

Sasken Communication Technologies Limited
Quarter Three Earnings Conference Call, Financial Year 2009
January 19, 2009

Moderator: Good afternoon ladies and gentlemen. I am Priyanka, the moderator for this conference. Welcome all to the Q3 earnings call of Sasken. Before we begin, we must point out that certain statements made during the call concerning Sasken's future growth prospects may be forward-looking statements. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the Q&A 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 now like to hand over to Mr. Rajiv C. Mody, Chairman and CEO, Sasken. Mr. Mody will take you through the financials and the highlight of the quarter followed by the Q&A. Thank you and over to you sir.

Mr. Rajiv C. Mody: Thank you Priyanka. Ladies and gentlemen, good afternoon to you all. It is my pleasure to welcome you all to the conference call to discuss the business performance of the Sasken Group for the third quarter of financial year FY2009 ended December 200. Before we begin, we must point out that certain statements made during the call concerning our future growth prospects are forward-looking statements. Please read the safe-harbor in the second slide of our presentation for full details. I am joined on this call by my colleague Neeta Revankar, CFO and HR Head; Dr. G. Venkatesh, Chief Strategy Officer and Executive Director of the Board of Sasken; and Dr. T. K. Srikanth, Vice President and Head of Business, Portfolio Management. Sasken has believed in striking the right balance to the commitments made to all stakeholders vis-à-vis customers, employees, and investors. Given the volatile and the challenging environment, I wanted to ensure that as an organization, we fortify ourselves suitably to overcome the challenges that we are beginning to face in our business. In the process of continuing to keep the organization agile and to lead from the front, I decided to reduce the number of management positions from 5 to 3. Subsequent to this, the sales and business development function role will be managed by me directly. Likewise, Neeta will assume the role of head of HR in addition to her current responsibilities. The delivery and the capability functions for the organization will continue to report to Dr. G. Venkatesh. The decisions were based on the principle that management has to stretch and lead by example.

Let me begin by summarizing the financial results for the third quarter ended December 08. The consolidated revenues for the third quarter of fiscal 09 stood at rupees 185.1 crores. This represents an increase of 5% over the previous quarter and an increase of 31% over the corresponding quarter in the last

financial year. The telecom software services side of the business contributed rupees 173.2 crores with a 32% year-on-year growth and a sequential quarter-on-quarter growth of 12%. The products business contributed 11.7 crores for the quarter, growing year on year by 23% over the corresponding quarter in the previous financial year, but dropping sequentially over the previous quarter by 43%. The third quarter EBITDA margins for the company were at 22.7%. The consolidated services EBITDA margins are at 24.4% while the products division contributed rupees 2.9 crores and EBITDA of 23.6%. The profit after tax is 14.4 crores for the quarter. The basic EPS for the quarter was at rupees 5.24 and the services earnings per share at rupees 6.09. We generated cash from operations of rupees 50 crores this quarter. The cash and cash equivalent on our balance sheet stands at rupees 108 crores. We added 4 new customers this quarter taking the total number of active customers to 99. The business environment has become increasingly complex and challenging and this is true for almost every industrial vertical. Sasken has always been a pure play in the telecom vertical and will continue to pursue that as communication is fundamental to the needs of an individual at the lowest fractal for any enterprise. Keeping this in mind, we have created an organization which has been mentioned to focus on our two mantras of efficiency and growth. As you are perhaps aware, Nortel, one of our top five customers, filed for creditors protection in US, Europe, and Canada. Nortel has been in touch with us and based on the information available to us as of now, we believe that the business will continue at similar volumes. We work with them on some of their core products that are selling in the markets today and this gives us the confidence that we should be able to sustain this level of business, but we would like to caution that the external environment remains dynamic. We expanded our relationship with a key tier I customer in the network equipment space in this quarter by building on the work we had done on a key core networking product. We expanded on our IC design offering with a key semiconductor tier I vendor and are now offering software services for this vendor. On the handset side, the traction with key handset vendors, we have created a proximity center in Beijing and are continuing to align with their global delivery model. We continue to see the benefits of our proximity centers in Mexico, Finland, and Germany. These are, however, challenging times that we continue to work on pertaining to hardware business. We are making all efforts through our multisided strategy, focus on creating and delivery cost optimal solutions. A couple of our key customers are evaluating their product lines. For example, Motorola has decided to exit the Symbian platform, TIS decided to exit the wireless baseband chipset businesses. We anticipate some volume impact on accounts of these events in our services business, as the result of which we may not grow year on year at 10% in dollar terms as guided earlier. However, we continue to serve the above customers and they continue to be a significant part of our

business. As indicated earlier, the products business is choppy and the dip in revenues over the previous quarter is an example of the unpredictable nature of this part of our business. Due to a slowdown in the automotive segment and keeping the current environment in mind, both Sasken and TACO, Tata Auto Components, have decided to discontinue further investments and close down TACO Sasken as an entity. We will be approaching the Honorable High Court of Karnataka for approval of a scheme of arranging under section 391 plus 394 of the Company's Act 1956. The proposed scheme envisages creation of a business restructuring reserve from the reserves and surplus of the company including the share premium account. This is in line with the communication that we have made in Q1 on E-Series product line, but considering the uncertain environment, we have decided to increase the scope of this reserve. From a people's perspective, our total strength stands at 3555 as of December 31, 2008. We are glad to announce that CRISIL has assigned a rating of P1+ to the short-term banking facilities of Sasken Communication Technologies Limited. The rating reflects Sasken's comfortable financial risk profile marked by a low gearing, healthy debt protection measures, and strong financial flexibility and its established position in the telecom software services and products market.

I will now focus on some key trends that we see in the market place and the investments we are making to exploit these. We believe a key trend in the network equipment space is that integrated telcos will attempt to leverage their fixed line business and introduce femto cell offering. Sasken has been investing in these areas and we have traction with tier II customers for these offerings. The past year has seen a dramatic improvement in mobile browsers and the range of content deliveries for mobile devices, but the ability to quickly and easily search, discover, organize, and navigate all of this content will be an exciting area over the next few years that we see. With a view to exploit this trend, we are making some investments in this area which should ease results in the coming quarters. To conclude, while we face challenging times, we believe that our continued focus on telecom verticals and our two-pronged strategy of efficiency and growth will pay dividends in the long run. Thank you and over to you for question and answers.

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

International Moderator: Thank you moderator. We will now begin the Q&A session for participants connected to the WebEx International Bridge. Please

press *1 to ask a question. At this moment, there are no questions from participants at WebEx International Center. I would now like to hand over the proceedings back to the India moderator.

Moderator: Thank you Brandon. 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, 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. Pratik from Edelweiss Securities. Over to you sir.

Mr. Kunal Sangoi: Yeah, thank you. This is Kunal Sangoi from Edelweiss. Sir, my question is with regards to, you know, services business. If you can just break the growth of 11% volume growth and what has been the average realization rate for the quarter?

Mr. Rajiv C. Mody: Okay, I think Neeta you want to...

Ms. Neeta Revankar: Yeah. So, the dollar terms if you are talking about revenue growth, then there is a 4% revenue growth in volume terms.

Mr. Kunal Sangoi: 4% volume growth, okay. So, the balance would be...the average realized rate would be about 47.8 or 9?

Ms. Neeta Revankar: See the...I am sorry, I didn't get the question, but if you are looking at growth in rupee terms, then there is a large impact of the exchange rate on the revenues.

Mr. Kunal Sangoi: Right, so maybe if you can give the average billing rate, how it has moved for the quarter?

Ms. Neeta Revankar: Actually Kunal, that does not...that is not something that we normally give out and it does not make too much of sense because there are changes in the mix also. We have work that we do out of Mexico, work that we do out of Finland, and work that we do out of India.

Mr. Kunal Sangoi: Okay.

Ms. Neeta Revankar: So, you know...

Mr. Kunal Sangoi: Sure, no problems. One question is with regards to the amortization of product expenses. I believe that this quarter we haven't charged off anything. Generally we have been amortizing about 3 crores per quarter, so if you can give some explanation what is the...

Mr. Rajiv C. Mody: Yeah, on that one, Kunal, we are approaching the Honorable High Court of Karnataka for the approval of a scheme of arrangement that is under section 391-394.

Mr. Kunal Sangoi: Okay.

Mr. Rajiv C. Mody: The proposed scheme envisages creation of a business restructuring reserve from the reserves and surplus of the company insuring the share premium account.

Mr. Kunal Sangoi: Okay.

Mr. Rajiv C. Mody: And this in line with what we had communicated in Q1 that we are evaluating for next two quarters the viability and the feasibility of the E-series as a business as a product line and then take an appropriate call where we had kind of communicated to you all we have taken a call in the third quarter on taking it through the proposed scheme of business restructuring.

Mr. Kunal Sangoi: Okay. So, if I understand correctly, what will happen is that maybe of the share premium reserve, some portion will be, you know, taken out as business reserve rather than routing it through P&L, if I am correct right?

Ms. Neeta Revankar: That's correct.

Mr. Kunal Sangoi: Okay, okay. Another question is on the employee expenses. Now, if I look at quarter on quarter, despite the employee headcount, total headcount going down, there has been increase in this. Is it related to maybe Q2 wherein in Finland we have holidays or there is some one time payment to senior management which would have been there?

Ms. Neeta Revankar: This is largely related to the Finland leave in quarter two. So, if you are comparing quarter two with quarter three, then...

Mr. Kunal Sangoi: Right.

Ms. Neeta Revankar: Yeah, it is because of the leave that happens in quarter two.

Mr. Kunal Sangoi: Okay. Last question, Rajiv, if you can throw some light in terms of, you know, EBITDA margins of the product space, we have seen that declining by almost 16% quarter on quarter. I do understand that largely it will be, you know, maybe customization given the bench that we would have created for NRE work. Is that the reason why the margins in product are lower?

Mr. Rajiv C. Mody: There are two reasons Kunal for that. One definitely is that we have seen a reduction from a customer on some of the product development activities that we were doing and second is because of the decrease in the royalties that we received from on our

multimedia subsystem from the Japanese customer, and we have not, I mean because we did not get any reliable reports, we have not considered any royalty revenues from our wideband CDMA protocol stack shipments for the last quarter.

Mr. Kunal Sangoi: Okay, that is helpful. And just one more, Neeta ma'am, if you can provide the currency-wise billing breakup in terms of revenues, how much each currency is billed, that would be helpful.

Ms. Neeta Revankar: See, we have about close to 30% of our revenues in Euros.

Mr. Kunal Sangoi: 30% billed in?

Ms. Neeta Revankar: Euro.

Mr. Kunal Sangoi: Euro, okay.

Ms. Neeta Revankar: About 10% in rupees.

Mr. Kunal Sangoi: Okay.

Ms. Neeta Revankar: And the rest of it US dollar.

Mr. Kunal Sangoi: Okay. Thank you and all the best.

Mr. Rajiv C. Mody: Thanks a lot Kunal.

Moderator: Thank you very much sir. Next in line, we have Mr. Srivatsan from Spark Capital. Over to you sir.

Mr. Srivatsan: Yeah, hi. Just wanted to get some sense what is the current levels of hedges that we are outstanding and what is the position at this point of time?

Ms. Neeta Revankar: See, we continue with our policy of hedging net exposures 12 months forward and we have as at 31st December 65 million dollars of hedges outstanding at an average exchange rate of 44 rupees 52 paisa.

Mr. Srivatsan: Okay, these are mark to market or they have not yet been marked to market?

Ms. Neeta Revankar: So, we mark to market as hedges every quarter end.

Mr. Srivatsan: Every quarter ends, okay. So, these are at 44 point...so the loss that you see about 13 odd crores is more from a mark to market loss?

Ms. Neeta Revankar: No, that is not correct actually. The hedges that we have taken are at an earlier period in time, so they will be at a lower exchange

rate and during the period we book our revenues at say 49 rupees.

Mr. Srivatsan: Okay.

Ms. Neeta Revankar: So, there is a difference in that which causes a significant exchange loss.

Mr. Srivatsan: Okay.

Ms. Neeta Revankar: So, there hasn't been any mark to market loss as such during the quarter three.

Mr. Srivatsan: Okay.

Ms. Neeta Revankar: There was a significant one in quarter two.

Mr. Srivatsan: Okay. So, because there has not been much more between quarter two and quarter three in terms of ending rates.

Ms. Neeta Revankar: That is correct.

Mr. Srivatsan: Okay. Just wanted to get some sense on what is the pricing scenario you are seeing from some of your clients because mainly you are seeing a lot of, especially from semiconductors and network equipments, a lot of pricing pressures, a lot of other vendors have been commenting about, what are the voices what you are seeing in the market, what kind of pricing cuts are the customers asking for?

Mr. Rajiv C. Mody: Yeah. So, if we are looking at the last quarter numbers, we have not seen much of any pricing pressures that have been impacting us. However, starting this quarter, means January, starting that quarter, we definitely are seeing pressures on the pricing side from our customers on lowering the pricing from where we are. So, we do see a pricing pressure coming approximately 5% revising downwards.

Mr. Srivatsan: Okay. Is it across the board or is it only some few customers who are asking for such kinds of price cuts?

Mr. Rajiv C. Mody: It is not across the board, but it is there in quite a few customers that we work with.

Mr. Srivatsan: Okay. And Neeta, just could you let us know what is the final share outstanding of the buyback and other things?

Mr. Rajiv C. Mody: Final shareholding?

Mr. Srivatsan: Outstanding after the buyback.

Mr. Rajiv C. Mody: We have I think 27 million shares with the company today, 27.1 million shares. We have purchased 14.5 lakh, 1.45 million shares at the cost of 15.5 crore rupees.

Mr. Srivatsan: Okay. Just wanted to get further insight into the business restructuring, so whereas in your initial comment, you said you might look at expanding it more than from the current, provisioning for E-series. What other major restructuring you foresee at this point of time?

Ms. Neeta Revankar: See, actually it is nothing that we foresee. It is just that the times are so uncertain that we thought that if we were going through the entire elaborate process of going to the High Court, then we might as well factor in any impact that would come because of the adverse economic situation. So, I guess what happened with Nortel, maybe something like that would have fallen under this.

Mr. Srivatsan: Okay. Just coming to Nortel, just wanted to know what is the last debtors outstanding as well as to what extent, you know, on a quarterly basis your revenue run rate could be?

Ms. Neeta Revankar: If the question was on what is the impact on our revenues, then we have been in touch with Nortel and we understand that business volumes will continue at similar levels.

Mr. Srivatsan: Okay.

Ms. Neeta Revankar: We continue to be engaged with the customer to ensure that this is indeed the case. As far as receivables are concerned, we have been receiving money from Nortel on a periodic basis and they have been current with all their payments. As on date, we have close to 7 crores outstanding from them.

Mr. Srivatsan: Okay.

Ms. Neeta Revankar: And since we have credit insurance covers for a large part of this, I would say we are pretty safe.

Mr. Srivatsan: Okay, that sounds great. I will come back later. Thank you.

Mr. Rajiv C. Mody: And also, just one...we have also provided fully for those exposures in our accounts ending December.

Mr. Srivatsan: Provision for bad debts has been provided for whatever could be the loss kind once you get insurance cover.

Ms. Neeta Revankar: That is correct. After we take away how much insurance will provide, there may be a shortfall...

Mr. Srivatsan: Okay.

Ms. Neeta Revankar: ...and that is what we have provided for.

Mr. Srivatsan: Okay, sure. Thanks a lot.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Ruchit Mehta from HSBC. Over to you sir.

Mr. Ruchit Mehta: Yeah, hi, good evening.

Mr. Rajiv C. Mody: Good evening.

Mr. Ruchit Mehta: Sorry, good afternoon. Just to get a better sense, you mentioned that on the services side we might not be able to hit the 10% mark. Could you give a sense of where exactly is the pain point because network space is only which is supposed to be weak, so I mean like we are expecting semiconductor to cross 15%, handset at 35%, and network to actually degrow by 15%. So, can we get now a sense of what each line items supposed to grow or deliver?

Mr. Rajiv C. Mody: Yeah, we can't give you what do we call segment by segment today because it is extremely difficult to be very frank with you because the environment is so dynamic, but we can share with you that we will see growth in our handset business in dollar terms year on year, but we may see negative or we have seen negative growth in our network side business year on year for the full year. The semicon is where is a toss of whether we may see a growth or we may see a flat year on year. So, that is something which is making us uncomfortable, but overall like we say it is so difficult for us to make a statement as of now, that is why we are in dollar terms saying clearly that we will do probably less than 10% growth year on year.

Mr. Ruchit Mehta: Okay. What would you assess the probability of the dollar revenue degrowing in the current year?

Mr. Rajiv C. Mody: No, dollar revenue will not degrow in the current year.

Mr. Ruchit Mehta: Sure. And how much of this 10% growth that you are reducing, how much of that is directly contributed by the currency fluctuations?

Ms. Neeta Revankar: Actually all these communications are in dollar terms, okay. If you look at it rupee terms, they will actually see growth.

Mr. Ruchit Mehta: Sure, but what I am trying to assess you may have customers based out of Europe and I don't know whether you get billed in Euros and then you convert into dollars and on the Euro-dollar perspective, you would have lost money simply by doing nothing, so is there some function of currency fluctuation making you

revise your guidance outlook or this is purely what you are saying of the business?

Ms. Neeta Revankar: No, it is not currency fluctuation that is taking this...

Mr. Ruchit Mehta: Okay, okay. And just in terms of the amortization aspect, didn't understand that totally, but effectively you stopped providing for it and once you get the High Court approval, you will directly take it against the reserves of the company.

Ms. Neeta Revankar: Yes. So, during the quarter actually a subcommittee of the board evaluated this entire business...

Mr. Ruchit Mehta: Okay.

Ms. Neeta Revankar: ...and the net result was that they found this asset to have been impaired.

Mr. Ruchit Mehta: Okay.

Ms. Neeta Revankar: Since the asset is impaired now, we have said that we take it to a court process and once we get High Court approval and shareholders approval, we can file this across.

Mr. Ruchit Mehta: So, you will write off the entire amortization amount of just part of it?

Ms. Neeta Revankar: The entire asset will be...

Mr. Ruchit Mehta: Could we get a sense on what is that figure?

Mr. Rajiv C. Mody: 15 crores.

Ms. Neeta Revankar: We are planning 15 crores in our balance.

Mr. Ruchit Mehta: Okay, okay. And in relation to the TACO JV, is that part of the quarter wherein you mentioned, you know, revenues from the automotive and utility side of the services business, so effectively once you would assume going into Q4 there wouldn't be any further losses from that business at least?

Mr. Rajiv C. Mody: Yeah, that is correct. The automotive and the...just let me clarify that, that line that we represent is revenues that come in from our TACO Sasken as well as our ConnectM joint venture.

Mr. Ruchit Mehta: Okay, okay.

Mr. Rajiv C. Mody: So, going forward, you will not see anything, any impact because of TACO Sasken joint venture. The ConnectM's will continue.

Mr. Ruchit Mehta: So, how much of loss would get...because you are losing about 3 crores in this quarter from that business. How much of a loss would get reduced because of that entity itself being closed down?

Mr. Rajiv C. Mody: Well, YTD I think we have spent our part of it Neeta is about 6 crores on TACO Sasken, the negative 6 crores is what would be for the first three quarters approximately. It has been negative 6 crores for TACO Sasken from April until December 2008.

Mr. Ruchit Mehta: That is your share?

Mr. Rajiv C. Mody: That is correct, that is our share.

Mr. Ruchit Mehta: Okay. And just to get an understanding of your margin itself because we had expected margin of the telecom side of the business to improve to about 20% to 22%. Now considering the revised guidance, where do you see margin for this business now settling?

Ms. Neeta Revankar: Clearly, it is going to be a challenge to maintain margins at these levels.

Mr. Ruchit Mehta: Okay.

Ms. Neeta Revankar: Especially given the changes that we are seeing on billing rates. So, we are taking all the actions that we can to improve margins, but there may be a bit of a lag between these in terms of the actual that we see.

Mr. Ruchit Mehta: Okay, okay. And any changes to your CAPEX plan, you had spend around 40-50 crores, any changes to that?

Ms. Neeta Revankar: No, we have been reviewing it and revising it as the year has been progressing and we have done about 20 crores of CAPEX already in the first nine months.

Mr. Ruchit Mehta: Okay.

Neeta Revankar: So, we probably won't do much more than the last quarter.

Mr. Ruchit Mehta: Okay, okay. And just to get a sense on your product side, I mean I agree that it is volatile and we can't predict it, but have you seen any changes to the handset shipments in the third quarter versus what you...are there any improvement in the first few days of April..... in January, sorry, when do you see the overall business recovering, any idea when you would expect some sort of recovery to happen in terms of the volume growth?

Mr. Rajiv C. Mody: Yeah, so we have definitely seen a negative impact on the number of volume shipment quarter on quarter on the multimedia-related shipments that we do in Japan and we think it is purely

related to the economic environment that we are operating in. Second thing is like I said that we have factored in any royalty revenues from our wideband CDMA shipments on the NXP chipsets because we didn't get reliable reports for us to recognize revenue for the quarter and third thing is that as we announced Motorola has decided to discontinue the Symbian product lines completely and that definitely will have an impact going forward on our multimedia we were expecting the royalties from the shipment that were expected out of their Symbian shipment.

Mr. Ruchit Mehta: Okay. And services sir, would you care to hazard, when you might see some recovery in the business, I mean...

Mr. Rajiv C. Mody: Honestly, I think to be very fair, I mean it is extremely difficult for us to see any contract suppliers.

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

Mr. Rajiv C. Mody: Thank you so much.

Moderator: Thank you very much sir. Next in line, we have Mr. Kaushik Poddar from KB Capital. Over to you sir.

Mr. Kaushik Poddar: Mr. Mody, near the end of your initial address, you talked about the various trends that are prevailing in the international telecommunication scenario. So, could you please elaborate on these trends?

Mr. Rajiv C. Mody: Yeah, essentially...I will request G. Venkatesh to probably give a perspective on the trends that are being seen.

Mr. Kaushik Poddar: Okay.

Mr. Rajiv C. Mody: Yeah.

Dr. G. Venkatesh: Primarily the network equipment space, most of the growth is right now in the emerging market.

Mr. Kaushik Poddar: Okay.

Dr. G. Venkatesh: Though it is true in the developed markets, it is time for the CAPEX to get refreshed. So, at some point in time, they will have to start investing in CAPEX, but most people believe that that will happen only in 2010 now, not in 2009. So, the network equipment, though OEM space is primarily looking at the emerging market for growth, but there are a few trends that we have to look at basically because of consolidation, now we have operators which have both fixed as well as mobile networks and they are going to basically find ways to leverage both their mobile as well as fixed assets and femto cells seem to be a very interesting possibility to do that and we are going to start seeing

this year some femto cell deployment and that is a place that Sasken plays in. So, that is one of the areas. The second is that we have seen after iPhone, the mobile browser has become one of the, you know, areas of interest for customers, so a lot of consumers have become very excited with the idea of being able to access information through their phone through a browser and internet and there are many other companies that are following this trend and coming out with their own touch-sensitive phones with larger displays and with browser capability on it including, for example, Nokia and Samsung and Sony Ericsson also. So, that is another space that we are putting a lot of investment in in terms of these new user interface technologies as well as the browser capability and also the associated client server application that will come up which will basically serve not only customers, end customers, but also enterprise users, so that they can basically access application which could be either consumer applications or enterprise applications through this phone.

Mr. Kaushik Poddar: Okay. Now, on the emerging market, are you doing any work in India itself?

Dr. G. Venkatesh: We have network deployment work that we do, fair amount of it for the operators here, so that part of it is doing reasonably well for us, but besides that, in terms of new applications that might get deployed in India, we are doing some exploratory work, nothing major at this point in time.

Mr. Kaushik Poddar: So, have you worked for any of the service providers in India?

Dr. G. Venkatesh: Only through the OEMs in the network department space, in the sense that most of the networks that are getting deployed in India are the contracts usually for those departments and, you know, what you call it the testing, performance optimization and so on.

Mr. Kaushik Poddar: Okay.

Dr. G. Venkatesh: It is usually awarded to the OEMs and then the OEMs then in turn award it back to vendors like us.

Mr. Kaushik Poddar: Do you see any growth in this area because all the service providers in India are expanding and 3G is coming, etc....

Dr. G. Venkatesh: Yes.

Mr. Kaushik Poddar: So, do you see substantial scope of expansion in this kind of a...

Dr. G. Venkatesh: Yes, we do see possibilities for us to grow in this space.

Mr. Kaushik Poddar: Okay. So, when you are talking of less than 10% growth for the next quarter or next year, have you taken into account this emerging India in your estimate?

Dr. G. Venkatesh: It constitutes a small part of our business.

Mr. Kaushik Poddar: Okay.

Dr. G. Venkatesh: So, it doesn't really make a real impact on the overall growth rate.

Mr. Kaushik Poddar: Okay, okay.

Ms. Neeta Revankar: The other thing that is important to clarify is that we are talking about less than 10% for the current financial year. For the next year, we are not saying anything as yet.

Mr. Kaushik Poddar: Okay, okay. Okay, thank you.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Prateesh from DSP Merrill Lynch. Over to you sir.

Mr. Prateesh
Krishnan: Hi, this is Prateesh here.

Mr. Rajiv C. Mody: Hi.

Mr. Prateesh
Krishnan: Just some data point. Can I get the split in terms of the three subsegments in IT services?

Rajiv C. Mody: Yeah, can you repeat the question please.

Prateesh Krishnan: Yeah, can I get the split in terms of the three subsegments, the OEMs, the handset, and the semicon.

Mr. Rajiv C. Mody: You want the growth rates or you want the average...

Mr. Prateesh
Krishnan: No, just the revenue split within the IT services side.

Ms. Neeta Revankar: So, there is about 50% of our revenues that come from the handsets.

Mr. Prateesh
Krishnan: Okay.

Ms. Neeta Revankar: We have about 30% that comes from network solutions and about maybe 20% from semiconductor business.

Mr. Prateesh
Krishnan: Okay. And, you know, just in terms of Nortel I mean, what is the current run rate I mean for you in terms of revenues?

Ms. Neeta Revankar: That is not something that we share. It is part of our top five customers.

Mr. Prateesh
Krishnan:

Okay. And you also mentioned that the volumes, you know, from Nortel will continue. In terms of, you know, future receivables, would even the future receivables be, you know, insured against credit?

Ms. Neeta Revankar: See, it actually depends on the kind of communication we have from Nortel. It is yet early because we are in touch with Nortel to try and understand how our future payments will be protected.

Mr. Prateesh
Krishnan:

Yes.

Ms. Neeta Revankar: We are informed as of now that it will be protected and we will be paid very soon, much sooner than contractually required.

Mr. Prateesh
Krishnan:

Okay.

Ms. Neeta Revankar: But it is too early yet to comment and depending on the communication with Nortel, only then we will be able to determine what, you know, whether there will be coverage or not.

Mr. Prateesh
Krishnan:

Okay. But, I mean despite the, you know, despite there being not so much of clarity, I mean would you continue kind of, you know, servicing Nortel, I mean I am not very clear in terms of that.

Ms. Neeta Revankar: Absolutely. We are...right now based on the information that we have today, we are fairly confident that we will get paid for the work that we do and so we are considering to service Nortel.

Mr. Prateesh
Krishnan:

Okay. And, you know, in terms of this TACO JV, should one expect any write-off or, you know, one-time hit in Q4 because of the closure?

Ms. Neeta Revankar: Actually to the extent possible, we have already factored all of that in Q3. So, you won't see any further write-offs in my estimate to this extent. There may be some small minor amount which we were not able to estimate.

Mr. Prateesh
Krishnan:

Okay.

Ms. Neeta Revankar: But I don't think there will be anything significant in quarter four.

Mr. Prateesh
Krishnan: Fine. And just one last one, in terms of the restructuring reserve fund, is there any upper limit in terms of the, you know, the size of the fund that you intend you create?

Ms. Neeta Revankar: Yeah, we have set it at close to 50% of our share premium, just about 150 crores.

Mr. Prateesh
Krishnan: 150 crores.

Ms. Neeta Revankar: That's correct.

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

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Sujit Joshi from CRISIL. Over to you sir.

Mr. Sujit Joshi: Yeah, hi, good evening.

Mr. Rajiv C. Mody: Hi.

Mr. Sujit Joshi: Hi. Yeah, just a couple of clarifications, I mean I missed the number from your hedging position that was at 69 million dollars at what rate did you say?

Ms. Neeta Revankar: At 44 rupees 52 paisa.

Mr. Sujit Joshi: 44...okay. And could you throw some light on the growth prospects in your three divisions, that is network equipment, handset business, as well as semicon market.

Mr. Rajiv C. Mody: Yeah, we continue, I mean if you look at a year-on-year growth even as to YTD today, we have seen good growth I mean on the handset Lucent business of ours. In the network division, we have indeed seen a degrowth on that. Semicon is a tossup right now. It is still in a growth mode, and we estimate that by end of the...for the full year ending March 09, we will see a growth. However, keeping the current external environment in mind, it is extremely difficult to make that estimate, but overall I think in dollar terms also, in volume terms also, year on year we will see growth. In rupee terms, of course, we will see significantly more growth than the dollar terms because of the favorable currency movement.

Mr. Sujit Joshi: Okay. I was just coming from what you had indicated last quarter, about 15% growth in network equipment and, you know, 35% in handset business, and semicon approximately 15%. So, where do those numbers stand at this point in time?

Mr. Rajiv C. Mody: Yeah, we had said those numbers last because...in the last analyst call because we had not experienced the kind of challenge or the change in the environment that we have kind of seen come about in the last two to three months to be honest with you. So, it is very difficult in this environment for us to make any reasonable prediction. However, we are confident that based on what we know it we should be able to do at least less than 10% in dollar terms. What that less than 10% means is impossible for us to predict, but based on estimates that we have, we should definitely see growth coming at least.

Mr. Sujit Joshi: But at the visibility that you have right now, it will definitely be less than 10% you are saying.

Mr. Rajiv C. Mody: That is correct because to be honest with you, I mean I don't want us to again defend that position in the next analyst call because the environment honestly is very, very challenging. If we knew, we would have shared with you.

Mr. Sujit Joshi: Okay, great, yeah, not an issue. Yeah, that's it from my side, thank you.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Devnath from Value Quest. Over to you sir.

Mr. Raunak Nagda: Hello...

Rajiv C. Mody: Yes.

Mr. Raunak Nagda: Yeah, Mr. Raunak Nagda calling from Value Quest Research.

Mr. Rajiv C. Mody: Yes.

Mr. Raunak Nagda: Sir, I would like to know...sir, I would just like to understand you have decreased your R&D on the product side.

Mr. Rajiv C. Mody: That is correct.

Mr. Raunak Nagda: Sir, do you expect any cutdown on the product development going forward?

Mr. Rajiv C. Mody: Well, we are right now working on the multimedia product line as you all know. We are not putting any further investments in our protocol stack product line as of now and we expect that trend to continue. So, indeed in this environment, we are going to be conservative in putting new money behind new R&D because I don't think there is anything running away from us, so we will be

careful and conservative before we put any new moneys in new R&D.

Mr. Raunak Nagda: And sir, do you expect any new, I mean you had recently invested in the automotive segment, so do you see growth reviving over there?

Mr. Rajiv C. Mody: No, just for clarity, we had invested in the automotive segment, but we are stopping our investment in the automotive segment keeping the slowness in the automotive market segment itself and keeping the current environment in perspective. So, we are not, but we are continuing our investments in ConnectM which is the other machine-to-machine communications business that we are building along with the IDG Ventures that you are aware of.

Mr. Raunak Nagda: Sir, do you see any growth opportunity in India in the new 3G launches happening over the next two or three months?

Mr. Rajiv C. Mody: Yeah, I mean once the 3G licenses get awarded, definitely we see opportunities for us to help roll out network like my colleague G. Venkatesh briefed a few minutes ago. We believe that we are well positioned to work with the leading network equipment suppliers and we have relationships and marked service agreements with all the significant players for us to help deploy plan, do network engineering activities in India.

Mr. Raunak Nagda: Okay, all the best sir. Thank you.

Mr. Rajiv C. Mody: Thank you sir, thank you, we need it.

Moderator: Thank you very much sir. Next in line, we have Mr. Alby from Edelweiss. Over to you sir.

Male Speaker: Hello...

Mr. Rajiv C. Mody: Yes, hi.

Mr Alby: Hello sir. I just want to know, see your EBITDA margins are going down and you don't foresee any growth going forward, so what you intend to do to protect the margins?

Ms. Neeta Revankar: See, as you are aware, in this industry there are limited levers that you have to help improve margins. Bill rates are one that is out of our control right now as we said. Utilization is the other one...

Mr Alby:: Okay.

Ms. Neeta Revankar: ...which has fallen by 3% in the quarter. So, that is one we are going to focus on. The other one of course is the average experience which we continue to focus on. We have seen influx of pressures during the year to that extent. The other significant

things would be the impact of scale on SG&A. So, we are actually working on all of these and hoping that we will be able to make up for the loss in bill rates no account of...loss in bill rates.

Mr Alby: Okay. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Kapadia from SK Securities. Over to you sir.

Mr. Kapadia: Hello sir.

Mr. Rajiv C. Mody: Hello.

Mr. Kapadia: Hi. I just had one question like if you put it in rupee perspective, what is like...what do you intend to close this year at, in revenues and profit terms?

Mr. Rajiv C. Mody: Hard, hard. If I could predict keeping the dynamic environment, I would have...

Mr. Kapadia: But still you might be having some internal targets.

Mr. Rajiv C. Mody: ...faced that in the call in the opening remarks. I am sorry...

Mr. Kapadia: Yeah, you might be having some targets for the year, that is what I wanted to understand.

Mr. Rajiv C. Mody: Then I would rather give you the guidance.

Mr. Kapadia: Yeah, guidance, yeah.

Moderator: Thank you very much sir. Next in line, we have Mr. Madhu from Systematix Shares. Over to you sir.

Mr. Madhu Babu: Yes sir. Sir, in terms of scalability, would you like to add more clients within the OEM and handset kind of space or would you try to venture into an adjacent vertical like telecom services in the OSS and BSS part or something like that?

Mr. Rajiv C. Mody: Like we always, I mean I will say a few words, but then I would like my colleague G. Venkatesh to kind of take it. We have always said that we would want to take advantage of the know-how capabilities that we have and enter those areas where it strategically gives us an advantage. So, we will continue to explore customers where we can use this effectively, but I would like G. Venkatesh to add a bit also.

Dr. G. Venkatesh: Actually, we are seeing some of our...though we see certain customers are having some difficulties, but we are also seeing some of our customers wanting to grow with us and in fact actually it is those customers that we would like to build out a lot of the

growth for 2009 because some of these customers are well established in the market and they are entering new spaces and starting new product line in which they want us to be involved as well. So, our emphasis this year is going to be to continue to build out on our tier I strategy picking up those customers that are doing well and to engage ourselves much more deeply with them and we are fortunate that some of these customers have identified us as one of their strategic suppliers for continuing into 2009, so therefore they will continue to grow with us in 2009.

Mr. Rajiv C. Mody: Last analyst call, if you look at our transcripts, we had said that one specific segment area that we are focusing on is the satellite telecommunications area. We are seeing good traction in that market space.

Mr. Madhu Babu: Okay sir. And sir, one more thing, if you see our employee strength, I think it has been hovering around this 3,200 to 3,500. So, let us say over the next three years, would we see the opportunity to scale up within this business, existing business, to say 7,000 to 8,000 employees.

Mr. Rajiv C. Mody: Yeah, I think we are definitely seeing opportunities that would allow us to scale our business with the increase in headcount, but we are also by the way seeing those growths coming in other parts of the world including India. So, we have grown in Mexico, we have grown in Europe, we are growing in China along with growing in India. So, today, if you look at from a headcount perspective, the diversity of Sasken and Sasken worldwide is quite a bit actually.

Mr. Madhu Babu: Okay sir, thank you.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press *1 on your telephone keypad now. Next in line, we have Mr. Alok from shareholders. Over to you sir.

Mr. Alok Sanghvi: Good afternoon sir, this is Alok Sanghvi here, I am a shareholder of your company.

Mr. Rajiv C. Mody: Hi.

Mr. Alok Sanghvi: Hello sir. Sir, I have two questions. One is we have been maintaining high level of cash for quite some time, so why not we think of retiring some of our debt sir, that is one. And second is has Mr. Vinod Dham given any reason for his resignation and whether any other directors have evinced interest in leaving our organization sir?

Mr. Rajiv C. Mody: So, let me...I will leave it to Neeta to answer the question on the cash side, but I will answer the question on Vinod Dham and any other directors leaving the company. So, the short answer to any other directors wanting to leave or have evinced their inclination to leave us is not there. All directors are there and are committed to leading and helping the management in building this organization. In case of Vinod Dham, he had requested me six months ago to step down because he was finding it difficult to attend. However, I had requested him to continue and he did not press upon me to kind of call, I mean to seek his resignation. So, that was something that happened six months and on that we have acted now for us to have his resignation taken at the board and accept his resignation at the board meeting.

Mr. Alok Sanghvi: Okay, thank you.

Mr. Rajiv C. Mody: On the cash side by the way, let Neeta answer that question.

Ms. Neeta Revankar: See, the amount of cash we have in our books has been in the range of 1 to 1-1/2 months expenses so far and it is now about 2-1/2 months expenses. So, it is not as if we are plush with cash and sitting on large amounts of cash. Six months expenses to be carrying as cash I would have thought is reasonable especially in these uncertain times. So, we are going to be extremely careful and we are going to work on building up this cash reserve even more.

Mr. Alok Sanghvi: Okay. Thank you very much. That's all, thank you.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Next in line, we have Ms. Neha Jain from SBI Capital Securities. Over to you ma'am.

Ms. Neha Jain: Yeah, can you explain once more the breakup of your top line growth of 11%, actually I think I missed it. Hello...

Mr. Rajiv C. Mody: Yeah, yeah, we are there. The top line growth of 11% in rupee terms primarily comes from 9% because of the favorable movement of the rupee in favor of dollar and then 2% in volume terms.

Ms. Neha Jain: Okay. And what about the pricing?

Mr. Rajiv C. Mody: Pricing has been stable for the quarter. We have not seen any decrease in the pricing for the December ending quarter, but subsequent to that like we announced, we discussed it also, we have seen a pricing pressure of about 5% across some of our customers, not all of our customers.

Ms. Neha Jain: Okay fine, thank you.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Dinesh from Anu Shares and Securities Limited. Over to you sir.

Mr. Dinesh: Hello, good evening sir.

Mr. Rajiv C. Mody: Yes, hi, good evening.

Mr. Dinesh: Can you just tell me the realization value of this quarter sir?

Mr. Rajiv C. Mody: Pardon.

Mr. Dinesh: Average realization value.

Ms. Neeta Revankar: For sales is it? It is 49 rupees 11 paisa.

Mr. Dinesh: 49 rupees and?

Ms. Neeta Revankar: 49 rupees and 2 paisa.

Mr. Dinesh: Okay. Can you able to tell me the revenues, revenue in dollar terms.

Mr. Rajiv C. Mody: Revenue in dollar terms was about 37...

Ms. Neeta Revankar: Point 8 million.

Mr. Rajiv C. Mody: 37.8 million.

Mr. Dinesh: Okay. For last quarter sir?

Mr. Rajiv C. Mody: The last quarter was 39.3 million.

Mr. Dinesh: Okay. Thanks a lot sir, that's all from my end.

Moderator: Thank you very much sir.

Mr. Rajiv C. Mody: Just to...just to give you an idea, this is inclusive of all the various currency fluctuations that have happened on different billing rates. The one, Euro against dollar, Euro...I am sorry, dollar against pesos, then dollar against rupees, so all various combination of currency movements have happened during the quarter. Just to give you an idea, actually the peso has appreciated by 30% in a single quarter.

Moderator: Shall we take the next question sir? Hello...

Mr. Rajiv C. Mody: Yeah.

Moderator: Yeah. Next in line, we have Mr. Hitesh from B&K Securities. Over to you sir.

Mr. Hitesh: Good evening sir.

Mr. Rajiv C. Mody: Good evening.

Mr. Hitesh: My question is related to the TACO JV. There was an article in the newspaper that there are around 100 employees which are working in this JV and they have been asked to quit. So, would you like to comment on that?

Mr. Rajiv C. Mody: First, there are about 35 employees that are working in TACO Sasken, so that is one, and two, we are working together between TACO Sasken and other Tata Group companies to see how we can possibly absorb them in different aspects of our respective businesses.

Mr. Hitesh: Okay. And could you also, you know, just give us a number of how many employees would be engaged in projects which are ongoing with probably Nortel projects?

Mr. Rajiv C. Mody: No, we would not want to disclose the number of people that are working. We have said clearly in terms of the fact that we don't see any volume ramp-down from our customer.

Mr. Hitesh: Okay, fair enough.

Mr. Rajiv C. Mody: In both the enterprise as well as the wireless business that we are engaged with them.

Mr. Hitesh: Okay. And now, can you give me the debt on the books as on 31st December?

Ms. Neeta Revankar: We have 69 crores of secured loans and we have about 3 crores of unsecured loans as on 31st December.

Mr. Hitesh: And the last question is can you give us a breakup of your headcount in terms of how many employees are there in the products division?

Mr. Rajiv C. Mody: Just give us a minute...it is approximately...one minute ah.

Mr. Hitesh: Yes sir.

Ms. Neeta Revankar: We have 140 employees in our product division as of now.

Mr. Hitesh: 140?

Ms. Neeta Revankar: That's correct.

Mr. Hitesh: Okay. And last, on the hiring plans for FY09, as far as I remember, you had given a rough figure of approximately 200 at the net level, addition of 200 employees for FY09 at net level.

Mr. Rajiv C. Mody: Okay.

Mr. Hitesh: As of now for the nine months, I think you have a net addition of approximately negative 77 employees for this three...for the three quarters of this year.

Mr. Rajiv C. Mody: Correct.

Mr. Hitesh: So, for the full year, do you still stand by for the net addition of 200?

Ms. Neeta Revankar: No, definitely not. We will have to keep changing these as the business situation changes.

Mr. Hitesh: Okay.

Ms. Neeta Revankar: And we have been saying through this call that we are seeing difficult times ahead. So, clearly our hiring plans will be tuned to the business environment that we see.

Mr. Hitesh: Okay. So, what can we take as in the net?

Ms. Neeta Revankar: We are unable to give any revenue guidance. Likewise, we are unable to give any hiring guidance too.

Mr. Hitesh: Okay ma'am. Thanks, that's it from my end.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Shriram from ABN Amro. Over to you sir.

Mr. Shriram: Good evening sir. I just wanted to know what would be Sasken's exposure to Nortel in terms of the annual sales and the debtors outstanding, what would be the aging of these debtors as far as Nortel is concerned?

Ms. Neeta Revankar: We have less than 10% of our revenues coming from Nortel.

Mr. Shriram: Yeah.

Ms. Neeta Revankar: As on date, we have close to 7 crores outstanding from Nortel.

Mr. Shriram: Right. And would they be pretty aged or would they be...

Ms. Neeta Revankar: Everything relates to under 60 days.

Mr. Shriram: Okay. And Nortel being a shareholder also of up to about 9% and then filing for bankruptcy, would that, you know, would they be exiting the shareholding relationship?

Mr. Rajiv C. Mody: No, those are two separate things. It is a separate decision that Nortel has to take or whoever has taken the responsibility on restructuring them during the process. So, we can't make any comments honestly on the shareholding side, but we can make comments only on the business side, which is clear. We have said that that we don't expect any impact to happen, but we live in a volatile difficult world and nothing can be predicted.

Mr. Shriram: But are you looking at buying back the shares?

Mr. Rajiv C. Mody: We can't make...it is too early for us to make any comments whatsoever.

Mr. Shriram: Right. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Anup from SBI Mutual Fund. Over to you sir.

Mr. Anup: Good evening sir.

Mr. Rajiv C. Mody: Good evening.

Mr. Anup: Can you elaborate more on the nature of the pricing pressure that you have seen. Is the pricing pressure more on the existing projects that the company has or is it being seen more in the RFPs that we are bidding for and from what quarter for the industry are we seeing more aggression in terms of pricing, is it from the larger companies, I am just giving cues, maybe you can elaborate more in terms of what you have seen?

Mr. Rajiv C. Mody: Yeah, you know, in our business, our pricing revisions happen every year because we continue to do on a regular basis the R&D development for our customers. So, this year we have seen a request come in from our customers to reduce the pricing from a few of them and those are like I said in the range of approximately 5% decrease on the billing rates starting January 1st.

Mr. Anup: Okay sir. Thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Ms. Hiral Sanghvi from Dalal & Broacha. Over to you ma'am.

Mr. Hiral Sanghvi: Hello...

Mr. Rajiv C. Mody: Hi.

Mr. Hiral Sanghvi: Hi. Actually I was trying to reconcile your dollar term revenues to the volume growth that is given. Your dollar term revenues have actually gone down by 4% and you said that you have a 2% volume growth. So, how do you reconcile this?

Ms. Neeta Revankar: Actually, you have got to break this down into services and products.

Mr. Hiral Sanghvi: Okay.

Ms. Neeta Revankar: And the growth of 2% is really in the services business.

Mr. Hiral Sanghvi: Alright.

Ms. Neeta Revankar: There has been a decline in the product revenues quarter on quarter.

Mr. Hiral Sanghvi: Right, alright. So, your services revenues have grown by 11%...11.5% to be precise and that you are saying is a breakup of 9% forex movement and 2% volume growth.

Mr. Rajiv C. Mody: That is correct.

Mr. Hiral Sanghvi: Okay. Thank you so much.

Mr. Rajiv C. Mody: Yeah.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Ritesh Rathod from UTI Mutual Fund. Over to you sir.

Mr. Ritesh Rathod: Hello sir.

Mr. Rajiv C. Mody: Hi Ritesh, how are you?

Mr. Ritesh Rathod: Fine. How about you?

Mr. Rajiv C. Mody: I am doing okay.

Mr. Ritesh Rathod: Okay. One question, you have mentioned about pricing, you said 5% cut, is it only with your company specifically or you are seeing your other competitors getting similar sort of price cuts?

Mr. Rajiv C. Mody: Ritesh, I think we can only answer for our company.

Mr. Ritesh Rathod: But you would be aware of the market conditions and the industry...

Mr. Rajiv C. Mody: No, I won't make any comment on other companies.

Mr. Ritesh Rathod: Okay, okay. And how about when you said 5%, is it only offshore or you are also seeing a lower sort of cut on onsite rate also.

Mr. Rajiv C. Mody: It is across both...it is a mix honestly. In some cases, offshore is not impacted, but onsite is impacted. In other cases, it is across. So, it is a case-by-case thing, but we have seen it getting impacted both offshore as well as onsite.

Mr. Ritesh Rathod: And more of a broad question, when do you see industry recovering from this slowdown according to you as of this kind of...

Mr. Rajiv C. Mody: It is decided by crystal ball man.

Mr. Ritesh Rathod: Sir, then too, your expectations, when do you...

Mr. Rajiv C. Mody: I mean honestly I expect the tough times to...everybody is saying 2009 anyway is going to be a tough year.

Mr. Ritesh Rathod: Okay, okay.

Mr. Rajiv C. Mody: So, all of us are saying the same thing unless some miracle happens after Obama gets sworn in tomorrow.

Mr. Ritesh Rathod: Okay. Okay, that is from my side, thanks.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press *1 on your telephone keypad now. Next in line, we have a followup question from Mr. Srivatsan from Spark Capital. Over to you sir.

Mr. Srivatsan: Yeah, hi. Neeta, just wanted to get an idea whether there is a liability because if I remember correctly it was a euro loan that we have taken, is that also hedged or is it open?

Ms. Neeta Revankar: See, we have a natural hedge in Europe because we bill in euros and we spend in euros and we expect to repay the loan out of those euro earnings. So, we have a natural hedge. There is no other hedge that we have taken.

Mr. Srivatsan: Okay. The whole idea was if you are hedging net inflow, so effectively you are hedging the euro amount also. So, it kind of creates an asset liability mismatch, that is the whole idea, just wanted to get some sense. The other thing is if I am correct, we get all our products...billing is almost...product royalty revenues of the quarter lag, in spite of a quarter lag, you are still not getting a reliable data, is it something that we need to read more into it?

Ms. Neeta Revankar: No, actually we had been doing quarter lag I think until the end of last year.

Mr. Srivatsan: Okay.

Ms. Neeta Revankar: And this quarter lag was not accepted by our auditors. So, we were trying to make estimates and accrue royalty in the same quarter, but we haven't been able to estimate that with any sense of accuracy.

Mr. Srivatsan: Okay.

Ms. Neeta Revankar: Which is why we have decided that we will wait for royalty reports to come in from customers.

Mr. Srivatsan: Okay, but shipments have started from the customers end?

Ms. Neeta Revankar: No, can you repeat what you asked.

Mr. Srivatsan: Has the shipment started from the customers end, in this case Samsung.

Mr. Rajiv C. Mody: Yeah, information coming in from our partner over here which is NXP says that the shipment has already started of those Samsung phones, yes.

Mr. Srivatsan: Any idea on the models or anything?

Mr. Rajiv C. Mody: Yeah, we have been given information on that, on the model numbers. We don't have it with us, in front of us to be frank with you, but if you call us independently, we can give you the three model numbers which is shipping.

Mr. Srivatsan: Sure, I will get in touch with you sir. Thanks a lot.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. We have next a followup question from Mr. Sujit Joshi from CRISIL. Over to you sir.

Mr. Sujit Joshi: Hi.

Mr. Rajiv C. Mody: Hi.

Mr. Sujit Joshi: Just a minor clarification that I needed. Could you give me a small, I mean comment on this utilization rate that has fallen off this time around, I mean I don't know if you have specified this earlier, but 91.9 is slightly lower than normal, I mean much lower than the previous rates, so...

Ms. Neeta Revankar: Yeah, so, a couple of things have happened. There have been freshers that have added in the quarter.

Mr. Sujit Joshi: Pardon.

Ms. Neeta Revankar: Freshers have been added during the quarter.

Mr. Sujit Joshi: Okay, okay.

Ms. Neeta Revankar: That is one of the reasons for the fall in utilization. The other thing is that we have also seen a lesser product billing by customization. So, because of that also, there has been an impact on utilization.

Mr. Sujit Joshi: Okay.

Ms. Neeta Revankar: Also, there are some minor ramp downs that have happened in the last quarter. All of these together I think have resulted in the reduction in utilization by 3%.

Mr. Sujit Joshi: Okay, yeah. Yeah, that's about it from my side. Thank you.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Next, we have a followup question from Mr. Pratik from Edelweiss Securities. Over to you sir.

Mr. Pratik: Hi sir.

Mr. Rajiv C. Mody: Hi.

Mr. Pratik: Sir, my question is regarding the new clients added for the quarter. You have added four new clients. Can I have the breakup of the clients in each of the segments?

Mr. Rajiv C. Mody: Breakup of the clients across different segments you would like to have?

Mr. Pratik: In the handset, semiconductor, and OEM.

Mr. Rajiv C. Mody: Yeah, the new adds that we have is...

Mr. Pratik: Right.

Mr. Rajiv C. Mody: ...like we said four. One is in the area of semiconductors, one is in the area of multimedia. One is...

Mr. Pratik: Hello...

Mr. Rajiv C. Mody: Yeah, three of them are in...and two of them are in the area of handsets.

Mr. Pratik: Okay, okay fine, thanks a lot.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press * followed by 1 on your telephone keypad now. Next in line, we have Ms. Neha Jain from SBI Capital Securities. Over to you ma'am.

Ms. Neha Jain: Yeah, just one followup. Could you explain what percentage approximately of your existing clients are asking for these price cuts which you mentioned?

Mr. Rajiv C. Mody: I think I mean it is...what percentage of the client is difficult for us to kind of say in terms of percentage terms.

Ms. Neha Jain: I mean just a proportion maybe, you know, whether it is just about say 20% or 30% of them or most of them would be, maybe 50% or 70% of them.

Mr. Rajiv C. Mody: It is difficult, to be very honest with you for us to make that because of the environment, one, because we don't know how the whole thing is going to pan out and it would be unfair for us to disclose also at this time which clients are asking which are not...which will not go in our favor overall.

Ms. Neha Jain: Okay. You cannot even share whether they are the top clients, among the top clients, so on.

Mr. Rajiv C. Mody: We can share with you that they are among our top 10 customers.

Ms. Neha Jain: Okay. And just one more thing, you mentioned that the services volume growth is 2%, so could you give us the blended volume growth for services as well as products together.

Mr. Rajiv C. Mody: Services as well as products...

Ms. Neeta Revankar: I am not sure we know how to get volume growth because when you are talking about volume growth, we are normally talking about certain months build. So, I think if you are just looking at it in dollars, then we can look an overall dollar reduction of 4%.

Ms. Neha Jain: 4%?

Ms. Neeta Revankar: Yeah.

Ms. Neha Jain: Okay, thank you.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Madhu Babu from Systematix Shares. Over to you sir.

Mr. Madhu Babu: Sir, our attrition rates have traditionally been very high, I mean even now in this soft job market, around 25% attrition you are having. Is it that there is very high demand for employees within

this space, in the semiconductor and handset kind of services space?

Ms. Neeta Revankar: Actually we are seeing attrition decline quarter on quarter in terms of absolute number of people leaving the organization. So, if I look at number of people that left in the quarter ending September and the number of people that left in the quarter ending December, there has been a reduction by about 12%.

Mr. Madhu Babu: Okay.

Ms. Neeta Revankar: But really what is happening is because the base is smaller, the percentage appears higher, but yes, we have always traditionally had attrition in these ranges of about 24% to 26%.

Mr. Madhu Babu: I was just wondering if there is very demand for these specialized skills because it is not general IT services business right, I mean what we are into, whether this domain has very demand outside and the captives tend to hire from us?

Ms. Neeta Revankar: Yeah, that seems very probable.

Mr. Madhu Babu: Okay, fine.

Moderator: Thank you very much sir. At this moment, there are no further questions from participants. I would now like to hand over the floor back to Mr. Rajiv Mody for final remarks. Over to you sir.

Mr. Rajiv C. Mody: Yeah, once again, thank you all for joining in on a call for our numbers and overall business environment for quarter ending December. Like we have reiterated, it is a challenging environment, but this is to reassure you all that this management is doing all that is within its control to ensure that we tide over and come out stronger out of this environment. So, look forward to seeing you again in April for our full year as well as the quarter four numbers. Thank you.

Moderator: Thank you very much sir. 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.
