



## **“Sasken Communication Technologies Limited Q4 and Full Year 2011 Earnings Conference Call”**

**April 28<sup>th</sup>, 2011**



### **SPEAKERS:**

|                       |                                                  |
|-----------------------|--------------------------------------------------|
| <b>Rajiv Mody</b>     | <b>Chairman &amp; CEO, Sasken</b>                |
| <b>Neeta Revankar</b> | <b>CFO &amp; Global Head HR</b>                  |
| <b>T.K. Srikanth</b>  | <b>Vice President, Business Development</b>      |
| <b>G. Venkatesh</b>   | <b>CTO</b>                                       |
| <b>Rajesh Maniar</b>  | <b>Vice President, Finance</b>                   |
| <b>S. Ramaraj</b>     | <b>Sr. Vice President &amp; Head of Delivery</b> |

**Rajesh Rao**                      **Sr. Vice President & head of  
Worldwide Sales**

**Operator:** Thank you for standing by and welcome to the Q4 FY2011 Earnings Call of Sasken. Before we begin, we must point out that certain statements made during the call concerning Sasken's future growth prospects may be forward looking statements. Please read the Safe Harbor clause in the presentation for full details. I will now hand over to Mr. Rajiv C Mody, Chairman and CEO of Sasken. Mr. Mody will take you through the financials and the highlights of the quarter followed by the question-and-answer session. Thank you and over to you, Sir.

**Rajiv Mody:** Thank you, Varun. Ladies and gentlemen, good morning to you all. It's my pleasure to welcome you all to the Conference Call to discuss the business performance of the Sasken Group for the fourth quarter and the full year ended March 31<sup>st</sup>, 2011. I am joined on this call by my colleagues, Neeta Revankar, CFO and Global Head-HR, IT and Administration and Executive Director to the Board; Dr. G. Venkatesh, CTO, Head of Worldwide Delivery and Capability; and Executive Director of the Board; Rajesh Maniar, Vice President, Finance; S. Ramaraj, Senior Vice President, Head of Delivery, Sasken's APAC and North America; then Rajesh Rao, Senior Vice President and Head, Worldwide Sales.

Let me begin by walking you through our financials for the full year and the fourth quarter ended March 31<sup>st</sup> March 2011. In the fourth quarter of fiscal 2011, the consolidated revenues for the Sasken Group dropped 7.1% over the previous quarter to Rs. 128.5 crores. Earnings before interest, depreciation, taxes and amortization cost for the fourth quarter fiscal 2011 was at Rs. 17.1 crores, down 36.6% sequentially over the previous quarter. Consolidated PAT for Q4 fiscal 11 was 18.8 crores sequentially, up 19.3% over the previous quarter. PAT margins for the quarter was 14.6%. In the financial year ended 2011, PAT and consolidated revenues were Rs. 546.3 crores, down 4.8% over the previous financial year. Earnings before interest, taxes, depreciation and amortization charges were Rs. 96.4 crores, down 5.4% over the previous financial year. The

consolidated profit after taxes for fiscal 11 was Rs. 73.3 crores, down 3% over the previous financial year. PAT margins for the full year were at 13.4%. Software services revenue for the quarter was Rs. 116.7 crores, a growth of 0.7% over the previous quarter. Services and EBITDA margins for the quarter were at 13.1%. For the full year, software services revenues were Rs. 486.2 crores, down 11.2% over the previous year, and products revenues were more than double over the previous financial year. EBITDA margins for the services business as at 14.8% for the full financial year fiscal 11. The consolidated earnings per share for the fourth quarter were approximately Rs. 7.25 and the full year EPS works out to be Rs. 26.89. Cash and cash equivalent were approximately Rs. 185.2 crores as of March 31<sup>st</sup> 2011.

I will now take you through some of the key highlights for the quarter.

One of our key customers announced the major shift in strategy in February of this year which could have an impact on our handset business and revenues from the European geography. They have signaled 2011 and 2012 to be transition years as they migrate to newer software platforms. Further they have made an announcement that they would be entirely outsourcing development of software on the Symbian platform to one of their partners. As the business environment is volatile, we will not be providing any guidance. Consequent to this shift, we expect drop in traditional revenues from this customer and we are in constant dialogue with customer to see how we can participate in their future road map.

We have taken a lead in delivering solutions on Android, on smart phones and tablets are expected to define the mobile communication space and computing space. With the exclusion of Android based devices, there has been a significant increase in traction with semi-conductor customers. We are engaged in several programs for managing upgrades which are happening at a rapid pace. Our ability to understand the full system comprising hardware, software and silicon that go into building Android-based platforms has proven to be of immense value to our customers. This has resulted in deepening our relationships with semi-conductor vendors providing us with both Sell-To and Sell-With opportunities.

Increased proliferation of LT networks along with the launch of several device categories in this space marks an end to this sluggish growth that we have seen in the network segment. The exclusion of data traffic on mobile networks has been the subject of concern and debate for operators and regulators. Technologies like Deep Packet Inspection will help them shape their traffic and offer tiered application based billing. Sasken is in dialogue with prospective customers to offer services in this area.

Broadband networks and mobile cloud-based computing has got the attention of enterprise customers. They are now beginning to engage with us to extend the reach of their enterprise applications to their mobile work force and customers. With the proliferation of mobile devices and enterprise networks, there is a growing concern to secure enterprise information system and this is likely to provide us opportunities in the future.

ConnectM our joint venture with IDC has got large order from a leading telecom tower company using its telecom tower remote management solution. After the successful pilot, it is now set to provide energy management solutions to 5000 towers across India.

Sasken has set up a Qualcomm-authorized test lab in San Diego. Investments that we are making in this lab will help ensure that the platforms are tested according to the conformance and regulatory requirements. This will assist their customers in reducing cycle time and cost for platform and device certifications.

We have been able to reduce attrition in the last quarter and we will continue to try to bring this number down. Our salary revision cycle is expected to be implemented in July 2011.

To conclude, fiscal 11 has been an eventful year with tectonic shift in the industry and have impacted the entire eco-system. The shift has resulted in us having to cope with ramp downs in certain areas while newer opportunities have been successfully tapped by us. The netting of these two forces has meant that we have flat revenues in terms of revenue growth over the previous year. However, just to reiterate, we saw a dip in our services business which was

made by the growth that we saw in our products as well. Thank you and over to you for questions.

**Operator:** Thank you, sir. Participants, if you have a question, please press "0" "1" on your telephone keypad and wait for your name to be announced. I repeat, if you have a question for today's speaker, please press "0" "1" on your telephone keypad. After you are announced, please ask your question. Thank you.

We have first question coming from Shradha Agarwal. Your line is unmuted, please ask your question.

**Shradha Agarwal:** Hi Rajiv. Nokia has announced a steep job cut across all centres and probably some jobs to be outsourced to its partner, Accenture. So, how does that impact Sasken in anyway?

**Rajiv Mody:** This announcement you are talking which came in yesterday?

**Shradha Agarwal:** Right.

**Rajiv Mody:** As of now, frankly speaking, we don't have any specific information coming in from Nokia. We have meetings scheduled with them sometime during this week to understand if there is any impact. The initial press release as well as the messages that we have gotten from Nokia particularly is that this is going to happen over 2011 and into 2012 also. And so far, it is business as usual. There is no specific conversation on any impact, negative or positive on the programs that we are engaged with them. Having said that, we do serve them on their Symbian platform as well as on their s40 platform.

**Shradha Agarwal:** I mean, would you be also working with them on their Microsoft partnership?

**Rajiv Mody:** No, we are not at the present moment in any conversation with them on the Microsoft relationship.

**Shradha Agarwal:** Okay. Specific to this quarter, a 7% decline in revenue, what hits you the most? I mean top clients probably was known but otherwise, apart from the top clients, which other account did you feel the pressure?

**Rajiv Mody:** Let me take you back. In Q3, if you remember, we shut down our centre in Mexico and that was generating certain revenues until Q3. So, that was an impact. Similarly, we had an impact in Nokia in Q4 because of the ramp downs we saw in Finland. However, we made it up and saw a 0.7% growth in services from Q3 to Q4. There were other engagements, other customers that grew in the quarter from Q3 to Q4, but, specifically, the high cost location impact is what drove the revenues down. Also by the way, I mean, this is on the services side. On the product side, we had the licensing with Spectrum in Q3. So, just to highlight that, which was not repeatable in Q4.

**Shradha Agarwal:** Right. If I look at the EBITDA margin for this year, we are probably closing FY11 at 17.7 versus our stated guidance of being somewhere between 18% and 19%. I understand probably the revenue decline in this quarter - like to a steep decline in margins - but I just wanted to know your thoughts on - while you are heading into fiscal 12, how do you think margins picture to be panning out there?

**Rajiv Mody:** I think the margin picture would definitely improve from where we are. As you know, on the margins, we had impacts because of closure in Mexico and the one-time hits that we took because of that. Otherwise, overall, I think we believe that we are on the right track with regard to margins on various parameters - one is ensuring that our bill rates are competitive. Two, the ACC, our Average Compensation Cost, is managed well, pyramid structures are well managed. Utilization is an area which we are focusing on to ensure that we bring that up to reasonable levels so that there is no impact on margins because of utilization.

**Shradha Agarwal:** Okay. So, was there any one-off in this quarter's expenses which would not be recurring in the next quarter?

**Rajiv Mody:** I don't think so.

**Neeta Revankar:** No, there was no one-off expense during the quarter but there was a one-off credit because of deferred tax assets that we recognized in the quarter. Because really what was happening is that we have not been recognizing deferred tax asset in Sasken Communication books because we were

not very sure whether the STPI benefits would continue or not. Now that that is sort of sealed, we recognize the deferred tax assets in Sasken's books.

**Shradha Agarwal:** But otherwise in fiscal 12, your tax to pay would be in the range of 25% - 26%?

**Neeta Revankar:** Absolutely, it would be.

**Shradha Agarwal:** Okay. And that is from my end. Thank you.

**Rajiv Mody:** Thanks a lot, Shradha.

**Shradha Agarwal:** Yes.

**Operator:** Thank you, Shradha. The next question is from Jigar Shah. Jigar, your line is unmuted. Please ask your questions.

**Jigar Shah:** Good morning, everyone. My question is firstly about the strategy. I believe FY11 has been a year of transition and at least I was hoping that FY11, this uncertainty of transition will end, but it seems to be going further from your initial remarks. So, can you very briefly say that how do you see each of the different businesses? Because it is very difficult to not get some kind of visibility when the entire software industry is giving some sort of guidance. Here we are remaining in a good amount of uncertainty.

**Rajiv Mody:** Okay. Let me try to answer this question in two parts. One is your question why we are not giving any guidance, and does it in anyway signal more uncertainty than is being perceived. In the past we have guided the markets but we have many a times failed to meet the numbers. So, this time around we thought, and appropriately so that might as well deliver the numbers first and then show the results rather than guide and then fail on it. So, this is one of the reasons why we believe that we don't want to guide it this time is frankly to ensure that we deliver on numbers. Having said that, there are definite uncertainties in the space that we operate in. As you know that the space we are operating in is volatile to a certain nature and if we do a comparison of our 2009-2010-11 numbers, we replaced approximately 22 million dollars of business from 2009-10 to 2010-11 with new business. So, the nature of the business that we are in definitely there are turmoil and changes because of market changes, technology changes

which are happening. Frankly speaking, it's happening at a much faster pace in my opinion in the telecom world than in any other industry. So, that definitely has an impact on us. But having said that, I think we are proud of the fact that we have managed it and managed it reasonably well.

Having said that, going forward, we recognize that we cannot have these uncertainties on a continuous and ongoing basis. So, we are branching into other areas, like I discussed in my opening remarks, for us to ensure that we provide this stable platform for growth while we strengthen and continue to serve this and also look forward within these areas which are more stable compared to the other areas. While having said that, there are definitely areas in the space in which we are operating in which are significantly stable and that provides the basis for us to be able to manage our business well. So, while I appreciate the comment you made, I thought it is appropriate for me to give a more comprehensive perspective to you. And you can be assured that we are working hard to see that we deliver all these parameters on an ongoing basis.

**Jigar Shah:**

My follow-up question on that is - and from whatever I understand, it has been the revenue issue for you because of whatever volatility that some of the other factor has been presenting to you in the past 2-3 years. Now, what are you doing basically to reduce the dip and let's say, Nokia or a particular segment so that in future you can cross this big hurdle of like 100-150 million dollar revenue and go to next stage like 400-500 million dollar revenue?

**Rajiv Mody:**

So, a couple of things we are focusing on that element. One is getting into the enterprise side like I discussed with you when I said in my opening remarks. Second thing, we are going after newer areas which are more stable, connect them, being an example in that context. We are also opening up newer customers in adjacent verticals where the know-how that we have is becoming increasingly important. And fourth thing we are doing also simultaneously is broad-basing our customers rather than remain focused on a few with a clear conscious effort that dependence on a single customer reduces. So, we are doing all of those things simultaneously. Unfortunately, we are not able to provide results on all of them at the same time to demonstrate and show better results than what we are presenting to you. But let me assure you that effort is

continuously on for us to branch out into near domains, but using our capability know-how to take advantage and leverage our position.

**Jigar Shah:** Would it be alright to expect a potential doubling of revenue in a three-year timeframe?

**Rajiv Mody:** Well, that is always the expectation and we hope - and the thing that keeps me awake everyday and every morning - and if you are asking me if I will guide you with that, I am sorry I would not want to do that. I would like to demonstrate that and our team over here would like to demonstrate that rather than just live by hope.

**Jigar Shah:** My last question would be on what kind of pay rise you will be offering to employees in FY12 and whether that is covered in the margins that you expect or that will be eating into your margin?

**Neeta Revankar:** Our pay cycle is in July. So, it is very early for us to say what kind of pay increases we will be giving. We will continue to watch what is happening in the market in order to make sure that our compensation is aligned with what is happening in the market. Every year we expect compensation divisions to impact the margins and we always have a plan by which we twist the other levers to make up for it. So, this year will be no different. We have other parameters like bill rate, utilization, average compensation, the profile of the team in terms of experience. So, we will work all those levers to see how we can compensate for the margin impact.

**Jigar Shah:** Thank you very much for your answers and wish you all the best.

**Rajiv Mody:** Thank you so much. We need it.

**Operator:** Thank you, Jigar. Participants, I repeat, if you have a question, please press "0" "1" on your telephone keypad. After you are announced, please ask your question. I repeat, if you have a question for today's speaker, please press "0" "1" on your telephone keypad. After you are announced, please ask your question. The next question is from Abishek. Abishek, your line is unmuted. Please ask your question.

- Abishek:** Thanks for taking my question. Rajiv, if I look at your commentary and the Q4 exit rate in terms of revenue and EBITDA margins, could you add some colour that should we take FY12 as the exit rate from the Q1? I mean, what percentage of that 7.1% decline was because of Nokia and the other being the one-off deal in the Q3FY11?
- Rajiv Mody:** You are asking what all events impacted our EBITDA margin to drop by 7.1%?
- Abishek:** No, my question first relates to the revenue. So, the 10 crores decline in revenue, I mean, how much was it Nokia and how much it is for the one-time product revenue in Q3?
- Rajiv Mody:** Okay. Let me break our revenues. As I have said in the opening remarks, our services revenue grew from Q3 to Q4 by 0.7%. The decline that you saw in the total revenue was because of the drop in our products revenue where we had a one-time licensing deal we got in Q3 from a company in China. So, while there was a dip - and that is one element of it. Now, let me take you through the services business. We had a decline because we closed down our centre in Mexico as well had the decline of revenues in Finland. However, we made that up with other customers in Q4 and had a 0.7% increase in Q4.
- Abishek:** Okay. So, would you be able to quantify what you lost out of those two accounts like Mexico and Finland?
- Rajiv Mody:** I think it would unfair to disclose that information because if we give away customers data which I don't think you would want to do.
- Abishek:** Okay, fair enough. In terms of the telecom practice, some vendors are seeing some traction in the expense due to 4G and LTE, what are we seeing on the ground?
- Rajiv Mody:** Okay, let me articulate that. If you take the developed markets, definitely there is a traction and a demand in the market for LTE development as well as LTE testing. So, mobile handsets in, say, the US markets have been launched to get the LTE technologies, certain areas with the network have been rolled out also. We are definitely seeing demand perked up over there. It is hard to say in terms of what is the scalability of that in the future. But particularly on the testing side, particularly operator-

specific testing in the US market is what we are focused when it comes to LTE. LTE development on the network equipment side, there is definite demand showing and we are having our internal training programs going on, what we call as the ACPs linked to LTE technology development. And I think we will start seeing potential traction on that on the services side for the network equipment going forward.

As far as the network rollout of all these in the Indian market, because that is where we have presence - by the way, we definitely see LTE rollout happening in the US market and we have engagements on that. But network rollout in the Indian market, I think, is still more limited to the 3G network today where there is definite demand. However, the business model is... and the rates are pretty competitive. So, we have a method by which we are playing in that, not overexposing ourselves.

**Abishek:** Okay. Neeta, just one question for the EBITDA margin side, I mean, in the Q4, the 13.3% margin is a one-off. Right? I mean, we should be closer to that 16%-17% band. Right?

**Neeta Revankar:** I think it is very difficult to guide quarterly EBITDA margins. That is why I think Rajiv mentioned even in his statements that we are expecting EBITDA margins for the year to be better than what they are for this current financial year. We have those levers that we are working on. So, it is very difficult to say quarter-on-quarter because as you know when the salary revision happens, EBITDA margins will decline. It will be quarters when utilization is low. Again you will find margins declining. So, it is good to look at it on a year-on-year basis. And we are confident that we will be able to improve EBITDA from the current level.

**Abishek:** Okay. This is the last one from my side. Rajiv, I know you won't talk much about the Accenture, Nokia and yourself, but given that significant revenue comes from Nokia, and we know Accenture, how it is, I mean, how do you foresee to match up with the revenues - I mean, we think, you know, that Accenture is being aggressive and the decline in Nokia... So, do you think you will be able to make up those declines in revenues?

**Rajiv Mody:** Yes. Right now we believe that we have a prospect in the pipeline for us to be able to mitigate. Also, to be frank with you, we are not expecting that there is going to be a

certain impact, while we are mentally are preparing and planning around that, but there are programs which require the products to go out in the market and we are engaged in those kinds of programs with the customer unless they decide to shelve or drop those products itself is a different situation. Part of our engagement with Nokia, as you probably may know, also is with S40. So, Nokia place continues and continues to deliver.

**Abishek:** Okay. Thanks for taking my question. And all the best for the next year.

**Rajiv Mody:** Yes, definitely. Thank you.

**Operator:** Thank you, Abishek. The next question is from Siddhartha Prabhu. Siddhartha, your line is unmuted, please ask your questions.

**Siddhartha Prabhu:** Yes, most of my questions have been answered. Just one question on your buy-back. I understand from your press release that you have bought back around 23 crores worth of equity. Would it be safe to assume that buy-back program will continue?

**Neeta Revankar:** We have not yet closed the buy-back program. So, yesterday we had a board meeting, we did not announce any closure. So, you are definitely safe to assume that it will continue.

**Siddhartha Prabhu:** And lastly, what is cash equivalents as on date?

**Neeta Revankar:** If your question was about cash and cash equivalents as of March 31<sup>st</sup>, we had about 186 crores of cash and cash equivalents

**Siddhartha Prabhu:** Thank you.

**Operator:** Thank you, Siddhartha. The next question is from Jigar Shah. Jigar, your line is unmuted. Please ask your questions.

**Jigar Shah:** Hi, this is a follow-up question. On the Nokia business, let us say, as you have said in the past, you had to replace almost 20-25 million dollars of business which was lost. Now, let us say hypothetically Nokia business were to go down drastically, how much will you have to replace? And

the second question is that you are saying you cannot give guidance in a volatile scenario. I am asking whether you will be able to even do like 5% kind of growth or you are not even currently in the position to say that?

**Rajiv Mody:**

Yes, I would not make any guess of even saying that we will do 5% growth, frankly speaking, because it is unfair and unrealistic to expect us to not knowing what possible - I mean you can take a worst case scenario that all 25 (25 used as a reference, and is not indicative of any customer specific number) could go away and then what will be the impacts and all. You can take a scenario where only part of it possibly could go away, what that number is, we don't know. Other scenario could also be that for this fiscal, whatever we have planned all of it would be met and no impact could be there. So, there are multiple scenarios that could possibly emerge. And in the absence of clarity, frankly speaking, I would not like to cut a sorry figure in front of you all again where we would have guided you something and not being able to meet. I can assure you only one thing that we are on the job and making sure that there is as minimal an impact to all our shareholders as well as to our employees and our customers making sure that we don't do. We manage this and come out of this entire thing much stronger. We can ensure you of one other thing also. There are multiple customers, new engagements like I described in the Android area, which are looking decent and we are going after those things again.

**Jigar Shah:**

When do you think you can provide clarity on Nokia? When can we come back to you?

**Rajiv Mody**

I mean, frankly, until yesterday there was no announcement. Suddenly yesterday there was this announcement and creates questions for us and the cause to dialogue. They have announced today, and then we would not have to answer some of these things today. But anyway, so, to be frank with you as and when if we come to know that there is any substantial event impacting us either negatively or positively, we will come back to you.

**Jigar Shah:**

Okay. Thank you very much.

**Rajiv Mody:**  
impacts.

We will make an announcement publicly if there are any

- Jigar Shah:** Thank you.
- Operator:** Thank you, Jigar. The next question is from Shradha Agarwal. Shradha, your line is unmuted. Please ask your questions.
- Shradha Agarwal:** Hi, Rajiv. I am sure this would put you in a difficult position, but I just wanted to get some clarity. Assuming hypothetically that you are not on positive side of Nokia-Accenture relationship and given your urge to better margins next year, would it be safe to assume that probably you could also resort to some lay-off of employees?
- Rajiv Mody:** No, we are very clear, we will not lay off employees, and we will still manage to see that we deliver on the margins. We are working and we are on the job on that and the team is confident based on the information we have and the opportunity pipeline that we have.
- Shradha Agarwal:** It is difficult for me to comprehend what are the levers available on hand for you to better margins from this exit rate of 13%-13.5%.
- Neeta Revankar :** Same with us, Shradha. Utilization right now is at 62%.
- Shradha Agarwal:** But utilization is a derived function of how your pipeline looks like. Right? And at this juncture probably your visibility would not be great, I assume.
- Neeta Revankar:** That is exactly what I think Rajiv has been speaking about that there are opportunities in the pipeline. Looking at the opportunities we have, we do believe that we will be able to improve all the levers. So, we are saying the same thing, Shradha.
- Shradha Agarwal:** Okay.
- Rajiv Mody:** To assure you, Shradha, it is not going to be an on-off switch with Nokia since you are asking specifically to them, that they are going to send a note saying all whatever engagements we have, sales, Symbian and we go away. Okay? We expect and we have planned. By the way, we knew... I think we discussed in our last call also, and this announcement came about in February on the change in their strategy to move more towards S40 as well as the

Microsoft Windows platform. So, we have been planning around this therefore for some time now and I think, touchwood, we will be able to execute on that.

**Shradha Agarwal:** Sure, wish you all the best. Thanks

**Rajiv Mody:** Yes, definitely, we need that, like I said.

**Shradha Agarwal:** Sure, thanks.

**Operator:** Thank you, Shradha. The next question is from Abir Pandit. Abir, your line is unmuted. Please ask your question.

**Abir Pandit:** Hello, sir. Could you comment on any Android-based developments and also, sir, I wanted to ask, the 185 crores cash you have, would you be using it for any acquisitions so that you would compensate for the drop in Nokia revenue? Thank you.

**Rajiv Mody:** Yes, we have no specific plans or any companies that we are evaluating, talking to from an acquisition perspective. But acquisition in newer areas, like I described earlier, are definitely something, if it makes sense and if evaluations are appropriate, we will consider that. But as of today, we don't have anything that we are actively pursuing.

**Abir Pandit:** Okay, any comment on the Android based platforms?

**Rajiv Mody:** On Android-based platforms, we do have a fair number of engagements that are ongoing. It has actually completed a fair number of deliveries also in the area of Android. And these are all primarily related to providing upgrades. Android, you know, has multiple versions like there was Android 2.3 and then there is Android 3.0 and so on. There is Froyo and there is Gingerbread and then it goes on to Ice cream and so on. There are these upgrades and these upgrades have to be provided on [audio cut].

**Operator:** Participants are requested to stay connect as the speaker for this call will be joining back soon. Thank you. Sir, you can start with the call. Yes, you are audible sir, please.

**Rajiv Mody:** Primarily the all the Androids opportunities pertain to providing host of the Android on different silicon platforms for some of the leading customers who are shipping these Android tablets and Android smart phones.

**Abir Pandit:** Okay, sir. Could you comment on... since Nokia had said that it won't be shifting suddenly from the use of Symbian to Microsoft but it would take a little time. So, do you think the existing phones probably would still be using Symbian or would the entire platform be changed to Microsoft?

**Rajiv Mody:** What Nokia had said very clearly is that for this year they will be shifting Symbian phones and going into the next calendar year is when they will start looking at Windows 7 phone. But from our perspective, what we are hearing from Nokia is that, the phones that we are engaged on today, they expect us to continue to work on those phones. But nevertheless we are preparing contingency plan to retrain our engineers into other areas so that basically we can address some of the new opportunities.

**Abir Pandit:** Okay. Thank you, sir.

**Operator:** Thank you, Abir. The next question is from Abishek. Abishek, your line is unmuted. Please ask your question.

**Abishek:** Hi. Just a couple of follow-ups. So, Rajiv, correct me if I am wrong. Did you mention that even if the entire Nokia revenues go away, you will still be able to maintain margins next year?

**Rajiv Mody:** Yes. Let me give more clarity on what I meant. First of all, we do not expect and believe that the entire Nokia revenues will go away because we worked with them on their S40 platform as well as on their Symbian platform. For this year, during our planning progress, we have factored in that we will see a drop in our Symbian revenues and that we will de-vector into other areas. So, having said that, if - and I believe the signal is coming so far from Nokia are that they expect the current engagement which will go on until sometime in June to continue and then part of it may continue in the second half also. And when I say second half, it is the calendar second half. I do not expect that there will be a significant change in this. However, we are kind of doing an analysis and planning ourselves to ensure that we proactively take steps to mitigate any eventuality. Now, coming back to your question that if I get a mail that all 25 (Must be clarified that as pointed earlier that this is not with reference to any specific customer) is gone today, then it is pretty obvious that we will not be to

meet our EBITDA margins because we can't replace 25 million in our revenues overnight. It will take us sometime to do that. But that is more of a hypothetical situation and a dooms day scenario, but if that thing happens I am pretty confident that we will not meet the numbers.

**Abishek:** Fair enough. Okay. And just to follow up on the same thing, we don't have any contracts which entail us payment for Nokia for early termination of our project side?

**Neeta Revankar:** It is very difficult for us to comment on customer contracts like this. I don't think it is appropriate.

**Abishek:** Okay, and lastly on the guidance side, I know you are saying that it's a little difficult for you and which is fair, but if I look at your customers, I guess apart from Nokia I think the rest of all are reporting record earnings, right? So, what is holding you back from saying that those customers haven't yet decided on the quantum of spending they are going to do for the next one year?

**Rajiv Mody:** We are not saying that we have not decided. We are working with those customers and we have made up for many of the revenues that we lost by growing with these customers. So, I think over all we have seen demand with the existing and the new customers that we have added over the last four to six quarters. We continue to add new customers. As matter of fact, we have 116 customers at the end of quarter four. We added I think 16 new customers during the quarter and we are working with them to see how we grow with them. So, I think we are reasonably broad based in that segment, one.

Two, we are, like I told you, going into the newer areas simultaneously for us to kind of manage some of these churns more efficiently and effectively. We definitely are focusing on that to see that and we have made progress on that also.

**Abishek:** Okay, thanks guys.

**Operator:** Thank you, Abishek. Participants, if you have a question, please press "0" "1" on your telephone keypad. After you are announced, please ask your question. I repeat, if you have a question for today's speaker, please press "0" "1" on your telephone keypad. The next question is from

Harpreet Batra. Your line is unmuted. Please ask your question.

**Harpreet Batra:** Hi, I wanted to understand the difference between the consolidated and the standalone earnings. Is the process items subsidiary?

**Neeta Revankar:** That is correct.

**Harpreet Batra:** Okay. This will be the Mexico and Finland subsidiaries, is it?

**Neeta Revankar:** That is correct.

**Rajiv Mody:** That is correct. All the others subsidiaries that we have.

**Neeta Revankar:** Sasken standalone profits are larger. SNEL has been profitable. Mexico, Finland, China, Japan may be showing some marginal losses.

**Harpreet Batra:** Okay. So, will any of these subsidiaries break even very soon?

**Neeta Revankar:** That is the idea. Right? Over a planned period of time, either they turn profitable or we figure out what we need to do going forward. We have been taking actions. So, for example, when we thought that Mexico was not going to remain profitable, we ramped down the size.

**Harpreet Batra:** Okay. So, do you have any budget plans for this year for the subsidiaries?

**Neeta Revankar:** Could you please repeat your question?

**Harpreet Batra:** Do you have any planned budgets for these subsidiaries for this year that you can share with us?

**Neeta Revankar:** Sorry, not that we can share. None of our budgets we really are sharing with investors. But, yes, we do have. Just as we manage India with different budgets, we do have budgets for each of our subsidiaries.

**Harpreet Batra:** Okay. And on utilization, I wanted to understand if there are plans to increase the utilization or maybe add some head count, make some campus offers, if you could give an indication on that?

**Neeta Revankar:** The question is, are we planning to improve utilization? Yes, definitely, we will look at it, raising utilizations from the current level.

**Harpreet Batra:** Okay.

**Neeta Revankar:** Are we looking at hiring? Yes, we are right now hiring. We are hiring both freshers and laterals and that continues.

**Harpreet Batra:** Okay. So, what is the hiring target for this year?

**Neeta Revankar:** No, as we mentioned, there is no guidance. So, we will be looking at the dynamic situations in the market and making our calls.

**Harpreet Batra:** Okay. That is it from my side. Thank you so much.

**Rajiv Mody:** Thank you.

**Operator:** Thank you, Harpreet. The next question is from Nihar Shah. Nihar, your line is unmuted. Please ask your question.

**Nihar Shah:** Hello, sir. I just had a couple of questions. We have talked so much on the Symbian platform. Can you just give me an idea in terms of from quantitative - what percentage or proportion of your revenue actually comes from Android platform and what is the outlook on that?

**Rajiv Mody:** I can't kind of give you because that will kind of give information which our competition would be looking for. I can't give you what is the amount of revenue but I can tell you that over the last three quarters we have seen increasing trend on the Android and we are actually serving that space like I [] mentioned quite effectively where many of the upgrade platforms and the products around that have kind of got launched in the market place. Having said that, it is not so difficult for us to retrain folks who have Symbian know-how and all in to Android. As a matter of fact, we have shown that transformation can happen in the matter of three to four weeks' maximum.

**Nihar Shah:** Sure, and in terms of growth in the work that you do in that platform, is the growth significant or you haven't yet sort of reached kind of a tipping point in that?

- Rajiv Mody:** I think initial indication shows that it is decent. However, just to caution you it is also dependent upon the rate at which Google launches or releases their few versions of operating systems. There could be a delay. Because of that, then we could possibly get impacted also but otherwise our relationships with semiconductor companies is very strong and we do serve their tier-1 as well as tier-2, tier-3 customers when it comes to helping them launch the versions of Android on either existing or older platform based on which they want to bring the product out into the market.
- Nihar Shah:** Sure. Sir, also can you give us a little bit of your outlook on the products space of the business? Obviously you had at one time last quarter which affected the growth rate, but we have seen about 12 to 15 crores sort of quarterly run rate post the acquisition of Ingenient. Do you expect next year to maintain that same level of revenues growth?
- Rajiv Mody:** I think that one-time license was definitely something which has helped but overall also I think from previous year to last year we saw a good growth in our products business because of the kicking on royalties on the past deals that we had signed particularly on the protocol side. We do continue to sign up on newer deals which are royalty bearing on the multimedia side. But, like I said, a lot of it is... the revenue is the function of the products sale and the date at which they are launched in the market and the volumes and all. It is hard for us to make an absolute prediction but expectation is it should maintain itself at these levels of approximately 1.8 to 2 million a quarter.
- Nihar Shah:** Okay. And my last question is again on utilization and attrition. Given the fact that your attrition rate still remains quite high, is that being a limiting factor for you to pick up your utilization rates in some way?
- Neeta Revankar:** Yes, it has because it is very difficult for us to replace the people that are leaving one on one. Yes, it has impacted in some way.
- Nihar Shah:** Okay. Given that your attrition is so high, would that sort of mean that you would have to give significant either salary increases or in some way reduce that so that you can push up the utilization lever.

**Neeta Revankar:** Actually there are a number of actions that have been ongoing for the last couple of years itself with the view to increasing retention. That will continue and yes it has intensified over the last few quarters. But that apart, I think the other thing that we are also doing is strengthening our training engines so that we have the capability to manage this better and step up our utilization even by strengthening out training.

**Nihar Shah:** Great. That is all from my side. Thank you so much.

**Operator:** Thank you, Nihar. The next question is from Shekhar Balia. Shekhar, your line is unmuted. Please ask your question.

**Shekhar Balia.** Hello. Good morning everyone. Just a few questions. One is, is it possible for you to give a capex number for FY12? Or something which is started here and you probably would continue also, maybe that number more visible?

**Neeta Revankar:** Yes, I think a year that this got over we did about 11 crores of capex. We expect capex to be at similar levels for the coming year too.

**Shekhar Balia:** Okay. The other thing is in terms of... if you can highlight when you are adding more and more investments now with Nokia certainly the focus is more on diversifying the client base. Would you be further ramping up on the sales side? I mean, there has been some increase on certain expenses but would there be further investments into sales?

**Rajesh Rao:** Hi, this is Rajesh. Yes, we are certainly making further investments in the sales function. Among other things, it will translate into headcount additions in the sales function. We are improving sales coverage in all our key regions so that we can not only grow on existing accounts but also diversify the client base.

**Shekhar Balia:** Okay. The other thing which I wanted to understand in terms of onsite, offshore mix given that I think earlier we have been saying that offshore will certainly increase going ahead further. But given that, adding more and more new clients, would it be like initially there would be a bit of an onsite push before things start coming offshore?

**Rajesh Rao:** Yes, it is really hard to link one and the others. Right? It depends on the nature of the engagements and a couple of

other variables. To link acquisition of new customers that I have just described to an onsite-offshore mix is probably too much of a stretch. But it is possible that certain engagements do have an onsite component.

**Shekhar Balia:** So, given the uncertain scenario, onsite-offshore more likely should be maintained at current levels?

**Rajesh Maniar:** Yes.

**Shekhar Balia:** Okay. And just one more thing. Also would it also be fair to assume that hiring will be more on laterals because since it would be difficult for us to ascertain need and demand immediately and no plan for fresh hiring, it would be more of lateral hiring during the year?

**Neeta Revankar:** Actually our hiring has been more of laterals as compared to freshers for years now. So, that trend will continue.

**Shekhar Balia:** Okay. And this year we had this significant impact on the balance sheet for the business restructuring. Nothing like that on Mexico front or something else would be... or is something like that expected?

**Neeta Revankar:** Actually it is very difficult to predict what is going to happen in the future, but what I can tell you is that for actions that have already happened like Mexico and something like that, there is no further impact left to come in the financials. If something happens in the future and we are required to take some risks, that is a different matter. It's very difficult for us to predict today.

**Shekhar Balia:** Okay. Thanks a lot. Thank you very much.

**Operator:** Thank you, Shekhar. The next question is from Ravi Kant. Ravi, your line is unmuted. Please ask your question.

**Ravi Kant:** Hi Rajiv, just one question. Can you give us an update on the Sasken's phone customer that is in March end?

**Rajiv Mody:** What update would you like to hear? I mean, they are shipping those phones in good volumes and that product is extremely successful. We are in conversations for follow on. We were expecting that to close little earlier but it is taking longer. However, right now enough signal to give us

the confidence that the next generation device activities could possibly start sometime in this financial year.

**Ravi Kant:** Okay. Thank you, sir.

**Operator:** Thank you, Ravi. Participants, I repeat, if you have a question, please press "0" "1" on your telephone keypad and wait for your name to be announced. I repeat, if you have a question, please press "0" "1" on your telephone keypad and wait for your name to be announced. Thank you. The next question is from Dhananjay Mishra. Your line is unmuted. Please ask your questions.

**Dhananjay Mishra:** Good morning to all of you. Just one question about this APAC region, how this region is doing? Like, we have seen some growth happening in this quarter. So, we understand the Europe market is flourishing. So, can we see any possibility of ramp down in this region also?

**Neeta Revankar:** Actually, if you are talking about the decline in revenues from Q3 to Q4 in the APAC region that is largely on account of the licensing revenues that we got from our product business in quarter three. So, it is not as if we are seeing any decline in the APAC region. Services revenues from the APAC region are stable.

**Dhananjay Mishra:** And how is Japan subsidiary doing? That centre is operational or...?

**Neeta Revankar:** It is operational but it is pretty small right now and we are expecting it to grow in the coming years.

**Dhananjay Mishra:** Okay. And this quarter we didn't have any amortization. So, can we expect for next year you will amortize some methods?

**Neeta Revankar:** Actually the amortization that you saw in the previous year was the result of the US company that we acquired in 2009. That has been completely amortized.

**Dhananjay Mishra:** Okay. So, in FY12, we won't have any amortization?

**Neeta Revankar:** Very difficult to say whether we will have some amortization in the future, but as of now there is nothing that we believe needs to be amortized.

**Dhananjay Mishra:** And the tax rate we have guided, I believe, at 25%-26%. Right?

**Neeta Revankar:** It will be in the range of 20% to 25% effective tax rate.

**Dhananjay Mishra:** Okay. That is all from my side. Thank you.

**Operator:** Thank you, Dhananjay. Participants, I repeat, if you have a question, please press "0" "1" on your telephone keypad and wait for your name to be announced. Thank you.

At this time, there are no further questions from the participants. I would like to handover the floor back to Mr. Mody. Over to you, sir.

**Rajiv Mody:** Thank you all once again for joining in on the call. If there is any news that we think we will need to share with you based on the dynamic environment we are operating in, you can be rest assured that we will come back to you immediately. Once again, thank you, and look forward to seeing you again at the end of the first quarter.

**Operator:** Thank you, sir. Participants, with this we conclude the conference call for today. Thank you for your participation. Have a pleasant day ahead. I request you all to please disconnect now. Thank you.