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# "Datamatics Global Services Limited Q4 FY2022 Earnings Conference Call"

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| **MANAGEMENT:** | **MR. RAHUL KANODIA - VICE CHAIRMAN & CEO - DATAMATICS GLOBAL SERVICES LIMITED**<br>**MR. SANDEEP MANTRI - CHIEF FINANCIAL OFFICER - DATAMATICS GLOBAL SERVICES LIMITED**<br>**MR. MITUL MEHTA - SENIOR VICE PRESIDENT & HEAD MARKETING & COMMUNICATION - DATAMATICS GLOBAL SERVICES LIMITED** |
| **MODERATOR:** | **MS. ASHA GUPTA – EY LLP, INVESTOR RELATIONS PRACTICE** |

**Moderator**: Ladies and gentlemen good day and welcome to the Datamatics Global Services Limited Q4 FY2022 earnings conference call. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*"then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Asha Gupta from EY Investor Relations. Thank you and over to you Madam!

**Asha Gupta**: Thank you Faizan. Good afternoon to all participants in the call today. Welcome to the Q4 and Full year FY2022 earnings call of Datamatics Global Services Limited. The results and presentation has been already mailed to you and it is also available on the website www.datamatics.com. In case anyone has not received the copy of press release and presentation please do write to us and we will be happy to send you all.

To take you through the results and to answer your questions we have with us the top management of the company represented by Mr. Rahul Kanodia, Vice Chairman and CEO, Mr. Sandeep Mantri, Chief Financial Officer, Mr. Mitul Mehta, Senior VP and Head Marketing and Communication. Mr. Rahul will start the call with brief overview of the quarter and full year on the business which will then be followed by the financials given by Mr. Sandeep. We will then open the floor for Q&A session.

As usual I would like to remind you that anything that is said on this call which gives any outlook for the future or which can be construed as forward-looking statement must be viewed in conjunction with the risk and uncertainties that we face. This risk and uncertainties are included but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual report which you can find it on our website.

With that said I now hand over the call to Mr. Rahul. Over to you Sir!

**Rahul Kanodia**: Thanks Asha and welcome and thank you all for joining our Q4 FY2022 earnings call.

I am happy with the overall performance of the business during the year. The growth was broad based across the IT as well as BPM segments. We ended the year with a strong EBITDA growth of 57.5% excluding CIGNEX. Despite the supply side challenges and increased hiring costs we could improve our FY2022 EBITDA margins to 16.1%. Our PAT stood at Rs.157.5 Crores, an increase of 120% on a year-on-year basis excluding CIGNEX. We have strengthened the US sales team which has resulted in a strong deal pipeline. As a result, we will continue with the growth momentum in FY2023. In Q1FY23 our margins may drop due to the annual increase in salaries or increments; however, it should be stable during the year. We added 104 new customers during the year and 14 in Q4FY22. In line with the account growth, we continue to showcase our capabilities to our existing customers resulting in several deal wins. The deal momentum continues to remain strong for us. In Q4FY22 we signed new businesses worth $14.5 million, in FY2022 we signed new businesses worth $126 million through the course of the year out of which three large deals were over $15 million to be executed over three to five years plus several other deals totaling about $56 million to be executed over the next one to two years.

I am glad to share with you all that phase one of Mumbai Metro Line 2A and 7 has become operational for which we have implemented the automatic fare collection system. In FY2022 we further cemented our position as a preferred AFC technology provider by winning contracts for the Delhi-Meerut corridor by NCRTC and The Kolkata metro by Rail Vikas Nigam Limited.

Our annualized attrition rate was at 30%; we have ramped up a hiring process and continued to invest in training and upskilling our employees. We added 329 employees during the year taking the total account to 10,744. To fulfill demand and maintain margins we have undertaken several initiatives including stepping up fresher recruitment through campus connects, moving our work to lower cost destinations, enhancing productivity and negotiating price hikes with customers.

Coming to the quarter performance, we reported a revenue growth of 4.2% on a sequential basis and 10.6% on a year-on-year basis and we maintain an EBITDA margin of 16.4%. Our IT revenues which contribute 42% of our revenues grew at 10.4% on a year-on-year basis and the IT EBITDA margin stood at 6.3% for the quarter; however, without considering the investments in products the EBITDA margin stood at 10.9%. We are seeing significant traction in our BPM business which contributed 58% of our revenues for quarter and it grew at 10.7% on a year-on-year basis. The BPM EBITDA margin stood at 23.7%. The growth was aided by new logo acquisitions, expansion of business from existing customers and continued effort on cost optimization. On the product business we have signed some marquee logos in the US and India as we have entered FY2023 we have an excellent deal pipeline which gives us the confidence that we are on the right track.

In conclusion, going forward we are optimistic about the overall demand environment and are confident of maintaining growth at 15% to 20% in the coming year. With that I will now hand over a call to our CFO, Mr. Sandeep Mantri. Sandeep over to you!

**Sandeep Mantri**: Thank you Rahul. Welcome everyone and thank you for joining us in Q4 and full year FY22 earnings call. I hope that all of you are safe and healthy.

Let me start with the key financials for FY2022 and then I will run you through the quarterly numbers for the quarter ended March 31, 2022.

So our revenue for the year was at Rs.1,201 Crores which is a growth of 17.4% over previous year this is of course without considering CIGNEX revenue in FY2021 as you all are aware that we divested CIGNEX effective January 1, 2021. Our consolidated EBITDA stood at Rs.193.3 Crores which is a growth of 57.5% on a yearly basis and consolidated EBITDA margin was at 16.1% compared to 12% in the previous year. When we come to segment, our BPM revenue for the year stood at Rs.675.5 Crores as compared to Rs. 561.7 Crores so it is a growth of about 20.3% and then margin stood at 22.8% as compared to 18.1% in FY2021.Our IT revenue stood at Rs. 525.5 Crores compared to Rs. 461.3 Crores in last year which is a growth of about 14% in the IT business. Our IT margin was at 7.5% as compared to 6.9% last year, the margin improvement in both the segment was a factor of many initiatives like cost optimization, strong revenues, price increase, etc.

Our other income on a consolidated basis stood at Rs.26.3 Crores in FY2022 as against Rs.10.7 Crores in previous year. This increase is primarily due to increase in return on investment and exchange like impact. The tax rate for FY2022 was at 19.1% as against 23.2% in FY2021. Our PAT after non-controlling interest was at Rs.157.5 Crores which has grown by 97.5% on a reported basis and if we ignore CIGNEX then this grew by 120% which is 2.2x growth over previous year. Therefore, our diluted EPS is stood at Rs.26.71 in this year as compared to Rs 13.53 in FY2021 which also shows a growth of 97.5%.

When we come to balance sheet, our balance sheet continues to remain at a very healthy position. As on March 31, 2022 our total liquid and cash and net of debt stood at Rs.377.8 Crores as compared to Rs.254.5 Crores last year, even our FCF to PAT ratio was at 100.6% as compared to 119.6% last year. Our DSO was at 74 days as of March 2022 as compared to 65 days in last year, the price increase in DSO was mainly due to last month billing in our tech customers and in our project customers so that has resulted in the slight increase in DSO. Our return on equity improved from 11.2% in FY2021 to 14.3% in FY2022 so you can see healthy parameters in all balance sheet items.

Coming to our Q4 performance, our Q4 revenue stood at Rs.313.3 Crores, up by 4.2% on a sequential basis and 10.6% on a Y-o-Y basis. Our BPM revenue for the quarter was at Rs.182.3 Crores which is up by 10.6% on a sequential basis and 10.7% on Y-o-Y basis. BPM EBITDA margin was at 23.7% for the quarter which is 163 basis points up on a Y-o-Y basis. When we see IT services revenue for the quarter it was at Rs.131.0 Crores which is a drop of 3.7% on a sequential basis and growth of 10.4% on a Y-o-Y basis. IT EBITDA margin was at 6.3% for the quarter, but if we do not consider investment in product our margin was at 10.9% for the quarter. Our quarterly consolidated EBITDA grew by 23.0%

on a Y-o-Y basis and margin was at 16.4%, despite of increase in hiring cost we were able to maintain our EBITDA margin mainly due to our constant effort on cost optimization, strong revenues and price increase. We aspire to maintain this double digit healthy margin in coming quarters as well. Our quarterly PAT after NCI was at Rs.45.6 Crores which is a growth of 23.4% on a quarterly basis and the growth of 59.2% on a Y-o-Y basis. Our EPS for the quarter was at Rs 7.73 per share which is higher than last year same period which was at 4.86 per share, our tax rate for the quarter was low at 12.7%.

In terms of geographical footprints, US is the largest geography with 60% of our business coming from US, India is 25%, rest of world including UK and Europe is 15%. In terms of industry footprint, BFSI continues to remain largest segment for us which is 27% of our revenue followed by education and publishing which is 24% then technology and consulting which is at 20%, manufacturing, infra and logistics at 11%, retail at 6%, non-profit or non-government organization at 5% of our business, rest all are 7% of our total revenue, so that is an industry-wise breakup of our revenues.

Our client concentration remains very healthy with top 5, 10 and 20 clients contributing to 22%, 35% and 47% respectively. We added 104 new clients in the year; our total headcount at the end of the year was 10744.

These are the financial numbers and the operational number for the year and for the quarter. With this I will now pass on the call to operator to open the floor for Q&A and thank you very much for your patience and I appreciate your continuous interest in Datamatics. Thank you.

**Moderator**: Thank you very much. We will now begin the question and answer session. The first question is from the line of NGN Puranik from ENAM Securities. Please go ahead.

**NGN Puranik**: Congratulations for wonderful turnaround and you have demonstrated that you can grow revenue, profits both quantitatively and qualitatively. I have a few questions on how you take this journey forward. Couple of things, one is your BPM business has done extraordinary, it is a core DNA business while IT services portfolio is a good long way to go. I want to understand what you need to improve in this from a quality perspective, is it that you need to improve the quality of the offerings that you have since the margin is a function of the quality of service you render and where you render the on-site offshore mix matters a lot in this business plus the quality of solution you have because if you look at the BPM business you run it is running very efficiently, I just want to understand how do you leverage BPM competence to make IT services business look better than that, is there a competency cross sell from BPM to IT services to anchor these from BPM, so if you can address this because it is a long sustainable trend, because at the end of the day if you can anchor a few large customers with a high quality solution they stay with you for long?

**Rahul Kanodia**: So to answer your question, the basket of offerings we have in IT are widespread and we do need to do two things to improve the quality one is of course change the offerings and sell more of the higher value-add things and less of the lower value-add. It does not happen overnight but we are beginning to do more and more of those things which are in cloud and salesforce and those sides which are little better margins compared to the traditional IT services. Point number two is we need to sell more of what we call dedicated facilities and extended centers so we have started putting a lot more effort on building a pipeline in that space and we are beginning to see the pipeline I think they should materialize soon. Having said that of course right now we are going through a huge challenge in ramping up resources the whole industry is going through the challenge but nevertheless we will face the challenges as we go through it and the third thing we need to do is sell more in the US market, our IT has a very large footprint in India and India of course is a much lower margin territory and therefore we need to pivot more to the international markets specifically the US which is what we have also done in the last one year we have augmented the sales team in the US quite substantially and therefore we should start seeing a shift in more US-based revenue and also more ODC kind of projects, so I think over the next year or two as we make these changes, we will see better IT margins.

**NGN Puranik**: But how do you build an ODC deal construct long term relationship with a company, how you build that because it is a function if you want to do the cloud you need a lot of partnerships in the cloud?

**Rahul Kanodia**: We have a partner ecosystem, a lot of the customers that we are talking to are now talking, either you approach them for a very specific project or you approach them with a long term ODC kind of a model and that is what we have been doing in the US so when we participate in events and we participate in other programs it is focused around these EDC/ODCs versus a very project centric thing and also what to do with account growth as we land and expand as we open new logos then our whole approach is to go through an ODC mode and to that extent we are augmenting what we call the pre-sales activity in the US as well so those are the people who delivered on ODCs and put them in front of the customer. It gives them higher confidence, so yes, all these things have been put into motion already.

**NGN Puranik**: The high value offering includes what?

**Rahul Kanodia**: So for example when you do salesforce, you do cloud, you do analytics some of that type of stuff you are getting better deals, DevOps, so all these areas are much better margins actually and higher revenue, higher margins and of course better value to the customer.

**NGN Puranik**: In this high value offering, for example you talked about Salesforce, cloud, analytics, you have enough skill set and certain experience in this, can you leverage your BPM capability in selling IT services?

**Rahul Kanodia**: Once you have a relationship with the customer then we go into the customer and leverage the relationship and cross-sell all these things.

**NGN Puranik**: Your largest IT services client is what revenue?

**Rahul Kanodia**: Largest IT services should be in the range of about $8 to $10 million.

**NGN Puranik**: What kind of services for them?

**Rahul Kanodia**: These are all ODCs which is multiple things right from digital transformation to legacy applications, migration, and basket of things.

**NGN Puranik**: How well you can grow this account, one way is to put more sales resources on this account and more I think the solution capability?

**Rahul Kanodia**: So actually we have to look at some point the account will saturate so it is not that our account will continue to grow, we just have to open more accounts and we, as I mentioned earlier, have a very healthy pipeline of such opportunities so it is more about opening new doors and expanding them rather than existing account is already matured.

**NGN Puranik**: More deep pockets.

**Rahul Kanodia**: Yes.

**NGN Puranik**: The other thing is about the IT portfolio you have not talked about how IP portfolio is shaping, how the team is getting built and how we are, you are doing the pre-marketing for IP portfolio, some idea on that will be useful.

**Rahul Kanodia**: Correct, so we signed a few marquee logos in the US with our products, we have established a much stronger sales team, we are augmenting it with a pre-sales team as we speak and now that the US market is opening up, we have started participating in many more events. So we have already participated in four events in the last two months and we will be participating in many more, so the pipeline is right now looking very healthy but of course we need to strengthen the pipeline more and close a few deals. We also continue to get good coverage with the analysts.

**NGN Puranik**: But what will help you strike good deals in this space, what happens is you have a product and the product gets demonstrated when it is used you need to create expand user base and the referenceability gets built around that?

**Rahul Kanodia**: We will see an inflection point once we hit a certain critical mass and scale, so our focus is right now is just go aggressive and have logo acquisition. Margins are of course healthy but we will pay less emphasis on margins, more emphasis on closing new deals and I think once we get a critical mass we should see that delivering results.

**NGN Puranik**: The right set of team who can connect with the customer?

**Rahul Kanodia**: Yes.

**NGN Puranik**: They are from similar field selling IT solutions?

**Rahul Kanodia**: That is correct. IT solutions are specifically IP.

**NGN Puranik**: So they are conversant in that market end?

**Rahul Kanodia**: Yes, they are locally hired in the US and they come from the IP product space, so they understand ecosystem very well.

**NGN Puranik**: But does the test cases deployed / demonstrated to the customers?

**Rahul Kanodia**: Yes, we have a few cases that have gone live and as I said some marquee logos we have been able to bag.

**NGN Puranik**: But you had enough of representation here in India itself, a lot of Indian banks you have done, a lot of work done?

**Rahul Kanodia**: We had a lot of customers in India unfortunately the US guys want more US references, which I am sure we will overcome very soon because we have signed up a few good deals. We have opportunities in India also so India is also going well but a little more emphasis on the US market.

**NGN Puranik**: What is the sales dollar you spent on this IP portfolio?

**Rahul Kanodia**: Good question, actually we have got a total sales team which is sitting in India selling overseas as well as based in the US market and Middle East and Europe so we have a total team of about 20 odd people.

**NGN Puranik**: I am talking about the IP.

**Rahul Kanodia**: Yes, the IP only, correct.

**NGN Puranik**: So that cost about a couple of million dollars?

**Rahul Kanodia**: Very easily, but now the markets have opened up we will sort of increase that spend and try to go more aggressive in the market.

**NGN Puranik**: Good, thanks Rahul all the best to you.

**Moderator**: Thank you. The next question is from the line of Sanjay Awatramani from Envision Capital. Please go ahead.

**Sanjay Awatramani**: Good afternoon Sir. Thank you for giving me this opportunity. Just wanted to confirm that you have given this growth guidance of 15% to 20% in the coming year this is for revenue right?

**Rahul Kanodia**: That is correct.

**Sanjay Awatramani**: Can you highlight something on EBITDA or EBIT margins if you can give us something on that?

**Rahul Kanodia**: I think we will maintain the EBIT margin so the reason being that of course on the one hand we have cost pressures with the cost and attrition and things like that going up in the industry, on the other hand we will increase our spend on marketing and sales so those will be two large areas of cost increase. On the other hand as Sandeep and I mentioned earlier in our talk, we are looking at moving work to lower cost destination, higher productivity, better pricing with customers so they offset each other, so we do expect to maintain our EBIT margins.

**Sanjay Awatramani**: This is very clear and can you highlight something on the attrition rate if you might have highlighted I might have missed on that but if you can highlight something on attrition for year and quarter?

**Rahul Kanodia**: Our attrition was 30% last quarter it was 29% right now we are running at 30% which is by and large in line with the industry as well.

**Sanjay Awatramani**: So any measures taken to cut down on this attrition how are we moving ahead with this because overall as you said the industry is facing the talent crunch?

**Rahul Kanodia**: Multiple things right? So we are recruiting many more freshers at junior level and even otherwise, we are doing a lot of cross-training and skill upgradation. We have a retention program with the senior staff. Sometimes when you have critical key people we are able to retain them by paying them a better salary or a bonus; however, there is some attrition and we cannot run away from the reality, so apart from retaining key talent which is of course critical for the organization the focus is on recruitment and how do we ramp up. Also we have a program where people are able to work from home or work remotely on a long-term basis so that allows us to on-board people who are not physically in the cities where we are based, of course for two years that was a norm but now since many people have started coming back to office we have continued to allow people to work from home and that allows us a talent pool that otherwise we may not have had.

**Sanjay Awatramani**: This is very much clear now and any capex plans, any future acquisitions we are looking into, I see that in FY2021 we have divested the CIGNEX Datamatics?

**Rahul Kanodia**: Correct.

**Sanjay Awatramani**: These were measures for operational efficiencies, but are we looking out for some acquisitions as you said that we are looking for on cloud and other salesforce stuff which you are moving?

**Rahul Kanodia**: We are in dialogue with some companies for an acquisition point of view, of course it is a little premature to talk about them and obviously it will be presented to the Board at the right point in time, but yes we are in dialogue with some companys for acquisition.

**Sanjay Awatramani**: That is all from my side. Thank you so much Sir and good luck.

**Moderator**: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar**: Thank you very much. Sir just one query I have, so what is the revenue growth we are looking next year?

**Rahul Kanodia**: 15% to 20% this year we did about Rs.1200 Crores so we are looking at 15% to 20% on that.

**Deepak Poddar**: That is about it. Thank you.

**Moderator**: Thank you. The next question is from the line of Subhankar Ojha from SKS Capital & Research. Please go ahead.

**Subhankar Ojha**: Thanks for the opportunity and congratulations. Couple of questions, your dividend payout ratio has improved over the years, so you have anything in your mind in terms of the kind of payout rates you would like to maintain the minimum payout ratio that you would like to maintain going forward that is one and secondly what is your guidance for this effective tax rate for 2023?

**Sandeep Mantri**: We have a policy in place for dividend payout and basically it will depend upon deployment of capital for other uses as well and we will see whether we can deploy money in growing the business more than declaring dividend, paying dividend, because that will be one time but while if we continue growing the business through acquisition, through spending on products or spending more on product marketing and if you are able to grow the business that will give more return to stakeholder, shareholders so therefore mostly as a policy we will maintain some sort of dividend but our first priority will be to grow businesses and to spend more on these products or IP led businesses. Coming back to your second question, what was your second question Subhankar?

**Subhankar Ojha**: On the effective tax rate?

**Sandeep Mantri**: Last year we said our tax rate would be between 22% to 25% while we managed to have a lower tax rate which is about 19% for the year, in the coming year which is FY2022-2023 I think we will maintain a tax rate of between 20% to 23%, it will all depend upon the geographical profit contribution from various businesses we have, this year we had very good US profits because we do not have deferred tax in US geography and therefore whatever we have profits in US geography will get consumed through the carry forward losses and therefore there is no tax cut in US geography and that has resulted into lower taxes and I think between 20% to 23% next year we should be able to manage on tax rate.

**Subhankar Ojha**: Finally since you have touched upon this point, your IP and the product business how do you see this in terms of revenue from this business over the next three to five years?

**Rahul Kanodia**: We are very hopeful and positive on that as I said earlier that we have started participating in several events, we have signed a few marquee logos, we are getting a very healthy pipeline right now, so as far as the products and IP business is concerned, we are very bullish about it, this year will be very important as we will increase our spend on both sales and marketing and as we see those results I think we will be in good shape.

**Subhankar Ojha**: Thank you so much and good luck to you.

**Moderator**: Thank you. The next question is from the line of Sanjay Awatramani from Envision Capital. Please go ahead.

**Sanjay Awatramani**: Thank you for the follow-up question. My next question was what is the headcount you are planning to hire in this FY2023?

**Rahul Kanodia**: Little approximately about 400 odd people roughly depending on the growth in business, depending on the projects it might move up or down a little bit approximately 400.

**Sanjay Awatramani**: Any major capex plans in FY2023 you are planning for you said the acquisition side but on the additional capex?

**Rahul Kanodia**: No major capex, there is some degree of capex in overhauling, some of the equipment that we have because for COVID years, two years we did not upgrade a lot of our machines, but that is more of a regular kind there is no major capex.

**Sanjay Awatramani**: One thing you also mentioned that on the employee side that you are moving to some low cost cities so that will be in India itself or you are looking at overseas as well?

**Rahul Kanodia**: Both so we have increased our headcount in Pondicherry, we have now much larger operation in Pondicherry and in Nasik and of course in Philippines as well compared to the US or Europe, but within India it will be largely India and more to these cities like Nasik and Pondicherry compared to Mumbai and Bengaluru.

**Sanjay Awatramani**: That is all from my end. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Ananya Agarwal, Individual Investor. Please go ahead.

**Ananya Agarwal**: Good evening, I wanted to know that in the press release we see a few deal wins that you have given so can you please elaborate more on that, can you share the deal size and the geography?

**Rahul Kanodia**: Some of the deals that we won we talked about the metro projects one was the Kolkata metro, one was NCRTC in Delhi-Meerut so that is $15 million plus but they will be executed over about three years, four years so those are the ones, so as you see we have listed the couple of larger deals we have not given names, so we have not got liberty to discuss deal sizes for each but they range between $1 to $2 million and they would be executed over one to two years.

**Ananya Agarwal**: Thank you.

**Moderator**: Thank you. The next question is from the line of Chetan B, Individual Investor. Please go ahead.

**Chetan B**: My question is for Rahul. How confident are you about the 15% to 20% growth which you mentioned in your speech and how are you planning to achieve this?

**Rahul Kanodia**: As I said we had augmented our sales team in the US last year, we have a very healthy pipeline as we entered this New Year and therefore that gives us a good confidence in achieving those numbers. This is a pipeline that we have in hand.

**Sandeep Mantri**: We got good amount of business in FY2021-2022 which is $126 million even if we take one third or one fourth of that, will actually compensate for some part of the growth.

**Chetan B**: Thank you so much and all the best.

**Moderator**: Thank you. The next question is a follow-up question from the line of Ananya Agarwal, Individual Investor. Please go ahead.

**Ananya Agarwal**: Thank you for the follow-up question. I wanted to ask how do you see the demand environment and do you see any impact on our business due to ongoing geopolitical or macroeconomic issues?

**Rahul Kanodia**: No, the demand environment remains robust I do not see any issue, from a geopolitical point of view also we do not see an issue in fact because of the Ukraine, Russia war we have actually gained because some customers were working with those geographies wanted to shift and work with India so actually we had an advantage, it is an unfortunate situation to get an advantage because those poor people are really suffering but nevertheless, so we do not see any major problems, European markets remain as vibrant and so do the American markets.

**Ananya Agarwal**: Any pricing pressures you are seeing from the clients?

**Rahul Kanodia**: No major pricing pressure in fact we have been able to bump up our pricing and reprice our services because the whole industry is facing this current turmoil or crisis or crunch whatever you want to call it this mass resignations that you see, so all our customers are facing the same situation so we have been able to go back to several of them and renegotiate better prices so right now we are not seeing a price crunch in fact we are probably seeing a cost escalation so the issue is the other way round. So margins will be under pressure because of cost escalation not because of price pressures from customer.

**Ananya Agarwal**: The Fed has raised the interest rate so any impact on the BFSI segment?

**Rahul Kanodia**: No, we do not see any impact on our business. By and large we do not get impacted by the Fed policies on increasing interest rates or anything.

**Ananya Agarwal**: Thank you so much.

**Moderator**: Thank you. As there are no further questions from the participants I now hand the conference over to the management for closing comments.

**Rahul Kanodia**: Thank you everyone for being on this call and spending time with us this evening. We really appreciate your questions and your interest in Datamatics. Once again thank you very much and I look forward to meeting you next quarter.

**Moderator**: Thank you. Ladies and gentlemen on behalf of Datamatics Global Services Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.