



Sasken Communication Technologies Limited
Quarter Two Earnings Conference Call, Financial Year 2008-2009
October 16, 2008

Moderator: Good evening Ladies and Gentlemen. I am Manjula, the moderator for this conference. Welcome all to the Q2 earnings call of Sasken. Before we begin, we must point out that certain statements made during the calls concerning Sasken's future growth prospects may be forward-looking statements. Please read the safe-harbor clause in the presentation for full details. I will now hand over to Mr. Rajiv C. Mody, Chairman and CEO, Sasken. Mr. Mody will take you through the financials and the highlights of the quarter, followed by Q&A. 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 WebEx International. After that, the question and answer session will be conducted for participants in India. I would like to hand over to Mr. Rajiv C. Mody. Thank you and over to you sir.

Mr. Rajiv C. Mody: Thank you Manjula. Ladies and Gentlemen, good evening 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 second quarter ended September 2008. I am joined on this call by my colleague Neeta Revankar, CFO; Sri Kannankote, President and Chief Operating Officer; G. Venkatesh, Chief of Strategy and Executive Director of the Board of Sasken; and Hari Iyer, Senior Vice President and Head of HR. Let me begin by summarizing the financial results for the second quarter ended September 2008. The consolidated revenues for the second quarter of fiscal '09 stood at rupees 176.3 crores. This represents an increase of 5% over the previous quarter and an increase of 23% over the corresponding quarter in the last financial year. The telecom software services side of the business contributed rupees 155 crores with a 17% year-on-year growth and a sequential quarter-on-quarter growth of 4%. The products business contributed rupees 20.7 crores for the quarter growing sequentially over the previous quarter by 13% and more than doubling in revenues over the corresponding quarter in the previous financial year. The second quarter EBITDA margins for the company were at 23.3%. The consolidated services EBITDA margins are at 22.3% while the products divisions contributed 8.4 crores in EBITDA at 39.6%. We are on track with respect to meeting the EBITDA margin guidance that was given at the beginning of the year. The profit after tax is Rs. 10.4 crores for



the quarter. The basic EPS for the quarter is Rs. 3.66, earnings per share for the services business stood at Rs. 3.81 for the quarter. We generated approximately Rs. 22 crores in cash from the operations this quarter. As of September 30, 2008, the cash and cash equivalents position on our balance sheet is approximately Rs.81 crores.

We added 11 new costumers taking the total numbers of active customers to 96. The environment continues to be challenging for the services business. Our view is that the crisis in Europe and United States could cause mobile service providers to slow down during their large capital investments for network upgrades, and hence, we are factoring about 15% degrowth on an year-on-year basis in our network's business.

The global semiconductor industry is on a consolidation mode and decisions are getting delayed; hence, we are moderating our growth projections for the semiconductor business to about 15%. On the handset side, we are seeing overall good growth and remained confident of meeting the 30% to 40% guidance that we had given earlier. Overall for the software services business, we are moderating our growth forecast to 10% in dollar terms.

I will now be specific on each of our businesses. On the network side, we have won small but strategic deals and are in shortlist for some of the larger deals that we mentioned in our last call. As we mentioned earlier, the customers are increasingly looking forward to a partnership model for such deals, and we are being selective about those deals. We have a rigorous process of internal evaluation before we make investment decisions on these opportunities. Our current focus is on getting into partnership with niche players in order to target the service provider segment, which has potential for growth even in current market conditions.

This quarter, we made an entry into key Tier-I service provider with service offerings and product design and testing, and an off-shore development center for a US-based technology company was set up in Chennai. We continue to invest in 4G technologies like WiMAX and LTE, which we are confident will payoff starting 2009. Other significant highlights for the network solution's group in this quarter include winning two other major Indian service providers for our benchmarking offering and one in Africa.

Our NETS business in the US has seen growth where we also have a major 3G deployment order win and an order to deploy WiMAX. On the handset side, we have seen a drop in the revenues this quarter largely due to vacation in Finland. The demand for converged mobile device is accelerating. For many



new phone users, their mobiles will be their first internet experience, not just they are first camera, music player, or phone and open software is the basic building block for delivering in this future. The creation of the Symbian Foundation will create an unparalleled open software platform for converged mobile devices and could see a number of new revenue streams for companies with expertise in Symbian, and Sasken being a member of the foundation and is indeed very well-placed to exploit these opportunities. Integration of the R&D team based Borkum, Germany, is progressing as per plan.

On the semiconductor business front, we have acquired two Tier-I customers for our ICDS and software services offering and migrated one of our existing relationship to a full-fledged off-shore development center. Sasken has been granted accreditation by the National Accreditation Board of Testing and Calibration Labs for the electronic testing labs in accordance with the ISO/IEC standards. The products business is choppy in nature as we have reiterated many times. This quarter, a global Tier-I phone vendor started shipping phones with our UMTS protocol stacks after some delays, which is a significant milestone for us from an M-series product line perspective. On the S-series products line, we have seen good growth in royalties and continue to have traction with our key customers in Japan market, where we are seeing strong volume growth in phones carrying our S-series solution. We now have another design in on a new platform with one of our key Japanese customers. Hence, phones model shipping in 2009 and 2010 will continue to carry the Sasken Multimedia Player Solutions. From the people's perspective, our total strength stand at 3637 as of September 30, 2008, having added a net of 133 to our head count this quarter.

To conclude, while we have been cautious to reset expectations that we set earlier, we would like to emphasize that the company had a strong DNA by virtue of being a pure play solutions provider in the telecom sector. A dedicated, committed management and the operating teams will enable us to rebound quickly as we have done in the past by leveraging our strong strategic relationship with our marquee customers. Thank you and over to you for questions and answers.

Moderator:

Thank you very much sir. At this moment, I would like to handover the proceedings to WebEx international moderator to conduct the Q&A for the participants connected to WebEx International. After this, we will have a question and answer session for participants at India Bridge. Thank you and over to you Crystal.

International
Moderator:

We will now begin the Q&A session for participants connected to the WebEx International Bridge. Please press *1 to ask a question. Again, please press *1 if you would like to ask a question, and there are no questions at this time.

Moderator:

Thank you very much Crystal. We will now begin the Q&A interactive session for Indian participants. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, the participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now. First in line, we have Mr. Srivatsan from Spark Capital. Please go ahead.

Mr. Srivatsan:

Hi. I just wanted to first get a sense of in terms of the hedge position we have at this point of time. We had a pretty large Forex, I guess it is more an M-to-M loss that we are having. I just wanted to know what is the hedge position as of now?

Ms. Neeta Revankar:

Hi, as you are aware, we have a hedging policy that ensures that we protect the exchange rates at which we do our costing. So, we typically cover our exchange risk for a 12-month period. We have about 70 million dollars of hedges right now.

Mr. Srivatsan:

Okay, all of these are forward hedges?

Ms. Neeta Revankar:

That's correct.

Mr. Srivatsan:

Okay, and all of these have been marked-to-market and that's the loss we had, right?

Ms. Neeta Revankar:

That's not true actually. Half of the loss that we booked is mark-to-market.

Mr. Srivatsan:

Okay and the remaining half is contractual loss?

Ms. Neeta Revankar:

The remaining half is a loss because we have hedged like 12 months in advance....

Mr. Srivatsan:

Okay.

Ms. Neeta Revankar:

.....but the bookings of the sale at different rates.

Mr. Srivatsan:

70 million. So, the entire 70 million has been mark-to-market I guess that is 46.7 or 46.8 as of September 30th rate?

Ms. Neeta Revankar:

That's correct.

Mr. Srivatsan: Okay and then just wanted to get a sense of the...in product headcounts, there has been significant drops in R&D expense over the last 2 quarters, has there been any huge cuts in terms of the productivity because it used to be around 250-240 people. It is not being reported any more separately. Just wanted to get some sense on this?

Mr. G Venkatesh: Lot of the product expense was in R&D sometime ago, but we have now moved it into the regular revenue realization space because all these people are now engaged on working with the customers, delivering the product and so on to the customer. So, it has just moved from one phase to another. Head count as a whole for the product division has not reduced.

Mr. Srivatsan: Okay, so it is still in the 240-250 range if I am correct?

Mr. G Venkatesh: Yeah.

Mr. Srivatsan: Okay, and just in terms of now we are looking at a much lower growth rate, I guess we have....actually even this component would be still predominantly fuelled by a better, higher than average growth rate in the handsets and almost a flat growth in the that space?

Mr. Srikanth
Kannankote: I think we started to look at this business into 3 segments, right. The equipments manufacturing segment, the semiconductor companies, and the handset, and from a handset market, we are seeing a contrast to which what we had said before. It is just somewhere around 30%-40% growth that is, we are looking at around 35% growth year-over-year in the handset market and then every indication that we see given that we work with all of the top 10 handset manufacturers, is that the business continues to be robust in spite of the economic situation. So, that's the market which is good. Semiconductor is an interesting market. There are some consolidations going on and I think some decisions are getting postponed in the semiconductor area so we are looking at around 15% growth in terms of dollars, all the numbers that I am talking would be in terms of dollars, and the network market is something which we have said that it is a very tough market even for the customers that we have, you know, for their own-self in the industry, and I think that's where we are looking at degrowth. Last time we had said that we are working on a few binary deals which had some investments and you know, investment requirement and then business models which may be a little different than the standard set of business models and then some of these business models are challenging from a financial perspective. So, in some

cases we are taking the degrowth because the market itself is in some turmoil. We are also taking some degrowth on that because the business models are challenging as well and so I think there are two reasons as to why we have guided as to what we have guided in terms of the networks business.

Mr. Srivatsan: Okay, just wanted to get a ... in this quarter, revenues.... Are there revenues from the UMTS protocol that has been recognized as part of your royalty?

Mr. Rajiv C. Mody: Yeah, yeah, go ahead, go ahead.

Mr. Srikanth
Kannankote: There is a significant amount of royalty that has come from the M-series that is the UMTS..... shipment one of the leading provider. I think the amount is somewhere around 750K worth of royalty revenues from that.

Mr. Srivatsan: And it is somewhere I suppose 30-40 cents unit?

Mr. Rajiv C. Mody: We cannot disclose that...

Mr. Srikanth
Kannankote: We don't disclose that but, you know...

Mr. Srivatsan: Okay, thanks a lot.

Mr. Rajiv C. Mody: Yes, continuing on the question that you asked on royalties on the UMTS, I think we had, for those who had been following us, talked about the shipment of the phones by Samsung carrying our UMTS protocol stacks. Yes, it has started shipping. We probably were delayed. No, nothing that was under our control but we were delayed by about three or four quarters, but finally it has started showing results so we are absolutely proud of that.

Mr. Srivatsan: Okay, sure, any update on the one with analog-to-digital?

Mr. Rajiv C. Mody: Analog Devices... no there is a TDS CDMA protocol stack that is being shipped on the analog chip set but as you know, there is a change that has happened in that because Analog Devices sold that business to MediaTek. So, now we should get royalties from MediaTek on that.

Mr. Srivatsan: Okay, sure so that's supposed to be prepared by CMCS, yet another softwarehandset manufacturer?

Mr. Rajiv C. Mody: That's a significant silicon supplier to handset manufacturers, particularly in Taiwan and China region.

- Mr. Srivatsan: Okay, sure, thanks a lot.
- Mr. Rajiv C. Mody: Yeah.
- Moderator: Thank you very much sir. Next in line, we have Mr. Nousir Shah from Anand Rathi Securities, please go ahead.
- Mr Shah: Good afternoon, sir. Sir, in this quarter, the selling and marketing expenses have been used as a lever, so could you throw some light on that, sir?
- Mr. Rajiv C. Mody: Well, I am not sure if we have used it as a lever. What do you mean by used it as a lever, means it is reduced is it?
- Mr Shah: Yes, sir, as a percentage of revenues.
- Mr. Rajiv C. Mody: Yeah, I think it is a natural thing that has happened. It is not being used in any form as a lever per se, but Neeta can take you through the....
- Mr Shah: So, sir, let me...stabilize...
- Ms. Neeta Revankar: Yeah, we have reviewed the team structures over there so that has resulted in some savings.
- Mr Shah: Okay.
- Ms. Neeta Revankar: And there also has been a reduction in the provision for bad debt.
- Mr Shah: Okay.
- Ms. Neeta Revankar: So, both of these have contributed to this reduction.
- Mr Shah: Okay, fine. Sir, I think that we have lost one client in the 20 million plus bracket, so could you throw some light on that, sir?
- Mr. Rajiv C. Mody: 20 million plus bracket....we have not lost any client. It is only probably a split that might have happened between....earlier we may have been booking between Nokia and Nokia Siemens separately and now it is I think....
- Mr Shah: I think the categorization is that we have taken....
- Ms. Neeta Revankar: No, I think what he is referring to is the fact that one of our customers, who was in the network segment which has been ramping down a bit, now moved to the less than 20 million dollars category....

Mr Rajiv Mody Okay, okay.

Ms. Neeta Revankar: So that is the...

Mr. Rajiv C. Mody: Degrowth.

Ms. Neeta Revankar: Yeah, degrowth that is happening as Sri and Rajiv had mentioned a little earlier.

Mr Rajiv Mody: Okay.

Ms. Neeta Revankar: But it is not as if we have lost the customer. It is just that revenues from that customer have come marginally below the 20 million dollar mark.

Mr Shah: Okay, fine and so the hedge position that we had of 70 million dollars, could you give us a rate of it, sir.....average rate?

Ms. Neeta Revankar: That's 42.81.

Male Speaker: 42.81 and what will be the undesignated hedges, sir, ineffective hedges?

Ms. Neeta Revankar: Actually right now all of our hedges are ineffective.

Male Speaker: Okay.

Ms. Neeta Revankar: Yeah.

Male Speaker: Fine, thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Mr. Tarith Shah from Angel Broking. Please go ahead.

Mr. Tarith Shah: Yeah, sir, I just wanted a clarification, you had mentioned that you will be degrowing networks business by how much, 15%?

Mr. Rajiv C. Mody: We said that we will have a degrowth of in the networks business....

Mr. Tarith Shah: Right.

Mr. Rajiv C. Mody: by about 15%. We will grow our semiconductor business by about 15%. Our handsets would grow by about 35%. Overall at the company level, we expect about a 10% growth in dollar terms. These are all in dollar terms.



Mr. Tarith Shah: Yes, sir, and now one just...one last clarification. You had mentioned that you have 70 million hedges so that is at approximately what rate?

Ms. Neeta Revankar: 42.81....Rupees 42.81 paise.

Mr. Tarith Shah: That's the average rate?

Ms. Neeta Revankar: That's correct.

Mr. Tarith Shah: Okay, thanks a lot.

Mr. Rajiv C. Mody: Yeah.

Moderator: Thank you very much sir. Next in line, we have Mr. Sanjeev from Microsec Capital. Please go ahead.

Mr. Sanjeev: Hello, good afternoon. Hello?

Mr. Srikanth
Kannankote: Yeah, hi.

Mr. Rajiv C. Mody: Hi.

Mr. Sanjeev: Hello. Could you please specify the company's policy, the strategy that the company is using going forward regarding the hedging, especially the Forex?

Ms. Neeta Revankar: Sir, we have gone through this just a little earlier, but what we look at in our hedging policy is to ensure that we protect the exchange rate at which we do our costing, okay. So, typically our hedges are for the 12-month period.

Mr. Sanjeev: Okay.

Ms. Neeta Revankar: We reviewed our hedging policy about 6 months ago. We reviewed it again in the last week with the experts in the area, and we believe that there is no need to change our hedging policy since they are largely protecting businesses and accounting changes which will happen because of exchange fluctuations is something which is really beyond our control.

Mr. Sanjeev: Okay, thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Mr. Kunal Sangoi from Edelweiss Securities. Please go ahead.

Mr. Kunal Sangoi: Yeah. Thank you. Sir, my question is with regards to salary increments. Have we effected that during the quarter?

Mr Hari Iyer: Yes, we have given a salary increment across the organization.

Mr. Kunal Sangoi: Okay, what percentage increase?

Mr Hari Iyer: Our average increase is about 16.5% which was basically up to a level what we call as our leadership position.

Mr. Kunal Sangoi: Yeah.

Mr. Rajiv C. Mody: And this was effected this quarter. Yeah.

Mr Hari Iyer: Yeah, this was affected as of July.

Mr. Kunal Sangoi: As of July, okay, and my second question is with regards to, you know, as you said in the networks segment we are expecting lower growth from earlier, but is that pertaining to just one client that ...who is a significant in this segment and is ramping down?

Mr. Srikanth Kannankote: The question on that one client was marginal decrease from 20 million dollars to less than 20 million dollars, very little went under the threshold of 20 so their number has changed from one category to another category.

Mr. Kunal Sangoi: No, I understand that but my question is with regards to just their growth....growth visibility on the NEM segment, is that because of a particular client or there are, you know, basic....

Mr. Srikanth Kannankote: Across the board, you are, you know, seeing some decisions that are causing the degrowth. I mean if you take a look at the industry itself, I mean take a look at the players, other than one or two the rest of them are under distress, you know, so I would anticipate it has been happening, so it is not something new. It has been happening for some quarters as to the industry itself as to how and what they are doing from an investment perspective and some of the longer terms investment is still not panning out and so I would say that, you know, other than maybe one or two, you are seeing it in the industry so from a spending perspective, there are new spending perspectives so I think you know, the other thing to note is that in the networks segment itself we have two kinds of businesses. One is the services business which is growing in some of the segments as Rajiv was mentioning earlier, but R&D business is where we are talking of market terms of degrowth but overall it has an impact of 15%.

Mr. Kunal Sangoi: Sure, okay. Second, you know, the other question is with regards to, you know, the top five customers..... the percentage, probably I believe there has been some change in the percentage as disclosed. Earlier it was 69.2 and this quarter it is like 71.8 and even in the top ten bracket, so, Neeta if you can throw some light on that?

Ms. Neeta Revankar: Sure, couple of things. One is in the top 5, we have actually changed the classification because there were two customers which we had to separate. We had consolidated them earlier. We separated the revenues which is why you see... which is one of the reasons for the change in the top five. The second reason is that in Finland, we did mention that there was a vacation period and because of which revenues did fall, so that's the other reason for this change in the revenues from the top five.

Mr. Kunal Sangoi: Okay. Next question is, Rajiv if you can throw some light on the product side in terms of licensing fees, how we will see that over the next quarter or probably if you can just give some color on how is the pipeline on that side?

Mr. Rajiv C. Mody: See the revenues that we have generated from a licensing fee, if you look at the last two... I mean this current quarter in discussion right now in the previous quarter to that, you have seen about 4.5, 5 crores and 3 crores as revenues come in on basis of license fees. I think license fees going forward we expect that it probably will be there for our multimedia product line as well as for our GSM, GPRS protocol stacks that we are delivering to the markets.

Mr. Kunal Sangoi: Okay.

Mr. Rajiv C. Mody: There is some background noise....

Mr. Kunal Sangoi:means in the quarter so probably just wondering even on the product side, so wondering that probably, you know, maybe in this December quarter, we can see some spike in the licensing.

Moderator: Sorry to interrupt you, sir. Mr. Kunal?

Mr. Kunal Sangoi: Yeah.

Moderator: Sir, there is a lot of disturbance from your end.

Mr. Kunal Sangoi: Sure, so see basically what I was saying is that just wondering that because we had a win in the product side from one of the Tier-I, just wondering whether we can see some spike over the next quarter in the license fee?

Mr. Srikanth
Kannankote:

I think what we have said is that and we continue to say that our licensing would be sufficient enough to give us the EBITDA neutral say in the product so, I wouldn't expect a significant increases in the license fee. What we may see is in customization... in that area as you told that the whole thing is billed into three components, right... license, royalties, and customization and then it depends from customers to customers as to how we structure the deal. I mean it is very difficult to say that it is going to spike in one area as opposed to the other. So I would...from a license perspective also I wouldn't expect too much, you know, from in terms of increases.

Mr. Kunal Sangoi: Alright, thanks and all the best!

Mr. Srikanth
Kannankote: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Ruchit Mehta from HSBC. Please go ahead.

Mr. Ruchit Mehta: Yeah, hi, good evening. Just a small clarification - you mentioned that you expect your networks side of the business to degrow, what was the percentage that you mentioned?

Mr. Rajiv C. Mody: 15%.

Mr. Ruchit Mehta: 15%, okay and you still maintain that you can hit about 20% to 21% margins in the service side of the business despite this change in the growth outlook?

Mr. Rajiv C. Mody: That is correct.

Mr. Ruchit Mehta: Okay, and sir, and you have just mentioned that you are looking at EBITDA neutral for the products side of the business, but it remains that in the first half you have delivered almost like a 40% EBITDA margin so I mean, how, I mean in the sense what should one expect over the second half of the year, I mean.

Mr. Rajiv C. Mody: What we have said was without the royalties, we want to be EBITDA neutral, okay?

Mr. Ruchit Mehta: Okay.

Mr. Srikanth
Kannankote:

And royalties are very difficult to predict instead of the shipments, and then whatever you see in terms of the EBITDA in the products

business comes from the royalties being, you know, associated with the shipments on this one, and then we have said all along that it is something that we are not going to take any shot at predicting what the models are and how many are they going to ship.

Mr. Ruchit Mehta: Okay. Okay, and just to come back to the services side of the business I mean obviously you are seeing maybe a temporary sort of hiccup or a slowdown in the environment but what do you anticipate to happen over the next 10-12 months, I mean, do you anticipate some sort of revival happening in the business environment or do you think it will continue to be challenging over the next four odd quarters?

Mr. Srikanth
Kannankote: I think we have sort of looked at the market as to three categories from a business perspective and then there is a lot of echo that is coming there.....are you guys hearing properly?

Mr. Ruchit Mehta: Yeah.

Mr. Srikanth
Kannankote: Yeah, okay, good.

Mr. Rajiv C. Mody: I mean can you pick up your handset, I mean, are you on the speaker phone?

Mr. Ruchit Mehta: Hello?

Mr. Rajiv C. Mody: Yeah.

Mr. Ruchit Mehta: Okay, Is this better?

Mr. Rajiv C. Mody: Yes, I think so.

Mr. Srikanth
Kannankote: Okay. As I said earlier, the handset side of the business continues to be contract from our size perspective.... that is the industry is going to grow at 35% and then over the next 12 months unless something catastrophic happens, you know, I think we need to look at the market that way and the fact that we are working with all the top five vendors, you know, protects ourselves in terms of businesses and of that businesses during the period. Semiconductor market is something that... now there is some degrees of slowness, you know, and then we have reduced our guidance to 15% on that one, and it is an industry that is worth watching at this point since that we are going to hit the 15% so,

and for longer term, I don't know, I mean, as to how...if it is going to happen, so it will happen....

Mr. Ruchit Mehta: Yeah.

Mr. Srikanth
Kannankote:

But in that part of the market and is also the satellite industry, you know, so we have had...I think we announced that we had a good win with one of the leading satellite service providers and then we see that that's going to sort of lead into other opportunities in that market. So, we are quite confident that the kinds of growth that we have given you are achievable. The networks side is...it is everyone's guess as to, you know, what is going to happen with some of the third, fourth, and fifth players and as to what their investment strategy is and then I told you also that the kind of challenges we face there it is not like some of the opportunities are not there but if the opportunities are big, one time, ownership based outsourcing projects which have got some very interesting and difficult financial framework and in some cases you know we have sort of not decided to go after those kinds of deals, you know, so that's how I see the market.

Mr. Ruchit Mehta: Just final question for Neeta, I mean, in terms of the CAPEX plan, if you can just update us and as to how much you are looking to spend for the year as a whole?

Ms. Neeta Revankar: Yeah, over the next few quarters, we expect to spend around 30 crores more, so overall for the year we would be in the 45 to 50 crores range.

Mr. Ruchit Mehta: 45-50 odd crores, great, and just finally sir on the buyback, what would be the latest updated share count that you would have purchased?

Ms. Neeta Revankar: We have purchased about 9.4 lakhs shares up to end of yesterday.

Mr. Ruchit Mehta: Okay.

Ms. Neeta Revankar: And we have spent close to 11 crores on that.

Mr. Ruchit Mehta: Okay, great. Thank you so much.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Jeet Joshi from Irevna. Please go ahead.



Mr. Jeet Joshi: Hi, Jeet Joshi here. I just wanted to know your hiring plans for FY '09?

Mr. Hari Iyer: We believe that we should relook at our hiring plans as of quarter four. We don't have anything there,, but as of this quarter, as of quarter 3, we should be getting about at 200 people net add.....

Mr. Jeet Joshi: Okay, and could you give us a split on those 11 new customers that you have had and which business they have come from?

Mr. Rajiv C. Mody: The 11 new customers in those 3 different buckets?

Mr. Sujeet Joshi: Yeah.

Mr. Srikanth Kannankote: I think we added about three to four customers in the semiconductor area, about four or five in the handset area, and about two in the networks area.

Mr. Jeet Joshi: Okay. Great! That's from my side. Thank you.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Pratish Krishnan from DSP Merrill Lynch. Please go ahead.

Mr. Pratish Krishnan: Yeah, hi, thanks. This is on the networks side, I mean, you had mentioned that you know, the business conditions are a bit challenging. Can you just comment in terms of what are the kinds of deals that you are looking at, I mean, has the nature of deals changed over the last six or eight months?

Mr. Srikanth Kannankote: In some cases, I mean, the kinds of deals that you are getting is full ownership deals, you know, it is almost ...I wouldn't call it a carve out, but I would sort of say that it is a takeover of a particular..... ownership basis, and you know, those are ... the big ones are like that and of course there is always continuation of existing business as well as smaller projects in the new technology areas such as WiMAX and you know, Femtocell, Picocell areas, so the large kinds of deals that I was talking about mostly comes on the maintenance kind of a product line.

Mr. Pratish Krishnan: Sure, what is your view on the like, would you be in favor of such deals or is that a balance sheet kind of a....

Mr. Srikanth
Kannankote:

We look at each one of them in a, you know, as an independent opportunity, and you know, some of them has investments in terms of capital, some of them have investments in terms of training, and you know, so as it makes sense for us in terms of our financial framework, we decide to either go after it or not. It is not like we don't go after everyone but, you know, we sort of look at it, analyze it based on how it fits our business models and then decide as to whether we go after.

Mr. Pratish
Krishnan:

Sure, and you know, secondly in terms of, you know, the decline in the networks side, I mean, is this primarily a volume decline or I mean are you also factoring some pricing cut or...?

Mr. Srikanth
Kannankote:

Price...the pricing is so far it has been steady, so it is not, you know, so I would not say that we are declining from a pricing perspective, you know, so in some cases, it has gone up like 1% to 2% that we have been talking about but mostly it is, you know, some technologies, some of the technologies ramping down or efficiency improvements and things like that where you will have some decreases.

Mr. Pratish
Krishnan:

Sure, so should one expect it in terms of, you know, maybe utilization levels are going down from here on or?

Mr. Srikanth
Kannankote:

You know, I...

Mr. Pratish
Krishnan:

Maybe because their volumes are coming down and would that really...is that the case or?

Mr. Srikanth
Kannankote:

Right, one of the things that we are doing is, you know, balancing our workforce so we have three business units and then we have a common set of pool that we have and then we have retraining so we are able to use some of these people in to those business so we are morphing it, so I wouldn't expect the utilization to go down much at all.

Mr. G Venkatesh:

Pratish, in the last quarter, we had a number of freshers joining us as well.

Mr. Pratish
Krishnan:

Yeah.

Mr. Rajiv C. Mody: And that was one of the reasons why we had a slight drop in utilization, and this quarter again, we will have some freshers joining us, but they will get absorbed I guess we have just started filling.

Mr. Pratish
Krishnan: Sure, no I am just wondering like you know the cut in volumes that we are going to see, I mean, is that being factored, you know, built into your utilization numbers or..

Mr. Rajiv C. Mody: Yeah, that has been, so that is the reason Hari made a comment saying that this quarter we are going to add 200 head count, net adds in the system, and by middle of the quarter, we will take a call in terms of what the net add that we would like to go after for the following quarter.

Mr. Pratish
Krishnan: Sure and just finally in terms of the salary, you know, salary hike, what could have been the, you know, impact in terms of margins because of salary hike last quarter?

Mr. Hari Iyer: Yeah, just a minute there.

Mr. Rajiv C. Mody: Salary hike margins.

Ms. Neeta Revankar: Impact on the margins?

Mr. Pratish
Krishnan: Yeah.

Ms. Neeta Revankar: We had a 3% impact at the EBITDA level.

Mr. Pratish
Krishnan: Sure. So, the gain was primarily because of the rupee, I mean is that, would that be right or..

Ms. Neeta Revankar: Yeah, I think the way we have analyzed it is that at the net level, net increase in cost, we got about 2.5% because of exchange favorably.

Mr. Pratish
Krishnan: Okay.

Ms. Neeta Revankar: We got about 2.5% because of the SG&A favorable movement.

Mr. Pratish
Krishnan: Okay.



Ms. Neeta Revankar: We lost about 3% because of the wage increase and about 0.5% because of the utilization fall. That is roughly the explanation for the EBITDA improvement of 1.5%.

Mr. Pratish
Krishnan: Sure, thank you, and just finally, I mean like what was the hedge amount last quarter, end of last quarter?

Ms. Neeta Revankar: 70 million US dollars.

Mr. Pratish
Krishnan: No, the previous quarter, the quarter before that?

Ms. Neeta Revankar: It was about 49 million I think.

Mr. Pratish
Krishnan: Okay, fine, thanks a lot.

Moderator: Thank you very much sir. Participants who wish to ask questions, may kindly press *1 on your telephone keypad. Next in line, we have Ms. Subashini from JM Financial, please go ahead.

Ms. Subashini: Hi, most of my questions have been answered, just wanted to know what is the average rate at which we have booked these hedges?

Ms. Neeta Revankar: The average rate is 42 rupees 81 paise.

Ms. Subashini: And what was it last quarter?

Ms. Neeta Revankar: It was about 40 rupees 40 paise.

Ms. Subashini: Okay, great, thanks, that's all from my side.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Pranav from Valley Quest, please go ahead.

Mr. Pranav: Hello.

Mr. Rajiv C. Mody: Hi.

Mr. Pranav: Hi sir, sir in your segmental revenue breakup, a very nominal number, 70 lakhs you have earned from automotive, industrial, utility segments?

Mr. Rajiv C. Mody: Yeah, that is our joint venture, the ConnectM and TACO Sasken that we have.

- Mr. Pranav: Joint venture with?
- Mr. Rajiv C. Mody: We have a joint venture with TACO, Tata Auto Component, in the automotive electronic segment.....
- Mr. Pranav: Okay.
- Mr. Rajiv C. Mody:and we also have a joint venture with IDG in the machine to machine communication called ConnectM..
- Mr. Pranav: Okay.
- Mr. Rajiv C. Mody: So, all the information related to revenues, loss everything is reflected over there.
- Mr. Pranav: Okay. Sir, what is the scope in this segment like going forward, two to three years down the line.
- Mr. Rajiv C. Mody: I think, if you take automotive as a segment, lots more electronics is being put into vehicles compared to what has been in the past, so we are absolutely bullish about that segment itself. The first product has been launched over there which is the telematics gateway and which is used for tracking and volume shipments, already have started in that particular product line. Next product that is entering the market over there is full instrument cluster system and you should see that product out in the market in early January in real vehicles on the road.
- Mr. Pranav: Okay.
- Mr. Rajiv C. Mody: In the ConnectM side, we are more focused on using machine, automatic information being sent and communication established, information collected and put in servers and then analyzed for improvements, both on the productivity enhancement improvement as well as in terms of improving the overall design of the product itself.
- Mr. Pranav: And sir what was the attrition rate in this?
- Mr. Rajiv C. Mody: What was the?
- Mr. Pranav: Attrition rate?
- Mr. Rajiv C. Mody: Attrition was about 27% for the full.....
- Mr. Hari Iyer: Last 12 months.

- Mr. Rajiv C. Mody: last 12 months 27%, 26.1, I am sorry 26.1.
- Mr. Pranav: Sir, I guess it has increased, previously it was around 20% to 24% right?
- Mr. Hari Iyer: No, the previous quarter was about 27.23%, and the previous, the quarter before that was 24.3. We actually are seeing a reduction in the number of people going and that trend is being seen in the last month, continuing this month.
- Mr. Pranav: Okay and sir, and I just wanted to confirm your cash you have is 44 crores right.
- Ms. Neeta Revankar: That is correct, we also have some investments with us equivalent to cash and that is about 38 crores. So, overall, we have close to 81 crores of cash.
- Mr. Pranav: Okay, thank you sir.
- Mr. Rajiv C. Mody: Thank you.
- Moderator: Thank you very much sir. Next in line, we have Ashakiran from Span Capital, please go ahead.
- Mr. Ashakiran: Good evening gentlemen, hello.
- Mr. Rajiv C. Mody: Yeah hello, go ahead.
- Mr. Ashakiran: Can you give your numbers of top end and bottom end in dollar terms please?
- Mr. Rajiv C. Mody: In dollar terms for the quarter I think it is 39.4 million dollars.
- Mr. Ashakiran: Okay.
- Mr. Rajiv C. Mody: In topline.
- Mr. Ashakiran: Okay and bottom line please?
- Mr. Rajiv C. Mody: Bottom line, we do not have it in dollar terms. I guess we will have to convert 10.4 divided by 48.
- Mr. Ashakiran: Okay, okay. Can you give your debtor days for this quarter?
- Mr. Rajiv C. Mody: Debtors at the end of the quarter is it?
- Ms. Neeta Revankar: That is 160 crores rupees.

Mr. Ashakiran: 106?

Mr. Rajiv C. Mody: 160...

Ms. Neeta Revankar: One hundred and sixty, one, six, zero.

Mr. Ashakiran: Okay fine. Cash flow for this quarter, operating cash flow?

Ms. Neeta Revankar: We have generated about 22 crores from operations this quarter.

Mr. Ashakiran: Okay thanks.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions may kindly press * followed by 1 on your telephone keypad. Next in line, we have Mr. Amish Kanani from JM Financial. Please go ahead.

Mr. Amish Kanani: Yeah, hi. You said that the network binary deals which you had guided the last quarter..... just, you know, kind of update on that whether there are no more existing or has it come and gone by without any luck on your side and stuff like that?

Mr. Srikanth Kannankote: There will be more. I mean as equipment manufacturers start looking at pruning their portfolio or taking a look at where they want to make investments, looking at what they want to give to low cost centers from the ownership basis. We are not saying that it is not there, what we are saying is that if it becomes financially challenged in terms of going after these deals, we would not participate in it. So, as we have seen some of the deals, they have been fairly challenging deals from a financial perspective, so unless that improves, we are not going to participate and that is what we have taken into consideration as we have given you the kind of guidance.

Mr. Amish Kanani: Okay, so from a probability terms and the market perspective, it stays. It is just that they were not won last quarter, but it continues, right?

Mr. Srikanth Kannankote: Yes, yes, absolutely. I mean, we would participate in some and bid for some in terms of fitment against our financial framework.

Mr. Amish Kanani: Okay fine. So, sort of carved out, you say that you would refrain from calling it to be carved out. Those kind of deals.....

- Mr. Srikanth Kannankote: Ownership deals, I would say ownership deals.
- Mr. Amish Kanani: Correct, okay thanks.
- Moderator: Thank you very much sir. Next in line we, have Mr. Ruchir Desai from Pioneer Investment. Please go ahead.
- Mr. Ruchir Desai: Hi, good evening, just going back to the guidance, your revised guidance mentions or basically implies that you are expecting second half growth rate of mid single digits in dollar terms over the last year which is lower than the first half, so I was just wondering if you can talk about FY'10. I guess it is bit early talking about it, but considering the environment we are in right now, what are the probability of achieving even double digit growth rates in FY'10?
- Mr. Rajiv C. Mody: To be very honest with your Ruchir, it is extremely difficult to predict. In this environment it will be very easy for me to say that yes, we would possibly continue the growth rate that you have seen at least in our handsets and semiconductors, not willing to make comments on the network side today, but then things are happening so dynamically around you that I am afraid I will be proven wrong tomorrow, so I would want to address this thing possibly maybe by the end of this quarter, early next quarter when we meet again on the conference call, so that makes it easy for us to even make a statement that we can live by.
- Mr. Srikanth Kannankote: The only thing that I would add to that is if there is a deal out there, it would be one of the better competitors. As the market grows, you know, we will be there and we will take our fair share.
- Mr. Ruchir Desai: True, just coming back to wage hikes, you mentioned around 15% to 16% up to the leadership level. I did not really follow, could you just elaborate on that please?
- Mr. Rajiv C. Mody: Wage hike is up to leadership level only...the remaining.
- Mr. Hari Iyer: Okay, the leadership level, we have looked at individuals and dealt with it separately. Up to L1 we have tried to bring them up to some kind of a median numbers from the market's perspective.
- Mr. Ruchir Desai: Alright great. Okay, thank you and all the best.
- Mr. Rajiv C. Mody: Thank you.
- Moderator: Thank you very much sir. I repeat again, participants who wish to ask questions may kindly press *1 on your telephone keypad.



Next we have a followup question from Mr. Pranav of Valley Quest. Please go ahead.

Mr. Pranav: Hello.

Mr. Rajiv C. Mody: Yes, hi.

Mr. Pranav: Hi sir. Your guidance of 10% is for the overall business including service and products?

Mr. Rajiv C. Mody: No the guidance is 10% in dollar terms for our services business.

Mr. Pranav: Your services, and for product business.

Mr. Rajiv C. Mody: Product business, we have said it is very difficult to guide all. We have guided our products businesses that we will run EBITDA neutral without royalty numbers being considered.

Mr. Pranav: In FY' 09?

Mr. Rajiv C. Mody: That is correct.

Mr. Pranav: Okay and sir, I wanted to ask your royalty contribution in this quarter has increased from 16% last quarter to 34%?

Mr. Rajiv C. Mody: That is correct.

Mr. Pranav: So going forward, will it remain the same, will it come down or increase?

Mr. Rajiv C. Mody: Very hard to predict. So far if you look at our records, we have done reasonably okay on our multimedia side...

Mr. Pranav: Okay, okay.

Mr. Rajiv C. Mody:and we can only say that we are like we said in our opening remarks that more models are being designed in, but whether they are successful in the market, the consumers like you and me buy them is beyond us and that is very hard to predict.

Mr. Pranav: Okay and sir you have earned 4 to 5 crores from product licensing right?

Mr. Rajiv C. Mody: That is correct, 3 crores.

Mr. Pranav: 3 crores?

Mr. Rajiv C. Mody: For the quarter.

Mr. Pranav: 3 crores for the quarter and sir out of your CAPEX for 45 to 50 crores for FY '09, how much have you already spent?

Ms. Neeta Revankar: We have already spent close to 15 crores.

Mr. Pranav: 15 crores.

Ms. Neeta Revankar: Yeah.

Mr. Pranav: Okay, thank you.

Moderator: Thank you very much sir. Next we have a followup question from Mr. Amish Kanani from JM Financial, please go ahead.

Mr. Amish Kanani: Hi. The hedge number in terms of, you know, moving up from 49 million to 70 million from last quarter to this quarter, does it in anyway indicate the growth?

Mr. Rajiv C. Mody: Yeah I think we would like to sincerely apologize for the technical snag that we encountered in this conference call. We can continue with the questions please.

Moderator: Sure sir. Participants who wish to ask questions may kindly press *1 on your telephone keypad. Next in line, we have Mr. Prashant from Aricent. Please go ahead with the questions.

Mr. Prashant: Hi, couple of questions over here. Number one is in this environment of extreme financial turmoil all over the world, what is your view of the demand for the communication software, how will it get affected and secondly what is your hedging strategy moving forward for the currency?

Mr. Rajiv C. Mody: I think we can, why don't Neeta answer the hedging strategy moving forward and then we can take the thing on the..

Ms. Neeta Revankar: Sure. See we have taken the view that if we have a choice between managing our businesses and managing the accounting gains on losses that arise because of exchange rate movement, we would prefer to manage the businesses and as a result of that we will continue to take hedges as and when contract gets signed, and we will take hedges for a longer period, for 12 months may be even going beyond 12 months. As such, there is not going to be much change in our hedging policies.

Mr. Srikanth
Kannankote: On the demand side, our long-term view is that there is no, the opportunity for low-cost value added service provider is high, I

mean you know the customer expectations on the kind of features that the product should have and then the introductions of the new products is not going to change from our customer's perspective, from their customers, so they will have to continue to do more with less and then I think one of the key options on that is really moving a lot more to people who are capable of taking ownership and then who are capable of providing solutions both in the services and the software area and you know, as I mentioned to you earlier, there is a lot of move toward many companies looking at ownership models and things like that coming to India market and other markets.

Mr. Prashant: Okay, thank you.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Dinesh, please go ahead with the question.

Mr. Dinesh: Hello, good afternoon sir.

Mr. Rajiv C. Mody: Hi, good afternoon, good evening.

Mr. Dinesh: Can you throw some light on your hedging for this quarter sir?

Mr. Rajiv C. Mody: I think, I missed your question please.

Mr. Dinesh: Can you throw some light on your hedging position for this quarter?

Ms. Neeta Revankar: We have about 70 million dollars of hedges at an average.

Mr. Rajiv C. Mody: 50 million.

Mr. Dinesh: Okay.

Ms. Neeta Revankar: At an average exchange rate of 42 rupees 81 paise.

Mr. Dinesh: 42 rupees and 81 paise right?

Ms. Neeta Revankar: That is correct.

Mr. Dinesh: Yeah, for last quarter ma'am?

Ms. Neeta Revankar: At the end of last quarter, we had about 49 million dollars as hedges at an average exchange rate of 40 rupees 40 paise.

Mr. Dinesh: Okay and what about your buyback of shares ma'am, when are you getting the completed?

Ms. Neeta Revankar: See only today we have made an, our board has taken a decision to close the buyback on Friday, October 24th, actually these being turbulent times, we believe that it will be prudent to preserve liquidity, so we have already bought back about 9.4 lakh shares against a minimum commitment of 4 lakh shares, so October 24th will be the day we will stop the buyback.

Mr. Dinesh: Okay, thanks a lot ma'am, that's all.

Moderator: Thank you very much sir. Next we have a followup question from Mr. Prashant of Aricent. please go ahead.

Mr. Prashant: See, regarding the buyback, you have to, as you just mentioned we have to finish off the buyback by October 24th, is that correct?

Ms. Neeta Revankar: We will close the buyback, there is no compulsion on us to buy any quantity any more because we have already crossed the minimum requirement. We had committed in our public announcement that we will buyback a minimum of 4 lakh shares, this we have already bought back close to 9.4 lakh shares, there is no further requirement.

Mr. Prashant: Will it be possible for you to tell us what is the average price at which you bought these shares?

Ms. Neeta Revankar: Sure, it is about 117 rupees, one, one, seven.

Mr. Prashant: Okay, great, thanks.

Moderator: Are you done with your question sir?

Mr. Prashant: Yes, thank you.

Moderator: Thank you very much. I repeat again, participants who wish to ask questions, may kindly press *1 on your telephone keypad. Next we have a followup question from Mr. Prashant, please go ahead.

Mr. Prashant: Okay....

Mr. Rajiv C. Mody: Yeah, hi Prashant.

Moderator: His line got dropped sir. Mr. Prashant please press *1 on your telephone keypad. Mr. Prashant your lines are open, please go ahead.



Mr. Prashant: Okay, so now as you see Sasken is one of, the companies in India whom I see as a pure play into communication software as niche communication software. Can you throw some light on your M&A strategy moving forward?

Mr. Rajiv C. Mody: M&A strategy is the overall strategy that the company follows for M&As is centered around three Cs, one is competency, second is co-location and third one is customers and based on any one of these or any of one or more of these being fulfilled, we definitely look at opportunities and see whether it is worthwhile for us to pursue, of course the underlying premise as Sri has always being saying during the call is that we make sure that financially it should be a prudent thing for us to kind of do. In this environment, at least for the foreseeable future, we do not expect that we will follow that strategy for at least this quarter, and we will re-visit that and come back if there is any change in that in the next quarter.

Mr. Prashant: Okay, and as a corollary to this, do you see that because of the share price which is trading according to my calculations currently 50%, almost 50% below the book value, as being the whole company's market cap of such a nature that actually Sasken might be threatened with a takeover bid, how are we preparing for that?

Mr. Rajiv C. Mody: Well I would not want to speculate on those things, we believe we are a well-managed strong company.

Mr. Prashant: Okay, that's great, thanks.

Moderator: Thank you very much sir. I repeat again, participants who wish to ask questions, may kindly press *1 on your telephone keypad. At this moment, there are no further questions from participants. I would like to handover the floor back to Mr. Rajiv Mody for final remarks.

Mr. Rajiv C. Mody: I think on behalf of all of us who are here at Sasken, we would like to thank you for joining in and once again we apologize to all of you for this technical snag that was caused. Thank you for joining, and we look forward to seeing you again next quarter.

Moderator: Thank you very much sir and apologies from my end also. 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.
