

Eclerx Services Limited
Q3FY21 Earnings Conference Call

January 29, 2021

ECLERX MANAGEMENT:

PD MUNDHRA – COFOUNDER AND EXECUTIVE DIRECTOR

ANJAN MALIK – COFOUNDER AND DIRECTOR

ROHITASH GUPTA – CHIEF FINANCIAL OFFICER

MODERATOR:

DIWAKAR PINGLE – CHRISTENSEN IR

CONFERENCE CALL PARTICIPANTS:

ASHISH AGGARWAL - PRINCIPAL MUTUAL FUNDS

M. SURYANARAYANAN - DSP INVESTMENT MANAGERS

MANIK TANEJA - JM FINANCIAL

SANDEEP SHAH - EQUIRUS SECURITIES

SANDIP KUMAR AGARWAL - EDELWEISS SECURITIES

V.P. RAJESH - BANYAN CAPITAL ADVISORS

Diwakar Pingle:

Good evening, good morning friends, based on the geography you are in. Welcome to the Q3 FY21 earnings call of eClerx Services Limited. Please note that this webinar is being recorded. The transcript of the webinar will be made available in a week's time from the call.

Joining you today to give you an update about the quarter and to answer your questions, we have with us the top management of eClerx. PD Mundhra, Co-Founder & Executive Director; Anjan Malik, Co-Founder & Director; and Rohitash Gupta, Chief Financial Officer. I now hand over the conference to Rohitash Gupta, Chief Financial Officer of eClerx Services. He will make his opening remarks and then we will move to the Q&A. As far as the Q&A is concerned, I will let you know the rules as we start that particular session. Over to you, Rohitash.

Rohitash Gupta

Thank you, Diwakar. Very good evening and welcome you all to the eClerx's Q3FY21 earnings call for the quarter and Nine months ended on 31st December 2020.

Our USD revenue in the quarter was \$53.3 million, which is sequentially up by 9.9% in USD terms and 9.5% in CC terms. This reported revenue included \$543k of revenue from Personiv acquisition pertaining to the last 8 days of December. We saw organic offshore growth of 3.8% YoY on CC basis but our onshore revenue declined of 8.2% YoY.

The total INR revenue in Q3 stood at INR 3,976 million was 10.3% up sequentially. All the absolute margin metrics were up in double digit percentages in Q3 both on QoQ and YTD December on YoY basis. Our net profit this quarter was INR 710 million which is 19.7% up YoY. Q3 margin% improvement on sequential basis was due to strong organic growth coupled with lower roll-offs creating higher than usual operating leverage in the current WFH operating model. All the wage increases for FY21 are factored in Q3 numbers. While Q3 had significant one-off acquisition related costs, but it was offset with equivalent one-off client reimbursements towards WFH provisioning.

We had cash balance of INR 5,886 million at the quarter end which decreased from previous high levels due to pay out of acquisition consideration. EBITDA to net cash conversion was very satisfactory at 73% and was actually higher on YoY basis. Managed services share has continued to grow in line with our strategy and further recovery in CLX business. Total client count above 1mn on trailing twelve-month (TTM) basis has remained same on YoY basis although many of them have deepened their relationships with eClerx since then. Staff utilization improved to a near term high level of 81% due to stable offshore portfolio and WFH environment. In summary, we are pleased with the performance in the quarter which reflects increasing demand and stickiness of our services.

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

Diwakar Pingle:

Thanks Rohitash. We will now begin the Q&A session. Participants having questions will have to click on 'Raise Hands' button for asking questions. The first question is from the line of Ashish Aggarwal from Principal Mutual Funds, please go ahead.

Ashish Aggarwal:

Sir, just 2 things. First of all, how should we see the growth going forward? Last 2 quarters have been very strong on the organic side, how should we look at things going forward? Is the roll offs, which you have been talking about, are they significantly down? And you expect them now because the impact of roll-offs will be significantly lower, you going back to the growth trajectory? And secondly, just 1 data point. You said there was some one-off reimbursement from the client. How much it was? And was it reported into revenue stream?

Rohitash Gupta:

Ashish, thank you for your question. I will take the second one and ask PD to take the first one. So client reimbursements were about equivalent to the cost book for acquisition cost, about INR 2.4 crores.

PD Mundhra:

I guess on the first question about demand outlook and environment. We don't want to give any forward-looking guidance because that's not our practice. I will say that, at this point, we have no specific indicators that the environment in the future is going to be materially different than what it's been in the past, either in terms of adverse indications or positive indications. If you take a more longer-term view, I guess, as many of you might know, the company has been more or less flat and revenues around the \$200 million mark for the last 3, 4 years. And we have indicated in prior calls that we did experience quite a few client-specific events over the last 3, 4 years, 3 or 4 bulky adverse events, which created large roll-offs, and most of our gross sales went in replacing that revenue. So the only comment I will repeat from prior calls is that, if we do not see any such chunky negative events in the future, then hopefully, all the gross sales that we are making will show up as net growth. So I would say that we will continue to experience some volatility in revenue quarter-on-quarter as we go forward. We have no specific guidance to give, whether the future is better or worse. At this point, the environment looks stable, but you'll see the numbers as they come out.

Ashish Aggarwal:

Sorry to repeat this, but are you seeing these impact, client impacts, right, tapering off going into maybe next couple of quarters? Or do you think it's similar to last few years?

PD Mundhra:

When you say client impacts, are you talking about adverse impacts?

Ashish Aggarwal:

Adverse impacts. Yes.

PD Mundhra:

Yes. So, I think in the last 4 years, from memory, I would say that 3 or 4 pretty chunky adverse hits that we took in terms of losing large chunks of revenue for one reason or the other. We've been fortunate that this year, we haven't had any such event like that. And at this point, we have no visibility to any other event in the next few quarters. So, one can only keep fingers crossed that we don't experience those adverse outcomes. And therefore, whatever new sales we make show up in net growth.

Diwakar Pingle:

The next question comes from the line of Andrey Purushottam.

Andrey Purushottam:

I apologize for asking a fairly basic question. But since this is our first exposure to the company, I was wondering, whether you could just give a basic understanding of what the business and its components are like. Also, can we get an understanding as to why have these chunky losses happened? It must be some characteristic of the business, which I would be grateful if you could explain to us.

PD Mundhra:

So Andrey, I think without sort of consuming a lot of time on the call, what I would say is that essentially, we are a knowledge process outsourcing business. So I would say the upper end of the spectrum of BPO activity. And I think a more detailed discussion of exactly what we do, and the client said is probably better suited for another interaction. Very quickly addressing the other question around why we experienced adverse events. I think the majority of them were actually driven by corporate actions as in M&A done by our clients. So in the instances where our clients got acquired by their peers or other organizations, vendor consolidation happened and in those instances, we found ourselves on the losing side. So that was one of the major reasons for some of the adverse events over the last 2-3 years that I referenced.

Diwakar Pingle:

The next question is from the line of Sandeep Shah from Equirus.

Sandeep Shah:

Thanks for opportunity. Just the first question is in terms of margin. Congrats on a very good traction on the revenue front. But if I look at the organic growth being such a great number, it should have translated into a better margin. So anything you want to call out, which has capped the upside on the margin side has a role in this quarter?

Rohitash Gupta:

Sandeep, there are 2 components about the margin that you see today. So basically, one is the people side of the equation. So if you see delivery costs, it has hovered around 50% of our revenue for last few quarters. This quarter, also, it's around 50%. So that is fairly stable, I would say, despite the ups and

downs in the environment, COVID-related demand gaps and subsequent recovery. So that's one piece, which has remained stable.

What we saw in the current period is that SG&A cost, i.e. non-people related SG&A cost were slightly lower than what it was there in the last year, simply because travel, transportation, some of the office operating costs were lower. So that's why our margin has been slightly better from the historical level.

Now coming to your specific question of why it has not been more than what it is, one of the reason which I can tell you is the wage hikes that we have done with little bit of delay, which affected Q3 in full sense. That's one. And second, as the recovery has happened, we have provided for year-end bonuses for various cadres in the management to align with the currently prevailing Q3 revenue and margin trajectory.

Sandeep Shah:

Okay. So Rohitash, just a follow-up. Last time you said that it's risky to extrapolate the current EBITDA margin of 28%, once the world becomes normal post the pandemic stabilization. So, do you still believe that statement holds true where your normalized margin could be in the range of 20% to 25%, which you were indicating earlier?

Rohitash Gupta:

So that's why I gave that background to your previous question. If you look at non-people SG&A cost, and you compare this Q3 versus last Q3, so this Q3 is obviously in the current operating environment and last Q3 was, I would say, somewhat normal. And you just put those costs into this quarter, and you will see the margin dropping by almost 250 to 300 bps. So that's the kind of lower operating cost we are having on the SG&A side at this moment. Some of these savings we will be able to retain, but I would argue that the majority of this may go away once the world turns fully normal.

Sandeep Shah:

Okay. And just the last question. Just wanted to understand in the nature of the business for these client's specific issue. So, you answered this Mundhra that it's more to do with the corporate events at the client side. But is there any other nature of the business where you believe it's more a project based, which can create this kind of an event going forward? Or it's largely dependent about the corporate event happening with your client. And if that doesn't happen, your growth volatility may be lower going forward.

PD Mundhra:

I'll take a quick crack at answering that, Sandeep, and then I'll ask Anjan to supplement with his thought. If I look at our roll-offs, I would bucket them into 2 different types. One is the chunky events driven by specific that certain clients, the 3 or 4 adverse outcomes that we had in the last 3, 4 years. And then there is, what I would call an ongoing sort of steady drip of roll-offs that happened in the natural course of business because certain revenues come from fixed time projects and when those projects and the revenues terminate or automation happens and therefore, a certain type of work is no longer required by the client or business priorities change. So, they don't want to fund that work anymore. There's a certain in-built rate of churn, I would say, in the business that we have to plan for and budget for. And

then there are these chunky things which are more event-driven and which we have limited sort of visibility into the further fact. So, the second one, I think, we've always had as part of our business. The first one, whenever it comes, it's a painful but limited duration event. And with that said, I'll hand over to Anjan, if he has any more thoughts.

Anjan Malik:

I think just to expand on your point, we have a natural, what I would call a reduction rate, given that the type of work that we do is the short term work, there's some amount of manual work, which gets automated where ever we are. So that will continue. What PD is referring to is large decisions that are made by individual clients, for example, whether it's to in-source or to re-shore or move to a captive or whatever. They'll not be that frequent, but if they do happen, they can have a large impact on our business. I think I guess what PD is saying I'm reiterating is that, we don't have visibility into those kind of events very far in the future anyway. So, all we can say is, at the moment, we feel that the environment, as PD said, is somewhat stable and silent.

Diwakar Pingle:

The next question is from the line of V.P. Rajesh from Banyan Capital.

V.P. Rajesh:

So Rohitash, just a follow-up on the margin side. Are you suggesting for the next year, it will trend back to closer to 20%? Or you think it will be higher and be closer to 24% that we have had this year?

Rohitash Gupta:

So, VP, I think you are asking a very long out question on margin that too. What I was telling is that, this Q3 if you were to take the non-people SG&A cost from past Q3 and just plug it in the P&L, margin could have been 250 bps down. It is not a guidance for future because those things, the percentages that you're asking are also dependent on denominator, which is the revenue and at which currency translates and things like that. So that's a very tricky question to ask for future.

PD Mundhra:

I will say 1 thing, right, to help add some more perspective to Rohitash's comments. In our experience, I would say, the 2 biggest drivers of margin performance are growth and the composition of revenue between offshore and onshore, because structurally, that has a big difference. As you can well imagine, offshore work is typically substantially more accretive than onshore work. So those factors are key determinants of margin outcomes, and that's very hard for us to predict before the fact that, let's say, in FY '22 or FY '23, what will that mix look like?

V.P. Rajesh:

Right. My second question was on the deal pipeline. If you can give some commentary on that side? And give us a sense whether business is moving towards captive or are you able to win against those guys? If you can just give some color on that.

Anjan Malik:

Yes. I mean, I think, certainly, during the COVID period, the COVID effected period over the last 12 months, we've seen a slowdown of many, many types, right? So certainly, transitions to captives whether it's from vendors or it's from onshore slowed. Do we see massive pressure for things to move to captive? I wouldn't say that it's any more than it has been in the past. And do we see growth opportunities coming in as it like clients talking to us about doing new streams of work? I'd say the answer is, yes. And I think the encouraging thing that we've seen is that, we've seen the ability to transition and take on new clients and new books of work in a completely virtual context, which is obviously during the coming period. So, I'd say the environment has been supportive in that sense. Sorry, PD, if you wanted to add?

PD Mundhra:

No. I think, Anjan, you are spot on. The only 1 supplemental point I would make is 1 difference in this COVID environment is that the attraction of doing onshore work for clients it has been somewhat less because, obviously, nobody can go on premise into their offices anyway. And therefore, the mix of new business sold has been more skewed towards offshore than has been the case in the past. And that has been helpful from a blended margin perspective. So that's the only other thing I would say from a pipeline perspective.

Diwakar Pingle:

The next question is from the line of Suryanarayanan Manian from DSP Investments.

M. Suryanarayanan:

So just continuing on the point that you made just now, PD, I just wanted to understand that, at least in IT services, we are seeing this higher proportion of offshore work that is coming through. You're also hinting towards that. But what I wanted to understand is, on the one side, there is clients who are wanting to do more work offshore. And you have historically had offshore revenues being 85%, 86% versus the high 70s that you're at today. And on the other hand, you've also had shown this sort of conscious strategy to be closer to clients working with them on site. That's the conscious call also you've taken strategically. So how do we see these 2 playing out? Do you think there is scope for offshore to go back to the previous high levels that we've seen with your business? Or just given the change in strategy, you don't think you're going to go back to that high levels of offshore?

PD Mundhra:

Surya, I'll step in with some thoughts and I'll ask Rohitash to supplement maybe and correct me and keep me honest on the numbers. If you look at our mix in the recent past, about 25% of revenues has been what we call onshore. And that is a composition of sort of 3 different revenue streams. There is a work done by CLX, which is delivered primarily in Europe and a little bit out of Thailand. So we classify that as mostly onshore. There is our delivery center in North Carolina for our customer operations business which is also onshore. And then there is consulting work, both in digital and in markets where we have people usually working on premise with clients. So, in the COVID era, I would say, the first 2 streams are not really affected because those activities continue to happen. They're happening from our facilities, both in Europe and in the U.S. It's the third work stream that has been

affected because, obviously, if a consultant is working remotely, your client doesn't care a lot if he's working across the street or whether he's working from India as long as they're in the same time zone. So, I would say there will be some compression that has happened because of the reduction in that third component of onshore work. But I don't see onshore becoming, for example, 15% of revenues from the current 25%. Because that third world stream itself is not more than 7%, 8% of total revenues. But Rohitash, please keep me honest on the numbers?

Rohitash Gupta:

Yes, PD, you're absolutely right.

Diwakar Pingle:

The next question comes from the line of Manik Taneja from JM Financial.

Manik Taneja:

PD, once again, going back to your comment that you mentioned that customers are now much more open to offshoring. Do we see that essentially driving move towards skill-based pricing in our business, independent of the location from a longer-term perspective?

PD Mundhra:

Manik, that's a tough one. If I understand what you're trying to say. I would say there is already a degree of skill-based pricing. So for example, somebody doing high end analytics modeling will be charged out at a different price point than somebody doing customer care work on chat or on voice. But for that same skill, there will still be a difference in price point across geographies. And I don't think that's going away because at the end of the day, we live in a very competitive world, and we can't charge U.S. rates for example, for people out of India. So there will always be that geographical difference. But within the same geography, obviously, there is a hearing of rate cards by skill set.

Diwakar Pingle:

We have a follow-on from the line of Sandeep Shah from Equirus.

Sandeep Shah:

Thanks for a good explanation on the roll-off. You said it falls into 2 buckets, and I do agree, making any quantification on the first bucket is very difficult. But any quantification you can put in terms of a second bucket where natural roll off happens, what percentage of your revenue could be exposed to that risk? And what pace generally each year that leads to any leakage in that bucket as a whole?

Rohitash Gupta:

The roll offs, as we mentioned in the opening remarks have been lower in Q3. If you go little back in the history of last year and probably year prior to that, our new sales were almost equal to the roll-offs, which were happening and that's why the net growth was not showing up in those periods. And the amount used to be in the prior year's somewhere around \$40 million to \$50 million of new sales and

roll-offs of all buckets put together. As I mentioned, barring Q1 impact, which was due to a variety of factors, including supply side challenges, if you look at Q3, we are at much lower roll off run rate than the numbers that I told you for the prior year. At the same time, we have seen some bit of increase in the short-term projects during the last 1 or 2 quarters, which means that the natural roll off because of the short-term nature of project will be slightly elevated in the next 1 or 2 quarters. But having said that, all put together, the trend has been positive in Q3 versus the prior years for the roll offs.

Sandeep Shah:

So Rohitash, within that \$40 million to \$50 million, what could be revenue in the second bucket, which are not the events related to corporate events at the client side as a whole?

Rohitash Gupta:

So it would be probably 2/3rd of that. I'm talking about last 3, 4 years put together.

Sandeep Shah:

Okay. And just last question. In terms of coming quarter, Personiv would we consolidate it for the full quarter. So Rohitash, you foresee any headwind on the margin as a whole in the coming quarter as a whole?

Rohitash Gupta:

I think we discussed little bit of that in the last call related to the acquisition. So overall margin for Personiv is lower than where eClerx is at today. So to that extent, the percentage metrics will decrease a little bit when we consolidate the full quarter number.

Diwakar Pingle:

The next question is from the line of Sandip Agarwal from Edelweiss.

Sandip Kumar:

Congrats on an excellent quarter. PD, I have a little long-termish question. So just wanted to know, if you see your business from next 3-year perspective, what is your sense, in each of these spaces what do you really see as a challenge? For instance, if we have to take the customer side of the piece or the digital side of the piece or the traditional banking and compliance side. What do you think are things made a kind of worst is behind for all these businesses? Or you think it is too speculative at this juncture to call it out?

Secondly, if the worst is still not behind, what do you see as a possible risk, which can derail this recovery? And if your answer is that, yes, the worst behind, do you see acceleration? Or you see that in a stable state situation like what we are seeing right now, could be there and some kind of recovery because of the pent up, which has been built up in the last few quarters couldn't be there. So, I'm not asking for any quantitative numbers here, but I'm just trying to understand the qualitative aspect of the demand environment.

PD Mundhra:

Sandeep, I think you're asking million-dollar questions, and I wish I had definitive answers to all of your questions. We'd all love to add that outlook. I will just say the following –

I think a lot of our struggles in the last 3, 4 years were contributed by the client-specific events you've talked about couple of times over the call today. And I have no way of knowing whether such events will occur or not occur in the next 2, 3 years. If you are an optimistic person, and you see the glass is half full, and you think that those events were sort of more isolated, and they either don't occur or occur at lower frequencies going forward. Then I would say the future is probably better than the past, because on the gross sales front, we've had a pretty steady run rate over the last 3, 4 years. And even today, the pipeline is at least as strong as it was 12 months ago.

So I would say our ability to predict gross sales is much better than our ability to predict roll-offs. So ultimately, your view on whether the worst is behind us and whether the future is better than the past comes on to your level of confidence that those chunky roll-off events won't happen. And those are not probabilistic outcomes that you can model, right, because they are very chunky events that happen at single client. So hard for me to say. But I think for us as a business, the important thing is to continue to try and create new services so that we can remain relevant to clients, and we can maintain the gross sales momentum. And at least internally, our feeling is that if you can keep doing that, if you can keep staying relevant with clients, if you can keep inventing new services, on balance will have good outcomes over the medium term. So that's what our endeavor is.

Sandip Kumar:

So, PD, I'm not wrong in asking a million-dollar question to a multimillionaire, jokes apart. But let me rephrase my question because I'm not getting the answer. My question, and I'm again not asking any quantitative aspect out of it. What I'm trying to understand, if I rephrase the question, is that you are on the ground, you meet the clients on a daily basis, you know their needs and you know our capabilities. So based on that, the kind of disruption, which we have seen in the traditional the FX fees in the last few quarters, that probably would have bottomed out now. If it has not, then please correct me. And you know that disruptions are not so frequent. They happen at some intervals of at least 2, 3 years, 4 years. And we have gone through a long cycle of disruption. So what is stopping you from giving a confidence that at least the worst of the disruptions are behind. And unless some untoward event happens, we should be now from here on a strong footing. So what is stopping you? Is it our traditional conservative nature? Or is there something more?

PD Mundhra:

I'll let Anjan jump in, in a minute because I know he'll probably have thoughts. All I would say is, Sandip, I think we've learned from experience that our ability to predict the future is also very limited. And we often end up making mistakes, even in our internal forecast, both on the upside and the downside. So I think our endeavor in all of these external interactions is to stay away from giving guidance's and just report what the situation is and report the numbers as they come out. So please don't take my remarks to indicate that the future is either much better or much worse than what we have right now. At this point, as we said, the environment looks stable, it looks good, and we are trying to do whatever we can to capture the upside. But I'll let Anjan jump in and add some more color.

Anjan Malik:

Yes. Sandip, I guess, the color I'd add is, ultimately, there are a couple of adages, right? One is we have to remember ultimately that we're a very small company. And a lot of our fortunes are driven by a few clients, right? So we publicly disclosed our top 10 client contribution renew. And obviously, that's been decreasing over the last couple of years, and it's a focus of us. But ultimately, we have a concentrated bet, one.

Two, ultimately, the technology disruption hits our clients before it hits us. So in many instances, the fortunes of your client get force multiplied on to you. So, if you happen to be supporting a client that's winning in the industry, then you will ultimately have good fortune and you'll grow. And vice versa, if you happen to be supporting a client that ends up getting taken over or end up bankrupt then, guess what, things don't work out so well for you. So, I think there's, I would say, a luck of the draw. But yes, our clients' business are being constantly disruptive. I wouldn't say that, that happens every 2 or 3 years. I think they feel that pressure literally all the time. So what I would say is that, at the moment, if you were to look at our pool of portfolio of clients, we feel broadly comfortable that I'd say that we feel that our portfolio of clients are well positioned for growth, and we feel well positioned to grow with them. It doesn't mean that things can't change that we don't see because, obviously, we don't fully understand our client businesses. We don't have that much visibility. So I think a lot of it is dependent on what our clients end up doing.

Sandip Kumar:

Okay. And 1 small – half-half question from PD and Rohitash. So PD, whatever experience we have now with Personiv, what is your sense that a large part of the pandemic-led pain is behind for them and from this quarter, we will see some rebound and things are stabilizing? Or you think that, will be a little delayed in terms of recovery? And other half of the question to Rohitash. Rohitash, how do you see our margins, again, no quantitative numbers, no direction, nothing? I'm just asking whether we are seeing any big cost jumps to come in next few quarters? Or you think as of now, things don't look like that?

PD Mundhra:

On the Personiv front, Sandip, I would say, their business had actually been quite resilient as well over this COVID period. Like the rest of the industry and indeed, like us, they suffered a dip in Q1 and Q2 of this year, but it has been recovering since then. And I think basically, now they are back to the pre-COVID levels in terms of revenue. So from that perspective, I would say their trajectory is not dissimilar to ours. And at this point, we feel that the partnership is a great partnership. And hopefully, the combined businesses will be stronger than the individual pieces. Rohitash, over to you on margin.

Rohitash Gupta:

On the cost side, at least for Q4 because we are already 1 month down, we don't foresee any exceptional G&A type of cost to come in. So, it will be pretty stable cost environment from that perspective between Q3 and Q4. The only exceptional charge we already alluded to in our acquisition-related call is about acquisition accounting, which we will determine towards the end of the Q4, and that will be reported, but it will be part of kind of Personiv margin numbers as I alluded to earlier.

Diwakar Pingle:

The next question is from the line of Seema Naik.

Seema Naik:

Just wanted to know like how much of this quarter's revenue have come from Personiv? And how much do you expect to flow through in the next quarter?

PD Mundhra:

I think for this quarter, we've already disclosed a specific number in the earnings presentation. It was about \$550,000, give or take, the precise number is in the deck. In terms of next quarter, we'll see, but I think the expectation is somewhere in the high 20s in terms of million dollar run rate annualized.

Diwakar Pingle:

We have a follow-on from the line of V.P. Rajesh from Banyan Capital.

V.P. Rajesh:

Rohitash, given that we are accruing more in the sales S&D bucket, should we conclude that you are winning more new business, and that's why you have to accrue bonuses?

Rohitash Gupta:

So VP, it depends on how the metrics and performance targets were set for the year. Please note that this is a very special year, and that's why the formula was also not very straightforward for the performance targets. So, what we have done in Q3 is that, we have tried up for the entire 9 months, given the good Q3 numbers. And that catch-up effect has come in Q3. Q4 we have to see how the performance turns out because, obviously, there is a higher weightage to how we end the year for the payouts.

V.P. Rajesh:

I see. Okay. And my other question is that the cash has come down in this quarter. so if you can just comment on that. I think last quarter, you were closer to Rs 700 crore, if I remember correctly.

Rohitash Gupta:

Yes. So, if you add the cash that we reported and add, give or take, \$34 million that we paid out for acquisition and accruals that we do every quarter, it adds up, basically. there is no surprise there.

Diwakar Pingle:

We have a follow-on from the line of Manik Taneja from JM Financial.

Manik Taneja:

I joined the call late, but if you could help us understand what's your outlook across the 3 business segments over 18 to 24 months timeframe? And which are the areas which are growing faster than the rest?

Anjan Malik:

It's been pretty stable. I would say that over the business, I think, because of the nature of the work we do, for example in markets, it's been a pretty stable book throughout the COVID period. We have seen a little bit of growth, but it's been, what I would more stable than anything else. The other 2 businesses took a little bit more of a hit in the early part of the year, but they've come back with a lot of vengeance. And we see a tremendous amount of interest in analytics and our marketing automation capabilities, and interestingly, in our customer service space, we've seen a tremendous amount of demand both in chat and in voice and also inside of the field operation services. And I think 1 broad backdrop, that we noticed that shut I think the industry in general is that, a lot of folks that they have been wired about India as a destination were pleasantly surprised and we've actually seen interest people looking to relocate services and places like the Philippines to India, which definitely has provided tailwind to the business.

Diwakar Pingle:

We have follow-on from the line of Sandeep Shah from Equirus.

Sandeep Shah:

Just the question is on the cable and wireless. Looking at across the world, OTT channels are peaking significant traction. Do you believe there could be a risk in terms of our cable and wireless business? Or you believe we are also actively involved with the OTT players as a whole and this could be an opportunity rather than a threat.

PD Mundhra:

So maybe I can jump in here. I think, basically, all the telcos have converted themselves into broadband companies, right, whether it's in India or in the U.S. for that matter. And they're effectively providing the channel over which those OTT services are ultimately provided. So, their business is quite stable because it's become like a mandatory utility type business. In that sense, we feel comfortable. And we are also supporting their OTT plays and other third-party OTT plays. So in that sense, I would say, we don't see a huge risk from that trend.

Diwakar Pingle:

We have follow-on from the line of Sandip Agrawal from Edelweiss.

Sandip Kumar:

The last question which I wanted to ask to Rohitash, what do you think the way to look at our amortization for Personiv over the next 2 or 3 years? What do you think what kind of percentage we'll

have to take a charge on? Or you don't want to disclose that number. That is part one. And part two, after paying off for Personiv and the cash balance, the healthy cash flow, which we are generating, are more inclination towards distributing this money or more inclination towards adding more capabilities in the form of smaller acquisition.

Rohitash Gupta:

Thanks, Sandip. I think both the questions are somewhat separate because as far as capital allocation approach is concerned, I don't see any material difference to that because of Personiv, what it has been in the last few years. On your first question, as I just alluded, we will do the purchase price accounting towards end of Q4, ourselves, and that's when the picture will become clear.

Diwakar Pingle:

That was the last question for today. At this point, I'd like to hand over the call back to PD for closing comments.

PD Mundhra:

Thank you, everybody for making the time to join our call this evening, this morning, and we look forward to speaking to you with our Q4 results in a quarter's time. Thank you.

Diwakar Pingle:

Thank you, everyone, and have a good evening.