

Sasken Communication Technologies Limited
Quarter Four and Full Year Ended March 31, 2010, Earnings Conference Call
April 23, 2010

Moderator: Good morning ladies and gentlemen. I am Triveni, the moderator for this conference. Welcome to the Sasken Communication Technologies Limited Conference Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to WebEx International. After that, the question and answer session will be conducted for participants in India. Now, I would like to hand over to Mr. Rajiv Mody. Thank you and over to you sir.

Mr. Rajiv C. Mody: Thank you Triveni.

Moderator: Welcome sir.

Mr. Rajiv C. Mody: 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 the full year ended March 31st, 2010. Before we begin, we must point out that certain statements made during the call concerning our future growth prospects are forward-looking statements. Please read the safe harbor clause in the second slide of our presentation for full details. I am joined on this call by my colleagues, Neeta Revankar, Executive Director to the Board of Sasken and CFO and Head of HR; Dr. G. Venkatesh, Head of Worldwide Delivery and Executive Director of the Board of Sasken and in-charge of Strategy and Technology; 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 the fourth quarter ended March 31, 2010. In the fourth quarter of fiscal 2010, the consolidated revenues for the Sasken Group grew by 6% over the previous quarter to rupees 153.8 crores.

Earnings before interest, depreciation, taxes, and amortization costs for the fourth quarter fiscal 2010 was at rupees 27.2 crores, a growth of 11% over the previous quarter and a drop of 38% over the corresponding quarter in the previous financial year.

Consolidated PAT for Q4 fiscal 2010 was at rupees 21.8 crores, sequentially up 27.3% over the previous quarter. PAT margin for the quarter was at 14.2%.

In the financial year ended March 2010, Sasken's consolidated revenues were 574 crores, a de-growth of 18% over the previous financial year.

Earnings before interest, taxes, depreciation, and amortization charges were Rupees 101.9 crores, down 38% over the previous financial year.

The consolidated profit after tax for fiscal 2010 was at rupees 75.5 crores, a growth of 78.5% over the previous financial year. PAT margin for the full year was at 13.2%.

Software services revenue for the quarter was rupees 143.5 crores, a growth of 4.6% over the previous quarter. Services EBITDA margins for the quarter was at 19.2%. For the full year, software services revenues were rupees 547.8 crores, down 13.8% over the previous year. EBITDA margins for the services business was at 18.2%.

The consolidated earnings per share for the fourth quarter was approximately rupees 8, and the full year EPS works out to be 27.8 rupees.

The services business delivered an EPS of 28.1 rupees for the year and rupees 8.7 for the quarter.

Cash and cash equivalents were approximately 186 crores as of March 31, 2010.

I am happy to report that IsatPhone Pro a handheld satellite device, a satellite phone developed by Sasken for Inmarsat, the leader in global satellite communication services, has completed its first call and is set for a planned global launch in the first half of the next financial year. Last year, we had announced the partnership with Inmarsat to bring the satellite phone to market, and this year, I am happy to announce that we are all set to deliver on the plan. Sasken is responsible for end-to-end development of the IsatPhone Pro satellite phone which has been made possible through its multi-site capabilities and centers of excellences in India, Finland, and Germany. A global footprint gives us access to the best talent across the world and to deliver at optimum cost to our customers.

Consumer usage of wireless data including video, images, content, and communication is growing very rapidly, and this trend is expected to continue as consumers demand more from their wireless devices. Smartphones continue to be a key driver of growth in the technology industry with innovations and interfaces, design, applications and promotion helping to stabilize prices and boost sales. Device manufacturers are continuously challenged to provide high-end features, low power, and user friendly devices at

low price points. Developing interesting applications on top of proprietary systems across the range of hardware platforms and architecture is an expensive proposition and requires significant time for an increasingly small window of market opportunity. Currently, due to the nature of the fragmented platforms, applications are usually device specific and only large companies can afford to port applications across multiple devices. As an early and key player in this segment, Sasken's investments in the key development platforms of Android and Symbian is paying off well while Sasken Services and Solutions has powered customers to build phones that have been successful in the market place. Recent Semiconductor Industry Association reports reflect continued recovery of sales of semiconductor with leading demand drivers being PCs and cell-phones. We continue to be beneficiaries of this trend with demand from semiconductor manufacturers. We have a couple of sizable wins in this segment including one from a leading semiconductor customer for modem memory optimization. We continue to extend our competencies to tap adjacencies to the telecom vertical and expand our customer base and offerings. In line with this strategy, we have planned for about 10% to 12% of revenues in fiscal 2011 coming from adjacent verticals like satellite, automotive, and consumer electronics.

Our operations in China received the ISO 9001:2008 certification this quarter.

In summary, I wish to state that we are optimistic about our growth prospects in the coming financial year and are well placed to cash in on the opportunities that arise within. I thank you all for your support and confidence in the Sasken management. With this, I would like to open the floor for questions and answers that our team over here can answer. Thank you.

Moderator:

Thank you very much sir. At this moment, I would like to hand over the proceedings to WebEx International moderator to conduct the Q&A for participants connected to WebEx International. After this, we will have a question and answer session for participants at India Bridge. Thank you and over to WebEx 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. Once again, please press *1 to ask a question. At this moment, there are no questions from participants at the WebEx International Center. I would now like to hand over the proceedings back to the India moderator.

Moderator:

Thank you WebEx International moderator. 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 handsets while asking a question. To ask a question, please press *1 now. The first question comes from Mr. Sunil from Credit Suisse

Mr. Sunil Thirumalai: Hi, this is Sunil Thirumalai from Credit Suisse. Thank you. Sir, congrats first of all for good set of numbers. Just wanted to understand, we have seen two quarters of good strong topline growth. How far and into the future can we sustain on this, just wanted some visibility on that.

Mr. Rajiv C. Mody: Yeah, we are expecting as a full-year growth of around 18% to 20% overall on our topline in dollar terms for this fiscal. So, that is what we are seeing as the growth trajectory for the full year. G.V. you want to add anymore.

Dr. G. Venkatesh: Yeah, primarily we saw a fair amount of growth in the latter half of the last year which should give us the momentum to grow next year, but we are in the process of rationalizing some of our programs which are low value and low growth and we are also making significant investments in terms of bringing a large number of people on board in the first half of the year. So, we would see the next year growing like Rajiv said 18% to 20%, but a lot of this growth is expected to be in the later half of the year.

Mr. Sunil Thirumalai: Okay, that was useful. Sir, I was just trying to refer to some of the comments that Nokia made yesterday and they reduced the guidance as well as they mentioned that they are finding some pricing pressure in the high-end phones and they have had to cut phone prices by around 18% to 20%. Is that a risk that we are seeing over there? I mean, Nokia is a large customer and we are doing a lot of work. I think they also mentioned about Symbian getting delayed by one or two quarters. How does that affect us?

Mr. Rajiv C. Mody: On that one, definitely, we actually are seeing a good traction and growth coming from Nokia on most or all of their product lines on a sustained basis. As a matter of fact, there is a directional move by them to move as much as is there to the low cost locations and we are definitely benefitted from them. As a matter of fact, we are the largest vendor to Nokia in India and continue to sustain and build our business with them. So, we are not seeing any change because of whatever you have read so far in our business with Nokia.

Mr. Sunil Thirumalai: Okay and one last question, where do we see margins going from here?

Ms. Neeta Revankar: We are expecting to maintain margins in the same range 18% to 20% for the coming year. We are talking about EBITDA margins and assuming the exchange rate to be at rupees 45 to a dollar.

Mr. Sunil Thirumalai: Okay, sure. That was useful. I will come back later for further questions. Thank you.

Mr. Rajiv C. Mody: Sure.

Moderator: Thank you very much sir. The next question comes from Mr. Vinayak from International Money. Over to you sir.

Mr. Vinayak: Yeah, hi. My question would be for Ms. Revankar. While we wait for details on your annual report in terms of balance sheet, I was also looking at the presentation early on, just wanted you to touch upon quickly in terms of the balance sheet, you know, kind of cash number and also investments, you know, kind of line item where it was in the tune of I think about 180 crores if I am not mistaken and that has been a significant jump vis-à-vis the number of 20 crores which was there earlier. So, if you could just elaborate on that?

Ms. Neeta Revankar: Sure. Apparently, the first question is about cash balances?

Mr. Vinayak: Right.

Ms. Neeta Revankar: You go to the two lines together here; one is the investments line and the other one is cash and cash equivalent.

Mr. Vinayak: Right.

Ms. Neeta Revankar: This is the same thing for the previous year too. We find that out of the 137 crores in the previous year, this is about 117 crores which is cash and the balance is investments.

Mr. Vinayak: Right.

Ms. Neeta Revankar: So, these are long-term investments.

Mr. Vinayak: Right.

Ms. Neeta Revankar: For the current year, out of the investments number of 159 crores, there are about 10 crores of long-term investments...

Mr. Vinayak: Okay.

Ms. Neeta Revankar: ...and the rest of it is liquid investments.

Mr. Vinayak: Okay, yeah. That actually helps because we are trying to figure out in terms of I think over the last one or one and a half years, what has been the standout element for Sasken though we faced

operational difficulties versus our balance sheets strength. So, we are just trying to get a handle on in terms of how superior is the balance sheet getting by year-on-year basis. So, that would help in terms of.....yeah...the question is like Rajiv also answered the question which was just before mine in terms of traction from the Nokia business, there is another small part of business which showed a very significant increase, which was, you know, may be just about 8 crores odd. Can you just may be, you know, provide details in terms of how.....will there be further traction in the new line of business that you are sort of ramping up?

Mr. Rajiv C. Mody: Definitely, we are focused on ramping up in our adjacencies that we talked about and expect to deliver about 10% to 12% of the total revenues for this fiscal coming from those new adjacencies. While we continue and consolidate our position in both handset as well as in the semiconductor marketplace as well as the operator marketplace, we are not seeing much traction coming in from the network equipment side, and like G.V. mentioned, we are looking at some of the programs and we were seeing our resources from programs which are non-strategic, non-critical as well as not making as much margins and not a long-termish in nature, to moving our resources to those programs which are strategic in nature and growth oriented in the semiconductor and the mobile handset space. So, overall, we are very positive and confident of achieving our target goals that we have set for ourselves. Our key challenge of course is the headwind that we see from the currency fluctuation as well as the attritions that has kind of gone up because of the opening up of the markets.

Mr. Vinayak: Yeah, and one last question if I may. In terms of the margins, the PAT level margins, which are more, you know, in the mid-teens, are you, you know, sort of comfortable of maintaining that level irrespective of what happens to your topline. I am sure that is going to grow healthy, but mid-teens kind of a, high-teens kind of a margins on the PAT level, is there a sustainability of that happening over the next let us say three to five quarters?

Mr. Rajiv C. Mody: That is correct. We are confident of achieving our margins that we are projecting for the full year this year, and I think you probably must have seen the demonstration of the same by this management team in the last financial year where it has taken the hard calls, the hard decisions that are required for it to make sure that it meets the challenges that it faces in the market place. Of course, some of the challenges that we had in the last financial year are behind us. Now, we are faced with interesting new challenges on the growth side which we are seeing moving pretty aggressively and rapidly and we definitely are committed in spite of the fact that the currency is moving negatively from what it was say last financial year plus attrition going up, wage increases coming in. So, within that context, we are absolutely as a

management team confident of delivering on the mid-teen margins that we are projecting.

Mr. Vinayak: Okay, yeah, that answers my questions. Thank you.

Moderator: Thank you very much sir. The next question comes from Ms. Shradha Agarwal from B&K Securities. Over to you ma'am.

Ms. Shradha Agarwal: Hi sir, congrats on a good quarter. Couple of questions. On your product side, I mean, we have seen a strong growth this time around. So, what had happened there actually?

Dr. G. Venkatesh: We had made this acquisition of a company called Ingenient Technologies in October last year.

Ms. Shradha Agarwal: Right.

Dr. G. Venkatesh: And you know, we had said earlier, this company provides intellectual property items for the consumer electronic space...

Ms. Shradha Agarwal: Okay.

Dr. G. Venkatesh: And we have had some revenue coming in from that acquisition during the past quarter.

Ms. Shradha Agarwal: Okay.

Dr. G. Venkatesh: We are going to be maintaining our product revenues at about 2 billion dollars in the quarter going forward for the next year.

Ms. Shradha Agarwal: And would it be possible for you to give, you know, the split between what was organically and what came through Ingenient in this quarter?

Dr. G. Venkatesh: No, we are not giving that figure.

Ms. Shradha Agarwal: Okay and any split between royalty and license?

Mr. Rajiv C. Mody: Yeah, that split would be available....I think we can go ahead...

Dr. G. Venkatesh: We had a total of 100 million rupees in the last quarter. We had 78 million rupees worth of royalties.

Ms. Shradha Agarwal: Okay.

Dr. G. Venkatesh: 20 million rupees worth of license fees and 2 million rupees worth of customization fees in the last quarter.

Ms. Shradha

Agarwal:

Right. Sir, again on the employee side probably after five to six quarters, we have seen some strong hiring coming in. So, just wanted to know what are you seeing for future? I mean, what type of gross hiring targets would you have in mind and on attrition and inflation, what kind of salary hike do you expect to give to employees in FY '11?

Ms. Neeta Revankar: With respect to hiring, we are looking at adding about 750 net adds during the year.

Ms. Shradha

Agarwal:

Okay.

Ms. Neeta Revankar: I think we will review the situation as we progress in this year. Right now, the plan is 750 net adds for the year. As far as attrition is concerned, in the last three months, we have seen an increasing trend.

Ms. Shradha

Agarwal:

Okay.

Ms. Neeta Revankar: So, yes clearly, this is going to be something that we have to work on improving.

Ms. Shradha

Agarwal:

Right.

Ms. Neeta Revankar: And the expectation is that with the few measures that we are taking internally, one of which is salary revision itself, we are revising our compensation effective July. So, we are expecting that, that will help improve the situation to some extent.

Ms. Shradha

Agarwal:

And any color on the quantum of hike?

Ms. Neeta Revankar: No, not as yet, but it will be in line with what we are seeing in the industry.

Ms. Shradha

Agarwal:

Okay.

Ms. Neeta Revankar: And what we will also be doing while we are doing the salary revision is looking at maintaining variability in the compensation. So, we will look at increasing variability from its current level.

Ms. Shradha
Agarwal:

Okay, and Neeta one thing more, I mean, this time we had this amortization of product expenses which shot up quite significantly. So, what should be build in for the, you know, forthcoming quarters?

Ms. Neeta Revankar: I think you can expect similar kind of amortization for the next quarter.

Ms. Shradha
Agarwal:

Okay, and for a tax rate assumption for FY '11 and FY '12?

Ms. Neeta Revankar: I think you can expect it to remain at about 3% of revenues. Looking at the way our business mix has changed in the last year where some of the profits from the high tax paying countries has reduced.....

Ms. Shradha
Agarwal:

Okay.

Ms. Neeta Revankar:the mix has changed in favor of lower tax paying countries. So, you can expect it for the current fiscal to remain at about 3% of revenues.

Ms. Shradha
Agarwal:

Okay and for FY '12?

Ms. Neeta Revankar: Too early to comment.

Ms. Shradha
Agarwal:

Okay, yeah, and one more question, I mean, on hedges. If you could give us the quantum of hedges as of quarter end?

Ms. Neeta Revankar: Yeah, we have about 48 million dollars worth of hedges.....

Ms. Shradha
Agarwal:

Right.

Ms. Neeta Revankar: ...at an average exchange rate of about 48 rupees .

Ms. Shradha
Agarwal:

Okay, that was helpful. Thank you.

Moderator:

Thank you very much ma'am. The next question comes from Mr. Ankit Shah from B&K Securities. Over to you sir.

Mr. Ankit Shah:

Yeah, good morning sir. Sir, most of my questions have been answered. Thanks a lot.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Prateek Mehta from Bajaj Allianz. Over to you sir.

Mr. Prateek Mehta: Congratulations on a good quarter. If I look at the presentation, the equity share capital has gone up in the last year from 27 crores to 28 crores. So, just wanted to understand, what is this....this is related to what?

Ms. Neeta Revankar: During the year, there was an issue of warrants and the margin money on those warrants has what has led to this increase.

Mr. Prateek Mehta: Okay. It would be the amount or difference in the share capital is the amount to which warrants we would have given?

Ms. Neeta Revankar: I am sorry, your question was not very audible.

Mr. Prateek Mehta: The warrant quantum is.....the face value of the warrant is equal to the difference in the share capital between both the years?

Mr. Rajiv C. Mody: Yeah.

Ms. Neeta Revankar: No, actually, only 25% of that is what will be impacted in the share capital line.

Mr. Prateek Mehta: Okay.

Ms. Neeta Revankar: See, it is like this. Warrants were granted, 25% of that had to be paid within a certain timeframe.

Mr. Prateek Mehta: Okay.

Ms. Neeta Revankar: That amount came in before 31st of March and that is what has led to the increase in the share capital number.

Mr. Prateek Mehta: Okay sure, and one more thing on amortization of product related expenses, I mean, we generally amortize everything.....we generally do not capitalize the product development expenses, right. So, I mean, can you throw some color on, you know, this line item, where is this coming from?

Mr. Rajesh Maniar: Yeah, this is Rajesh speaking. As was just mentioned earlier in the call, we had an acquisition done in October 2009.

Mr. Prateek Mehta: Sure.

Mr. Rajesh Maniar: So, related to the acquisition, we are amortizing the cost relating to the assets acquired along with the acquisition.

Mr. Prateek Mehta: Okay.

Mr. Rajesh Maniar: And that as was mentioned will continue for three more quarters into this financial year.

Mr. Prateek Mehta: And the quantum would be similar to this quarter number?

Mr. Rajesh Maniar: Yes, that is right.

Mr. Prateek Mehta: Alright, and I am sorry, I could not get the margin number which you were guiding sort of, you know, what is the operating level margin you would be looking at for FY '11?

Mr. Rajiv C. Mody: We were saying that we would do our EBITDA margins at 18% to 20%. Hard to predict the PAT margins, not know in which way the currency will fluctuate.

Mr. Prateek Mehta: Sure.

Mr. Rajiv C. Mody: I am sorry.....at 45 rupees, we are saying, we will maintain the 18% to 20% EBTIDA.

Mr. Prateek Mehta: Okay, yeah, thank you.

Moderator: Thank you very much sir. The next question comes from Mr. Prashant from Retail Investor. Over to you sir.

Mr. Prashant: Rajiv, could you provide us a little bit of a strategic intent from your side in the coming two or three years as far as the company is concerned in context of the global scenario which the communications industry is facing?

Mr. Rajiv C. Mody: I think strategically what is happening in the marketplace is that there are more and more devices, wireless devices, coming in and lot of different vertical markets are getting created, newer players are coming in while existing ones also are entrenching more with data and more Smartphones that are coming into the marketplace, and the cycles for getting the devices out in the market are shrinking and the cost at which R&D needs to be done is also significantly under a lot of stress. Under this situation, I think we are well positioned to take advantage strategically to grow our business with all the tier-I customers that make up this entire industry, and we are confident of achieving our growth, our targets that we have set ourselves for the next two to three years to establish ourselves as a significant player in it, and towards that, we during the early part of this fiscal year.....I am sorry, the last fiscal year, the one that just ended, we had Bain and Company do a strategic review and they have also endorsed our position as well as our approach to doing business. We are significantly focused on making sure that we grow with the top seven to ten tier-I accounts and have identified key leaders inside the organization to take charge of those seven accounts as well as

the other specific growth areas that we mentioned like satellite, consumer and automotive and deliver on those, so that we create adjacencies and create more customer base over there. So, we are absolutely confident in achieving our targets of growth. Yes, 2009-2010 was a year where we took charge of and brought lot of discipline inside the organization and I think we are building on that and continuing and confident of achieving the numbers that we are projecting to you all today. I would like G.V. also to add....

Dr. G. Venkatesh: Specifically, I think one of the things that is happening in the R&D space is that, now the tier-I companies are beginning to start looking at R&D outsourcing much like they used to look at IT outsourcing and HR outsourcing and other such outsourcing in the past and one of the consequences of this is that they are beginning to look at consolidating their R&D suppliers to a smaller number, and in the last year, one of the good things that happened for us really is that, we have been chosen as the preferred supplier to most of these customers, these tier-I customers that Rajiv mentioned earlier and we believe that the momentum of this consolidation process will continue over the next two to three years because as they start looking to reduce their cost of R&D by moving to locations like India and China and looking for this global delivery method to bring overall efficiency to their R&D process and bring down their number of suppliers, we stand to gain in this because we have been chosen in terms of their consolidated supplier list and this consolidation process is what we see as the biggest driver for us going forward in the next two to three years.

Mr. Prashant: Okay, so I think that is superb I think what you guys told me just now and to everybody else. Okay, diametrically opposite question, Rajiv and others, you have been following the Sasken script, so do you think that in context of whatever you guys are doing, is the market treating you fairly?

Mr. Rajiv C. Mody: Well, it is very hard for us to make any such comment. I think we leave it to the market. We do what is within our control and improve our performance and I am sure market will review and make its assessment appropriately.

Mr. Prashant: I mean that is fair enough. Thanks a lot Rajiv. We will go back to the moderator.

Moderator: Thank you very much sir. The next question comes from Mr. Madhu Babu from Systematix Shares. Over to you sir.

Mr. Madhu Babu: Yes sir. Are we a late entrant into this consumer electronics business and what are the challenges in scaling up this division?

Mr. Rajiv C. Mody: I don't think we are late entrants in this business at all because I am sure you all realize that the consumer business itself is

changing quite rapidly with lot of wireless connectivity coming into most of the devices that were earlier not so-called connected even though they were consumer devices. Of course, the major shift that has happened over the last few years is mobile device was never a consumer device. Today, it is completely a consumer device, and then different markets, different verticals are kind of coming in. I am sure we know about all these things like the iPads and the Kindles and all vertically aligned devices, e-books, and similarly, lot of consumer devices are coming in where lot of connectivity is playing out in a major way. So, we have our strength in connectivity, in multimedia, in the overall system aspect of any device that is required to connect to any network, be it cellular, be it satellite, be it short-range wireless like Bluetooth and all. So, the company has built its core competency capability so strongly that it is looking at these new areas and making a big difference over there and expect to deliver on that in the next few years. So, I think it is an inspection point that we are taking advantage of, so we don't believe that it is a late entrant thing, G.V.

Dr. G. Venkatesh: Yeah, I think, you know, one of the things that you have to watch is in these places like consumer electronics and automotive, we are seeing the emergence of the same strategy that first was applied to devices in the computing space and then apparently the handset space. Now, what we are seeing is the same trend going to enter the consumer electronics and automotive. What is this trend, the trend is platformization or what you might call you know development of products around what are called platforms. Platforms basically are collection of hardwares, you know, you set up the hardware configuration and the software, operating system configuration, that amounts you to build products very rapidly, and also allows you to download applications, which are developed after the product is released in the market on to those platform products. What we saw in computing space where you buy the product and then you buy the applications later and able to run it, that is what you are seeing in the phone today, with iPhone on so on, and that is what you will see going forward in the consumer electronics and automotive space, and that is basically a trend that is going to increase the amount of software complexity of these devices, and the kind of people who can actually do this very complex software integration tasks, there are not that many people in the world, and we kind of fall within that select class of companies who can actually do this kind of very complex work. That is why we believe that our capability set we can now translate into consumer electronics and automotive.

Mr. Rajiv C. Mody: And to add to that strategically from an execution point of view, we are positioned also well because we are present in most markets where consumer devices are being designed and built, starting with the presence in Europe, in Korea, in Japan, in China, and then there is mostly in the design hardware side, RF antenna,

those things, and with our strong presence in India as well as in Europe and in Mexico and in the US, we have strong linkages and capabilities on the software and the systems side. So, I think combining the two together, I think we are well positioned to take advantage of the entire thing.

Mr. Madhu Babu: Sir, one risk for achieving this 18% to 20% growth, I assume, do we have the bench strength to absorb this kind of growth and what are the challenges in the HR market currently because our attrition has always been above 25%?

Ms. Neeta Revankar: That is true. I think at the beginning of the call we had also mentioned that we are looking at increasing our team size during the first half and revenue growth in some sense will happen largely in the second half, so that is the plan. Challenges in hiring, yeah, there are challenges in hiring and in retaining, but I think we have got our actions in line, and we expect that with current gross add strength that we have will continue.

Mr. Rajiv C. Mody: The other thing I would like to highlight is that the average experience inside the organization is somewhere in the range of around 5.4 to 5.5 years. We have significant know-how. Most of the attrition that happens in the organization is at the high E1 and low E2 levels, and we are focused on making sure that we reduce those things, and have a training engine which generates the necessary trained people inside for us to be able to serve our customers better.

Mr. Madhu Babu: Sir, one last question. Could you give the revenue breakup of this network equipment, semiconductor, and handset?

Mr. Rajiv C. Mody: No, we do not give that breakup anymore.

Mr. Madhu Babu: Okay sir, thanks a lot.

Moderator: Thank you very much sir. The next question comes from Mr. Neerav from Capital Market. Over to you sir.

Mr. Neerav: Good morning sir. Congratulations on the good set of numbers. I wanted to know the margin levers going forward with utilizations high and fixed-price also improving.

Ms. Neeta Revankar: So, I think we can look at all the four drivers that we have. First is the billing rate itself. We expect the billing rate to improve year-on-year, and increase is expected to be about 2%. We are expecting mix change in our revenues to contribute about 3% increase in margins.

Mr. Neerav: Okay.

Ms. Neeta Revankar: There are some internal efficiencies that we expect to bring about which cover both utilization and the employee pyramid and all of this is expected to contribute about 3%.

Mr. Neerav: How much ma'am?

Ms. Neeta Revankar: About 3%.

Mr. Neerav: Okay, when you....

Ms. Neeta Revankar: I have not finished. The overall what we are expecting is that these improvements in efficiency will get offset by wage increase that we will be doing in the July quarter, and we will also to some extent compensate for the adverse exchange rate movement from 47 to 45.

Mr. Neerav: Okay, right ma'am, and the mix changes that you say would be fixed price because your offshore is also high.

Ms. Neeta Revankar: That is right. So, I think it is a shift from a high cost locations to low cost locations. That is a mix change that we are talking about.

Mr. Neerav: Okay. Ma'am, could you give the dollar number for the full year for the service and the product revenue?

Ms. Neeta Revankar: Services revenues, for the year that was just over, were about 121 million US dollars.

Mr. Neerav: Okay.

Ms. Neeta Revankar: And what else to give?

Mr. Neerav: The product revenues.

Ms. Neeta Revankar: Product revenues were 5.5 million.

Mr. Neerav: 5.5 million, thanks a lot ma'am.

Moderator: Thank you very much sir. The next question comes from Mr. Dharmendra Mishra from Sushil Financial. Over to you sir.

Mr. Dharmendra Mishra: Hello?

Mr. Rajiv C. Mody: Yeah, hi.

Mr. Dharmendra Mishra: Good afternoon. My question pertains to product business. We have had a good growth this quarter from 7.5 crores to 10 crores, but in EBITDA margin there is a degrowth of 27%, so can you specify the reason.

Mr. Rajiv C. Mody: EBITDA from Q3 to Q4?

Mr. Dharmendra Mishra: Yeah, yeah.

Mr. Rajiv C. Mody: Yeah, Rajesh.

Mr. Rajesh Maniar: Yeah, the products EBITDA has reduced to 6.6% for the quarter and that is really primarily accounted by the fact that the new acquisition that we have made is you know getting consolidated and getting integrated into our overall business, so that is going to take one or two more quarters, but that is really the key reason for the fall in EBITDA which is really temporary in nature.

Mr. Dharmendra Mishra: So, going forward, it should improve, I mean, quarter on quarter.

Mr. Rajesh Maniar: Yeah, we expect that to improve as the integration gets completed in the coming financial year, towards the end of the financial year.

Mr. Dharmendra Mishra: Okay. Sir, you have guided at 18% to 20% growth in terms of dollar for full year, but in terms of next quarter, what is your expectation?

Ms. Neeta Revankar: As we mentioned, we are expecting to see growth in the coming year towards the second half of the year. The other thing is that we don't give quarterly guidance. It will be difficult for us to share anything.

Mr. Dharmendra Mishra: In the last con-call, we had given, I mean, quarter on quarter guidance at least.

Ms. Neeta Revankar: We have reached the end of the financial year, so you know, there is a difference.

Mr. Dharmendra Mishra: Okay.

Ms. Neeta Revankar: That is the situation. Actually, if you check back us. We normally give directional guidance in that bit.

Mr. Dharmendra Mishra: Okay, and then, outstanding hedged position I just missed upon it?

Ms. Neeta Revankar: We have hedged about 48 million dollars at about 48.7.

Mr. Dharmendra

Mishra: At 48.7?

Ms. Neeta Revankar: Yes.

Mr. Dharmendra

Mishra: Okay, and in this quarter, our tax rate is very low, I mean, just around 2%, and against we guided around 4% of revenue, so any reason of this?

Ms. Neeta Revankar: Yeah. As I have mentioned a little earlier, there is a change in the mix that we are getting, and the profits that we are getting from high tax-paying countries, and that is what has caused this, and we are expecting this trend to continue over the year.

Mr. Dharmendra

Mishra: So, next year, it would be around in the same range?

Ms. Neeta Revankar: That is correct.

Mr. Dharmendra

Mishra: Okay, okay thanks. That is all. I will come back.

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

Mr. Kunal Sangoi: Yeah, hi, congrats on a good quarter.

Mr. Rajiv C. Mody: Hi.

Mr. Kunal Sangoi: Yeah, hi. Sir, my question is with regards, you know, 18% to 20% growth that we are talking about, and as you mentioned, it is the semiconductor as well as the handset segment which is driving this growth. If you have to look at the visibility or in terms of the contract that we have or with the discussions, are we having 100% visibility on that?

Mr. Rajiv C. Mody: Well, I wish I would have that today, but you know, the short answer is we don't have 100% visibility on the full 18% to 20% number, full year growth guidance that we are giving, but we have fair degree of confidence based on what we are seeing and hearing from our top customers that we are working with, and the need, the drivers why this demand is there. So, we absolutely are clear and confident on that plus by the way just one clarity, while we are definitely growing with both handsets and semiconductor customers, we are expecting to deliver about 10% new revenues coming from the adjacencies in the satellite, consumer, and automotive space. So, definitely, we are looking and confident of delivering on that. It is going to be a combination of two thereof, but having said that, there is a fair degree of confidence on the visibility also.

- Mr. Kunal Sangoi: Right, and fair bit of visibility comes from the large clients, but you know just because I am looking at, you know, top 5 client contribution and top 10, actually on a Q-on-Q basis, the percentage has declined. So, I was just wondering that are the new clients scaling up in particular?
- Mr. Rajiv C. Mody: Yes, that is correct. The new customers are scaling up both in the handset space as well as in the semiconductor space.
- Mr. Kunal Sangoi: Sure, okay. Second is with regards to, you know, product revenues, the royalties that we have seen 8 crores. That includes the intimation received from some of our product customers because you know generally we have seen that because of non-receipt of what has been the shipment numbers, we have generally delayed. So, is there any delay in this quarter if this pertains to earlier, no?
- Mr. Rajiv C. Mody: No, this is completely the same practice where we have received confirmation from all of our customers on what the shipment has been for them in Q3, and that is what we have recognized in Q4.
- Mr. Kunal Sangoi: Sure, okay. The other question is on the Inmarsat satellite phone. Is the shipment on track to be launched in July?
- Dr. T K Srikanth: The global launch is on track, and would be launched by Inmarsat by middle of the year.
- Mr. Kunal Sangoi: Okay, alright, thank you and good luck.
- Mr. Rajiv C. Mody: Thank you.
- Moderator: Thank you very much sir. The next question comes from Mr. Vinayak from International Money. This is a followup question. Over to you sir.
- Mr. Vinayak: Yeah, Rajiv, apologies, just a quick followup question. We talked about cash in my earlier question, and we see that there is healthy cash. With things improving and headwinds behind us, now we would also get further, you know, sort of strength in cash positions on a quarterly basis for the entire year. So, could you kind of guide very in a sort of from a strategic perspective, are we planning any share buybacks or special dividend or any acquisitions, what is your thinking around that?
- Mr. Rajiv C. Mody: Right now, no specific thoughts on any of the points you made per se. Nothing in horizon for acquisition. No special dividend. No buybacks. Good cash position is a good thing to have, is not it?
- Mr. Vinayak: Yes, but Rajiv, unfortunately, as we all know, as the bladder keeps getting full, the more the urge to actually, you know, just unload it off, so that is the reason why we are you know....it is a good thing

to have, but ultimately I think managements do find themselves to do something about it because it is increasing at a good space.

Mr. Rajiv C. Mody: No, we are absolutely committed to making sure we continue to grow our cash position quarter on quarter, year on year. Today, we have this cash of 186 crores which serves us only for 3 to 4 months expenses. Ideally, we would like to have 2 years' worth of cash sitting with us, so that we can meet any eventuality, and we are not by the way going to be trigger happy on any of the points that you raised, that you go and acquire something, because we have cash or go ahead and declare special dividend because we have cash or go for the buybacks because we have cash. So, you can absolutely be, what do we call trust the Sasken board because they are taking the right calls, right decisions on all these matters.

Mr. Vinayak: Yeah, absolutely, there is no doubt upon that, and to be conservative is to be good, so yeah, thanks so much.

Moderator: Thank you very much sir. The next question comes from Mr. Sunil Thirumalai from Credit Suisse. Over to you sir.

Mr. Sunil Thirumalai: Thank you sir. Just a followup question on the guidance. Given that you had a very strong second half in FY' 10, your 18% to 20% requires just around 3% Q-on-Q growth, and you are also talking of the growth being more in the second half than in the first half. So, you are talking of first half, Q-o-Q growth of less than 3%. Trying to understand why such a sharp decline from 7% and 10% in the second half, and then suddenly going down less than 3%. Is there any contract issue or any delays that are coming in?

Dr. G. Venkatesh: No. There isn't anything of that type, but we have consciously on a path to doing some rationalization of our program. So, we are looking at some of our programs, specifically those in the network equipment sector, and looking at rationalizing some of those programs, so that we can move from a far more talented resources that are sitting in those programs to some of these high growth areas that we are seeing in the handset and semiconductor as well as in the adjacencies that we are trying to enter. So, it is more about going into the rationalization phase in a deliberate manner, so we basically just see somewhat slow first half year, and also we are bringing in a fair amount of fresh talent during the first half of the year and they were to build up a healthy staff position that may help us basically to grow in the second half.

Mr. Sunil Thirumalai: So, would you be exiting the network equipment?

Dr. G. Venkatesh: No. We don't intend to exit it. We do have some customers who will continue with us, so we are not exiting it, but in some sense reducing our exposure to those programs that are not going to grow that much or which are not yielding the margins specified.

Mr. Sunil Thirumalai: Okay. That was useful, and just a question again on the hedges, 48 million dollars at 48.7. This is over what timeframe. When would they get matured?

Ms. Neeta Revankar: Over a period of the next 12 months, the hedges will.

Mr. Sunil Thirumalai: Okay. This is only over the next 12 months, you don't have anything beyond that.

Ms. Neeta Revankar: Nothing.

Mr. Sunil Thirumalai: Okay, sure. That was useful. Thank you very much.

Mr. Rajiv C. Mody: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Prateek Mehta from Bajaj Allianz. Over to you sir.

Mr. Prateek Mehta: Yeah, thank you. Just wanted to check you know did we have any pricing increase in this quarter that you know resulted...that contributed to our topline growth?

Mr. Rajiv C. Mody: We did not hear you clear enough. Can you please repeat the question?

Mr. Prateek Mehta: Yeah. My question, you know, did we have any pricing increase in the quarter that contributed to our revenue growth in this Q4?

Mr. Rajesh Maniar: We had approximately 2% effective impact of price increase on our revenues.

Mr. Prateek Mehta: Okay, and I presume would be from multiple clients.

Mr. Rajesh Maniar:: Yeah, that is right.

Mr. Prateek Mehta: Alright, thank you.

Moderator: Thank you very much sir. The next question comes from Mr. Amish from JM Financial. Over to you Mr. Amish.

Mr. Amish Kanani: Yeah, hi. Just a couple of questions. One on the pricing side, as we have seen, you know, just said 2% increase already on a Q-o-Q, and you know, the expectation is that billing rate will improve, and you know, your comments on vendor consolidation which you said will continue, but is there indication that post this one, the consolidation, your clients have been, you know, willing to give you that price increase, and that means a large part of vendor consolidation in the sector is over that we also maintain that it will continue for the next two years?

Mr. Rajiv C. Mody: I think the consolidation phase continues to go on, I mean, there are companies, tier-1 companies which have very mature outsourcing methods. There are tier-1 companies that are just building their outsourcing methods, particularly in the R&D side. Traditionally, what has happened in the R&D side outsourcing has been that lot of small companies have come into existence based on the confidence and the comfort typically the managers of customers' companies have with the groups that they work with, and the supply chain is moving into these as they rationalize the number of supplier vendors, so that they can give the commitment on growth as well as have relationships with significant players. Fortunately, Sasken is one of those companies which is part of that list of strategic suppliers for most of the tier-1 players, and lot of these small mom-and-pop shops like 10, 15, 20 people companies are getting consolidated into companies like ours, so we are seeing growth, and that is the key driver overall that we are seeing. It gives us the comfort and the confidence that this trend is for real and it is going to continue.

Mr. Amish Kanani: Okay, and that is true for both on handset and the semiconductor side.

Mr. Rajiv C. Mody: Absolutely. I think there are linkages because ultimately semiconductor companies do have to sell their devices in any of these end-product markets, like G.V. was mentioning earlier in his statements that most of the drivers are in the consumer side, volumes are in the consumer side, so these need handsets, the set-top boxes, these any of the newer devices, cameras, this and that, automotive. All these, semiconductor companies end up over there and most of these semiconductor companies need to provide a complete solution now in the new scheme of things, where we come into play where we work with both the end-consumer, end-customers like the handset manufacturers, set-top box manufacturers, consumer device manufacturers, and semiconductor companies, so this trend is universal across both the segments that we are seeing.

Mr. Amish Kanani: Okay, and you say that you are no longer providing the breakup of the services, within network, handset, and semiconductor, but if you can give some color of what kind of growth you have seen in last year, some broadband, you know, lower than the average, higher than the average kind of a thing, and also...

Mr. Rajiv C. Mody: Yeah, I can give you directional statements. Network definitely has seen the degrowth from 8-9 to 9-10, but we have seen good growths come in both on the semiconductors and the handsets for both 08-09 to 09-10.

Mr. Amish Kanani: Okay, okay.

Mr. Rajiv C. Mody: And that is the trend we continue to see.

- Mr. Amish Kanani: That trend will continue.
- Mr. Rajiv C. Mody: The network may go down further like we say that we may rationalize some of the programs, but we are not exiting the space in any way.
- Mr. Amish Kanani: Correct.
- Mr. Rajiv C. Mody: We are seeing a newer technology over there and see what is the play over there because it is very hard in the network equipment space in today's market environment where the operators are really driving the pricing down so aggressively.
- Mr. Amish Kanani: True, and you know, I remember couple of years back, your exposure to network equipment was highest at 40% of the total. Any indication of how small is this, below 25% or below 20% or something like that?
- Mr. Rajiv C. Mody: I will not give any data on that because we don't give it, but I can just tell you it is stable and continuing. To give an idea, I mean, Nortel has sold its businesses, and those businesses do continue with both Avayya as well as with Kapsch and Ericsson.
- Mr. Amish Kanani: Okay.
- Mr. Rajiv C. Mody: So, we have continued business with Nortel. We can continued business with Alcatel-Lucent, Nokia-Siemens who happen to be our customers.
- Mr. Amish Kanani: Okay, and one more thing on the utilization side, you reached about 82.4, and you have been talking about having net addition, but simultaneously you are saying that you are expecting some improvement on the mix changed, you know, utilization to be improving, so any sense of what levels are you looking at, optimum level?
- Dr G Venkatesh: We will see our utilization decrease in the first half year because of our staffing.
- Mr. Amish Kanani: Correct.
- Dr G Venkatesh: But we will get back to a slightly higher utilization number in the second half of the year as the people start getting deployed.
- Mr. Amish Kanani: Okay. So, you think, this 82-1/2 is something which is optimal.
- Dr G Venkatesh: No. It is kind of somewhat on the higher side, but we will maintain our utilization. Traditionally, our utilization has been in the 79% to 80% range, so that is what we will get into.

Mr. Amish Kanani: Okay, okay, and one last one on this hedge thing, I remember couple of years back, 1 year back, your hedges are very large, so you seemed to have run down the hedges, and not you know kind of extend it, so any change in the hedge policy that has happened, and two, whether the EBITDA margin incorporates the hedge cushion that you have?

Ms. Neeta Revankar: First thing is no, we have not changed our policy. The policy remains what it is. We keep reviewing it, and we figure out that what we have is working very well for us, and that is why we are continuing with the same policy. So, in line with the policy whatever had to covered, has been covered.

Mr. Amish Kanani: Okay.

Ms. Neeta Revankar: So, we have not run it down intentionally.

Mr. Amish Kanani: Okay.

Ms. Neeta Revankar: And regarding the cushion in EBITDA, actually the exchange gains the way we report it, comes below EBITDA.

Mr. Amish Kanani: Okay, okay.

Ms. Neeta Revankar: So, our EBITDA guidance is based on an exchange rate of 45 rupees.

Mr. Amish Kanani: Okay, okay, that helps, thanks.

Moderator: Thank you very much sir. Your next question comes from Mr. Prashant, a retail Investor, a followup question, over to you sir.

Mr. Prashant: This is to Rajiv and the other members from the leadership team, there are three cutting edge areas which are there in the telecom space, one is 3G that has been around for a while, second is a WiMax, and the third is LTE. Is Sasken working in all these 3 areas, if you can just update a little bit?

Dr. G. Venkatesh: Okay, 3G is a technology that we have been working on very long. In fact, we are one of the early entrants into 3G, way back in 1998-1999. WiMax and LTE is something that we have started to invest and there is some development work that we are doing to build our capabilities there. Now, in terms of both...in all these 3 areas, 3G, WiMax, and LTE, we will see benefit of the 3G, WiMax rollouts in India primarily coming to our subsidiary organization Sasken Network Engineering, which does network deployments and rollout around these areas, so both the 3G and WiMax rollouts in India, we are looking forward to as opportunities for us to grow that business. In terms of R&D work, of course, we continue to engage in R&D.

- Mr. Prashant: Right, that answers my question. I will come back for more later.
- Moderator: Thank you very much sir. The next question comes from Mr. Ram Prasad from Sundaram BNP Paribas. Over to you sir.
- Mr. Ram Prasad: Good afternoon sir. Just wanted to get a sense on how the Android and the free software which is being talked about and the platform, is it going to affect our product business in some other sense or are we looking to partner with Android and develop more softwares for the handset manufacturers?
- Dr.T.K.Srikanth: We are seeing traction from our customer base across all these open operating systems, Android, Symbian, Linux as well as things like Windows Mobile.
- Mr. Ram Prasad: Okay.
- Dr. T.K.Srikanth: We are actively engaged in all of them. We are a member of the Android OHA, Open Handset Alliance, and we are working in that effect. We are actively involved in Symbian Foundation. We are actually contributing members of one of the packages there. So, we continue to work on with all these open software foundations, build our competencies, build our contributions there, and service all the customers in the space. We see Android also being significant both in the handset space and some of these emerging devices, so we see impact on that also.
- Mr. Ram Prasad: Okay, sir my second question is in terms of the white box label, the kind of products getting more traction vis-à-vis the established players like Nokia and Motorola. Is it going to hurt the players and probably they will be squeezed from margins and probably some amount of pricing cut or some amount of pricing cut would be impacted for this also?
- Dr. G. Venkatesh: Not really because if it is anything it will only propel those companies to spend more on R&D in some of their higher end products which is where we are present. So, this is not a new space. So, we are seeing that the overall drive to do a lot more R&D in the high-end devices is only on the increasing trend, which is where we are present.
- Mr. Ram Prasad: Okay, thanks sir. That is it sir.
- Moderator: Mr. Ram Prasad, are you done with your question?
- Mr. Ram Prasad: Yeah, I am done, thanks.
- Moderator: Thank you very much sir. Next in line, we have Mr. Anup from SBI Mutual Fund. Over to you sir.
- Mr. Anup: All my questions have been answered. Thanks a lot.

- Mr. Rajiv C. Mody: Thank you.
- Moderator: Thank you very much sir. Now, we have a followup question from Mr. Madhu Babu from Systematix Shares. Over to you sir.
- Mr. Madhu Babu: Sir, in the press release, you have stated that we added 31 new customers during the quarter, taking the total number of customers to 108, I mean are these significant scalable customers or it is project based engagements?
- Dr. T. K. Srikanth: Many of these customer additions were an outcome of the business acquisition of Ingenient. We expect that many of these will scale up. There are significant tier-1 side customers in this space, and we will be looking at growing these over the next year as we grow.
- Mr. Madhu Babu: Okay, and sir, Wipro today announced its results, and it has shown a bounce-back in that network equipment side, where this Alcatel-Lucent are the clients, so is it a strategy that we are not emphasizing much on that particular segment or the industry itself is in the problem?
- Mr. Rajiv C. Mody: Overall, I think we believe that network equipment will not see much of growth going forward because the markets are pretty much driven very tightly by the operators globally, and not much of thing can be expected over there, so while we continue to build our business in the areas where we have very strong tier-1 relationships in the handsets and the semiconductor space, we definitely don't see much growth coming on the network equipment side.
- Mr. Madhu Babu: Sir, on the auto electronics, have we got the top management in place to build the teams?
- Mr. Rajiv C. Mody: That is correct. We do have that in place now. As a matter of fact, in the last 6 months, we have added 5 top management positions from various different organizations, and we have a strong team now to take and propel the organization forward.
- Mr. Madhu Babu: Okay sir, thanks.
- Moderator: Thank you very much sir. The next question comes from Mr. Rishendar Goswami from Locus Investment Group. Over to you sir.
- Mr. Rishendar Goswami: Hi, I just have two quick questions. One is the capex number. What did you say in capex in FY' 10 and any idea of what your capex will be in FY '11, and the second question is on R&D spend. Did you have any R&D spend in FY'10?

Ms. Neeta Revankar: Capex for the year was 14 crores.

Mr. Rishendar
Goswami: Okay.

Ms. Neeta Revankar: And in addition to this, we spent some amount of money on the acquisition of Ingenient this year. So, these were the two big additions that we did in last financial year. In the coming financial year, we expect capex to be in the range of about 15 to 17 crores.

Mr. Rishendar
Goswami: Oh, I see, and any trend in R&D this year.

Dr. G. Venkatesh: Last year, our focus in R&D was to maintain the R&D spend levels at fairly contained levels because we were more focused on ensuring that the product that we had created in the past, the customer engagement that we had....delivery to them, but going into the next year, we are going to be spending a little bit more on the R&D side.

Mr. Rishendar
Goswami: Okay, so what will that amount be?

Dr. G. Venkatesh: Too early to say, I think, you will have to wait for our future analyst call.

Mr. Rishendar
Goswami: Okay, thank you.

Moderator: Thank you very much sir. Participants who wish to ask the question are requested to press *1 on the telephone keypad. Hi, Bridgette, the WebEx International Moderator, are there any questions from the international participants?

International
Moderator: No.

Moderator: Participants who wish to ask a question are requested to press * followed by 1 on your telephone keypad. At this moment, there are no further questions from participants. I would like to handover the floor back to Mr. Rajiv Mody for final remarks. Over to you sir.

Mr. Rajiv C. Mody: Thank you Triveni. Thank you all for joining in on the call, and we look forward to having you all again after our first quarter results, so once again thanks a lot.

Moderator: Thank you very much sir. Ladies and gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this

conference call. Thank you for your participation. You may now disconnect your lines.
