



“Tech Mahindra Q4 FY13 Earnings Conference Call”

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Moderator:

Ladies and gentlemen, good evening and welcome to the Tech Mahindra Q4FY13 Earnings Conference Call. As a reminder for the duration of this conference, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal an operator by pressing '*' and then '0' on your touch tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vineet Nayar, Executive Vice Chairman, Tech Mahindra. Thank you and over to you sir.

Vineet Nayar:

Thank you for joining the Tech Mahindra call set up for financial results for the quarter and for the year which ended on March 31st, 2013. Our consolidated revenues for the quarter were Rs. 1,907 crores up 34% year-on-year and 6.5% sequentially which in US dollar terms translates into \$350 million up 25% year-on-year and **7.2 %** quarter-on-quarter. EBITDA for the quarter was at Rs. 380 crores up 59% year-on-year and 1% sequentially which is \$70 million. EBITDA margins were 19.9% for Q4. Consolidated PAT for the quarter was at Rs. 377 crores up 25% year-on-year and 37% quarter-on-quarter.

Now let me come to the full year results – For the full year the consolidated revenues were 6,873 crores up 25% year-on-year and US dollar terms \$1,263 million, up 9.2% year-on-year. The EBITDA for the year was Rs. 1,424 crores, up 55% year-on-year, EBITDA margins at 20.7%, an improvement of 400 basis points year-on-year. The consolidated PAT for the year was at Rs. 1280 crores, up 18% year-on-year or \$236 million. As we look back at the year, we delivered 9.2% growth in dollar terms helped by our strategic acquisitions. Our momentum in our non BT business continued with a 21% growth for FY-'13. On an organic basis, non BT grew 13% in quarter 4 on a year-on-year basis and this is in line with our strategy to broaden our revenues. On the EBITDA front, we have managed to increase our EBITDA margins substantially during the year and have crossed the threshold of 20% EBITDA margin after a gap of almost 3-years. Our recognition as a partner of choice in managed services to Telcos globally has resulted in some significant wins and our large deal pipeline remains healthy. Our acquisitions have worked well and have been delivering as per our expectation though they are in early stages.

On the global front things look mixed, on one hand you have shades of recovery, easing of employment situation and a surging Dow Jones in the US. On the other hand you have a flattish global growth forecast by the International Monetary Funds. Future in Europe or the economy in Europe remains uncertain. They are still going through recession in some parts but other parts are doing a bit better. France is experiencing difficulty with triple dip recession while Germany has just swung back into modest growth. Consequently in Europe the uncertainty continues but the silver lining is people have got used to uncertainty and are getting along with the business. But in terms of business, especially in our area of telecom, I think Europe is looking pretty good. It is largely because the barriers and especially the non tariff barriers are coming down and are being diluted and Europe is accepting the fact that if they have to be truly competitive and grow, they will have to bring down the cost and on that account it improves the potential for companies like ours.

Net-net on business, as we see it, Asia, Africa and Middle East are good and more importantly for us we have been able to improve our earning capabilities there by a fairly

decent margin. In US the business is growing, discretionary spend is coming but US continues to be extremely competitive. Paradoxically we are expecting best business results from Europe in terms of new businesses. The pipe line there at this point is the healthiest. Net-net I think, the prospects of telecom industry despite its current travails is good, is healthy as data continues with device makers and internet players capturing a huge market, the monetization of network traffic for the Telcos is low. Discretionary spends continue to be low, leading to limited investment in IT but the long term prospects are good because capacity would need to be created to meet this not burgeoning but surging demand. On the merger front lastly we are, I believe at the penultimate stage. The final arguments have been heard at the Andhra High Court and we expect a judgment in the first two weeks of June. But whatever happens on their judgment, though we are cautiously optimistic, we are working and operating as one company de facto. We are hoping that the de jure or in terms of law we would be won also going forward. With this I would ask our Chief Executive Officer C P Gurnani to add his comments.

C P Gurnani:

Thank you Vineet . I strongly believe that we are at an interesting cusp of opportunities which has been brought together by a very well diversified portfolio in telecom not only for revenue but also in competencies, also in customers and also in our service offerings. And the diversification that has happened by our geographic base, diversification that has happened in increasing technological products, including the recent acquisition of Comviva and Hutch which are now fully integrated to our service lines, really reflects well for our customers. I am particularly very happy that the acquisitions that we have done have worked well for us, we have seen the initial period of stability. We have also seen that leaders like Mao who is the CEO of Mahindra Comviva fully participating in our leadership and management council and driving some of the specific programs where his in-depth knowledge of product engineering and innovation can be used by other customers and other business units. We are seeing a very good traction in managed services, as you know managed services are eventually large deals with large number of years of contracts. We have also just finished our customer satisfaction survey. Our customer satisfactions survey results have shown that we continue to be rated high as a customer centric company and as a matter of fact, there is a definitive improvement in the feed back that we have received from the customers. Tech Mahindra's commitment to excellence, we are really proud of the award that we have received from AT&T for being the supplier of the year and AT&T has given us this recognition for the 3rd time and we genuinely are ecstatic, happy and proud that our associates continue to deliver value to our customers and partners. We established a testing lab in Sweden; we have created a near shore center for our customers in Sweden. This lab that we acquired from Sony, we strongly believe that it will strengthen our presence in Sweden, it will strengthen our focus on hardware lab, not only for Sony but other customers in Europe and it will continue to drive our focus on mobility. Your company has also entered into a partnership with an organization in South Africa, this will eventually increase our customer reach and also help us with localizing the company and being able to develop skills in South Africa. Overall I can say is that, our large deal flow is good; business traction from acquisitions is working well and there is a leverage of business synergies with Mahindra Satyam and the whole management team is focused on making sure that the business synergy is working well to our advantage. As far as the key challenges for the firm, we are conscious that we have had a de-growth on BT, it is our endeavor to broad base our revenue growth, that our current revenue mix BT is

approximately 30% of our business and that we will look at new avenues for growth within the BT but we still have a very large market share in BT. We will definitely work towards defending and growing our BT business. Our non BT business obviously is showing growth, our number of clients thanks to the Comviva and some acquisitions and some of the organic growth has grown from 131 to 150 clients so all I can say is that we have a much larger client base and if we continue to focus on our organization capacity to deliver value through diversified service offerings through managed services and also leverage the product, I think we are well poised for growth in the telecom sector. We are well poised for serving two distinct opportunities with our telecom customers; number one is grow their revenue and participate in that revenue growth. So we do provide platforms, products and services; we recently launched a platform at CA Open World, which is again a joined go-to-market with CA but in a lot of ways what you are seeing is that we are helping our alliances to growth their business, we are helping our customers to grow their business, that is one stream of business. Second stream of business is that we focus on improving operating metrics for the companies that we work with and this strategy of working at a 360-degree relationship continues to work well for us. We are conscious of some of the head winds and the reality is that over all our IT spends will continue to be a scrutiny item for many of the organizations, most of the organizations will look at system consolidation of getting better performance from their IT spend, however, we also are conscious that LTE and 4G roll outs, the whole acceleration in mobility applications and cloud application will continue to give us the market penetration and also our share of the wallet. So as your company is continuing to look for new opportunities both in service offerings like BI Analytics ,Cloud , M2M or a network testing or mobile data services and your company is also continuously expanding its market. We have now strengthened our markets in Latin America and Africa. We are continuing to look for higher opportunities in Europe and we are looking at an overall growth all around the world. So I am going to request now Sonjoy to take us through the financial highlights for the Q4 and the financial year '13.

Sonjoy Anand: I think we have broadly covered what has happened on the revenue and the EBIDTA side , good revenue growth and 400 basis point improvement in EBITDA. I think we will go directly to Q&A so that I can respond to the specifics that you have.

Moderator: Thank you very much sir. We will now begin the question and answer session. The first question is from the line of Mitali Ghosh from Bank of America. Please go ahead.

Mitali Ghosh: On BT, just wanted to understand that this quarter was probably maybe better than expected kind of flattish. So has the outlook with BT near bottoming, and if not, where do you think you are on that trajectory?

Sonjoy Anand: I think our view on BT basically has not changed from what we shared with you last time. This quarter our BT revenues in GBP were flat, however, BT continues to focus on what they can do in terms of cutting back on spend, so there is a potential for some decline. However, as we have said last time, we are now approaching a stage where the bottom is going to be around very soon and also there are a number of initiatives that Amitava was driving to look for new opportunities.

Amitava Roy: Basically BT is continuing to focus in terms of its consolidation of IT platforms and in terms of their investment in the IT. However, we have new opportunities in terms of the new investments that BT is making in BT sports and in broad band across the rural areas and so on. So we are also working very closely with BTGS in terms of the go-to-market, so we do expect a successful partnership with them in the future.

Mitali Ghosh: Secondly on AT&T, again that is an account which has a lot of potential, but it has been flat for the last several quarters. Could you perhaps discuss the outlook for AT&T?

Sonjoy Anand: AT&T is an account which, if you look at over the years has given us a decent growth over the previous years as always it is such a large account. There will be phases in which we are pursuing significant opportunities and there will be a step change in a particular quarter. You may not see consistent sequential growth quarter-on-quarter in account of that size.

Manoj Bhat: Just clarifying this quarter we have seen growth in AT&T so as the transition in new revenues, we will see growth. So I think overall from a broad perspective I think we still believe that there is lot of untapped potential in AT&T.

Mitali Ghosh: So how much growth have we seen in AT&T this quarter?

Manoj Bhat: I do not want to get into customer wise specifics.

Mitali Ghosh: On the revenue side, apart from these two, could you perhaps just comment on how the large deal pipeline has moved during the quarter and any changes you are seeing in the sales cycle?

Manoj Bhat: I think as C P Gurnani mentioned, I think given our positioning currently in the telecom market where I think there are 2-3 things happening, customers are looking at ways and means to optimize their current spend. We are still not seeing too much discretionary spend except in certain areas around network. So I think the biggest source of the funnel is around managed services and the other trend you are seeing is traditional areas which were not open to probably Indian IT companies like probably networks and network outsourcing. I think there are now signs that the market is recognizing the ability of companies like us to compete in those deals. So coming to your question on the funnel I think the funnel remains about 5 or 6 deals is what we are seeing. There are others in the pipe but I am kind of giving you probably the top 5-6 deals I think you are seeing that and majority of them are spread out across Europe about 50% or so and then the balance are spread between emerging markets and the US. That is the kind of funnel we are looking at right now.

Mitali Ghosh: And any sense on where this might be in the sales cycle?

Manoj Bhat: I think there are two trends, I think one is we are seeing incumbents are over the last quarter or two quarters, we have seen incumbents actually resisting far more than in the past, that is one trend we are seeing and that is leading to a prolonged sale cycle for us so I would say we are may be a quarter or two away, broadly as a sense looking at the portfolio of deals.

Mitali Ghosh: A very quick question on margins. How do you think this year's wage hike may compare to last year, and also typically what kind of productivity improvements can one expect in a year?

Manoj Bhat: I think on wage hikes while we have not frozen the numbers fairly given I do not think there is much of a challenge in the supply situation, so I really do not assume that it will be a dramatic difference compared to last year. I think on productivity, from a broad perspective we would look at productivity improvements but they are only applicable on some parts of our business. For example on fixed price projects, it is a continuous improvement and we have spoken about that in the past. The programs we have run to improve profitability on 23.49 projects or customers where these are not making novel margins or we do not believe that over a longer period of time these will create sustainable advantages for us. So that is a continuous process, I really do not have a number to give whether it is 1%, 2% or 3% but that is the continuous initiative of the management to drive as much savings as possible from these kind of initiatives.

Mitali Ghosh: Would you broadly think that ex the currency one can expect kind of stable margins? Do you think you have adequate levers to counter wage hikes and so on?

Sonjoy Anand: So if you look at head winds and tail winds, the visible headwind is obviously the annual salary hike, I think Manoj has taken you through some of the opportunities that remain on the productivity space. Overall, I think when we were at the beginning of last year bridging the gap in EBIDTA was a big thing for us. I think as we go forward of course we want to continue to improve profitability and margins but our key focus is going to be growth.

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

Kawaljeet Saluja: My first question relates to your balance sheet. If I look at the current liabilities for FY'13, there are a number of items which have gone up by 50% to 100%. Just a little bit curious about what has driven such a large increase maybe in trade payables, other current liabilities, short-term provisions. And my second question relates to the acquisition strategy. When I look at acquisitions, in the last one year you may have done 5 or 6 acquisitions including Satyam. Now, I am struggling to basically create a common thread across these acquisitions. Some seem to be bulking up in nature and some of it appears to be a strategic. So, how should I really think about your acquisition strategy? And what are your plans essentially when you look at FY 2014 on the same?

Sonjoy Anand: I think the criteria on acquisitions is very clear, we look for opportunities which either bring us new capability or bring us a set of customers whom we believe we can leverage better than the current owner and there is a clear value opportunity available, the pricing is right and its EPS accretive from day one, so we look at opportunities like that also and I think if you look at any of the acquisitions if you have done, they passed that test, let me pick up a couple of the more recent ones. If you look at the Hutch acquisition, it brought us end-to-end capability on the customer care front and it also helped us take our relationship with two key customers which is Hutch and Vodafone to a scale where we become relevant at a CEO level. So that was the rationale there and in addition to that, the pricing was such that it was an EPS accretive for us from day one. As far as Comviva is concerned, the VAS space has been an

important area of focus for us, Comviva was one of the best positioned players and this acquisition allowed us to completely reposition ourselves in the VAS space. It also brought us the benefits of taking our relationship with Airtel group to a level where again we become very significant and relevant at the CEO level. So again I think there was a great strategic fit there and also the pricing on the deal was such that again it was an EPS accretive for us.

Kawaljeet Saluja: I appreciate the rationale behind the acquisitions, which you have mentioned. And at any given point in time you may have multiple deals, which would be attractive at a price point. What I am trying to understand is that is there a common thread behind these acquisitions, which is customer, service, geography? And second is that more importantly when I am thinking about acquisition and EPS accretion, there is also a balance sheet impact because your RoE does get diluted. Do you ever think about the RoE impact from the acquisitions, when you think about the number of acquisitions which you have to essentially make or are planning to make?

Sonjoy Anand: So Kawaljeet I tried to cover the point that you repeated just now as to, is there a common thread, I think there is a common thread in terms of being able to link a strategic rationale to these acquisitions. One point that I missed in the Hutch acquisition was that the Hutch acquisition on the BPO side gave us an international reference of scale. If you remember we were late entrance into BPO and we built our BPO business around the domestic business to allow us to scale up our presence there. What this acquisition did was it gives us an international reference, it reduced our dependence on the domestic business for reference and we were able to evaluate those businesses on a normal, strategic and return on profitability kind of criteria. So that was an additional benefit there. In terms of return on equity I see that acquisitions will tend to bring down return on equity but in both these acquisitions I believe and I am trying to articulate why I believe these businesses are going to benefit us in terms of being platform for future growth, I think the fact today is that the Hutch acquisition in both Vodafone and the Hutch Group has made us pre-eminent IT and ITES service provider. I think with what has happened in Comviva, in Bharti, we are seeing traction at a completely different level now.

Kawaljeet Saluja: On my question on current liabilities, it has just gone up for a whole host of items. Just curious as to what is the reason for the same?

Manoj Bhat: We will try to come back towards the end of the call or offline, I just do not have the detail in front of me.

Moderator: Thank you. The next question is from the line of Srivathsan Ramachandran from Spark Capital.

S Ramachandran: I just wanted to know if there was any lumpiness towards especially contribution of Comviva revenues from a quarter-on-quarter point of view?

Sonjoy Anand: I think when we had made the Comviva acquisition, we had said that the due diligence process we had seen for the last many years that it does tend to have a bias towards the second half of the year and consistent with that the fourth quarter in Comviva has been very strong. So while the management team there is focusing. Now that they are part of a public

company, they are looking to see what can be done internally in terms of having a more streamlined phasing of business. At this point of time it would be reasonable to assume that the lumpiness that we saw for the past few years will continue at least in the next year.

S Ramachandran: In terms of the overall integration of Comviva vis-à-vis the other business. I just wanted to understand how we are approaching, especially sales here given that Comviva would have had an independent sales team; we had an independent sales team, so just wanted to understand how that front end process works for selling the MS business?

Manoranjan Mohapatra The synergy from Comviva point of view, as articulated by CP, we have fully integrated operations, geo sales organizations have been aligned to the various geo sales organizations of TechM, including looking at and exploring how we could leverage Western Europe and the US opportunities in terms of the large customer engagements that TechM has. From the rest of the organization when it comes to product management, product development, given the nature of technology and the products that we deal there is a fair amount of independence there, but the sales business development and the geographic organizations are fully aligned. From a synergy point of view, we are beginning to see a significant amount of synergy. We had a practice in provision care product which we are seeing in some of the SI opportunities that TechM goes after, it is being bundled into the proposal, we already have few deals that we have closed where existing large accounts TechM is deploying, our messaging and gateway products in Middle East and Africa and we are hoping to take our either mobile data or the mobile financing services products into the Europe and the US market through TechM.

Moderator: Thank you. The next question is from the line of Pranav Tendulkar from Canara Robeco. Please go ahead.

Pranav Tendulkar: I just want numbers for Comviva and HGS revenue numbers for this quarter?

Manoj Bhat: I think both put together is about \$64 million. For the quarter, I am giving you the number.

Pranav Tendulkar: Can we assume a 10% growth for the next year?

Manoj Bhat : As you know, we do not give forward-looking guidance on this, of course, as Mao mentioned, I think some of the building blocks in terms of synergies are being put in place and as we go forward, we will have to see. HGS is the only qualifier, of course when we picked up the deal, we had indicated that this would not be a high growth deal, it is more of consistent revenues time affected and largely synergy as we cross well into other customers. I am just clarifying what we had said even when we did the acquisition.

Pranav Tendulkar: Just about the ramp up in KPN deal, has it achieved full ramp up or still in a ramping up stage?

Manoj Bhat: KPN, I think one of the projects we had some billing in this quarter. I think we expect that trend to continue even into Q1. So to answer your question, we are still in a ramp mode. So I think we would see probably full impact of revenue in Q1 or maybe Q2.

- Moderator:** Thank you. The next question is from the line of Madhu Babu from HDFC Securities. Please go ahead.
- Madhu Babu:** Our headcount is on a declining trend again in the IT Services part of the business if you exclude Comviva acquisition also. So, what is the outlook there on the IT Services headcount for the next year?
- Manoj Bhat:** On the headcount, as you know, we are faced with two parts of the business. I think we have given you the outlook on BT. As you know we experience some downturn in revenues over the last 3, 4 quarters in BT. On the non-BT side, I think one of our initiatives has always been to try and improve our utilization and try to improve our margins on that front, combine it with probably the model of recruitment which is becoming more and more based on the current situation on availability of skills I think it is becoming more and more just in time and fine tune. So I think the strategy we are using is that attrition replacement is the conscious decision we are taking and that is how we are trying to control utilization and headcount. And as we see deals and as we see revenue coming through I think the ramp up time in the system is not too long and I do not think that is a challenge we would post in the future.
- Moderator:** Thank you. The next question is from the line of Pranav Mehta from Value Quest. Please go ahead.
- Pranav Mehta:** Just wanted to know what is the organic dollar terms growth in this quarter QoQ?
- Manoj Bhat:** Organic dollar term growth is about 1.5%, split broadly is about 3% volume and about 1.5% negative on currency.
- Pranav Mehta:** And for the full year out of the 9%?
- Manoj Bhat:** On a full year basis, I think our organic growth will be flat, slightly negative maybe, because if I look at FY12, we lost a couple of customers, Cox and Etisalat and then combine that with the BT decline I think you might see a negative number around it.
- Moderator:** Thank you. The next question is from the line of Vaibhav Agarwal from Motilal Oswal Asset Management. Please go ahead.
- Vaibhav Agarwal:** In one of the interviews, Mr. Gurnani had talked about the combined revenues of the group, which are currently at about \$2.7 billion going to about \$5 billion by the end of 2015, and a large chunk of this growth was attributed to inorganic growth. So could you may be shed some more light on that front?
- Vaibhav Agarwal:** He said about current revenue base is about \$2.7 billion, \$2.8 billion and I think there is a target of about \$5 billion by the end of 2015. So a large chunk of this revenue growth will obviously come from inorganic sources. So, could you may be shed some more light on that?
- Manoj Bhat:** I think two, three things to take away from that. So one is of course it is an internal aspirational statement. We all know it is a stretch goal and we are all aligned towards it and trying to make that happen, number one. I do not think you should take it in the nature of a

guidance, it was not meant to be a guidance, it was meant to align the organization towards the growth path. Second is in terms of inorganic, I would say not too much in TechM, but definitely in Mahindra Satyam is going to be a component, not because of anything else but because of certain gaps in the portfolio which we perceive. On the telecom side, I would say our portfolio is far more complete, because we are a single vertical focus, largest player out of India in telecom and we have added a lot of service offerings over a period of time. So, if I look at the Mahindra Satyam side and we have mentioned this before, I think whether it is a BFSI vertical or service offerings like Engineering Services, we will look at non-organic initiatives to sharpen our focus and enhance our capability as an organization to compete in this marketplace.

Moderator: Thank you. The next question is from the line of Jiten Doshi from Enam AMC. Please go ahead.

Jiten Doshi: First is how much of the integration do you believe is now behind you and how much more can happen once the legal merger is complete?

Manoj Bhat: If you look at integration, really, I think we have had a 4-year process of integration because clearly I think over a period of time we have aligned policies, we have aligned processes to a large extent possible, we are in the process of aligning some of the systems. So I think it is a gradual journey. We are looking at integration from a cost side and we have said this before, it is not a cost-led integration or merger, this is probably a revenue side synergy cost; cost synergies are limited because I think there is a lot of uniqueness about the two companies in terms of verticals and skill sets. So on the qualitative side, I would say we are a fair distance through the way in terms of integration and I would say that we are actually awaiting the formal announcement of the merger and approval of the High Court and I think we would have covered most of the distance on integration and that is my assessment of where we are right now.

Jiten Doshi: In terms of cross-selling, do you believe there is not much more to go?

Manoj Bhat: I think cross-selling is where the maximum potential lies, as Mao mentioned, whether it is Comviva cross-selling in MSat customers over a period of time. So Comviva for example has a mobile payments platform which potentially can be sold to banks and other financial institutions. So I think to give you an idea the combined revenue of both companies cross-selling today is probably about \$30-35 million in that order. So from a potential to cross-sell I think we are just at the beginning of the journey.

Jiten Doshi: So how much that could yield you ultimately in the next three years or so? I am not asking you for a quarterly number.

Manoj Bhat: No, I would assume that the growth acceleration will happen because of this. So maybe I will just put some statistics effectively. I think the market addressal we will be doing in telcos alone, probably additional market address could be in the tune of \$5-10 billion, I am just giving you a broad sense of the numbers because that is the market we are kind of not addressing today. I think the other big area as we focus our organization around NMACS and that is where the telecom players are trying to play a big role, whether it is things like smart

grid and others where there is a need for a service offering around Big Data and Analytics that is probably a sweet spot for Mahindra Satyam. On the reverse side, I think whether it is Cloud or Enterprise Mobility, those are services which Mahindra Satyam can provide from the Tech Mahindra's table to its customers. So I think if I really look at it that way it is a very large market. Now, I think the question there is how effectively we are able to capture the market and that I guess time will tell, I really do not want to put a number out there.

Jiten Doshi: And what do you think is the sustainable EBITDA margin in the near future given that the currency remains where it is?

Manoj Bhat: Sorry, we do not guide, so I am not going to give a number, I think Sonjoy covered some of the points around margins sometime back.

Jiten Doshi: What do you think are the real margins that can sustain over a period of time? Let us say we take a 3-year view, I am not asking you for any guidance for the quarter as I told you, not interested in that also?

Manoj Bhat: I understood the question but I think it is a policy we have not ever said whether it is for a 3-year period or now, either revenue guidance or margin guidance.

Jiten Doshi: So you think current levels are sustainable?

Manoj Bhat: That is a good try but I am not going to answer the question.

Jiten Doshi: So you are not as optimistic about your margin sustaining. Can I put it that way?

Manoj Bhat: I repeat, I do not think I am going to say yes or no to that question.

Jiten Doshi: Once you get into the legal merger, does this improve your chances for big deals?

Manoj Bhat: I would imagine so. One of the things with Mahindra Satyam is that there is still some association of the past, I think with the merger that association will become less. However, I think what we have seen is it is not about getting invited to large deals, it is about conversion ratio that is the focus area for us and towards that end I think we are taking a multi-pronged approach to trying to fix that problem. So number one influences the analysts. I think you must have seen and we are appearing in more and more places, whether it is Gartner quadrants or Forrester reports or any of these analysts. The second thing is the organization and bringing the focus and sharpness to that. And I think just about 3 or 4 months back we got our head of sales, Mr. Manoj Chugh who has joined Mahindra Satyam and his role is really to align the organization in trying to create and win large deals and improve the conversion ratios. So we are trying multiple things to influence the outcome and I think as we go along, we will report the progress.

Jiten Doshi: Can you comment on your treasury stock? What is the philosophy behind that?

Manoj Bhat: The treasury stock we have created basically as a means for financing the company and that can be used if there is a transformational opportunity available for inorganic growth. And what

we believe is as the industry is changing, there will be interesting opportunities and interesting combinations which can create more competitive entity and that is why we have created the treasury stock as an option.

Jiten Doshi: So you would use all of your treasury stock for acquisitions?

Manoj Bhat: I told you why we are keeping it reserved, so that is the intent.

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

Pratish Krishnan: Can you speak about some of the new initiatives which BT has taken in terms of spend? I just want to understand, are you seeing a similar trend with some of the large other telcos?

Pratish Krishnan: In terms of telcos kind of initiating on new spends, the way BT is doing, are you witnessing similar new initiative for telcos, because largely telcos have not really increased their spend for the last two or three years. So is this a BT phenomenon, or it is probably happening in other telcos also?

Manoj Bhat: I think over the last 12 months or so, I would say telcos are selectively spending, but as we have said before I think the telco spend is mostly in the area of probably the network side where they are investing. I think the other area is Mobility, I think they are seeing that as a revenue generation option.

Manoj Bhat: To answer your question, selective spends we are seeing, I do not think it is a broad trend towards opening of discretionary budgets.

Pratish Krishnan: And secondly, you spoke about some of the new opportunities, including the network outsourcing. In terms of the margin profile, would this be similar to what you have today or would be like better or worse off, any comments here?

Manoj Bhat: So I think there is a timing issue there. So initially any large opportunity we would invest and I think you would catch up in terms of margins probably somewhere towards the end of the first or second year and then margins will move up probably above the company average towards the last three years, I think that is the typical profile we have seen in some of these deals. I think the whole impact on margin for the company is a function on a run rate basis, how many large deals do you do in a year and the magnitude of the large deals. So it is very difficult to make a statement about what exactly is the margin impact, but broadly, I do not see most of these deals at different margin levels than our usual; there could be a couple exceptions where we might want to enter a particular area or something but that is a management call we will take from time-to-time.

Moderator: Thank you. The next question is from the line of Ashish Agrawal from Tata Securities. Please go ahead.

- Ashish Agarwal:** First of all, on BT, the money which we are amortizing in BT, which will be finishing in FY14, wanted to understand what is your strategy post that we see, and would like to continue that business which we are doing with BT at a low margin or we are trying to negotiate contract? And secondly, on the margins in Q4, Comviva generally has a better Q4, which you said, but that is not getting reflected in the margins. So if you can please elaborate on that?
- Manoj Bhat:** All said and done, Comviva is as a percentage of revenue a very small component of our total revenue. So I do not think even if Comviva does better than usual I think it would not have much of an impact on margins.
- Ashish Agarwal:** Especially after the 1,000 crores, which we were taking into revenues every year, now that contract is ending in FY14. So wanted to understand that?
- Manoj Bhat:** The best answer to that question will be as we approach that event because really there is a host of possibilities. So clearly, our view is that we should be able to defend our position on that but that is something which is probably what you would have seen usually in a BT competitive bid process, so I think the outcome of that we will have to see closer to the event.
- Moderator:** Thank you. The last question is from the line of Amar Mourya from IndiaNivesh. Please go ahead.
- Amar Mourya:** There are five deals, which we had mentioned in our press release. All these are new deals or there are renewals into this?
- Manoj Bhat:** These are all new deals.
- Amar Mourya:** If you can share what is the combined TCV of all these five deals
- Manoj Bhat:** I think we have never shared that but I will say there is no large deal win in this quarter.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand over the floor to Mr. Sonjoy Anand. Over to you sir.
- Sonjoy Anand:** So thank you everybody for joining us on this conference call and if you have any further questions, our IR Team would be happy to respond to them.
- Moderator:** On behalf of Tech Mahindra that concludes this conference call.