December 16, 2022

BSE Limited
Corporate Relation Dept.
P.J. Towers, Dalal Street
Mumbai - 400001.
Scrip Code: 532859

National Stock Exchange of India Ltd.
"Exchange Plaza"
Bandra Kurla Complex, Bandra (E)
Mumbai - 400051.
Symbol: HGS

Dear Sirs/Madam,

Sub: Transcript of Conference Call held on December 09, 2022

This is in continuation to Conference/Business update Call of Hinduja Global Solutions Ltd. held on December 09, 2022.

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, we wish to attach herewith the transcript of the Business update Call of the Company held on December 09, 2022.

The transcript can also be accessed using: https://www.teamhgs.com/investors

Thanking you,

Yours faithfully,
For **Hinduja Global Solutions Limited**

Narendra Singh
Digitally signed by Narendra Singh
Date: 2022.12.16 13:52:39 +05'30'

Narendra Singh
Company Secretary

Encl : As above

Hinduja Global Solutions Limited

Business Update Call - December 09, 2022

Key Speakers:

Mr. Partha DeSarkar - Executive Director and Group CEO, HGS

Mr. Srinivas Palakodeti - Global CFO, HGS

Mr. Natarajan Radhakrishnan - President and Chief Innovation Officer, HGS

Moderator: Good evening, ladies and gentlemen. A very warm welcome to the Hinduja Global Solutions Limited business update call. From the senior management, we have with us today, Mr. Partha DeSarkar - Executive Director and Group CEO, Mr. Srinivas Palakodeti - Global CFO and Mr. Natarajan Radhakrishnan - President and Chief Innovation Officer. As a reminder, all participants' 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 this conference is being recorded. Please note this conference is being recorded. I now hand the conference over to Mr. Rushabh Shah from Adfactors. Thank you and over to you, Sir.

Rushabh Shah: Thank you Faizan. Good evening everyone and a warm welcome to the business update call of Hinduja Global Solutions Limited. Please note that today's call is being held to discuss TekLink acquisition and questions should be limited to this. Before we begin the Investor call, I would like to mention that some of the statements made during the course of today's call may be forward looking in nature and may involve risks and uncertainties including those related to the future financial and operating performances, benefits and synergies of the company's strategies, future opportunities and growth of the market of the company's services and solutions.

I would further like to mention that if there is a call drop during the course of the conference call, please bear with the management. Thank you and over to you, Partha sir.

Partha DeSarkar: Thank you and a very good evening to all of you who have joined us for this investor call today. It's our pleasure to present to you our latest acquisition "TekLink" which we announced a couple of days back. TekLink is in the data and analytics space, a crucial service offering towards pivoting HGS into the technology enabled digital CX field. You would recall that we divested out of the healthcare business in January 2022. Since then, we have acquired quite a few businesses, which are different from the businesses that we used to do in the past. We entered Australia and acquired Diversify; then we acquired the digital media business of **NXT**DIGITAL that just got over.

We have been focusing our M&A activity on capability building on the digital customer experience side and TekLink with its capabilities in data and insights is the next logical step in that direction. This acquisition is focused on helping us drive digital led customer experience services and solutions, and as we go on, we are going to do quite a few of these tuck-in acquisitions… a string of pearls, if I may use this term, to build our capabilities and bolster our presence into a technology led company. Our goal is to operate in the intersection of strategy, marketing, technology, data, and process management and that is what we are trying to drive with this particular acquisition. And while I speak, I hope that you are able to access the presentation that is there on our website.

I would request you to move to the next slide that draws out our vision of what we are trying to do. Our focus areas are going to be the five that you see on the top of that slide. These are horizontal capabilities across digital marketing, e-commerce, and serving that with technology, data and analytics and process management. Two decades of our history have gone in building our process management capabilities, -that is the circle that you see on the extreme right of the slide. What the TekLink acquisition does is to fill up the gap that we had in our data and analytics practice, which decreased significantly when we divested our healthcare business; so we are building it back. Further, building our technology capability to bring in elements of digital marketing and e-commerce is what we are planning for the future.

The industries that we will target are BFSI, Direct-to-consumer retail or e-commerce (We have significant presence in this area); Technology, Media & Telecom - those who have followed our journey over the last 2 ½ decades know our strength in this segment. The new verticals that we have developed over time have been the “public sector”, which is the mainstay of our UK operation and the “Born Digital” companies that are technology companies who are essentially product companies bringing in new services and depend upon us to provide the customer interaction services. So our work will straddle across strategy and design, technology implementation, managed services and analytics & insights.

The service areas that we want to build our capabilities are in Digital Customer Engagement, Digital Experience, Cloud & Security, Analytics and Insight, Intelligent Automation, and Contact Center Transformation. You will understand that this is quite different from the labor arbitrage business that we traditionally have been in the last two decades.

Our partners, as we pivot towards a more technology driven services company, include AWS, Microsoft, Twilio, Sprinkler, Automation Anywhere, Adobe and UiPath.

I will now ask you to move towards the next slide, which tries to explain what the TekLink acquisition brings to HGS. We just signed a definitive agreement to acquire 100% stake for US$ 58.8 million, subject to customary and agreed adjustments. There would be earn out based payments in the next two years based on financial performance of the company; the management of the company is expected to stay with us for the years of the earn out. We have just signed the transaction and we expect to close it in the next two months. There would be some post signing and pre closure activities that we will be working on for the next two months.

I'm very excited by the synergies that we will have as a result of this acquisition, and happy to say that from the position where we almost had no technology revenues, with the acquisition of TekLink, our digital services revenues will end up being close to $100 million of the total revenue base of about $500 million. So that means about 20% of our revenues going forward would come from technology services. Which is a proof point of our ambition to become a technology services company. With that I'm going to hand it over to Natarajan, our Chief Innovation officer, to take you through the rationale and the contours of the deal. Over to you Natarajan.

Natarajan Radhakrishnan: Thanks Partha, very good evening again. My sincere thanks to all the investors who are attending this call. Partha has already explained our vision of being a digital experience company, a technology led company. In the last 12 months, we have taken a lot of steps towards that. I would also like to recount the journey of digital over the last few years before talking about this particular acquisition.

This is slide #8 of the investor presentation. You would remember we acquired a company by the name of “Element Solutions” way back in 2018. It had a ~US$ 8.5 million revenue base; over the last four years, we have grown this technology business by a CAGR of 30% year on year. We are not a broad-spectrum IT services company and that segment is increasingly becoming commoditized and price competitive. We have chosen to focus on the 3As in a cloud-first model, i.e., Automation, Analytics, and Artificial Intelligence. We are gradually moving away from a services led business to a business that is differentiated by solution accelerators and products (implementation of commercially official products). We do have rich domain experience in select industry verticals, Partha already mentioned 6 industry verticals. We do have technology services and solutions present in these verticals. We have very deep relationships, many of our clients have continued with us over the last 15 years, and if I include the clients of an earlier acquisition, they've all remained with us. In fact, we received a very high customer satisfaction score in the recently concluded survey. We have partnerships with Microsoft, Adobe, AWS, Twilio, Automation Anywhere etc. And globally we have about 750+ technology professionals, most of them are based out of US and India.

Partha has already covered the six practices, starting from Digital experience, which includes websites and e-commerce; Digital engagement where we do digital marketing, Online reputation management services; Cloud migration, managed services & cyber security; and then Data and Analytics - data modeling, analytical reports as a service, descriptive, predictive, prescriptive and cognitive analytics. We also do a lot of process automation using tools; we use Automation Anywhere, UI Path, apps, all of that and finally, given our experience in the contact center world, we also have a very strong contact center transformation offering.

As you know, contact centers are transforming from a physical model to a phygital model (a combination of agents plus lots and lots of technology). These are our six offerings and the revenue growth has been very robust.

Given this background, I have moved on to slide #9. We announced the acquisition of TekLink a couple of days back. TekLink was founded by Mr. Pankaj Gupta. He has nearly 33 years of experience in the IT services and products space. He's worked in marquee companies like TCS and SAP before setting up TekLink way back in 2003. TekLink focuses on implementing financial planning products and data science and analytics services offerings. It's headquartered in Warrenville, that's a suburb of Chicago, US. They have a small presence in Europe and have India delivery centers in Hyderabad and Indore. Its primarily in Hyderabad and a small number of people in Indore.

They have expertise in multiple industry domains, the strongest being fast moving consumer goods all their clients are consumer retail confectionery food companies. They have a very strong presence there. They have over 55 clients. In fact, acquiring new logos is their strong suit. Many of the existing clients have been with them for 10+ years.

Company has 275 employees, almost all of them are focused on analytics and planning, except the support services team. TekLink also has strong partnerships such as SAP, Anaplan, Google Cloud, etc. These are mostly non-overlapping with what HGS Digital has today and they continue to receive high customer satisfaction score and are well regarded by analysts. In fact, the 2022 Gartner Peer Insights rates them 4.6 out of 5 and also carries a 97% ‘Would recommend’ score from the clients.

If you look at TekLink’s service offerings, it's a broad swath of offerings covering the entire data science and analytics space. Right from data warehousing, data visualization using tools, big data, advanced analytics including predictive and cognitive analytics, implementation of enterprise planning products, trade management (SAP TPM implementations), consulting advisory services, to application management services around business intelligence.

Let me move on to slide #10 to share some color in terms of their financial performance. TekLink’s global revenues for CY20 were US$20.1 million; it increased to

US$21.8 million in 2021 despite COVID and somewhat depressed market conditions, and for the first nine months in the current calendar year, their revenues are approximately US$22.5 million. This is a significant growth over both 2020 and 2021 and despite the market conditions. You can annualize the revenues and make some estimates on full year revenues and the EBITDA is fairly good. It's in the mid to high teens.

The overall headcount is about 275 people, with 210 people in India and the balance 65 spread across US and very few FTEs in Europe. On the right hand side, we have revenues by origination: 91% of the revenues are from US-based clients and the balance 7% from Europe and 2% from India (these are mostly global clients).

So you may want to ask why this acquisition and what is the rationale for this acquisition that is covered in slide #11. As Partha mentioned, with the sale of healthcare business, our data and analytics practice scaled down significantly and this is a very important cog in our overall scheme of things. I mentioned six different service offerings, these are not really standalone. These days, most of the deals are multi tower crossover deals, automation plus digital customer engagement, analytics plus customer experience. We have to grow our data and analytics practice; even for our other offerings, data and analytics capability is essential. So it makes perfect sense to augment our capabilities in this case. We are very strong in financial, TMT and Born digital companies and TekLink has very strong presence in the FMCG space, especially Consumer Foods, retail confectionery and also pharmaceutical space. TekLink analytics, over and above where we have strength and similarly their platform partnerships, particularly SAP and Anaplan, are of tremendous value to us and it brings on board 275 data and analytics professionals to our company, with expertise in consulting as well.

We see a tremendous opportunity to cross sell and upsell our offerings across each other. We expect to take the data and analytics offering and sell it to HGS Digital clients and similarly take our digital customer experience, digital customer engagement, cloud security, contact center transformation offerings to TekLink customers. We expect a significant synergy through this cross sell and upsell. Finally, culturally, it's a very strong alignment, HGS Digital has a very entrepreneurial culture and client focused culture. We were very happy to note that TekLink has a very similar cultural approach and that indicates a strong cultural alignment. So all in all, it's a perfect synergy, it's almost like a perfect acquisition candidate for us. So that was the rationale behind acquiring TekLink. I'll probably stop there and we can take any questions on this particular acquisition.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question is from the line of Jay Shah from M Square Tech, please go ahead.

Jay Shah: We have 3-4 questions in line. We just wanted to understand the rationale behind the valuation that has been considered while acquiring TekLink. I understand it is two times the annual revenues. Secondly, how many years do you expect these synergies to materialize on the cost and revenue front, and thirdly what percentage share do you see in the existing contribution from the US market post this acquisition. I believe the HGS current share is around 30% if we look at the delivery by location share. So how it is going to change post this acquisition?

Srinivas Palakodeti: Let me start on the revenue by origination. If you see as of Q2, we have about 31% of our revenues coming in from US, and that's on a base of about US$ 138 million. Now if you go back and look at the slide which we have presented. It's going to be about 91% of TekLink revenues and just to annualize it about US$ 27 million additional that will come from TekLink which is all US origination; So 31% of 138 and another $27 million will come from a US origination perspective.

Now, as we have mentioned from a delivery perspective in this kind of business, it's a combination of what is done in India and also what is being done in US, so it's very difficult to put a number in terms of the impact on the revenue by delivery given that it is entrenched and this is different from the normal BPM work which we do. It's difficult to look at the way that way.

In terms of synergies, we are focused primarily on revenue synergies. Of course, there will be opportunities on the cost side as well, so we'll have additional 210 people coming in as HGS employees in India post the acquisition. And obviously there will be scope for synergies on the cost side, and that should happen fairly quickly post closing. We are very excited about the cross sell opportunities, which may come up. Being able to sell our services - primarily digital as well as BPM services to TekLink customers and also offer the analytics services, which TekLink specializes in, to our existing HGS customers... we think those synergies would start coming in fairly quickly once the transaction is complete and we expect about 90 odd days for the integration to get completed.

In terms of valuation, as we said, of course this is negotiated and you correctly said it comes close to two times revenue. Looking at the nature of business, we believe the size is a fair valuation and as we've also mentioned, there will be additional earn outs, but that is based on the future financial performance.

Jay Shah: Just one follow up question. Sir, there is a separate cost which is mentioned around Rs. 2.6 crore for the business transfer agreement. So is it part of this US$ 58.5 million?

Srinivas Palakodeti: Yes, it is part of the US$ 58.5 million.

Moderator: Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets. Please go ahead.

Jyoti Singh: My question is on the acquisition side. What is your view on the margin front going forward and how much will this company benefit for HGS, as we were doing pretty decent on the healthcare business side, which we already sold.

Srinivas Palakodeti: We've already said this company will have EBITDA margins in mid to high teens and that's what we expect going forward. Obviously, we'll try to improve further through cost and revenue synergies, but these margins will be sustainable as we go forward.

Natarajan Radhakrishnan: This is comparable to our existing EBITDA margins on the technology side of HGS. Partha mentioned with this, 20% of our overall revenues will be from technology business. The existing as well as TekLink business are in the mid to high teens in terms of EBITDA, so it is very comparable. It is not out of the vacuum.

Jyoti Singh: Ok, and Sir, what are the geography front? I mean which geography are we targeting through TekLink?

Natarajan Radhakrishnan: TekLink is primarily a US focused company. They do have some European clients, particularly in the UK, Spain, and Switzerland. And the India businesses are all global clients. So I would say 90%+ US clients.

Jyoti Singh: Ok, so Sir… they have a major revenue from the US approximately 91%. Due to current scenario, are they facing any downside from the macro-economic situation?

Natarajan Radhakrishnan: Interestingly, the analytics side of the IT industry seems to have done very well. The demand continues to be very strong in this space. TekLink's existing customer strength seems to have gone up in the last nine months and they've also managed to acquire 10+ new clients in the past nine months. It indicates the robust demand scenario. Even in our existing digital business, wherever we go, we have not seen any kind of slowdown, particularly on some of these offerings. So I would say these are segments where the demand has managed to counter the recession.

Moderator: Thank you. The next question is from the line of Hina Parekh from Fintiri Securities. Please go ahead.

Hina Parekh: Since TekLink services are present across industries, which industry contributes the most to its top line.

Natarajan Radhakrishnan: FMCG is the most dominant industry segment. That includes all the consumer companies, food companies, confectionery companies, plus also retail and pharma that is outside FMCC. These three I would say are the top industry segments.

Hina Parekh: OK, and is it possible to share a segmental breakup of each industry for TekLink?

Natarajan Radhakrishnan: Yeah, we will come back and do it formally.

Moderator: Thank you, the next question is from the line of Nayan Gala from Etika Wealth. Please go ahead.

Nayan Gala: I was just going through the release which was uploaded on the Stock Exchange and it says that we have signed one more letter of intent to acquire uKnowva and so if you can just help us understand the definitive time frame to sign an agreement with that.

Srinivas Palakodeti: As we said in the beginning, we would like this session to be focused primarily on TekLink because the other one is at the very early stages, so it's hard to discuss any specified timelines. I would request the questions to be limited to TekLink.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today, I now hand the conference over to Mr. Partha DeSarkar, for closing comments.

Partha DeSarkar: Thank you for being with us for this call to explain what is the plan going forward with TekLink. I can assure you there are many more that we are lining up as we speak and we'll have many more opportunities to interact as we build our technology capabilities for HGS 2.0. Thank you very much.

Moderator: Thank you Sir. Ladies and gentlemen, on behalf of Hinduja Global Solutions Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

Note: This transcript has been edited to improve readability. For the sake of brevity, the edited version of the above content has certain abbreviations/abridgement of words and sentences.