

Sasken Communication Technologies Limited  
Q4 and Full-Year Ended March 31<sup>st</sup>, 2009 Earnings Conference Call  
June 30, 2009

Moderator: Good morning Ladies and Gentlemen. I am Priyanka, the moderator for this conference. Welcome all to the Q4 and for financial year 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. Please read the safe harbor clause in the presentation for full details. 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 highlights 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 morning to all of you. It is my pleasure to welcome you to the conference call to discuss the business performance of the Sasken group for the fourth quarter and full year ended 31<sup>st</sup> March, 2009. Before we begin, we must point out there are certain statements made during the call concerning our future growth prospects are forward-looking statement. Please read the safe harbor clause in the second slide of our presentation for full details. I am joined on this call by my colleague Neeta Revankar, CFO and Head of the HR; Dr. G. Venkatesh, Head of World Wide Delivery and Executive Director of the Board of the company; and Dr. T. K. Srikanth, Vice President and Head of Business Development and Portfolio; and Rajesh Maniar, Vice-President, Finance.

Let me begin by walking you through our financials for the full year and fourth quarter ended March 31, 2009. In the financial year ended March 2009, Sasken's consolidated revenues were at Rs. 697.8 crores, a growth of 22% over the previous financial year. Earnings before interest, taxes, depreciation, and amortization charges were Rs. 163.8 crores, a growth of 107% over the previous financial year. Consolidated profit after taxes for FY'09 was Rs. 42.3 crores, a growth of 7% over the previous financial year. The PAT number is after a one-time exceptional item of Rs. 15.2 crores, which is a charge related to write-off of

our capitalized software assets. PAT margins for the full year is at 6.1%.

Software Services revenue was Rs. 636 crores, a growth of 21% over the previous financial year. Services' EBITDA margin for the year expanded to 22.8%. Products' revenues grew by 34% over the previous financial year to Rs. 61.5 crores.

In the fourth quarter of fiscal 09, the consolidated revenues for the Sasken group grew by 7% over the corresponding quarter in FY '2008, but declined by 9% over Q3 of fiscal 09 to Rs. 168.3 crores. Earnings before interest, depreciation, taxes and amortization cost for the fourth quarter fiscal 09 was at Rs. 44 crores, a growth of 5% over the previous quarter and 47% over the corresponding quarter in the previous financial year. Consolidated PAT for Q4 FY 09 was Rs. 3.9 crores, sequentially down 73% over the previous quarter post the charges of Rs. 15.2 crores arising out of the write-off of our capitalized software assets. PAT margins for the quarter was at 2.3%. Software services revenues for Q4 dropped 9% over the previous quarter to Rs. 157.3 crores. EBITDA margins from the services business for the quarter was at 23.3%. The consolidated earnings per share for the fourth quarter was Rs. 1.38 and the full-year EPS was Rs. 15.17. The Services business delivered an EPS of 19.58 for the year, and Rs. 4.76 for the quarter. Cash and cash equivalent as on 31<sup>st</sup> March was Rs. 132 crores as compared to Rs. 78 crores at the beginning of the year. Head count as of March 31<sup>st</sup>, 2009, stood at 3277. We had 5 new customers, taking our total active number of customers to 94.

Over the last 6 months, we have taken several steps to control costs and make the organization agile. We have restructured the organization to enhance the efficiencies and utilization of organizational resources in line with the tough market conditions prevailing. This will enable us to continue to focus on our ability to connect the dots in the communications value chain and provide robust end-to-end customer solutions in line with our customer strategic imperatives to realize more value out of their investments.

In the last quarter, Sasken closed the deal with a leading mobile satellite communications provider to develop a next generation global dual mode satellite phone. This engagement will be one of the largest projects that we have executed till date and will position us to deliver the complete phone design, that would include hardware and antenna design, development and testing, software

development comprising protocol stacks, application framework, and test lab offerings. The new phone will offer voice and data services to remotest part of the world. The phone will evince interest from operators, private and government agencies, who need global reach. This engagement also marks the first of an Indian company to be completely responsible for production, various design of complex terminals involving expensive hardware and software capabilities.

We have made inroads into building relationships with a couple of leading semi-conductor vendors and are in the process of scaling them up into an offshore development center. We expand our set of offerings for leading handset vendors to offer feel-testing solutions.

Over the past year, the network equipment manufacturers have continued to struggle in the wake of pressures on reduced share of network equipment spend by operators. Sasken is working on solutions that enable networking vendors reduce capex and opex for their customers by deploying efficient technology solutions. On the handset and semi-conductor side, there are signs that the market has stabilized and inventory levels have normalized. Visibility on R&D spend by handset and semiconductor vendors have improved, and we have begun to see benefits of the uptake in these segments. In conclusion, I wish to state that we stay committed to the communication space, and we will go deeper penetrating more customers, and I am confident that our pure-play telecommunication strategy will place us ahead of our competitors and help us grow under stiff market conditions.

I think you all for your support and confidence in the Sasken management team. Thank you and over to you for the question 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 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 International Moderator.

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

Moderator: Thank you. We will now begin the Q&A interactive session for India 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 handset while asking a question. To ask a question, please press \*1 now. First in line, we have Mr. Tarun Sisodia from Anand Rathi Securities. Over to you sir.

Mr. Tarun Sisodia: Good morning, this is Tarun Sisodia here.

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

Mr. Tarun Sisodia: I am doing fine. Thank you very much. I just wanted to find out in terms of the general metrics that one really tries to follow up, you have had significant client losses happening, and the revenues still remain under stress in terms of the growth rate, and overall client size is also not so very encouraging, which is of course which we have seen across lot of other companies as well, so this is not specific, it is more industry specific happening, but given the fact that this is March end results and the fact that over the last 2 to 3 months, scenario has changed a bit, how do you rate that, are you witnessing any kind of changes?

Mr. Rajiv C. Mody: Like I said, Tarun, in my opening remarks, we are starting to see changes happening in the semiconductor and the handset space. We have been reading also analyst reports that the inventory has depleted in the end of first quarter, and we are now seeing inventory build up happening in, particularly in the handsets market place, so we definitely are seeing the impact of that on us, and seeing more growth happening compared to what it used to be in the December ending or March ending quarter. However, network equipment continues to remain in a situation where there still is lot of stress and lot of work to be done I guess, and that space we do see that things are not as stable as you would like it to be.

Mr. Tarun Sisodia: I have one more question on the losses that are happening on account of foreign exchange hedging. What is the final status sir in terms of your hedge book and the average rates that you have, and after write-off, since lot of write-offs have already happened, what is the effective rate at which you are making even now?

Ms. Neeta Revankar: The first thing I would like to explain is that as the exchange rate between the rupee and the dollar changes and the rupee depreciates more and more, companies that

are hedged using forward contracts will continue to see losses, and the reason for this is because the sales for your current quarter are hooked at a rate which is higher than the rate at which your forward contracts are taken, okay, so that I think you need to understand, it is not possible for any organization to predict what will be its losses. That entirely depends on what is the exchange rate that is prevalent in a particular quarter, okay. Now, having said that, as at March 31<sup>st</sup>, we had 51.6 million dollars as forward contract at an average exchange rate of 46 rupees.

- Mr. Tarun Sisodia: Right, thank you, that is all I have for the time being.
- Mr. Rajiv C. Mody: Thanks very much Tarun.
- Mr. Tarun Sisodia: Thank you. All the best for future.
- Mr. Rajiv C. Mody: Yeah.
- Moderator: Thank you very much sir. Next in line, we have Mr. Sudip Joshi from CRISIL. Over to you sir.
- Mr. Sudip Joshi: Hi Rajiv, good morning. Just a couple of quick questions. Some update on your Nortel account, anything that we see going forward, I mean now that there are assets up for sale in that company. How do you see that going forward. Any commentary on that?
- Mr. Rajiv C. Mody: Yeah, I think, you all have read that Nortel has announced sale of its CDMA and LTE business to Nokia Siemens. We also are all aware that we primarily work on GSM and its evolution and the enterprise product line. Of course, we are unable to comment on the long-term prospect because they themselves are going through Chapter 11 protection from creditors. However, we can say that we have been given messages that we form a part of their core R&D strategy going forward in ensuring that the support levels remain with the commitment that they have made to their customers. On the payment issues, there are no significant overdue as on date post filing. We continue to engage with Nortel to ensure that the payments are realized as close to the due date as possible. So, that is the overall situation with Nortel. We are continuing our business with them. We are continuing to support them. We are continue to receive purchase order. We continue to receive payments. So, all those things are going on. In other words, fact also remains that they have filed for chapter 11 protection against creditors, and there are lot of things that are not in our control in the overall scheme of things.

Mr. Sudip Joshi: Have you seen any drop off in terms of volumes from that account, I mean specific anything significantly lower, I mean, just because I mean you are a part of their long-term plan, but in this quarter have you seen any drop off in the volume?

Mr. Rajiv C. Mody: We have not seen any significant drop in the volume in Q4 or going forward, however, and that is what is the situation now.

Mr. Sudip Joshi: Okay. What is your receivable position from Nortel if you could please?

Mr. Rajiv C. Mody: The receivable position from Nortel, the new agreement that we have in place with them is that we invoice them every 8 days and then we get paid every 20 days, and as of 31<sup>st</sup> March.

Ms. Neeta Revankar: We had about 24 crores.

Mr. Sudip Joshi: How much?

Ms. Neeta Revankar: 24 crores as receivable as on 31<sup>st</sup> March, and after that, we have received significant amount.

Mr. Sudip Joshi: Okay, and finally any entry on the business scenario going into FY'10, another 9 to 12 months down the line, how do you see these critical areas of network equipment and handset and semiconductors panning out that have a material impact on your business.

Mr. Rajiv C. Mody: I think the network equipment side business continues to remain challenging, but we are looking at ways in which we can hunt for ourselves in revectoring our capabilities to the satellite side business because there is a lot of intersection between the capabilities that there are on the network side and the satellite system because lot of satellite operators now are providing solutions whereby you can originate and terminate calls from a satellite terminal to a cellular telephone. Lot of those activities are going on, so we are positive about that space going forward. We are starting to see what do we call like I said on the handset and the semiconductors and the operators' side movements happening, but the overall for the fiscal 10 if you ask me, I think there is going to be challenges going forward, but one positive thing that I can leave a thought with you is that the organization has geared itself much ahead of its time and have taken proactive steps to ensure that the costs are very much in control, and we are absolutely confident and proud of that, and ensure that we will

continue to deliver on the numbers, particularly on the profitability.

Mr. Sudip Joshi: Okay, and any comment on pricing Rajiv, I mean, especially from the top clients, given that most of them are under dealing stress in terms of the operating environment. How do see you pricing coming up?

Mr. Rajiv C. Mody: We have seen a drop in pricing of 3% from Q3 to Q4. We should see a further decline from Q4 to Q1 of about 2% to 3%, but going forward we don't see any impact on our pricing, I can say for the calendar year because most of the rate discussions and all happens towards the end of the calendar year.

Mr. Sudip Joshi: Okay. Any sense on your profitability or revenue projecting guidance on that, going into FY '10 or probably in the next quarter, anything that you would like to comment on?

Mr. Rajiv C. Mody: Yeah, we are saying that we will maintain our EBITDA margins in about 20% to 22% band for the full year.

Mr. Sudip Joshi: Okay, yeah, that is it from my side. Thank you very much, and all the best.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Vishal Upadhyay from Retail Investor. Over to you sir.

Mr. Vishal Upadhyay: Hi Rajiv. My first question is one of this high exceptional item in Q4 of around 151 million rupees, you did say that it is a one-time charge for the capitalized cost for the software, could you just explain it a little bit?

Ms. Neeta Revankar: Yeah, as you are aware, we had been investing in developing products through 2006-2007 and some part of 2008, and there was an amount that was appearing in our balance sheet, which is 21 crores at the beginning of the financial year. We had continued to charge it off at the rate of about 3 crores per quarter at the beginning of this financial year, and then from the quarter December, we had not charged anything because we had making an application to the high court. Now, since we have not got permission from the high court, we have actually charged this to P&L in the fourth quarter.

Mr. Vishal Upadhyay: And this will be a one-time charge, right, so we don't see it in the next quarter?

Ms. Neeta Revankar: That is correct. This is a one-time charge, and there is no further capitalized software amount remaining on our balance sheet.

Mr. Vishal Upadhyay: Okay, so why don't you choose to amortize that over a period of year or that legally not allowed?

Ms. Neeta Revankar: See, you can amortize it over the productive life of that asset. During the quarter December, we had a committee evaluate it, and the view was that this asset is unlikely to generate revenues larger than the carrying amount in the balance sheet, so as a result we had to actual rate the charge off.

Mr. Vishal Upadhyay: Okay. I was just a bit worried about it because it has really hit the EPS this quarter. Okay. Now, why is the tax so high as a percentage of PBT in Q4?

Ms. Neeta Revankar: Yeah, actually, Q4 has a carrying effect from the earlier quarters on two counts. One is in Mexico, there was a new law that came in which is similar to our NAC. It is called flat tax, and we had to provide for tax for the whole year's profit from Mexico, so that is one of the reasons why you see taxation suddenly go up in quarter 4. The second reason is that we had profits from our Germany center also, which we were not expecting to be charged to tax in quarter one and quarter two, but we had now been told that it will attract tax, so as a result we are provided for that in quarter four. So, if you look at a whole year basis, you will find that tax a percentage of revenues is about 4%. Traditionally, we had been at about 3% of sales. So, I think it is fair to expect that we will have this kind of taxation. Also, considering the fact that we have royalties in the fourth quarter which attract withholding taxes. These are the three significant things for increase in tax during the quarter four.

Mr. Vishal Upadhyay: Right, and the final question is when are you planning to come out with the results of FY '10 Q1.

Mr. Rajiv C. Mody: We have our board and audit committee meeting on the 16<sup>th</sup> and the 17<sup>th</sup> of July, and we should be out with our results on I think 18<sup>th</sup>, 19<sup>th</sup> is that is Sunday, so 20<sup>th</sup>, Monday, but we will be posting our results on the web on 17<sup>th</sup>.

Mr. Vishal Upadhyay: It is great, so we will be back on track as far as results to come for some time because before the structuring was delayed right.



Mr. Rajiv C. Mody: The reason why we were delayed because we were transiting into a new ERP system, so that is the reason for our delay for the full year last year and the quarter ending March, but going forward it is getting on track as we always have been in the past.

Mr. Vishal Upadhyay: Beautiful, and can I ask one more question?

Mr. Rajiv C. Mody: Yeah, please, as long as the moderator allows you to.

Mr. Vishal Upadhyay: Okay. Whom do you consider your competitors in India, who are your competitors in India?

Mr. Rajiv C. Mody: Well, like we say we focus ourselves in the communications market place, and we do only the R&D, installation and commissioning, and the network planning services. So, we focused on this, and we ensure we work with tier I players who make up this entire space, and customers that are the tier Is in this space. So, honestly, I mean, you can make your own guesses on who can potentially be our customers, competitors.

Mr. Vishal Upadhyay: Right, so do you think you are moving forward in this Q1, the Q1 would be at least better than Q4?

Mr. Rajiv C. Mody: No, it is not, I mean we expect that it is going to be a drop over Q4 and Q1.

Mr. Vishal Upadhyay: Okay, it is great, you know, thanks, and back to moderator.

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

Mr. Ruchit Mehta: Hello. Sir, just you know, in terms of your services side of the business, could you give us a figure in US dollar millions, how much it was and if you could break it up between what was semicon, handset, and network space?

Mr. Rajiv C. Mody: Well, I am not sure if we can give you specifically on breakup of these three of them, but total in USD terms for the fourth quarter was 33.4 million dollars.

Mr. Ruchit Mehta: And for the year as a whole?

Mr. Rajiv C. Mody: For year as a whole services was 137 million dollars.

Mr. Ruchit Mehta: Okay, and I believe you mentioned recently you were looking at the network continuing to be bad and it might drop off in Q1 over Q4 as well?

Mr. Rajiv C. Mody: No, we are not saying that it is going to drop off completely from Q4 to Q1 or during the entire year. Also, all we are saying is that we are seeing that network equipment space continues to be challenging. Of course, we all know that Nortel has filed for Chapter 11 protection against creditors. We also know that we are supporting them on their GSM and its evolution product line. We also know that we are going to be the key component when it comes to supporting their product lines world-wide. We continue to engage in the network equipment space and we are committed to that. It is only that the market is tough at this time, and we just have to ride it.

Mr. Ruchit Mehta: So, at best, you see the business being flattish for the year as a whole?

Mr. Rajiv C. Mody: That is also little challenging because of the uncertainties rising, but yeah if you ask me, we expect that it would be gain, I mean let us start it by hope, but there are lot of things beyond my control on this.

Mr. Ruchit Mehta: How are the semicon and.....

Mr. Rajiv C. Mody: I just got information. We are also going with Alcatel-Lucent and other suppliers like Femtocell, Picocell manufacturers in the network equipment space.

Mr. Ruchit Mehta: Okay. So, overall network space you expect to be flattish, I mean, despite the challenges in.....whatever you have seen.

Mr. Rajiv C. Mody: No, I am not saying that. I am just saying that I hope.

Mr. Ruchit Mehta: Okay, okay, so how are the handset side in the semicon space, I mean any outlook as to do you expect positive growth to come over in this year, or this year you may also be challenging for this side of the business.

Mr. Rajiv C. Mody: So, let me set the context. We have seen a degrowth in the handset space as well as in the semicon space over the last two quarters. For the full year, we have met the target that we had told about in the handset space but not in the semiconductor space, and from here we are now seeing the things changing whereby we are seeing uptick on the commitment our customers are making, both on the handset side as well as on the semiconductor side.

Mr. Ruchit Mehta: Okay, great, thank you.

Mr. Rajiv C. Mody: Okay.

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

Mr. Madhu Babu: Yeah, hi sir. Sir, there is a news that vendor consolidation will impact the smaller players in the current environment, so how are we handling it at Sasken?

Mr. Rajiv C. Mody: We are engaged with our customers in their core aspects of their business, so honestly we are not seeing much of that happening on one axis and on the other one we are also significant suppliers to lot of tier I players in this market, and we are part of their top 7, top 8 vendors who deliver to them globally, so we are benefiting from some of our customers.

Mr. Madhu Babu: Okay, sir, and if you see the top 10 clients give around 85% of the revenue, so do we have any scalable tier I networks or all of them have reached their peak and just a saturated accounts.

Mr. Rajiv C. Mody: Pardon, I did not get the question.

Mr. Madhu Babu: Sir, the top 10 clients account to nearly 85% of our revenues. So, do we have any scalable accounts in the tier I customer, where the business can be scaled up significantly.

Dr. G Venkatesh: This is GV here. So, if you look at our top 10 accounts, there is still lot of scope for us to expand with those customers. Customers are Nokia, Texas Instruments, Alcatel, Lucent, Samsung, now recently we have entered Inmarsat, so these kinds of customers there is still fair amount of scope for us to expand with them. So, we don't think we have reached saturation with any of them.

Mr. Madhu Babu: Okay sir, and what is the contribution of NEMs as a percentage of total revenue, network equipment?

Mr. Rajiv C. Mody: We don't give that number separately.

Mr. Madhu Babu: Okay sir, thank you.

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

Mr. Khanna: Good morning sir.

Mr. Rajiv C. Mody: Morning.

Mr. Khanna: Sir, can you give us the number of employees in your product division.

Mr. Rajiv C. Mody: Just a second.

Ms. Neeta Revankar: We have 72 employees in our product division.

Mr. Khanna: Okay, and can you also give us the effort mix as in onsite to offshore.

Ms. Neeta Revankar: Yeah, we have already given that as part of our presentation. Offshore is 65% and onsite is ..

Mr. Khanna: Right ma'am. The number of employees on your onsite and number of employees in your offshore?

Ms. Neeta Revankar: No, that is not something that we discuss.

Mr. Khanna: Okay, and what is the capex plans for FY '10?

Ms. Neeta Revankar: Actually, it is very difficult to make plans for the whole year looking at the fluidity that we have on the revenue front, but we have been spending roughly 2 million dollars each quarter on capex, and I would expect that in the coming years, we will have a similar trend.

Mr. Khanna: Okay, and ma'am, one more question on the cost of employees has significantly come down this quarter. The cost of revenue this quarter is approximately around 60% as compared to 64%. Any significant reason for this, just wanted to understand it, what are the steps that have been taken in order to reduce this cost?

Ms. Neeta Revankar: Yes, so we have been talking about a number of actions that we have taken. First thing is the reduction in the cost of revenues on account of two reasons. One is travel expenses, the cost has to reduce. So, that has gone down by about 3 crores, and employment costs have gone down by about 17 crores. Now, there are a number of reasons for the reduction in the employment cost. Some of them are reductions that will continue in the quarters to come, and there are some that will not continue and that are one-time in this quarter. Couple of things we have done. One is we have variabilized part of the compensation of all employees, and as a result of this, there is an one-time benefit that we get in terms of retirals. So, that has been significant. What we also did was we had a virtual pool that was created out of our bench, so there are two kinds of people from that went on leave for further education or whatever they wanted to do, and some that work part-time. That was the second action, and yes, there was some head count reductions which also contributed to this cost of revenue reduction.

Mr. Khanna: What was the number of employees in virtual bench?

Ms. Neeta Revankar: It was about 300 odd.

Mr. Khanna: 300 odd, and ma'am, last question, can you also provide us the average salary for product employees?

Ms. Neeta Revankar: No, I am sorry. That is classified information.

Mr. Khanna: Okay, that is it from my side. Thank you.

Ms. Neeta Revankar: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Tarun Sisodia from Anand Rathi Securities with a followup question. Thank you and over to you sir.

Mr. Tarun Sisodia: Yeah, hi, just a followup question. I think most of the questions that were already asked earlier on, I just wanted to understand the recent discussions we had on the cost cut measures. Is the full benefit already captured in this quarter or do you expect some of it to, more to come through in the coming quarter as well?

Ms. Neeta Revankar: See, some of these actions that we have taken will result in continuing benefit, so I do expect that we will see cost of revenue at similar levels going forward.

Mr. Tarun Sisodia: So, most of the benefits are already captured in the current cost measure. No further reductions would be expected.

Ms. Neeta Revankar: Yeah, if you are saying are we coming out with some newer measures, no, we are not. Some of these actions continue over a period, so the virtual pool for example continues. We will see reduction even in this quarter.

Mr. Tarun Sisodia: Yeah, that I get, great. The effective tax rate, what would be your best estimate in terms of this coming financial year?

Ms. Neeta Revankar: I would think 4% of revenue is good.

Mr. Tarun Sisodia: 4% of revenues.

Ms. Neeta Revankar: Yeah.

Mr. Tarun Sisodia: Okay, great. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Dhananjay Mishra from Sushil Financial Services. Over to you sir.

Mr. Dhananjay Mishra: Yeah, hello. Sir, from the product side of business why there is a significant jump in the margin on this quarter, again for the full year?

Mr. Rajiv C. Mody: Can you repeat the question please?

Mr. Dhananjay Mishra: Why from the product side of business the margin is so high at 75% in this quarter and 42% for the whole year?

Mr. Rajiv C. Mody: It is primarily because of the royalty that we continue to receive from both our multimedia subsystem as well as our protocol stacks.

Mr. Dhananjay Mishra: Okay, so....

Mr. G Venkatesh: That is the product business is by far in maintenance mode, so we have a smaller number of employees just maintaining the product for our customer, and so both of the revenues that are flowing in are royalty revenues for which correspondingly there are some withholding taxes.

Mr. Dhananjay Mishra: So, going forward, I mean, what could be the margin from product side of business, I mean, for full year this year?

Ms. Neeta Revankar: See, this is, royalties are difficult to predict. It is very difficult to give you estimates of margins. What we are telling you is that we will see cost at these levels, and then it is beyond our control.

Mr. Dhananjay Mishra: Okay sir, thanks.

Moderator: Thank you very much sir. Next in line, we have a followup question from Mr. Khanna from BNK Securities. Over to you sir.

Mr. Khanna: Ma'am, I had missed out on the pricing which you had mentioned. There is a drop of around 3% in Q4 from Q3, and for Q1 next quarter, you had mentioned the drop of 3% again?

Mr. Rajesh Maniar: Yeah, that is correct. We would expect to see an overall drop of around 2% to 3% in the coming quarter, but as was mentioned, that would be basically the maximum ceiling rate decreases you would see for the year because that is post the impact of the end renewals.

Mr. Khanna: Okay, and another thing, I just missed out on the hedge position. Outstanding hedge position as on date, 31<sup>st</sup> March, would be?

Mr. Rajesh Maniar Outstanding hedge position is about 51 million dollars.

Mr. Khanna: Thank you.

Moderator: Thank you sir. Next in line, we have Mr. Dipesh Mehta from Khandwala Securities. Over to you sir.

Mr. Dipesh Mehta: We have reduced our employee headcount from last year to this year, so can you tell me is there any material change in average age profile form FY '08 to FY '09 level?

Ms. Neeta Revankar: The age profile is pretty much similar to what we had last year, but we don't track it, so it is difficult to comment now. We will try and have the details ready over and before the next call.

Mr. Dipesh Mehta: Okay, thanks.

Moderator: Thank you sir. Next in line, we have a followup question from Mr. Madhu Babu from Systematix Shares. Over to you sir.

Mr. Madhu Babu: Yes sir. Sir, this new vertical which we countered, automotives, utilities, and industrial, what is the outlook in that and what is the typical client base we are targeting?

Dr. G Venkatesh: Revenues that show up in that is basically the revenues from our joint venture company, ConnectM.

Mr. Madhu Babu: Okay.

Dr.G Venkatesh: We have which is addressing the automotive, industrial, and other sectors, and currently, that joint venture continues to be in investment mode. We are beginning to build some traction with customers there, but it is still too early for us to give you projections out of that entity.

Mr. Madhu Babu: Okay, sir, can you give any rough idea when volume growth, you expect volume growth to pick up in semiconductor and handset?

Mr. Rajiv C. Mody: We expect that things should start looking better in starting third quarter and fourth quarter of this financial year.

Mr. Madhu Babu: Okay sir, thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press \*1 on your telephone keypad now. I repeat, participants who wish to ask questions, please press \* followed by 1 on your telephone keypad now. 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. Over to you sir.

Mr. Rajiv C. Mody: Thank you all for joining in on the call today, and we look forward to seeing you again on the 19<sup>th</sup> of next month for us to discuss the first quarter numbers. Thank you so much.

Moderator: Thank you very much sir. Ladies and gentlemen, thank you for choosing WebEx's Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.

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