



- Moderator:** Good evening ladies and gentlemen. I am Rita, the moderator for this conference. Welcome to the Tech Mahindra conference call. For the duration of the presentation, all participant lines will be in a listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to WebEx International. After that, the question and answer session will be conducted for participants connected to India. I would now like to hand over the floor to Mr. Manoj Bhat. Thank you and over to you sir.
- Manoj Bhat:** Thank you Rita. Hi, I am Manoj Bhat from Investor Relations. I would like to thank you all for joining this call to discuss our third quarter results. We have our entire management team with Mr. Nayyar and the senior members of our team. We will first cover our quarter results and then spend some time on Q&A. With this, I hand it over to Mr. Nayyar.
- Vineet Nayyar:** Good evening or good morning wherever you are, though I do not believe many after what has happened in the stock exchange today, many would be feeling that delighted, but such is life. So far as we are concerned, I think we have reasons to be fairly satisfied by the results we have already sent out to you folks. Briefly speaking, I think I do believe we had a good quarter with our revenue improving quarter-on-quarter basis by 11% sequentially. We grew from 220 million to around 245 million this quarter. Our earnings also went up from 44 million to about 50.4 million. On year-to-year basis, our revenue grew by 44% and earning grew by about 36%. I would now like to point out that this quarter our revenues include SI billing of 6 million for one customer in Asia Pacific. We are all passing through tough times with mounting currency pressures, declining margins, and overall global slowdown in regard to large number of economic developments. Despite these fairly hostile macro economic environment, I think Tech Mahindra continues to maintain its profitability. We have acquired nine new clients during the quarter and we have achieved greater internal efficiency. We have deepened our relationship with our clients and have witnessed considerable growth amongst top 25 accounts. The number of dollar 15-million relationship went up from 4 to 6 this quarter. This I believe highlights Tech Mahindra's ability to handle large accounts and service end-to-end client needs. We witnessed an all-around growth across all our geographies, mainly North America, Europe, and rest of the world in this quarter. We continue to focus on emerging markets and see a greater demand for telecom transformation, Greenfield implementations and next generation services. We have been successful in delivering significant cost savings and enabling rapid realization of new products and services. Among our successes this quarter, we launched a new business management center based on shared services framework for a tier I operator providing networked IT, and telecom solutions. This is an initiative which is probably the first of its kind and highlights our growing capabilities in this area. BTGS as we had indicated is on track and has shown decent revenue growth in this quarter and continues to be on its growth trajectory as we have projected. Once again, BPO continues to grow for us and our head count has reached 3,700 specialists. We foresee further increase in demands for the future. Exchange rate continues to eat into the margins of IT industry. Such situations require renewed focus on bringing in efficiency gains maintaining sustainable growth at competitive rates. In our pursuit to maintain margins, we have kept hiring in the last quarter flat and have managed to increase the utilization rate to 69% as compared to 63% in the last quarter. I think I am more than satisfied with this 6% increase in our resource utilization. We continued to realize efficiency gains by better management of resources and efficient delivery capability. I would conclude by saying that this has been a good quarter and now I and our management team namely C. P. Gurnani,

Sanjay Kalra, Sujit Baksi and Sonjoy Anand would be delighted to take any and all of your questions. Thank you gentlemen once again for coming in to this call. I know today has been in many ways a very difficult and in fact traumatic day, so we greatly appreciate the time who are going to spend with us. Now, your questions place.

Moderator: Thank you very much sir. At this moment, I would like to hand over the floor to WebWex international moderator to conduct the Q&A session for participants connected to international bridge. After this, we will have a question and answer session for participants connected to India. Thank you and over to you Sonia.

Moderator (Sonia): We have a question from Joseph Foresi.

Joseph Foresi: Hi gentlemen. I was wondering if you could just give us some an idea on the spending landscape in North America in what you are currently seeing and if there has been any delay in budgets. Thanks.

Male Speaker: Could you talk a loudly please. Hello...?

Vineet Nayyar: I think, I mean we are particularly seeing two trends. The first trend we are seeing is that the bigger operators are now consolidating their vendor list. They are consolidating the systems that they are using and the bigger operators are also putting in a fair amount of capital behind new services. The other thing that we are noticing is that the waves for you know WIMAX or service delivery platform including IMS, I mean the proof of concepts and trials are on the rise, so overall I would say that off-shoring expenditure has increased but the IT expenditure and telecom will come down in the year 2008. Does that answer your question?

Moderator (Sonia): Thank you. At this point, there are no further questions.

Moderator: Thank you Sonia. We will now begin the Q&A session for participants connected to India bridge. Participants who wish to ask questions, kindly press *1 on your telephone key pad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, kindly press *1 now. First in line, we have Mr. Ruchit Mehta from HSBC. Over to you sir.

Ruchit Mehta: Hi. Good evening gentleman. Just a followup on the previous question. You said you see telecom IT spend come down, would you see off-shoring spend go up? If one were to look at say in a off-shore you were 100, do you see an increase in that 100 or the percentage of off-shoring will increase?

CP Gurnani: I think Mr. Mehta the off-shoring percentage is definitely going up. As I said, when you look at the scenario, particularly in North America, what are you saying that if I divide the IT spend into two, one is sustenance and the second side is transformation. For sustenance, we are finding that more and more companies are now off-shoring majority of their work and for new projects, I mean once they off-shore the costs come down, hence I am saying system consolidation and vendor consolidation and the impact of off-shoring, the net impact is IT spend has come down but off-shoring has gone up.

Ruchit Mehta: Okay.

CP Gurnani: So effectively 100 has become say 105 or 107 or 108, whatever that growth rate may be.

- CP Gurnani:: I mean it is fair to assume that there is a healthy growth on off-shoring.
- Ruchit Mehta: Okay sir. Absolute-wise also, off-shoring spends are going up as well.
- CP Gurnani:: That's exactly right.
- Ruchit Mehta: Okay. Just a question on your margins. If you look at your margins, they flat on a sequential basis, but considering you have had 11% dollar revenue growth, in rupee terms 8%, your costs have also increased in tandem, so should one continue to expect stable margins or should there be some margin expansion also coming about.
- Sonjoy Anand: I think let me you know kind of split my response in terms of what we saw this quarter. You know, obviously the direct expenses tend to go proportionately to revenue. Our SG&A expenses now have come down to low levels and are pretty much optimum, and therefore, you are seeing costs moving in line with revenue.
- Ruchit Mehta: So, flattish margin is what you are basically saying.
- Sonjoy Anand: No, I was explaining to you what you have seen for this quarter. You know, as we go forward, the issues are very clear. The factors which are going to put pressure on the margins are the appreciation of the rupee and as we get into next year the impact that will come through salaries. The levers that we have to deal with this of course are the ones which I have shared with you before in the past, clearly you know we continue to try to get the best promotional terms from our customers. We are going to push efficiency and utilization and drive work you know up the value chain so that there again we can get better margins. Where this will all balance out, I think it is difficult to say. I think it depends on where the rupee finally settles and what level of salary increases happen next year.
- Ruchit Mehta: Okay. This is the final question. Can you just comment about what you are seeing on the pricing environment, do you see ability to raise prices going forward?
- Sonjoy Anand: I think on pricing requirement, one thing is quite clear. Earlier there used to be pressure on prices that has disappeared and we are seeing customers increasingly willing to look at and in fact increase prices, albeit at not as a large a measure as we would wish them to do so.
- Ruchit Mehta: Okay sir, there are price increases coming in. Even with BT?
- Sonjoy Anand:: Yes.
- Ruchit Mehta: Okay fine, thank you so much.
- Moderator: Thank you very much sir. Next in line we have Mr. Pratish from DSP Merrill Lynch. Over to you sir.
- Mr. Pratish: Yeah, hi. In management, so you have got vendors and solution, you are working with two of the largest Telcos globally. Should one assume that even your top client and the second largest client are also undergoing this process?
- CP Gurnani: Mr. Pratish, what process, I am sorry you are question is not quite clear, could you please repeat.



- Mr. Pratish: No, I am wondering whether two of the large clients that you are working with BT and AT&T, are they also you know thinking about vendor consolidation
- Sanjay Kalra: I think it is an ongoing process and those two large vendors or the large buyers, I mean frankly will always lead the pack because they have many many vendors from where they have traditionally bought, but once they are consolidating their systems, it is a very natural corollary to it that they will also consolidate their vendors. So, I think Pratish it is just, for us it is an healthy sign and it really effectively means that we are getting and doing a lot more with our big buyers.
- Mr. Pratish: Sure sir.
- Sanjay Kalra: I mean that consolidation has already occurred and as you know we are part of those vendors.
- Mr. Pratish: Sure. The reason I asked is I mean if you look at your BT revenues, I mean even for this quarter it has not you know actually moved up, whereas you know some of the peers have reported slightly strong numbers, what should I really understand in terms of numbers, I mean why is not growth happening with you....?
- Sanjay Kalra: Vineet, I will answer this one.
- Vineet Nayyar: Please do that.
- Sanjay Kalra: Pratish, there are two components by BT business. One was traditional business we have been doing in BT and the other one was the big BTGS contract.
- Mr. Pratish: Sure.
- Sanjay Kalra: Now, if I look at my traditional business that I have been going with BT, it goes up and down. I agree it has been flat for the last few quarters and I have explained it in the past that BT itself has been going through a lot of reorganization and therefore I do not see a plus/minus 1% as really being a move, I just see it as being flat. On the other hand, the Barcelona or the BTGS, the transformation deal that we had, there I am beginning to see traction. If you remember last time, I spoke a visibility of about 500 odd people.
- Mr. Pratish: Sure.
- Sanjay Kalra: When I look at the same business this quarter, I think by the end of the quarter, that means in December, I had almost close to 700 people working plus visibility on another 500 people, so overall I think there are two ways, you get BT business in the following ways. The way the Barcelona or the BTGS revenue ramps up is going to in the beginning be a very large percentage, but if you see 3.5% growth in the BT account, then what you have to recognize is that something remained flat and there is another part which is having good traction and growing very rapidly.
- Mr. Pratish: Sure. So, what you are saying is that the incremental growth in BT would, you know would largely be BTGS account, would that be right to assume?
- Sanjay Kalra:: I would say that as we continue to work on large transformational proposition in the business. Core BT which is internal BT, we continue to keep our market share there, and I also, if you remember exactly a quarter ago, said that the new deals in the core business, we already occupy a big portion of

- that will come around doing transformation there and those large deals, they are under discussion, and you will see an effect of those deals as some of those deals come to fruition.
- Mr. Pratish: Sure. Just one last question on the margin side. I mean you know this quarter you had very strong improvement in the utilization rates, even your top line grew, but your margins have probably not improved. When can we expect you know the margins actually to happen or...
- Sonjoy Anand: Pratish, I think if you look at this quarter, the negatives on margin have been the you know we had some further appreciation of the rupee, also I think as Vineet mentioned we had some milestone-based _____revenues which always have lower margins, and you know utilization clearly has been one of the positives there, so that has been the mix of the negatives and positives. As we go forward, I think I will not repeat what I had mentioned earlier on the first question. Where things are going to fall on margins is going to be dependent quite a lot on what happens to currency and of course next year on the rate side and the factors that we are using to compensate for these I had run through earlier in the call.
- Mr. Pratish: Sure. Just lastly, what has been the attrition rate during this quarter.
- Sonjoy Anand: I think we are doing around 20%, 21%.
- Mr. Pratish: Okay, thanks a lot.
- Moderator: Thank you very much sir. Next in line we have Mr. Agarwal from CitiGroup. Over to you sir.
- Surendra Goel: Hi this is Surendra Goel here. Good evening everyone. Is BTGS ramping up only in the BPO business because the headcount addition in the IT services does not really seem to reflect the positive outlook as far as that business is concerned.
- Sanjay Kalra: I think BTGS business is a combination of people in operations, people in IT, people in infrastructure. Most of the business we are doing there is hybrid in nature because it is transformational in nature. We are ring fencing functions, we are ring fencing processes, and then taking responsibility for transforming them. So, I would say the growth seems to be equally distributed, I would say 80% comes from what is IT and what is operations and about 20% from infrastructure-related services.
- Surendra Goel: What is the hiring plan for this quarter, if you could share that with us.
- Sujit Baksi: You know, consistent with our practice on not giving guidance, we never give specific hiring plans for the next quarter.
- Surendra Goel: Okay and could you quantify the SI, the system integration revenues which you talked about in the last question.
- Sonjoy Anand: 6 million dollars was what we consider one-time expenditure, revenue sorry, I beg your pardon.
- Surendra Goel: Okay. Thanks a lot.
- Moderator: Thank you very much sir. Next in line, we have Mr. Harmendra Gandhi from Lehman Brothers. Over to you sir.



- Harmendra Gandhi: Hi, good evening everybody. Can you give me the margin matrix for the quarter, what contributed and to what extent to the margin up and down.
- Sonjoy Anand: I think you know this is something which I responded to a couple of questions back. Generally if you look at this quarter on a sequential basis, further appreciation in the rupee and lower margins on the SI revenue that we spoke of have been the negatives and the positives have been the gain in utilization and you know may be a very marginal leverage on SG&A.
- Harmendra Gandhi: Okay. You do not quantify these, can you quantify?
- Sonjoy Anand: We do not quantify.
- Harmendra Gandhi: Where do you think utilization can go from the current level.
- Sonjoy Anand:: It is a call, we have gone up to 76% earlier clearly as a first, that is the objective, but there are certain places where our utilization is as high as 81% or 82%, so we are trying to eke out whatever efficiencies we can out of our system, given the otherwise hostile macroeconomic conditions.
- Harmendra Gandhi: Okay, thanks a lot. Thank you.
- Moderator: Thank you very much sir. Next in line we have Mr. Ashakiran from Span Capitals. Over to you sir.
- Mr. Ashakiran: Hi sir. Let me congratulate for your good set of numbers. Sir, can you give us some updates on your BT deal.
- Mr. Ashakiran: Could you give us some updates on BT deal?
- Sanjay Kalra: Kiran, I thought I answered Pratish on part of the BT deal.
- Sanjay Kalra:: I can repeat parts of it or sum it up, but all I will say is that exactly from our call a year ago, I was behind by a quarter or two. I think that catch-up has happened. We are now seeing traction. We now have more confidence in going in for actually transforming the cost space on the new business that BTGS is going into. We have the confidence because we have close to 700 people now actively involved and another 400-500 transitioning. We are seeing now visibility of large pieces of work where we have due diligence on to do transformation of those people and overall I would say that the best thing that has happened is that the contract itself is valid for 5 years from now. So, I am hitting the 5-year starting period with significant traction and very confident of the billion or billion plus revenue I am expecting from the BTGS deal. Did I answer your question Kiran?
- Mr. Ashakiran: Sir, can you tell me why there is no employee addition this quarter sir.
- Sanjay Kalra: Kiran, if you look at, really the reason why there is no employee addition is that quarter ago we agreed that one of the levers that management has to improve margins was to improve utilization and if you remember we had also hired a significant number of freshers in the previous two-three quarters, so you will notice that while we kept overall volume or number of people in the company constant, our utilization has moved up by 6%.
- Sujit Baksi: Sanjay, Sujit here. I think quite a few of our non-BT businesses transactions were _____25:10 not necessarily that increased revenue means increased

- manpower. We have better productivity _____25:15 do not add manpower but we add revenue.
- Mr. Ashakiran: Thank you sir. That's all sir.
- Moderator: Thank you very much sir. Next in line we have Mr. Kapoor from ABN Amro. Over to you sir.
- Mr. Kapoor: Yeah, hi. Just a couple of clarifications. Any For EX income or losses in the other income for this quarter.
- Sonjoy Anand: In this quarter, we have gains of 6.5 million dollars in other income. Also, as you know, we follow wage accounting and 34 million dollars of mark-to-market gains have been taken too with it.
- Mr. Kapoor: Okay, and what would be the outstanding hedge position as of the quarter end?
- Sonjoy Anand: Quarter end, our cover was in excess to 800 million dollars.
- Mr. Kapoor: Any change in the hedging policy during this quarter?
- Sonjoy Anand: No. I think you know couple of quarters when we were speaking to all of you we had said that we moved our hedging policy to looking at longer term hedges up to 5 years and in the last two quarters, we had implemented that policy and you know the hedge position in excess of 800 million dollars that we have is phased across obviously the current year and next year more aggressively but also some covers for future years.
- Mr. Kapoor: The break-up of the hedging that we have in terms of GBP and dollar, can you give that.
- Sonjoy Anand:: I think we are pretty well covered on both legs.
- Mr. Kapoor: Okay, enough. Thanks, all the best.
- Moderator: Thank you very much sir. Next in line we have Mr. Jainendra from Prabhudas Lilladher. Over to you sir.
- Mr. Jainendra: Thank you for answering my question. Hi. Just a couple of questions. One is what was the average realized rupee-dollar rate for this particular quarter, rupee or pound rather rate for this particular quarter.
- Sonjoy Anand: Jainendra, I do not have that open, may be you can pick it up offline from Manoj.
- Mr. Jainendra: Okay, thank you. The other thing is you in terms of I know lot has been said and discussed on the employee addition as well as the utilization front. I appreciated you know the fact that you are sharing with us, but if you could just you know throw some light on the employee addition, you know both segment-wise as well as overall which is just 55, the lowest in you know the last couple of quarters. Was it in line with your own internal targets or estimates or did it fall short?
- Sujit Baksi: No I think by and large we decided that we will have a special push on a special drive to increase utilization.
- Mr. Jainendra: Okay.
- Sujit Baksi: So we froze recruitment.

- Mr. Jainendra: So, it will be fair to say this was in line with internal targets and not a deviation per se.
- Sujit Baksi:: No, this was part of our objectives.
- Mr. Jainendra: Okay, the other question will be....
- Sujit Baksi: I mean, how else do you maintain profitability in these conditions.
- Mr. Jainendra: Fair enough sir. The other question is in terms of utilization. Again, I understand you got utilization all the way from 70+%, you know which is 69%, a huge jump from last quarter, but internally what would you define as an optimum utilization rate given your current circumstances.
- Sujit Baksi:: I think I have already answered that question, but I would repeat it again.
- Mr. Jainendra: Thank you.
- Sujit Baksi: We have done utilization in the past which was as much as 76%. In certain of our segment, the utilization is as high as 82 to 83%.
- Mr. Jainendra: Fair enough sir. All I am trying to understand is you know given the current business model, what might be the optimum utilization rate that would benefit the model?
- Sujit Baksi: I am targeting at least at an average utilization of about 75%. Whether we will be able to achieve it or not, that is to be looked at, consistent with the quality of service we have been giving to our clients, which I believe is outstanding.
- Mr. Jainendra: Right sir and just one more question on the human capital front. The attrition rate at about 20 seems to be marginally higher than peer averages. I do not have the data for you know the past few quarters of attrition rates. Is it on the decline, is it on the rise, and how does one tackle that sir?
- Sujit Baksi: We are taking a lot of efforts, I am hoping that it will start declining.
- Mr. Jainendra: Okay.
- Sujit Baksi: But again depends on what the market is like. I mean we are seeing a very good target for all companies getting into telecom because we have highly trained staff.
- Mr. Jainendra: That's all from my side. Thank you and all the best sir.
- Male Speaker: Vineet, do you want to add anything?
- Male Speaker: Okay, next question.
- Moderator: Thank you very much sir. Next in line we have Mr. Uttam Kumar from Lehman Brothers. Over to you sir.
- Uttam Kumar: Hello, this is Uttam. Sir, my question is can you please break up your dollar revenue growth into volume and pricing.



- Uttam Kumar: Sir, could you please break up your dollar revenue growth witnessed this quarter, 11.1% into volume and pricing, what was the volume growth and what was the pricing.
- Sonjoy Anand: You know, we do not split it and analyze it and share that data in that manner. I think Vineet has already shared that our view on pricing and our experience on pricing that it is positive with an upward bias.
- Uttam Kumar: Okay. Sir, what is the debt and cash, can you, I mean....
- Uttam Kumar: What is the cash on book and debt on book?
- Sonjoy Anand: You know we have a very small amount of residual debt on our book and we did have some surplus cash at month end, so I would say we are marginally surplus as a net position.
- Uttam Kumar: Okay, okay. Okay sir, thanks a lot.
- Moderator: Thank you very much sir. Participants who wish to ask questions, kindly press *1 on your telephone keypad. Next in line, we have Mr. Desai from Pioneer Intermediaries. Over to you sir.
- Mr. Desai: Hi, good evening. Just a question again on the head count. I understand that you do not give the guidance for the head count addition, but before this quarter you had a significant increase in head count additions and this quarter as you mentioned that to improve utilization and also to maintain costs, you froze head count plans. Is the head count plans frozen for Q4 or would you see a trend going back to earlier quarter.
- Vineet Nayyar: I think we are now starting to fire again and I think next quarter you will see an increase in head count, but how much the head count will increase will depend on series of factors, one, the specialized needs we need; two, how successful we are in pushing the utilization up because we realize that to maintain a modicum of profitability at same level, utilization is one lever which we will have to use to the extent it is possible to do so consistent with the quality we have promised our clients.
- Moderator: Mr. Desai....
- Mr. Desai: Yeah.
- Moderator: Are you done with your question sir?
- Mr. Desai: I am asking one more. You also mentioned you know targeting utilization levels of 75%. Is there any timeframe for this kind of target?
- Vineet Nayyar: If I could achieve it, I would have done it yesterday, but it takes time, especially because I have an influx of a large number of young people from the campus, so it takes time to train them, get them up to stream, but this is an objective we are hoping to achieve, but it will be two quarters or three quarters, I cannot say at this particular point of time, but possibly I am as impatient as you are to reach this level.
- Vineet Nayyar: Next question please.
- Moderator: Thank you very much sir. Next is a followup question from Mr. Ruchit Mehta from HSBC. Over to you sir.
- Ruchit Mehta: Hi sir. Apologies to you know continue elaborating on the same point, but if hiring was flat during the quarter could you just explain what led do the 8 odd

- percent sequential growth on these cost of services front. Was it because of the Q2 employee addition ramp-up and therefore the cost went up.
- Male Speaker: Well as I said, I mean two or three things which happened. One was ramp-up which occurred already, then again more and more campus recruits becoming operational, three was pushing up of utilization factors and four as Mr. Bakshi explained, some amount of our work is transaction based, so we secured greater operational efficiencies, mainly the output remained the same or grew and yet our manpower strength came down.
- Ruchit Mehta: I agree on the manpower front sir. I am just trying to understand what led to the cost increases because if you are talking of efficiency by you know keeping employees flat and increasing revenues, cost of service should not have increased in the same proportion probably as net revenue, so I am just trying to understand what led to that increase.
- Male Speaker: I think two factors. One that you know the exit level of the head count from the last quarter and the second thing you know the one-time SI revenue brings cost with it.
- Ruchit Mehta: Okay, okay. And just in terms of hiring for the next year are you seeing increased cost in terms of what you are giving at the fresher levels or you are saying that the broad cost increase is the same or
- Male Speaker: Sujit, are you on the line? Can you answer this question?
- Sujit Bakshi: Hello..
- Ruchit Mehta: Yes sir.
- Sujit Bakshi: We have done some analysis of how the tallies are going on in campus for joining of 2009, we have not taken a decision. We might take a decision in this quarter.
- Ruchit Mehta: Okay, but have you seen average cost, what peers are offering are higher than what they were offering last year. I mean in terms of the percentage increases.
- Sujit Bakshi: In terms of the peer growth of Indian IT companies, we will be within the top 10%.
- Ruchit Mehta: Okay fine. And any outlook as to what sort of hiring you may do at the campus for next year.
- Sujit Bakshi: We have not yet analyzed the plan as I said. Both that and compensation will be decided this quarter.
- Ruchit Mehta: Okay, thanks.
- Moderator: Thank you very much sir. Next in line we have Mr. Kanwaljit from Kotak. Over to you sir.
- Kanwaljit Singh: Hi, this is Kanwaljit from Kotak Institutional Equities. I have a question for Sanjay. Sanjay, how has your share of business within BT Core moved over the last one year and more importantly have you been hold on to your market share per se.
- Sanjay Kalra: Kanwaljit, thank you for asking me the same question again. I think it is a pretty simple answer. If you accept what I said plus/minus 1%, 2% on this pace is not really movement, it is just seasonal change. At least, my levels in

core business of BT has remained the same. At the same time, if you ask me are budgets in BT increasing, my response to you will be no, budgets are actually under pressure. So, I really say that the answer lies in the fact that budgets for clients are under pressure and I continue to maintain the same level of revenue, so that is one conclusion you can draw.

Kanwaljit Singh: Secondly, you know there has been a lot of talk about BT handing out end-to-end responsibility of platforms to select you know vendors. Has there been any progress on that front and any particular you know large contract, you know wins which Tech Mahindra had in that, you know in that area per se.

Sanjay Kalra: In fact, what we have been doing is we have been consolidating our presence on most of the platforms and taken on higher degree of responsibility on many of the platforms, and the way it has happened is, if you will call I said that BT is putting lot of pressure and incentivising its vendors to lower their cost and improve their efficiency. We have continued to that. At the same time, we have started to take more and more management responsibility around those platforms which means we have taken our responsibility that was either with other contractors that BT had for several years or sometimes their employees who moved on to more responsible jobs now and the reason why some of the revenue looks flat is that while I have provided higher efficiency and therefore higher value to BT, the additional revenue to keep it flat has come from taking on those additional responsibilities. It may still not, marketing-wise, being called that I have become prime owner of a platform, but the truth is that if there are any prime owners, then BT's platforms and 14 of them, the only company that will come up is Tech Mahindra.

Kanwaljit Singh: Okay. And Sanjay, kindly just you know give us an update on some of the key initiatives of BT, which is, you know, _____39:19 and I think there is another project unbundling of local loop.

Sanjay Kalra: We will do that day to day, continuously involved, and what we are noticing in many of those initiatives that BT is beginning to find that they have had their first set of deliverables done and the next set of deliverables are as challenging. In some cases, they are multiple vendors with multiple handouts, and we are continuously engaging to see how we can take adjacent responsibilities to what we are doing, so what we can take a more end-to-end responsibility and pretty much what I answered in the core business, it is about sometimes replacing other vendors and offering overall efficiencies and some of these, we are so large that it is not a competitive situation, it is about us playing a good partner and showing opportunities to BT, and in other cases it goes into competitive scenarios and some we win and some we lose.

Sujit Baksi: Sanjay, lot of questions on BT avenues, flat or otherwise. I think one point we are missing is that this year compared to the last year that BT revenue also consists of BPO business where the rates are lower than IT. Even if I maintain the same regular 1% plus, that would probably mean that we have got more IT revenue and lower BPO revenues averaged out to almost same numbers.

Kanwaljit Singh: So, Sujit, what percent is there for BPO head count as we are employed on BT project.

Sujit Baksi: We would not have that details, we are not sharing. I do not know if Sanjay may like to comment.

Sanjay Kalra: Kanwaljit, I am really not sharing it because these are hybrid deals.

- Kanwaljit Singh: Yeah, that is right, Sanjay, do not worry about it. I guess the final question is you know what percentage of our revenues are, you know, accruing from SEZ right now?
- Sujit Bakshi: I will leave that to Sanjay I believe.
- Sanjay Kalra: At the moment, we do not believe any revenue has started coming from SEZ for the simple reason that we still have life in our STPIs. It is our objective that we should start securing SEZ revenues some time next year, next financial year, because at that point of time some of our STPI would be losing would be losing with that.
- Kanwaljit Singh: Okay. Thank you gentlemen.
- Moderator: Thank you very much sir. Next in line we have Mr. Harshad Deshpande from Religare Securities. Over to you sir.
- Harshad Deshpande: Yes, thanks. Sir, just wanted to know what are the attrition rates for the quarter.
- Sonjoy Anand: I think that question has already been answered. It has been on an annualized basis around 20%.
- Harshad Deshpande: Okay, sorry sir I actually joined a little late.
- CP Gurnani: No problem, I can understand preoccupation of all analysts tonight.
- Harshad Deshpande: Yes, thanks. Just one more, may be a repeat question again. What amount of revenue has come from BTGS deal this quarter?
- Sonjoy Anand: I think this quarter is just about 10 million dollars.
- Harshad Deshpande: 10 million dollars, okay. And just one more question that I just heard that you are experiencing some pressure from BT side, so what is happening actually on that front?
- Vineet Nayar: Mr. Kalra, what pressure are you facing from BT side?
- Sanjay Kalra: What kind of pressure are we talking about?
- Harshad Deshpande: Yes sir. In the previous discussion I heard that you are experiencing pressures from BT side, even your revenue from BT or revenue contribution from BT has come down, so what is exactly happening on that front? Whether the client is saying that we are not offering you new business or is it that just delay in the business. Even last quarter we were discussing some management restructuring happening, so what is actually happening?
- Sanjay Kalra: If you remember when Kanwaljit asked this question
- Harshad Deshpande: Yes.
- Sanjay Kalra: What I said is that BT continued to put expect of their partners that we bring in more efficiency and more productivity from the people we have, that the work remain the same, my revenue should fall down, but at the same time what I explained to you was the core BT revenue continues to be around the same range as it was a quarter ago.
- Harshad Deshpande: Okay.

- Sanjay Kalra: Which means I have new business and this new business is more in line of taking responsibility and management of some of the work that was done by other BT people and contractors in the past.
- Harshad Deshpande: Okay, okay.
- Sanjay Kalra: Which means that I have more end-to-end responsibility today than I had three months ago than I had a year ago.
- Harshad Deshpande: Okay, okay, okay. And sir any highlight you can give us on the AT&T front?
- Male Speaker: On the AT&T front, would you like to comment what is happening or what has happened.
- Male Speaker: I think our business with AT&T has grown.
- Harshad Deshpande: Okay.
- CP Gurnani: As I mentioned in the beginning of the call is that North American customers are looking at consolidation of vendors or consolidation of their technology environments. I mean AT&T as you all recall is amalgamation of four companies now, BT, Cingular, BellSouth, and the traditional AT&T and they have tried to synchronize many of their platforms and our business has grown and we are involved both in the transformation programs as well as our new projects are on infrastructure management or...
- Harshad Deshpande: Okay.
- CP Gurnani: Our business continues to grow with AT&T.
- Harshad Deshpande: Okay, okay and sir last question, again you might have answered earlier, but the employee addition is flattish kind of, any specific reason and what kind of feasibility do you have as you enter the next year or next couple of quarters.
- CP Gurnani: Again, for the benefit of people who joined late.
- Harshad Deshpande: Yes sir.
- CP Gurnani: I am going to repeat. Number one, we have changed our business matrix.
- Harshad Deshpande: Okay.
- CP Gurnani: We are now taking platform ownership
- Harshad Deshpande: Okay.
- CP Gurnani: In which there are BPO work, there is IT infrastructure work, and as Mr. Nayyar during his introductory speech also shared with you that we are doing on technology platform in which we are providing new services for one of our major customers.
- Harshad Deshpande: Okay, okay.
- CP Gurnani: So, the business mix is changing while our head count you are right has remained flat, but that is by design, and we are focusing on business matrix, we are focusing on productivity and it is clearly our desire that we drive more efficiency from our existing head count.
- Harshad Deshpande: Thanks a lot sir.

- Moderator: Thank you very much sir. Participants who wish to ask questions, kindly press *1 on your telephone keypad. Next in line we have Mr. Zaveri from CitiGroup. Over to you sir.
- Mr. Zaveri: Hi, I just have one question. You know your counts have increased from 96 to 105, can you give us some color on this increase as to you know are they in telecom or you know are they any other sector.
- CP Gurnani: I think Zaveri, we had earlier also mentioned in one of the calls that our sales guys, our go-to-market market teams only focus on telecom customers and all the growth that you are seeing is from telecom customers and we had, as a part of our growth strategy, indicated to you that we would be diversifying our markets and I am pleased to inform you that the strategy of diversifying in Australia, New Zealand, in Canada, and in Africa is paying off and we have added nine new clients in the previous quarter.
- Mr. Zaveri: Sure, thank you.
- Moderator: Thank you very much sir. Next is a followup question from Mr. Kanwaljit from Kotak. Over to you sir.
- Kanwaljit Singh: Hi. Quick couple of questions for Sonjoy. Sonjoy, can you just share the _____48:04 situation as of you know December end and the cash on books.
- Vineet Nayyar: Kanwaljit, can I ask you a question?
- Kanwaljit Singh: Yeah.
- Male Speaker: Why do you always ask questions for Sanjay?
- Kanwaljit Singh: This is Sonjoy.
- Male Speaker: Okay, that is fair.
- Sonjoy Anand: Kanwaljit, our you know receivables position in December is high. You would know that traditionally in December quarter because of Christmas we tend to have a bit of a choke from some of our major European customers. As far as the cash position is concerned, you would recall that we had about a year back taken, you know borrowed some money. We have paid back a large proportion of that and today the borrowings on the balance sheet are small.
- Kanwaljit Singh: Right, so Sanjay can you quantify any of these things?
- Sonjoy Anand: Yeah, you know the net debt was about 12 million dollars.
- Kanwaljit Singh: Right, and receivables?
- Sonjoy Anand: Receivables were a little over 100 days.
- Kanwaljit Singh: Over 100 days...okay, thank you.
- Moderator: Thank you very much sir. At this moment, there are no further questions from participants. I would like to hand over the floor back to Mr. Vineet Nayyar for the final remarks. Over to you sir.
- Vineet Nayyar: Ladies and gentlemen, thank you ever so much for coming in and reviewing with us our results for this quarter. I know that all of us are preoccupied on what is happening on the Dalal Street, but that is part of life, so thank you for



taking time out and reviewing our progress with us. Thank you so much and have a nice evening or morning.

Moderator:

Ladies and gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.
