



“Mahindra Satyam Q4 & FY13 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good evening and welcome to the Mahindra Satyam Q4 & FY13 Earnings Conference Call. As a reminder, all participants' 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 this conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. I would now like to hand the conference over to Mr. Kapil Loona from Mahindra Satyam. Thank you and over to you sir.

Kapil Loona: Thank you, Mohsin, good morning and good evening to all the participants on the call. I am Kapil Loona from Mahindra Satyam's Investor Relations Team. And it is my pleasure to welcome you all in our Q4 & FY13 earnings conference call. We have with us today, Mr. Vineet Nayyar – Chairman of Mahindra Satyam; Mr. C P Gurnani – CEO, Mahindra Satyam; Mr. Vasant Krishnan – CFO, Mahindra Satyam, along with the leadership 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 conjunction with the risks that the company faces. We have outlined these risks in our results press release, dated 16th May 2013 which is available on our company's web site, mahindrasatyam.com. I now hand over this conference to Mr. Vineet for his opening remarks.

Vineet Nayyar: Good evening, good morning everybody, Welcome to Mahindra Satyam's financial results call for the quarter and the year ending March 31, 2013. I sit here and look back over the past 4 years; I have a fair sense of satisfaction. With Mahindra Satyam announcing its dividend for the first time after the 2009 crisis, I guess Mahindra Satyam turnaround journey is not only symbolically but actually complete. I take this opportunity to sincerely thank all our stakeholders, especially our customers, our employees and of course, you analysts for standing by with us during these crucial years.

For the full year, the revenue was Rs.7,683 crores or US\$1.412 billion, up 20%. EBITDA was Rs.1,632 crores, up 59% year-on-year. The margins expanded significantly by 5.2% from 16% in FY12 to 21.2% in FY13. PAT for the year was Rs.1,164 crores or US\$114 million.

Coming to the quarter – our consolidated revenues for Q4 were Rs.1,936 crores, up 16% year-on-year which are equivalent to US\$359 million, up 8% year-on-year. EBITDA for the quarter is at Rs.389 crores, up 34% year-on-year which is equivalent to US\$72 million. PAT for the quarter is 454 crores, up 419% but let me add here that this contains a writeback of around Rs.135 crores which is an exceptional item. So earnings for the quarter in terms of rupees would be proportionately less.

On the global front, to us over here seems to be looking up. We are finding that we have seen signs of recovery in the US. Part of Europe is still under recession but we do believe that the acceptance by the Europeans of changing and reducing some of the barriers which will allow an easier flow of technology from India and elsewhere is becoming a reality. In fact, the

competitive pressures are beginning to tell. And more importantly, beginning to be accepted by them that this maybe a way out of the current conundrum. Asia, Africa, Middle East were good. Australia, New Zealand were even better economically. The challenge for Mahindra Satyam is to find a greater play in these areas .

On the merger front, which has been an issue for a while, I believe we are at the penultimate stage of the decision-making process. As you folks are aware that Bombay High Court approved it quite a few months back. There were certain issues raised by certain minority shareholders in the Andhra Pradesh High Court. The hearings are complete and the judgment has been reserved and we do believe that this judgment will become available in the first two weeks of June. I am cautiously optimistic about the results because the principal driver in the cases of merger is the decision of the shareholders which in the case of Mahindra Satyam is more than 99.5% voted for the merger. Nonetheless, as we say, it is not over till it is over and we will see the on rolling of the judgment and consequent actions in the next 2 months. Once the judgment is announced and merger is accepted, the merger will become effective from April 2011. Let me add here that whereas legally the integration is not complete, management wise we are operating as one company. Even now, obviously, once it is formally done, there will be some synergies, but I should tell you that we have harvested large amount of synergies because we have a common chief executive and managing director now, who heads both the companies and he is operating these two companies as one company. I am sure you folks will have lot of other questions to ask, so I will stop here and open the floor to questions. I, the managing director and the senior leadership team available on the phone, will be responding to your questions. Thank you ever so much again for attending this conference.

Moderator: Thank you very much sir, we will now begin the question and answer session at this time if you like to ask a question pl press '*' and then '1' on your touchtone phone. Participants are requested to use only handsets while asking a question, anyone who has the question at this time may press '*' and '1'

Hari T: Mohsin if I may interrupt you, this is Hari, Mohsin could be a good idea to also hear from CP, the CEO and also may be Vasant and then move on to questions if it is okay with you.

Moderator: Certainly sir.

Hari T: CP

C.P. Gurnani: Ok guys Good morning, good afternoon, good evening wherever you are. Vineet has just shared with you that our annual results in rupee currency at 20% year-on-year growth, margins at approximately 21%, EBITDA at 21%, growth in the US business on an annual basis at 10% quarter-on-quarter, rest of the world growth at 6% quarter-on-quarter. Our annual growth from the top 5 clients has grown 15.6%, top 10 has grown 14.3%, top 20 growth is 11.0%. Overall I

can only say is that having been part of this journey for the last 4 years, day in and day out, me and my management team are very very happy and satisfied with our performance in FY13. This quarter our revenue growth has been 1% in dollar terms. That volume growth has been approximately 2% and 1% owing to the currency fluctuations and that is why you see the growth as 1%. In general, I would say is that Manufacturing has led the growth for this quarter, it has been 9.9% growth, Technology, Media & Entertainment has grown 1.4%, rest of all the sectors have shown a little bit of decline. We have also had a decline in Europe. If you were to ask me where my bets are I would still say that I would invest in Europe, I still strongly believe that there are more opportunities to harvest in Europe. America continues to be a focus area. Your company has invested in Africa. We are now serving 15 countries. We have physically people delivering from our 6 centers in Africa. If I look back at, our global delivery center footprint has actually increased and I am talking both Tech Mahindra and Mahindra Satyam, we have together put 4 centers in US -- Dallas, Louisiana, New Jersey and Fargo. We have put 6 centers in Africa where we are delivering BPO services, similarly, we have added 3 other centers in Europe – Belgium, Netherlands and Germany. So, overall, we will continue to expand on our global footprint. The company strategy around NMACS has been very well received. Most of the organizations do realize that it is no longer about just mobility solutions, it is no longer about just security solutions, the world around us is becoming more and more digital. Mahindra REVA just launched a car, called e2o. Some people may call it a car, some people will call it a digital experience because the amount of electronics that goes into these cars is relatively high. Similarly, we are looking at Digital Health. As you guys know that we have a huge experience with EMRI, the 911 service equivalent and HMRI which is a remote medicine healthcare and we are seeing a decent response of these Digital Health experiences from other parts of the world. We launched the Digital Health in one of our road shows last week in the US, and we found a fairly decent response. In general, the company continues to focus not only on digital experience, but also on our iDecisions platforms. We have platforms for various use cases. We are continuously building on those but BI and Analytics practice is also gaining a fair amount of traction.

So just to summarize – No. 1, we believe that our global centers are important in us becoming a local organization and it is also important in the wake of current heightened focus by various governments on the immigration rules and we strongly believe our investments will come into this state. No. 2, our focus on NMACS which includes iDecisions platform is paying rich dividends. No. 3 is that we strongly believe the next wave will come around not only IT outsourcing but around operations outsourcing and some of the new investments that we have made in business process as a service will mature during FY14 and business process as a service eventually could be the game changer.

I think, in terms of the company's challenges, we continue to look at the positives more than the threats. Positive part is that we are invited more to the large deals now and our deal flow is reasonably good. Our challenges are and which is what Manoj Chugh and his team are working on right now is that our win ratios are much lower than the industry standard . We do understand from where we had come from. It is a bit of convincing that we need to do but we are hopeful that with our increased focus on digital solutions, digital markets, and business

process as a service, and us being more in the face of the clients, we would improve our track record on the large deals. Overall, our customers continue to have good words for us. We just finished North America business meet in Toronto. We just finished an Analyst Road Show. The feedback has been very very positive. I think I'll now handover to Hari, Hari you want Vasant to share the some of the financials, geographic mix and other things.

Hari T: That's right CP just a brief update from Vasant and then we will go to Q&A.

Vasant.

Vasant Krishnan: CP thank you, thank you Hari, Hello, everybody. So let me take you through the financials and I will start with the top line. Our Q4 top line was \$359 million as against \$356 million in Q3 that was 1% QoQ growth. Just dissecting that growth, it was led on the back of a volume growth of 2% but because of cross currency headwinds that were muted, so ultimately we landed up with the 1% growth QoQ. Dollar depreciating primarily against the GBP.

If we go to the middle line, you would see a couple of interesting things here. The C&B costs have shown a spike of around 70-odd crores and I will take you back to the last call where I had talked about a one-time reversal on account of an incentive program that had closed last quarter. So we do not have the benefit of that credit. So when you adjust for that, that is no longer available. We also realized that this is the last quarter of the fiscal so we have to provide for statutory provisions, etc. that also took away a little bit in terms of EBITDA. So if you look at C&B and its impact on EBITDA, around 330 bps was taken away by these two factors that I just spoke about.

Moving on to the SG&A – Again, I will take you back to the call last time when I had spoken about one-time professional, technical charge that we had to enter into with an alliance partner that was holding proprietary technology, that was again a one-off against which we had booked revenues last quarter. That is not there this quarter. So you will see that gain coming in. You would also see some gains coming in on account of legal success; some more efficiencies that we have squeezed on our rentals and that has been EBITDA positive to the extent of around 270 odd bps. So taking the positives on the SG&A side, the negatives on the C&B side, and if you add the currency headwinds of around 70 bps, that explains the EBITDA movement of 150 bps from Q3 to Q4.

Moving on from EBITDA, I want to touch upon something that Vineet had also alluded to in his opening remarks that is on the exceptional. Last quarter we had an exceptional charge, this time we have taken an exceptional income. Last time it was Aberdeen settlement. This time it is an exceptional writeback on account of provision for losses in subsidiaries that are no longer required. And again, there is a history to this. When the company was acquired in 2009, because of the fact that there were losses and uncertainty about the future of our subsidiaries, s a matter of prudence, management had provided for future losses. Three years down the road, not only Satyam turned around, the subsidiaries have turned around, in fact, our BPO is a very profitable business, and a question of having or continuing with the provision for loss in

subsidiary is no longer required. So that entire 135 crores that was representing loss in subsidiaries was written back as an exceptional item, it has no tax impact.

I move on to hedge – And the hedge book stands at \$234 million, a tad lower than the \$256 million of the previous quarter. The strike rate has improved to 57.7 as compared to 56.6 over the preceding quarter. Strategy remains the same. Overall, hedging exposure is somewhere in the region of 25-30% of net exposures, near term buys, we are more covered in the first six months as compared to later periods.

CAPEX during the quarter – 122 crores. We added around 500 seats. Plan is to have 500 crores CAPEX over the next year and add around 1,000, 1,500 seats.

Cash position – 2,922 crores, marginally down from the 3,311 crores and no surprise really because that is the Aberdeen money that has been now transferred to an escrow account post the RBI approval that we got this quarter.

On the tax front, you will find a little difficult may be to compare effective tax rates, I mean last year we had a deferred tax asset, this year, the BPO subsidiary has a deferred tax asset, if you take away that impact it will come back to the 25% and for the year we are back to 26% effective tax rate in line with the guidance that we have been giving that our tax rate will be between 25% to 28%.

The other income for the quarter, just to round it off, 70 odd crores we have recorded this quarter, we also had the benefit of some grants in an offsite location. Forex, we had translation losses of around 20 crores and the mutual fund redemptions, interest, etc, contributed the balance. Yields around 9% and our cash balance largely now in fixed deposits. So this is the update as far as our numbers are concerned, and we will now open the floor to questions.

Moderator: Thank you. Contestants who wish to ask a question may press ‘*’ and ‘1’ on their touchtone phones. The first question is from the line of Srivathsan Ramachandran from Spark Capital. Please go ahead.

Srivathsan Ramachandran: Hi , We saw a very strong growth in Manufacturing and a bit of weakness in both Retail and BFSI. I just wanted to understand, is that more due to the softness we saw in December that are better because of the furloughs in the manufacturing process as well, strong growth on any specific reasons for the weakness in Retail and BFS?

Hari T: Ya , this is Hari Here. Clearly, Q3 did see a few variations because of the furlough. Q4, I would say has not been as much impacted by any seasonal variations. At this stage, I would say our manufacturing, I would call it the growth rate or the trend will continue undisturbed. In BFSI, I would say it is showing a reasonably strong trend, we do not want to sound too confident on that. There are some project closures that have happened and that is another influence there, but I would say that at this stage there are no major surprises. In the last quarter, Retail had a one-time in the BPO space, and then decline is because of the one-off revenue getting over.

Srivathsan Ramachandran: And in terms of the overall growth trajectory, does the second half of this year has been slightly slower than what we saw in the first half, how do you see that playing out in FY'14 broadly in terms of where we are in terms of pipeline, already signed deals and all?

Hari T: I am goanna kind of leave this question to Manoj in the US right now, Manoj would you want to take about how to you see the trends emerging.

Manoj Chugh: In terms of the overall trends, what I would like to share is that we are certainly seeing an increased traction, particularly, as we look at the Manufacturing sector and that tends to be positive, particularly in the US; within Manufacturing, Aerospace and discreet manufacturing are interesting to us. We are also finding that in parts of Europe, countries like Germany, France and Sweden, manufacturing is showing good signs for us. Again, APAC continues to be a strong contributor as well. So I would say overall from a Manufacturing sector perspective, things look absolutely on track. Again, from a Technology, Media and Entertainment, we are finding that Enterprise Software is increasingly getting aligned with Big Data and data management initiatives and we are also seeing an improved traction coming in from the Semiconductor space. Particularly, when you start looking at some of the areas where spends are occurring from a Europe perspective, it is more around cost optimization and less around transformation. So, we are finding interest in the market, but again there is, as they say, cautionary optimism in the market. So we are seeing a pipeline build out, and clearly as CP has shared with you, it is all about our ability to execute going forward.

Srivathsan Ramachandran: And then Vasant just on the depreciation bit, is it more due to the large CAPEX or is it kind of substantial spike in depreciation?

Vasant Krishnan: Yes, the policy that we have for software, demands that we write-off the software in the month of purchase. So the 30-odd crores that we see as a spike from the last quarter really represents some additional software that you purchase this quarter.

Srivathsan Ramachandran: So for '14 we will go back to the 40 crores kind of run rate we have been having?

Vasant Krishnan: That would be a good estimate to go by.

Moderator: Thank you. The next question is from the line of Pinku Pappan from Nomura. Please go ahead.

Pinku Pappan: Hi, thank you for taking my question, My question is primarily on the head count. We saw a decline around close to 2% in the head count. Just wanted to know what your thoughts are there in terms of hiring for the next year or how do you look at utilization? And just regarding also your pyramid, what is the kind of 0 to 3 year band that you have today and what you are targeting for the next year?

Rakesh Soni: You are right, our head count has reduced by a couple of percents as compared to last quarter, while the revenues have increased by around 1% during the quarter. Again I think we are working towards the optimization with regard to the utilization of the head count and we see certain levers with regard to improving the overall utilization from where we are currently. And I think you also asked me with regard to the 0 to 3-years kind of a band. We have seen a slight dip in the percentage of the folks who are there in this particular band as compared to last quarter. The numbers have reduced by a couple of

percentage points and that has happened primarily because some of the folks who were earlier in that 0-years to 3-years in the current quarter have moved on to the next band in the current quarter. But, we expect that I think this will improve with the intake of freshers that is going to happen in the next quarter.

Pinku Pappan: And what sort of fresher hiring are you looking for the year FY'14?

Management: We are looking at a couple of 1000s to start with and beyond that we will decide depending on the business needs.

Pinku Pappan: Did you do any fresher hiring in this quarter and the 4th quarter?

Management: We are not doing any fresher hiring in this quarter because we had made certain offers, but yes, I think we are going in for certain B.Sc.s whose hiring is in progress.

Pinku Pappan: On your service lines, could you give us an update which service lines are you seeing traction and especially in the Manufacturing side, what are your manufacturing clients spending on?

Hari T: This is Hari here, I'm going to request Alok from manufacturing vertical to give us a couple of lines for the manufacturing

Aloke Palsikar: Ya I think, thanks Hari. The service lines which have grown in manufacturing are our Enterprise business, we have seen an increase in our Engineering services and also on our traditional ADMS and Business Intelligence as well.

Pinku Pappan: Ok, and on the overall company level, could you give us an update, which lines do you think?

Hari T: So just to add on to that part, clearly, some of the more prominent areas continue to be on the Enterprise Business Solutions that we have traditionally worked strong on, especially Business Intelligence and Analytics is picking up a lot of pace. We also had announced, if I may call it a stack, calling it NMACS as you know the Networks, Mobility, Analytics, Cloud and the Social Media, Security Solutions area, so that is another track where we are starting to see a fair number of conversations happening, they have not converted into revenues. But I think that is probably an area especially in conjunction with Tech Mahindra's capabilities in some of these. We are able to open new doors and build on it. We continue to have a distinct advantage on the Enterprise Business Solutions area, and of course on Testing. We are hopeful on NMACS and where it will go, apart from our personal traditional areas like Engineering and IMS which is showing a reasonably strong growth there also.

Pinku Pappan: Ok that was helpful, thank you.

Moderator: Thank you. The next question is from the line of Pankaj Kapoor from Standard Chartered Securities. Please go ahead.

- Pankaj Kapoor:** Ya Hi Sir, If I look at FY'14, we probably will need to do roughly around 3.5% of sequential growth to hit the lower end of the NASSCOM guidance, given that we have been growing at just about percent or less in the last two quarters, just want to understand what confidence you have of getting 3.5% sequential growth going forward in the next 4 quarters?
- Hari T:** Well I can tell you one thing, It is clear that we will have to bring forth some increase in the growth pace. CP talked about it and alluded to it that one of the things that we are trying to convert in this year, is our ability to get to the last 2 and then clinch the deal which probably has been a little slow in the last 2 or 3 quarters, that is something that all the sales folks and Manoj in particular are focusing a lot of time on. So, I am not going to obviously give you a direct answer as to whether we will or we will not, and we definitely are hoping to be able to not only keep the industry rates but probably exceed them. Clinching a couple of large deals and getting that momentum of closure is what I think we would need to improve on and that is where the entire focus is right now, Pankaj.
- Pankaj Kapoor:** Ok sir, so this last deal that we have announced in this result, can you give some color on that in terms of what you see this would be, and how do you see this is scaling up, has any revenue from this come in the current quarter?
- Hari T :** Sure, so this is the customer from Australia clearly in one of those manufacturing areas, the deal is upwards of 50 million, it is a transformation initiative, where they are going through I would say a complete relaying of their IT strategy for the next 4-years. We are very hopeful of expanding that deal to another layer in the days to come, but at this stage, I can probably share with you those. It involves Consulting; it involves a fair amount of Enterprise Solutions and IMS capabilities embedded into that.
- Pankaj Kapoor:** So sir any revenue from this has come because Manufacturing has spiked that we saw in this quarter, is that something to do with this deal ?
- Hari T:** No, so this deal has seen a very small portion of it in the last quarter revenue. It will truly start only in this year.
- Pankaj Kapoor:** And any color in terms of what kind of a pipeline do you have in terms of these \$50million kind of deals, where you think that we are probably in the last 2 or last 3 of the negotiation stage?
- Hari T:** Just to give you a sense on that and I am going to request Manoj after that to add on to that, We have about half a dozen hot pursuits in that area spread across I would say in some of the geographies that we operate in. We are clearly front runners in 2 or 3 of them, but at this stage, we still like I said, we still have to get over that hump of being able to close it. Manoj would you want to add some specifics from some other verticals
- Manoj Chugh:** Yeah, so we are seeing traction across a variety of verticals, particularly on the large deals, its Financial Services and the Insurance sector, we continue to see traction in manufacturing as well. And as Hari has said we need to bring the deals home. So we are working very hard to do our very best, but again these deals are binary in nature and we will share more as we kind of see success.

- Pankaj Kapoor:** Vasant, one question on terms of margin impact of these deals. Do you expect that this 20% kind of a band is where probably the margins will lie at given that these deals will have an initial transition cost impact? Also the fact that this particular deal that we have won is more from Australia, so where the pricing on margin profile could be different. Do you see any near term impact on the margins from these deals?
- Vasant Krishnan:** Let me answer the question in two parts. So far as this particular deal is concerned, there are not the kind of costs upfront that I would be particularly concerned about. In terms of the EBITDA per se, and our ability to defend that given a constant currency scenario, I think we have demonstrated that over the last several quarters now that we have been able to hold on to this because of the operational efficiencies that we have been squeezing both on the C&B side and also on the administrative side. Challenge for us would be going forward leaving aside the headwinds that we may have in terms of external regulations, I do not talk about now, is to maintain that balance, between investment for growth and marketing and also keeping this EBITDA margin protected. I think we have done fairly okay. There are levers. Rakesh spoke about utilization and some juice that we can extract there. We are also talking about talent, the pyramid correction, there is some juice there. How we are able to push these levers, how fast we can push them is something that we all need to work on. So I would just leave it at that to say that would I be overly concerned, I think the answer is no.
- Pankaj Kapoor:** And finally just want to understand if the balance sheet clean up and the impact in terms of exceptional gains or losses on a quarterly basis. Is that completely done away with or do we still have some things pending?
- Vasant Krishnan:** The clean up now is now done away with.
- Pankaj Kapoor:** Thank you so much sir, and all the best.
- Vasant Krishnan:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sandeep Shah from CIMB. Please go ahead.
- Sandeep Shah:** Vasant, just one question, till the EBITDA line is there any one-time expense or reversal in the operating expenditure this quarter?
- Vasant Krishnan:** This quarter no.
- Sandeep Shah:** Ok if I am not wrong what I understood was there was some one-time leave related provision write-backs?
- Vasant Krishnan:** It was not a write back, it was a charge. I would not use the word one-time, I would say it was something that we had to do. One is the provision going up because our attrition percentage that we assumed for gratuity and leave encashment provision came down. Second is the methodology of computing leave also had to undergo a change because of an alignment that we had to do within the group. So, both of these also contributed to an enhanced charge. So I would not use the word one time

but yes there was a charge that was a little bit more than what I would have normally provided for had these events not occurred.

Sandeep Shah: And that increase charge was largely related for this quarter?

Vasant Krishnan: It is a provision which is ongoing. So that will be the new normal now, so it is a catch up. Yeah, to that extent you can say there was an incremental that is attributable only to this quarter.

Sandeep Shah: And Manoj you mentioned that the deal win closure needs to be improved. Do you believe is it a factor which can be internally managed or it is more dependent in terms of the decision-making from the clients' side?

Manoj Chugh: First, let me share the good news. I think the good news is that we are getting invited more and more to deals, and so we are kind of making it to the last two. Clearly, the job for us is to work together as a team to make sure that we can convert these into wins. I would say that we are seeing customers make decisions, we are happy that we are on the table now, we are happy that the advisors are seeing merit in bringing us to those deals and clearly we need to find ways by which we can execute better.

Sandeep Shah: But is it any one or two different things you are implementing after taking a charge to improve the deal wins or convert the pipeline into deal wins?

Manoj Chugh: Yes, actually, we have set up a large deals group within our organization with greater focus in terms of how we want to go after those large deals. So, it has been all around the mechanism and mechanics on execution around large deals and so it is the whole ecosystem and putting a process in place so that we can play the ecosystem. So, we have absolutely brought about changes in the process, but as you would agree that any change that you bring in a process and methodology and framework will take time to play out. So we have brought about those changes.

Sandeep Shah: And Vasant, just the improving strike rates, why this quarter there is a FOREX loss? Is it the translation loss means much higher than the hedging lanes?

Vasant Krishnan: Yes, the translation loss was little higher, You are absolutely right. A little higher than the profit that we made on the contracts that went into the P&L.

Sandeep Shah: Ok thanks.

Moderator: Thank you. The next question is from the line of Mitali Ghosh from Bank of America. Please go ahead.

Mitali Ghosh: Hi, thanks I was wondering about the pace of ramp up that you saw this quarter and how that compares with perhaps your expectation at the start of the quarter?

Hari T: You are talking about the business growth, right, Mitali?

- Mitali Ghosh:** Yes, I am just wondering if the revenue growth during the quarter panned out as you expected may be entering the quarter?
- Hari T:** I do not want to sound that way but we definitely can say we always anticipate much more that whatever achieve in every quarter. So to that extent I can always say, yeah sure, we have been more or less happy with where we are, but would have been happier if all of it that we expected had happened. Definitely, it was not lower and it was not a surprise.
- Mitali Ghosh:** So the question really was to understand that even if you were to look at the additions to the large deal pipeline during the quarter, would you say that incrementally things are better than when the year started, or do you think there have been some slippages in terms of either closures, ramp-ups or addition to pipeline?
- Hari T:** Definitely, I think the point to make is some of the deal closures last year in general, took a little longer than we would have expected or we would have liked. We were fairly certain that this one large deal that we talked about was going to happen in Q4 and that has happened as per plan, because we were pretty much at the end of the closure there. To answer your message, this year we are walking into with a slightly more confident body language than we had done last year, but we will have to test it during the course of this quarter to see how some of these pursuits that we are going through, how they pan out. But like with new people on board, we have Manoj on the Sales, we have Ramesh who has walked in to Healthcare, we have Kohli in Manufacturing, so we brought in leadership; we have brought in bandwidth to be able to push into this and we are hopeful that all that should convert into faster results and better results, Mitali.
- Mitali Ghosh:** Sure, Just moving on to your DSO and unbilled days, they seem to have gone up, is there something seasonal in that, Vasant or anything to read into that?
- Vasant Krishnan:** No, nothing to read into that, it is just one of those things that just moves up. Happy to report that we are back on track and we should get that metric back under control soon.
- Mitali Ghosh:** Right, Could you comment on how Satyam is placed with respect to the draft immigration bill as it stands today? We know it is in very early stages. But any comments you can offer would be helpful?
- Hari T:** Rakesh will take that.
- Rakesh Soni:** We are seeing increasingly certain trends whereby I think various countries are looking at a higher element of localization. So we sort of welcome this particular trend, something I think **45:24** **.....Inaudible**. At the same time I think there are certain measures in the bill which we feel are going to be helpful like the increase in the quota for the number of H1 visas. With regard to some of the other provisions, like the H1 and the L1 cannot operate at the client's locations, I would just like to add that we have already set up 4 centers in US at Fargo, at Louisville in Kentucky, New Jersey and Dallas. So, if the bill comes through, I guess there will be a need to set up a few more of these centers. So we will wait for the final bill to emerge before I think we take a call, and we are all keeping our fingers crossed.

- Mitali Ghosh:** And any details in terms of may be what proportion of employees are local hires currently in the US?
- Rakesh Soni:** I don't think I will have that information readily available.
- Mitali Ghosh:** Ok sure, thank you.
- Hari T :** Just to add to what Rakesh was saying, you might want to know that the percentage of locals who are in sales or in pre-sales or in customer facing roles, as a percentage would be far higher, development of course may have a larger number from India as well as locals. So that is how the mix would be.
- Rakesh Soni:** But what we are seeing is that there is an increasing trend towards local hiring, and in the past 12-months, the proportion of local hiring has gone up significantly, irrespective of what emerges from the bill.
- Moderator:** Thank you. The next question is from the line of Sandeep Agarwal from Edelweiss please go ahead.
- Sandeep Agarwal:** Just although you have provided a fair bit of idea on the vertical. Just wanted you to through more light, Although you have given that view that BFSI is showing some uptick, but do you think that discretionary spend particularly is picking up in BFSI, that is Part No. 1? Secondly, as you mentioned, that Europe is becoming more acceptable due to cost optimization, so do we see that as a trend or it will be too early to state that as a trend, because I guess if cost optimization has to happen then, obviously this should be a starting point or it is inconclusive in nature as of now?
- Hari T:** Ya actually the way I would put it and I am goanna of course request Manoj to add on to that is Some verticals in some geographies are showing an increasing appetite for discretionary spend, we are looking at natural resources. Australia, I think we are seeing definite positive signs, and in BFSI there are different geographies where we see a healthier appetite on that. So, I do not think it will be easy to really predict it. Overall, the sense is that there is no downward spiral, it is either flat or picking up depending on the vertical. but Manoj would you like into some statistics
- Manoj Chugh:** Yes thank you Hari, Specifically, what we are seeing is that there is discretionary spend in very specific areas and spots, particularly around analytics and BI, and again we are finding customers shifting budgets from keeping the lights on type of activities to finding ways by which they can fund these new initiatives, and again it is not broad based, it is specific, these initiatives are important to customers embracing Cloud, Applications looking at Big Data, trying to understand how they want to drive greater insights into their data assets are areas where we are seeing discretionary spend. But, it is not a broad based strength, it is very specific, it is across multiple industries and it is initiative-specific.
- Sandeep Agarwal:** Thank you, that's all from my side.
- Hari T:** And Mohsin, we probably want to take the last question as we come to that.
- Moderator:** Sure sir. The last question will be from Mr. Pratish Krishnan from Antique Capital. Please go ahead.

- Pratish Krishnan:** My question is terms of the deal pipeline; I mean you spoke about a couple of deals for the last quarter. We did see one win coming through, but just to understand in terms of your win ratio, do you think that have improved and would this ratio be quite different in terms of verticals that you have, would it be better off in manufacturing or you are not seeing much success in the BFSI, any comments you have will be helpful?
- Hari T:** Manoj you probably want to go at that.
- Manoj Chugh:** Again I think when it comes to large deals, we are pursuing large deals across multiple vertical segments; we are pursuing deals across Financial Services across Manufacturing and a number of other verticals. So I think it will be very early for us to say which way the tide will flow in our favor. But, we are seeing deals across multiple segments; we are pleased that we are being invited to these deals; we are indeed honored that we are making an aggressive position and pitch in these deals, and again over time we will share with you the success that we see.
- Pratish Krishnan:** In terms of the win ratio, do you think it would be quite different between these verticals?
- Manoj Chugh:** Again, in terms of win ratio, I think we are well positioned from a domain perspective in terms of the differentiation that we bring to all of the key verticals that we are engaged in. So we have the assets. We just have to see which deal we can bring home.
- Pratish Krishnan:** Just lastly in terms of the CAPEX, this 500 crores that you mentioned is for FY'14 or for the next two years?
- Vasant Krishnan:** Only for FY'14.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor back to Mr. Hari T for closing comments.
- Hari T:** Thank you, Mohsin. Again, on behalf of the entire team here from Mahindra Satyam, we would like to thank you for having participated in this. The transcript of course would be made available soon after this. And if you have any further queries, please feel free to write to the investor relations team and we would be happy to answer you.
- Moderator:** Thank you. On behalf of Mahindra Satyam that concludes this conference. Thank you for joining us and you may now disconnect the lines.