



Sasken Communication Technologies Ltd
Q4 and Full Year FY07 Investors/Analysts Conference Call
April 23, 2007

Moderator: Good afternoon Ladies and Gentlemen. I am Pratibha, the moderator for this conference. Welcome to the Q4 earnings call of Sasken. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will now handover to Mr. Rajiv C. Mody, chairman and CEO of Sasken. Mr. Mody Thank you and over to you sir.

Rajiv C. Mody: Thank you Pratibha. Ladies and gentlemen, good morning to all of you. It is my pleasure to welcome you to the conference call to discuss the business performance of the Sasken Group for the 4th quarter and the full year ended March 31, 2007.

Before we begin we must point out that certain statements made during the call concerning our future growth prospects I forward looking statements. Please read safe arbitrage in the second slide of our presentation for full details. I am joined on this call by my colleague Ms. Neeta Revankar, Chief Financial Officer, Kannankote Srikanth, President and Chief Operating Officer, and Dr. G. Venkatesh, Executive Board of the Director of Sasken.

Let me begin by summarizing the financial results for the Full Year FY07.

The consolidated revenues for the full year FY07 stood at Rs 477 crore, which is US\$105.6 Million. This represents an increase of 55% from Rs 308 crore last year. In dollar terms, we have grown from \$69 Million last year.

The consolidated EBITDA for the company has grown 57% in absolute terms. In percentage terms, we have recorded an increase of 30 basis points from 15.6% to 15.9%.

The net profits have grown 93% annually from Rs 22.9 crore last year to Rs 44.3 crore in FY07. The Earnings Per Share stands at Rs 15.75/-, as compared to Rs 9.08/- last year.

The services business of Sasken has crossed the \$100M mark in annual revenues. The total in FY07 was Rs 454 crore (101M\$), as compared to Rs 281 crore (63M\$) last year, which is a 62% increase. Of this, Botnia Hightech, which we consolidated from September 1, 2006, has contributed to \$15.5M. The EBITDA from this business year on year has dropped marginally to 22.5% from 23.4%. On an organic basis, the services EBITDA margins were the same for both years.

For the Full Year, the services business delivered an EPS of Rs 26.84/-, up from Rs 20.85/- in FY06.

Our Key Account Strategy has also been paying dividends. For the Full Year FY07, we have two customers greater than 20M\$ and one customer between 10 and 20M\$ in trailing 12 months' revenues. We have worked totally with 84 clients in FY07.

On the products side, our FY 07 revenues were Rs 22.7 crore in FY07 versus Rs 27.5 crore in FY06. We continue to track set milestones in this business.

The consolidated revenues for the fourth quarter ended March 31, 2007 stood at Rs 135.4 crore, in comparison to Rs 78.1 crore for the same period last year, registering a growth of 73%. The revenue growth on a sequential basis was 3.3% in rupee terms and 6% in dollar terms versus Q3 FY07. The services business grew at 2% in dollar terms, and was flat in rupee terms versus Q3 FY07. The consolidated EBITDA margins grew by 70 basis points, to 15.5%, on the back of a stronger performance from the products business.

In Q4 FY07, we had rupee appreciation against the dollar of 2.2%, with the average realized rate being Rs 44/- to a dollar.

At the Net Profit level, our PAT stood at Rs 11.7 crore, a corresponding quarter growth of 86% over last year.

In the fourth quarter, we began amortizing the expenses towards the Sasken Application Framework product (previously called the E Series). This was to the tune of Rs 2.5 crore. Further, the expenses, which were going into the Balance Sheet previously, which are now in P&L towards this product, was Rs 4 crore in the previous quarter. These two items therefore reflected in our Q4 P&L, but were not there in Q3.

Six new customers were added in Q4 FY07, one of who was a Tier 1 customer. We also acquired a second customer for our Test Lab offering - another global Tier 1 semiconductor player.

We also made investments in Q4 towards strengthening our Leadership Team. We began this process in Q2 last year when Srikanth Kannankote joined us as President and COO. We now have the following new senior management team members, who joined us in Q4:

- Poonacha Machaiah - Senior Vice President, Worldwide Sales
- Rajesh Tyagi - Chief Technology Officer (Products and Services)
- Ranganath Puranik - Senior Vice President (Global Strategy & Business Development) & Chief Strategy Officer (Products & Services)
- Srinivasan Ramaraj - Senior Vice President, Services

On the products side, we had some developments in April 2007. We announced the sign-up of our first customer, Lenovo Mobile for the Sasken Application Framework. This win is important for us as being a royalty bearing engagement on this product line, apart from being a reference customer viewpoint as well.

We are also happy to announce that:

- After working together for the last year, Motorola has licensed Sasken's Multimedia software solution for its Symbian/UIQ platform.
- Sasken's Multimedia software solution will be part of new, which will reach the shelves in May 2007

NTT DoCoMo, Japan also has announced a new FOMA P903iX mobile handset developed by Panasonic Mobile Corporation (PMC) in Japan with Sasken's Multimedia Solution; this is a royalty bearing engagement, and the phone was launched on April 19, 2007. More details are available on their website. This is our second royalty bearing customer engagement, and the fourth model to ship, in Japan.

We are also expecting a Global Tier 1 customer to launch a 3G phone with our multimedia software solution in the next month, which will be a royalty bearing engagement as well.

The complete tentative phone schedule launch for all our products is given in the relevant slide in our presentation.

From a people perspective, we had a net total of 107 people joining us in Q4. The gross adds were 290, taking our total strength to 3,611 people as on March 31, 2007. We plan to keep the momentum on the recruitment front.

We had 19.6% attrition last quarter, which is down from the previous quarter. The full year attrition was at 21.5%. The entire senior management has been spending more face time with the rest of the organization and meeting people in smaller groups. We have put in enhanced focus on middle management and leadership.

Our focus in FY07 was to set the platform for profitable growth going forward. We believe we are now well positioned to spot and exploit opportunities in the communications industry. Our Tier 1 relationships, global presence, newer offerings, and the enhanced leadership team make us feel confident that we can meet our set targets for the next year in both parts of our business.

Although we have approval from shareholders to raise up to \$50M, we are not planning to raise the money in the near-term. Thank you so much for your patient hearing, and my colleagues and I will now be happy to answer any queries that you may have. Over to you, Pratibha.

Moderator: Thank you very sir. At this moment I would like to handover the floor to Jacob to conduct the Q&A session for participants at the international center. That would be followed by a Q&A session for India. Thank you and over to Jacob.

Jacob: At this time I would like to remind you if you would like to ask the questions put press * your touchtone enabled telephone keypad. We have no questions at this time.

Moderator: Thank you Jacob. We will now begin the Q&A session at India. Participants who wish to ask questions please press *1 on your touchtone enabled telephone keypad. On pressing *1, participant will get a chance to present their question on a first-in line basis. Participants are requested to kindly use only handsets to ask the question. Please press *1 now if you have a question. First question comes from the line of Mr. Hitesh with Edelweiss.

Hitesh: Hi good morning and congratulations to the management team for a strong year. I have a number of questions, but let me begin by asking the management, we heard lot about the consolidation of telecom industry and there are always some news versus some counter news all the time, if you could lay out for us the landscape in terms of what are the opportunities that you see because of consolidation, the threats thereof, what is Sasken doing about it and what are the myth that you hear about within the customer based on the account of consolidation that will be helpful.

Srikanth Kannankote: Okay, Hitesh how are you? This is Srikanth Kannankote. Take your question; let me give you at least our view as to what is happening in the industry. Can you hear me?

Hitesh: Yes.

Srikanth Kannankote: Okay, good. Of course you have seen the news, you read the news, and both in terms of the infrastructure side as well as the handset side as to what is happening in the industry. The latest analysis shows that handsets side Tier-1 guys are sort of hanging in to their shares and then trying to see what lies ahead in terms of how they do in their businesses. On the infrastructure side other than Ericsson, you see Nokia-Siemens merger coming to reality this month. Alcatel Lucent at it is looking at major consolidation between the two elements.

Nortel is going to look at some new businesses, as GSM business gets consolidated and also slows down as new technologies are evolving. Motorola of course from a infrastructure side is new so that they are doing well in the market so they are in and then the new markets are not supposed to grow as much until 2010 or 2011, I am talking now about 4G and LTE. So let me address that side first. 40 to 50% of our business comes from the network infrastructure side, so it is very critical for us as to really look at and get tuned into as to what is going on within the industry; as you may have seen, the kinds of new people that we have brought in are critical for us in terms of looking at where and how these customers are doing, because we bring a very strong set of relationships in that. From a revenue perspective we see that the decisions that has to be made; first of all there is good news, bad news story here.

The good news is that the expenses - the R&D expenses are going to come under tremendous pressure. Especially with the amount of new technologies that they have to invest in. So the only strategic movement for them is to look at what they can do from a low cost center perspective and how do they get the same amount or more from the same dollars or less dollars in some cases, so we see that the opportunity is really there for a company like Sasken because we have got good relationships with each one of them. Having said that, we also can see that it will take some time normally we would say that between Q3 to Q4 when things would be flat because they make budget decisions, because it is the end of their year. Now we see that extending a little bit in this environment because prioritization of projects has got to be made, which technologies do they keep between the two companies from a consolidated perspective, how do they maintain and manage their old technologies, so there is a whole set of strategic questions that has to be decided by these guys and we see that the whole what I call as our Q4 their Q1, they've been spending quite a bit of time in terms of rationalizing their strategy, rationalizing their investments and as a result, I would say that the whole spending control still existed from Q4 to Q1. Having said that, we also see some light at the end of the tunnel, we see some decisions that are being made. We see some new requests that are coming, some in the old technology area, some in the new technology area.

Long term, I would say that there is no absolutely no choice for many of these infrastructure companies than to come to low cost locations. Then come to low cost locations where the expertise is high and then be able to deliver against that. So from that perspective we see that we are still in real good shape. Strategically, they have to make their decisions. It may have slipped a quarter or so, but we do not see this will affect us from a long term perspective. That is on the infrastructure side. On the handsets side we continued to grow. I think we had growth from Q3 to Q4 on the handsets side on the Tier-1 side, both with Botnia as well as with our own traditional terminal devices services. So I think that given the types of announcements that we have made, we continue to be quite optimistic around the handsets space.

Hitesh: Sri, that is rather helpful. Thank you so much. My next question is about the competition from the Indian larger players. In the Indian Tier-1s we are seeing some very strong growth rates again from their end and positive comments about what could be happening for them in the telecom vertical. My question is, are you seeing lot more competition from these guys and is it hurting in any way?

Srikanth Kannankote: I do not see that in terms of hurting us. Competition is always there. Competition is always welcome. I think Sasken becomes quite a good differentiator both on the handset side with the intellectual property that we have as well as on the infrastructure side. Having knowledge of semiconductors and handset and infrastructure and now moving into operators; I think it continues to give us the advantage that we have built. I am not seeing major competitive threats in our accounts, we are well entrenched in some of the accounts and we got some real traction with the infusion of some our products. I feel that we are getting some real good services opportunities also in those accounts at least in the handsets area. So, I am pretty sure we can hold our own in terms of that. See one other point, I wanted to mention was, even on the NEMs side our SNEL business is pretty much India driven and focused on India and US markets for network roll out applications. So, some of the slow down we had on the SNEL business also was the impeding legal stuff with BSNL,

so as it releases see that market opening up for us, which is to be quite a big market for us. On the handset side these expertise that we have, the intellectual properties that we have and the number of projects that we have done for some of the Tier-1s is helping us move towards the system integration of the complete phone on one side and it is also opening up new opportunities for us from an operator side in terms of branded services. Each operator will undertake newly released model, extend their services into new application areas. We are now seeing our Tier-1 customers beginning to feel very comfortable with us to take us to some of the operators and then have us to do some of these branded services, which is in some ways a new market for us. So I think from that perspective, we are using our relationships and our competency and our successes that we have to extend our market. We are quite entrenched in some of the areas that we are in. We are going after some of the new markets like core. So I feel that as Sasken, we are ready to take on their challenges and move forward.

Hitesh: Sir, one last question from my side on E-Series. Last when we spoke at three or four places the product was on the technical evaluation. We heard the positive news from the Lenovo side. If you could give some outlook on how is the E-Series prospects looking?

Srikanth Kannankote: One of the things that we always told that these kind of things are quite unpredictable, I mean from a perspective of where we are in terms of the evaluations and when will the customers feel like they are ready to announce and what would be the last date for their phone etc. Lenovo to us, if you want to focus back on that for a second, was a significant win for E-Series and I think it also shows some good image and positioning within the market and even though an ODM they are pretty well known in terms of their quality and then their strength in the market. So we are very proud of the fact that we had Lenovo choosing our E-Series. We continue to work our E-Series with other vendors, I mean, as we have talked to you before we do not release the names of people that we work with, but none of the things that we have been working has gone away, so we will keep you posted as much as we can as, while we make any progress on that hopefully we can make announcements in the near future. When I would not be able to tell, even if I tell I would probably be wrong.

Hitesh: Well thank you gentlemen. I have a few more questions and I will await my turn for a later time. Thank you.

Rajiv Mody: Thanks a lot.

Moderator: Thank you very much sir. Next question comes from the line of Ms. Diviya Nagarajan, from Motilal Oswal.

Diviya Nagarajan: Hi, could you give us sense on the product that was launched with DoCoMo in the last quarter. What is the royalty revenue from there and what is the shipment data like?

G Venkatesh: We cannot share the royalty number per unit....

Diviya Nagarajan: My question is that the royalty number in absolute rupees for the quarter being below expectations, is that because the royalty that we have actually got is lower than what we expected or how has that shaped up?

G Venkatesh: I mean we had a royalty number that we are reporting basically where from NEC shipments that came from two models, so one is 902 and the other is 903. 902 has been shipping for a while that we have been reporting, 903 started shipping in November.

Diviya Nagarajan: Right. So how do you see the shipments proceeding into the next year?

Rajiv Mody: Let me answer, as you know, we have NEC and Panasonic is the other model that has started to ship in DoCoMo, and we are expecting the third one which is Tier-1 3G phone starting to ship sometime in the month of May. So, we do expect this on the visibility that we have today, and the near term visibility we have on the roll out for the E-Series as well as whereas the M-Series. However, having said that it is extremely difficult for us at this point to predict what would be the volume shipments on each of these things. As a matter of fact, I think it is a very difficult thing for us to predict so that is one of the reasons why we hesitate to give you any guidance when it comes to products part of our business. We will keep reporting to you the progress we are making and the kind of relationships from the shipments that happens at the end of each quarter for you to kind of take view in terms of where we are. It is a very difficult thing for us to predict volumes.

Diviya Nagarajan: Fair enough. As far as product margins are concerned we were talking about breaking even possibly in the fourth quarter and definitely breaking even in FY08. Are we on track with that and the progress there?

Srikanth Kannankote: Let me see if I can answer that. You have seen some good business announcements from us. We talked about the Lenovo, then we talked about the DoCoMo, we talked about some of the Motorola announcements. However as, Rajiv said earlier products business is a very interesting business. 50% to 60% of the businesses that we have will give us variable revenues those will be royalty-based, as Rajiv said earlier. It will be very difficult for us to go and say when it will come, while we have planned for it with all the intelligence that we have from a planning perspective, we believe that the proof of the pudding is how well it does it in the market when the phones are released.

So, the good news for us however is that there is much more models and more platforms that are carrying our products, and then that gives us the confidence that we are going to stick to what we have said, but who knows in terms of the variable revenues and where it is. One other point is just so for your planning purposes, our expenses for the next year on the products business will be around 16 million dollars, and that will include the \$2.2 million for the amortization, so you can sort of look at where the expenses are. I have already told you that we now have a significantly royalty led business model, so as we have always done, we will give you the model numbers and give you platform wins whenever we can announce it, we will announce the wins, you can probably go to the each one of these vendors who are handset carriers, who have it in their website as to what there plans are, if there's a way for

you guys to get and it and sit down and model it. So I think the wins itself show some good movement towards everyone to go to it on the revenue perspective and then as we get more as to get more models that are released on the same platform or more platforms, you will be the first ones to know.

Rajiv Mody: Qualitatively, we are making very good progress on all our three product lines, so we are very happy that the acceptance of that in the market is increasing. More and more Tier-1s are taking note of this and hopefully this should lead us into more and more design-wins as we go into the future.

Diviya Nagarajan: Right. What happened on the services side? There seems flattish growth in a dollar terms during the quarter. How do you see this business panning out to the next year?

Srikanth Kannankote: Okay. I think I sought of gave an answer to this question earlier, but let me see if I can make it further clarify that. As I said earlier our services business on the infrastructure side has grown marginally, I said very marginally in single digits. The total services business has grown by about 3% dollar to dollar from Q3 to Q4. Our handset business as I said continues to be very strong. The handset business for us includes Botnia as well as the terminal devices business that we had in Sasken. So these businesses are showing double digit growth for us quarter over quarter so that we are very pretty think that with the infusion and wins of some of our IP businesses it is going to leverage more from a services perspective in these areas, so the area to watch from a business perspective is how well and how quickly the network infrastructure side releases and then prioritizes these projects and then how quickly can they go giving some of the products outcome. We continue to be in touch with the highest levels with our customers whether it is anyone of the Tier1s who have got good relationships so we have pretty good feel into what they are looking at, what they are thinking about and then like as I said earlier I am receiving at light of end of the tunnel. As I had said earlier, we see that what had to be released in few months were still on budget holds and some of those things will probably see some releases in Q1, but most of the releases will come in Q2, so given all of those things we are pretty confident of growth from the service side. We have maintained that we can grow 30 to 35%, and that's inclusive of Botnia, so take the existing revenues, and Sasken revenues and then add atleast 30 to 35% is what we have said, and we feel like we have the visibility and then feel like we have sufficient look in to what is happening.

Diviya Nagarajan: Thanks and all the best for the next year.

Rajiv Mody: Thank you.

Moderator: Thank you very much ma'am. Next question comes from the line of Mr. Anurag Purohit of Religare securities.

Anurag Purohit: Good morning to management and congratulations on FY07 performance. My question is regarding the product whether the design ins that we get in that we have right now, are for the platforms are the individual phones and what ensures that once we have the customer on that for the next one of the customers release would be our software?

G Venkatesh: Just to explain when we design into the phone, actually we are designing in to the platform of the phone and that basically means that all models that we make with that particular platform will all carry Sasken software, just to clarify that with us for example as Motorola has licensed our multimedia applications suite on their Symbian UIQ platform. What that basically means is that any phone they make which is in the UIQ platform would henceforth carry Sasken Multimedia Software on it. Basically, so by designing into a platform we are assuring in some sense that we are protected from expected from the vagaries of a single model not shipping and we are kind of diversifying our risk across multiple models that ship on the same hard platform or mother board that they use for the phone.

Anurag Purohit: Does this mean that this is so far that the models that are into the market with our software, they are multiple models or just one model on the platform?

G Venkatesh: So if you look at the NEC 902 for example that series there are two models that are shipping currently. The 903 series that is on OMAP 2430 has one model that is shipping currently and there will be more models through the year. So they will ship another two models as we go forward. And we announced basically that Panasonic has started shipping a model, which is called P903iX, which is carrying our software in it and further as we go forward all Panasonic phones that they will be shipping will carry our software. Again we have designed in to their platform, so any phone that they create using that platform will be carrying Sasken software.

Anurag Purohit: My next question is regarding the utilization. This quarter also we have seen drop in utilization. It is primarily because of Botnia or in Indian business also the utilization has been lower?

Srikanth Kannankote: 71.9% is pretty good. 72 to 74% is normally what we run. One of things that we did this time was do some proactive hiring in very specific domains. We have Tier 1s saying to us that the areas they want us to ramp up in, so we made a conscious effort to add some people, ahead of the business what we want do, to really get ramped up and be ready when the project comes out. So, in some way the 71.5% is planned because we are making some conscious investment. Rajiv had earlier said that we have added about some 107 extra people and at this time these 107 people are added in specific domains, which are very critical drivers to move forward and so we are looking at going into some new areas. So that the utilization is something that we are not concerned about, from a plan perspective and then we wanted to get some people with knowledge from specific areas earlier.

Anurag Purohit: Very well. Also could you just please repeat the product expenses that we are expecting in FY2008?

Rajiv Mody: Product expenses in FY2008 are \$16 million including \$2.2 million of amortization; this is around \$16 million.

Anurag Purohit: All the best for FY2008. Thank you.

Moderator: Thank you very much Sir. Next question comes from the line of Mr. Ruchir Desai from Pioneer Intermediaries.

Ruchir: Hi, Good morning. I got the numbers. I just want to ask a couple of questions on services side. One was if you look at in terms of the revenues of the services business, which are organic and what revenue you see from the Botnia during the quarter?

Neeta Revankar: Your question was what was the revenue from Botnia during this quarter? We did \$7.2 million of revenues from Sasken - Finland, as we would now like to call it.

Ruchir: Okay

Neeta Revankar: And total revenue for the company was 30.8 million dollars.

Ruchir: Also on the account on the utilization outlook, I think we just had a question on utilization. The rate has come down quite a bit. If you could give the reason for that utilization is lower in Botnia or is it because of the Sasken Services? You can give the utilization both these divisions - Sasken Services and Sasken Finland?

Srikanth Kannankote: I think our utilization in the Botnia was as expected. It was not the cause of the 71.9 from 73.2. The utilization for this quarter was always based on proactive hiring in Sasken, India because of certain new markets we want to go to where we have a good visibility in these areas and besides these areas are where we are expending our capabilities from access to core, core to CSCF and things like that.

Ruchir: Could you give me the headcount of Botnia for the quarter for Sasken Finland actually?

Rajiv Mody: Sasken Finland for the year was 260 people, approximately 260 people from Finland.

Ruchir: The headcount was 280 in the last quarter. Was there some kind of voluntary attrition or it is just some kind of attrition at Sasken Finland?

Neeta Revankar: No, that number is an average for the year. So if you are looking for the same number for the quarter, there had not been any growth or reduction in Sasken Finland, so the headcount remains more or less same.

Sachin: This is Sachin here, I just wanted to look in terms of your total employees from the software side and products side, it has come down in this quarter from 280 to 255, any specific reason for the same?

G Venkatesh: No specific reason. Actually we have been working with certain number of fixed employees and otherwise it is variable staff that we contract them from outside and as we are starting to see the E-series development nearing its completion a lot of our products reaching its development maturity from that sense the internal headcount has stabilized around 250 to 260, that is where it will remain for the next year.

Sachin: Is there is any specific reason why they are decline in the staff levels in the products side?

G Venkatesh: No, in addition to this we continued to use about 70 to 100 external contractors for the product of that.

Sachin: Secondly could you give an idea in terms of the utilization rate what we are looking for FY2008? Are we seeing any looking at some sort of improvement over the figure in the current year?

Srikanth Kannankote: We always said that good utilization for us would be somewhere around 72% to 74% and then we are pretty comfortable around that level from a utilization perspective.

Sachin: Secondly, any hike in billing rates that you are expecting in the current year?

Srikanth Kannankote: We continued to get increases; you talked about price hiking from customers?

Sachin: Yeah, yeah.

Srikanth Kannankote: About 2.5% is what we have seen. Having said that we are also moving into newer types of contracts where we would instead of doing staff augmentation and ODC we are also looking into doing fixed price projects, that sort of is based on risk and return pricing and the kinds of hikes that you would look at does not apply for that kind of a models. It typically would be a good return based model that we are looking at where we are pretty confident in some of the technologies areas.

Ruchir: Just a last question, what kind of headcount addition do you plan for this quarter and also for the rest of the year?

Srikanth Kannankote: We are from our planning perspective looking at about 1000 more additions for the next year and it could be distributed on a global basis, as we have Mexico, Finland and India centers.

Sachin: Are we looking at for putting up any development center facility?

Rajiv Mody: We have no specific plan in place for the current financial year to expand our development facility. This is on an organic basis.

Sachin: Sir, what is the type Capex you are looking for the FY2008?

Neeta Revankar: We are looking at about 40 to 45 Crores as Capex for the year. This will include some infrastructure that we need to put up - a small amount, and also other business related equipment.

Sachin: How are you looking to hedge volatility in the rupee forex? Are you looking some sort of change in the type of contracts we are having with clients or are we

sorting more to hedging? What exactly are the measures we are looking in terms of hedging the volatility in forex?

Neeta Revankar: We have a pretty comprehensive hedging policy that takes care of all such situations. Right now we are hedged until pretty much most of our net exposures up to December have been hedged. And the average rate as we said, being hedged is Rs 45.88. Now, going forward, whether we need any change is something that we will be reviewing during this current quarter and whatever we can do to strengthen it, we will definitely add to.

Sachin: Thanks Ma'am. Thank you.

Moderator: Thank you very much Sir. Next question comes from the line of Mr. Pratish with DSP Merrill Lynch.

Pratish: Hi. Just to clarify on the services segment the 30% to 35% growth rate you mentioned is this from the dollar growth rate or the revenue growth rate?

Srikanth Kannankote: It is the revenue growth rate in dollars.

Pratish: In dollars and this is inclusive of Botnia?

Rajiv Mody: Yeah, after considering Botnia for the full year

Pratish: Secondly, the product side if you can highlight the reasons the delay in your 3G protocols stack. This is the deal with the Tier 1 vendor.

Rajiv Mody: I do not think there has been any significant delay. Right now, we are predicting projecting based on what we see based on information we are getting working with the Tier-1 customer. So this was still a tentative saying, but there is no significant reason for us to get concerned. This is the normal like one or two months kind of delay that you would see in these kinds of complex programs.

Pratish: But I think you are talking about Q3 kind of shipment. Now as I remember it was Q2 and I think even Q1 earlier, so, I am just wondering if there is a risk of the deal itself

Rajiv Mody: No, there is no risk of the deal at all. Right now I guess that we are projecting saying it may be September or October kind of time period.

Pratish: I wanted to know typically how many months before you would come to know about the delay?

G Venkatesh: Actually in this case most of the engineering work is done and I think it is up to the customer to determine that they are going to launch. We have no ability typically to predict that actually. So they will have to time the point at which they will bring this phone into the market. So, we are waiting for them to decide that.

Pratish: Okay, I think you looking at the Q3 kind of shipment?

Srikanth Kannankote: It could be late Q2 or it could be early Q3.

Pratish: Okay, also if you can give some more details on 3G win on S-series. You have mentioned it is in Q1. It is new or existing clients what it is like?

G Venkatesh: Yeah. Basically what we have announced on Motorola, that is the only announcement that we can make at this point in time.

Pratish: This is not the one, which is getting shipped now. You completed the new deal with Motorola?

G Venkatesh: You will have to wait for further announcement that we might make couple of months down the road. I do not think we cannot disclose anything on it at this point in time.

Pratish: Okay and what do you think on the breakeven for the products business?

Srikanth Kannankote: I said that the significant portion of our business is driven by royalty, and there is \$16 million worth of expenses that includes amortization. So, as you begin to see more models that have been shipping with our software, so we have to just stick to what we have said earlier in terms of where we want to be this year. But, the question is the planning that you have done for the royalties for these models and platforms, will it meet our plan and exceed plan or is it going to be under our plan that is the big question right from planning perspective and depending on how well we do it. What we want to be is pretty fair in terms of giving you what models and what platforms we won whenever we will do this so that you can begin to update yourself. Just another comment that I wanted to make on Motorola is what we announced in Motorola is for RIZR, which is the first model of the Symbian UIQ platform and so as we have said earlier there will hopefully be more models; we cannot say anything as to when or what.

Pratish: On the services side my earlier understanding was that you made assumptions that corresponds to expanding the facilities. Have your assumptions changed?

Neeta Revankar: Yeah as it stands, there is no plan to put up our own facility. Should that change, we will definitely need to raise money too, and we will have sufficient advance information for all of you.

Pratish: Madam, I understand you are already running tight on capacity and you probably will have to raise some funds to expand and even to get this growth of 30%-35%. From FY08 on growth perspective, are you comfortable in terms of the current infrastructure that you have or are you want to change into going for more lease business or self-owned facility?

Neeta Revankar: Absolutely, infrastructure can be leased or owned, and as of the last year, we do have a lot of leased facility and that situation continues going through to the next year too.

Pratish: Okay. Fine thanks a lot.

Moderator: Thank you very much Ma'am. Next question comes from the line of Mr. Rohan Gala.

Rohan: The question is more pertaining to we are looking at a scenario where you have limited number of customers in the infrastructure business and the handset business. How does the competitive scenario determine? Just give you an example, if you get an order from one client it could impact the business coming from the others. How limited is this kind of impact of business getting from competitors?

Srikanth Kannankote: I think basically any interdependencies you will see would be in the semiconductors and the handset guys and then these infrastructure guys will be somebody who is independent of that. I think instead of looking at interdependencies and risks, we should look to the opportunities, and the opportunities comes from having some of these infrastructure vendors or handset vendors taking us to their carrier customers. If you take a look at what we mentioned last time as we begin to grow in the telecom industry one of the areas, we are going to be focused on is carriers. So, you will see some penetration into that area through in some cases directly or in some cases through our SNEL business. Our SNEL business can go through the infrastructure vendor to a bunch of carriers as to grow relationships in terms of installation, commissioning, optimization, security those kinds of services. For handset guys where you would win on the platform, you would do the software from our S-series perspective. You would extend the software for carriers. So, given the kind of business our business is, we are quite connected from one segment to another and we see these as an opportunity.

Rohan: For an example, if you get a business from Nokia. It may tend to put off Ericsson or may be LG or someone else saying that it is competitor that you are working with and that tends to reduce the opportunity.

Srikanth Kannankote: I think that if you get to look at our own self, so far we have worked with pretty much more vendors in both the infrastructure side as well as the handset side. Winning the Motorola Symbian/UIQ platform for like a new platform for S series, I do not think we will have an impact in terms of what Nokia will do from a business perspective with us or winning a business from Nortel or Motorola or anyone of the other Tier 1s will have any impact on others because they are used to having Indian companies deal with multiple vendors and I think our company has provided sufficient security and then confidentiality to them that I do not see this making a big difference from that perspective.

Rohan: I take it. The second question is more on the amortization. I really did not get it. Could you explain what is the accounting policy for this amortization, which we have done this year, this quarter?

Neeta Revankar: Yeah. See, we look at what is the estimated life of the product before we determine amortization.

Rohan: Okay.

Neeta Revankar: That is exactly what we have done. We have estimated the useful life of this product to be in the range about 36 months.

Rohan: Okay.

Neeta Revankar: We are expensing this over 36 months.

Rohan: And we do that for each year so the roughly the life estimate for most products would be three to four years? Is that it? Three to five years?

Neeta Revankar: No it could be anything actually. It could be two to three years. I do not think we have expense anything over a period longer than three years. We would like to stay with three years.

Rohan: And what will be the value on the balance sheet, which expense to be carried forward? What is the amount as of now, we have that figure as of now?

Neeta Revankar: There are two parts to this amount. One is a capitalized software product, which is Rs. 277 million. The other is software that we acquired for our E Series product line and for that we have carry Rs. 55 million in our balance sheet.

Rohan: Okay, the last year again it was more on the business perspective. How do you see the business of the revenue split within the license or the product revenues and services revenues in the next couple of years? It is very small on surely the product side will go. Do you have some ballpark direction, which you could give us as to the services, the products revenue vis-à-vis of the services as a percentage?

Rajiv Mody: Yeah. We would like to be the benchmark definitely on our services and our products IPR business. The benchmark that we have for ourselves on our services business is one what is the growth rate. Two, what is the tier 1 penetration that we have and the amount of revenues that we generate out of it and three, all the usual EBITDA margins and everything. So, you should kind of measure us on that. I think that is what we have been presenting consistently for quite sometime now and on that as Sri has mentioned we expect to continue to see our growth for about 30%-35% factoring in our Sasken Finland Oy's full year's revenues into the numbers not just the seven months that we consolidated for the last year. That is one. On the IPR, on the products business, we would like to be measured in terms of 2, rather 3 parameters. One is how good is our Tier-1 penetrations in the respective markets those Tier-1 vendors are supplying the handsets into. The second is the average royalty realization per unit and third is how many millions of units carry our IPRs into the market.

Rohan: Anyway that is it for me. Thank you.

Moderator: Thank you very much sir. Next question comes from the line of Mr. Sandeep with Motilal Oswal.

Sandeep: A you mentioned that 40%-50% of the business comes out of the telecom infrastructure and where some decision making has been delayed not just with you but we are hearing with the other vendors also and to be in this segment being competing with the larger guys so, how confident and how predictable is our revenue growth of 30%-35% which we are looking after including Botnia for the full year because my

calculation says that on an organic front without Botnia we are looking at 25-30% growth, so how confident we are into?

Srikanth Kannankote: Well I do not think we would have said it if we are not confident. I think if you look at first of all, we are pretty big also in this case so even though the Sasken in total may be not as big as the other Indian companies. If you take a look at the telecommunications industry, we are pretty well known and well known for our caliber of resources and our caliber of performance. So I think, in my opinion that worse we are on an even playing field if we are from a competitive perspective. So, the caution that we have put in earlier was more about the spending on the equipments vendors. What are they going to do? How are they going to prioritize their projects? When are they going to release it? As I said earlier we have got some fairly good view into them. Many of the decision makers or the key decision makers we talked to them all the time then we sort of make a forecast based on what we see today and what they are saying to us and then we are beginning to see some loosening of the purses and as I have said earlier the Q2 of this year will be where we will think that it is going to come back to an increase in terms of their outsourcing or low cost mix. So, from that perspective, we have been known in this industry, we have got a lot of experience in this industry. We have all the Tier-1 customers. So, I think it is fair to say that at 30%-35% we are pretty confident.

Sandeep: Okay. This is based on you can say verbal commitments even after taking conservative outlooks towards the telecom industry?

Srikanth Kannankote: I will not say conservative, liberal or verbal commitments or not. This is based on the pipeline that we see. This is based on the discussions that we have. This is based on the relationship that we have built with them. So, other than also this it is also based on the base business that we have with them. So there is obviously a certain amount of business that sort of continues so with time and then some of them are going to exit. So, I think we have a fairly decent view in terms, unless something happens, I think we are quite comfortable about this act.

Sandeep: Okay and just an update question. How much revenue being consolidated in this year for the Finland and what is the total 12-month revenue of Finland?

Neeta Revankar: The revenue is consolidated in our financials is \$15.6 million for seven months.

Sandeep: Okay and so what was the total revenue of Finland for this year?

Neeta Revankar: Just one minute. It is \$26 million.

Sandeep: Okay and this 30%-35% growth is after adding 26 million on that base we are looking at.

Neeta Revankar: That is correct.

Rajiv Mody: Not 26 million, it is only for five months.

Sandeep: Okay. I understood. Sir in terms of the EBITDA margin in the services business, what is our outlook? What kind of wage hikes we are looking at? What kind of margin negative we are factored in and what kind of margin outlook we are having?

Neeta Revankar: Yeah. Clearly wage hike we are expecting to be in the range of 10%-12%.

Sandeep: For the offshore?

Neeta Revankar: For the offshore and for onsite it would be around 4%.

Sandeep: Okay, so with the high attrition, we believe 10%, which seems to be lowest in the industry up till now. All of the results were come they have ranged about 12%-15%. So, the high attrition you believe that this will be sufficient?

Neeta Revankar: You have got to look at the increase over the base. If your base was already low then you may be you need to give a higher increase. We believe that our base was not lower to warrant a higher increase. It is appropriate and 10%-12% we think is sufficient. The second thing is that we do not see salary as being the single reason for attrition in the organization. So as we mentioned we are working on all other parameters so, we do see at least today the information available before us, we should be able to keep attrition at manageable levels.

Sandeep: Okay and what is the outcome on the services EBITDA?

Neeta Revankar: The services EBITDA I think today the single largest impact will be on a longer term will be because of the exchange rate. Otherwise we are able to manage all the variables. The billing rate increases, wage inflation in order to result in a marginal increase in EBITDA year-on-year. It is really the exchange rate, which could affect us. So, it could be in the range of 20%-23% for the coming year on the services side.

Sandeep: Okay, okay. On the taxes and depreciation, it's been fluctuating on the quarter-on-quarter. Depreciation has increased significantly this quarter and tax rate has come down so, on the taxes what is the rate you are looking in FY2008 and depreciation do you believe can have some further impact going forward?

Neeta Revankar: The tax rate as we have mentioned earlier is a resultant of a number of factors. Key among them being how much of product revenues we have in the quarter, how much of onsite revenues we have, and how much of India business we have. So, the mix varies from quarter-to-quarter we will see some variation in the taxes. Okay.

Sandeep: Right.

Neeta Revankar: Effectively, I think we can expect the tax rate to be in the range of 16%-19%. Okay?

Sandeep: Okay.

Neeta Revankar: As far as depreciation is concerned, in the last quarter there was an increase in depreciation for couple of reasons. We have taken a new facility on lease during the quarter, and the second thing is also that we started amortizing the products software that we have acquired for the E series. We can expect depreciation to continue at similar levels going forward.

Sandeep: Okay. Madam, before the amortization also the depreciation has gone from 5.5 Crores to 7 Crores. So that was on account of the lease rental, which accounted in the depreciation?

Neeta Revankar: It is that and also the depreciation of the product software is factored as depreciation. So, these are the both these reasons, which have led to increase in depreciation.

Sandeep: Okay. Okay. So, going forward you believe this is a sustainable number on a quarter-on-quarter?

Neeta Revankar: That is right

Sandeep: Okay. Thanks and all the best.

Rajiv Mody: Thank you.

Moderator: Thank you very much sir. Next is the question from the Mr. Singh with Goldman Sachs

Mukul: Hello sir. As per your guidance for the coming year for the services business. I just want to understand like you have mentioned that on the handset side growth environment is good, and on the network side there are certain uncertainties. So, is it basically the network engineering services where you are expecting a pretty strong growth in the coming year and if that is the case then can you just stress upon how are the margins in network engineering side as compared to the other two segments?

Srikanth Kannankote: I do not think we said that it would be from a network engineering side. We talked about networks. We really talk about the networks, R&D services as well as the network roll out services.

Mukul: There were some mention about some of the court cases with BSNL or some BSNL project actually getting delayed, so I just thought in case if it was delayed...

Srikanth Kannankote: I think when we factored in the EBITDA that Neeta was earlier talking about; we have sort of factored in the mix of the business from both sides. The R&D side and the engineering services side; while probably the R&D services side may have a bit of higher margin and in the engineering services especially given the geographical locations that we do the roll-outs. Our balanced view is that, as like Neeta said earlier due to the rupee appreciation, 20%-23% EBITDA is what we are looking at as combined. We do not give the breakdown of each one of the businesses separately.

Rajiv Mody: Also, let me add what Sri is saying and Sri has mentioned it earlier also on the network equipment side of our business we are seeing growths on the R&D side as well as on the infrastructure roll out side. On the R&D side as Sri mentioned earlier, we are seeing rolls on all the existing as well as the legacy products, as well as the next generation products, things like CSCF, Core, IMS servers, all those are in the newer areas and as well as would you call on the operator side you see things in branded services and all. So, we definitely are seeing good opportunities over there. However, because of the fact that the market was going through a consolidation phase, it kind of slowed down for a couple of quarters and we expect that to continue possibly in this quarter also, but we are seeing the thing really getting loose in some fashion and I expect that to kind of go at full steam starting 2nd quarter of the financial year, this FY08. On the SNEL, on the network engineering rollout side, Sri has already talked about the BSNL as well as all the other areas that we are looking into.

Mukul: Also can you just touch upon what is the expected growth rate from SNEL business that is your networking engineering business?

Srikanth Kannankote: We do not give you a breakdown by R&D services or SNEL Services. Basically, I would say that the combined growth rate is what we have been talking about and the combined growth rate would be what we said it would be, in the range of 30% to 35%.

Mukul: Can you just clarify like on the SNEL business we will have to pay full tax because that is domestic business?

Neeta Revankar: That is correct.

Mukul: Okay, thanks a lot.

Rajiv Mody: By the way we would pay tax on the R&D side also if it is domestic business.

Moderator: Thank you very much sir. Next question comes from the line of Mr. Vinod with Prodigy Investments.

Vinod: Sir, when do we expect the product business to be EBITDA positive?

G Venkatesh: I think it is hard to predict at this point in time till the royalties from the shipment of the phones start yielding the royalty numbers that we expect in the future to make a prediction about positive EBITDA. So, really we have to track the shipments and the royalty numbers will have to follow and that is the only way one has to think about the product division.

Vinod: Okay, thanks.

Moderator: Thank you very much sir. Next question comes from the line of Mr. Rishi Maheshwari with Network Stock Broking.

Rishi Maheshwari: Good morning sir, my question is more pertaining to the technology initiatives that you have taken, say in the last quarter or last year. Any particular

thing that you would like to highlight on the technology especially in consultation with your 3G-4G services or any initiatives on the base station side towards WiMAX?

Srikanth Kannankote: We said that earlier there was a question about utilization and we said about what we are doing and why are we, why was the utilization lower and I said that we utilization lower then anticipation with of new businesses. One of the businesses that we are really looking at is extending our access capability into core, and that would be the one area that we will see a lot of interest as people move into core, as people look at dual mode handsets and how do we make the call from one environment to another. I am talking about the current cellular environment to the IP environment, as the tremendous amount of opportunities for some advanced technology and advanced product development and in some of the people we are quite involved in this what we call as the dual mode areas. These are core integration areas; the CSCF area is one of the things that I talked about. Lot of interest in the area, Femto cell, which is the personalized base station area where we are making some investments. Also told you a little bit earlier about this whole system integration that we have on the handset side while we have been putting IP on the handsets, one of the things that our customers are asking is can you take full ownership and in terms of the selection of vendors which are used as phone components and integration of these vendors into a reference design that can be given to manufactures to manufacture. So, lots of opportunities in the SI area that we are beginning to make some investments in. So, in simple one two terms I would say core extension from access to core that includes call consolidation, call coordination, CSCF, and IMS based applications, and then the extension of our businesses into handset system integration which moves us into higher levels of ownership from a customer perspective that we can take more and more problematic responsibilities and GV do you have anything to add to that? So those will be the areas that we are making investments.

Rishi Maheshwari: Right. Sorry for being repetitive on Botnia, but how do you expect Botnia's growths to be in future?

Srikanth Kannankote: On Sasken Finland what we did say was our handset business continues to be quite robust both in terms of services as well as in terms of some of the intellectual property and Sasken Finland is prominently handset oriented business, so we expect some good growth coming from Sasken Finland, where we see other businesses growing because the services where we are going to be heavily into that one. We also think that the competencies there can be applied to other Tier 1 customers, so we are really looking at how to take their competencies to others so we are still quite comfortable, that's more on a global basis, and that will help us towards the growth.

Rishi Maheshwari: And any what would be the current number in Mexico right now? Number of employees?

Srikanth Kannankote: 65 would be the current employee level in Mexico and we continue to be optimistic about our presence in Mexico and then our customer.

Rishi Maheshwari: All right thank you so much.

Moderator: Thank you very much sir. Next question comes from the line of Mr. Raghavan.

Raghavan: Yeah, see my question is relating to the increase in G&A expenses that seen Year-on-year basis considerable increase in the G&A expenses. Can you just tell us is it one time to cost of Botnia acquisition or it is something recurring in nature?

Neeta Revankar: Actually the increase is now recurring. It is on two counts, one is clearly because of the Finland acquisition, and secondly we have also made some senior hires, so that is also contributing to this. So it is both, it is both Botnia as well as some senior level recruitment.

Raghavan: Okay, yeah.

Moderator: Thank you very much sir. Next is a follow-up from Mr. Ruchir Desai with Pioneer Intermediaries.

Ruchir: Hi thanks for taking my question. I just have a question on services business with many of your Tier-1 clients in NEM space have put up captive centers themselves in India offshore centers. So, do you see them with them ramping up their offshore capacities in India? Do you see this affecting your business going forward going forward and what is your outlook on that front?

Srikanth Kannankote: We do not see any impact on that as you have probably seen the majority of our customers have been our customers for sometime, long-term customers, Tier-1 customers, so I do not anticipate any impact to us on that front.

Ruchir: Alright, fine, thanks that is it.

Moderator: Thank you very much sir. Next follow-up comes from the line of Mr. Hitesh with Edelweiss.

Kunal: Hi, this is Kunal Sangoi. Congratulations on a good FY2007. My question relates to a data point. Could you give us the number of gross adds in the product business for the whole year? The total is 1784 for the total business, but in products what has been gross adds?

Neeta Revankar: It has actually been a net reduction in the products business headcount. If you are looking at full-time employees of Sasken, from 293 at the beginning of the year, it is now at 255.

Kunal: But of course there will be some additions during the year to the total 293 and probably some of them would have quit... so... just trying to look at the attrition in this product as well as the services segments?

G Venkatesh: The attrition is roughly equal between product division and services division, but we continue to hire selectively in the product division basically to fill capability gap, but by and large are attempted to use as much as possible, a fixed core range of engineers which will range in the 250 to 275 engineers as the range and use contractors for the rest, so that that will range between 70 and 100.

Kunal: Okay, sure thanks a lot.

Moderator: Thank you very much sir. Participants who wish to ask questions may please press *1 now. Participants who wish to ask questions may please press *1 now. At this moment there are no further questions from participants. I would like to handover the floor back to Mr. Mody for final remarks.

Rajiv C. Mody: Once again thank you very much for your patient hearing and look forward to joining you again at the end of the first quarter. Thank you once again.

Moderator: Ladies and gentlemen thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice evening.