



## “Mahindra Satyam Q2 FY13 Conference Call”

**October 30, 2012**

**MANAGEMENT: MR. CP GURNANI – CHIEF EXECUTIVE OFFICER,  
MAHINDRA SATYAM.  
MR. VASANT KRISHNAN – CHIEF FINANCIAL OFFICER  
MR. RAKESH SONI – CHIEF OPERATING OFFICER  
MR. HARI THALLAPALLI – CHIEF PEOPLE & CM  
MR. SRIRAM PAPANI – HEAD ENTERPRISE BUSINESS  
SOLUTION  
MR. VIJAY RANGINENI – CEO MAHINDRA SATYAM BPO**

**Moderator**

Ladies and gentlemen good day and welcome to the Mahindra Satyam Q2 FY13 Earnings Conference Call. As a reminder for the duration of this conference all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing \* and then 0 on your touch-tone telephone. Please note that this conference is being recorded. At this time I would now like to hand the conference over to Mr. Kapil Loona, thank you and over to you sir.

**Kapil Loona**

Thank you Myron. I am Kapil Loona from Mahindra Satyam's IR Team and it is my pleasure to welcome you all in our Q2 FY13 earnings conference call. We have with us today Mr. CP Gurnani – our CEO, Mr. Vasant Krishnan our CFO, Mr. Rakesh Soni our COO, Mr. Hari T – our Chief People and Chief Marketing Officer, Mr. Sriram Papani – Head Enterprise Business Solution. Mr. Vijay Rangineni – our CEO Mahindra Satyam BPO, along with some other members from the management team. Before I hand over this conference, I would like to remind you that we do not provide any revenue or earnings guidance. Anything discussed on this call which reflects our outlook for the future or which can be construed as a forward-looking statement involves risks and uncertainties due to which the actual results may be different. I now hand over the conference to Mr. CP Gurnani for his opening remarks. Over to you sir.

**CP Gurnani**

Thank you ladies and gentlemen for joining this quarter two earnings call. I am happy on behalf of 37,000 associates which are feeling very good after Mahindra Satyam's quarter two financial results. The company has clocked \$354 million, EBITDA is about \$76 million. Overall we have seen a healthy growth particularly in Americas and Europe. The reason for us feeling satisfied is not only because of the revenue and the healthy performance on the EBITDA front but it is really reaffirmation of our own belief that if we stay close to our existing customers our own belief that our service offerings particularly around in NMACS are differentiated, NMACS if you recall we had shared with you that it is our strategy around network, mobility, analytics, cloud and security services. Our continuous focus on operational efficiencies has yielded good results. We are conscious that the global markets continue to be volatile, while there are indications that certain parts of the markets are settling down but overall we do take into account slower growth rates, we take into account issues around the Euro zone. We are also conscious that our customers continued to be impacted by slowdown in China, India or a relative slowdown in public sectors spending and if our customers are going to be cautious it only helps that we are cautious and that's why you would always hear from us that we are conscious of about any spending including hiring.

Our consolidated revenues are up about 3.5% quarter-on-quarter. Our EBITDA margins are at 21.5%. We have absorbed a wage hike during the quarter. Our PAT for the quarter is 278 crores. My colleagues Venkant Paturi, Arvind Malhotra and Lakshman are on the call. They obviously are the flag bearers of the company for the US market. They have demonstrated 4.4% quarter-on-quarter growth in America. Europe has done well, they have shown 4.2% quarter-on-quarter. Manufacturing and BFSI have lead the growth with over 5.5% quarter-on-

quarter. Six marquee customers were added in quarter two. One Fortune Global 500 company, three Fortune US 500 companies, two Forbes 2000 companies. Again to repeat deal flow is good but decision cycles are little longer and uncertain also.

Similarly on the merger front if you would recall I had indicated in our earlier earnings call that when we announce a merger we were looking at the most optimistic scenario of November 12 and a reasonable scenario of March 13. As far as all regulatory processes are concerned we are ahead of schedule. We have a last penultimate one procedure left which is the Andhra Pradesh High Court approval and the AP High Court Hearings have not begin as yet, so as soon as we have some visibility from them I can say is that we would know an exact or an approximate date on how we stand on merger. Our integration plan and the task force that we had set up to look at the integration are working smoothly. Virtually, within the ambit of law with the ambition of being having two public companies wherever it is possible particularly on go to market, particularly on service offerings we are virtually collaborating together.

In general, we have had a good quarter, we have also won a few accolades, we won 2012 Frost & Sullivan Award for best practices. We won awards on innovation. Our aerospace practice particularly modeling simulation and visualization was rewarded in one of the conferences in Las Vegas. We continued to invest in the platforms. We launched the platform on apparel and fashion, motor vehicles, enterprise solutions, connected vehicles, retail enterprise information management system and around health insurance exchange. So, overall I can say is that we will continue to make investments both in competency development and infrastructure. Today the board has authorized 500 crores expenditure over the next 18 to 19 months for building new infrastructure in Vizag, Bhubaneswar, Nagpur and to augment my capacity in Hyderabad and Chennai. So, obviously it not only shows our commitment towards business but it also shows that we are developing our tier 2 cities like Bhubaneswar, Vizag and Nagpur. I am going to now request Vasant Krishnan to take us through how the trajectory is yielding and how is that converting into results and he will help us to analyze the results a little better. Over to you Vasant.

**Vasant Krishnan**

CP thank you. I am sure most of you all have had an opportunity to go through the numbers but let me take this occasion to take you through some of the key highlights. Our dollar revenue now stands at 354 million at the end of quarter two up from 342 million that's a quarter-on-quarter growth of 3.5% which is largely lead by volume expansion of IT services by around 2.8% and infrastructure projects contributing to the rest. As CP has already remarked this was a wage hike quarter but despite that we have absorbed the wage hike in our EBITDA and the EBITDA stands at 21.5%. Wage hikes actually took away around 100 bps from this but because of the efficiency that will manage to squeeze on sub-con, visa, travel we were able to cushion the adverse impact of the wage hike.

Spending a few moments on other income you would have noticed that in this quarter our other income is not at all significant and that is because of the fact that while our interest dividends and other non-operating income stood at 86 crores this was neutralized by the

impact of foreign exchange translation and hedge. Turning to our hedge book total contract outstanding as at quarter two stood steady at around \$204 million that translates approximately to around 25% coverage over a two year period with a near term bias and this is more or less consistent with our hedging policy over the past several quarters. Average strike rate of the hedge book is 55.33.

Effective tax rate for this quarter is down to 25% and that is because we have factored in the increased business and profits that the SEZs have now started generating. Capital expenditure in this quarter was around 32 crores. We added 896 seats in this quarter. Consolidated DSO during unbilled for the quarter was down at 92 days as against 95 days in the previous quarter. And lastly turning to our cash position, our cash into the liquid investment and fixed deposits as at the end of quarter stood at 3,062 crores. So, the sum up I would say it was the quarter we demonstrated steady stable growth. We had a 3.5% top-line growth and managed to eke out an operational efficiency to off set the adverse impact of the wage hike so as to maintain our EBITDA margin at 21.5%. I will now open the floor for questions.

**Moderator**

Thank you very much sir. We will now begin the question and answer session. Our first question is from the line of Srivatsan Ramachandran from Spark Capital, please go ahead.

**Srivatsan Ramachandran**

I just wanted to get some commentary on the deal closures during the quarter because one of the third party consultants were speaking high terms regarding the kind of deal closures of Mahindra Satyam and I just want to know how could it be possible for you to give some color on the kind of deal closures may be this quarter or at least if it is too granular may be how first half of this vis-à-vis the second half of FY12 was?

**CP Gurnani**

I think again from a deal closure perspective Mr. Ramachandran just to highlight ticket size has started going up for us. Large regulator in Singapore, oil and gas major in US, a large retail store in Europe, all three have signed large deals with us in the previous quarter. My deal flow is both from a ticket point of view and from a volume point of view is much higher at this time of a year than I had in the previous year but considering the volatility in the market and overall what we have seen is that the decision time cycles at least for where we are contesting the deal cycle is a lot longer and in certain cases uncertain so between the first half and the next half I mean I definitely see a bit of an improvement at the same time particularly the US customers, I mean at least few of them have declared a post vacation in December so I can only say is that the economic environment is not only tough for our customers but it is tough for the customer's customers also so we need to calibrate as per our customers movement. In general I would say is that my mood has not changed over the last three quarters, it is very, very cautious and it is also optimistic.

**Srivatsan Ramachandran**

We have had solid performance in the manufacturing vertical, so just wanted if it would helpful if you could just give us some color in terms of the service offerings wherein we are seeing decision traction within the manufacturing vertical.

**Lakshman Chidambaram** I think the fundamentals from our perspective on manufacturing is extremely strong, so if you look at the whole story, CP spoke any NMACS right, riding on NMACS and looking at the whole chain converting an art to a part from a part to manufacturing and from manufacturing right through the entire product lifecycle chain, that is an area strength where not being arrogant very few of our competitors can match us, not just us but the power of one that is Mahindra Satyam, Tech Mahindra and the overall Mahindra Group. So, the ability to bring all these together and provide in two ways an entire end-to-end solution where we could take up a process and run it end-to-end for example for a large auto major, we are going to design the next generation warranty system, which will take them much ahead of the market, which will improve dealer satisfaction, which will cut 20 million of their cost. So, today we are talking a different language altogether and in order to keep this answer brief I think it is this power of one bringing all of these together that's helping us see an increasing traction with existing clients and a very strong pipeline to follow as well.

**Srivatsan Ramachandran** We have seen a decent improvement in tax rates, are these the kind of rates we can gain of extract for remain of FY13 and FY14?

**Vasant Krishnan** Take around 25% to 27% as a range going over the next four quarters.

**Moderator** Thank you. The next question is from the line of Ashwin Mehta from Nomura, please go ahead.

**Ashwin Mehta** Just few questions first on, on our personal expenses they have gone up only by around 1% sequentially despite a wage hike so is the full impact to the wage hike there in this quarter or there is some pending impact in 3Q as well?

**Vasant Krishnan** No, the full impact of the wage hike assurance come in this quarter. One of the reasons you may be optically are seeing a slightly lower delta because of the fact that we have also managed to as I said in my opening remarks, squeeze out some sub-con efficiencies because there were some movements of subcon from onsite to offshore that resulted in a little bit savings for us and plus there were some optimizations that we have done in the overall subcons that has resulted in a lower delta but the full impact of the wage hike has come in this quarter.

**Ashwin Mehta** Second question is on our interest income and non-operating income, if you can breakup that because our interest income plus non-operating income was close to 86 crores this quarter.

**Vasant Krishnan** Yes, so 86 crores was the income, the interest on fixed deposits, dividends on your liquid mutual funds and a small sale coming out of other non-operating and around 80 odd crores was the loss on ForEx, translation including hedge losses.

- Ashwin Mehta** Basically, I was getting to the point that last quarter our interest income was close to 60 crores this quarter, this appears to be significantly higher despite not a material change in cash so was the non-operating income substantial in this quarter and what was the order of that.
- Vasant Krishnan** Non-operating income had also marginally moved up but our interest income also factors in interest not only from our deposits but also from our inter-corporate deposits you can take that also into account.
- Ashwin Mehta** But would it not be possible to break that up in terms of what's the interest plus the dividend portions out of 96 crores?
- Vasant Krishnan** Very broad level of interest and dividends together were around 65 odd crores and non-operating income was around 20 crores.
- Ashwin Mehta** And just lastly we have seen a sharp drop in our depreciation in this quarter, which is closer to the run rates that you had in 4Q, so do you expect this to be the steady run rates in terms of percentage of sales?
- Vasant Krishnan** Let me give you the reasons and then you can draw your conclusions Ashwin. Two reasons, one is because of the fact that as per policy certain intangible assets we write off in the month of purchase or the quarter of purchase so if that spikes up or down you will see that same similar spike in depreciation. The second reason is some of our assets like plant and machinery are depreciated over a shorter period of time and if they have exceeded or it come to an end of their useful life as they did last quarter then you feel that not within in the next quarter, but broadly it will be within this range, they are planned additions to our building but again buildings are an item of assets which does not have a very significant depreciation charge.
- Ashwin Mehta** And these 500 crores expenditure which is planned on new infra, what period does this pertain to or what period do you expect this expenditure to be incurred?
- Rakesh Soni** The bulk of this would be incurred over the next 12 months but some part of it will spill over 18 months
- Moderator** Thank you. The next question is from the line of Sandeep Shah from CIMB, please go ahead.
- Sandeep Shah** Just first question is in terms of the deal pipeline as Gurnani said that the ticket size is going up so can you share a range in terms of what size of deals we are now getting invited or bidding for the same?
- Hari Thallapalli** I don't think the size has dramatically changed, I would say that the number of deals where we have been inviting and winning is starting to show its traction. The deals continued to be in 30 million upwards when it comes to the large deals otherwise they all operate anywhere between 7 million to 15 million for some of the regular deals.
- Sandeep Shah** So, you mean to say the win ratio has also gone up for Satyam.

- Hari Thallapalli** Yes, clearly both the invitations have gone up as well as the relative success rates have gone up compared to what it use to be a year ago, very clearly that's moving seeing traction.
- Sandeep Shah** And this is even seen in the mature markets of US – Europe?
- Hari Thallapalli** Yes, both in the mature markets as well as in some of other emerging markets clearly it is happening. I think the point is that the number of deals we are participating in and therefore the pipeline is also looking relatively strong.
- Sandeep Shah** The next question is the key vertical manufacturing which has been doing well for Satyam, do we believe this momentum may continue with election going on in US and there are some fiscal issues at the end of this calendar year so do you believe there could be some kind of a volatility in the growth going forward.
- CP Gurnani** I mean volatility is built in so we have started assuming it is hygiene and I think we are seeing a trend, I can only request Arvind to share one of the examples like we did a major Oracle ERP implementation for one of the manufacturers who is investing billions of dollars in to white goods.
- Arvind Malhotra** Right, so we have a large customer and they have legacy systems in their portfolio and as they expand and build out a lot of domestic market they needed help in an ERP implementation then we were able to successfully deploy for them in couple of locations and we have to roll it out in 2013 in the rest of the locations and to add to that I think there are certain segments and manufacturing that have a lot of uptake irrespective of the elections so if you look at the oil and gas segment while we may classify it as energy, there is oil field services that's primarily a manufacturing base there and they are investing a lot in systems and so we see a lot of growth in many of these areas in manufacturing as a whole. There are certain pockets that will see a slowdown but by and large the manufacturing space that we play aerospace and defense oil and gas, there is a lot of hyperactivity right now.
- Sandeep Shah** And just on terms of margins like the first half where the rupee dollar has more or less remained same in the first quarter as well as second quarter. Do rupee is now just getting into appreciation more so do you believe still we have a tailwind at a particular level of rupee appreciation to manage the headwinds from the rupee.
- Vasant Krishnan** We believe that the trading range is now between 52 to 54 and this is just a call. Structural issues continue to remain inflation fiscal deficits, current account deficits and may be we are seeing a new range of 52 to 54, so thus lead two points, one is that we are monitoring the situation fairly closely both in terms of our hedging policy and what we need to do to manage this risk. So, we could not believe that at this stage at least in the near term there could be a significant depreciation unless if you are going to see a whole lot of investments coming in that would take the dollar down to even say 50, I would say 52 to 54 rupee is the new normal.

- Sandeep Shah** And within that near term you believe we have tailwinds to manage the margins at the current levels?
- Vasant Krishnan** Yes we believe so.
- Sandeep Shah** Can you share the employee pyramid less than three years employee composition?
- Hari Thallapalli** We are currently at about approximately 32% for zero to three years in the company and it has not moved significantly from the previous quarter. But definitely it is a reasonably good movement from where we were last year in the same time, it is about 27 or so at that time. So, we continued to induct freshers into the team on a need basis so that's where we are now.
- Sandeep Shah** And just last question on the subcon contracted cost like for peers it has been moving up on a Q-on-Q basis for Satyam, this cost line has come down by 120 bps Q-on-Q so do you believe at this level we can manage or this can further go up going forward?
- Vasant Krishnan** We would look at subcon and employee cost together so the way I would look at it is can we manage to retain the percentage of 64% - 65% of revenue, we certainly believe we can. There are certain levers that we can still continue to push here to optimize on employee cost, optimize subcon cost and we remained confident and cautiously optimistic that we would be able to manage these costs within the levels that we are at.
- Sandeep Shah** And just Vasant last question is despite the DSOs to some extent has come down in this quarter and margin has also remained more or less flattish. The cash balance have not gone up so largely the reason is the inter corporate deposit?
- Vasant Krishnan** That's correct.
- Sandeep Shah** Can you share the amount which has gone out through inter corporate deposit.
- Vasant Krishnan** 250 crores.
- Moderator** Thank you. The next question is from the line of Divya Nagarajan from UBS Securities, please go ahead.
- Divya Nagarajan** Just adding on to the subcontractor discussion that you had earlier. You did mention that you have kind of optimized this by moving people from onsite to offshore. Typically, we have seen that subcontracting tends to kind of the more onsite centric as your new deals also start picking up, do you expect to realign this back in favor of onsite in the next few quarters?
- Vasant Krishnan** We will have to deal with this Divya on a case-by-case basis if the projects are such that we need onsite subcons we will have to deal with this as onsite subcon but the constant endeavor will always be to increase the proportion of off-shoring I mean that's the way we are going ahead. But if we have to start off with an increase onsite present then we will do that, when we

take up a deal and we price the deal we will always look at the fact that may be we will have to do a little bit more of onsite resources at the initial stages of project.

**Divya Nagarajan**

And I think CP and Hari you also talked about an improved deal wins in the last few quarters especially from the Fortune 500 and the Global 1000, could you give us a sense of who you are winning these deals against, are you winning deals against multinational incumbents or are you also going up against some of our competitors from India, could you just give us some color on that?

**Hari Thallapalli**

Sure Divya I mean as I said it is just at the same deck of about eight or nine names in the industry both Indian and some of our global players. You could say that one of those eight or nine names or sometimes two or three out of those eight or nine names are in the down listed final stages so I could say that you name the key players we are pretty much competing with them. In some cases of course we are displacing them, in some cases we are adding on or we are becoming an additional partner in the process so I would say it is more like in about 60% of the cases or so we are becoming add on partners and in 40% of the cases or so we are replacing some of the income and vendors.

**Divya Nagarajan**

Could you just separate out the recent acquisitions, some revenue contributions that you had this quarter and secondly, where do you see SG&A leverage headed for the rest of the year, do you believe that there is further juice to be squeezed out of SG&A leverage in terms of budget performances there?

**Vasant Krishnan**

First question, no acquisitions in the revenue this quarter. We would recollect that last quarter we had already taken the benefit of the customer so this quarter there has been no acquisition lead revenue fitting in our top-line. SG&A is around 15% and I think we are nearer at the end of the journey here than the beginning, so yes there is always a hope to squeeze out more efficiencies but it certainly is not going to come at the cost of growth.

**Moderator**

Thank you. The next question is from the line of Sandeep Muthanji from IIFL, please go ahead.

**Sandeep Muthangi**

I wanted to ask a question on client mining. For quite some time Satyam's account mining has been quite robust. Given the general sense of slowdown I wanted to see if you are seeing any headwinds from your key accounts probably due to any reduction in budgets, etc. or do you think that your wallet share is still small and you can continue to grow pretty fast within these accounts?

**Venkat Paturi**

I think we are not seeing basically any decrease from those key customers, if you look at our top 30 accounts we are seeing robust growth that continue to happen. In one of the customer faces some of the large deals it is taking a longer time but overall growth is unaffected.

- Sandeep Muthangi** And question on the other end given that you have been investing in large account teams , etc., and also you are also seeing some traction. Due you think this could start contributing materially revenue growth especially new client, new deals and that part of the story?
- Hari Thallapalli** Well, see I do not want at this stage sound optimistic to give you any indication of how things would go. Clearly, as you can see and as you have heard in the past few quarters we continued to have a confident body language in terms of what we are seeing and what we are able to convert. If we are able to sustain this I presume we should be able to turn around even better results but clearly the outlook like CP said there is a sense of confidence but we are approaching it with caution and our recent win rate gives us a feeling that we can afford to push even more aggressively Sandeep that's where we are.
- Sandeep Muthangi** If I could squeeze in just one question on the margins. Margins have been I would say surprising for quite some time now and even this quarter it has been fairly strong. I would like to pick your brains on any one or two big levers that you still think can give you considerable leeway in terms of either offsetting the headwinds from some of these currency related factor or continuing to improve the margins, do you think there are one or two big levers that Satyam still has or do you think that you are more towards the end of the journey in most of the margin levers?
- Vasant Krishnan** I mean it is not going to be as dramatic as we have seen in the past quarters, but yes there are always levers that we can push and one of the things that readily comes to mind is our talent pyramid which is still as on 32% - 33% so there is still some scope there so as we keep expanding and as we build as a bottom, there is still some scope to push that lever. Also scope as we go ahead may be we could still look at some more rationalization of our G&A expenses, but like I said that is more towards the end of that journey and utilization is another metric that we closely monitor.
- Moderator** Thank you. We have the next question from the line of Vishal Desai from Violet Arch, please go ahead.
- Vishal Desai** Just wanted to get a sense in terms of what was the wage hike given during the quarter for offshore and onsite?
- Vasant Krishnan** 6% for offshore, 1.5% onsite.
- Moderator** Thank you. The next question is from the line of Rahul Jain from Dolat Capital, please go ahead.
- Rahul Jain** The total provision amount which we have made for this taxation is being moving so can you help me how we are computing this provision because as there are several irregularities and dispute on the tax demands?
- Vasant Krishnan** The provision for tax for the current quarter has got nothing to do with the disputes of the tax authorities that pertain to prior years that's the first point. So, as far as the provision for tax for

the current quarter is concerned then I mean it is business as usual and we would factor in all the exemptions are available to us which is notably due to SEZ and then we arrive at the tax provisions for the quarter. Tax provisions pertains to completely different set up assessment years from 2002 – 2008 under the previous management.

**Rahul Jain** So that changes which we are seeing is 7.2.3 schedule is only related to the regular quarterly tax provisions?

**Vasant Krishnan** That's correct.

**Rahul Jain** Okay and this commentary on the Bombay High Court, can you express little more does that mean that it is cleared from Bombay and it is only left for AP Court's approval?

**Vasant Krishnan** That's right so the Bombay High Court has cleared the proposal, the AP High Court is yet to commence its hearing.

**Moderator** Thank you. The next question is from the line of Hardik Shah from KR Choksey, please go ahead.

**Hardik Shah** Sir, your other operating expenses has increased by 13% quarter-on-quarter to 290 crores. There was any onetime item in that?

**Vasant Krishnan** Yes, so that has been reflected even in the revenue right so some of our system integration deals which involve purchase of hardware has got a top-line as well as an OPEX line impact so some of the increases that you see reflect the cost of the hardware and equipment that has been purchased.

**Hardik Shah** Can you quantify I mean because of the increase in the hardware and equipment cost?

**Vasant Krishnan** The top-line it was around a percent.

**Hardik Shah** And sir your utilization is going to be at 77% including trainees, do you see any scope to improve the same in coming quarters?

**Vasant Krishnan** Of course it is a metric, like I answered the previous question the metric that we closely monitor and there is always scope to improve that metric further.

**Hardik Shah** Sir, any target for you like may be 80% plus or something like that what is your target range?

**Vasant Krishnan** We do not want to give a target, but it is something that we closely monitor all the time and we will always endeavor to push that lever.

**Moderator** Thank you. The next question is from the line of Pinku Pappan from Nomura, please go ahead.

**Pinku Pappan** Could you talk about some of the demand trends you are seeing in the other two verticals BFSI and TME vertical?

**Lakshmanan Chidambaram** Yes, in banking and financial services we have seen a robust growth and especially in the emerging payment space new trends are emerging and with strong NMACS strategy combining mobility and solutions for the emerging payment space we believe that we are bringing some unique differentiators to the market that is one. And two, our existing accounts in BFSI are showing strong growth and we are continuing to service them not just in their US markets but in their global markets.

**Pinku Pappan** And how about the technology, media and entertainment vertical?

**Venkat Paturi** In the technology sector I definitely see a lot of good potential, the pipeline is very good and in semi-conductor it is also increasing in trend and media entertainment, we have actually some more improvement expected to come in Q3 because the decision cycles have taken a longer time even though pipeline is there some uncertainty as CP was specifying to and hoping that something will change in that direction. Overall in TME I have seen great traction both from existing as well as the new prospects.

**Pinku Pappan** Your deal pipeline do you see any particular trend there, is it kind of weighted skewed towards one particular vertical or is it kind of broad based, what are you seeing there?

**Venkat Paturi** See, in almost all of them where some of the sectors what happened in semiconductors they have not spent lot of money earlier but there are some refreshers that are taking place like we see a lot of people are putting those dollars, especially in infrastructure space I see it is increasing further and in EBS and certain verticals we have seen the growth both from SAP and Oracle perspective so in this vertical I could see engineering service is great in the technology sector so if you see an overall growth is good but each one of them may be looking at certain service offerings but NMACS as CTL has pointed out, it is across our organization we are able to see that traction in almost all the customers.

**Pinku Pappan** You mentioned non-operating income of around 20 crores can you just give us a sense of where that income is arising from?

**Vasant Krishnan** Those would be essentially some spaces, rentals, etc., that we would, some sale of scrap and usual stuff, computer sales and those kind of line items

**Pinku Pappan** And just one more, the 1% growth that came from the SI project that you did is that over in this quarter or you expect some more to come in the next quarter incremental?

**Vasant Krishnan** I would think it is over this quarter unless we get any other new deals that you have that line item.

**Pinku Pappan** This is out of which geography this SI project?

- Vasant Krishnan** Emerging market.
- Moderator** Thank you. The next question is from the line of Ankit Pandey from SBI Cap, please go ahead.
- Ankit Pandey** I was just trying to understand the new deal with the traction you are seeing in the market from the service lines perspective. So, if you can help us to understand where exactly you are seeing most traction in the enterprise business services or is it more an ADM, infra, engineering so if you can just help me to understand and may be rank it if possible?
- Sriram Papani** We are seeing lot of traction on the EBS side and as you could see that there has been a quarter-on-quarter growth of about 9% then followed by infrastructure. The interesting thing is that we are also seeing a lot of combo deals in the sense that this includes infrastructure applications and then of course some of the wrappers like mobility and analytics kind of a thing, so these are the two things I think leading the pack in terms of service lines.
- Ankit Pandey** And just trying to understand Vasant if you can fit in the onsite level has probably been stable for the last two three quarters that we have data for so just wondering going into the next two or three quarters may be if what's the headwinds and tailwinds for margins so where do you see onsite levels heading towards especially view of these new deals that company has been rewarded?
- Vasant Krishnan** Very difficult to put a number on it. It would depend again on how we are able to structure the new deals so may be if we will have some large deals that come through, we could may be possibly see a temporary blip in that onsite percentage going up a little bit before we pull it back to offshore. Like I said the endeavor is always continuously to look at off shoring as much as possible not only as much as possible, as quickly as possible but like I said I mean it is too early to kind of put a number on it at this particular point of time till we have greater visibility on the kind of deals that we actually get and the kind of structures that you are actually able to strike with the client.
- Ankit Pandey** And just a bookkeeping question, can you just give me the freshers numbers for this quarter and the numbers expected for the remainder of the year?
- Hari Thallapalli** This quarter has brought in about 600 freshers is what we have done, probably pretty much will continue that in this quarter also.
- Ankit Pandey** Okay and any offers that you have given out for next year?
- Hari Thallapalli** No, actually we have not gone to the campuses with a large volume. We are targeting about 1500 or so offers for the next year from the campus, we intent to do an off campus based on need later on may be closer to end of this financial year.
- Moderator** Thank you. We will take the next question from the line of Sandeep Shah from CIMB, please go ahead.

- Sandeep Shah** Just a clarification in terms of the SI related revenue has lead to incremental 1% growth so that means the SI related revenue was largely lower by 1% last quarter on an overall revenue basis?
- Vasant Krishnan** We had done some SI revenue also last quarter but they were kind of tapering off so I would think that the delta would be somewhere around those numbers that I have just given you. But it is not that we did not have anything last quarter.
- Sandeep Shah** And just I do agree we do not give a guidance but there were some opening remarks by CP about second-half being slightly better than the first half and first half we had a growth of 3% to 5% on a constant currency so do you believe the holiday season will lead us to impact that this growth rate may not be possible in the third quarter or may be entering into the fourth quarter?
- CP Gurnani** My statement was my deal flow and the pipeline is stronger for the second half. I also said decision cycles are uncertain, now so since we do not give any guidance it is the Mahindra Group policy not to give any guidance and our rules stay within those boundaries.
- Sandeep Shah** Okay and Vasant vCustomer revenue can you give us the absolute dollar amount in this quarter?
- Vasant Krishnan** A tad lower than 4 million.
- Sandeep Shah** Okay and the same was 2 million last quarter, right.
- Vasant Krishnan** That's correct.
- Moderator** Thank you. As there are no further questions I would now hand the conference over to Mr. Kapil Loona for closing comments.
- Kapil Loona** Thank you Myron. I would like to thank all the participants on the call for sparing your valuable time. We will shortly upload the transcript of the call for any queries or doubts, please feel free to reach us, we will look forward to connecting with you again next quarter.
- Moderator** Thank you. On behalf of Mahindra Satyam that concludes this conference.