"eClerx Services Limited Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the eClerx Services Limited Q2 FY17 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 '*' followed by '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to the Mr. Rohitash Gupta, who is the Chief Financial Officer. Thank you and over to you, sir

Rohitash Gupta: Thank you. Thank you for joining eClerx Earning Conference Call for the Second Fiscal Quarter of FY17 and six months ending 30th September, 2016. In Q2FY17, our operating revenues declined by 1.7% in constant currency terms, while the USD revenues declined by 2.6% sequentially. If you look at first six months of this year, our USD revenues grew by 3% and INR operating revenues grew by 8%. The revenue softness in recent quarters has been mainly on account of decline in Financial Services revenues due to automation, in-sourcing, etc and also due to higher organizational uncertainty of our few multi-million revenue - digital and cable clients which are undergoing corporate actions.

While we anticipate that the revenue softness seen in the previous quarters will continue in near future, there have been number of positives in last six months:

First and foremost is the margin performance. Our INR operating margins grew at a healthy 15% YoY in H1 while PAT increased by 21% YoY, even after removing one-off recognition of tax credits in Q2.

Second positive is that we have received shareholder approval for buyback for Rs. 234 crores at a price of Rs. 2,000 which represents roughly 30% plus premium on prevailing prices. We are now waiting for final regulatory approval on that front.

Thirdly, despite revenue declines specifically in Financial Services, the vertical has shown the best YoY growth for new sales among our three verticals during H1. Which means that our value proposition remains strong as ever in the backdrop of banking industry which is seeing radical shifts in demand pattern.

Fourthly, our creative Digital business which we added through CLX continues to show double-digit constant currency YoY growth.

Lastly, the YoY growth in Cable vertical in H1 which was driven by our largest cable client which proves that further mining is possible even in the mature and well penetrated large accounts.

Coming to the margin matrix, the profit after tax for this quarter is Rs. 97.1 crores, which includes about Rs. 4.6 crores of one-off recognition of tax credits. Although we expect similar accounting benefit to accrue at PAT level for next few quarters, we foresee that this benefit will not continue in FY18. Other income for the quarter was about Rs. 5 crores which is almost half of the last quarter due to revaluation and realized losses in Q2 on account of adverse FX movement. Our forward hedge book is at about $142 million with an average strike rate of Rs. 71.8 to a dollar and this number has improved by a quarter rupee to a dollar since Q1. Based on hedges book till now we expect that $54 million worth of inflows will convert into operating revenue at Rs. 70.5 to a dollar during H2 of this year.

The operating margin percentage also improved by 70 bps QoQ, primarily due to continuing gross margin improvements. The employee cost in Q2 decreased by 90 bps QoQ as India headcount drop was more than the decline in revenue. And also higher attrition allowed for temporary cost refresh advantages. This employee cost decline can be attributed partly also to the various productivity improvement initiatives including robotics.

While the SG&A remains largely flat at 34% of operating revenue on sequential basis, the G&A improvement as a proportion of operating revenue was mainly due to one-off professional fee that we incurred in Q1. Similarly, the increase in S&D cost by 60 bps QoQ is due to one-time reversal of ESOP cost in Q1 on account of first time IndAS adoption.

The minor increase in INR depreciation is due to addition of new assets during H1. We had about Rs. 704 crores of cash and cash equivalents at the end of the quarter and it has grown by about 17% since last quarter. However, it will significantly reduce post completion of buyback. Our net operating cash flow during Q2 was about Rs. 110 crores which is 23% more on YoY basis due to significant reduction in DSOs. However, the net operating cash flow in H1 was a tad lower than last H1 at about Rs. 166 crores. CAPEX for this H1 was at a low of Rs. 13 crores compared to Rs. 35 crores in last H1. We anticipate that H2 CAPEX will come back to around Rs. 30 crores to Rs. 35 crores range. We have spent about Rs. 1.9 crores on various CSR activities during H1 which is at a lower rate than the planned FY spend of Rs. 6.5 crores and as we catch up expenses in H2 it will impact OPM to that extent.

We also incorporated a new subsidiary in Canada called eClerx Canada Limited in September end to provide improved support to our Canadian clients and it is expected to be operationalized in next few quarters. Our business concentration metrics like geographical or currency shares of America and US dollar remained largely unchanged but for the minor fluctuations which were caused due to GBP depreciation. The DSO for this quarter was at a mid of our historical range of 70 to 80 days at about 74 days. And it represents significant improvement since the last quarter.

Staff utilization improved marginally by 70 bps and it is at a highest level in last two years. Some portion of utilization improvement is one-off as the portion of high attrition towards September end may still need to be backfilled during early part of Q3.

The SEZ mix has reduced as Cable operations in Chandigarh STPI unit now represent a larger mix in our business. And that has enabled us to utilize accumulated MAT credits during last few quarters. The client count under various revenue contribution buckets remains largely unchanged, barring one minor change around the boundary.

Top 10 clients demonstrated a decline YoY in constant currency terms of 3.3%, mainly due to reasons previously indicated. Emerging clients also have shown relatively modest growth of 5.2% YoY in constant currency terms.

The overall company headcount decreased sharply to 8,552 representing a decline of over 3% QoQ and 2% decline in YoY terms. Our sales and business development staff count maintained steady and stood at about 79. The India attrition was at a high of 41% during Q2 and it represents much more than usual jump of 400 bps to 500 bps that we normally see during Q2 which is seasonally highest attrition quarter. The attrition since then have not only come down drastically from Q2 average levels but also on the YoY October levels.

Lastly, our effective tax rate for the quarter was lower than usual at about 19% in Q2 mainly due to recognition of one-off tax credits. The effective tax rate is likely to revert back to usual (+23%) range during next year.

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

Moderator: Thank you, Mr. Gupta. Ladies and Gentlemen, we will now begin with the question-and-answer session. Our first question is from the line of Sudhir Gundupalli from Ambit Capital. Please proceed.

Sudhir Gundupalli: Sir, my first question is regarding the significant jump in attrition. So, what has lead this spike from 30.4% to 41.3%?

Rohitash Gupta: Q2 is seasonally a high attrition quarter. Every year we typically see jump from Q1 to Q2 of about 400 bps to 500 bps. However, this time it has been close to 10%, almost double than the usual jump. And that is partly related to the fact that as some projects roll off you are not able to match the skills in the other processes which are available. And to that extent attrition does increase. However, as I mentioned that we have already crossed one more month in the Q3 and the attrition has dropped back much more substantially than what it normally does.

Sudhir Gundupalli: So, is it fair enough to assume that it will revert back to 30% levels going ahead in the next few quarters?

Rohitash Gupta: It is very hard to predict these things, but as I mentioned the October trend, if that is an indicator for things to come, yes.

Sudhir Gundupalli: And secondly, you mentioned in the presentation that onshore delivery cost was lower. In your opening remark, you mentioned automation is one of the reasons, so is this the only reason for this or is there any other reason for the lower onshore delivery cost?

Rohitash Gupta: No, so just to set the context right, main delivery cost comes from offshore, because most of the work is done in India and other low cost geographies. So the onshore delivery is very small footprint and that small footprint also declined in Q2 a bit. But that is a smaller contributed to the overall decline in the employee cost, the major contribution of decline in absolutely delivery and support cost is India offshore employee cost.

Moderator: Thank you very much. Our next question is from the line of Manik Taneja from Emkay Global. Please proceed.

Manik Taneja: I just wanted to get some sense with regards to your commentary, with regards to saying that we should continue to see near term head winds. So, earlier you guys were indicating that second half should see turnaround that we are seeing in H1, should appreciate because of the deal pipeline and the order backlog that you are seeing. If you could help us understand how have things changed across the three parts of the business? That is question number one.

The second question is that, over the last few years we have seen our growth rates drop from almost like 30% CAGR in the past to almost like a 10% to 15% growth in the last few years, and now this year we are seeing a very tough FY17. Do you think we can get back to a low to mid-teens growth in the near to medium-term?

PD Mundhra: So, on you first question, yes I think going back to April, at that time our expectation was while we expected a weak H1, we are hoping that in H2 we would start seeing more of a turnaround. Obviously, given sort of short-term nature of our sales pipeline, ready database visibility at any time is three to six months. And as we stand now in November, I think we do not really see any sign of a change because if I look at two or three main structural reasons why we experienced some reduction in revenue and slowdown in growth. One is, sort of general weakness in our client base which has not really changed, nor is expected to change. The other is the point Rohitash was making around automation lead initiatives which means that although we are winning work in those areas, the dollar values of these new projects are not enough to offset the reduction in revenues on legacy work. So, that dynamic I think will continue for a little bit of time and therefore from where we sit our best guess is that for another quarter or two these continue to see some softness. Unfortunately, as always given the small size of our P&L, I am not able to provide more quantitative specificity than that beyond saying that we expect Q3 and Q4 to continue to be soft.

Manik Taneja: If you could breakout your comments between the three parts of the business, because Financial Services is something that you have been calling out for weakness for quite some time.

PD Mundhra: So let me take that. I think the Cable business, we have continued to see growth even in FY17 on a relative basis, so clearly it has been the strongest performing part of our business. On Financial Services, to the point Rohitash made, we have lost some revenues both on the account of automation plus a limited degree of in-sourcing. But on the other side, I would say the silver lining to that is that growth sales or new sales momentum continues to be strong and therefore I think we feel confident that we should be able to have a better outcome on that front, let's say after a quarter or so.

On Digital, I would say it is a mix bag, so we have seen a little bit of progress in analytics, we have seen more progress on the creative side, but with some of our large accounts I think we continue to see softness partly because of softness in their business compounded further by M&A actions that they have been undergoing. So, I think that is sort of a mix picture. So if I had to stack line the business in terms of growth rates in the first half of this year, I would say Cable has certainly been the strongest and Digital and Financial Services have been weaker.

Going to the last part of your question, which I guess was around, when we can expect to revert to longer-term growth rate, whether that will happen in FY18? I have no database way of answering that question because as I told you our sales pipeline only gives me visibility for maximum six months. What I will say is that we certainly hope that FY18 will be better than FY17 and we should get back to at least industry level growth rates whatever they are, I mean I think the whole industry is suffering to some degree, so I do not think we will be entirely immune but I would hope that FY18 is stronger than FY17.

Manik Taneja: If you could help us understand how have your efforts with regards to cross sell, with CLX done, especially with regards to UK retail? And if you would also help us understand the equation of the Canadian subsidiary, what are you looking at in terms of which set of customers are you looking at in Canada as we grow there?

PD Mundhra: So, on your first question around cross sell of CLX services and UK retail, I would say that is actually a bright spot. Prior to acquisition CLX was focused almost entirely on the European market and one of the things we have been trying to do post acquisition is take the services to the US. And I am happy to say that that is generally working well. Rohitash mentioned the fact that we have seen double-digit growth constant currency on CLX, some of that is in Europe, some of that is because of the services we are able to sell in the US. So we have already acquired two clients and we are in mid to late stage discussions with another couple of clients in the US for their services. So on that front I would say we are generally quite pleased.

On UK retail, it is a little bit of a mixed bag. So I think, again, we made good progress on integrating the go-to-market teams of our native business and CLX. So that is a step forward. Against that, I would say there has been sort of a whole impact of Brexit, both the currency impact for all Sterling denominated revenues as well as general weakness and unwillingness to or delaying of spend by UK retailers. So, I would say on our side we are pleased with the actions we have taken. Some of these factors have been more extraneous to what we can control.

On your last question about the Canadian subsidiaries, I will let Anjan comment more on this. But from our perspective I think the main reason is because we have signed up a couple of promising clients in Canada in both Financial Services and Cable and therefore we feel that it is prudent at this point in time to incorporate an entity there so that we can hire people locally to service these clients, both from an account management as well as onshore consulting perspective. So that is really the thought process.

Moderator: Thank you very much. Our next question is from the line of Madhu Babu from Centrum Broking. Please proceed.

Madhu Babu: Sir, can we talk about any market expansion initiative because right now we are more on the three verticals and select geographies. I mean, is there any possibility to expand into Australia and other growth markets in Cable, etc?

Anjan Malik: We have continued our strategy and our disciplined approach to business acquisition which is to focus on organic areas of growth. If you remember about two years ago we started on what I would call a product focused strategy and I think that strategy has worked very well for us because a lot of the business that we have won in the last two years has been nine years of specialization. And I think we are at a market place right now where specialization is even more important than ever before as the customers have targeted their spend at a very precise requirement. So, I think our strategy of organic discipline has been important. In terms of looking at newer markets, I would say, as PD was referring to, Canada is an important geographic location for us because we see opportunity for growth, as you would have seen that this year. We have also made some early enrolls into places like Australia, so that is geographic. In terms of the type of clients, I think here we continue to see a fair amount of demand in what we would call Tier 2 clients, so clients who have annual revenues of $15 billion in revenue in revenue. So, we continue to see some traction in that space. And in terms of market share gain or new markets that are in different verticals, we continue to look at inorganic opportunities for M&A. That is an ongoing discussion and the most likely way that we will enter into a new area is probably going to be through an acquisition.

Madhu Babu: And second is Financial Services, would the weakness, I mean the legacy projects loss, would that be ended by this year FY17 and maybe from FY18 you could see the new areas negating the weakness from the older ones?

Rohitash Gupta: Could you repeat that question?

Madhu Babu: I mean, in the Financial Services vertical, we are losing on the legacy front and whereas some of the newer areas we are gaining traction, that is what we have mentioned. So, would this year be the year of transition for this vertical and maybe from next year we can see a growth?

Anjan Malik: It is not to tell, because if you look at the industry that we support, we have been growing as a banking vertical within our business, from eClerx business, and in the face of our client the industry is shrinking. So if you look at some of the businesses that we support, they have shrunk anyway from 40% to 80% over the last five years in absolute levels. The fact that we have grown is actually quite impressive. A lot of it really depends on what happens with our clients and industry, so I think the discussion of automation came up. So while there is automation that affects players like us and the IT service providers that service the bank, the automation is much, much more prevalent in the front end of the bank where the digital disruption for a dire business model for banks. So, to the extent that we see quarters like the one that has just gone where all the large banks put a great revenue and great earnings, that is great for companies like us and we will see growth to the extent that we see the banks continue to shrink. And that will put pressure on all service providers that are providing services to this industry. So, I think a lot of it is driven by what is the state of end customer and the industry in the next two or three years.

Madhu Babu: And sir one last question. Is automation driving in-sourcing from the banking clients?

Anjan Malik: I think you can look at it from a different perspective. So, automation in itself does not drive in-sourcing, but automation does do a couple of things. So, to the extent that banks have gone and did large captives, if there are sales in businesses or if there is automation that effectively reduces the amount of work that is now done in the captive, then that clearly creates bandwidth, so it could be a captive in India, it could be a captive Buffalo or in Jacksonville in the States. But capacity gets created. And then the banks have a decision to make how this will lead capacity. So, clearly if they have 100, 200, 300 people worth of capacity either through automation or either through shrinking or shutting down of business, than many banks will look at that and say we want to fill the capacity in some way. So some people may make the decision during that time.

Moderator: Thank you very much. Our next question is from the line of Rohit Gupta who is an individual investor. Please proceed.

Rohit Gupta: So, can you explain this threat of automation in more detail? Is it like, are you seeing like, can this be a thing which structurally makes a business vulnerable, your business goes into a de-growth, how is this felt?

Rohitash Gupta: So, automation has both the sides, it can provide support to service providers as well as it can be a threat. It depends upon which cycle you are in. So, for example for long IT industry or BPO industry has been created primarily because of advent of IT systems, cloud and what not, right. However, the thing which is coming up now, especially let's take examples of robotics, is that at the lower end of the spectrum it can automate certain scalable and easy to automate work without altering the nature of underlying systems. So, I think as it matures picture will be much more clear, but it is not to say that it will be always negative and it will be only negative. In fact, today also we are seeing benefits of also automation at times. For example, in our Digital business when clients go from one system to another platform for their e-commerce businesses, it creates a lot amount of data migration kind of work for us.

Rohit Gupta: And when you say like your outlook for the next few quarters is soft, you do not have to give a quantitative number but are you perceiving a sequential decline from here on as well?

PD Mundhra: I would say it is it is hard to tell. Because if you think about the difference between a plus 1% or plus 2% growth versus a minus 1% or minus 2% growth, it is sort of single events in terms of whether you win a project or whether you lose a project. So, it is certainly possible, I do not have a clear answer either way, but what we do see is generally a soft environment as we mentioned upfront in the call for the next three to six months, and we hope that FY18 should be better than FY17. That is all that we can say qualitatively at this point.

Rohit Gupta: And for your emerging clients, has the outlook also become more challenging? Because they were growing at like 20% - 25% and this quarter that has slowed down to 5% in constant currency. So, can you give more details on how is the outlook there?

PD Mundhra: I think on emerging clients also, some of it is also a currency effect. Like if you see even in the presentation we mentioned the fact that in constant currency we have seen growth of 5% - 6%. Cleary there has been some softness, we do expect a little bit of softness as that portfolio grows, it is now almost $50 million in size so there is some base effect there also. But hopefully, again on that front we should see some better performance in the quarters ahead.

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

Vishal Desai: Just wanted to check in terms of the outlook which you are all painting it to be a little bit muted into H2. I wanted to understand what is the margin commentary that we are expecting going forward because I believe last quarter we were expecting FY17 to be around 30% EBIT mark? So, do we still stick by that? And if yes than what would be the operating levers that we would be putting into force?

Rohitash Gupta: Yes, so if you look at H1 we are 33% plus or thereabouts in operating margin sense. And if you recall, at the year start we mentioned our desire and target to be above 30% in operating margin. A lot has happened since then, both in terms of IndAS implementation which creates some effect on that, etc. But I would still say that despite all that, and given the H1 strong performance on margin at least, we are very, very confident that overall year will be above 30% and hopefully, noticeably above 30%.

Vishal Desai: So, are we indicating that H2 would probably land being far lower in terms of margins versus H1? Because if that is the average than you would be probably closer to your 31% - 32% mark for the full year, if I am understanding it right.

Rohitash Gupta: Yes, you are right. Normal expectation is that H2 margin should be slightly lower than that. Now, how much will that be it is hard to comment because there are lot of things as PD mentioned on the revenue front which are unpredictable between +1% to -2%. And that will also have some effect on H2 margins. But it is fair to say that H2 should be lower in percentage terms than H1.

Vishal Desai: PD, just one quick one for you, in terms of your client interactions with project roll offs and any kind of back fill that you all are trying to garner from them, are you seeing any kind of projects being cancelled altogether or is it that they are just getting delayed or what is it? Could you just paint a broader picture across the verticals?

PD Mundhra: I guess we are seeing, both of those outcomes in different clients in different situations. So, in certain areas for a variety of reasons most common could be around automation, other less common reasons could be around in-sourcing or around clients exiting certain businesses. We are seeing old engagements getting terminated or coming end to life. So that is one type of situation or outcome. And then from a new sales pipeline I think we are seeing some times delays in decision making, in which case we may not be losing that revenue but that revenue is going to come little later than what we had originally projected. And again, the upstream reasons could be a variety, it could be M&A lead, so the client is busy dealing with the outcome of M&A so they are not in a position to commit to these spends or maybe they are having budget challenges, OpEx challenges so they want to push out some expenses. So it could be a variety. But when we talk about a soft environment, we see examples of both of those kind of situations.

Moderator: Thank you. Our next question is from the line of Malav Sharedalal from Pravin Rathilal Shares and Stockbrokers. Please proceed.

Malav Sharedalal: My question is related to buyback. What is the expect turn ratio of general category shareholders as well as retail category shareholders? Because our record has already been passed.

Rohitash Gupta: So there is a 15% of total buyback size which is reserved for small shareholders and a small shareholder definition is as per the SEBI guidelines which is around 2 lakhs or lower holding in value terms. And as per our rough estimates, I think the small shareholder entitlement ratio will be close to 1:3 whereas for the other category which is the larger category, includes institutional and all other shareholders, it will be around 1:40.

Malav Sharedalal: And when do we expect the approval to come from the regulatory side?

Rohitash Gupta: So this is very hard to say but we are expecting obviously within a week or two. But we will wait for any comments that regulators may have further on our letter of offer.

Malav Sharedalal: So guidance will be announced thereafter or premium schedule like that will be in next week or you will take some more time?

Rohitash Gupta: As soon as we get the regulatory approval which in best case scenario we are expecting within a week, but it might take longer. Soon after that we will announce the schedule when the buyback window will open and close and when the shares will be dealt and when the forms will be available in the website as well as by post.

Moderator: Thank you very much. Our next question is follow-up question from the line of Madhu Babu from Centrum Broking. Please proceed.

Madhu Babu: Sir, this vertical mix, can you disclose as on 2Q how much is Financial services, how much is Cable and Digital?

Rohitash Gupta: We do not give a precise number, but directionally it has not really changed. Our largest vertical continues to be Digital, it is somewhere between 40% - 45% of revenues. Second largest continues to be Financial Services, it is somewhere between 30% - 35% of revenues and the balance is Cable.

Madhu Babu: And sir, any impact of the recent consolidation which is coming out in the Cable side, large M&A which was announced?

Rohitash Gupta: I think so far what we have seen is a little bit of slowdown in decision making. But the integration for that transaction is still very much work-in-progress. So we think that we will only really get clarity on end state probably over the next six to nine months.

Madhu Babu: And sir, lastly on onsite investments, I think our onsite sales headcount has been almost steady at 80 for quite some time. So with this kind of growth slowdown are we trying to step up investments there? Because I think margins are at a very comfortable level now.

Anjan Malik: So I think when we look at onshore spend we look at it in two ways, there is sales and development spend which will look like it is static in terms of the headcount numbers, what we have been doing is selectively upgrading the type of people that we have in those rolls. It is not the number function, it is also a quality function. The second onshore headcount that we may not be reporting separately is what falls in delivery. So these are the people that are involved in delivery of services in some kind of a on-shore, off-shore hybrid mix or pure consulting basis. So some of them would be full time, some of them would be consultants. They are actually a very important part of our delivery and sales cycle, we do not necessarily carve those out separately. That number we would expect to increase over the next year, sort of the on-shore component of delivery.

Moderator: Thank you very much. Our next question is from the line of VP Rajesh from Banyan Capital. Please proceed.

VP Rajesh: Just a question on the acquisition pipeline. If you can comment on what areas you are looking to acquire business, will it be in one of the current areas or will it be a new one?

PD Mundhra: So, I would say we are looking at both categories of potential targets. And as you would have seen in the past we have done both types of acquisition. So if you look at Agilyst, that helped us create a new business, our now Cable business. And if you look at CLX, that was very much a bold taunt to our existing Digital business. So, from our perspective I think we have a more open mind about the kind of companies we look at. And it is really about finding what we consider a good investment at the right price for the right skills, right culture, right management. We feel putting too many filters on it at this stage is very, is almost counterproductive.

VP Rajesh: And secondly, anything close to our term sheet stage at this point or the valuations have become interesting in the last quarter or two?

PD Mundhra: Rohitash can jump in one this, but I would say that we look at 25 to 30 companies every year. So at any given point in time there are some conversations happening at different stages in the pipeline with different levels of probability. And these are all low probability outcomes, so whenever something does happen we will be very prompt in announcing it.

VP Rajesh: And on the Financial Services side, given the kind of work that is happening are you seeing yourselves competing more with the typical IT companies that are focused on digital transformation or you are still in a separate bucket and do not see those folks competing for the incremental assignments?

Anjan Malik: No, I think in the BFSI sector, amongst the banks there is still the most amount of consolidation of banks is happening. And so by definition with the outcomes and the fact that the same people tend to complete for multiple different activity streams. So we are certainly seeing more competition in the banks, but I think it is more a question of how the banks are buying as opposed to change in the nature of the services that are being bought.

Moderator: Thank you very much. Our next question is a follow-up question from the line of Sudhir Gundupalli from Ambit Capital. Please proceed.

Sudhir Gundupalli: Sir, just a book-keeping question. As I see your presentation in the operating margin bridging analysis, so on a quarter-on-quarter basis your operating margin improved 70 bps. But as I tried to reconcile the sub-heads it shows me 120 basis points. Is this some kind of a typo error or am I missing something?

Rohitash Gupta: Can you clarify, which two sources are you comparing?

Sudhir Gundupalli: So, I am looking at page 21 of your presentation, OPM bridging analysis.

Rohitash Gupta: Page 21 is P&L comparison quarterly view. So actually, maybe I am not able to find that. But generically I can answer probably. So, in the OPM bridge chart which is the colorful green and red chart, there currency effect has been extracted in a separate bucket, whereas in the more detailed tabular version the currency impact is embedded, that is why you will probably see different numbers there in the various buckets of employee cost, G&A, SG&A, etc.

Sudhir Gundupalli: So adding up it should add up to 70 bps of margin expansion from the previous quarter, right?

Rohitash Gupta: Yes.

Sudhir Gundupalli: It is adding up to 110 basis points of all the impacts that you have given, S&D expenses, depreciations, exchange rate, those sub-heads are adding up to 110 basis points rather than 70 bps.

Rohitash Gupta: Basically, red is negative so you have to subtract, right. So 1.1 plus 0.7, then -0.3, then -0.5 and then there is a 0.1 of exchange rate, right?

Sudhir Gundupalli: Right, it will add up to 110, right?

Rohitash Gupta: I cannot make out the color here.

Sudhir Gundupalli: I think that exchange rate in green color and it is 0.1%.

Rohitash Gupta: Okay, probably we can take it offline then. I will have to dig into that, yes.

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

Rohitash Gupta: Thank you for joining us today. Look forward to talking to some of you during various conferences and road shows and then subsequently during the Q3 results next year. Thank you.

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