

## **Sasken Communication Technologies Ltd.**

### **Investors/Analysts Conference Call**

**April 17, 2006**

Moderator

Good afternoon ladies and gentlemen, I am Monali, the moderator for this conference. Welcome to the Sasken Conference Call. For the duration of the presentation all participants' lines will be in the listen-only mode. After the presentation the question and answer session will be conducted for participants connected to SingTel. After that the question and answer session will be conducted for participants in India. I would now like to hand over to Mr. Mody of Sasken. Thank you and over to you sir.

Rajiv Mody

Thanks a lot Monali. Ladies and gentlemen a good day to you all. It is my pleasure to welcome you to the conference call and present the business results of Sasken for the fourth quarter and full year results for the financial year FY06. I am joined on this call by my colleagues Neeta Revankar, CFO, Mr. Prabhas Kumar, Head Services and COO, and Mr. Swami Krishnan, Chief of Marketing.

The consolidated revenues for the year ended March 31, 2006, stood at Rs. 308.13 crores in comparison to Rs. 241.77 crores for the full year last year, registering a growth of 27.4%. Profit after tax for the full year ended March 31, 2006, stood at Rs. 29.68 crores before exceptional item, registering a growth of 30% over the previous period. Profit after tax, after the exceptional item, was Rs. 22.9 crores, which is 1% higher than PAT of FY2005.

Consolidated revenues for the fourth quarter ended March 31, 2006, stood at Rs. 78.05 crores and profit after tax stood at Rs. 6.29 crores. This was in comparison to revenues of 75.94 crores and profit after tax of Rs. 0.18 crores after an exceptional item in Q3 of FY06. From the same period last year, which is Q4 of FY05 the revenue stood at Rs. 74.55 crores and PAT at Rs. 10.95 crores.

Our services business has delivered a robust performance last year. We recorded 35% annual growth in services in rupee terms. A single-minded focus on staying in the telecom vertical and connecting the dots across the telecom value chain has been the corner stone of our business strategy. This combined with the key account management focus on the services side is steadily paying off now. We entered four new accounts, scaled two accounts to over 3+ million dollars, and one account to 20+ million dollars in annual revenues last year.

Our offshore services revenues grew by 44% for the full year FY06. Last year we had announced the launch of our Mexico development center as part of our near shoring strategy, this has now been full functional and recruitment efforts are on full swing. We have begun this center with an anchor lead customer, and we expect to start billing in the first quarter of FY07. To add to the Mexico center we have also incorporated a development center in China, this will also have an anchor lead customer.

The net additions to head count during the FY06 was 454 resulting in the total head count for the company at 2575. We have also recently announced the acquisition of

100% stake in Chennai based iSoftTech. This will give us a footprint in Chennai. Also it will add offerings in the Datacom and wireless LAN space to our offering portfolio and help us extend these offerings to existing customers. This acquisition however has no impact on our financials and business performance for Q4 and the full of FY06.

Over the last year we have had a sharp focus on internal efficiencies and operational costs, this has paid off with utilization rate significantly increasing from 64.4% in FY05 to 75.7% in FY06. This has also resulted in EBITDA from services increasing by 57% annually. The EBITDA margins from services have moved up from 20.1% to 23.4%. On the product side an existing development last quarter was that we demonstrated a full functional phone using Sasken's integrated solution at the 3-GSM World Congress in Barcelona, Spain. We had announced in Q3 that a major Japanese handset vendor had started shipping handsets containing Sasken's IP, our multimedia solution, and we realized royalty revenues from these shipments in Q4. Added to this we had design ins from two leading Japanese handset vendors for our multimedia applications, and from one China ODM for our wireless mobile stack.

From people strength perspective we had a net addition of 71 people in Q4 taking our total strength as I said earlier to 2575 as on March 31, 2006. Our People First focus received yet another accolade this quarter when we were ranked number 8 in the Business World grow talent workplace to work for an India survey in 2005. The second consecutive year we were ranked in the top 10 in the survey.

Thank you so much for your patient hearing and my colleagues and I will be happy to answer any queries that you might have. With this I pass on back to the moderator for the question and answers. Thank you.

Moderator

Thank you very much sir. At this moment, I would like to hand over the proceedings to Icho to conduct the Q&A for participants connected to SingTel. After this we will have question and answer session for participants at India bridge. Thank you and over to Icho.

SingTel Moderator

Thank you Monali. We will now begin the question and answer session for participants connected to the SingTel bridge. Please press 01 to ask a question. Press 01 to ask a question. At this moment there are no further questions from participants at SingTel. I would like to hand over the proceedings back to Monali.

Moderator

Thank you Icho. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions may please press \*1 on your telephone keypad. On pressing \*1 participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking questions. First in line we have Mr. Shekar Singh from ICICI Securities.

Shekar Singh

Sir, just wanted to know like what are the total number of active clients because this quarter you have not mentioned that in the metrics?

Rajiv Mody

The total number of active clients that we have is 39.

Shekar Singh

There seems to be big drop in the total number of active clients from 42 last quarter?

Rajiv Mody

There has been a drop of three clients over the last quarter, and I will get more details on that and come back to you.

Shekar Singh

Okay. Secondly what is the attrition, if you take into account voluntary and nonvoluntary attrition also?

Rajiv Mody

If we take the gap between the voluntary and non-voluntary is, there is 1% point more if you add the non-voluntary attrition into the count.

Shekar Singh

Thanks a lot sir.

Moderator

Thank you very much sir. Next is Mr. Hitesh Zaveri from Edelweiss Securities.

Hitesh Zaveri

Hi, my question is, you know, what kind of visibility that you have from your services clients, I know that you don't give a guidance, but if you could give us some detailed sense about what kind of spending plans that they have with you over the next 12 months?

Rajiv Mody

To answer that question, in the services business we expect to continue our growth at the industry average rate, and we have visibility also aligned into that for the next 12 months. We expect to add the additional head count of about 700-750 people net into the organization in the coming year, and that is growing at a decent pace and we are quite happy about it. All the segments, all the sectors are growing, and when I say all the segment sectors I mean network equipment vendors, semiconductor companies, mobile handsets, and the operators, all four of them are growing at reasonable pace. Add to that of course now we have centers in Mexico, centers in Chennai, that we have

added which is helping also. So net-net I am very confident of our quest and growth in the services side of our business.

Hitesh Zaveri

Could you also provide some margins outlook in service and products both, how should they look like in the current year?

Rajiv Mody

On the services side, the margin outlook, I mean, if you compare FY05 to FY06 we have seen an improvement of 3-percentage points at the EBITDA level in our services business. The expectation, I mean, I can say that there are challenges, there are pressures in terms of wage increase, however, there is also what you call expectation built-in on the realization, the revenue increase, and the attrition is the third key driver into the whole thing. Having said that we expect that the margins would remain similar or improve, but over a yearly time period, it may not reflect on a quarter by quarter basis, instead we expect to go back to those kinds of numbers or better than that by doing other things in terms of bringing the attrition down, bringing in e-profiling at the right levels into the organization. Today, the organization has an average experience of about 4 years in the company.

Hitesh Zaveri

Rajiv, are there some options in the attrition side, I mean, does this need you to lower the bar in terms of, you know, I know that you mostly go to premier institutes and kind of people that you require, but what are some of the options you have to reduce your attrition problems?

Rajiv Mody

The options that we have in front of us to reduce the attrition is, one, strengthening the middle management to make sure they take the responsibility very strongly of attrition, one. Two, we have the option of inducting more, more freshers into the system and ensuring that the productivity levels are not sacrificed or comprised in any way. So those are the two key options that we are kind of focusing on. Those are the ones that we believe would have a significant impact going forward. Of course, our people focus as you know is a continued effort, continued emphasis, and we have implemented and we continue to implement people first policies, and are committed to that, and we believe that those will have impact on an ongoing basis. There may not be immediate impact in terms of numbers going down because of that.

Hitesh Zaveri

Lastly, Rajiv if you could give some update about the pipeline in your product business in terms of your discussion with client where your software could be adopted by the handset that they are planning to launch, how does it look right now?

Rajiv Mody

Like I mentioned when we started this call, we have design ins in Japan as well as in China, and we are working very closely with the leading semiconductor players both for

the integrated solution, mobile protocol stack, and the media apps. As of today we see that those things will culminate and lead to the objective that we have started with, which is by end of this financial year we would have the royalty revenue streams, the rivulets on those kind of coming together, and we would be able to show that number in the fourth quarter of the financial year, and we are on track as far as those things are concerned.

Hitesh Zaveri

Sure, I appreciate. Thank you.

Rajiv Mody

Thank you.

Moderator

Thank you very much sir. Next is Mr. Girish Pai from East India Securities.

Girish Pai

Hi, can you talk about why your services business did not grow at all last quarter and why the margins fell?

Rajiv Mody

I will ask Prabhas who heads our services, to answer that question. Prabhas

Prabhas Kumar

From a revenue perspective, yes, service business in terms of revenue on sequential quarter in Q4 was flat in rupee terms. However, in dollar terms there was a growth of 2%, and when you convert that into volumes there has been a shift from onsite to offshore business, and if you just focus on Q-on-Q offshore volumes and revenues, our offshore volumes just for time and material actually went up by 7% quarter on quarter. Offshore volume including the fixed price projects went up by 3.4%, and offshore revenues including fixed price went up 3.6% quarter on quarter. So these are all in rupee terms, if you add the forex impact back, offshore revenues actually went up by 5.6%. So that is the shift onsite to offshore which has caused the flat kind of revenue behavior in rupee terms.

The other question is on the EBITDA dropping by about 3.5% sequential quarters. There are two reasons for that, one is that we had a partial salary change in the quarter for part of our groups, so that has an impact of about close to 2% and also we have the 2% impact on forex, so overall you know that explains the EBITDA drop for sequential quarters.

Girish Pai

So, on the salaries front in FY06 what has been the hikes that you have given, can you just elaborate on that?

Rajiv Mody

I will have Neeta answer the question; the question is what is the salary hike that we expect to give for FY07, right?

Girish Pai

That is one part. What did you give in FY06, I mean, the entire year of FY06, at what points in time and how much?

Neeta Revankar

See we give normal salary increases in the month of April, and the increase last year the wage bill went up by about 13%. The second increase we gave was in January to one part of our organization.

Girish Pai

How much was that?

Neeta Revankar

See, we expect our wage bill to go up by close to 18% after the increases that we give in April.

Girish Pai

So in January how much, the partial wage increase was how much?

Neeta Revankar

It is in the range of 16-18%.

Girish Pai

In FY07, what will be the wage increase?

Neeta Revankar

We expect the wage bill to go up by about 18% as a result of the increase.

Girish Pai

Again?

Neeta Revankar

Both together will amount to an 18% increase in the wage bill.

Girish Pai

I just want a clarification, those people, the part of the organization which got a 16-18% wage increase in January will they get another wage increase in April?

Neeta Revankar

No, see the way to look at it is, we have given one part of increase in January and we are giving the other part of increase in April, the extent of increase is likely to be the same.

Girish Pai

Okay.

Rajiv Mody

To put it little differently whatever was the wage bill on 1st April 2005, if you take our wage bill, if the same people were there on 2006 it would be up by 18%.

Girish Pai

Sir, this does seem to indicate some amount of supply side pressure, I mean, would you have a situation where you might increase wages again during FY07?

Rajiv Mody

We do not expect to do that, however, if we get tied with this, if we are able to get also significant billing realizations, definitely we may look at it.

Girish Pai

You mentioned in Q4 you got some royalty revenues from Japanese handset..., can you just elaborate on how much that was?

Rajiv Mody

The amount that we received as royalty was Rs. 9.8 million for the quarter.

Girish Pai

Okay, thank you.

Moderator

Thank you very much sir. Next is Mr. Dipen Mehta from Dipen Mehta Shares.

Dipen Mehta

Yeah, this is the question for Mr. Mody, just you know, the way things are happening in the IT industry with high attrition rates and the industry not able to get enough people, is that possible that you know two to three years down the line the entire growth in the IT industry will just flutter and you know grow at a low single digits because there are just not enough engineers in our country, I mean, Infosys want to grow, you know 25,000

people they want to add, and you want to add 700. Everybody wants to add numbers which are mind boggling, so can we have some comments on whether there are enough engineers end of the day in this country in 2008 and 2009, and since your growth depends upon finding, in fact the growth was poor for the last quarter because you did not have enough people, so is it not likely that 2-3 years down the line the entire industry may go into negative growth rates or single digit growth rate because there are not enough people?

Rajiv Mody

I think your observation is valid as well as deserves a lot of thought and merit because what we have raised is indeed something that concerns all of us. I do know that the way forward for all of us is to see that we go and recruit and get the kind of talent outside the country also and set up near shores centers wherever required for you to acquire the talent. There is definitely gap in India in terms of certain talent, certain capabilities particularly if you are looking for high-end architects or high-end business process folks, but those I am sure we are able to get them outside the country. The strategy that we are using as you know is set up near shoring, one we have already set up in Mexico. We are already now going into China and setting up over there. Within India expanding in locations like Chennai and Pune, and keep doing that because we believe that the space that we are operating in is going to be significantly both cost as well as quality led and our ability to meet the requirement in the market is going to continue. I do not see from the demand perspective any slowing down on it. I see definitely a concern, and our challenge as management is to see that we continue and propel the growth rates be it by setting up centers here or be it outside the country.

Dipen Mehta

Does your company or the industry have a handle on whether they can increase the productivity of the employees offshore especially because then the resources scare then you try and extract the maximum out of it, so are phenomenal productivity gains possible first for you as a company, and second your observation for the industry, or you know that is more or less, one should not bank on productivity increases, end of the day the shortages are going to be, you know, you have to either get more engineers in place or you get more centers outside India?

Rajiv Mody

No, again your observation is valid. I think those who focus on productivity increase will come out ahead because we cannot keep growing by simply, I mean, you have to keep growing by adding people but also by ensuring that there is productivity increase, otherwise it becomes a non-competitive kind of situation. We are focused on that to ensure that we keep increasing our productivity levels, otherwise these kind of the salary increases year on year are not justifiable.

Dipen Mehta

Okay. So now that you know the first mobile phone with the royalty based model is in place, would you at least give some idea as to you know what is, you know, some more idea as to what is the per telephone royalty which you would earn, you know, some more information on the product business, it is now, you are almost three quarters into the secondary market with us and we still do not have a complete handle on your product



business, why do not just tell us a bit more as to the likelihood of what revenues you can earn, what is the potential? I understand you may have some amount of nondisclosure agreement, but then as minority share holders and where you have invested millions of rupees in the business and still we do not have a clue as to what you can earn or what you expect to earn to an extent accordingly to me is not fair.

Rajiv Mody

Okay, I think we have tried to answer that question in a round about way maybe, and probably we will continue to do that for sometime, but let me assure you one thing, the market that we are addressing is pretty, the market exists first of all. There is no what you call creation of a market, so that risk is nonexistent as far as our product business is concerned. Second key driver for us to succeed in this business is our key relationships with semiconductor companies, because today handset manufacturer will not touch anything, which has not been proven validated on a semiconductor platform. So from that perspective also we have made significant inroads in top tier silicon vendors both on the base band side as well as on the application processor side. Third thing is the realization part that you asked, I mean, we are focused on, again reason why we cannot share the numbers and all is because that is the confidential information and there is what you call our competitors would know in terms of what is it that we are charging for particular kind of solution for handset, particular kind of handset. So we are not able to share that information, however, having said that on an average we are focused on delivering at least greater than a dollar per handset depending upon what combination things are taken for the handset.

Dipen Mehta

Third question relates to cash on hand as of 31<sup>st</sup> March 2006, and if you have finalized the CAPEX plan then the quantum for FY07?

Rajiv Mody

Yeah, Neeta will answer that question.

Neeta Revankar

The CAPEX plans for the next year, the large CAPEX will really be in the campus that we expect to setup for which we raised the money in the IPO, and that will be in the range of about 130-140 crores. Apart from that we expect that CAPEX in the business will be in the range of 25-30 crores per year.

Dipen Mehta

And cash around 31<sup>st</sup> March?

Neeta Revankar

We had about 15 crores of cash, but that was mostly out of collections on the last day.

Dipen Mehta

Cash plus investments...?

Neeta Revankar

Cash plus investments as at March 31<sup>st</sup> is about 200 crores.

Dipen Mehta

Regarding other income of 6 crores for fiscal 06, was most of it interest or are the investment in the nature of mutual funds there, you know, which is getting added?

Neeta Revankar

See, our investments are in mutual funds, but they are entirely in liquid funds and short-term funds. None of it has any equity exposure.

Dipen Mehta

No, means, do you get appreciation in those mutual funds, does it get reflected in the P&L, and this 6 crores is basically, mainly interest income or what is it?

Neeta Revankar

Yeah, it is capital gains and dividend gains.

Dipen Mehta

So, it is not that there are unrealized gains on the investment on mutual funds as of quarter end?

Neeta Revankar

No, that is not there.

Dipen Mehta

Okay, and also the tax rate is certainly higher than most other companies, any comments on that, 20-23% tax to PBT ratio is quite high compared to the normal 10-15% what we have seen for other similar sized companies?

Neeta Revankar

See, tax rate as we have always said is a combination of few things for us. One thing that other companies do not have is the product business, where we get revenues in the form of license fee or royalties both of which attracts withholding tax. If we remove the impact of that you will find our effective tax rate in line with the tax rate of other companies. Having said that, in our case still our effective tax rate even for my services business has increased in the last year and that is largely because of the quantum of India business. If you look at the work we have done for India, it has gone up over the last year. So these are the two reasons why our tax rate appears as high as it does.

Dipen Mehta

Thank you and all the best.

Rajiv Mody

Thank you.

Moderator

Thank you very much sir. Next is Ms. Parul Patel from Stratcap Securities.

Parul Patel

Good afternoon sir. Part of my questions are answered. I will go on directly to my next question. You just said on our product business you are moving from licensing arrangement to royalty business model. What would be the impact on margins if one were to move from license to royalty in percentage terms?

Rajiv Mody

Let me try to explain that little differently, I mean, if we were to take the same revenues as one-time licensing fee then of course the gross margins would be somewhere in the range of about 35-40%. Having said that the benefit that we derive out of selling, I mean, going after the royalty model is that we get significant upsides based on the number of handsets that get sold in the market. When we do a license deal then we are limited by the number of, I mean, we only get that much amount and we are done with it. We do not get anything more. So the fact, since our solution is matured significantly, one, and two we have shown and proven into the market in the most developed markets about the quality, we are confident of delivering more gross margins if it is a royalty led thing.

Parul Patel

Okay, Sir if I can ask one general question, you just mentioned that having relationships with key semiconductor companies, especially the top tier one is extremely important for your business. I am just wondering in the year 2000 each one of them went through really bad times, your strength could as well become a weakness if the cycle turns, meaning, semiconductor companies do not do well. So as a company what do you propose, how do you propose to address this issue because most of the things are derived from semiconductor companies, and you cannot possibly move to handset companies because you rightly said they would not sort of accept anything if it is not approved by a semiconductor company, so you approach, your entire business is via semiconductor companies, so how do you address this issue going forward say 3 years, 5 years hence to make the model more sustainable, so that you don't repeat what happened in 2000-2001?

Rajiv Mody

Yeah, Parul let me try to see more fundamental thing that would impact our business is if there is a slow down in the growth in the handset market itself. As long as the handset market is continuing to grow, and two, as long as there is a shift in the price points on the kind of ASPs that those handset folks are driving, we believe that we will continue to be impacted purely by that. Our ability to serve that market, and that is more as an entry

barrier for the others, is our relationship and proven solutions on the semiconductor platform. So a new entrant who wants to come into this space would require at least additional 18 to 24 months before they can even kind of show anything working in the market place to a handset manufacturer. So this is what I would observe and I would keep an eye on, one is like I said is the number of the handsets going down, and two is the average selling price of it still continuing the downward trend.

Parul Patel

All right, Mr. Mody from what I understand you are betting on the fact that, I mean, and I think that is pretty prevalent, so as and when handset prices globally falls say below sub 40 dollar mark or sub 100 dollar phones, which they are going to tap to emerging markets where the entire growth story is, so therefore software prices as a cost of your total handset prices have to come down and therefore more of the offshoring will happen and therefore Sasken stands to benefit?

Rajiv Mody

I would just clarify one statement that you made, the software price for the handset definitely will have an impact, but it will not have that, it will not be linearly tracking the silicon pricing because there is going to be a point at which you need to supply software which is good quality and there is certain cost associated with that. We do not believe fall in the software realization per handset will track the drop in the pricing of silicon.

Parul Patel

All right, thank you sir.

Moderator

Thank you very much madam. Next is Ms. Priya Rohera from Enam Securities.

Priya Rohera

Good afternoon to all of you all. Actually, some of my questions have been answered, just needed 2-3 data points, one with respect to the campus hiring which you have done this year, if you could highlight some color on that? Second thing is, if we could have the breakup between the product and services in terms of the employee deployment? Thirdly, if you could just give a qualitative assessment, if you look at services business we are already at around 78% utilization rate, so you know going forward obviously the increase has to come from the employment addition, so if you could just highlight on that factor as well?

Rajiv Mody

Our focus on campus recruitment continues, and I mean, overall in this year we are going to add 700-750 lateral hires, and campus would be on top of it. Of course what I would like to emphasize also besides these numbers have been moderated for any, I mean, the attrition and everything, so this would necessarily be the net add that we are looking at for the year. We are focused on, like I told you, our average experience in the company stands at about four years, which is a good number to have. We are able to deliver the best and the most complex things to our customers. However, we are

looking at how do we kind of ensure that we re-profile, bring the number down without having an impact on the productivity at all.

Second question of yours on utilization, I would like Prabhas to take that, we are at 77%, what is our expectation continuing on that?

Prabhas Kumar

Yeah, right now the utilization is between 77-78% and you are right that more growth has to come from new hires because we do expect to continue to run out of utilization at this rate, and when the freshers come in and the more campus grads come in the utilization would drop a bit which is a normal phenomenon. So, over the year we do expect that the utilization to vary in the range of 74-78% going forward.

Rajiv Mody

Third question of yours, the head count in our products division remains at about 300 people and that is the forecast also going forward.

Priya Rohera

In 07 you would obviously be, there would be increment to the product space, right?

Rajiv Mody

Yeah, there will be increment in the, we may add maybe another 15-20 people but not any significant numbers over there.

Priya Rohera

Okay, thank you very much and wish you all the best.

Rajiv Mody

Thank you.

Moderator

Thank you very much maam. Next is Mr. Ruchit Mehta from ASK Raymond James.

Anuj

Yeah sir, this is Anuj. I just wanted to understand the breakup, this question is again on the product revenue mix, we have licenses, royalty and customization, and we have seen a royalty actual number on decline. How do you see the mix going forward in terms of licensing, royalty, and customization?

Rajiv Mody

Let me try to answer the question. The business model that we have is, we ask for licensing fee upfront, and second is any customization requirement to meet the end objective is charged as NRE, and then when the actual model starts shipping then we

get the royalties from it. So what you call to be, I mean, our play is that we would have a significant revenue stream coming from royalties because that is where we are emphasizing and that is where our game plan is. However, the revenues from licensing and customization will continue, and finally, honestly it is difficult to kind of give a prediction in terms of what would be the break up, but I would not hesitate to say that the significant amount going forward would come mainly from the royalties.

Anuj

Sir, what was the reason for decline in royalties in this particular year?

Rajiv Mody

The reason for that is that royalties from our DSL solution that we had licensed to a company came to an end, and this royalty revenue we are seeing is coming from the handset launch by the Japanese 3G customer in the DoCoMo market.

Anuj

What was the proportion of the DSL contribution to the royalties?

Rajiv Mody

Actually, until previous, up till now I think almost 100% of royalties came in from DSL.

Anuj

Okay, fine. Thank you sir.

Rajiv Mody

And for last quarter all the royalty revenues are coming in from the handset side.

Anuj

Sir, can you tell us how much handsets were shipped during last quarter?

Rajiv Mody

That is a confidential information with our customer, unfortunately we cannot share that information.

Anuj

Fine sir. Thank you.

Rajiv Mody

I can tell you the model, it is an NEC N902i model.

Anuj

Okay, thank you.

Moderator

Thank you very much sir. Next is Mr. Kalpesh from USA.

Kalpesh

Good afternoon. I joined in late, so if you have answered this question already I apologize. Did you give any guidance for fiscal 07 for services and product revenues?

Neeta Revankar

No, we did not. Actually as a policy we do not give guidance considering the present investment mode in our product business. What we are saying is that our services business will grow in line with the industry.

Kalpesh

Which is how much?

Neeta Revankar

I think the Nasscom reports are available to most of us, it will be in the range of 30 to 33%

Kalpesh

in FY07, and will the mix remain same, about 85 and 15% between service and products?

Neeta Revankar

Your question was whether the mix is going to remain the same?

Kalpesh

Between the services and the product 85:15 roughly?

Neeta Revankar

No, see actually the mix is really an outcome of how much services business grows by, and how much traction we see in our products business, so that is not something that we are targeting right now and that is not something that we can talk about right now.

Kalpesh

Okay. And in terms of the product side, last time I saw you guys at the 3GSM congress, you had, NEC you talked about 902i model, there was also Panasonic for DoCoMo, and Mediatek was the chip partner. Can you highlight some other customers or partners on the chip side for the products?

Rajiv Mody

We work with Texas Instruments. We work with Analog Devices. We work with Philips, besides of course Mediatek. So those are the silicon partners that I can talk of officially without violating the nondisclosure norms.

Kalpesh

In terms of handsets that we can look for besides the NEC and Panasonic?

Rajiv Mody

We would – as a matter of policy inform you once the model starts shipping because then only we derive benefit and then only it is worthwhile for us to talk about it.

Kalpesh

And in terms of the handsets, aren't you targeting the high-end phones with the 3G and MMI application and therefore you wouldn't be subject to declining ASPs for the phones at least on the product side?

Rajiv Mody

We are targeting with our media suite the high end handsets that's the correct observation, however, in the handset market itself we are also seeing that the price points for the 3G handsets are coming down, and the market is expecting that the volume ramp ups on 3G handsets will happen at above \$150 price point, that may have some impact on us but not a significant impact because beyond a certain price point we cannot serve the market at all. So we expect and we believe that we will continue, now having said that you also are observing that there is a certain segment that is coming up at a \$100 price point GSM handset which is kind of providing \$300 kind of the user interface and all the other things that go, the MP3 player and things of that nature. We are also addressing that our Integrated solution which we demonstrated at the 3GSM on one of the leading silicon platforms.

Kalpesh

And in terms of 3G handset the estimates for the market are over \$100 million units out of the 850-900 millions unit market this year. What percentage of 3G handsets would you be in?

Rajiv Mody

To be honest, right now its difficult for us to make a prediction on what handset because that is more a function of how many handsets are successful in the market. Our strategy is to be in tier-1 handset for the 3G market and I am sure as the year unfolds we will be announcing those things as we move forward, and show you the solutions working on tier 1 suppliers of the handsets in the world market.

Kalpesh



And lastly, are you partnering with QualComm, or are you targeting them as a chip partner?

Rajiv Mody

I cannot answer that but I think that it is pretty obvious that they being a leader and we also supplying all these core things, it is anybody's guess.

Kalpesh

And why is the stock down, is it because you missed some expectation, or do you know why the stock is down today?

Rajiv Mody

Honestly, I am not in a position to answer that question.

Kalpesh

Thank you.

Moderator

Thank you very much sir. Next is Ms. Mythili Balakrishnan from JP Morgan.

Mythili Balakrishnan

Hello sir, I just needed to ask a couple of questions here, does your 700-750 people guidance include the iSoftTech acquisition of 110 odd people?

Rajiv Mody

No, it is does not.

Mythili Balakrishnan

So it exclusive of that?

Rajiv Mody

That is correct.

Mythili Balakrishnan

Okay. And sir now that this Alcatel takeover of Lucent has sort of been announced would that have any impact on your services revenues going forward?

Rajiv Mody

No, we do not expect any impact on our services revenue due to this possible merger between those two companies because each of these companies have distinctive strengths in the market, they don't have much of an overlap in terms of their products,

and we working on certain products with Lucent, which do not have any significant overlap with the Alcatel products.

Mythili Balakrishnan

Okay, but sir I mean Alcatel clearly does work with a different vendor, I am not too sure whether you have any relationship with them, but there is no such discussion as of now?

Rajiv Mody

That is correct. There is no such discussion as of now and we expect, we are doing an extremely good job with Lucent on the product lines which they are launching in the world market, and we do not expect any change on that.

Mythili Balakrishnan

Okay. Sir also like I think recently there was an announcement that KKR seems to have bought out Hughes, erstwhile Hughes, will that have any impact on your business or?

Rajiv Mody

I don't expect, I mean, we will continue to compete I guess.

Mythili Balakrishnan

Okay. Sir in terms of this reduction in the amount, or slower growth in the onsite revenues which we have seen over the past couple of quarter, is that something which will continue or is that something which is like a one off kind of a situation and should be expected to reverse so to speak?

Rajiv Mody

Most of the onsite business that we have right now, they are not onsite business in isolation, they are basically businesses which are linked to overall product transition plans that the customers have. And looking at the snapshot right now, which is like, you know, the shift in favor of offshore in my view, is more or less complete and we don't see any further major shift there in favor of offshore.

Mythili Balakrishnan

So basically it should sort of, similar proportion should sort of continue into the future?

Prabhas Kumar

Right, so there is a range in which it can vary which is 10 to 20%, and those fluctuations we will see because the way the business works is when you take up a new product line the transition from customer handling locations to our locations worldwide, there is an initial surge in the onsite presence because the engineers have to go to, the core team has to go and actually work with the customer for 3 to 6 months period. Depending on how the product transition happens, you know, these surges will take place some times in favor of onsite and sometimes in favor of offshore, but the band will pretty much remain 10 to 20%.

Mythili Balakrishnan

Okay. Sir in terms of blended bill rates there seems to be a slight decline in the services business, is that a function of the India business increasing and is that something that one should be concerned about?

Prabhas Kumar

Okay there are two or three parts of it, one is that if you look at the per billable person realization from FY05' to FY06' there is a drop and there are a number of reasons for that. If I take out the onsite-offshore impact on the blended rate and just focus on the offshore business which is time and material and fixed price, the time and material rates in FY06', average rates in FY06' over FY05' have marginally gone up, and we expect this trend to continue. In the fixed price terms we had said last quarter, I think it was one quarter ago or two quarters ago, we had said that we have made a conscious effort to shift a lot of our non-sustainable fixed price projects into either time and material or continue with fixed price projects which are more sustainable in nature, and FY05' we did have very high margin two large fixed price projects which were executed in FY05. In FY06' we did not have any of those, so as a result you know if you combine fixed price and time and material the realization does look lower in FY06' but we are not worried about it because those fixed price projects are now over, and going forward focus is really to build sustainable fixed price projects as well as time and material where the billing rate has shown marginal improvement.

Mythili Balakrishnan

Sir, what about the India business, does that also have an impact on bringing down your rates?

Prabhas Kumar

Yes, thanks for reminding me of that, because the network engineering services business that we launched about 6 quarters ago which is basically the deployment of network OEM business – network equipment business. That is by nature, if you look at from a per person revenue perspective, it is much lower compared to our R&D business. So if non R&D business as a percentage of overall business increases then there will be a reduction in the blended price, however that is not material because you know while the price there is lower even the salary levels are much much lower and in terms of EBITDA levels it is pretty comparable.

Mythili Balakrishnan

Okay. Sir I also had a question about this Nortel charge, is that now out of the way I mean there was a possibility of having a charge because of sale of shares to Nortel, is that now over and done with and there is not going to be a charge or..?

Neeta Revankar

Actually that is not yet determined as on date

Mythili Balakrishnan

Okay, is there a timeframe by when it has to be decided upon, I mean, by close of books or something like that?

Neeta Revankar

Not really, there are some legal issues here, so it does take a bit of time to resolve. We can't give you a fixed timeframe by which it will get resolved; we are trying our best to get it resolved sooner.

Mythili Balakrishnan

But it doesn't have to be in FY06', is that what you are saying?

Neeta Revankar

That is correct, our books are closed and there was no charge for this in FY06'.

Mythili Balakrishnan

Okay, my only other last question was about your design wins for your integrated solution, is that something that you can tell us in terms of like, has there been an increase in the number of platforms on which now the solution has been ported or any other data point that you can give us about that particular product line?

Rajiv Mody

The design in is for the mobile protocol stack, and the designing is on the, for the media application for the Japanese handset market. So those are the two design wins that we are talking of this by end of this quarter, and to give you a perspective in terms of our working with leading silicon platform vendors in this business, to provide it on as many platforms as we can to be able to get good market share, and as you know there is dynamism in that business also, there are supposedly who were there and they are kind of dropping out and things of that nature, but we believe that we are well positioned to take advantage of two things, one is the maturity of our solution, and two the ability to serve our customer better because of our India based story, and third is because of that we are also able to provide at a very competitive but still delivering healthy gross margin business.

Mythili Balakrishnan

Okay. Sir just one, I mean, an understanding issue, when you say a design in it sort of means that, what exactly does it mean? It means that you have sort of tested it on the model and then shipment will start off from the following quarter or is there some specific, I mean what's the exact technical definition so to speak?

Rajiv Mody

The technical definition of design in is that there is a tie up that has happened between a silicon partner, a handset manufacturer, and us, and the design for that has already begun with a specified time line by which that model will be launched in the market.

Mythili Balakrishnan

Okay, so the model is yet to be launched, a tie up has happened, okay.

Rajiv Mody

Correct, the work has started on that with specific time line, features, all those kinds of defined, with a clear objective that that model is intended to go into the market.

Mythili Balakrishnan

Okay sir, thank you. My last question was, is there any understanding on why exactly the India based revenues have sort of increased so much, I mean, what exactly is driving it? I mean, are the MNC's in India ramping up or I mean what exactly is happening in there?

Rajiv Mody

There are two parts here, one is that our network engineering services business that we started 6 quarters ago has significantly ramped up over the last year compared to previous year, so that business as a percentage of overall revenues has increased, and that is in the first phase we were focused on the India market, particularly knowing that there were lot of roll outs were happening in the Indian market, so that has contributed to a good jump in Indian part. Apart from that our R&D business, there is a little bit of shift of India based centers issuing more and more purchase orders, and as those purchase orders get issued from India we account that as India sales.

Mythili Balakrishnan

Okay, but sir there is no difference in the bill rates, so to speak for the R&D business at least?

Rajiv Mody

No.

Mythili Balakrishnan

Okay, thank you sir.

Moderator

Thank you very much mam. Next is Mr. Viju Menon from JM Morgan Stanley.

Viju Menon

One thing that I want to know is, what is the kind of product life or obsolescence rate that you factor into your business model for any of these royalty products that we are talking of?

Rajiv Mody

See, the obsolescence that we plan for these things that we are building for our products, typically have a time span of at least 3 to 5 years.

Viju Menon

Okay, and the other thing I wanted to know is, this is regards to your network engineering business, how many employees do you have on that, and what is the kind of revenue that you are making on that right now?

Rajiv Mody

We have I think about 200 full time employees as part of our network engineering business and we do deploy about 200 contractors on top of that.

Viju Menon

Okay, and what about the revenues on the same, I mean, is that full India revenue I mean does that account for all of it?

Neeta Revankar

No, that does not account for all of our India revenues.

Viju Menon

Sure, so how much is that, the network engineering services...?

Rajiv Mody

That revenue is, just....

Viju Menon

Because I think that's a very different metric all together

Neeta Revankar

Yeah, revenues from network engineering services were about 22 crores.

Viju Menon

Okay, and do you maintain something like EBITDA margin on that kind of business?

Neeta Revankar

No, not as yet, but it is similar...

Viju Menon

Okay. Ideally, something like that should be said, because as you said it is a different cost standard all together there.

Neeta Revankar

Yeah, we will take that feedback.

Viju Menon

The other thing is on the SG&A and R&D, obviously we are seeing a drop there in terms of as a percentage of total sales and things like that. Would you like to elaborate on that, I mean, how do you think this is going to pan out going forward?

Neeta Revankar

R&D has actually increased, the reason why it appears to have declined from the face of the P&L statement is because some effort has been capitalized in our products business. So if we adjust for that you will find that at an absolute level R&D expenses have increased almost a third.

Viju Menon

Okay, that should be more like 28 crores or something?

Neeta Revankar

Yeah.

Viju Menon

Okay

Neeta Revankar

The other question you were saying is on

Viju Menon

SG&A, I mean, that one is 57 versus 53 last year, now typically in an organization which is targeting for a fast growth on sales and things like that, I would expect sales numbers, costs on this to go up dramatically fast, and we've seen that in the past for various other product companies as well. But in your case it is not going up as fast, I mean, could you just define, I mean, elaborate on as to what is that that is different in your case?

Neeta Revankar

Yeah, the difference is that we really have a focus on the tier one accounts, and because of the focus on tier one accounts we don't need to be increasing our selling expenses as much, so that's really the key reasons why you don't see selling expenses growing. The other thing is that there is an impact of scale, and so as a percentage of revenues we will see SG&A fall over the years.

Viju Menon

What is the kind of number that you would target as a percent of sales going forward, you are right now something like 20?

Neeta Revankar

Yeah, we are close to 19%, I think we should at a 1% reduction each year.

Viju Menon

Okay, thanks a lot.

Moderator

Thank you very much sir. Next is a follow up from Mr. Hitesh Zaveri of Edelweiss Securities.

Hitesh Zaveri

Hi. My question is with regard to your centers in Mexico and China, does your 700 to 750 employees net addition in the current year includes the employees from these centers, and you did mention that you do have anchor customers in both these near centers, but what kind of ramp ups do you see from these two centers in the future?

Rajiv Mody

The numbers of Mexico and China are included in this net addition, in fact the only thing which we clarified earlier, was not included was the acquisition that we have in Chennai where we have about 110 engineers, so those 110 engineers are not included if you compare with March numbers. Otherwise all worldwide locations are included in this 700 to 750 net add. To be specific about anchor customers, yes, Mexico we do have anchor customer already executing, and in China we have, we are in discussions with anchor customer. In terms of head count, China I won't be able to share right now in terms of where it will go. But Mexico we have said before that it is going to grow to about 65 engineers in the next 3 to 4 months timeframe.

Hitesh Zaveri

Could you also give some update about the competition on the product side, I mean, we were discussing that you know your primary competition stems from after a company in UK on the software for handset side. Is there any change here, and you know whether the competition is intensified, if you could throw some light here please, thank you.

Rajiv Mody

No, I think the competition continues to remain there, and we are indeed fighting them in the market place, and we continue to do that going forward. We expect to emerge as winners in this because of 3 things that I described, one is of course the quality, second is our ability to serve the customer better, and third is the price points at which we can kind of position our solution still making decent gross margins in that.

Hitesh Zaveri



Right. Are there larger Indian companies, you know such as Infosys, Wipro, what kind of presence do they have in IP side within what you do?

Rajiv Mody

We don't see them in this side of the business at all

Hitesh Zaveri

Sure, thank you so much, good luck

Rajiv Mody

Thank you

Moderator

Thank you very much sir. Next is a followup from Mr. Girish Pai of East India Securities.

Girish Pai

On the services side you mentioned a growth of 30 to 35%, now what kind of price increase are you factoring in here?

Neeta Revankar

Over the last year we did mention that in T&M offshore rates we did see billing rates improve by 2%. I would think we should look at similar kinds of increases or something marginally higher than this in the coming year.

Girish Pai

Okay. And this 30-35% growth obviously is going to come from volume, but what is it, R&D spend is going to go higher or your market share is going to increase, what exactly is happening?

Rajiv Mody

The R&D spend, actually what is more important here is, if you look at, there are two parts of it, what is outsourced and what is offshored out of the R&D budgets of our customers. And the offshoring trend continues and hence the addressable market that is there for our offering is increasing. We may have a marginal increase in our market share too combined with the fact that offshoring percentage or offshoring volumes are increasing. It is a combination of both, more to do with the offshore volume growth overall and little bit less to do with our market share.

Girish Pai

On the product side can you just elaborate on your top 3G royalty deals, you know, what are the details there, what product you are giving off to whom and when will these kind of kick in?

Rajiv Mody

Yes, we have 3 different product solutions, one is what we call as our wireless modem solution, second is the integrated solution, and third is the media solution. Primarily our media is targeted to the 3G and the high-end handsets, and over there like I was explaining earlier we are targeting the tier one handset manufacturers in this. We have tied up and proven it on the leading silicon platforms, and that is a significant advantage we have. As far as our integrated solution is concerned, we are kind of looking at the GSM and GPRS market place and the objective, the target over there is to provide like \$300 - \$400 capability in a \$100 handset full integrated, pre-integrated, pre-tested solutions on various silicon platforms, and we are working with the leading, I cant disclose some of the names over there because its confidential, but we are working with the leading silicon vendors in that market. And once we have a design in we will disclose that to you in that space. The third is the wireless modem one, and over there we are working both on the GSM as well as the dual mode handset, dual mode wireless modems, and today we have design ins from leading Chinese ODM for - on a silicon platform with the silicon vendor out of the US. So that design in is already there and we should start seeing the designs going forward and resulting into volume shipments. On the other ones, as and when we have the design in, we will disclose and let you know when that happens.

Girish Pai

You mentioned that Q4 FY07 will be your first quarter when royalty revenues come through, which means that FY08 will be a very good year for royalty business, but looking beyond FY08, what is going to drive revenues on your product side?

Rajiv Mody

Primarily, the thing that is going to drive the revenues on our product side is more penetration on to the handsets; I mean more handsets carrying our software, and two the software expansion of capabilities that we are currently providing. Let me give you an example, you must have heard about the television broadcast for the mobile handsets. We are working on that and we should launch those things by the end of this year and we will continue to build our similar kind of solutions in the market place to ensure that we continue and expand our footprint focused mainly on the mobile side.

Girish Pai

Thank you.

Moderator

Thank you very much sir. Next is a follow up from Mr. Dipen Mehta of Dipen Mehta Shares.

Dipen Mehta

Can you please tell me what is the withholding tax on the royalties and license fees for FY06 please?

Neeta Revankar

About half of the taxes that you see is because of the withholding tax.

Dipen Mehta

About half means, 6.86 crores is the tax we paid, of this 3.43 is the withholding tax, is it?

Neeta Revankar

We should break the tax into, exclude fringe benefit tax, and excluding that the income tax is about 6 crores.

Dipen Mehta

Okay.

Neeta Revankar

Half of that is withholding tax.

Dipen Mehta

Okay, and we had this exceptional loss of 6.76 crores, did that impact the tax rate in any way, did you get a tax benefit or did you get any deduction?

Neeta Revankar

No, as you know we don't pay taxes in India on our profits. The taxes that we pay are really on onsite work and a small portion of the India work, so there is no significant tax advantage of this exceptional item at all.

Dipen Mehta

Okay, and according to our estimates the cost of revenue and the SGA for the product business was about 45 crores, do you see that kind of a number stabilizing in FY07-FY08, or do you feel that the product expenditure, the overhead expenditure including labor or including employee cost increasing...?

Neeta Revankar

There would be a marginal increase, yes. As our investments intensify in the coming years, there would be an increase in the coming year.

Dipen Mehta

Any thought on whether the product business will break even in the current year according to our estimates with the withholding tax and everything that hits bottom line is nearly 24 crores.

Neeta Revankar

I don't think we are in a position to comment about when products will break even, but really as we are seeing that fourth quarter of the current financial year is the period to measure our performance in the products business.

Dipen Mehta

Thank you.

Moderator

Thank you very much sir, participants who wish to ask questions may please press \*1. Next is Mr. Manoj Singla from JP Morgan.

Manoj Singla

Hi. Actually my first question relates to the product business and I think this quarter you started getting royalties from your Japanese handset, the handset started shipping. I just wanted to know as to whether you expect this royalty figure to go up significantly in the coming couple of quarters seeing the sales of that handset?

Rajiv Mody

We, honestly to be, we know that the handset is very successful but have no visibility in terms of the absolute volumes. All I can share with you is the royalty revenue that we have derived was for a period of two months in the quarter.

Manoj Singla

This is only for the month of February and March.

Rajiv Mody

No, this was for the month of November and December.

Manoj Singla

Okay, so this quarter's numbers obviously will come in next quarter?

Rajiv Mody

That is correct.

Manoj Singla

Okay. The second thing is actually on the salary side, and I think you guys mentioned that you have taken salary hike for a part of the employees in the January quarter. So what is the number of employees for which the salary hike has been taken and what could come in April month?

Rajiv Mody

I think 1/3rd of the employee salary cost have been factored in from January through March, and the remaining 2/3rd will come in April onwards.

Manoj Singla

So is it fair to assume that that should have a negative margin impact of around 4% because you had 2% margin fall in this quarter.

Neeta Revankar

Yeah, I guess it is fair, but that's for a very short-term Manoj, you do understand that we have other drivers in our control and over a period of time as we mentioned over the years we expect that there will be no impact on margins.

Manoj Singla

Sure, sure. And the last question just is basically on the margins in services, what is the longer-term EBITDA margin that you think is sustainable there?

Neeta Revankar

See, we have been talking about a 20 to 22% range which we believe is sustainable in the next four quarters. Now beyond that I don't think we are in a position to comment today.

Manoj Singla

Okay sure, thank you.

Moderator

Thank you very much sir. Next is a followup from Mr. Girish Pai of East India Securities.

Girish Pai

Beyond the existing products and services you are providing or customers you are addressing, are you looking at any other new customer segment or new product lines?

Rajiv Mody

No, our current focus is to single-mindedly build our business on the mobile handset and establish ourselves as a significant player over there, and then we will worry about other areas.

Girish Pai

Service provider side, are you looking at that actively, and how large is that market there?

Rajiv Mody

Service providers have an impact on the handset particularly, as you know they come up with their own definitions of the entire suite that they require for them to launch into their network. So, we do interface with the service providers for that purpose, but our channel continues again, silicon partnerships and handset guys, and those handset guys then take it into the operator space.

Girish Pai

Thank you.

Moderator

Thank you very much sir. Participants who wish to ask questions may please press\*1. Next is Mr. Devang Shah from Gala & Bhansali Securities.

Devang Shah

Hello to everybody. My first question is, although most of the questions are already answered, one question is, BSNL is going for 62 million GSM lines, that is a very big order in telecom space, so any direct or indirect benefit or opportunity for Sasken from that?

Rajiv Mody

Definitely, I mean some of our customers if they win those orders we have multiple opportunities, one is to support them for the network roll outs which we have done working with network equipment companies through our SNEL subsidiary. And two, leading to that of course is what we call the first level support, the field support for them.

Devang Shah

Okay. You are saying that product business, it will be in inflection point and its in investment mode, so can we expect 100% growth year on year for this year FY07 and 08 as it gets mature?

Rajiv Mody

I mean, that is what indeed we are driving because we would want to see robustness in terms of revenue growth, otherwise it doesn't make sense for us to be continuing in that

Devang Shah

One more question is, EBITDA margins should we expect it around 20 to 22% for this year?

Rajiv Mody

Oh, for this year you are asking?

Devang Shah

Yeah.

Rajiv Mody

No, what Neeta was saying is for the services business we expect that it will stabilize around 20 to 23%.

Devang Shah

Okay.

Rajiv Mody

For services business.

Devang Shah

For services business.

Rajiv Mody

We are not making any comments or commitments on our IP or products business yet.

Devang Shah

Okay. And any other acquisitions you are target apart from this Integrated SoftTech?

Rajiv Mody

Well I would give the standard answer to that that it is always, there is a group within the company, which keeps reviewing, but there is nothing specific that we can make any comments on today.

Devang Shah

Okay, can you just give us some idea about how much royalty you get per mobile handset, so you have already received revenues from this Japanese vendor, so it is around \$1 per mobile or \$1.5 or \$0.5 some rough idea?

Rajiv Mody

We can't disclose that to be honest with you because that information is confidential both from our perspective and our customers' perspective. We cannot disclose the amount what we are holding is depending upon what combination our customer takes from us, we are targeting to get at least \$1 per handset.

Devang Shah

Okay thanks.

Moderator

Thank you very much Sir. Next is Mr. Hitesh Zaveri from Edelweiss Securities.

Kunal Sangoi

Hi, this is Kunal Sangoi, just a quick question, I just wanted to understand whether there has been some change in the reporting in the client profile, as you know, just the number of customers between 1 to 3 million last quarter as reported were 7, and this quarter it is just 1 customer, so can you just tell us what is the change?

Prabhas Kumar

No, if we take the question more like a movement that we seen across the year for the tier 1 customers. For FY05' we had a total of 13 tier 1 customers which moved up to 18 tier 1 customers in FY06'. Apart from that there have been movement, two of the customers have moved to \$3 million plus of revenues for the year, whereas one customer moved to \$20 million plus. So there are these 3 movements, that is two customers moving from below to 3 million less, and one customer moving from below to 20 million less, and five more tier 1 customers getting added across the year.

Kunal Sangoi

Okay. So in Q3 also as reported currently is two customers, so that also stands changed?

Prabhas Kumar

Q3 to Q4 there is one customer, which has moved to \$3 million plus run rate. That is the only change between Q3 and Q4.

Kunal

Okay fine, thanks.

Moderator

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

Rajiv Mody

Well thank you so much, I appreciate all your questions that you have asked today and we continue to stay focused in what we are doing, and we also believe in the positive macro environment that we are working within, and I appreciate all your support that you are continuing to provide to us. One thing I wanted to add to it, we had committed to, during our last analyst call to invite you over here to see for yourself what we are doing. Shreyaswi, our investor relations officer will be in touch with you to schedule that time sometime this month or next month for you to come and visit us and take a look for yourself. Both in our product IPR business as well as in our services business. So with this I conclude the call and appreciate your participation. Once again, thank you all very much.

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 day.