“Mahindra Satyam Q4 & FY12 Earnings Conference Call”

May 17, 2012

MODERATORS	**MR. VINEET NAYYAR –CHAIRMAN**
	MR. C. P. GURNANI – CEO
	MR. VASANT KRISHNAN – CFO
	MR. HARI T – CHIEF MARKETING OFFICER
	MR. RAKESH SONI - COO
	MR. ROHIT GANDHI, HEAD, ROW
	MR. ARVIND MALHOTRA, US SALES
	MR. KARTHIK NATARAJAN, HEAD, IES

Moderator Ladies and gentlemen, good evening and welcome to the Mahindra Satyam earnings conference call for the quarter and financial year ending on 31st March 2012. As a reminder, all participants' 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 assistance during this conference call please signal an operator by pressing "*" and then "0" on your touchtone phone. I would now like to hand the conference over to Mr. Hari T – Head of Marketing & HR Mahindra Satyam. Thank you. And over to you sir.

Hari T Thank you, Mohsin. This is Hari from the Mahindra Satyam's leadership team and it is our pleasure to welcome you back to the Q4 & FY12 earnings call. We have with us Mr. Vineet Nayyar – our Chairman; C. P. – CEO; Vasant – our CFO; and the entire senior management team including the geography leaders and the vertical leaders based out of Europe, APAC and the US.

Before I hand over this conference I would like to remind you that we do not provide any revenue earnings guidance. Whatever we discuss on this call that reflects our outlook for the future and can be construed as a forward-looking statement, should be viewed in conjunction with the risk that the company faces. We have outlined these risks in our press release dated 17th May and it is available on the web site but at this stage may I hand over to Vineet for his opening remarks.

Vineet Nayyar Good evening, good morning, friends, and welcome to the Mahindra Satyam call for the annual results. We really cannot talk of earnings or prospects without taking into account the current global situation. That has woven in a huge element of uncertainty, it is around every business, especially global businesses like ours. But nonetheless, we see even in this an element of positive, clearly, there are negatives in terms of uncertainty. Net-net what we are seeing is that, Europe, the discretionary spend is coming down and we expect further reduction as the crisis gathers momentum which now seems very likely given what is happening on the political scene. US which had shown signs of growth is now decelerating. The business in Asia, Australia is growing with the usual momentum. So, the picture is somewhat mixed but we are seeing a fair amount of change in the nature of business and that is giving us some element of optimism. Even Europe and US we are finding that the customers are now demanding that we join with them in the operations of the company and take on functions which were earlier inherent and intrinsic to the company itself. So, there is a possibility of a business expansion which may replace the contraction of demand on discretionary spend in other ways.

Now, coming back to Mahindra Satyam, over the last 12 quarters, I have been comparing Satyam to a company which went through a near death experience. It was in the ICU and it moved out of the ICU and the next two years were spent in repairing it and its parameters. While I am glad to tell you that I do believe that we are now healthy, hale and hearty and are now ready to enter the marathon. And this is reflected in the results which you may have seen already and I will talk about.

Revenue for the quarter $337 million, a growth of 3.7% over the previous quarter. Our EBITDA for the quarter was the $59 million, a growth of 12.1% over the previous quarter. For the full year, our revenue was $1.311 billion, a growth of 16.2%. Our EBITDA for the full year was $210 million or Rs 1,024 crores, and having an EBITDA margin of 16.0%. Profit for the year was close to Rs 1,306 crores.

We believe that the first three years of the transformation which we had outlined have been quite satisfying and now that we are in full health, it is good news for all the stakeholders and not such great news for us because we no longer have any alibis for not performing on top gear. I believe our current quarter where we delivered superior growth in revenue and EBITDA is a reflection of the true potential of the company. If you take a view over a year, there has been considerable improvement in almost all key metrics across service delivery, in cost management and in revenue growth. Our strategy of focusing on key customers relationship has held us in good stead. Our top 20 customers have grown @19% in FY12 compared to FY11 indicating the successful beginning of our account mining strategy. We hope to continue this focus on offering a wider range of options to our customers and broadening the relationship across multiple parameters.

One of the key events of the quarter gone by was announcement of the merger of Mahindra Satyam and Tech Mahindra. We have got a lot of positive feedback from our stakeholders and also the stock market following the merger announcement.

As we speak we are aligning our processes and are ensuring seamless integration of all systems and best practices across the various functions within the two organizations. In fact, a runway of three years evens this process considerably.

In terms of key milestones, we have received an approval on the merger from the stock exchange and the Competition Commission of India. We are proposing to hold an Annual General Meeting where the shareholders will vote on the merger on 7th and 8th of June. Once this is done and the shareholders vote for the merger which we hope they will ,then rest of the procedure is relatively routine, we have go to the High Courts of Andhra Pradesh and Maharashtra, get their approval and that signals the two companies joining and becoming one.

So, as I look at it at this point of time, I think our earlier estimate of 8 to 9 months is on course and we should be able to integrate the company possibly by the end of this year.

As we had mentioned before, the combined entities would be able to serve its customers better by offering a wider, more diversified service portfolio by combining Tech Mahindra with the capabilities of Mahindra Satyam.

There is nonetheless still a long way to go in terms of helping the combined entity in achieving its full potential. We look forward towards the next phase of our growth with hope and anticipation. C.P., would you like to add something to it?

C. P. Gurnani Thanks, Vineet. On behalf of all the 34,000 associates of Mahindra Satyam I can only say that we have once again shown our ability to counter the headwinds and continue on the growth trajectory. That the market continues to be unpredictable, that we are in a set of economic conditions, where it is very difficult to define the perspective for the next few quarters but what we have seen from your firm is that we are able to still take opportunities out of these headwinds, we are able to look at this spending environment and we are able to provide value proposition which needs both short-term and long-term plan for our firms, for the customers and that we were able to align our business solutions to the customers business objective. And I think that is the core strength of your firm. We are constantly investing to develop new technologies, new ideas and we have now more than 200 publications, 33 patents, filed in various areas like media network management, telecom and areas when I talk of technology, I take into account the combined strength of both the companies and overall, our focus and differentiators and network centers of excellence clearly show that the strategy that we have outlined to most all of you called NMACS (Network,Mobility,Analytics,Cloud,Security)with an integrated approach will unlock business value for our customers. Overall, we continue to foster a culture of innovation. We do believe that many of our associates would get an opportunity through some of our internally launched new programs in participating in innovation ,my colleagues who are present in the call with you will share more or regarding how we believe we can open new business avenues through innovation. In terms of culture, we will retain our start-up mindset, and that really means is that we will have a flexibility and agility of a start-up with the maturity of Mahindra's and Tech Mahindra's overall size, processes and the values. So, I do believe we are the best in the world because we have a front end which will continue to be nimble and agile and we have a backend which is mature and that gives us the unique positioning. We will continue to demonstrate to you that our service offerings, our capabilities, particularly in Enterprise, Business Solutions and Mobility, Big Data and Analytics, Infrastructure Services, Security for IT and Cyber Security for BSG and BPO platform and Engineering services will remain not only our focus for going to the market but will allow us to some extent beat some of the economic blues.

Our attrition levels are down to 15%. Last quarter we added about 1100 people. Our three year transformation journey is definitely complete. We announced it on 20th of June in 2009. It is almost the time when our three-year journey is complete.

Consolidated free cash in the company is about Rs 3,000 crores. Last quarter we spent about $15 million in capital expenditure. We added 1400 seats and net added 1100 people. That clearly demonstrates to you that our planning is very, very dynamic. We adopted some of the manufacturing principles of being like a lean manufacturing and we will continue to deliver the industry growth and we hope that with our focus now converting into platforms, into non-linear revenue areas of growth, you will see that the company will continue to differentiate and our acquisition of V-Customer is now 100% complete, the operations have been integrated into our BSG, BPO part of the organization and similarly, we are now aligned with Dion Technologies where we made an investment and again, this will help us to unlock some value of Mahindra Satyam offerings to the BFSI sector. I can only tell you that overall we are very pleased, we are very proud with the results that we have shown to you. Most of our key clients have shown growth. Volume growth has been about 1.9% Q-o-Q. Though as a firm we have had an all round growth but our technology, media and entertainment sectors has done exceptionally well. Our retail sector has done very well. US has continued to show growth. BFSI has been flattish. For us Europe has been flattish.

In terms of the geography mix, US operations is at 51%, Europe is at 24% and rest of the world or as my colleague Rohit would call it, best of the world is at 25%. So that is a geographic split of the revenue.

In terms of the vertical split, Manufacturing leads the pack at about 32%; Technology and Media sector is at 21%; BFSI is at about 19%; rest of the verticals are at 28%. So, we are fairly well-spread and we are seeing that by being in diversified verticals, we are able to balance a few of the risks that the economic conditions are posing. And as I said, it has been an all-round good performance,both not only from revenue and EBITDA point of view but overall from a mood point of view, internally we are very, very aware of the external challenges and at the same time we realize the best way to align ourselves to the external challenges is by adding value to our customers and number two, is that run our operations, watch every dollar, watch every rupee. I think that is basically the DNA of your firm.

Vasant, you want to add anything?

Vasant Krishnan: Thank you, C.P. In terms of the top-line, you have got the color already. We had $337 million this quarter compared to $325 million in the previous quarter. We had a cross currency positive impact of 1.3% in dollar terms and in the rupee front it was negative by -5%. On the EBITDA front, basically, one more flavor, margin uptick of 133 bps in the quarter largely aided by change in pyramid. Our pyramid at the bottom expanded to 32% from 28% thereabout in the previous quarter and consolidated PAT for the year was Rs 1306 crores and EPS at Rs 11.1 per share.

I want to spend a minute on the other income which was Rs 419 crores this quarter. What happened this quarter was that because the rupee appreciation, we had to take a FOREX loss of Rs 59 crores. Our interest on FD, Mutual Fund redemptions contributed Rs 61 crores this quarter. Annualized yield on FD is around 10% and our FMPs around 7%.

Turning to hedge, total hedge book around $190 million, a little less than $200 million, and strike rate of 50.69, overall coverage of 22% and as always we have a near-term bias.

Effective tax rate for the year was 17.8%. I just want to spend a minute on tax, some of you might have noticed the negative tax number. What happened was within this quarter we recognized or we were allowed to recognize the deferred tax asset so timing differences between book and tax. So that was for Rs 162 crores of deferred tax assets that we recognized this quarter. And if you take that away from equation, the tax rate for the quarter was 17.8%.

Turning to capacity addition, in the quarter, we spent around Rs 60-odd crores primarily on buildings and going forward our plan is to spend around Rs 140-150 crores towards CAPEX and addition of around 3100 seats.

One quick point on the exceptional item. You would have seen an exceptional line item of around Rs 50-odd crores in the standalone and around Rs 109 crores in the consol. The background to this is that when we did the restatement for MSat in 2009 and in September 2010, we had made provisions for both contingencies for MSat, we had also taken a call at that particular point of time considering the poor visibility we had over the operations of our subsidiary to make provisions for impairments both in investments and loans of our subsidiaries. The three-year transformation journey has not only impacted MSat but it had also impacted our subsidiaries in a manner of speaking because when we reevaluate the impairment provision on an annualized basis that we are required to do, there was a write back of this impairments and net income after providing for other contingencies is around Rs 50 crores in the standalone and around Rs 109 crores in the consolidated.

Turning to DSO for the year it was 97 days, a tad lower than it was last quarter and free cash for the consol is Rs 2914 crores. And I would also like to mention here that this free cash excludes all others there is no escrow funds in the free cash because we have settled all our legal issues on which we have escrowed cash.

So, this is the brief snapshot of the financials for this quarter. I will now open the floor to questions.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Sandeep Shah from RBS Equities. Please go ahead.

Sandeep Shah: Just firstly, in terms of demand in the initial remarks we said that discretionary services are being slowing down. So, do you believe that this year we are able to achieve the NASSCOM growth rates entering into FY13,do we believe that achieving NASSCOM growth is more or less possible for Satyam?

C. P. Gurnani: I think in terms of NASSCOM, we believe that NASSCOM represents a cross section of the industry and it means smaller as well as the big giants that they have taken into account some of the headwinds, they have taken into account some of the tailwinds which is like digital marketplace and the changes that are taking place. They have also taken into account McKinsey projections. Our endeavor is that we should beat the industry average but obviously, we do not give any guidance, number one and number two, is that we can only plan a trajectory and at this stage with what is happening around us, I want to reassure you and I want to re-emphasize that your firm realizes that these are market conditions for which nobody is prepared. And the best way to handle these kinds of market conditions is to remain just in time, to remain very dynamic, to remain very nimble and that is what your firm is doing.

Sandeep Shah: And last quarter we have also talked about many deals of $15 million to $25 million each were in the pipeline with a couple of them being at an advanced stage. So, can you share any wins in this quarter and the pipeline going forward?

C. P. Gurnani: Yes, there have been a few wins and I can only tell you that, again, I do not go into that level of details but in terms of our order portfolio, I have had the best quarter and number two, my pipeline is robust but however, there is a word of caution here that the deal conversion is taking a lot longer and the decisions not only cycles have changed but many a times the level of executives who get involved into decision-making is something unusual, I have seen and CEO and CFO now getting involved in decision-making.

Sandeep Shah: And you said that deal win in terms of this quarter was one of the best?

C. P. Gurnani: Yes

Sandeep Shah: The second question is in terms of the margins like we are exiting this year with a 17.5% margin. Coming year with wage inflation likely, do you believe still we have headroom to pull out levers or now we are at a normalized level where the market forces and the supply forces will impact the margins?

Vasant Krishnan : The margin improvements, I would always look at it as a program. And we have a number of levers that we had identified over several quarters. I shared that pyramid correction, our onsite/offshore mix of projects, SG&A efficiencies, just to quote a few are some of the levers that we are constantly monitoring to arrive at these efficiencies. I think we are pushing these levers fairly effectively because if you look at our performance over the past several quarters, we have been showing that margin expansion from 13%-odd which was in Q4 of '11 to 17.5% when we exit Q4 of '12. Turning to your question as to whether we can sustain it. Obviously, as management we would like to believe that we would continue to push these levers to have margin expansion, but also caution that there would be headwinds as we have articulated little earlier in the call and we have to factor all of these together. So, how all of these will ultimately pan out is anybody's guess but just to answer your question we do have levers that we will continue to push.

Sandeep Shah: And on the wages, will the cycle continue effective third quarter of FY13 or this maybe changed to second quarter of FY13?

Hari T: At this stage I can only mention that we continue to review that particular point. We are still looking at how the industry is unfolding on this, we are continuing to look at some of the internal issues that we need to deal with. So, I would say decision on this is still pending now.

Sandeep Shah: And just last two things, the employee cost has included some 590 million worth of charge towards earlier years. And despite that in absolute fashion the employee cost has gone down in this quarter. So, can you explain this?

Vasant Krishnan: The employee cost that we provided for early years all of it is not in this quarter, it was sliced across multiple quarters. As far as the quarter-on-quarter movement of the employee cost is concerned, if you look at it from subcon and employees together, we have had a reduction in subcon which reflects our ability to now get our arms around some of our fixed rate engagement and for which we had an engaged specific technical subcon, that is subcon that shows an increase a couple of quarters ago. We also have the benefit of one-time write-back this quarter which we will not have in the quarters going forward.

Sandeep Shah: Can you quantify that write-back?

Vasant Krishnan: You would recollect that we had an ADS program that was wound down and there were some RSU ADS that we had offered to our employees. We offer an RSU, ADS, we also set up a deferred employee expenditure that is no longer required now because of that ADS program.

Sandeep Shah: Is it possible to quantify in this quarter, how much the write-back is related to the earlier quarter?

Vasant Krishnan: Not like to get into that level of granularity but that was a reasonably significant proportion of the big decrease that you saw in the personnel cost.

Sandeep Shah: And just what is the nature of these Rs 256 crores which is a provision for contingency related to various disputed matters?

Vasant Krishnan: Our provision for contingencies is an ongoing exercise that management does every year. We have got a number of claims and contingencies which have been fairly elaborately indicated in our notes. One of the reasons that we are not able to provide an actual liability because of the outcome of some of these claims are so nebulous because of the judicial pronouncement on which we cannot second guess. So, we make a pool provision. So, every time we have a settlement something comes out and then we can put something back, we keep on reevaluating that. So, that is what I said to in the beginning of the call that we are reevaluating to find that our investments or impairment provisions in subsidiaries may not be required. Some provisions for contingencies that you had to make on cases that are settled will come back. You might decide to make some provisions for other things. So the net impact of all of that was what you saw in the exceptional item of Rs 51 crores is standalone and Rs 100 crores is consol.

Sandeep Shah: Are they anyway related to Aberdeen or income tax matter?

Vasant Krishnan: Provision for contingencies by definition are pool.

Sandeep Shah: On the minority interest this quarter there was like negative figure which was material on Q-o-Q basis. So, can you explain what has happened there?

Vasant Krishnan: One subsidiary on which we had to take a one-time hit. That caused this, but it is not very material.

Moderator: Thank you. The next question is from the line of Guita Blake from Mahindra Satyam. Please go ahead.

Guita Blake: We heard here on this call that there has been a reduction in terms of attrition to 15%. Obviously, this is very good news. And I just wanted to understand what the contributing factors to this reduction are please?

Hari T.: Broadly, the fact that now business is backed with I would say a pulsating pace at this stage and the fact that we have done a few interesting interventions with the youngsters in the organization. One could attribute those to the fact that there are new opportunities coming for them, people see the need to stay back and we are part of that story. But we will talk about more in detail in our internal call, Guita.

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

Hardik Shah: Your other operating expenses have come down drastically. That is from Rs 535 crores to almost Rs 260 crores in this quarter. So, what is the reason for this?

Vasant Krishnan: Two reasons for that. One is that there was further rationalization of our rentals aided by what we manage to do in some of our onsite locations. And two, last quarter you would recollect that I had talked about hardware cost that we had included in the other expenses which is a pass-through. That project is winding down and there is no such cost that we incurred this quarter.

Hardik Shah: So we can assume Rs 260 crores will be steady state in the coming quarters?

Vasant Krishnan: Subject to other developments going forward, yes.

Hardik Shah: And what will be our effective tax rate in FY13?

Vasant Krishnan: I would rather than taking that question as rate let me tell you that, you must have already known by now that we have recognized the deferred tax assets, so we have exhausted all our carry-forward losses. So, it will be now is that will be applicable minus the tax rates that we will get on our income from the SEZ.

Hardik Shah: So it will be on 20, 21% range in the coming quarters?

Vasant Krishnan: It may be a little higher.

Hardik Shah: Can you throw more light on the discretionary spend? Like what kind of trend you are seeing in that space?

Hari T: I think it will be a good idea at this stage, Rohit, if you are on the call to give us a sense of how it is growing, what you are seeing in the emerging markets there?

Rohit Gandhi: Hardik, what we are seeing over here is that if you look at let us say, Australia and New Zealand, which is a significant part of the market. There is significant spend that is happening in three areas I would say. So, one is the mining sector is doing quite well. So in fact, we have capitalized and set up an operation in Perth and are taking advantage of that. Second is the public sector spend continues to be quite good. We have again set up an operation in Canberra and taking advantage of that as well. In banking, we are seeing a lot of spends in the alternate channels, like for example, mobile banking as well as personalized internet banking. These are two areas where we are also taking an advantage by selling solutions like mostly communication, etc. In the ASEAN region, government spending in Singapore has not shown any negative trends so far. Indonesia is growing. Japan had shown a significant negative discretionary spend in the last one year but now what we are finding is that it has stabilized a bit because many Japanese companies are now investing outside Japan both for disaster recovery as well as to spread their risk. So as of today we see from a negative to almost flat kind of a discretionary spend. India, the government continues to grow but we are investing very selectively wherever we can only replicate solutions. So overall I would say that it is not negative, it is moderately positive.

Hardik Shah: The region is Asia-Pacific or including the US and European markets?

Rohit Gandhi: I am referring to Asia Pacific, India and Middle East, Africa.

Arvind Malhotra: I will give you a broad brush since we operate in several verticals here. By and large we are seeing an uptick in deal flow in all our verticals that we play in. While some maybe more mature than others, generally speaking, C.P. was just also mentioning that our order booking and the deal flow has been very robust in the last three months and there are a couple of reasons for that. One is that the discretionary spending in certain verticals has increased because as you know the US has done a fairly decent job of profit enhancement in the last 12 months and now the IT pent up demand is showing up in certain verticals which typically rely on IT to improve their business performance. What we are seeing though being an election year there maybe some delays in decisions especially in some of the quasi-government type of verticals like utilities and public sector but overall the mood on the IT side is quite promising from what we have seen.

Hardik Shah: Which are the specific verticals where you are seeing the strong demand in the US?

Arvind Malhotra: Retail has been showing some strong demand, Telecom and Media has been showing strong demand and also in certain elements of manufacturing ,there is a strong demand.

Hardik Shah: And what about the European geography?

Vikram Nair: As far as Europe is concerned, it is in a state of flux. Discretionary spend is being done where there is a business case of the payback of less than 18 months hence it is not going ahead. The areas where spend is happening is where there is cost optimization or regulatory requirements. In terms of deal flow, what we are seeing is there are deals to be had which we can be innovative in terms of deal restructuring and it might mean monetization of assets and taking this and providing it as a platform service. And other areas that we are seeing traction is around Analytics and data related services. The last two weeks events are yet to manifest itself in the business environment. But we expect that to come out pretty soon. If Greek goes out you do not know how the situation is going to look like.

Hardik Shah: Other 24% of your European revenue, how much you can classify as a discretionary spend?

Hari T: I think it will be a little complex to probably define that in specific terms. I am sure it is not something you would want to put out there. But maybe we can share that with you at a later point.

Hardik Shah: And sir, like at the entry level it would be on 45% the ERP streams.

Hari T: One could say definitely that it could be around in the mid-40s, yeah, that is where we are on that.

Hardik Shah: And what will be the utilization levels including and excluding trainees?

Rakesh Soni: The utilization level is around 75%. After inclusion of trainees it has dropped to about 73.5 to 74%.

Hardik Shah: This is like an optimized level we are targeting or there is further scope in increasing the utilization levels?

Rakesh Soni: We expect some improvements to happen in this area as we move forward.

Hardik Shah: What is your hiring for FY13 like freshers versus laterals?

Hari T.: At this stage let me give you a different cut. At this stage we have hired about 2,000 people from the campuses who are expected to come on board in the course of the year. We also have a few trainees whom we hired in the last year whom we are on boarding the course of this year. But the lateral hiring is going to be more based on a need basis. I would not really say that if we put a direct percentage to it, but you could broadly indicate the 70/30 ratio or about 65/35 ratio between laterals and freshers.

Hardik Shah: BFSI space has witnessed almost a 3.7% decline in USD terms. Any particular reason for the same, any project getting over or any client specific issue?

Vasant Krishnan: I think it is a quarterly phenomenon, when we look at the numbers, BFSI is largely flat in this quarter, but I think when you look at the fact that our base is fairly low, we are hopeful that in the quarters to come, we see big returns that provision around. In fact, if you recollect last two, three quarters it has been a fairly aggressive performer. In this particular quarter it just so happened that this is largely flattish.

Hardik Shah: This is a question is in reference to a couple of your peers having mentioned that banking space in the US, they are witnessing some pressure. So, are we witnessing some kind of pressures from the banking space in US, particularly besides European geography?

C. P. Gurnani: My belief is that we have a diversified portfolio. And as a diversified portfolio there will be some sectors which will go up and there are some sectors which will be modest. Yes, banking sector at this stage because of regulations, because of certain exposures which have come to light, a few months ago with UBS, right now with JP Morgan, is a lot more cautious. So, the feeling about banking sector being a little modest or what the other peer group has come and shared I think it is fair and it is true for the US also. But as Vasant stated, for us the base is so low that at this stage, we would rather like to become a reasonable player in this market and for us we will continue to be the challengers in this market.

Moderator: Thank you. The next question is from the line of Kawaljeet Saluja from Kotak. Please go ahead.

Kawaljeet Saluja: I just wanted to know that what are the contributing factors that enabled you to create a deferred tax asset in the quarter?

Vasant Krishnan: The difference between our asset block as a tax book, as a company law book that is point one and point two to write back the provision for gratuity and employee related leave encashment because again it is a timing difference there**.**

Kawaljeet Saluja: Was that the entire reason for this Rs 160-odd crores of deferred tax creation?

Vasant Krishnan: Two major components have contributed to the Rs 160-odd crores of deferred tax.

Kawaljeet Saluja: So it has got nothing to do with the losses of earlier years?

Vasant Krishnan: No.

Kawaljeet Saluja: And the second question is some participant did ask about this earlier, I think the question relates to what is this provision for contingencies, is this created because there is going to be underlying cash outflow, and if yes, by when?

Vasant Krishnan: There is no cash outflow. Any provision for contingency is our assessment of any possible loss that may arise on numerous claims…..

Kawaljeet Saluja: Potential cash outflows, what is this provision for contingency?

Vasant Krishnan: When we make the original provision for contingencies also there will also be cash outflows. The cash outflow whether it is there or not will be determined by the judicial decision of various claims which as I said very elaborately put out in our notes. So, we would just take a prudent measure and say, okay, put an estimate and make a pool provision.

Kawaljeet Saluja: I understand requirement for a prudent provisioning. I am just trying to understand the nature of prudent provisioning. Is it pertaining to potential legal expenses or is it related to some claims made by outside parties?

Vasant Krishnan: It is all for our claims, you can take it as one block.

Kawaljeet Saluja: Finally, essentially from the V customer, was there any contribution of revenues from that particular acquisition in the quarter?

Vasant Krishnan: No, it was only a commitment. The transaction actually will be consummated in the next year.

Moderator: Thank you. The next question is from the line of Anurag Purohit from Systematix. Please go ahead.

Anurag Purohit: I wanted to have a bit color on the services which probably would be propelling growth for you. That would have been done well in FY12 and the ones that I expect it to do well in FY13 as well.

Hari T: If I were to give you a top level view on that, some of the areas that have traditionally been strong for us continue to be reflecting a healthy pipeline. So, even if I look at the pipeline for the year, a significant part of it continues to come from the enterprise business solutions space and so we believe that is going to continue to give us a track. Engineering services have been clearly for us has been making definite stride so that is another area we are very bullish on. Infrastructure services, the infrastructure managed services area is definitely another area that is showing promise and whatever growth we are seeing this year seems to have no slowdown at this stage to our pipeline. The big hope area that we have and we are applying all efforts onto that is what C.P. was referring to as NMACS or the emerging technologies that we want to play on. So, we believe that is a potential area in the next 18 to 24 months for us to be in. So, some of the major investments and efforts are going towards building a greater set of offerings not only what we have but also the ecosystem around us. But maybe I am going to ask at this stage since Karthik is on line, if he can give us some trends that he sees on the engineering services side which is a unique differentiator for us.

Karthik Natarajan: What you have seen in the market side, we definitely see a traction from aerospace and defense. And with a huge amount of spending likely to happen on the defense side in India this is definitely a trend that we see from global customers looking to access the Indian market and wanting to really drive the growth of the Indian service providers. And the second element that we have seen is on Automotive and Energy which is another couple of sectors that we see a strong growth. And Media and Entertainment which is driving a lot of digital convergence across manufacturing clients. What we are looking at for the next few months or quarters is definitely the demand for R&D of engineering services is likely to pick up and we are geared up towards working on innovative solutions which would meet the customer demand.

Anurag Purohit: But considering that you expect some pressure on discretionary spending, do you expect enterprise applications to still do well in FY13 or do you expect challenges to rise in that vertical?

C. P. Gurnani: If you look at the enterprise business solutions, there is a very big space around Big Data. And so you may see a slowdown in terms of bigger enterprises going on ERP but space around business intelligence, business analytics and the whole data in real time I think is going to show a significant growth. So, as far as I am concerned, Big Data and Enterprise Mobility are still two levers that the company will continue to exercise.

Anurag Purohit: But have you already started partnering with quite a lot of players in that space especially in Big Data and Analytics?

C. P. Gurnani: Just to give you an example. We are the first company which is HANA certified by SAP. As you know HANA is one of the leading edge technologies for real time Big Data and Analytics. So, yes, it is an aggressive growth area for us, both in Big Data and in Enterprise Mobility, we will be a significant player.

Anurag Purohit: And lastly, I have a question for Mr. Krishnan. If you could explain the movement in provisions in the quarter? Because there will be a reduction in provision for impairment of subsidiaries and at the same time there will be an increasing contingency. So, how much movement on Y-o-Y and even on second H1-FY12 too we are seeing a decrease in provision?

Vasant Krishnan: What we do at the end of every year, evaluate our entire basket of provisions. So, as and when we believe that in certain areas impairment is no longer needed, we write it back or element we believe that we can reevaluate for our numerous claims on best judgment basis, then we will as a prudent measure make those provisions. So, it is an estimation as to the situation on the ground in this matter.

Moderator: Thank you. The last question is from the line of Pratish Krishnan from Antique Ltd. Please go ahead.

Pratish Krishnan: C.P. in his initial remarks spoke about a fairly strong pipeline. Are you seeing any change in terms of the profile of these that you have been invited for, maybe in terms of the size or maybe in terms of kind of service offerings that you want to offer?

Hari T: I can say that I see two distinct patterns. Clearly, there was a time and I would say not too far back when the kind of deals that we were engaged in where traditionally I would say that in the sub-10 million range, but the good news is that today, at least the size of the deals that we are engaging with is definitely seeing an uprise, that is one change that we are seeing. In other words, our engagement with both the existing customers and in some of the new engagements that we are pitching for are starting at relatively better sizes than what we have seen in the past. Second, I would say, trend but that is very different, is gratifying is that the enterprise business solutions space continues to hog a significant part of our new account opening strategy. So that continues to be giving us what I would call as the door opener capability and actually for us that is a good, that it is different compared to others but the trend is a continuing trend for us.

Pratesh Krishnan: Just to follow-up on that, in terms of the large deal size, I believe there was some probably not being invited to that level of larger deal area, what is the situation today…?

Hari T: In the past most of the large deals that we were engaging in were deals that we were entering either because of our own contacts, our own efforts or with existing customers, but what we are seeing at the different theater in the last few quarters is some of the larger advisory firms have been having healthy conversations with us and have been engaging with us in some of the deals that they are advising our customers. So, clearly, that is I would say a healthy trend that is picking up and we hope to ride on that.

Pratesh Krishnan: And lastly, can I get the unbilled revenue number for the quarter or the year end?

Vasant Krishnan: The unbilled is in the balance sheet around Rs 350 crores.

Hari T.: Mohsin, given the time that brings us to the end of the call. Thank you to all on this call for being with us and as you know transcript will be made available and if you have any further questions, please feel free to reach out to the investor relations team and we will be prompt in our response to you.

Moderator: Thank you. On behalf of Mahindra Satyam, that concludes this conference call.