

## ALLSEC EARNINGS CALL Q1 FY2019

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### TRANSCRIPTION OF THE AUDIO CONFERENCE THAT WAS HELD FOR THE INVESTORS ON 10-AUGUST-2018 AT 15:00 HOURS IST

#### Operator:

Good afternoon. Thank you for joining the Quarter I Earnings call of Allsec Technologies Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions, after the presentation concludes. Please note that this conference is being recorded. We are joined by our CEO Mr. Jagadish and CFO Mr. Raghunath. We will start the call with some remarks from Mr. Jagadish on the recently concluded quarter, subsequent to which we will open the call for questions.

Please note that anything which we say, which refers to our outlook for the future, is a forward-looking statement, which must be read in conjunction with the risks that the company faces.

I now hand the conference over to Mr. Jagadish, our CEO. Thank you, and over to you, sir.

#### Jagadish (CEO)'s Speech:

Good afternoon to everyone on the call.

I am pleased to welcome you all to our earnings call for Quarter 1 FY 2019. The quarter gone by witnessed robust growth in two of our key geographies namely India and Manila, while US continued to have lower volumes in the AML segment which has resulted in lower PBT during the year. I will discuss each of the businesses separately.

The Customer Lifecycle Management continued to perform well with a growth of 6% quarter on quarter and 21% year on year. The growth is driven both from Manila, which continues to perform well and the domestic business in India which is improving steadily both in volumes and margins. The India international business remained at similar levels. We have seen that the sentiment is positive for CLM business in the voice sector to move to Manila as there is a natural synergy and the business opportunities in the domestic CLM space in India has been very encouraging. We believe that this business will continue to have the current levels of growth.

The HRO business had a growth of 11% on year on year basis and down 7% compared to previous quarter, which is attributable to the seasonal volume fluctuations in this business. The growth has been slightly below our expectations primarily on account of delays in few of the customer engagements we are currently working on and we believe that this segment will continue to have similar growth levels like previous years, if not better. We are payroll ready in 40 countries and support customers in more than 35. The international market is an area that can help this vertical grow faster while also improving our margins.

The AML business which shrunk in Q4 of 2018 continues to operate at the same levels and this is an area the management is working hard to try and add additional customers and bring back the volumes and revenue. As we have disclosed in our Annual report, a class action suit has been filed by some contractors claiming for overtime, which we settled in the last year. There has been a spill over of this cost during the quarter in terms of additional settlement and legal expenses which has impacted this segment's profitability during the current quarter.

At a consolidated level, our PAT for the quarter is impacted on account of drop in volumes in the AML business which the management is working on to improve, and also the effect of full tax in India during the current year while we had MAT and deferred tax credit in the previous year.

To conclude, we are in a good space with our CLM and HRO business both improving in their revenues while AML is an area that we need to improve volumes. I thank you for joining the call, we look forward to talking to you in the coming quarters as well.

With these I pass on to Raghu to take us through the numbers.

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## Raghunath (CFO)'s Speech:

### PERFORMANCE SUMMARY- CONSOL:

#### Revenue:

The consolidated revenue for the first quarter of FY 18-19 stood at INR 63 crores.

Comparing this with the quarter ended March 2018, the growth has remained flat. The CLM segment has shown a growth of 6% which is offset by the drop of 7% in HRO segment primarily due to the seasonal nature. AML growth has remained flat.

Comparing this with the corresponding quarter ended June 2017, there has been a reduction in growth of around 25% which is mainly due to drop in volumes of AML segment. AML revenue declined by 72% but this decline is partially offset by increase in CLM & HRO segment.

#### EBITDA:

The Earnings before Interest, Tax and depreciation (EBITDA) for the current quarter is INR 11.8 crores which is 18% of revenue.

Comparing this with the quarter ended March 2018, the EBITDA was INR 13.2 crores which is 21% of revenue. EBITDA has dropped 11% mainly due to drop in other income.

EBITDA for the corresponding quarter ended June 2017 was INR 18.3 crores which is 21% of revenue. EBITDA has dropped by 36% which is in line with the fall in revenue (predominantly AML).

#### Profit after tax (PAT):

Profit after tax for the current quarter is INR 8.1 crores which is 13% of revenue.

Comparing this with quarter ended Mar 18, PAT was 12.3 crores which is 19% of revenue and there has been a drop of 34%. This is mainly on account of Allsec India moving into normal tax from MAT and deferred tax credit during last financial year. Another reason is fall in other income.

PAT for quarter ended June 17 is 15.1 crores and there has been a comparative drop of 46%. This is again due to the same reason of company moving **into normal tax from MAT** and deferred tax credit during last financial year and fall in AML revenue.

The floor is now open for questions. Please state your name and institution before the questions. Thank you.

## Question & Answer Session

**CEO:** Is it possible to quickly have the list of people who are on the call. If you can call out.

**Q1:** Sir, can you give us the guidance for FY19, How would be the top line as well as the bottom-line?

**CEO:** We do not give guidance from an overall business perspective, but we can say confidently that in the CLM and HRO space, we are seeing steady growth like over the years. We are steadily seeing the growth. I guess we will be at the same growth rate we are in today with the same trend. And in AML we are at the moment seeing a flat revenue and profitability and we will continue to see this.

**Q1:** Any new investments have been made at your side? in any new areas?

**CEO:** No we still have not made any investment. We are looking to make some investment in an inorganic way and as I mentioned earlier, the intention is to do some investment in the AML space or the HRO space primarily in the US.

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**Q1:** All right. Are you looking for any acquisitions, right? In the inorganic growth you were speaking about...and AML is completely down in this quarter and how are you planning to increase that?

**CEO:** We are looking to add new clients and also volume with the existing client. We are looking for opportunities to grow in the AML space.

**Q1:** Okay, fair enough. I recently came across an article where it was stated that the Carlyle group which was planning to merge some recent investments with Allsec. Do you want to comment anything on that?

**CEO:** I don't think there is any truth in that news. Carlyle has made various investments and I don't think they are anyway connected to Allsec.

**Q1:** Okay, okay

**Q1:** And do you have any domestic plans?

**CEO:** We do have a lot of domestic plans - both in the HRO space and CLM space.

**Q1:** thank you so much. All the best for the future, sir

**Q2:** I just wanted to understand the AML side of business. The numbers are down. We understand that. What is the reason behind that? Is it because the contract getting revoked or basically so what's the issue, what's the reason behind it? Is there any issues that the Client has raised from their end and we haven't been able to provide that service? Is the business on or the contract has not been renewed? What is the reason behind it?

**CEO:** The contract is still there. We were doing two kinds of business in AML. One was the backlog and the other was the BAU (Business as Usual) work, which is the current work. The backlog work got completed. So the volumes have come down. Today we do some volume in the BAU queue. And we are looking to see how we can add to that volume. These will be regular volumes for us.

**Q2:** Understood. Secondly, I was going through the annual report and in one of the tables it is mentioned that the capacity across the three regions that we are operating has gone down from 300 seats to 200 seats. Is it a call that we have taken or is it the need of the hour, because of which the volumes dropped, why there is a drop in capacity and what it could mean to the investor community.

**CEO:** No...There is no dearth of capacity and capacity is created as and when there is a need, which really comes. And there is no point in keeping capacity which is lying idle. Rationalising of capacity for a process so our costs are aligned to what we do and so capacity is not a big factor and we can create capacity in less than two three months today. Our technologies are much easier to set up to get aligned and to move forward. And I don't think there is a need for us to worry about the capacity not being available.

**Q2:** Okay...Sir, the reason why I am concerned about is that in the past we had raised this issue. The mortgage business went down you had to lay off people in the US and again in the US it is an expensive thing to do. Do you see any risk of that?

**CEO:** No, we don't. We are conscious of this. We kind of aligned our resources based on the contract that is available

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**Q2:** So if I get it right, you really saw the reduction in AML business hasn't caught us unaware and we have already planned our resources and business in accordance with that. Is that a fair understanding sir?

**CEO:** Yes, because the resources we have in AML space are all primarily people, all basically contractors who are completely linear to the business available. We are able to bring them up and down based on the contracts which are in hand. So we don't have long term contracts with or pay severance and all of that. That is how we have kind of structured the contract. So it is more in line with how we structured the contract than you know anticipating any volume which varies at any point. Any way we structure it the same way we get the contract.

**Q2:** Understood. Basically now the current situation in hand in 2- quarters we have slowed down. 11-12 crores of revenue in AML front. In both these quarters we are either being on the fence in terms of profitability or loss. In last quarter it was 1.5 crores profit and this year similar amount of loss. So from an investor point of view how should I read into this number?

Going forward if we don't add any client, is this loss from AML business going to continue? Or what the future lies for AML business in your thinking?

**CEO:** Unfortunately the BPO business is something where there is a fixed cost element which is there as part of any Operation. We still have to have your sales team, infrastructure, offices and all of that. There is a fixed cost in there. When volumes come down there is always this cost which is there as a fixed cost. Once the volumes go up, these are more than compensated for. So it is a question of when you get the volume increase that is more than compensated for.

**Q2:** Understood. If we come to the CLM side of the business, i would just go into the past 7 -8 quarters of Sales and Operating Profits. So i think the sales, have been in the range of 25-35 odd crores. But margins on that time period have fluctuated from 0 to as high as 18% and the fluctuations has been as high as one quarter being as high as 18% next quarter being flat 0% and then going back to 13 – 15%. Why this huge chunk of volatility given the as you explained in the details you gave? Operational leverage from the volume shift. How should I assume from a CLM point of view?

**CEO:** Can you repeat this? Where did you see this kind of volatility?

**Q2:** Ok so CLM business, I was just looking into the last 7-8 quarters of numbers.

**CEO:** The fluctuation is basically is because, if you look at place like Manila, there is a significant dip and significant growth in Manila. So as we said again, fixed cost is always constant. So when the volumes go up, the opportunity to grow the margin is significant.

If you look at consolidated revenue, CLM is a consolidation of Manila, India domestic and India international or India Off shore. So a mix of these will give you differing profitability. So if you look at a CLM which is a consolidated revenue, then for about the same level these bring different profitability because of the mix.

**Q2:** Ok.

**CEO:** If you look at Quarterly numbers. Presentations are available. Which gives you individual revenue in India, in domestic space, international space and Manila. If you do that break up then you can see the mix which makes the difference in terms of profitability.

**Q2:** Ok. It should. On the HRO front as you explained there is some bit of seasonality when it comes to year end. Can you throw more light on this on the nature of this seasonality?

**CEO:** Seasonality is basically because of the year end work. Taxation and all of that which we do in India. It amounts to like an additional month for us in March for some of the clients. Additional revenue possibility in March. So that is it actually.

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**Q2:** How do we charge the client on this?

**CEO:** All our client billing are per employee per month. And in terms of additional year end work, there can be additional cost which we charge the client, this is one time every year.

**Q2:** Ok. Last question I have for AML business is there any internal target or deadline in your mind that you will give this business a time till this period. If it does not come up, you might think of moving onto something else? Something as backup or contingency plan?

**CEO:** I don't think we need to do that. This is still a business which we are continuing to offer. We believe that we don't need to make the decision.

**Q2:** Fair enough Thanks for your time sir.

**Q3:** I have a question regarding the AML business. Are we looking at any new clients in the near future?

**CEO:** We are talking to quite a few numbers of clients in US and we are hopeful that we will have few a few new client additions in the coming quarters.

**Q3:** Ok. Thank you.

Hello Yes. Am I audible?

**CEO:** Yes. You are.

**Q4:** I am individual investor. First of all good afternoon. I have question. Why your employees cost has gone up in this quarter?

**CEO:** It is because of the volumes. Which have gone up in this quarter. If you look at

**CEO:** The revenue and the cost is all linear. So most of the employee cost and revenue are in India. If you see same levels have increased both in revenue and cost and for Different business it is different. For example, for the HRO business, it is not as linear as it is for the CLM business.

**Q4:** for HRO business it is not as linear as the CLM?

**CEO:** Yeah

**Q4:** so because of the increase in the CLM business.

A: Correct

**Q4:** In the notes, there are some payout of cash of around 96 lakhs because of some loses.

A: Correct.

**Q4:** Can you throw some light on that?

A: See basically last three years in US we have they had all these contractors who work for us in AML space and there was a claim by some of the contractors. There has been a claim by contractors who are saying they are quasi employees and need to be paid overtime which is not being paid for the last two-three years. So there is been a case which came up and we decided to do some settlement with the contractors because even though we have a very strong case, the litigation process are very expensive in US and is probably even for us to do a settlement rather than to go through a full blown litigation in US and we have given information in our annual report. If you can look at page 124 of Annual Report there is a note which will give you more details of the uh of the case which is there. So maybe you can take a look at that.

**Q4:** I will do that. I see there is no other case.

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**Q5:** Sir one question I have on the audited books we have. Around 66 crores of cash and then some 70... 73 odd crores as investment, is there any plan of utilizing of these funds.

**CEO:** We are looking to do some inorganic growth. We still don't have an identified target yet but our preferred area for growth is either the either the AML space or the HRO space in US. It will be a new opportunity for us. So we are looking at different options and primarily this money will be used to make an inorganic growth and hopefully it will be an EPS accretive growth.

**Q5:** Understood. Can you just explain what exactly what the AML business from whatever I have understood so far is something to deal with second line of check that we do for our clients in terms of some regulatory files. Could you say explain some details of it so that we have some better understanding of this business and how you charge the clients and same on the HRO business and how do you charge them and on the AML business.

**CEO:** AML business is basically the investigation work which we do for uh on behalf of large banks and so this is basically lot of lot of knowledge based work which we do. For banks primarily in the compliance in the anti-money laundering space. And the charge is per employee hour

**Q5:** Ok how many clients we have in AML category?

**CEO:** AML category, we have a client concentration. Today we have only a single client.

**Q5:** ok how long this client is with you. How long this situation is been?

**CEO:** This AML client. We have been working for them for the last four years.

**Q5:** OK. And it's an annual contract?

**CEO:** Yes. It is.

**Q5:** actually if we are signing a contract, what's the kind of contract in place? We are given a particular amount of volume that we are actually deliver or it will be just a contract signing with volumes decided later?

**CEO:** Normally we have the contract done and we have the individual statement of work which will give the number of files need to do and all of that we have to do.

**Q5:** How has been the growth of Manila subsidiary been?

**CEO:** We have been doing extremely well. And Last year we grew somewhere around 70 - 75 percent year on year growth which has been extraordinary and will not happen in back to back years and still we had a decent 13, 15 percent growth which happened last quarter.

**Q5:** Understood. HRO business concern it's as it is something that is non-core to the company offering services. Basically is this a sticky kind of business like once you get in to a client and you manage their HRO operations and you don't get out of that contract very easily I think it involve a lot of changes is it a sticky kind of a business?

**CEO:** It is a sticky business and it is the core offering for us. It is not a non-core thing for us.

**Q5:** For the client. I mean for the client.

**CEO:** For the client. Yes. True. And again even though it is non-core, it is very important for the client because it actually affect the employees so something where they have lot of emphasis on what they do for an employee but it is been working well for us. We have been in this business for the last 14 plus years and I have had most of the clients stayed on once on-boarded primarily because of the quality of work which we do more than it being difficult to transition. You know we do transition for new clients coming in we are able to transition in less than two three months' time. So it is not just transition its more of the value which we add and for the quality which made our clients stay on with us.

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**Q5:** Understood so what you say is this the nature of the HRO business work in terms of retaining the client we have. This might again work against when you get a new client switching from an existing provider to you will be difficult.

**CEO:** That's exactly what I said. It is not difficult to do transition. We can do transition in two three months so it's more because of the value which we offer and we keep upgrading our platform and we hired new technologies and we add new process which we are able to attract new customers. And even customers from competition and a lot companies do work in house and that's something where there is a huge market for us. So there is enough and more opportunities for new clients to get transitioned.

**Q5:** Understood sir. I have one question, so as I mentioned what is the differentiated product that we offer in the HR. Because recently lot of companies have come up in this space.

**CEO:** We are the one of the most preferred vendors in India today and even from a global level. Today we operate for more than 35 countries and we are able to actually offer solutions to large enterprises. The ability to offer a comprehensive platform where they are able to- see payroll is the process where it is dependent on different geographies for compliance. See what we do in India is different from what we do in Manila is different from what is happening in Thailand and what is happening in Middle East so the way our platform is structured is something where we are able to do the payroll for a large company in a single platform and at the same time offer compliance for the local geography. So we are able to actually both manage the local geographical compliance process as well as bring everything in to a common platform which is something attractive for our larger customers.

**Q5:** Ok and you support SAP, Oracle, everything right?

**CEO:** we don't support SAP and Oracle. We actually have an integration tool with which any of those larger ERP systems. So we are able to integrate into SAP, Peoplesoft, and any of those larger systems and able to provide these services seamlessly across. So it is not that we support them we are able to integrate and offer the services seamlessly.

**Q5:** OK, another question I have in HR business is that so say around 5-6 percent growth year on year. Going forward what can be the growth we can expect in the HR business.

**CEO:** So this year has been little low in terms of growth, we have grown like 11-12 percent year on year in this quarter but normally we have been able to achieve something like 30 percent growth year on year and see there are some contract which have signed on but not been implemented fully so it got delayed little bit but over the period we will be able to make the 25-30 percent growth year on year in the HRO space.

**Q5:** This would be like how many quarters from now or like two three quarters from now or we can have it in the next quarter itself?

**CEO:** Like I said, we keep trickling. These are all Monthly revenues so it will keep trickling, either you know, part this quarter part next quarter and all that. We will keep growing regularly in the HRO space and over the last four five years our experience, we have been growing about 20- 25%, year on year growth.

**Q5:** Ok Sir. Thanks a lot. Last question from my side would be, so you mentioned that, you were with, I think, a client in the AML business, for around 4 years, from the time; .Almost 50% of the AML business revenue might be moved.

**CEO:** Yes

**Q5:** So, we know you were with them for four years and we saw that we have the client concentration risk. So why didn't, like, why weren't the efforts made at that time, like, from the last four years to have a plan for removing from the client concentration risk.

If we were not able to do it in the last four years; how will we do it in the next one year or so.

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**CEO:** No. We have been very conscious about this and we have started making efforts and after the first two years was kind of very initial period, after that we have started doing business development and started talking to different customers, and you know, whatever we are talking today is not because we started now but because we started year, year and a half back.

**Q5:** Okay. So, if I just wanted to know that why did this client, after four years of relationship, didn't want to renew the contract. Has it gone to a competitor?

**CEO:** No. Client, continues to be a client. There is no question of not renewing the contract. Its just that the volumes, for them, have come down.

**Q5:** Okay But in the Annual Report it's mentioned that the client due to provide significant Business is not there with the company any more. If that's what mentioned in the Annual report.

**CEO:** No. That's not True.

**Q5:** I might be wrong then. I might be wrong.

**CEO:** 100% because that's not true. We continue to have them as a client. Its more a question of reduction of volumes.

**Q5:** Okay. Why is there a reduction in the volume Sir. Has it been because of the kind of compliance you are into, like, the government bringing down the number compliance required or is it some different issue.

**CEO:** No. it is not about, as I said, we were doing two different lines of Business for them. One was doing Backlog work and the other was the current work. Backlog work kind of got over so we are trying to see if we can add more on the current volume. We are talking to them on that but the reason for the dip is Backlog volume has come down completely.

**Q5:** Okay. Thanks a lot Sir. Thanks a lot

**Q5:** Sir, just to add to that last part sir, to that question- now that you are saying backlog business is over so do we hope to bring down the cost also in line to what the volumes have come down, in terms of the from whatever volumes we have.

**CEO:** That's what I said the cost has already come down. There is no question of additional cost the reason why it is almost breakeven. If you remove the legal cost which we have mentioned separately, you remove that, then we are almost close to breakeven and that will continue because whatever margins we get on this volumes it gets eaten by the fixed cost which we have. Because of the lower volumes, the fixed cost kind of come up significantly and kind of come to almost breakeven level. So, this is the cost which is optimal and so what we do now is not reduce cost and but only keep increasing the volumes.

**Q5:** Excuse me Sir, this is follow up question on the similar lines. For AML business, whatever the current volume... will this be maintained for the next few quarter?

**CEO:** Yes... We expect the current volume to be maintained.

**Q5:** Okay. Thank you so much for that and we have been trying to add another customer for AML for the last past few years.

**CEO:** We are talking to different people and hopefully we should see a client addition soon.

**Q5:** Sir, my question is, whether or not the current client got enough value from our services, for AML operations. My question comes from the point where for the first two years, we have been trying to add or look for another customer. I am basing that you were aware that the contract is getting over, right, in two years' time. So I'm pretty clear that you would have tried



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adding the customers to maintain the cost, are kind of utilized correctly, like, so just wanted to get some colour on that.

**CEO:** You know, we have been talking to different customer on this for client addition. So, typically these are large clients and so we expect this to take a longer time but we have been talking to them and hopefully we will have an addition soon.

**Q5:** Sure. Thank you so much Sir. Coming back to HRO business, this is a business where there are chances of operating leverage, right, because, I think you offer a flat rate where cost may be stable whereas more of volume add lot of revenue and profit right

My question was that, was the product not developed is my first question

**CEO:** Yes. All of these are our own in-house platform, developed by us

**Q5:** Where do you see the growth area of our products in HRBPO? Is it in India or US or any other Asian countries where you see that it will be most value add?

**CEO:** See, in India, we are already fairly large. We are number two in terms of volume in the space and number one in terms of preferred partner in this space. So, from that perspective, we have seen significant success in India and today, we are in 35 countries, primarily in Asian countries, Middle East and Africa. We have grown in the last one and a half years- 18 months we have grown to a lot more Geographies. We probably, were at about 7 – 8 till 18 months back and in the last 18 months we have seen lot of actions where have gone into 30-35 countries and we see lot of opportunities in each of these countries where they are today, it's probably one or two customers we have in these countries and as we go on, we could see lot more opportunities coming from these regions and obviously, you know, US and UK are big markets and we are ready to enter those markets to see how best to do that and that's an area again, which is an area of opportunity for us.

**Q5:** Sure. HRO offering contract is something company deeply cares about and my question on that was where do you see most of the growth coming from, as in, what is your target audience when it comes to Non-India Operations for HRO. Do we look for Small Businesses or are you also competing with big players in market places like US?

**CEO:** Typically the clients for this are medium to large size clients. If you take India as a country, we will typically look for any organization which has say 1500+employees or companies with complications where they have complicated Time &Attendance, complicated components model or something like that, so where we can come up with solutions for them. But typically the sweet spot will be for 1500-2000 employees and above...

**Q6:** I have a question. On the HRO you mentioned that you were in about 7-8 countries about 18 months back. And now you are in 35 countries.

**CEO:** Yes

**Q6:** But we have not seen the impact of that scale up in revenues at all. Because I believe you know the revenues have grown up by only 30 odd %. So I am curious.

**CEO:** So I mentioned also saying all of these countries we will have either a single customer or one or two customers in each of these countries. So we were still small. But the opportunities for us to grow on each of these geographies are there. That's what I mentioned. So it's more the geographic spread we have. Yes it's not reflected in significant customer revenue growth yet. But we will see those happening in the years to come.

**Q6:** Ok. So just a quick follow up question on that. What's the life of these new customers that are there in the set of 30 odd new countries, you know the average, have these new customers with you with Allsec for about six months or about a year?

**CEO:** No, actually you know the growth has happened. Because actually we have three large customers with us who has taken us into other geographies. So all of these customers have

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been with us as a customer for more than 7-8 years. But they have asked us to grow into other geographies where they have operations. So it is more the customers have taken us into other geographies. So as a customer each of these, these are single customers who actually allow us to operate in so many other geographies. But you know but these are customers who have been with us for long time. So you can't really you know say these are customers who have been with us for 6 months-a year.

Investor: Ok. So these are existing customers. Should not the ramp up have been a little bit faster? You know it is not a new customer so to speak. But these are new geographies with an existing customer. Should not the ramp ups be faster?

**CEO:** No the ramp up happens based on their own staff strength right.

**Q6:** Ok.. So That's the point.

**CEO:** This is more an opportunity for us to start working in newer geographies which opens up a lot more target clients for us.

**Q6:** Ok. Ok.

**CEO:** That's where the opportunities for us to grow into new geographies and new clients excites us.

**Q6:** The reason I am questioning on this is one, is that we see a business opportunity and lets go after these countries. Say we will invest 2 years or 2-3 years in product development and everything and the other is your existing client take you to all these countries. I am not sure do you see a similar market over there? Or is it like we are already there and we might get more customers?

**CEO:** See this growth, there can be markets in those geographies.as well as you will attract a lot more multinationals who are operating in multiple countries to come to us, because we offer them a choice of global platform with local compliance which is not offered by many providers. This is a unique positioning which we have.

**Q6:** Ok. Thank you.

**Q7:** I have a follow up on this. What is the plan for any CLM and HRO business? Top 10 or Top 5 plan? How much is the concentration risk?

**CEO:** In the CLM business, we are fairly diversified. In the CLM space, we will have our largest customers may be like 20-25% and in HRO space, our largest customer will be about 25% again. So it is completely widespread. In the CLM space we have more than 15+customers and in HRO space we have 200+customers.

**Q7:** Ok.

And my last question is, am I right in assuming that our competition in HRO space is some of the companies that I read is like ADP?

**CEO:** ADP is definitely a direct competitor to us in India & Asia.

**Q7:** Ok. How do we compare regions? as in terms of cost? Is cost our main advantage when it comes to someone like ADP?

**CEO:** I think it's more than the cost. It's more the offering and the platform and technology capability and all of that. So I think we have been fairly successful against ADP and lot of others. We are today, the number 2 in India in terms of volume and definitely number 1 in terms of preferred vendor. So we believe that we are in prime position to take advantage of those opportunities

**Q7:** That was my last question. Thanks

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**CEO:** Very good. If there are no further questions thank you very much for all this participation.

**Q8:** Last question. First, I just wanted to know what would be your bandwidth be for AML business? How many clients can you handle effectively at a time?

**CEO:** I don't think we have a problem on bandwidth. We will be able to handle multiple clients. And we believe that's not a problem.

**Q8:** Secondly sir, regarding the legal case you had in US, regarding over time has there been something on your side to ensure that this does not happen in future?

**CEO:** Definitely. It is not something that we did anything wrong. It is more a question of loop hole which people have taken advantage of. So we are trying to close that loop hole.

**Q8:** Ok thirdly, Are there any other verticals that you are looking at? Healthcare is something which is mentioned on your website.

**CEO:** Yes. We still have mortgage as an area where we are still working on. Healthcare is still an area where we are working with a few clients. From a CLM perspective we are adding more verticals as well. That's something which we work continuously.

**Q8:** Ok. Fine. Thanks a lot.

**CEO:** All right. Very good. Thank you very much. With this we conclude our earnings call. Hopefully we talk to you again in the next quarter. Please get back to us if you need any more information.

Thank you.

With this we conclude our earnings call for the quarter. Thank you for your participation.