



**“Mahindra Satyam’s Q4 and FY11
Earnings Conference Call”**

May 23, 2011

MODERATORS:

- VINEET NAYYAR – CHAIRMAN**
- CP GURNANI – CEO**
- VASANT KRISHNAN – CFO**
- HARI T – CMO & CPO**
- RAKESH SONI – COO**
- ATUL KUNWAR – PRESIDENT, GLOBAL OPERATIONS**
- A.S. MURTHY – CTO**
- VIJAYANAND V – SENIOR VICE PRESIDENT, STRATEGIC INITIATIVES**
- VIJAY RANGINENI – HEAD, MAHINDRA SATYAM BPO**
- SRIRAM PAPANI – HEAD, ENTERPRISE BUSINESS SOLUTIONS**

Moderator

Ladies and gentlemen, good evening and welcome to the Q4 FY-11 earnings conference call of Mahindra Satyam. 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. If you should need any assistance during the conference call, you may signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Hari T, Chief Marketing Officer, Mahindra Satyam. Thank you and over to you.

Hari T.

Thank you Farah. Good morning and good evening to all of you on this call. I am Hari from the Mahindra Satyam management team and it is my pleasure to welcome you all to our Quarter 4 and FY-11 earnings conference call. We have with us today, Mr. Vineet Nayyar, the Chairman; Mahindra Satyam, Mr. C. P. Gurnani, our CEO; Mr. Vasant Krishnan, our CFO; Mr. Rakesh Soni, our Chief Operating Officer; Mr. Atul Kunwar, President – Global Operations; Mr. Vijayanand Vadrevu, the Head of Strategic Initiatives; Mr. A.S. Murty, our Chief Technology Officer; Mr. Vijay Rangineni, who Heads our Mahindra Satyam BPO and Mr. Sriram Papani, who is the Head of our Enterprise Business Solutions.

Before I hand over this conference to Mr. Vineet, 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 conjunction with the risks that the company faces. We have outlined these risks in our press release dated 23rd May, which is available on our company's website www.mahindrasatyam.com. I would now invite and hand over the conference to Mr. Vineet Nayyar for his opening remarks.

Vineet Nayyar

It is my pleasure to welcome you for our Q4 and FY 11 earnings. The year gone by has been in many ways momentous for Mahindra Satyam and its stakeholders. We entered the year in a phase of revenue decline but have managed to exit the year with two quarters of fairly decent growth. We are adding customers and our service offerings are finding good traction in the market. This has been a year filled with encouraging events beginning with our flawless execution of the FIFA World Cup in June 2010. On the financial reporting front we have made good progress by completing the restatement of past financials and achieving currency in our reporting. In many ways of even greater importance is the fact that we have by now settled most of the legal issues which confronted us and created a fair amount of un-assessable risk for the company. These were cases of alleged intellectual violation in the case of UPaid, the class action suit and most recently our settlement with SEC.

Coming to Q4 FY 11 performance, the consolidated revenues for Q4 were 1,375 crores a QoQ growth of 7.5%. EBIDTA before exceptional items for Q4 was 178 crores against 82 crores which saw our EBIDTA margin grow to 13% in Q4 from 6.4% in Q3. Our growth is now warm and humming we would continue to selectively invest in sales and marketing functions while aggressively investing in competency building both in service lines and verticals. Our performance on new logo acquisition continues to be satisfactory and while there is an

increased emphasis on quality of business, let me remind you that challenges continue but they are more related to business environment and market forces and regulatory pressures. With these comments I will ask my colleague C. P. Gurnani, our Chief Executive Officer to add further details to our opening statement, after which obviously we will be opened for all questions.

C. P. Gurnani

Thank you Vineet. Good morning, good afternoon, good evening to my friends in the business analyst community. I know since morning you have had a chance to look at the quarterly results, to look at the annual results. All I can say on behalf of almost 30,000 employees of Mahindra Satyam, that we do not view it as a quarterly or annual results, but we really view it as more as a testimonial to our three year journey. If you would recall in our previous meeting both Vineet and I came to you and said that on 20 June 2009, it is the first time when the management team met together. They took ambitious goal of turning around the company and making it run faster than the peer group within three years. If you had asked the same question 1.5 years ago to some of the employees or some of the analysts whether we will ever get there, I mean the skeptics would have said wait and watch. And I guess now Vineet said this in the press conference this morning that just wait and watch this page. And where does this confidence come from? This confidence obviously comes in from the fact is that during the worst time our customers supported us. During the turbulent times our investments and technology continued to be made. During some of the most difficult periods we continued to focus on customer excellence and our delivery excellence. And now that many of the legal and regulatory issues are off, we do believe that we are going to continue to make a steady progress in our transformation journey. We believe that some of the operating levers, some of the portfolios management across verticals, regions and service lines will continue to yield results. And we are very, very confident that what you have seen this quarter there has been a growth in manufacturing and our media & entertainment verticals. You have also seen that there has been significant traction in the BFSI and the healthcare vertical.

During our results, we have also declared that Asia-Pacific continues to perform very well. Europe continues to show promise for growth and the best news has been that our leadership reinforcement in North America has started to show results and we have actually shown a reasonable increase in our business in North America. So overall we have added 12 new accounts in the last quarter. Our performance and repeat business, our performance with our existing customer, our performance in most of the geographies is doing reasonably well. And we are more or less on the track towards the goal of meeting our numbers for the three years journey. And in general you have seen that the revenue growth 7.5% QoQ. And that our EBIDTA has grown by 6.6% QoQ and in general if we take out the exceptional items we have made a fairly reasonable operating profit. So I can only say thank you to Vineet for leading us in settling some of the regulatory issues. As you know last time we reported to you that the class action settlement has taken place. Similarly you have noticed that, SEC settlement has taken place last quarter.

On the operational side, Atul and Rakesh have invested a fair amount of energy on people development at the same time making sure that the people are given higher growth

opportunities. They are given good operating levers, they have exercised operating levers available to them, and we are seeing a marginal improvement on that account. I know you guys would like to understand a lot more in detail. The management team is here to answer your questions and Vasant Krishnan who joined us somewhere in end of February. Vasant has been our lucky mascot because he brings in a lot of positive results with him. So on everybody's behalf I do welcome Vasant to this analysts call and we would like to throw open this conversation to questions and you can help us moderate it.

Moderator Thank you very much. Our first question is from the line of Srivathsan Ramachandran from Spark Capital. Please go ahead.

Srivathsan Ramachandran Wanted to understand the factors driving such a strong revenue growth, 7.5% probably might be the highest in the industry, just wanted to know what extent would be driven by volume, pricing, was there any mix change that helped us, or will there be any other one-off's that led to such a spectacular revenue growth?

Vasant Krishnan The total revenue growth that we saw Q4 over Q3 was around 7.5%, volume contributed to around 3.5%. Currency has a positive impact of around 1.6% and other efficiency related gains making up the balance.

Srivathsan Ramachandran Was there any pricing or better realization in hedges that led to this kind of growth? Because it is just about 5% still 2.5 % deficit.

Vasant Krishnan If you're asking whether there is any price increase in our contract, the answer is no. Our pricing was stable but there were certainly some efficiency related gains that we could recognize this quarter. Thanks to our efforts that we have made on our fixed bid engagements that we are now seeing and we have been working on these fixed bid engagements for quite some time now and we are able to recognize around close to around 2% on fixed bid engagements this quarter.

Srivathsan Ramachandran Next question is on the pricing bit, just wanted know that we are in our discussions with existing customers on improving prices, what kind of feedback you are getting from customers?

Vijayanand Vadrevu As Vasant mentioned across the broad spectrum we have not seen a big-time price movement, but as an opportunity we have been communicating that there is potential to get differential pricing for high-end work that we do. And this had been an ongoing focus area for this quarter. So at this point in time it is mostly related to efficiencies that we got across the fixed price project execution.

Srivathsan Ramachandran My last question, just wanted to understand the headcount there are quite a few press articles floating around saying that targeted headcount for FY12 is 17,000 which will include about 12,000 laterals and 5000 hires, just wanted to know whether that is the target that you are looking at or is it just more an aspiration number?

- Hari T.** So we have been officially maintaining that of course we propose to bring in 5000 freshers during the course of this year. Offers have been made for the majority of that requirement. We have also have been indicating that we continue to deal with our requirements on a need basis, that is the lateral hiring. So we're not giving any specific count. I guess the numbers that you have been seeing in the market are more an extrapolation of some of the current recruiting patterns.
- Srivathsan Ramachandran** Thanks a lot.
- Moderator** Thank you. Our next question is from the line of Pinku Pappan from Nomura Securities. Please go ahead.
- Pinku Pappan** You have reported 2750 crores in cash. I would like to understand does this include any of the settlements that you have made. You have made \$125 million for class action, \$70 million for UPaid and \$10 million for SEC. So does this cash balance reflect any of these, have these been paid out?
- Vasant Krishnan** The cash balance that you are seeing of 2650 crores includes the amount that we have kept in escrow for the class action, SEC and UPaid. The SEC has been paid out to the regulator after 31st of March. Class action in terms of the agreement has been moved to an overseas ESCROW account, which will ultimately get paid out to the plaintiffs upon the approval of the court.
- Pinku Pappan** And the balance \$10 million by SEC that has also been paid out, is it?
- Vasant Krishnan** The \$10 million has been paid.
- Pinku Pappan** So UPaid when do expect it to be paid out?
- Vasant Krishnan** UPaid is pending for a tax determination. UPaid has gone to the AAR for determination. And as soon as that is done that would also be paid out.
- Pinku Pappan** Can you give us an update of, when do you expect the remaining Aberdeen complaint also to be settled?
- Vineet Nayyar** Aberdeen complaint, you cannot put a timeline on it, because most of these contracts are settled by negotiation. But we are hopeful that it would be pretty early. In the next few months we should be able to conclude it.
- Pinku Pappan** My next question is on wage hikes. Have you decided on the wage hikes for the year?
- Hari T.** We are at this stage in evaluating what are the gaps that we need to bridge and we're also looking at what the competitive movements have been in this regard. We're yet to conclude a specific number to this. But we believe whatever we do; we would try to continue to keep our parity with some of the competing organizations.

- Pinku Pappan** So should we factor in something like from the next quarter you would be paying out the hikes or do you have a time line there?
- Hari T.** That is right. Whatever may be the decision point that we arrive at on this usually happens from July of every year.
- Pinku Pappan** Tax rates what should be you looking at for the next year FY 12?
- Vasant Krishnan** The tax would essentially be a function of how many new businesses we are able to push to the SEZs. Having said that and taking that into account and also the fact that we could also be having some tax shields with respect to some of our expenditures that we have booked in FY 11. I would put it in a range between 25 and 28%.
- Pinku Pappan** Thanks a lot.
- Moderator** Thank you. The next question is from the line of Anthony Miller from Tech Market View. Please go ahead.
- Anthony Miller** Good evening my main question is on Europe. But before I ask that, could you just remind me please what is the current plan and timing is for the integration with Tech Mahindra?
- Vineet Nayyar** As you know we have agreed in principle that this integration will take place. However before it is done we have to be current on US GAAP. We are at the moment in dialogue with SEC and hopefully the issue will be resolved by October. We will trigger thereafter the process of integration which means it has to be approved by the two boards, approved by both the AGM's and then we have to move to the High Court of Maharashtra and of Andhra Pradesh for their approval. Normally the time taken for this entire process is 6 to 9 months, could go up to a year. So I would say that optimistically looking and speaking we should be close to integration in about nine months from October.
- Anthony Miller** Thanks for that. Coming onto the main thrust of my question, which is on Europe. One of the management teams indicated that Europe is showing promise for growth, which obviously suggest we are not quite there yet. But I was just wondering if you look at your major country markets in Europe, are you seeing any of those progressing better than others and are the others which are not progressing as well if you might expect?
- Atul Kunwar** Anthony, in Europe's one side where we are seeing more traction than the other is Germany or the Germanic countries which include Switzerland also for us and Nordics should be the other one and Benelux. These are the three markets that we have seen better growth. The UK market is kind of stable at this stage it is not showing growth but it is keeping good numbers and showing marginal growth. We have not seen growth in the markets of France and Spain and Italy at this point in time.
- Anthony Miller** Are you expecting to see any progress in the UK, do you think over the course of the next year or so?

- Atul Kunwar** Yes we have been seeing definite movement in couple of verticals in UK and the verticals which are showing promise are banking financial services and insurance and the retail sector per say. So those are two areas where we are seeing growth. And other areas where we are hoping that there will be some more traction would be in the media space, which is a key vertical for us.
- Anthony Miller** Thanks very much indeed.
- Moderator** Thank you. The next question is from the line of Pratish Krishnan from Bank of America Merrill Lynch. Please go ahead.
- Pratish Krishnan** I wanted to check in terms of your initiatives in terms of getting your clients back and how successful have you been in this initiative?
- Atul Kunwar** I think there are two elements to this that I would like to point out. Post our declaration of results and getting current with our results, we have been pretty much invited to most of the opportunities by the customers who had worked away from us at a particular point in time in 2009. So fundamentally any embargoes as well as any stoppages from bidding in projects have kind of stopped. We have also had success in getting some of these key customers to come in. We are not sharing names right now, but at this point of time in the last two quarters we have had an excess of 12 customers who have actually come back. And all existing customers who even put some kind of embargoes on us; have opened up the opportunities for us to be able to bid. So yes, good traction there. Could we do more? Sure we could do more.
- Pratish Krishnan** Is this true even for the banking financial vertical where you have lost the maximum number of clients?
- Atul Kunwar** The banking sector is showing a fair amount of promise and we are actually getting back into more and more deals there. So that is an area where we are seeing a big amount of traction in terms of customers calling us back to bid.
- Pratish Krishnan** The liabilities in the balance sheet, that has increased a lot on a YOY even on a half year basis, any reason for that?
- Vasant Krishnan** The class action of \$125 million is sitting in the current liability that is one of the major reasons for the increase.
- Pratish Krishnan** You mentioned that will flow through by next quarter in terms of cash flow?
- Vasant Krishnan** After the final approval of the court.
- Pratish Krishnan** Thanks.
- Moderator** Thank you. The next question is from the line of Sandeep Shah from RBS Equities. Please go ahead.

- Sandeep Shah** On the subcontracting cost, what was the full-year cost for FY 2011?
- Vasant Krishnan** The subcontracting cost for the full-year FY 2011 was 229 crores and for the quarter it was 88 crores.
- Sandeep Shah** It seems like the margins have moved up because of the additional growth in the revenue as well as the efficiency gains besides the currency. So what was the fixed-price project movement on QoQ, like this quarter we have disclosed 46%?
- Vasant Krishnan** That has remained flat on a quarter-on-quarter basis. But what we meant was the efficiency that we could drive on the fixed price bids that was already there. It is not that particular ratio has any movement this quarter.
- Sandeep Shah** Okay, what is the balance of 2% which we have gained in the revenue through the efficiency?
- Vasant Krishnan** I talked about the currency of 1.6% and the volume of 3.5% and the balance 2 odd percent is the efficiency gains that Vijayanand also spoke about this on the fixed bid engagements.
- Sandeep Shah** Even on the on-site as a percentage to the revenue to some extent has declined. So in that scenario the efficiency gain maybe even higher than 2%?
- Vasant Krishnan** That has partly explained our EBIDTA moving up, the 2% shift from 41 to 43.
- Sandeep Shah** On cash and bank balance right now what it includes is the ESCROW deposit towards US class as well as for the Upaid and the SEC payment of roughly around \$10 million will happen in the first quarter of FY 12?
- Vasant Krishnan** That is correct, it has already happened, the SEC payment has already happened.
- Sandeep Shah** Well, it is not happened till 31st March, right?
- Vasant Krishnan** That is correct. That is why it is sitting cash and bank balances as of 31st March.
- Sandeep Shah** Any comments on the margins. We do agree the head-winds which we see are the wage inflation but any comments in terms of on how the gross margin movement as well as SG&A as a percentage to the revenue look like?
- Vasant Krishnan** On a quarter on quarter basis we have been able to extract some efficiencies across all cost lines whether it is personnel, Subcon, SG&A, and marketing. So that has been one of the main reasons because these cost lines have all been shrinking. Thanks to the series of rationalization measures that we have been taking consistently over the past three quarters and volume expansion and the fact that we have been able to drive a 7.5% volume growth, by and large keeping our cost lines costs structures is what has resulted in the EBITDA moving up from 6 to 13%.

- Sandeep Shah** Any color in terms of utilization. Is this optimum level or we can improve further?
- Rakesh Soni** I think currently we are operating at about 73% to 73.5% and we are looking at improving it by another couple of percentage points by the end of the year.
- Sandeep Shah** The last question in terms of the new clients been added or new logos been added in the last 4 to 6 quarters. What is the percentage of the revenue coming and are these clients coming at a significantly higher billing rate versus the existing business?
- Vijayanand Vadrevu** For the entire last year the revenue from the new logos is about 2% of the top line and the average price realization is at the high end of the existing mix of customer that we have. So it is actually at a decent level that we are acquiring the new customers as opposed to what we have already.
- Sandeep Shah** Thanks.
- Moderator** Thank you. Our next question is from the line of Pankaj Kapoor from Standard Chartered, please go ahead.
- Pankaj Kapoor** I wanted to understand first on this quarter the efficiency gain that you spoke of which helped us gain top line. Can you explain them further in terms of, are there any kind of one-time gains that we are able to see and this may not be recurring in nature?
- Rakesh Soni** I think one of the initiatives that we took was that we looked at all the fixed price projects and the kind of improvements that we could bring about in them. So we got this benefit and we hope that this is going to be something of a sustainable nature when we move forward also.
- Pankaj Kapoor** In some of the cost elements where again you have been trying to manage the cost side, are we done with most of these efficiencies or you still see further scope of cost rationalization there?
- Vasant Krishnan** We certainly see some scope in the personnel and sub-con when you take them together they still are at 72% of our revenue and we still see some more scope there.
- Pankaj Kapoor** So if I have to see the kind of margin performance what we saw, do you think a double digit margin is something which you can sustain over the next 3 to 4 quarters factoring-in the kind of a headwind that we see from the wage hike? And any kind of a currency headwind which may come?
- Vineet Nayyar** Currency headwinds we cannot kind of anticipate but otherwise I do believe that given a scope for further efficiencies this is a sustainable margin.
- Pankaj Kapoor** Next on the current operating side, how has been our deal traction? Are we able to participate and go in consideration for the larger size deals which seems to be driving the top line growth for most of the other peer groups? Have we seen some successes over there in terms of participation and how about our conversion ratio here?

- Atul Kunwar** Pankaj, as far as deals are concerned we have seen an increased pipeline across the globe and we have seen a pipeline which has a good size of deals and a couple of deals are in greater than \$100 million range. There are substantial number of deals which come between the \$30 - \$100 million deal and above \$10 million deal, pretty much every sales person that we have, is carrying some deal or other. So there is a huge amount of deal traction where we are starting to participate in a big way.
- Pankaj Kapoor** Have we been able to win any of these? Are there any successes so far in the \$30 million plus deal?
- Atul Kunwar** We keep announcing them from time to time and I think we just made a couple of announcements in the recent past and we will possibly hear of a few more in the next few weeks.
- Pankaj Kapoor** Lastly, a data point, we have shared our 10-20-50 million accounts for the 4th Quarter. Could I get a comparable number for the last quarter as well?
- Vijayanand Vadrevu** Greater than \$10 million for this quarter is about 34 and it was about 31 last quarter. Less than 20 million we reported 12 this quarter and it was 10 last quarter.
- Pankaj Kapoor** So in 50 million would be same flat at 3?
- Atul Kunwar** Yes it is the same because that will take a couple of quarters.
- Pankaj Kapoor** 10 million can you please repeat that number again?
- Vijayanand Vadrevu** It moved up from 31 to 34.
- Pankaj Kapoor** Thank you so much.
- Moderator** Thank you. Our next question is from the line of Dipesh Metha from SBI Caps Securities, please go ahead.
- Dipesh Metha** Can you help us understand our pyramid structure, experienced people more than three years and less than three and comparable numbers same for beginning of FY11?
- Hari T.** We have been more or less holding steady at about 18-21% of the total workforce in the less than three year category. We believe that this year when we bring in the freshers that we talked about that should start getting altered a little bit.
- Dipesh Metha** So more or less the numbers remain steady throughout FY11?
- Hari T.** That is right because in the last year our induction of freshers was still a relatively low number.

- Dipesh Metha** So closing is how much, in this range?
- Hari T.** 20%.
- Dipesh Metha** Second question is about sequential improvement in margin. Some of the number I think you suggested about cost rationalization. Can you help us understand it better by giving some more additional information?
- Vasant Krishnan** Just to give you a flavor. Rent for example, FY10 it was 160 crores and FY11 it is 122 crores. Travel and conveyance actually moved up a little bit but there have been a lot of ups and downs in these OpEx lines but there has some gains that we have got in communication down from 70 to 50. Marketing moved up in line with our commitment to invest more into business from 73 to 89. I am giving you all annual figures. But there have been some plusses and minuses here but when you look at it on an overall basis, we have been largely flat but there has been a significant move in the Quarter 4 to Quarter 3. There is where we have scored. It was around 230 crores as an OpEx line excluding sub-con in Quarter 3 and that dropped to 204 crores in Quarter 4.
- Dipesh Metha** Can you repeat the number, 230 crores?
- Vasant Krishnan** 230 crores in Quarter 3 that dropped to 204 in Quarter 4. From 18% of revenue we are now at 15% of revenue in Quarter 4.
- Dipesh Metha** Last question is on gross margin. We are right at around 35%. So we see further improvement in terms of gross margin considering salary hike cycle and employee pyramid mix right now?
- Vasant Krishnan** It's certainly a lever that we will continue to push.
- Dipesh Metha** Is there any change in utilization level quarter-on-quarter basis?
- Vasant Krishnan** On a quarter-on-quarter basis we have been largely flattish, say around 73 to 73.5%.
- Dipesh Metha** Thanks.
- Moderator** Thank you. Our next question is from the line of Rahul from Dolat Capital, please go ahead.
- Rahul** Hi this is Rahul from Dolat. Basically if you can help out in terms of what are the synergetic initiative employed currently with Tech Mahindra?
- Vineet Nayyar** Essentially you must recognize that Tech Mahindra is basically in telecom vertical and Satyam is in all other verticals. Having said that, there are quite a few commonalities in terms of enterprise solutions especially in SAP, Oracle, Testing, etc. These are the ones where we are having a fair amount of movement and fair amount of synergies. Vijay would you wish to add on IMS?

- Vijayanand Vadrevu** From additional synergies perspective there are two other areas which are very critical. Number one, we are trying to apply the mobility into the enterprise customer set and taking the enterprise mobility offerings to the enterprise customers on our side. Vineet already touched upon the enterprise application which is the ERP and so on, to the Telco customers that Mahindra Satyam is taking. But very importantly from a horizontal service line where we are actually taking advantage, one is the infrastructure management services wherein combined capability of network operations and security operations that TechM has been pioneering and built significant scale, coupled with the database and data center operations that Mahindra Satyam has actually picked up, putting together we got to a stage and size that we are actually getting to participate in much larger opportunities as opposed to finding similar ones some time ago . The second is Testing that we already talked about, trying to take advantage of the joint scale and some of the frameworks that we have got; we are trying to apply it across the two sides to tap into the synergies.
- Rahul** Broadly these are in lines of maybe cross hedging or up selling. But is there anything on terms of using resources of the two companies?
- Rakesh Soni** In fact what is happening is that in the enterprise business solutions there are significant number of Mahindra Satyam resources who are being deployed on the Tech Mahindra engagements because that has been one of our areas of strength. I think as the area where we recently had a win or Tech Mahindra won it and we are taking over a part of the businesses in terms of the BPM. So one of the largest clients of Tech Mahindra has given us a large order and some part of the order is being executed by us and without that scale perhaps it may have been difficult for us to win that particular order.
- Rahul** What is the incremental change in the attitude which we are facing on the client side? When the sales guys are approaching vis-à-vis what they used to see a year back or maybe two year back?
- Vineet Nayyar** I would say that there is an increasing level of comfort as we go along and I think of a legacy we carried is now by and large forgotten.
- Rahul** Thanks a lot
- Moderator** Thank you. Our next question is from the line of Hardik Shah from KR Choksey, please go ahead.
- Hardik Shah** Can you share the onsite and offshore billing rate?
- Vineet Nayyar** We do not share this information, our apologies.
- Hardik Shah** Can you give a rough idea what is the onsite effort mix and offshore effort mix?
- Vasant Krishnan** It is a 78 offshore and 22 onsite.

- Hardik Shah** What are the CapEx plans in FY12?
- Vasant Krishnan** We have CapEx plans of around 325 crores. We are planning a largish SEZ campus in the southern part of the country. We are also planning to expand our facilities where we are currently housed. So all put together we are planning around 325 crores for the coming year.
- Vineet Nayyar** In fact what had happened was that the previous management when it had financial problems they had started a large number of buildings which they had more or less abandoned. So we are completing that and we will be housing rental spaces or the incremental staff in these areas.
- Hardik Shah** I just want to reconfirm the numbers. The number of people having less than 3 years experience is around 20%, is that right sir?
- Hari T** That would be right.
- Hardik Shah** One last question, in the last quarter our utilization was around 73-73.5 and our volume has increased by 3.5% whereas the number of employees has remained almost flat, so there is a disconnect between the same?
- Vasant Krishnan** No, the number of employees has not remained flat. There was an addition of more than 400 this quarter and there is a lag affect of around 700 associates that we added last quarter, that is point one. And point two is that you should just not take the personnel cost, you should also take the personnel and the sub-con cost together when you come to that matrix and the sub-con cost this quarter has also grown from 58 crores to around 88 crores this quarter.
- Hardik Shah** Thank you
- Moderator** Thank you. Our next question is from the line of Srivathsan Ramachandran from Spark Capital, please go ahead.
- Srivathsan Ramachandran** Hi just wanted to have a bookkeeping question what are views on the revenues on the realized exchange rate for the quarter?
- Vasant Krishnan** The dollar revenues contribute around 60% of our total revenues in the collections basket.
- Srivathsan Ramachandran** I was asking for the overall total revenue in US Dollar terms for the quarter?
- Vasant Krishnan** \$304 million.
- Srivathsan Ramachandran** What is the current level of hedge book we are having?
- Vasant Krishnan** It is around \$340 million.
- Srivathsan Ramachandran** That would be spread over the next 12 months?

Vasant Krishnan 18 months actually on a weighted average basis but our exposure in the near term we are far more covered.

Srivathsan Ramachandran The last question is I wanted to understand in terms of the debtor days it is pretty high you are close to about 85-87 days. Just wanted to know the number trend down lower during the course of FY12?

Vasant Krishnan The debtor days have actually come down. It was a 107 days in Quarter 3 it has come down to around 100 days in Quarter 4.

Srivathsan Ramachandran Any chance of it becoming more in line with the industry to the 70 odd days, not all of it in FY12 but any trend towards this?

Vasant Krishnan We are working towards that. In fact if you see from quarter-on-quarter we have been showing a regular trend in declining. So there is a huge effort in terms of collections and also in converting our unbilled into billed as rapidly as we can. I think the twin measures that we have taken is resulting in this metric steadily coming down.

Srivathsan Ramachandran Thanks a lot.

Moderator Thank you. Our next question is from the line of Sandeep Shah from RBS Equities, please go ahead.

Sandeep Shah Another bookkeeping is on the other income. I think my guess is whatever amount we have in the escrow account does not earn the treasury. This quarter if we look at, we have roughly around 850-900 crores worth of treasury lying in the escrow. My calculation shows that for the last two quarter consistently we are earning roughly around more than 10% as a treasury income. So is there any one timer in the treasury income of 85.5 crores in this quarter?

Vasant Krishnan No there is no one-time, that is because your assumption that our escrows do not carry interest is wrong. All our escrow interest to extent that they were remaining in the country carried interest. The class action once it moves out which has happened post March, that will not carry significant interest.

Sandeep Shah So the U paid may still carry the interest?

Vasant Krishnan Yeah partly it does so, and the SEC and the class action which we had put in escrow which is now sitting as escrow in funds till 31st March, 2011, are all in fixed deposits and carrying interest.

Sandeep Shah The class action you saying is already moved out of the country?

Vasant Krishnan That was post March.

- Sandeep Shah** On the billing rates, I think the peers have started getting the COLA adjustments. So are we being successful in getting the COLA adjustment and if yes, will it be reflected in the coming quarters?
- Atul Kunwar** It is an ongoing process. This is something that we keep doing from time to time and this is embedded into most of our contracts already that on an annualized basis this has been addressed and looked at. So it is a matter of general operating principle. There is no exception that we require on this.
- Sandeep Shah** But is the last 2-3 quarters numbers reflect any COLA adjustment increase?
- Atul Kunwar** Contracts happen at different points in the year so it is not as if on a January 1st these kinds of things happened so it is a contract cycle that we have to look at. Every quarter will have one or two elements like that, that will come out depending on the customer. It is kind of balances out. It is not like a one big blip will come in one particular quarter.
- Sandeep Shah** In the vertical distribution can you break down what is the percentage revenue coming out of telecom as a vertical?
- Atul Kunwar** Telecom is a marginal weight vertical as far as Mahindra Satyam is concerned, that will be 100% vertical for Tech Mahindra. The way you should look at it is on our business the key verticals are manufacturing, this is a technology media and entertainment business which has a minuscule part of telecom and that contributes to about 18% of our business.
- Sandeep Shah** So the others does not include any part of telecom?
- Atul Kunwar** No, the others do not have any part of telecom at all. Those are to do with other verticals.
- Sandeep Shah** The last thing is in terms of investment in sales and marketing employee or account managers, is it the major part of the investment is done and over or you expect that as you enter into a FY12 more investment need to be done?
- Atul Kunwar** This is an ongoing process again; it is dependent on 2-3 factors. One is where we see a more opportunities, second thing where people are performing or not performing and the third element clearly is that where accounts are growing then you have to provide different kind of support and different kind of account managers. So if you're asking on a holistic basis because of the kind of growth we are expecting there will be increases and there will be mixed changes as you go across.
- Sandeep Shah** Lastly liability also includes the UPaid amount which has been shown on the balance sheet as of 31st of March?
- Vasant Krishnan** That has been provided for, much before because UPaid was settled not in this year. That is already being provided for.

- Sandeep Shah** So whenever the settlement happens even that liability will come now.
- Vasant Krishnan** Yeah, but that will be P& L neutral.
- Sandeep Shah** That is true. Thanks
- Moderator** Thank you. Our next question from the line of Abhishek Shindadkar from ICICI Securities. Please go ahead.
- Abhishek Shindadkar** Hari, could you quantify or qualify the skills that we use for subcontracting and from the number of hires that you are suggesting for next year, are those hires related to the subcontracting, I mean should we expect that subcontracting cost would come down next year?
- Hari T.** Abhishek, just to set the context on subcontracting itself, we typically leverage subcon in two situations, one is when the skills set is very niche and we probably do not have that permutation combination within the system, so that is one context in which we typically go out. The second one of course, is when the requirement is more of a certain seasonal nature, we find it to be rather short term and in such a situation we typically would go for a subcon because we do not see a leverage of a given skill in a long-term then we would opt for a subcon. So those are two conditions that make us look at subcon. We do believe that at the current levels of subcon that we have is probably the right percentage to our total number of people. I do not think we anticipate that we will increase these numbers much more in the next year. At least that is my immediate response to that, I would be a little more or less largely remained flat on this.
- Abhishek Shindadkar** Thanks
- Moderator** Thank you. The next question is from the line of Pratish Krishnan from Bank of America Merrill Lynch. Please go ahead.
- Pratish Krishnan** I just want to try to understand in efficiency gain whether there was any change in the revenue mix which led to the increase in revenue from the efficiency side?
- Vijayanand Vadrevu** There is no big difference that factored towards the change that contributed to either the top line or the bottom line performance for this quarter.
- Pratish Krishnan** I'm not very clear in terms of the efficiency that you mentioned, I understand that the efficiency is coming to the margin line, but that flowing to the revenue is something which I am not able to reconcile?
- Vasant Krishnan** These are essentially effort savings on our fixed bid engagements. When you estimate a certain effort and then you could recognize revenue on a certain percentage and then you are in a position to then accelerate that effort because of specialized skills that you then willing to

bring to the table and obviously their acceleration is higher and that's how it comes on the top line.

Pratish Krishnan Is it more a revenue recognition kind of thing or...?

Vasant Krishnan Nothing to do with revenue recognition. The fact was that we are able to drive operational efficiencies in our fixed bid engagements.

Pratish Krishnan Fine.

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

Pinku Pappan Can you tell us, the percentage of revenue coming from enterprise services; the spread on the services you have not provided in your fact sheet, can you throw some more light on that?

Vasant Krishnan We do not disclose revenue by service offerings.

Pratish Krishnan But just a sense of which are the larger ones that you have?

Vijayanand Vadrevu The Extended enterprise solutions would contribute somewhere about 40-45%. It includes the set of standard enterprise applications and some of the extended applications of extended enterprise which includes PLM; so on and so forth.

Pinku Pappan Thanks.

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

Ashwin Mehta I have a question in terms of our offshore-onsite mix, given that we would have nearly 42-45% of our revenues coming in from enterprise solutions. Would that limit in a way our ability to move our onsite towards offshore much more?

Vijayanand Vadrevu That is a function of the nature of work that one does in the enterprise or extended enterprise applications area and it tends to be dynamic and if you really look at the annuities support kind of activities that happens on enterprise applications tend to be more offshore centric. But doing a big roll out or big upgrades, etc., tend to be initially a high onsite centric but because of some of the innovation and kind of past accelerator that we have gotten together, we are able to move proportionately higher percentage of work across enterprise applications to offshore, compared to our peers.

Pratish Krishnan But among our service lines would it be fair to assume that enterprise solutions would have much a higher onsite centricity?

- Vijayanand Vadrevu** Depending on the mix again. But if you take Apple-to-Apple for comparison of a bespoke vs. enterprise obviously that is true, but again given such an assets in terms of reasonable artifacts and process accelerators, we would be able to do it. And again more and more customers are actually trying to move even their requirement service station functions to offshore thereby helping a big portion of that work also getting done in offshore.
- Pratish Krishnan** Thanks a lot.
- Moderator** The last question is from the line of Dipesh Mehta from SBI Caps Securities, please go ahead.
- Dipesh Mehta** On this improvement in BPO performance, can you help us understand BPO performance for the quarter in terms of revenue performance as well as margin?
- Vijay Rangineni** I think in the terms of the BPO performance some of the investments that we have been making in improving our service offerings in BSFI market and help desk segments, both of them have given us a boost in terms of revenue.
- Dipesh Mehta** There is no one-off as such in BPO operating performance in this quarter or there is something?
- Vijay Rangineni** There are not any one-off things; what we see here is something we signed up in wealth management that has given us boost in that particular area.
- Dipesh Mehta** Thanks.
- 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.
- Vineet Nayyar** Folks, thank you ever so much for attending this call. It has been our endeavor to improve the functioning of our company. We are delighted that you are now seeing palpable and overt results of these efforts and we thank you once again for your interest and have a nice day or a nice evening. Thank you very much.
- Moderator** Thank you very much sir. On behalf of Mahindra Satyam that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.