



Q3 FY2012 Earnings Call Transcript – Feb 1, 2012

CORPORATE PARTICIPANTS:

- Mr. Matthew Vallance – Managing Director and Chief Executive Officer
- Mr. Rajesh Subramaniam – Deputy Managing Director and CFO
- Mr. Mahesh Pratap Singh – Head of Investor Relations

Firstsource Solutions Limited
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- Moderator** Ladies and gentlemen good day and welcome to the Firstsource Solutions Limited Q3 & Nine Months ended Fiscal 2012 Earnings conference call. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Mahesh Pratap Singh – Head of Investor Relations. Thank you, and over to you Sir.
- Mahesh Pratap Singh:** Thank you, Myron. Good afternoon to participants from Asia and good morning to participants from Europe and US. Welcome everyone and thank you for joining us on our earnings call for the 3rd Quarter ended December 2011. Please note that the results, fact sheet and the presentation have been mailed across to you and this is also available on our website, www.firstsource.com. To take us through the results and to answer your questions we have with us today, Matthew Vallance – our Managing Director and CEO
- Matthew Vallance** Hello.
- Mahesh Pratap Singh** Rajesh Subramaniam, our Deputy Managing Director and CFO.
- Rajesh Subramaniam** Hi everybody.
- Mahesh Pratap Singh** We will be starting this call with a brief presentation providing an overview of the company's performance followed by a Q&A session. I would like to remind you that everything said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with uncertainties and risks we face. These uncertainties and risks are included but not limited to what we have mentioned in our prospectus filed with SEBI and subsequent Annual Report which you can find on our website, www.firstsource.com. With that said, I would now turn the call over to Matthew Vallance - our Managing Director and CEO.
- Matthew Vallance** Thank you, Mahesh and welcome everyone to the call. I am going to spend a few minutes talking through the highlights for our Q3 and then I will hand over to Rajesh Subramaniam, our CFO to talk through the financial results. In terms of our financial performance for Q3, operating revenues for the quarter

were Rs. 577 crores which compared to Rs. 533 crores in Q2. Q-o-Q growth of 8.3% in Rupee terms, 1% growth in constant currency terms. So the growth in Rupee terms, we are seeing is largely on account of favorable currency movement with the weakness in the Rupee that we had seen during the quarter. And in terms of the underlying business we have seen ramp-ups in our Telecoms and Media segments which have been partially offset by some softness in volumes in our credit card collections business where we do work for clients in the BFSI segment. In terms of the Y-o-Y over the Q3 of the corresponding quarter last year the growth has been 12.1% in Rupee terms and 3.3% in constant currency. Looking at our operating EBIT, Q3 margins were at 3.5% which is a reduction of 90 basis points over the Q2 numbers and the reasons for that is primarily the investments we have been making in growing some clients that we have won recently and mitigated to some extent by positive currency movements in the profit line and as well as the results of cost rationalizations that we have been talking about previously starting to bear fruit and this will continue to bear fruit in future quarters.

The main highlight of Q3 has been around our clients wins, conversion of the pipeline. Again, we talked in the last quarter about three specific opportunities within the Telecom sector that we were pursuing and we were at an advanced stage with. All three of those deals have closed and the value of those deals is an aggregate of \$160 million of contract value and specifically, one deal is an expansion beyond the UK into other parts of Europe with an onshore opportunity in the Telecom segment. The deal went live in December. It is a three-year deal with a TCV of \$65 million.

The other is large scale expansion with an existing customer and that customers been through a vendor consolidation process something that we have been talking about previously in other meetings. And the result of that consolidation process is that we are seeing a significant uplift in volumes and the volumes will start to show up in our numbers in Q4, further into the subsequent fiscal year. That is essentially another three-year deal with an incremental total contract value of \$85 million on top of the existing contract we already operate.

And then the third element is further progress into the Australian market where we have signed a contract with Australian retail-telecommunication business; and that process went live during the quarter and it is a two-year \$12 million deal.

Moving on to our debt and cash position, we continue to buyback the foreign currency convertible bond that we had issued. We had done some buybacks

in Q2. We did further buyback of \$21.6 million of face value of FCCBs during Q3 which brings the outstanding face value of bonds down to just under \$170 million in face value.

In terms of the cash position, at the end of December, our cash and equivalents stood at Rs. 654 crores. In other words, \$130 million at the currency exchange rate. And that is compared to Rs. 903 crores in the previous quarter. The cash outflow that you are seeing is largely on account of the FCCB buyback, not just for the bonds that we actually got back during the quarter but also in terms of settlement of bond purchases that happened at the end of the previous quarter. Cash balance was also impacted by higher unbilled revenues and low revenue receipts due to the holiday season, particularly in terms of one particular client we are in startup mode and the actual approval process of invoicing got a little bit delayed. So, our receivables on the revenues were higher by 72 crores over the previous quarter but we expect that to be a somewhat seasonal thing and expect that to normalize in Q4.

In terms of the headcount, our headcount was 30,121 at the end of December. We had 22,139 India-based staff and just under 8,000 staff based outside of India. We had 830 staff during the quarter mostly in relation to Telecoms contracts that we are implementing as compared to a net reduction of 373 in the previous quarter and is compared to an addition of 1,759 in Q3 of last year.

As far as the attrition is concerned our staff turnover in the offshore business that we operate in India and the Philippines stood at 56.4% which is a reasonably sizable increase over Q2 and something that is largely related to the movement of processes within our operations since we have looked to rationalize and streamline our infrastructure and consolidate some of our operations and that has led to a spike in attrition which we expect to come down. And a small decrease in our onshore attrition to 37.7% and in our domestic business we saw an increase in attrition to 88.8%.

Looking at our operational seat capacity, our seat capacity stood at 23,587 seats across the world. We added 1,068 seats during the quarter and so we ended up the quarter with 48 delivery centers compared to 45 delivery centers at the end of the last period. We added two centers in India; one of which is in SEZ tax-free zone in Mumbai and we have also added capacity in the Philippines to accommodate growth for one of our telecommunications client in particular.

Coming to the Forex we have a policy of hedging. We started to hedge a little bit longer range than we had done previously. Outstanding hedges as of 25 January' 12 stood at \$21.3 million, £39.2 million and AUD15.4 million. So, 80% of our forex receivables are covered for the next 12 months for USD at Rs. 49 levels, GBP at Rs. 78 levels and AUD at Rs. 49.5 levels, and 30% of our forex receivables are covered between the subsequent 12 months to 24 months for USD at Rs. 51 levels, GBP at Rs. 83.7 levels and AUD at Rs. 51.4 levels.

In terms of our other operational highlights; in terms of our mix of business, not a great deal of change there in terms of our geography mix, our 51% of our revenue coming from North America; 32% from UK; and 17% from the rest of the world. Rest of the world includes not just what we do domestically in India but it also now includes other geographies in Europe and also includes Australia as well.

In terms of vertical mix, 34% is Healthcare; 37% is Telecoms and Media; 27% is BFSI. And again in terms of our delivery locations mix not much movement from Q2 and our client concentrations remain relatively static.

With that I hand over to Rajesh who will take you through the financials.

Rajesh Subramaniam: Thanks, Matt. Hello, everybody. On the revenues as Matt had alluded to previously we grew 8.3% Q-o-Q and 12.1% Y-o-Y. Our Q3 numbers were Rs. 577.1 crores. About 26 crores of this delta between Rs. 533 crores to Rs. 577 crores is on account of the change in the average exchange rates between the two quarters. Our operating EBITDA slipped by 120 basis points from 8.7% of income to 7.5%, down from Rs. 46.2 crores to Rs. 43 crores. And given the tail off of depreciation on larger revenue base some elements of the 120 basis points was pulled back as the operating EBIT fell 90 basis points from 4.4% to 3.5%. The point I would like to lay on the table is what Matt alluded to is the win in new businesses and some of these wins which we started on the investment phase in November are onshore based. So the mix in revenues also has an impact on the change of margin profile apart from the investments we are making in growth. Now, while focusing on the profit before tax and profit after tax, the key element here is the PAT fell from 21.5 crores to 6.9 crores and the significant portion of this fall off is on account of two reasons; one is the fact that the loan that we have taken in our US books which has had the expense for the full quarter, the first quarter was the October-November-December quarter so that explains why the interest expense has increased. And we have had a loss on the buyback of the FCCBs, largely on account of the realization of the liability and in conjunction

with the exchange rate movement in Q3 which has been right through from 46 to 53. So the buyback price and extinguisher of the liability has resulted in a loss of 7.1 crores which is taking the PAT down to 6.9 crores.

From a company perspective, between the discount at which we bought back the FCCB which is amortized through my share premium account and the interest we saved and the accrued interest the premium that we save for a residual period the impact of the buyback of the FCCB far outweighs some of the consolidation related losses on foreign exchange in the P&L. So the 6.9 crores is not true reflection of the operating state of the company.

If I turn you to the YTD performance, while revenue grew 8.2% on Y-o-Y, 1,508 crores grew to 1,633 crores, the operating EBITDA has obviously been muted at 8.1% compared to 13.9% and obviously, when we discussed our Q1 performance the elements of some of the reasons of the fall-off were discussed at length. This has a continuing impact on right up to the PAT where 100 crores PAT for the nine months FY11 has now translated to 39 crores PAT in YTD FY12. At this point the only emphasis I will lay is that several cost saving initiatives we have started driving in the company and the margin profile as we look into the future starting with Q4 will start reflecting some of the significant gains that we are making in some of the initiatives we are driving in the company. So the only point to be made is that the performance in Q3 is not a reflection of what we believe our Q4 and the ensuing quarters will reflect because we get the benefit of significant deals that we have won and the benefit of some of the rationalization exercise that earmarked post changing the structure of the company will start yielding significant results. With that I will hand it back to Matt to cover the business outlook.

Matthew Vallance:

Thanks, Rajesh and I just talk briefly around the outlook for the rest of the fiscal. We expect to see positive momentum in our revenues to continue and that is driven by in particular recent wins that we had in the Telecoms and Media segment and we will expect to see the full quarter of some of the gains that we saw in Q3 with full quarter materialization in Q4. We normally see an uptick in the collections performance during Q4 due to the tax season as American consumers get tax rebates and our collections performance normally improves dramatically during Q4. In terms of our Y-o-Y performance in collections, we are somewhat continue to be impacted by deleveraging in the states where the overall volume of cards that has come down dramatically from almost a trillion dollars to about under 800 billion dollars and as well as the improving quality of that is lower charge-off rate and thus lower volumes coming through to us for the processing. However, Y-o-Y performance will be

subdued but we expect to see progression Q-o-Q in collections from a revenue perspective and will also see some seasonal improvements in the Healthcare Provider segment

On the margin side we will see benefit from positive movement in our margins on account of the additional revenues coming through in Telecoms and Media, in collections as well as the Healthcare Provider business which gives us leverage over our cost. Rajesh referred to the cost rationalization initiatives. We saw some benefit in Q3. We will start seeing a lot more benefit in Q4 as well as into FY13 on that. And some of these margin improvement areas will be offset to some extent by the constant investments that involved in ramping some of the clients that we have recently won.

Thank you for that. And with that I will hand you back to Mahesh.

Mahesh Pratap Singh: Thanks Matt. Myron, we can now open the floor for Q&As.

Moderator: Thank you. We will now begin the question-and-answer session. Participants who wish to ask a question may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue you may press '*' and '2.' Participants are requested to use only handsets while asking a question. We have the first question from the line of Kunal Tayal from Bank of America. Please go ahead.

Kunal Tayal: Hi. Congratulations on the deals closure this quarter. Just want to focus on the collections part of the business which probably saw a big dip in constant currency terms. So, with Q3 do you think that you may have hit a bottom in this business seasonality apart or could the environment deteriorate from here on as well?

Rajesh Subramaniam: On the collections business, Kunal, it is a function of card issuances and as Matt mentioned, there is a significant deleveraging happening in the US economy. For example, in December alone, the level of credit cards issued itself was down by 12%. So right now the seasonality element of Q4 will definitely give us an significant uptick over Q3 because of the tax refund and the fact that the liquidation rates get better but what is still not clear is that the inventory of charged off debt is still not growing, it is actually contracting pretty much in line with the total debt in the economy. Just as a data point, the credit card debt levels are about 980 billion sometime until 2008-09 that has fallen into about closer to 720-730 billion right now. So the US has seen a much more significant initiative in consumers deleveraging. So, while we have seen improvements and increase inventory coming from selected clients where we

are among the top performing vendors, pretty much some of our longstanding clients, however the increase in placements while they come, they come within the universe of a reduced inventory. So, we are watching the situation but what we are doing effectively is to realign our cost structure in light of the realities of where that business is and ensure that when there is a turnaround which is evident as we see increasing placements coming in as we have supported our clients and we have performed well for our clients to capitulate that. So, in a nutshell, it is too early for us to tell you the turnaround in Q4 or next year is going to be a very good year, almost at the levels what we saw in FY11 is a difficult statement for us to make right now.

Kunal Tayal:

Thanks, that was useful. If you could also give some commentary on what the pipeline looks like currently post all the deal closures that you had?

Matthew Vallance

The pipeline, if you look at our Telecoms business, it is somewhat decreased, of course, because a lot of these big deals that have come out of the pipeline into actual deals. The positive thing we are seeing from a business development perspective is that if we look forward and we just sort of in the process of finalizing our FY13 numbers at the moment. A lot of the positive growth that we are seeing coming through next year is business that we have already closed, so from the existing book of business we have to look at the good level of growth into FY13. I think as far as the pipeline is concerned, particular bright spots; we do expect to continue to see good business developments in the Telecom segment from both existing clients and new clients. And I would say in the Healthcare sector we have had an improving situation over the course of this fiscal, particularly in the Payer side of the business where we are seeing strong momentum that we will carry us into the good improvements in revenue in FY13 and in the Provider segments increase in our pipeline in one particular of our major streams of business there. So, I think those are the main things to point out. In the collections area one of the things that we will be doing is as Rajesh just talked you about the challenging conditions in the Card segment in collections. And it does look like overall card debt levels are starting to improve but it is far too early to say whether that was a beginning of the sustained uptick or not. What we are focusing on there as worldwide volume is shrinking, is focusing on operational quality so that we can take share away from other providers and we have had some success in doing that. And the other thing that we have been doing with some success is selling our collections services to other segments, in particular, the Healthcare segment where we have strength anyway and into the Education segment. So, hopefully that gives you a little bit of flavor in our pipeline.

Moderator: Thank you. The next question is from the line of Jeff Chang from BNP Paribas. Please go ahead.

Jeff Chang: I just have a short question on the FCCB. Currently, you have \$130 million and \$230 million in gross to be paid at the end of the year. What are the steps you are taking to deal with this around \$100 million deficit? How much would it from the internal cash flow? Also, the current \$130 million are they all in Rupee, how much of the portion are in US dollars?

Rajesh Subramaniam: On the FCCB, the total liability which is due for repayment is about \$237 million. While our end stage cash is \$130 million we have had a little bit of an unusual quarter in terms of our DSOs so I do have about \$20-25 million sitting in an exceptional DSO which we have started collecting. So the true represented cash flow balance should have been closer to about \$150 million to \$155 million. That is the number I would urge you to look at. And so the deficit between \$155 million and \$235 million is about \$80 million, our accruals over the next 12 months, net of all the Capex and the investments we are making to fund growth will keep our deficit closer to about \$60 million. And so we have a lot of initiatives which we are exploring both internal as we drive more significant cost initiatives that includes our performance and at some level help us bridge the gap going forward both in a combination of an uptick in EBITDA and an uptick in cash. So, as of now the gap is about \$60 million and I think as I mentioned we have all focus going in to ensure that we make sure that we get over that hurdle in December 2012. And as far as how much of that is in dollars, Deep can you take that question?

Deep Babur: Out of the \$130 million that Rajesh mentioned, \$20 million is in foreign currency which is a combination of dollars and pounds largely and about the balance 110 million is in Indian rupee.

Moderator: Thank you. The next question is from the line of Prashant Sawant from KNG Securities. Please go ahead.

Prashant Sawant: I had a question about FCCB which got answered. Apart from this FCCB, do you also have any other debt on the balance sheet?

Rajesh Subramaniam: Yeah, we have a 180 million foreign currency loan in our US subsidiary which is a long-term loan, whose repayment starts from middle of 2013 up to 2017.

Prashant Sawant: And what would be your interest cost going forward and how long?

Rajesh Subramaniam: It is a six-year loan and the interest cost is competitive. We have not disclosed that but it is competitive to the market conditions which we took it.

Moderator: Thank you. We have the next question from the line of Gaurav Sanan from DBS. Please go ahead.

Gaurav Sanan: Hi congrats on closing the deal and winning the two big ticket deals in the telecom space. My question is around the dip in the margin which we have seen ranging from Q1 to Q3. The EBITDA margin has come down and there is also the cash in hand and given the FCCB outstanding, Rajesh also tried to answer was that there is a gap of around \$60 million. Now, what is the revenue visibility and overall gap funding? And how do we want to project the gap funding will be done?

Rajesh Subramaniam: On the gap funding, \$60 million is a number and one thing which we haven't spoken about is which we touched upon is the fact that the margin profile of the company will improve significantly, I might even go out and say materially from Q4 onwards. Given some of the initiatives that we have driven which basically aims to restore the company's margin profile closer to the FY11 levels. So with those improvements happening, the accretion to EBITDA obviously improves the profile of the company from its ability to meet its obligations. Right now, we also have several other internal strategies which are being worked upon to see how we get to release cash which are stuck in non-productive uses.

Gaurav Sanan: What percentage, do you think will accrue from the cost initiatives

Rajesh Subramaniam: We do not have a guidance policy. So, I don't want to tell you that I am going to get \$30 million or \$20 million from my cost saving initiatives. All I am saying is that the \$60 million gap we have a plan that is being executed upon which we believe will help us get over the December 4th deadline of when we have to repay \$237 million.

Gaurav Sanan: On the EBITDA levels, when do we see the revenue uptick happening or when can we see the full value of the revenue accretion happening in the EBITDA from the new contract?

Rajesh Subramaniam: You will start seeing it from Q4 flowing into FY13.

Matthew Vallance Some of it has already started say in Q3, but the full impact will start flowing during Q4.

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

Srivathsan: The deals that we won this quarter and last quarter, so what kind of profitability would these deals have?

Matthew Vallance: We are not disclosing deal profitability but I think that what we are saying is that with the new deals coming in, the growth that we are seeing will certainly give us leverage, over our cost base and the growth is one of the factors in addition to the cost savings initiatives that will allow us, as Rajesh mentioned, going back to our profitability to the levels which we have seen in fiscal'11.

Srivathsan: In terms of the domestic business can you just give us an update on where we are on the profitability curve, the domestic ABU especially?

Matthew Vallance Asia Business Unit, our domestic unit I think we talked about in the last quarter that we breakeven, made a small profit at the EBIT level in Q2 and I am pleased to say that they continue to remain profitable business in Q3 as well. So, there are many things that we have been doing to improve our operating efficiencies, would be getting some business growth there as well and we will be keeping a lot of focus on that unit to make sure that I have a business which has good long-term profitability.

Moderator: Thank you. The next question is from the line of Dinesh Kumar from Aditya Birla Money. Please go ahead.

Dinesh Kumar: I have a couple of queries; first one is just give an overall picture about Asia Business unit performance, in terms of business outlook etc, and second is can you give a split up of margin how much is because of favorable rupee how much is because of cost rationalization and third one is how much is impacted because of investments, and average rupee/dollar conversion rate?

Rajesh Subramaniam: I will start with your last question. I think the average exchange rate for Q3 the US dollar was close to 48 and the Pound was close to 77 and in Q2 the numbers were closer to USD 45.5 and 74 for the Pound. And the impact of FX on our margin there was a positive impact of about 40 basis points in Q3 compared to Q2, but obviously, there are some other elements in our business which I had talked to you in terms of investments and growth which negated the positive impacts of the exchange rate. As far as the ABU business unit is concerned, can you repeat the question again?

Dinesh Kumar: Before going to ABU I just want, you are saying that favorable rupee has contributed 40 basis points positive, right?

Rajesh Subramaniam: Yeah.

Dinesh Kumar: What about cost rationalization? How much we got out of it and which investments which had an impact, how much percentage or basis points?

Rajesh Subramaniam: Investments is a function of training, attrition, my support function including workforce management, supporting a certain level of managing customers, outsourcing initiatives. So unlike IT where I can say this was my utilization, this was my bench and A*B multiplied by a certain factors. Our business is not as easy to quantify but what I can tell you is the fact that the investments which we made in growth we will start seeing the benefit of a higher revenue base on the same fixed cost base which is going to ensure that both my SG&A depreciation leverage is going to start showing a margin expansion and my sigma that to the cost saving initiatives we have a material change in our margin profile from Q4.

Dinesh Kumar: My last question is I just need outlook about business, outlook about ABU unit?

Rajesh Subramaniam: The ABU unit in India is a large portion of our clients are in the telco space and they are growing very well. Our banking customers are also growing very well. So the business is growing well. The only discipline we are bringing into the business unit is given the price points and given how cost structures have changed and the recent one being the impact of minimum wages and the increase in minimum wages we are extremely disciplined and we are now determining the growth that we want which has to be profitable and above the breakeven levels to generate at least a certain level of EBIT profile on which we can make a certain amount of money on a Sunk cost. The good thing is sunk cost being at a level they have been, we will start seeing margin expansion as depreciation starts tailing off in the future. So, we are very disciplined. The outlook growth is there. But what is the growth that we want we decide based on the margin profile.

Moderator: Thank you. The next question is from the line of Hardik Shah from KR Choksey. Please go ahead.

Hardik Shah: Congratulation on the deals signing. What is your Capex plan in the coming 12 months?

Rajesh Subramaniam: While again we do not guide on Capex specifically I think what we have done is we have done a lot of Capex rationalization, between some of our low productivity centers which is a part of our overall cost savings plan. But if I take a look at new Capex between the investments that we are making over

the next 3-4 months and what we expect next year we expect it to be somewhere in the \$8-10 million mark.

Hardik Shah: For the next 12 months?

Rajesh Subramaniam: For the next 12 months and it could be slightly lower also. Because we are also exploring how we convert a Capex into Opex model. So we have been very successful in India. And for our onshore growth where we are seeing significant wins which Matt had alluded to, we are exploring options of how we reduce our cash out in light of some of the repayments that are due and see how we can move them which is now in fixed model. But the gap which we mentioned about \$60 million factors in the Capex level that I explained to you about.

Hardik Shah: And how much DSO you are expecting in the coming months?

Rajesh Subramaniam: Our normal DSOs are somewhere between 45 to 48 days.

Hardik Shah: So you expect it is to be at the same level in coming months?

Rajesh Subramaniam: That is right.

Hardik Shah: What will be tax rate going forward? Because in the current quarter it was pretty high.

Rajesh Subramaniam: We do not specifically guide on tax rate. Tax rate is also a function given some of the investments and growth we are making in and some of the elements around the FCCB which are playing out on back of buyback. Right now I do not want to guide on a specific tax sheet. I will have more clarity with specificity when we talk about the Q4 numbers.

Hardik Shah: Sir, actually like we made a payment of almost 200 crores for FCCB, so if I convert it almost amounts to \$40 million and amount in book value was \$21 million?

Rajesh Subramaniam: What happened was in Q2, the FCCBs were bought back during the quarter and significant elements of them were bought back on 29th September. Now, what happened was that the settlement of those FCCBs happened on October 1st, that is the reason why some extent of the previous quarter settlement has happened in this quarter.

Hardik Shah: These three new deals you signed so you expect the deals to fully ramp up in this quarter Q4 or do you expect some for Q1 FY13?

Rajesh Subramaniam: It will spill over in Q1 also and some part of very early Q2.

Matthew Vallance: One of the deals is already in production in India and we will continue to ramp up through the next 12 months, and one of those is in full production onshore and we got some benefits in Q3, we get the full benefits in Q4, and the other one would be more into next fiscal.

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financial, please go ahead.

Amish Kanani: When I see your cash flow statement, there is a decrease in borrowing line item, which is approximately 218 crores and despite that we have seen the net debt increasing from 1,183 crores to 1,490 crores, so clearly, there seems to be increase in borrowing due to Forex conversions. But there seems to be no corresponding entry in terms of the losses being booked, because this quarter the loss has been booked quite miniscule. So if you can explain how does it work out, your net borrowings are increasing by about 307 crores, but that's not reflected in accounts in some form or the other?

Rajesh Subramaniam: The borrowings are increasing, these are not fresh borrowing, these are borrowing increasing on the result of FX translation, and you will appreciate that. We have a \$180 million loan book in the US and which we brought the money into India sometime very early at exchange of about 44.50 - 44.70. And then the FCCB also is the money which is dollar-denominated. For the loan book increase is on account of the exchange.

Amish Kanani: But the point is it does not get reflected in accounts?

Rajesh Subramaniam: We also have consolidated; we have investments in our subsidiaries which also get restated.

Amish Kanani: So I see there consol and goodwill being restated, it is just increasing by 173 crores, partly maybe it is explained there or it is somewhere else?

Rajesh Subramaniam: Yes, you got it.

Moderator: Thank you. We have the next question from the line of Shivani Singh from DBS, please go ahead.

Shivani Singh: I just had a question on the share price. Given the positive revenue momentum and the recent wins and the uptick in profitability that is expected Q4 onwards, can you explain why the share prices is so low, its quite depressed?

Rajesh Subramaniam: Shivani, we control what we control which is our business, what we don't control we will leave it to the experts to give you the answer.

Shivani Singh: It is 8.65 below par so it's a little very, very low?

Rajesh Subramaniam: Yeah, my only justification which I have been discussing with my team is you got to look at the enterprise value in totality. At the time when people were expecting the dollar to hit 60 against the rupee the value of my loan book which is in dollars, I have to repay buying dollars, those rupees to buy the dollars the only justification what we thought was the loan book was eating into to my equity value, so this is manageable, this is what the IR team and the corporate finance team we figure out as to what is happening but as I said what we control is our performance and our profitability, what we don't control is how the external market behaves, so that's the answer I can give you.

Moderator: Thank you. As there are no further questions I would now like to hand the floor over to Mahesh Pratap Singh for closing comments.

Mahesh Pratap Singh: I would hand it over to Matt for closing remarks.

Matthew Vallance: Thanks, Mahesh. I guess I will just close by reiterating how we see the next quarter panning out and to summarize we expect to see revenue momentum continuing on the back of the wins that we had in Q3 and the improvements in collections performance through the benefits of the tax season as well as our seasonal benefit we see in Healthcare Provider. We also expect our new business wins and revenue growth to contribute to the margins in Q4. In addition to that from a margin perspective, obviously, as we talked in the midst of some significant cost rationalization initiative which are yielding benefits now and we will continue to do so in a significant way in Q4 more so in FY13 and so that is the outlook is for growing revenues, much of which we have clear visibility in the client wins and improving margins, thank you very much.

Mahesh Pratap Singh: Thanks, Matt and thank you again every one for participating in this call. If any of your questions have been unanswered you could give us a call at investor relations - me or Ankit. Thank you and wish you all a good day.

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