

Conference Call Transcript

Infotech Enterprises

Q2FY11Results

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Corporate Participants

Mr. B.V.R. Mohan Reddy
Chairman And Managing Director

Mr. Sundar Viswanathan
CFO

Mr. Ashok Reddy B
President (Global HR And Corporate Affairs)

Mr. John Renard
President, UTG)

Mr. Krishna Bodanapu
President Engineering

Questions and Answers

Moderator: Ladies and gentlemen good evening and welcome to the Infotech Conference Call, hosted by Edelweiss Securities. As a reminder, for the duration of this conference, all participants' lines are in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. If you should need any assistance during this conference, please signal an operator by pressing '*' and then '0' on your touchtone telephone. At this time I would like to hand the conference over to Kunal Sangoi from Edelweiss Securities Limited. Thank you and over to you sir.

Kunal Sangoi: Thanks, Farah. Good evening, everyone. Welcome to the Q2FY11 Earnings Call of Infotech Enterprises. Present with me on the call representing Infotech are Mr. B.V.R. Mohan Reddy, Chairman and Managing Director; Mr. Sundar Viswanathan, Chief Financial Officer; Mr. Ashok Reddy, President, Global HR and Corporate Affairs; Mr. John Renard, President, UTG; Mr. Krishna Bodanapu, President, Engineering; and Mr. Bhanu Ceirukuri, Chief Strategy Officer. With this introduction I will hand over the floor to Sundar.

Sundar Viswanathan: Thanks, Kunal. Good evening ladies and gentlemen. Welcome to the Infotech Enterprises Second Quarter Earnings Call. This is Sundar Viswanathan, the CFO for the company and like Kunal mentioned, present with me on this call is our Chairman and Managing Director, Mr. Mohan Reddy, then we have Mr. Ashok Reddy, of President, Global HR and CA, Corporate Affairs, Mr. Krishna Bodanapu, our President for Engineering, Mr. John Renard, President of our UTG Business and we have Mr. Bhanu Cherukuri, our Chief Strategy Officer.

Before we begin I would like to mention that some of the statements made in today's discussions maybe forward looking in nature and involve lot of risks and uncertainties. A detailed statement in this regard is available in our investor update, which has been e-mailed to you and is also posted on our corporate web site. I now invite Mr. B.V.R. Mohan Reddy to provide a brief overview of the company's performance for the quarter ended September 30, 2010. Mr. Mohan Reddy?

B.V.R. Mohan Reddy: Thank you, Sundar. Good evening to all of you, ladies and gentlemen. And thank you for being present on this conference call to announce Infotech's Q2 results. I am pleased to announce the results for the Q2 of the financial year 2010-2011. During the quarter we delivered revenues of INR 295.47 Crores. I repeat it was INR 295.5 Crores which includes revenues from our new acquisition, which is all of you are familiar, the company called Wellsco which is headquartered out of Paragould in Arkansas. This would indicate there is a 16.8% growth quarter-on-quarter. I repeat, 16.8% growth quarter-on-quarter and 24.4% growth compared to Q2 of last year which means compared to the last year year-on-year, it is 24.4% and quarter-on-quarter it is 16.8%. Our revenues for the quarter without including the revenues of Wellsco was at INR 286.98 Crores, indicating still there is 13.5% growth for last quarter

and 20.9% growth over the Q2 of last year. In dollar terms, we delivered revenue of USD 63.5 million with Wellsco. I repeat \$63.5 million with Wellsco, recording a 14.6% increase over the sequential quarter and a 29.6% increase over corresponding quarter in the preceding year. Both our verticals, UTG as well as EMI generated volume growth of 15.8%, that is for UTG and 13.0% for our Engineering respectively. I repeat, UTG grew by 15.8% which of course includes Wellsco growth and EMI organically grew by 13%. Both geographies, that is North America as well as Europe which are the two strongest geographies for us have increased their revenue contribution during the quarter. So, it is not any geo-specific but we had a very balanced growth for our business. Our operating margins which I am sure is a concern to all of you, concern to us too, but the fact is that we could still manage to keep it at 16% without Wellsco and with Wellsco it is down 15.5%. I should quickly add Wellsco acquisition should not be considered into this quarter and reckoning the numbers, for the simple reason that it came in the middle of a quarter – in the middle of a week and as a result of that we have seen certain amount of closing costs, etc., which went in. So, for the quarter my request is just keep Wellsco apart and see the numbers which are 16 and 16 for last quarter and this quarter. Going forward, we have a strong order pipeline and are expanding further into our existing client relationships. We are also taking steps in improving pricing, utilization and efficiency levers for growing on operating margins. Our investments in people which is internally called as accelerating growth has certainly reflected already in terms of the volume growth. To give you a small reflection, I believe the first quarter of this year we recruited real head honcho sales guys five of them from IBM itself. There are several more that we have recruited. But there are five of those guys already from IBM and that is an indication of how the volume growth is there in the company.

During the quarter we acquired Wellsco, a telecom engineering company, based out of Paragould in Arkansas, wholly-owned subsidiary which is called Infotech Enterprises America Incorporated. Wellsco has contributed to about INR 8.49 Crores to our revenue having consolidated the entity with August 9, 2010. I am also happy to announce that the cumulative revenues from the UTC Group have crossed \$300 million during the quarter. Also, revenues from engineering vertical have crossed INR 200 Crores for the first time in the quarter. I believe there are a number of more first that was there in our engineering business. We have done in excess of EUR 10 million in a single quarter for engineering. We have done \$10 million for a single month for two consecutive months for engineering for US and in a single month of September we have done more than a million dollars from our hi-tech business basically the fallout of the acquisition we did which was called TTM way back in August of 2008.

Going forward, now, let me share some more thoughts with you on – or probably let me first pop the numbers again. Revenues for the quarter were at INR 295.5 Crores which is year-on-year at 24.4% quarter-on-quarter 15.8%. Revenues for the quarter without Wellsco was at INR 286.98 Crores, year-on-year 20.9%, quarter-on-quarter 13.5%. Operating margins for the quarter with Wellsco were at 15.5, without Wellsco they were at 16%. Profit after taxes and

after the share of profits of associated companies and minority interest were at INR 32.99 Crores or INR 33 Crores we have INR 362 Crores of cash and cash equivalent as on 30th September 2010 in the form of current accounts, EEFC accounts, fixed deposits with the bank and liquid investments. The other significant highlight for the quarter are that Infotech has been recertified with ISO 9001 for eight locations and ISO 27,001 for five locations. We file our first patent application for generating error-free synethytically compatible computer-numerical control program, that is the first patent which is all by us, we have several other patents which have been co-owned with our customers, I believe 8 or 9 of them.

We opened a new Center of Excellence in the Vizag during the quarter and it has been now fully operational. We have one major customer work going on. Actually our engineering vertical did their global mid-year sales conference in Vizag where 46 of our associates being present in Vizag over the week-end.

We have added 12 new customers during the quarter. 7 of them in UTG and 5 in EMI.

With this I come to an end of my prepared remarks. Thanks for your patience in hearing me. My management team which is John Renard, Krishna Bodanapu, Sundar Viswanathan, Ashok Reddy and Bhanu Cherukuri. All five of them are also here with me to answer any of your questions. Thank you very much.

Moderator: Thank you.. Our first question comes from the line of Dipen Shah from Kotak Securities. Please go ahead.

Dipen Shah: Yeah, congratulations on a good revenue line. Basically, just had a couple of questions, first of all on the revenue growth itself, in engineering, we have seen a 13% kind of sequential growth which is very good by all standard. Just wanted to know what led to this kind of a growth, was there any closing of contracts any one-time or should we treat this as a pretty normal growth and what we can expect for the quarters going ahead?

B.V.R. Mohan Reddy: Krishna, do you want to answer this question, please?

Krishna Bodanapu: Sure. It was not one-time; it was steady ramp-up in multiple customers. It was also ramped up in contract that we had previously announced. So, there is nothing extraordinary in it, it is just normal business course, it is just that we had done a lot of work and we had won a lot of business previously, that is all coming to bear and that will continue to do. In terms of growth, do you want to comment or just should I generally comment on?

B.V.R. Mohan Reddy: Yeah, go ahead.

Krishna Bodanapu: In terms of growth I think this is one of the best quarters that we have had obviously, but the challenge is keeping this growth up. What we can see going forward is growth will be somewhere around the 8 to 10% number consistently, because I think there are also the next quarter has its own challenges, for example, there are a lot of holidays in the next quarter, but I am fairly confident that between 8 and 10% is something that we have visibility

already into.

Dipen Shah: Okay. That is good. And any further insights on the UTG vertical, where we are a 6% organic growth. Should we be taking this as a normalized growth for the future?

John Renard: Yeah, certainly. Compared to last couple of quarters, we have been able to put together some big organic growth. In the Indian Rupee terms, it is 8%, so, we will see some further growth. What contributing to that is that we have really seen some take-up in North America. North America we have seen significant double-digit growth in quarter-on-quarter in terms of revenues we doing with them. And we have also got a couple of very large "must have" accounts ramp up one on the utility side, so I think the story is quite positive in North America and also the other key one is important to stress is that you will see that we have a flat to slightly -- slight growth in Europe and we have certainly -- I think turnaround Europe and the rest of the decline we had a last couple of quarters so, I am not sure we will necessarily get to the figure that Krishna talking about but certainly that is a range of 5. 6% quarter-on-quarter looks realistic and that clearly anything that might come from including the Wellsco numbers.

Dipen Shah: Okay. That is encouraging. The second part is regarding the margins, obviously, you mentioned that is the concern, could you just elaborate more on some further salary increases which you have to take this quarter and some more comments on how are you looking at attrition?

B.V.R. Mohan Reddy: Well, this is Mohan Reddy, again. Let me look at what happened with the salaries. If you net off the Wellsco part, as I said, it came in the middle of a quarter -- middle of a week-so forth, otherwise, the salaries went up by about INR 21.93 Crores compared to the previous quarter. Out of that I believe we have about INR 4.8 Crores which came in because of the adjustments we have to further do. Primarily the adjustments came because of some of the pressures that we had from the market and some of the very critical skills that we have in the organization. We had to realign or they keep calling 'grid correction' because at no point of time, the organization had its value systems or its culture, does not want to correct one single individual salary. We like to change the grid itself for that set of individuals so that everybody gets benefited. So, the grid corrections are adjustments that have happened have moved up the salary by about INR 4.8 Crores and then we had new additions all around the world, we have India, we added some of the associates, we went ahead and added people in Australia, Dubai, US, Germany and of course, back again in Daxcon, they were additional number of people that have added. So that I believe impacted by about INR 12.5 Crores or so. And because of the foreign exchange fluctuation again it is about INR 1.16 Crores and they were in the last quarter which cannot be reflected back into this quarter which have to be normalized and so the total impact was this. And we personally feel as far as salary increases are concerned, they are all complete. Salary increases, incentives, bonuses, variable salaries, all of that have been taken care of. Moving forward, there would not be further impact as far as

salaries are concerned on the margins as such. I want to tell you one thing. The growth comes back then certainly we will have to add people in order to ensure that we can meet the growth requirements. Notwithstanding the fact that we will also see that our utilization has also been under certain amount of concern especially in the UTG vertical. UTG vertical which was traditionally our 80% utilization that we used to find this quarter has gone down to 75% whereas, engineering has moved up from 71 to 73%. So, there is still levers that we can operate in terms of utilization in improving the margin, but there is always the challenge in terms of skill mismatch so not necessarily if new work comes or volume work comes further as Krishna said, in the coming quarters between 8 and 10%, then it does not mean, we can still buy utilization only, we can service those customers.

Dipen Shah: Okay. So, that 18% kind of guidance you think it will stand for the next couple of quarters?

B.V.R. Mohan Reddy: Well, that is the direction in which we are moving, because – we could handle all the stress that was there, 16% we maintained. Certainly, we will see Wellsco would change the numbers coming quarter and we believe that we will still move towards – our direction is towards the 18% number.

Dipen Shah: Okay. Thank you and all the best. I will come back for more if any. Thank you.

Moderator: Thank you. The next question comes from the line of Anurag Purohit from Alchemy. Please go ahead.

Anurag Purohit: My question is again regarding margins. Beyond salary costs, we had sudden spike in G&A expense as well in last quarter, which was we were expecting to normalize in the coming quarters. However, this quarter as well it has shot up quite substantially. So, what are our expectations both in controlling as well as reducing this expense going forward?

B.V.R. Mohan Reddy: See, as far as expenses are concerned, I do not think neither me nor my management team take even a second of those numbers. We are constantly monitoring our expenses. But the same time one might say that if you look at our travel expenses, travel expenses have gone up from last quarter to this quarter by about INR 2.5 Crores. But given that we have such strong growth in terms of revenue we cannot afford to tell people and also having recruited some of the best salesmen around we cannot stop them from traveling around. Travel has to become an essential part of the sales cycle. So, therefore, some of those expenses will increase. And I like to assure our investors and the analysts community that at no point of time we are allowing the cost to go up out of control. There is enormous amount of focus on that.

Anurag Purohit: Okay. But if you were to look forward for margin expansion in the coming quarters, it will be more important for you. Would it be the G&A expenses or would it be the salary expenses?

B.V.R. Mohan Reddy: To us I guess both of them are important for us and both of them will probably be very stable. Salaries could possibly increase on

the absolute terms because of additional people that we would recruit in the next two quarters. I do not want to give you a false impression on that. So, it is the salary cost of people as well as the G&A cost will remain stable is what we believe. But the levers that we have in terms of improving our margins are more in terms of utilization, productivity and volume growth. These are the three things which will help us in terms of improving the margins.

Anurag Purohit: Sure. And if you could also highlight some of the pricing trends that you are witnessing from your customers?

B.V.R. Mohan Reddy: I will allow Krishna and John to comment after I make this initial remarks. The general trend that we are seeing is our existing customers have not exerted pressure on us to reduce our prices. But wherever there are renewals coming up, they are probably are negotiating with us in not giving us the full fledged increases. The second one is wherever contracts are there, which are up for renewal as such, which means that they finished the three years, again, there is going to be a little bit of open bidding that happens, in those instances, there is pressure. The pressure in terms of reducing our prices. And also, you would find that in case of new contract, we certainly have experienced certain amount of pressure in the last two quarters. But as we speak we also sent out a new pricing sheet to all our sales people convinced them how value creators we are and we are trying to push the new pricing sheet, which certainly will improve the prices for us, line by line in the next two quarters. Do you want to add something more, Krishna?

Krishna Bodanapu: No, I think that is fair. I think the existing customers, there is not any at least in the engineering versus existing customers, there is the price pressure. However, the new contract that is coming at, are coming under some pressure and are coming potentially at lower range. Again, I think the difference though is that the contracts are a little bit more KRA driven, it makes the KRA stringent, but if you can beat the KRA, it can still be as lucrative as old contract, but kind of prime facie, it is coming at a slightly lower price.

John Renard: I would say that certainly for existing contracts generally the pricing is fine. However, when we are bidding on new projects, new people, then we are forced to be a bit more individual in terms of our pricing so as Krishna said, maybe a bit more performance /output based pricing is required, so, some pressure on new work is there, but for existing work it is okay.

Anurag Purohit: And one final thing. The 18% EBITDA margin that we are targeting, is it for the full year or the coming quarters?

B.V.R Mohan Reddy: Well, as I said, this is not a commitment that I am making at this point of time. I am saying that the direction in which the company is progressing is for an 18% full year margin.

Anurag Purohit: Sure. Thanks and all the best. And I will come up for follow-up questions.

Moderator: Thank you. The next question comes from the line of Sangam Iyer from ALF Accurate Advisors. Please go ahead.

Sangam Iyer: Yeah. Just a clarification first. You said this 18% is the full year margin or year-end margin target that you are looking at?

B.V.R. Mohan Reddy: 18% as I said is not – that I am saying that it will happen for the year at least the direction in which we are moving towards...

Sangam Iyer: So by the year-end you expect the margins to go to around 18%, right? That is the way one should be....

B.V.R. Mohan Reddy: For the year, we are expecting a margin of 18%.

Sangam Iyer: So in that sense are we looking at significant expansion in margin at least by 100 basis points going forward in each of the quarters? And to arrive at that 18% is average margin for the year?

B.V.R. Mohan Reddy: Sure. I think certainly there should be a margin expansion to arrive at that number, but certainly, every attempt is being made not at the sacrificing the sales for sure, because, I made a commitment to my team that we will invest in sales force. We have invested in sales force, we will see the volume growth, volume growth will certainly help us in making sure that the margins will come back.

Sangam Iyer: Sir, I mean, other than utilization as a lever for us, if you were to look at it, as you had mentioned earlier in the call that salary cost could go up in absolute terms because of increase in employee base, one, with the incoming volume, number two, there is pressure on pricing also as well for the new contract or contract that are up for renewal, so from that perspective, I mean what could be other levers that are there for us that could actually help us in expansion of margins? Could you walk us through that?

B.V.R. Mohan Reddy: See, first and the foremost we are saying is there is volume growth that will help us in terms of improving the margins. And we have a strong pipeline; our existing customers seem to be – because this is the quarter where we also would see the budget for the next financial year. So we have already started seeing some of them already talking to us. Certainly, it reflects that we are going to have a stronger growth in coming quarters. And therefore, the first one for margin expansion is on the volume growth. The second one we said was the utilization. Utilization in our UTG Group, which was traditionally at 80%, came down to 78% last quarter is down to 75% for the current quarter. From 80, it became 78 and 78; it became 75% at this point of time, whereas our engineering has improved from 71% to 73%. Certainly, we believe that there is room for both, engineering to expand further in terms of utilization and also for our UTG to improve further, go back to their traditional 80% utilization. So, the second lever that we have is in ensuring that we have our margins coming up because of utilization. The third one is I think Krishna briefly said that number of SLAs that we have with our customers if we meet those SLAs in terms of productivity, then our prices would also change. They are very confident that with the long-term contract that we have will maintain those SLAs in order to ensure that we get the price increase. So, these are the three levers that are there for us to see margin growth.

Sangam Iyer: Coming back to the Wellsco acquisition this quarter we saw

almost two months of revenues coming in, right?

B.V.R. Mohan Reddy: Seven weeks to be precise.

Sangam Iyer: Right. So, on the margin front, when do we see Wellsco breaking even and beginning to contribute for us?

B.V.R. Mohan Reddy: Certainly, this quarter it will definitely breakeven, because look at August and September, actually, we consolidated three weeks of August and four weeks of September. On September itself they broke even and they made a marginal profit. On \$1.1 million revenue they made about 34,000, John?

John Renard: Thereabout.

B.V.R. Mohan Reddy: Thereabout. About \$34,000 or so worth the post-tax profit that they had. So, therefore, as far as breaking even is concerned it is already happening. But as the integration happens this quarter we certainly think that it will definitely come back to our original expectation, up about 10% EBITDA margin.

Sangam Iyer: So, this quarter I mean Q3 onwards one should be looking at a 10% kind of an EBITDA margin?

B.V.R. Mohan Reddy: Yes. Yes.

Sangam Iyer: And sir, on the revenue run rate for Wellsco how should one be looking at it considering that we also maintain about a large contract in the telecom segment as well? Is this through Wellsco, how is that?

B.V.R. Mohan Reddy: John, please.

John Renard: So, I think Mohan mentioned September they did just slightly at 1.1 million, when we look at that that seems fairly robust and solid, so, certainly is the underlying run rate revenue, we are looking for around, I guess then contributing between INR 15 and 16 Crores based on that run rate in Q3. And one of the things we did and we work on accelerate integration particular on the sell side, so, we have already brought their sales team and the existing UTG sales team together and we anticipate that on the back of their relationships our existing Wellsco clients and once we are working together that we will see some upside from the combined sales presence.

Sangam Iyer: Okay. Thanks a lot for that.

Moderator: Thank you. Your next question is from the line of Rishi Maheshwari from Enam AMC. Please go ahead.

Rishi Maheshwari: Thanks for taking my question. I just wanted to know from the management just touched upon the fact that clients are coming to you for the next financial year's budget, what are you hearing from them and when Krishna just mentioned about the growth that he is looking at engineering vertical, if you are looking at this quarter growth of 8 to 10% for the next two quarters or are you also looking at this further sustaining in the next year too? Thanks.

Krishna Bodanapu: We are fairly certain that it is sustainable into the

foreseeable future which definitely includes next year. Again, it is based on our current pipeline but also the deal flow pipeline that is what feed the revenue and the feature. So, for the foreseeable future we see these numbers will hold.

Rishi Maheshwari: And what are you hearing from the clients the budgets that are flowing in financial year 11-12?

Krishna Bodanapu: Sorry, say that again?

Rishi Maheshwari: I was just wondering what are you hearing from your clients for the budgets that are flowing in, in FY11-12?

Krishna Bodanapu: I think for the most part increases. Most of our clients have seen increases. There is one industry which is rail where the Budgets are still a little influx because that industry typically tends to be a lag industry as far as recession goes. But outside of that in some cases such as hi-tech there seems significant increases in budges. I think overall based on what they are telling is 8% to 10% is absolutely sustainable.

Rishi Maheshwari: Wonderful. Just a few data points, would be the CapEx for the full year?

B.V.R. Mohan Reddy: CapEx for the full year I believe is that 117.4 is the budget for the whole full year. And Q1 we had INR 28.9 Crores, out of which we spent 10 Crores. Second quarter we had a budget of INR 30.4 Crores. We have spent INR 30.8 Crores. For the whole year it is INR 117 Crores.

Rishi Maheshwari: How much will it be in FY11-12?

B.V.R. Mohan Reddy: FY11-12 we do not have numbers.

Rishi Maheshwari: Right. And tax if you could outline for the next two years?

B.V.R. Mohan Reddy: I believe this year we continue to be at 24, 25% is what we are at this point of time. And next year we are still trying to muddle with it when the three variables that come in. One is that the STPI comes to an end on 31st of March, our SEZs are going on-stream in Vizag, Noida and possibly in Kakinada and the third one is that DTC Code implications are also looked at. So, therefore we still do not have computation for next year.

Rishi Maheshwari: But for this year itself so far in the last two quarters you have been between 20 and 22, are you speaking about 24, 25 for the full year?

B.V.R. Mohan Reddy: No, it will be still consistent with –

Krishna Bodanapu: It will be consistent with what we have in the first two quarters. Around 23%.

Rishi Maheshwari: Okay. All right. Thank you so much and all the best

Moderator: Thank you. Our next question is from the line of Atul Bhole from Tata Mutual Fund. Please go ahead.

Atul Bhole: Congratulations, sir. Sir, if I am not wrong, last quarter, you have given guidance that net addition will be 1700 people in this year, but now in this press release it is mentioned that the net addition target is 2775 people. So, can you elaborate on the growth aspect in FY12 and --?

B.V.R. Mohan Reddy: Ashok Reddy will answer that question for you please.

Ashok Reddy: 2775. the gross addition for the whole year, whereas the net addition will be about 1600, so, already recruited about 500 in the two quarters, and another 800 people are in pipeline now to be recruited in this quarter.

Atul Bhole: Okay. What is the breakup of fresher's and laterals in this addition target?

Ashok Reddy: I think two quarters we had fairly large number of fresher's, almost about 400 people we hired as fresher's, and this quarter also we are looking both fresher's as opposed to the laterals.

Atul Bhole: Okay. Thank you sir.

Moderator: Thank you. Our next question is from the line of Bhuvnesh Singh from Credit Suisse. Please go ahead.

Bhuvnesh Singh: Hi, sir, congratulations on good top line. And sorry to repeat the question, but I am not able to understand the margin part of your results. Should we build in the full year margins were to be 18% build in that only by fourth quarter would you reach 18% margin?

B.V.R. Mohan Reddy: Well, our direction – we are not saying it is a guidance, it is a direction in which we are progressing is to get to 18% for the whole year. Therefore, you can build it between the 16% which we have achieved for the first six months to 18% that we are heading towards. Our management is doing everything possible towards that number called 18%. We have talked about the levers that we have. The levers will come from volume growth. The lever will come because of better utilization and the lever will also come because of our productivity matrixes that are being met at this point of time. Price increase because of the productivity matrix being met by the company at this point of time. So, we think there is room for us to get to the 18% for the whole year. That is where we are tending towards.

Bhuvnesh Singh: Sir, two clarifications on that. First of all, maybe I was wrong, but I was expecting some margin improvement in the current quarter and I was getting similar impression in your last conference call that this quarter you will see some improvement. So, was there any change compared to what you thought three months back versus today that this quarter was not that much better on margins? One is that. And second, what will be the impact of appreciating Rupee on your margins if we assume just rupee stays flat where there it is today?

B.V.R. Mohan Reddy: Two things. One is that if you look at what we thought three months back and what is happening today, certainly, we did not anticipate that we had to make corrections one more time. As I said fairly exclusively the corrections in salaries cost us INR 4.88 Crores. If that was not done, that itself would have contributed to about 150 basis points for us. Divide that by INR 275 Crores base that we have it has probably contributed close to 200 basis points for us. Now, I am saying that INR 4.88 Crores is behind me, as we move forward, our anticipation is that there is no major correction that will be

required at this point of time. So, did I not anticipate this correction? Honestly, no. I did not anticipate this correction, but I have to preserve some of my critical resources and as I said as a value, as a culture for this company, we never went ahead and corrected an individual salary at any point of time. If at all we wanted to correct a particular skill, we corrected the grade itself, which means that band of people would change and that is the reason why we had this impact of INR 4.88 Crores. I do not know this is exquisitely clear at this point of time as what....

Bhuvnesh Singh: Yeah, completely.

B.V.R. Mohan Reddy: Good, thank you.

Bhuvnesh Singh: Completely clear. Thanks.

B.V.R. Mohan Reddy: Good. Second one that I am talking about is about the rupee you said. Our anticipation in terms of the margin expansion happening is between 8 to 10% growth rate and with the currency being what it is there will be minor fluctuation. If there is going to be major fluctuations anyway I do not know what the answer is. The good news of course that I have is that 70% of my net inflows on Dollar, Pound as well as Euro, I have covered for the next six months at rate which are certainly far higher than the rates which are there. But that difference between the spot rate versus my forward covers will come under other income and not under the operating margins as such. But what I have budgeted and I have covered myself sufficiently for the next two quarters.

Bhuvnesh Singh: Sir, if we exclude the hedges, just look at EBITDA margin, at the current rupee rate and let us assume it just stays flat at the current level, would you still have that same 18% margin confidence?

B.V.R. Mohan Reddy: Yes.

Bhuvnesh Singh: Thanks a lot, sir. Really appreciate your time.

B.V.R. Mohan Reddy: Thank you.

Moderator: Thank you. Our next question is from the line of Radhika Merwin from IFCI. Please go ahead.

Radhika Merwin: Yeah, hi, good evening, sir. Just a couple of questions. I just wanted to get a sense on your engineering services vertical. I mean how are the new deals catching on. You said that Hamilton and Sewell will be contributing this year. So, how have they done this particular quarter?

B.V.R. Mohan Reddy: Krishna?

Krishna Bodanapu: Both of them have done fairly well. Hamilton, for example, this quarter-on-quarter grew almost 30-odd percentage and also on a pretty significant base because there is also some old work that we are doing. Sewell on a much smaller base obviously but grew at triple digits. The other deal that we announced which is WestingHouse earlier this year also grew at some really healthy numbers, triple digits almost. So, if we see they are performing to where we want them to be or where we thought they will be, but more important we see the continued pipeline because the deals that we sign today

are the ones that are going to give us the revenue two, three years down the line.

Radhika Merwin: So in terms of ramp up would you say that by each of these deals have considerably ramped up in a sense or in terms of looking at it towards the next year, what kind of more significant ramp up can we expect from these deals?

B.V.R. Mohan Reddy: They are all in the mid lifecycle, I mean none of the deals are actually done so, that's why I said I am fairly confident that 8% to 10% will continue.

Radhika Merwin: Okay, great. And on your UTG vertical apart from the Wellsco acquisition which has come in, in terms of organic growth, where has the growth come in, because we saw a lackluster performance in the last two quarters. So the existing deals like your TNB Malaysia, could you throw some color on how the existing deals are panning out there?

B.V.R. Mohan Reddy: John?

John Renard: Absolutely, yes. So you mentioned TNB, I mean we have seen, absolutely that particular project if I look from Q1, Q2 that is growing significantly almost by half a crore in terms of revenue. The main growth that we have seen are organic growth and around the 8% we did from Q1 to Q2. The main growth has come from a number of our clients in North America. So as I mentioned earlier, our largest two clients are registered respectively both of them over 20% quarter-on-quarter growth. We have added with two other large US customers who we contracted with over the last six months and they are just starting to kick in, one of them is a very large telco and that's the beginning of a very long relationship and that has contributed to the growth of four digits in percentage terms, so from a very small base but that is ramping up significantly. Couple other clients where we are seeing significant growth in Asia with the contract we won with a company called 'Mobile One' that has significantly ramped up, that is in Singapore and some of our existing relationships again in Australia have also been doing very well so some of those long-term utility contracts with organizations like CARCO and Energy Australia, have also some growth. So, actually after my top 20 clients, there is only two of them where there has been a bit of de-growth.

Radhika Merwin: Okay, sir, my next question was pertaining to that. In terms of your top 10 clientele, we have seen a decline this quarter, so is it in follow up with what happened in last quarter in terms of one of our clients effecting a price cut that still happened this quarter or we are through with the price cut that we saw in the last quarter in the UTG vertical?

John Renard: Actually, on my side of the business, say, only two of my top 20 clients have seen any material decline, one of them is really around in terms of budget and that will kick back so I think what we are seeing is actually a growth in our customers they are outside of our top 10 and they are contributing more so, I think our top ten clients are pretty stable and I think you reviewed the press release the engineering as a business, they are all fine and again if you

look at what I said with my fourth big largest customers which are based in North America, significant growth there. I think what has happened is, we are seeing a better contribution from our clients outside of our top 10 rather than seeing any decline with our top ten customers.

Radhika Merwin: Okay, great sir.

Krishna Bodanapu: We also continue to have a pretty significant ramp down on one of our customers which is Alstom, the numbers have come down to a fairly negligible, I mean almost basically a very negligible number at this point. At one point they were our second largest client or third largest client, sorry, in engineering. So in spite of Alstom ramping down and at this point we only see any upside although it is going to be a pretty small upside, but we only see upside, we do not see any more downside because no more downside left over there really.

Radhika Merwin: Sir this project with Alstom, the winding down has happened this particular quarter, or has it started from last quarter onwards?

Krishna Bodanapu: It has been consistent but it has been happening for the last few quarters.

Radhika Merwin: Okay, and one just final sense on the margin scenario with respect to Daxcon and Wellsco both, Daxcon would have clocked in how much revenues in this particular quarter?

B.V.R. Mohan Reddy: Roughly I believe, I cannot give you the specific numbers, but it's a good reflection of what we have done in terms of the vision. When we acquired this company in January of 2010 the run rate was a million dollars per month

Radhika Merwin: That is right.

B.V.R. Mohan Reddy: Comparatively now, it is running at about \$20 million a year, that is about \$1.5 million. We have seen a strong ramp up happening with the Daxcon customers, which we have already shared with you; they are more in the heavy engineering area. But the same time onshore will not have the same amount of margins as offshore but the good news that we have is the offshore has also started happening with Daxcon customers. We actually signed with one of their customers a contract which will do the offshoring part also. So therefore we will start seeing a marginal improvement on that count too.

Radhika Merwin: So roughly what would be the margins right now and Daxcon the operating and the PAT margins?

B.V.R. Mohan Reddy: Roughly, you would like to know any other onshore companies in the range of 10% that is going to be the operating margins.

Radhika Merwin: Operating margins, okay. And on Wellsco we are confident of coming to the 10% from next quarter onwards?

B.V.R. Mohan Reddy: Yeah, we will get towards that number by end of this quarter as much as we can, but for sure, next quarter it will be there.

Radhika Merwin: Okay, great sir, thanks a lot, thanks a lot and all the best sir.

Moderator: Thank you. Our next question comes from the line of Dinesh Kumar from Aditya Birla Money. Please go ahead

Dinesh Kumar: Hi, good evening to all, just wanted a couple of questions regarding this, can you give a break up of your revenue growth in terms of volume and how much it is on currency fluctuations? And another question is what is the outstanding hedges at the average rate?

B.V.R. Mohan Reddy: Sundar, he wants the growth, both volume growth, foreign exchange growth, and Wellsco growth I guess you can always put them and then he also wants to know what is your foreign exchange hedges and what is the average price.

Sundar Viswanathan: The volume growth for UTG is about 15.8% and the engineering business is 13.2% and the exchange rate variance for the quarter is 3%.

B.V.R. Mohan Reddy: What for UTG and what for engineering, I think there are two numbers that are there.

Sundar Viswanathan: UTG is 5% and engineering is 2.2%.

Dinesh Kumar: Pardon?

Sundar Viswanathan: The UTG exchange rate variance is 5% and the engineering exchange variance is 2.2%.

Dinesh Kumar: Okay, okay.

B.V.R. Mohan Reddy: And you want to know what hedges do you have and what rates you have?

Sundar Viswanathan: Hedges we have covered for 70 as a conscious decision, we are hedging 70% of our net receivables and we covered till the end of the year.

Dinesh Kumar: Average rate sir?

Sundar Viswanathan: Average rate, there are three different hedges for Dollars, Euros GBP. For dollars the average rate about 46.6 Q3 and Q4 combined, Euro is 63.73, and GBP is 75.05.

Dinesh Kumar: Okay, thanks a lot.

Moderator: Thank you. The next question comes from the line of Sandeep Shah from ICICI. Please go ahead.

Sandeep Shah: Yes sir, just terms of the salary adjustment of 4.9 crores, can you exactly give us the nature of what does this mean, is it the second round of wage inflation or this is for the pending employees which has not been given in Q1?

B.V.R. Mohan Reddy: It is a combination of both of them. So there were a second round. It is not exactly a second round, we don't want to call it a second round, that becomes a round and then you will have to make company wide second round, it is not second round, there is something called a grid correction that happens from time to time. So, it is the grid correction that contributed

substantially. We said the last earnings call too most of them are over, a few that was left behind, we also added those.

Sandeep Shah: Okay. And is there attrition which is different in the EMI versus UTG, can you share that?

B.V.R. Mohan Reddy: Attrition level total was 4.6% for the quarter, but they want to know about the EMI, EMI versus UTG. No, we will send the chart information to you, we send an e-mail to, currently we don't have it I believe so Sundar will send it across to you.

Sandeep Shah: Okay, and just I have joined a little late so just excuse me if I repeat this. If I am not wrong you are mentioning that close to around 8% to 10% sequential growth in the EMI business is possible in the next six quarters?

Krishna Bodanapu: Yes.

Sandeep Shah: Okay. the mix may change versus some of the leading clients which includes in the transportation as well as in the aerospace versus the new client whereas the leading two clients in the transportation and aerospace will also register the same growth?

Krishna: Yeah.

Sandeep Shah: Okay.

B.V.R. Mohan Reddy: It is very difficult to predict that I guess, so therefore, I will say that we have taken a holistic view, I mean we know that customers current needs, current requirements, etc., we have taken a holistic view and that is what we have come down to.

Sandeep Shah: Okay, and at least for the next two quarters is based on confirmed order book or this is based on a confirmed pipeline which we expect?

Krishna Bodanapu: It is a combination of both, the way our business works is order book and pipeline, sometimes they need to change, because a lot of times there is a commitment, but not necessarily a purchase order, so it is based on our understanding of our business basic.

Sandeep Shah: Okay, okay and any color which you can give for the UTG also, how the business will look like in the coming quarter?

B.V.R. Mohan Reddy: John? What is the color of the business for UTG for next quarter?

John Renard: Yeah, definitely growing, in terms of we are confident stakes with North America and there is a lot more traction in that market. APAC looks very solid, as I say, our core customers there are ramping up and we are also there is some really interesting opportunity in the telco space, particularly with initiated by the Australian Government around the national broadband roll out, so we got out fairly large quotes which should turn into business at the end of the next quarter. And the situation in Europe is much better. We stopped the degrowth and we have a good pipeline and potentially a couple of large deals that we have a good pipeline and we are confident that we will see some growth there. So the outlook is much better.

Sandeep Shah: Okay, okay thanks.

Moderator: Thank you. Our next question comes from the line of Anurag Purohit from Alchemy. Please go ahead.

Anurag Purohit: Thanks for taking my question again. Sir in last two quarters has there been any difference between how margins have moved for UTG and EMI verticals?

B.V.R. Mohan Reddy: The answer is yes. There is a difference between both the verticals.

Anurag Purohit: In terms of the direction probably EMI decline more than UTG?

B.V.R. Mohan Reddy: No, it's the other way around.

Anurag Purohit: Okay, right.

B.V.R. Mohan Reddy: Engineering was robust, it grew in margin, UTG we had a little bit of pressure so therefore that is where the situation is.

Anurag Purohit: Sure and INR 30 crores of CapEx that you did in this quarter could you elaborate more on that on where exactly it has been spend?

Krishna Bodanapu: Primarily, infrastructure. We have capitalized facilities in Vizag and we are also doing lot of interiors in second building in Hyderabad, Noida, and Vizag.

B.V.R. Mohan Reddy: The building INR 18.7 crores and the rest of it which is more in the range of the other are INR 12 crores went in to hardware and software.

Anurag Purohit: And finally you mentioned that few of the customers are Daxcon again started offshore capability with you. And Daxcon will be currently running at 10% kind of margin so should we expect further material margin improvement in Daxcon because of this?

B.V.R. Mohan Reddy: Certainly, yes.

Anurag Purohit: Okay, thank you and all the best.

B.V.R. Mohan Reddy: Thank you.

Moderator: Thank you. Our next question comes from the line of Anand Bhaskaran from Spark Capital. Please go ahead.

Anand Bhaskaran: Yeah, hi. Just wanted to understand if this grid correction that you have said, a number of INR 4.8 crores, is the reflective of the impact for the whole quarter, or is it maybe for a month or two months kind of thing?

B.V.R. Mohan Reddy: No, it was the reflection of all the six months.

Anand Bhaskaran: All the six months, oh it is reflection of all the six months?

B.V.R. Mohan Reddy: Yes, because we had to do it retrospectively, the challenge was sometime in the month of July so therefore we went ahead and did it for April 1 onwards.

Anand Bhaskaran: Okay. And then just on the gross headcount addition of

close to 2700 that means average you need to add close to 1000 people for the next two quarters is one of the highest we have ever done to the best of my knowledge. Just wanted to know in terms of are we in terms of an internal headcounts and other things, is that the kind of demand we are seeing to go ahead and recruit such high numbers?

B.V.R. Mohan Reddy: Yes, certainly, what has happened is you will also see that two things are there. One is that given the business came all of a sudden not much of anticipation was there, I should be very honest about it. We are now recruiting a lot of people from laterally, lateral hires are happening and as a result of that the organization structure is becoming a little imbalanced in the sense it is mid heavy as opposed to being bottomed heavy, we have not had enough of freshers to come by. Freshers is what we will recruit. Actually I think we are doing 100 of them straightaway in Vizag in the next few days or next two weeks and training them in hi-tech vertical. So initiatives of this nature are happening with different practices we have in the company. And what you said is right. The numbers look steep but I think we certainly see there is a necessity for doing it.

Anand Bhaskaran: Okay, and in terms of the overall you talk about 50:50 break up between freshers and laterals?

B.V.R. Mohan Reddy: Yes, from now onwards.

Anand Bhaskaran: Okay and I just wanted to also understand the rate pressure you are seeing. Is it more from because customers are just talking or is it that there are competitors who are slightly undercutting in terms of pricing that you are seeing in the market between both verticals that we operate in?

B.V.R. Mohan Reddy:: Well, it's a combination of both of them and very honestly it is very difficult to analyze and understand whether it's a competitor who did it or it is the customer who did it. And you will see instances, they are distinctively different and you could point out that they are there. So it's a combination of all of them is what we are seeing in the marketplace.

Anand Bhaskaran: Okay, sir, my last question, we have been spending quite a bit on SG&A and sales force, just wanted to get an understanding on a comparative basis where SG&A as a percentage of sales would have been maybe a year back and where is it now given that it is not exactly reported in the financial statements just wanted to know how do you stack up as a percentage and where we are and what kind of leverage we can expect from it?

B.V.R. Mohan Reddy:: Well you know, we have a small challenge there in a sense that last year the way in which we also showed them up is different from what we are showing at this point of time so you need to give us a little more time to track how it was last year and how it is this year.

Anand Bhaskaran: Okay, alternatively at least maybe the number of sales people what we had on a, maybe a year back and where we are now?

B.V.R. Mohan Reddy: At least we have increased our sales force by about 15% to 20% right now. And more importantly I think we have also did some very

conscious churn in our sales force and replaced our old sales people with extremely strong track record and expensive, high powered sales people but I did have a smile on my face when I said high powered, expensive sales people but they are producing results, I assure you that. So therefore, I think we have been on the right track and that is certainly putting a little bit of pressure on the margin, but I think it is worth investment that we are doing because this will grow not just for this quarter but for many more quarters ahead.

Anand Bhaskaran: Sure, thanks a lot.

Moderator: Thank you. The next question comes from the line of Dipen Shah from Kotak Securities. Please go ahead

Dipen Shah: My question has been answered. Thank you very much.

Moderator: Thank you.

B.V.R. Mohan Reddy: There is one comment, somebody asked this question earlier saying that can we put the attrition numbers for each of the verticals? I believe it is 3.7% for UTG and 5.6% for engineering and the weighted average for the company is 4.6% for the quarter sorry, for the company for the quarter is 4.6%.

Moderator: Thank you sir. Can we move on to the next question?

Krishna Bodanapu: Yes please.

Moderator: Thank you. The next question is from the line of Saurav Ginodia from Smifs Securities. Please go ahead

Participant: Sir I am asking the questions on behalf of Mr. Ginodia. Sir my question is when we are saying that salary increase is more than other companies, sir but on investor release sir we mentioned that the INR 450 crores of recruitment, INR 450 crore people recruitment will happen every quarter, what is the stand there sir?

B.V.R. Mohan Reddy: See, there are two sets of people we are talking about. One is the lateral hire and the other is the freshers. As far as the freshers are concerned we know where the grid stands at this point of time and by bringing those freshers certainly the absolute number would increase but cost per employee will come down.

Participant: Okay, also sir what kind of revenue growth in Wellsco, are we looking forward to?

B.V.R. Mohan Reddy: Can you repeat yourself please?

Participant: Sir, the revenue growth for Wellsco?

B.V.R. Mohan Reddy: We are not putting out numbers for each one of them. Certainly when we do an exhibition we gave you an example of that part of what we did with Daxcon it became larger run rate, it became \$1.5 million run rate for one month so potentially that's the type of growth we are looking at Daxcon too or at Wellsco.

Participant: Sir, the utilization levels and the volume levels will be same

across?

B.V.R. Mohan Reddy: No, they are not the same I believe we did put out the numbers the utilization in our UTG is 75% the utilization in engineering is 73%

Participant: Sir, I am actually asking for Wellsco sir?

B.V.R. Mohan Reddy: Wellsco it is an onshore service, utilization will be very close to 100%.

Participant: Okay, sir thanks a lot sir that's all from my side.

Moderator: Thank you, the next question is from the line of Anup Upadhyay from SBI Mutual Fund please go ahead

Anup Upadhyay: Good evening sir, in the last few quarters has there been any change in the size or the tenure of deals that we would have won compared to lets say two years back or three years back?

Krishna Bodanapu: Well nothing very substantial I guess we should look at our businesses in engineering I would say there is nothing change at all. I think in engineering the size of deals has definitely gone bigger the scope for both the size of deals in this ramp up with the deals have gone bigger typically what we were seeing as 20s and 30s have definitely gone up to 100s to 200s at this point and also the other thing is customers are really as much as there is pressure on pricing etc that we talked about customers are also willing to commit to certain volumes and certain numbers in order to get that pricing discount from us. The size of the deal has gone bigger and also the dynamics of the deal have also gone a little bit in that sense in are stable.

Anup Upadhyay: Okay, and what would be the average tenure of the new deals that you have won in EMI?

Krishna Bodanapu: Sorry.

Anup Upadhyay: What would be the average tenure of the deals that you would have won?

Krishna Bodanapu: Typically we do five year deals, a typical deal is five years.

Anup Upadhyay: Okay, and secondly if you could provide the split of the CapEx of close to 110 crores that we have planned for I understand that we are planning to build up facility which should also provide the size of the facility that we are planning to build?

B.V.R. Mohan Reddy: I believe in terms of facilities we have a second tower which we have already constructed in Manikonda. We have to now do the internals for it and two floors of internals will be completed by the end of this quarter and floor space for each floor is about 50,000 sq ft, so 60,000 sq ft will be done by end of this quarter that's one CapEx 29 crores is being spent on doing up that 30,000 sorry that will be 60,000 sq ft that's what one main item that I can talk about. Tower 2 is a green building. Noida we are also doing up our second facility but our first facility in an SEZ and that part of it will also incur some amount of capital expenditure about INR 5 crores is what will be doing.

Anup Upadhyay: This will add up to around INR 35 crores so the rest of the INR 70 crores is for what purpose?

B.V.R. Mohan Reddy: Well there is equipment, yes, so we have a new facility coming up on Kakinada that will be in the next quarter so we don't have the complete detail for the two three we are showing as of now there is INR 30.2 crores that is being forecasted and the same will be spent during the quarter.

Anup Upadhyay: Okay, sir thanks.

Moderator: Thank you our next question comes from the line of Pratik Gandhi from IDBI Capital please go ahead

Pratik Gandhi: Hi sir thanks for taking my question and congratulation for the good quarter.

B.V.R. Mohan Reddy: Thank you.

Pratik Gandhi: Just a couple of questions first one is if I understood correctly we are expecting engineering segment to grow by around 8 to 10% on a sequential basis compared to what UTG is around 5 to 6% and if we see the margin profile of the UTG versus engineering which we earlier used to provide sir UTG we are having margin profile of around 30 to 32% compared to engineering of around 20 to 23% so if the incremental growth is from the engineering then margins also decline right?

B.V.R. Mohan Reddy: No, but I think one basic assumptions we are making right now that are very valid and that is the margins in UTG is under certain amount of pressure so therefore the margins are certainly not what we talked about. We are not putting out those margins of whatever reasons are so this I cant say it very loud and clear but the margins are in engineering is shade better than UTG for the last two quarters.

Pratik Gandhi: Okay, so but are we seeing it then the incremental margins from Daxcon is higher than the UTG or probably even the loss of Swisscom contract will drag down the overall margin in the UTG?

B.V.R. Mohan Reddy: No, Swisscom is done the new contracts are coming yeah, go ahead.

John Renard: I mean if you look at I am sure you have seen in that chart there. I mean you will see in particular where we have slightly increased the revenues in Europe. We had some margin pressure in Europe. You will see that the profit contribution from that business declines quite substantially in Q2. So we did have some pressure but I think this is the one project where we had to ramp up with some onsite resource and that's impacted some of the margins, so that will correct itself but that's that hasn't helped the overall margins of UTG in the last quarter so that's had an influence on it but yeah the numbers you are talking about originally that does reflect the operating margins in either of the businesses.

Pratik Gandhi: Okay, thanks and the second question is on a tax rate front. If I see your current tax rate is around 20% and we are expecting it to be around 24% by the end of this fiscal is it correct?

B.V.R. Mohan Reddy: How do you see the current tax rate at 20% that looks very low.

Pratik Gandhi: Yeah, the past two quarters if I take the tax rate it is around 20%?

B.V.R. Mohan Reddy: No, if you do the Q1 and Q2 revenues and you see the tax its hovering around 27 to 28%.

Pratik Gandhi: Okay, fine thank you so much.

Moderator: Thank you, ladies and gentleman that was the last question I would now like to hand the floor back to Mr. Sangoi for closing comments

Kunal Sangoi: Yeah, thanks sir I had one question with regards to the overall composition of the engineering services how that has changed over the past one year and how do you see that going forward because erstwhile our dependence on aerospace and railroad vertical within engineering segment was predominant and that has now diversified into hi-tech and heavy engineering as well as telecom. So if you can give some split as of now and how do you see it going forward in the next one year or so?

Krishna Bodanapu: So in 2006 or so our aerospace was 70, rail was 20, and everything else was 10 as of now aerospace is 57%, rail is 16%, consumer is 2%, heavy is 13%, and hi-tech is 11% and what we see is going forward our dependence on aerospace will come down a little bit further where we see that by the end of the year aerospace will be just about 50% right now its 57% and the rail might also come down because we are seeing flatness in the rail market but the two growth industries for us right now are hi-tech and heavy engineering.

Kunal Sangoi: Sure, that was helpful and any plans to expand into any other new verticals through maybe inorganic or organic whatever way?

Krishna Bodanapu: Our stated goal has been that there are two key needs for us one is electronics because we have been focused primarily on mechanical and electronics is an adjacency that is one and the second is automotive because automotive also tends to be a very large spender on engineering. There are various organic and potential inorganic opportunities that are being explored but I think at this point we cannot comment on any substantial way on what will happen.

Kunal Sangoi: Sir, thanks a lot thanks a lot for taking time out for the conference call and I will now hand over to Mr. Reddy for his final comments.

B.V.R. Mohan Reddy: So I would like to thank all our investors and the analysts for the support that they have been giving to the company. I especially appreciate all of you congratulating us on the revenue growth but I like to assure you that even on the margin that the company is very conscious that we should improve on the margin and we certainly have elaborated quite a bit to say how we are making investments and making sure that we build a company for its longevity as opposed to get worried about quarter-on-quarter. We certainly are making those very large investments in our sales and marketing

efforts both in our UTG vertical as well as in our engineering vertical. We are doing some amount of work on re-engineering some of our service offering on our UTG verticals and as a combination of that I think we will certainly see a strong company in the coming quarter. I again thank you for listening to us this evening and wish you all the best. Thank you.

Moderator: Thank you. On behalf of Edelweiss Securities Limited, that concludes this conference call. Thanks for joining us and you may now disconnect your lines. Thank you.