

Mahindra Satyam Earnings Conference Call

February 14, 2011

Mahindra Satyam Management represented by:

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CP GURNANI – CHIEF EXECUTIVE OFFICER

S DURGASHANKAR – CHIEF FINANCIAL OFFICER

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RAKESH SONI – CHIEF OPERATING OFFICER

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Moderator

Ladies and gentlemen, good day and welcome to the Mahindra Satyam Earnings Conference Call for the quarter ended December 31, 2010. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call please signal an operator by entering * and then 0 on your touchtone telephones. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Ms. Anomitra Bhattacharyya, from Mahindra Satyam. Thank you and over to you.

Anomitra Bhattacharyya

Thank you, Melissa. Good morning and good evening to all the participants on the call. I am Anomitra from MSAT IR and it is **my pleasure to welcome you in our** Q3 FY11 earnings conference call. We have with us today Mr. Vineet Nayyar, Chairman, Mahindra Satyam; S Durgashankar, our CFO; Mr. Rakesh Soni, our COO; Atul Kunwar, President – Global Operations; Vijayanand Vadrevu, Head - Strategic Initiatives; A.S. Murthy, our CTO; Vijay Rangineni who heads MSAT BPO and Hari T, our Chief People and Chief Marketing Officer 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 must be viewed in consumption with the risks that the company faces. We have outlined these risks in our results press release dated 14 February, 2011 which is available on our company's website mahindra.com. I now hand over the conference to Vineet for his opening remarks.

Vineet Nayyar

Good morning, good evening, ladies and gentlemen. It gives me great pleasure in welcoming you all to this earnings call. So here we are, with the fifth set of numbers in the span of less than four months. As you would be aware, we came out with FY09 and FY10 results in September and Q1 and Q2 results in mid November. So it has been quite a hectic period and clearly our finance department has been in an overdrive. In fact, I would remiss if I did not applaud the efforts made by this department and all the employees who have been working more than overtime in the last few months.

Our first steps towards normalization are now visible to our stakeholders. Our progress has been gradual but assured and we would look at the next few quarters to further consolidate the gains we have made so far.

Coming to the Quarter 3 FY11 performance, I must say that we are directionally on the right path and have turned in according to our judgment a decent performance. The consolidated revenues for Quarter 3 were around 1280 crores and a QoQ growth of about 3% and EBITDA before exceptional items for Q3 is Rs. 82 crores which translates into an EBITDA margin of 6.4%. I would like to highlight that our exceptional item this quarter is primarily due to an extraordinary provision of 53 crores towards impairment in the value of

our subsidiaries arising out of commitments made during the previous management time. Net profits before exceptional were at 112 crores, a growth of 2.5 times quarter-on-quarter and the corresponding number of the exceptional was around 59 crores, a growth of about 150%.

Our business performance this quarter was primarily driven by growth in Europe while U.S. and Rest of the World were flattish. Our strategy of consolidating our portfolio customers which we mentioned last quarter has started to pay initial dividends. Our growth from our tail accounts has been strong which indicates our measures towards nurturing and mining of these accounts have borne fruits this quarter. From vertical perspective, Manufacturing, BFSI and Healthcare grew higher than Company's average. On the manpower front, we added 764 people taking the total to around 28,800. Attrition has come down to 25% level and seems to be stabilizing there. We believe this is still high but hopefully it will come down further as more and more engineers become available from various campuses. Our investments in sales engine across geographies continue and we are seeing some employees who had left the company coming back and re-joining us.

Looking ahead, the challenges continue but in lots of ways we are encouraged by this journey so far. When the new management came into the company, it had set up a trajectory for itself. Looking back we find that we are more or less on the gradient we had selected for ourselves and I believe we will take another 18 months to 2 years to come to the industry's level. The synergy initiatives between group companies TechM and Mahindra Group is on track and you would only see this strengthening in the period ahead. With increased confidence in the company we are witnessing traction in RFP participation. Our endeavor is to see this growth momentum persist. With these comments I will throw the floor open for questions which my management team and I will be happy to respond to. Thank you once again for joining us in this call.

- Moderator** Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We have the first question from the line of Deepen Shah from Kotak Securities. Please go ahead.
- Deepen Shah** I just had a couple of questions. First of all, in terms of the revenue growth if you could split the business into the volume growth and how are you seeing the realization trending ahead?
- S Durgashankar** The volume growth is around 2.5% for this quarter between Q2 and Q3 and the pricing part of it is more or less stable.
- Deepen Shah** Okay. And if you could give us some more metrics in terms of how are the top 10 clients contributing to the revenue and how many million dollar accounts or \$10 million accounts you have, if you can get it for us please?

- S Durgashankar** Yeah, the main growth this time had come from the top 50 and out of the 3% revenue increased, the top 50 increased by about 1% and we increased more than 1 million from 118 to 121 and greater than 5 million increased by 1 and greater than 10 million increased by 3.
- Deepen Shah** Okay. So how many 5-10 million accounts do we have?
- S Durgashankar** We have more than 5 million, last quarter was 44 this time it is 45, and these are active customers.
- Deepen Shah** Yeah. And lastly if you can give us more color on how is the success in terms of getting into large accounts and are the clients viewing you more positively or how is the response, if you can throw some more light on that?
- S Durgashankar** Atul, would you take it?
- Atul Kunwar** Yeah. As far as the larger deals are concerned we are already starting to participate. You do know that we came up with our results and made them current only in November 15th, so post that we have seen a flurry of activity in terms of getting invited to a range of places. So in other places where we were contesting our position has got strengthened. So we continued to be invited by large customers across verticals to be able to participate and the other part of the good news is also that a lot of customers who in the past had decided to move away--this is in the 2009 time line--have also started making a comeback and opening up the doors for us to participate. So we do not see a negative at all. In fact, it's all positive at this stage.
- Deepen Shah** Okay, thank you very much and all the best.
- Moderator** Thank you. The next question is from the line of Pankaj Kapoor from Standard Chartered. Please go ahead.
- Pankaj Kapoor** I wanted to understand on the margin front. Has there been any change in the constituents at a gross margin level or the operating margin level? Because I see the employee cost being relatively flat despite the strong hiring, whereas in the operating administrative expenses seems to be a very significant jump.
- S Durgashankar** When you look at personal expenses, personal expenses excluding subcon was 913.6 crores for September and then December it is 909. Subcon expenses which come under other expenses in the clause 41 that is about 48 crores in September, 58 in December. So overall as a percentage if you look at it the total revenue both personal and sub-count expenses taken together have reduced from 78% to 76%.

Pankaj Kapoor Okay and any sense on the tax rate? What happened during this quarter and the outlook going forward?

S Durgashankar As far as the tax is concerned, as we said last time we normally do it on a yearly basis estimate for the year, look at the regions and look at which are the countries where the tax comes and accordingly make a provision for it. This time because there is a reduction in taxation, I would say about 10-13 crores where sort of excess provided on the international tax front last time and that is why you see that. This time there is a reduction and there is also an additional factor of MAT which has come into play and that also have been provided for, so you see a total number of 16 crores.

Pankaj Kapoor Okay and lastly I was wondering if you are going back to the customers now and you are seeing traction as far as even the earlier customers coming in. How has the response been on any pricing re-negotiations? Are you seeing any pick-up over there?

Atul Kunwar This is Atul. Just to respond on to that one, in the recent negotiations, actually we are seeing a scenario where this has become more realistic and people are rightly in process of acknowledging that as expertise has increased they will be differential positive higher rates that they would be willing to look at. Also the kind of business that we do, we do a fairly significant portion wherein we combine the entire models. So it is not just onsite, offshore and T&M but is it really about fixed price outcomes, etc. So net-net the realizations in these kind of scenarios do provide for an upside.

Pankaj Kapoor Okay, but is there any kind of a recognition that our pricing maybe a bit more differential than what the other players might be having and the clients are willing to help you to bridge that gap in terms of maybe giving you a slightly higher pricing hikes?

Atul Kunwar We are getting increases, if that is the question that you are asking for and you said that is bridging the gap is the assumption that our pricing is significantly lower than competition, is that where you are coming from?

Pankaj Kapoor Yeah the reported number seems to be a little lower than the peer groups; I was wondering is there any kind of acknowledgement of that from the client side also.

Atul Kunwar I think that the geographies that we operate and one is emerging markets and the other one would be developed and both these markets have differential pricing that really works across and both scenarios. Our pricing is pretty much aligned to the market pricing that you will see across those two if you look at them separately. The difference could be that you are seeing possibly is because of the mix and we have got significant portion of our business in emerging markets also.

Pankaj Kapoor Fair enough. Thank you and all the best.

Moderator Thank you. The next question is from the line of Pratish Krishnan from Bank of America Merrill Lynch. Please go ahead.

Pratish Krishnan This is on your SG&A. This quarter we did see a 250 basis point jump in the SG&A expenses on a sequential basis. Maybe if you can split that into what has led to that increase and is this the new level that we should be looking at?

S Durgashankar First I will give you some broad level details on that. On the other expenses if you look at rent, there is hardly any change. It was 31 crores for September, it is around the same number for December and travel and conveyance was 58 and this time it is 56, so there is a marginal reduction there. Marketing expenses have gone up a bit, this is because of an overhang of FIFA marketing as well as there were also other marketing expenses which increased, so there is a marginal increase that you find there. Repairs and maintenance moved from 16 to 22, this is because of one of our software licenses which we currently paid for which was there from April onwards, so to that extent that related to that. Legal and professional was 32 crores that went up to 40 crores, this is mainly project related expenditure and that accounts for the major heads.

Pratish Krishnan So is that legal? Is that a recurring kind of thing or is it one-off?

S Durgashankar This legal and professional what we are talking of are not related to class action or other type of legal that we see. That is classified under the exceptional expenses. What we are seeing here is, as I said, project related expenditure as well as to be maybe paying professional expenses for recruitment especially onsite recruitment, those type of things are classified here and to that extent that this is to be considered as recurring.

Pratish Krishnan Fine. And secondly you did mention that Europe did very well for you. Any particular verticals which showed growth in the European market?

S Durgashankar Yeah it is Manufacturing and BFSI. These two have shown good results this time.

Pratish Krishnan Okay, thanks a lot.

Moderator Thank you. The next question is from the line of Sandeep Agarwal from Antique Stock Broking. Please go ahead.

Sandeep Agarwal Just a couple of questions. First on the utilization part: What was the utilization on ex-trainees and including trainees, if you can throw some light on that? And secondly I just wanted to know what was the onsite contribution and offsite contribution. And thirdly, how are you going to control the attrition rate? It is very high as of now so I think there must be some steps that HR would have thought of?

- S Durgashankar** The utilizations went up, last quarter 71 this time it is 73.5 and what was your second question?
- Sandeep Agarwal** I wanted to know the utilization rate including trainee and excluding trainee both?
- S Durgashankar** We do not have that many trainees in this particular quarter, so that is not a material number; it does not make a material change. What was your next question?
- Sandeep Agarwal** Offsite and onsite break-up of revenue?
- S Durgashankar** Offshore last quarter was 42 this time it is 41, the corresponding impact is on the onsite.
- Sandeep Agarwal** And third question was on the attrition rate. Just wanted to know what are the steps that you are taking going forward to control attrition.
- Hari T** In the past few months what we have been attempting is to try and provide an opportunity to the people to cite on their career choices actually. A rotation therefore has been given a very high level of attention and that has helped us make sure that those who are feeling fatigued or seek career change within the organization have been provided. Some of the other aspects include what I would term as softer issues such as enabling learning, for example, for onsite Associates. That is another step that has been done which traditionally has been neglected. Especially in the last two to three years, we have to had to underplay that. The third one that has been brought into play is we have created an environment where we are telling people and our systems are enabling younger leaders to surface in the organization. So we have some programs called the Global Leadership Cadre, The Shadow Board, some action learning projects etc. where we are surfacing pretty young leaders from within the organization and then providing them greater visibility and a faster career track. So these are on the softer side, apart from that we continue to contemplate monetary changes as required by the market.
- Sandeep Agarwal** Thank you.
- Moderator** Thank you. The next question is from the line of Ashwin Mehta from Nomura. Please go ahead.
- Ashwin Mehta** Can you give us a sense in terms of how our geographical distribution is in terms of revenues?
- S Durgashankar** Europe, we mentioned it went up 26 to 30%, APAC 13% stayed same and Americas 55 to 52% though in absolute terms at 138 million, it remained the same.

- Ashwin Mehta** Okay. And secondly when we say that the journey is going to take another 1.5 to 2 years, what do we mean in terms of growth margin and profitability when we are talking about the same?
- Vineet Nayar** We are looking at our peers and we believe that that is what our objective is and that is what we would be aiming to achieve. Whether we succeed or not is something which only time will tell.
- Ashwin Mehta** Okay and thirdly in terms of taxation going into FY12 what are we looking at?
- S Durgashankar** Going into FY12 it's a bit difficult to estimate because we will have to make assumptions about whether the STPI renewal will come or not. I think if you want to talk about Q4, I would suggest that the benchmark should be the nine month rate.
- Ashwin Mehta** Okay thanks a lot.
- Moderator** Thank you. The next question is from the line of Madhu Babu from Systematix Shares. Please go ahead.
- Madhu Babu** Sir which are the geographies which are showing strong growth? Is incremental growth being driven by emerging markets?
- S Durgashankar** I have already talked about America, Europe as well as APAC, the balance is India which has moved from 5% to 3% and the rest of the world improved from 1% to 2%.
- Madhu Babu** And within the service line which are the services which are seeing increased traction and outlook on the service line perspective?
- S Durgashankar** In absolute number term that is something which we have not been communicating so far, so you should kindly bear with us on that.
- Madhu Babu** Okay sir, thanks.
- Moderator** Thank you. The next question is from the line of Nitin Padmanabhan from Indiabulls Securities. Please go ahead.
- Nitin Padmanabhan** I wanted a sense, if you look at the dollar number this quarter, what would that be and what kind of growth would that be?
- S Durgashankar** In terms of dollar and consolidated results last quarter was 272 million, this quarter is 284 million and the growth rate is 4.3%.

- Nitin Padmanabhan** Sir, you mentioned that volume growth was 2.5%, so the remaining would be because of the onsite shift this quarter?
- S Durgashankar** That's right.
- Nitin Padmanabhan** And that was the net increase in realization that's
- S Durgashankar** Yeah, that is one of the reasons.
- Nitin Padmanabhan** Anything else you could give in terms of some qualitative view in terms of whether the kind of growth that we are seeing in this quarter, are these sustainable or any sense you could give in terms of pipelines or whatever that could give a sense in terms of how the quarter run rates could look like?
- Vineet Nayyar** If you look at it in perspective, by our measure it's a good growth rate but by industry standards it is not spectacular. So I do not see sustenance for this kind of a growth rate initially.
- Nitin Padmanabhan** Sure. And any sort of timeline that you have for the mergers, anything that could shorten the time line, or that could lengthen the time line?
- Vineet Nayyar** We have been stating for a long time that it is our intention to merge and that will further strengthen the logic of this acquisition so far as Tech Mahindra is concerned, the timing is not yet determined so please bear with us and as and when we decide to initiate the process we will make a public announcement.
- Nitin Padmanabhan** Fair enough. Thank you very much. All the best.
- Moderator** Thank you. The next question is from the line of Abhishek Shindadkar from ICICI Securities. Please go ahead.
- Abhishek Shindadkar** Just a couple of question on the balance sheet metrics. Can you give us the receivables and the un-billed revenues number for the last quarter and this quarter?
- S Durgashankar** I would give you the DSO part of it. Including unbilled revenues between Q2 to Q3 it remained flat at 106.
- Abhishek Shindadkar** Okay. And can you give us what is our operating hedging policy for the firm and what are the outstanding hedges?
- S Durgashankar** Our policy is to hedge up to 24 months on a maximum and current book is about 386 million.

- Abhishek Shindadkar** And the range for the rupee?
- S Durgashankar** Our strike rate is at 46.9 currently.
- Abhishek Shindadkar** Okay. And lastly when does the management think that they will be able to provide the operating metrics along with the earnings on a quarterly basis?
- S Durgashankar** At this point in time whatever we are sharing we have been able to do because we have been doing many manual workarounds and we feel confident as we go along in the next quarter and next you will see that coming out.
- Abhishek Shindadkar** Thanks and all the best.
- Moderator** Thank you. The next question is from the line of Ankit Pande from SBI Cap Securities. Please go ahead.
- Ankit Pande** You mentioned that you see some employees re-joining. So did you have some special schemes there like some other companies at various point of time and also some clients returning again is there any special arrangement or any special offers there?
- Hari T** On the issue of the employees re-joining, we have a couple of programs which were going. We have an alumni program called 'Remember', it's also written as 'Re-Member' those to come back, so to speak. And that program has brought forth approximately about 600 people over the last 12 months. In addition to that I think we are very proud and pleased to have Sriram Papani who has joined us in the last few days, who were to come in to head Enterprise Business Solutions, who used to lead the Enterprise Applications Area in the past and then left us to go to an MNC for a brief period of time. So we have been able to bring him back into the organization and we are at this point of time in conversation with at least two other senior leaders who intend to return. So, yes, there have been associate referral programs and initiatives that have helped us to get people back and we continue to focus on that in a big way.
- Ankit Pande** Right. And about the clients returning?
- Hari T** I am going to pass it on to Vineet.
- Atul Kunwar** On the clients, the key elements is really linked to our capability at the previous track record and there was a period where there were challenges from their point of view because of financials and other things to really reinstate the fact. With those impediments out of the way, and the good experience they have had in the past with us and clearly demonstrated capability in an areas like enterprise business solution, mobility and enterprises as well as it in areas as basic as testing, we have been invited to more and

more of these scenarios. It did help of course, and we had to make a special effort to keep in contact with those customers...

Ankit Pande Alright. And a couple of more questions. One would be active customer count; right now it is 217 I believe. What was the number in the last quarter?

Atul Kunwar 214

Ankit Pande Okay.

Ankit Pande Alright. And you had more growth in Europe than in other areas. That is a little bit of a surprise and can you tell me something more about which industry verticals and which service lines are seeing some traction here?

Atul Kunwar From a service line perspective and the verticals which you are really looking at, the ones that are making a big difference for us are Manufacturing and Banking and Financial Services, the third vertical which is TME, the flavor is being almost stable is what you call Digital Convergence. So those are the three that are contributing a significant part of our revenues overall. Coming to the specific question of Europe and why we are seeing this growth, we are all familiar with the fact that Europe, in certain areas--especially in geographies of Germanic as well as Nordic-- has shown a very clear increase in terms of manufacturing related performance. That is something that we have been able to participate in also. And from a financial services perspective there is re-structuring that has happened across in the recent past which has enabled us to become the preferred partners for a range of financial institutions that operate in Europe. So those are the two things that have driven this growth in Europe primarily.

Ankit Pande Alright. Can you give me a number on what is the percentage of numbers of clients in Europe?

Atul Kunwar We do not disclose that separately at this stage so I will not be able to talk about that.

Ankit Pande Alright. That's it from me. Thank you.

Moderator Thank you. The next question is from the line of Sangam Iyer from ALFAccurate Advisors. Please go ahead.

Sangam Iyer I wanted to get a sense on the DSO data?

S Durgashankar It is 106.

Sangam Iyer Okay and this quarter we have seen a strong jump in other income. Can you give us some details on the cash balances?

- S Durgashankar** Total cash balances including mutual fund investments, total 3000 crores.
- Sangam Iyer** And what was it last quarter?
- S Durgashankar** Last quarter it was 2900 crores.
- Sangam Iyer** Sir could you give us some more light on the other question, what led to this strong jump in other income other than FOREX part of it?
- S Durgashankar** The other income mainly consists of one, Our interest on our own surplus fund investments, and the second thing is Profit on sale of mutual fund investment. There was a re-jigging of portfolio which we did to take advantage of the higher fixed deposit interest rates so when you get out of mutual fund investments that is your profit. Those two are the major items of other income revenues.
- Sangam Iyer** The current yields that we are looking at are around 7% going forward?
- S Durgashankar** No, it is between 8 to 9
- Sangam Iyer** Okay great, thanks a lot sir.
- Moderator** Thank you. The next question is from the line of Sandeep Shah from RBS Equities. Please go ahead.
- Sandeep Shah** The question relates to this other operating expenditure as this quarter it has moved up. Do you expect with the growth coming back this cost efficiency or the leverage on the cost is likely to come back on the operating expenditure?
- S Durgashankar** Yeah, item by item if you look at some of the expenses, yes, there is leverage and some there may not be much of a leverage especially things like rent there is a possibility of reducing further as we go along, once our own premises comes up and there is some more restructuring, there we can expect once capitalization happens some element. But there are some other kinds of expenditures within those other expenses which may actually move in line with revenue, so you will have to make a judgment based on the composition that I gave you.
- Sandeep Shah** Okay. A follow-up to the treasury. If we look at the yield in this quarter is as high as 11% and I guess that the ESCROW account balance is not earning any yield. So in that scenario I think you are seeing this 11% you are looking at going forward to close to around 8 to 9%.
- S Durgashankar** As I mentioned, there are two types of major incomes which I mentioned. One is, interest on fixed deposits which accrues regularly whether we realize it or not. There is another

element which I told you which is where mutual fund investments, the profit, that happens only when you re-jig the portfolio or when you exit. That amount has been substantial and forth this quarter it has been 23 crores. Last quarter it was 6 crores.

Sandeep Shah Okay. And the last thing is, Vineet said that the sustainability of the growth rates may not be a challenge, this we are looking only for the coming one or two quarters or we are just seeing for the year as CY11 or FY2012 as a whole?

S Durgashankar You are talking about which growth rate?

Sandeep Shah QoQ growth rates which Vineet said is sustainable?

Vineet Nayar What I have said really is that our trajectory, our objective is to reach industry standards and to that extent we have made some steps forward but yet we are significantly lower than what the industry level is. Going forward it is our objective to reach the average industry level and therefore, the current growth rate I suspect, has to be sustainable otherwise we will not reach the objectives we have set for ourselves and we have a fair confidence that we will reach those objectives.

Sandeep Shah Okay thanks.

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

Hardik Shah Sir, what is the utilization level that we are targeting going forward? Will it be higher than 73.5% or you are targeting lower than that going forward?

Rakesh Soni We are expecting that the utilization rates will go up in the coming quarter and we should be able to sustain ourselves at utilization level of around 75% or so.

Hardik Shah Second question: What is the percentage of employees having less than 3 years experience?

Hari T We will probably have to do a check on that. We can come back to you separately; we have made a note of that.

Hardik Shah Sure sir. And what is the campus hiring that you are targeting in FY12?

Hari T We are looking at, for the next year, approximately about 3000-3500 people to be brought in and at this point of time, we have shortlisted about 90 campuses across the country from where we are hiring and that process is currently concluded about 45 or 50% of the requirement so far.

- Hardik Shah** And final question, what will be the fresher and lateral hiring target in FY12?
- Hari T** We really will not be able to give any specific directions to that extent but you should probably know that the entry level hiring which I talked about is definitely something that we are investing in. Lateral is something that we will do more on a need basis, but at this stage we may not be able to give you a specific direction on that.
- Hardik Shah** Okay sir, thank you, that's it from my side.
- Moderator** Thank you. The next question is from the line of Parag Mehta from Barclays Capital. Please go ahead.
- Parag Mehta** Essentially in terms of the segmental breakdown that we see, the segmented IT Services and BPO, within IT services which are the key segments that you see in a lot of participation as far as RSVs are concerned, if you can break it up between infrastructure managed services or testing etc, that is the first question. The second question is around the BPO business. I see that the BPO business on an annualized revenue run rate is more so flattish. So what is the view on the BPO business and the strategy around the same?
- Atul Kunwar** This is Atul. As far as the business element that we are talking about in terms of this kind of services, clearly are the larger portion of our services are what we call enterprise solutions, this includes things like ERP, integration of solutions for customers across the different platforms and so on and so forth, also business analytics. So this is the key element of our business composition. Infrastructure related services growth in the other one where we had seen major traction at this point of time, so those are the two which are really driving any enhancements that we talking about at this point of time. And your second question was on BPO right? On BPO, there is a particular trajectory that have put into play and you should see some action and results on that fairly soon in the next couple of quarters. Our BPO story is really around building solutions which are platform-centric and can be replicable. So some interesting ones are being in place and we have also had some initial transition and knowledge transfer thing that are happening at this point of time and we should see a benefit from that coming forward.
- Parag Mehta** Wonderful, thank you.
- Moderator** Thank you. The next question is from the line of Pinku Pappan from Nomura. Please go ahead.
- Pinku Pappan** Can you tell us whether the personnel costs include your sales and marketing personnel cost too?
- S Durgashankar** Yeah it includes.

- Pinku Pappan** Okay. And my second question is can you give us the head count of your BPO division?
- Vijay Rangineni** It is 2,305 at the end of 3rd Quarter.
- Pinku Pappan** How much was it in the last quarter?
- Vijay Rangineni** 2217
- Pinku Pappan** Alright, thank you very much.
- Moderator** Thank you. The next question is from the line of Shweta Malik from Marwadi Shares & Finance. Please go ahead.
- Shweta Malik** I wanted to have a sense on the number of deals that we have won in the quarter. What is the size and also if you can give a feedback on what kind of deals that are coming up going forward and which service lines are being getting the major traction?
- Atul Kunwar** I will take the second element first, which is in terms of the kind of deals and which areas we are seeing deals. Deals that we are seeing across are fundamentally around manufacturing, banking, financial services and what we call Digital Convergence. We are also seeing resurgence in the retail and travel logistic segment for us. So that's on a global picture basis. From a services line perspective, it continues to be around enterprise business solutions and infrastructure management services. Those are the ones are our key drivers at this point of time besides the traditional application, development and maintenance services that we continue to support in a big way. Your other question was in terms of what size of deals. The deals that we are participating are really very fairly extensively but if you were to ask me about the area where we are seeing maximum traction that will be deals in the range of Rs. 30 to 100 million. That is where we are seeing the maximum kind of traction at this point of time.
- Shweta Malik** Okay sir. And can I have a break-up in terms of the fresher to lateral addition in this quarter?
- Hari T** Mostly this quarter, the Q3 has been laterals. I think most of our fresher intake happened during Q1 and Q2 and there is a small number that is expected in this Q4, but Q3 quarter has been mostly laterals, which is almost as high as about 80%.
- Shweta Malik** Okay. And what is the current debt position and what would be the CAPEX plan going forward?
- S Durgashankar** We do not have significant debt on our balance sheet, it is around 31 crores at the end of the quarter and the CAPEX for the next six months or so you should take somewhere around 200 crores.

- Shweta Malik** Okay sir. And last question, I missed out on the repairs and maintenance, how has the cost gone up from the September to December quarter?
- Rakesh Soni** I think one of the important constituents of repairs and maintenance was this software that we had bought for use for one of our clients and the software was bought for the period commencing on 1st April. So the payment for this software was made in the last quarter and the entire expenses accounted for in the 3rd Quarter.
- Shweta Malik** Okay sir, thank you so much.
- Moderator** Thank you. The next question is from the line of Ashwin Mehta from Nomura. Please go ahead.
- Ashwin Mehta** Sir, I had one question. What are we looking at in terms of using our cash; we have in excess of 3000 crores. Are there any particular purposes that we are looking in deploying this cash to kind of come up to the growth rates of the peer group?
- Vineet Nayyar** We have significant amount of cash and as and when non-organic opportunities arise we will look at that to give further impetus to the growth we are having. Other than that at this point of time, we have no particular use plan for it other than the fact that it gives us a good feeling that we have significant cash resources to bank on and use them whenever an opportunity comes up.
- Ashwin Mehta** Okay, thanks a lot sir.
- Moderator** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor back to the management for closing comments. Please go ahead.
- Vineet Nayyar** Folks thank you very much for participating in this call. Your interest and analytical questions keeps us on our toes and we hope that we will continue to dialogue like this going forward. As I said in the opening remarks, we have reasons to be satisfied with the progress so far made and with that I would add that the largest and the major contribution in this progress has been the tenacity and the resilience of our employees who despite incredible challenges have kept an optimistic spirit and diligent capability and diligent hard work. I would also like to make one tiny announcement: Durga who has been in many ways the backbone of all the efforts which we have made especially in the financial area has decided to revert back to Mahindra & Mahindra which is his parent organization. He is being replaced by Vasanth Krishnan, an equally competent professional also from Mahindra & Mahindra. Vasanth has considerable experience in managing finances, he has worked in areas of private equity, and mergers & acquisitions. He has worked as a CFO for a Mahindra company and he has also worked in real estate. He brings rich experience and an insightful mind and we hope that he will continue in the outstanding tradition set up

by Durga. With that I would like to close the meeting, thanking you once again for your participation and for your interest. Have a nice day, ladies and gentlemen.

Moderator

Thank you, gentlemen of the management. Ladies and gentlemen, on behalf of Mahindra Satyam, that concludes this conference call. Thanks for joining us and you may now disconnect your lines.