra: Rahul, this is PD. This maybe there on the bridge slide in the deck, but basically if you look year-over-year, in Q1 last year we recognize Rs 12.5 crores as SEIS revenue. This year we have not recognized. So, that is the quantum in terms of year-over-year delta. And obviously we need to wait for any government notification on the scheme before we can recognize any benefit.

Rahul Jain: From this Fayetteville project perspective, what kind of utilization or any other factor is what we should watch out for this operation to become operationally positive?

PD Mundhra: I think there are two things: One is that the capacity of the floor that we have in Fayetteville is about 250 seats give or take and today we are running at about 150 seats. So, as we can fill out that facility, it allows us to amortize the G&A cost and therefore has less bleeding so to speak. So, that is one thing that help overtime. The second thing is when we launched that facility, the first client we on boarded and the first couple of deals we struck were price, what I would call an aggressive price, to get that facility going. The subsequent deals we struck more recently have been at more accretive prices. So, I think the thought process to be more selective in terms of what business we took in there so that the prices are more accretive. So, to sum up, I think two things that will drive profitability – one is better utilization and second is reduction of the effect of the initial very aggressive deals that we did there.

Rahul Jain: And also from your pipeline perspective, what the numbers look like from a trailing basis and why despite very strong number and this client kind of incidents also behind us, why this number is not picking up meaningfully on the top line?

Anjan Malik: Part of it has been as we discussed there is a demographic change in the type of revenue that we have and over the last three years there has been a shift toward more, I guess on shorter-term revenue. So, even though we are selling more than we have ever done in the past, there is more churn in the book than there has been in the past, that is #1. #2, as we shifted more of our business towards managed services, we have quarterly fluctuations in volume and that can be quite significant and because that is one of the gauges that we give away in managed services is that volume variability we take into account. So, obviously as our clients have invested more in automation over a period of time, we have seen decline in volume in some of the managed services deals that we have done over a period of time. So, we will have lower transactions to manage than we would have liked. I think those two are probably the big reasons for why net revenue has not grown as quickly as we would have liked to have seen. But as I mentioned, pipeline and sale rates are better than they have been in the past, so that continues.

Rahul Jain: What do we see - do we need to do more to sort of move up on the revenue because if the nature of the short-term deal and managed services deal would have this intrinsic volatility and higher churn, this portfolio is only going to go up. So, from that perspective, there would be more volatility in the performance that may happen. So, obviously, one, there is a demand in this side we would like to still participate in this but what are the additional things that we could do to take this revenue from current base to maybe whatever is the next target that we have in mind?

Anjan Malik: I think there are some fundamental things that firm continues to focus on. So, one is we are definitely not going to stop doing managed services, so that component of our revenue would continue to show volatility for the very reason we discussed. But we think managed services is critical strategically for the wellness of the company. I think there are a couple of other things that we focus on, obviously is trying to be much more focused on the type of services that we are taking to our clients and making sure that over a period of time we increase the average footprint of the services to our clients. So, I would say, in the software business, we call it "Average Contract Value." So, there is a focus on that and we definitely want to do more, and that is an area that we are spending a lot of time thinking about. The second one is increasing the actual number of services that we are selling to existing clients and that is another area of focus. And the last part which I think probably maybe follows on from the first two or maybe it is in the appendix is the proactively focusing on increasing the tenure of the contracts that we are selling and I think that is going to be a challenge given the marketplace that we are in. But in selected parts of the book we are seeing success. So, that is obviously going to have the biggest impact.

Rahul Jain: From inorganic perspective, if we see the last transaction, we did is sometime more than five, six quarters I guess and that was not a size transaction and the previous two transactions is what actually helped us to add additional revenue stream. So, what are our plans on this? Secondly, given that the overall operating margin of the business have come off over the quarter, have we changed our filter of the company that we are acquiring because traditionally we would like to have them being accretive at a much higher number but now those filters would have come down, are we aligning that in our inorganic thought process?

PD Mundhra: To be completely honest, an outcome on the inorganic side is not really what I would call controllable for the company because it also depends on inbound deal flow. So, our approach has been to sort of be very open and look at all the opportunities that come our way and then if we think that we can do more to a particular company, then just provide capital. So, it is the combination of our capabilities and the target company's capabilities is more than the sum of the parts, then I think the situation that we feel we can add value to because certainly from a capital perspective, there are many other potential buyers out there whose cost of capital is cheaper and therefore ability to pay is greater. In terms of filters, even in the past when we were enjoying higher levels of profitability, we never sort of gauge that the target company has to have the same margins. If we had done that, we would never have had CLX for example because that is the time their margins were half those of ours, right. So, I think we look more at a standalone basis that from an NPV basis is it going to be accretive, is the business sticky, is the revenue sticky, will there be cross-sell opportunities. I think those are more considerations than a percentage margin of the target company. I hope that answers your question.

Rahul Jain: I am trying to understand the application of thought when we put into acquisition. Are these coming just because these are not the kind of asset that we are looking or there are factors like valuation which are also discouraging us in some of the good assets because ultimately if the contour usage is buyback that we have used, is that the benchmark we would apply from a multiple perspective if the asset is good but valuations are high?

PD Mundhra: I will answer your question in other way. I would say 100 pieces come our way, probably there are at least half of those where the nature of the asset or the quality of the franchise is not attractive. So, those are not situations we would want to get into at any time. For the remainder, where the asset is attractive, then I think the second question comes which is can we do something that really has some revenue synergy. Because if not then in an era where capital has been plentiful, we always find particularly financial sponsor being much more aggressive in bidding situation than us. So, in those situations, valuation becomes a problem because what we would consider a fair and reasonable value for that asset is lower than what other people would be willing to pay. So, I think longwinded we are saying that the situation where we think we end up being successful as a buyer is an asset that we consider attractive and asset that is somewhat flawed in some fashion, therefore is not as attractive to other financial buyers but because of our platform maybe the clients we have, maybe the people we have, maybe the services we have, we feel we can compensate for that flaw and therefore is attractive to us. So, those are the situations I think which are more likely to result in a transaction.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

Rohitash Gupta: Thank you, everyone for joining our call and we look forward to speaking with you next quarter.

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