

“Tech Mahindra Q4FY09 Earnings Conference Call”

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MODERATORS:

MR. VINEET NAYYAR - VICE CHAIRMAN, MD & CEO

MR. CP GURNANI – PRESIDENT, INTERNATIONAL OPERATIONS

MR. SANJAY KALRA – PRESIDENT, STRATEGIC INITIATIVES

MR. SUJIT BAKSI – PRESIDENT, CORPORATE AFFAIRS

MR. SONJOY ANAND – CHIEF FINANCIAL OFFICER

MR. MANOJ BHAT – HEAD, INVESTOR RELATIONS



Moderator: Ladies and gentlemen good morning and good evening. This is Rochelle, the Chorus Call Conference operator. Welcome to Tech Mahindra's 4th Quarter Earnings Conference Call. As a reminder for the duration of this presentation, all participant lines are in the listen-only mode and this conference is being recorded. After the presentation, there will be an opportunity for you to ask questions. Should anyone need assistance during this conference call, they may signal an operator by pressing * and then 0 on their touchtone telephone. At this time, I would like to hand the proceedings over to Mr. Manoj Bhat of Tech Mahindra. Thank you and over to you Mr. Bhat.

Manoj Bhat: Thank you Rochelle. I welcome all of you to the Quarter 4 Earnings call and full year earnings call. We are today in Hyderabad and our board meeting was held here. With me here on the call are Mr. Vineet Nayyar and other senior members of the management team. With this I hand it over to Mr. Nayyar for his opening remarks.

Vineet Nayyar: Good morning, good afternoon and good evening folks. As Manoj said we are in Hyderabad and I am very pleased to share with you the results of our 4th Quarter. We have had a quarter where we have seen headwinds on two fronts, currency fluctuations and overall economic slowdown. In spite of these headwinds, our focus on cost and efficiency improvement has helped us manage our profitability. Our revenues declined sequentially from 1132 Crores to 1051 Crores and our net profit increased 3% from 223 Crores to 230 Crores. Included in Q4 numbers is one time benefit of approximately Rs 25 Crores we have had due to realignment of certain policies regarding employees benefits. Excluding that our profits have declined by 8% from 223 Crores to 205 Crores. At the EBITDA level our normalized EBITDA without one time has fallen 18% from 318 Crores to 259 Crores.

As you well know, the economic conditions have been bad in the quarter gone by. For us it has in many ways been a double whammy on account of the impact of weak British Pound. In these times we have focused on two things - maintaining and if possible improving our market share in our customers and improving our efficiency by cost reduction measures.

In our non-BT business I am cautiously optimistic and there we have seen marginal growth this quarter. This growth is significant since it has come in a quarter where headwinds are possibly the strongest. We are seeing signs of revival in spend, although it might take one or two quarters for this revival to establish itself as a clear trend. Our traditional business in BT continues to be under pressure with our revenues in British Pound terms declining from GBP 60 million in Quarter 3 to GBP 58 million in Quarter 4. This quarter we have also seen temporary setback in Barcelona where our revenues have dropped from GBP 22 million in Quarter 3 to about GBP 19 million in Quarter 4 due to the impact of the recent developments in BTGS. We expect this uncertainty to continue for at least one quarter more.

The other significant event to happen was the acquisition of our strategic stake in Satyam. We are delighted with this acquisition since it now positions TechM as a full



service player across all the major verticals. We will be taking questions about this acquisition, but you will have to pardon us if we cannot elaborate on the financial numbers and the liability issues. We will try to answer as much as we can given the sensitive and confidential nature of this information.

Reverting back to TechM on the cost front we have initiated measures to realign our compensation policies in line with the new environment. We have increased the proportion of variable pay to better reflect the mix of individual and company level objectives. We are focused on improving our utilization as well try to eliminate extra expenditure in every aspect. Our utilization has gone up to 70% from 67%.

In summary, it has probably been the toughest quarter so far in terms of overall economic and demand conditions. I believe we have had a resilient performance and I can look forward to significant mend in the global economy over the next year and those benefits cascading into the IT industry. I would now welcome your questions which I and my colleagues will do their best to answer. Thank you ever so much.

Moderator: Thank you Mr. Nayyar. Ladies and gentlemen we will now begin the question and answer session. Our first question is from the line of Sandeep Muhatnagi of IIFL. Please go ahead.

Sandeep Muhatnagi: Hi good evening. You were mentioning about setbacks at the Barcelona deal, can you elaborate more into the nature of this setback?

Sanjay Kalra: Yes Sandeep this is Sanjay Kalra. I think the setback is more in terms of as you know BTGS is in the middle of a huge transformation and they have had some challenges. So we had a few projects that we have suspended for the moment. And that is what I would term as a way calling it a setback. Otherwise, in terms of overall Barcelona I think we hit the £18 to £20 million quarterly run rate. And my sense is that that glide path will continue. It may not keep rising the way we expected it to rise two quarters ago, but I think it is on this trend line. And the other thing that is happening is that in this quarter the other new contract is kicking in and we should see the impact of that next quarter, because the transition work has started and we should start to see some of that revenue flowing in as work shifts from other vendors to us.

Sandeep Muhatnagi: Yes absolutely. And given the nature of the setback it seems to be a broad based one. Do you expect any impact on the Andes deal also going forward?

Sanjay Kalra: I would say the setback is not as broad based as this number shows, I would say that the previous quarter the jump was unusual, is the way I would look at it.

Sandeep Muhatnagi: Okay thanks. That is it.

Moderator: Thank you Mr. Muhatnagi. Our next question is from the line of Manik Taneja of Emkay Global. Please go ahead.



- Manik Taneja:** Hi sir, just wanted to extend the question put up by the previous speaker. If you could elaborate on what is happening at core BT, what has been the outcome of vendor consolidation over there and what makes you confident that you might not see similar kind of things repeating for the new deals as well as the slowness in BTGS is something that has been taken care of in this quarter and you might see some pickup next quarter onwards?
- Sanjay Kalra:** Look I cannot predict the future but let us look at what has happened. On core BT honestly I was surprised that it only moved from £60 million in Q3 to £58 million in Q4. And therefore I will maintain that I am not completely confident that the bottom has been reached on the core BT side and that is consistent with what I told you last quarter. On Barcelona the huge jump that happened previous quarter I think was unusual but then the current run rate now of reaching that £18 to £20 million I sense that is a sustainable point. And the third thing is that the Andes contract is kicking in from this quarter and new work is moving in. You said will the slowdown affect? Honestly, the only thing that I can tell you right now is that as you know the work we do on the Barcelona and the work we do on Andes starts to touch each other at various points as we go through the lifecycle because one is around process rationalization the other is around systems rationalization. So you may see occasions where the work that I thought would be Barcelona may end up in Andes or vice versa, but then the overall scope has been defined for us, but beyond that I do not see them eating into each other.
- Manik Taneja:** Okay, but we should see revenues kicking from Andes deal next quarter onwards?
- Sanjay Kalra:** Yeah because we are seeing some work that has transitioned and is beginning to be executed by our centers and therefore that work is definitely started to move in.
- Manik Taneja:** Just wanted to understand one more thing, say in Europe a lot of government business might be open to Indian tech vendors in the near future. So is there a possibility that given our experience of working with BT so closely and BT being a shareholder in our company we have some advantage in terms of bagging that kind of a business, talking about the government business in UK?
- Sanjay Kalra:** Look when we work with BTGS under these contracts lot of these work happens for BT's customers including the government. And we do lot of work for BT's contracts where they service people like National Health or others so ...
- CP Gurnani:** There are really two questions to what you asked. One is the flow through business because of you know BT global services reach into the market. Second part is you know based on the experience that we have gained from BT are we getting some large transformation deals with other customers in Europe. So I think again the answer to the second one is also true and we are now engaged with two large clients in Germany. One very, very large client Telco in Netherlands. So we are definitely capitalizing on the experience that we have gained on transformation with BT.



- Manik Taneja:** Okay. Sir and if I could ask one more question, I just wanted to understand what is happening at another major TSP the North American TSP what is the spending environment over there and how are we fairing over there?
- CP Gurnani :** The market is as you know the center of this whole economic crisis is US. So the North American customer is also impacted a little bit. The good news is that my revenues have grown in the last one year by almost 50%, last two quarters it has been flattish with this customer. I do not know whether we are giving any guidance but I can only say is that it is a significant part of our North American business and we are continuing to work with them in various initiatives. Currently the company has six major service offerings one is around applications and product engineering, the other one is around BPO, third one is on value added services, fourth one is on network services, fifth one is on remote infrastructure management and sixth is on security. I would say is that with this large customer the only part that was missing was the BPO and now we have just started a very critical trial with them and we have about 120 people migrating a process from US to India.
- Manik Taneja:** And I am not sure whether you would want to comment on Satyam, but just wanted to know if you would want to share any highlights on Satyam? How do you intend to turnaround Satyam given the kind of margins that press and media have been talking about in terms of Satyam might enjoy at this moment?
- Vineet Nayyar:** I think in acquiring Satyam I see it as an acquisition with very high potential. It completely compliments our activities in the sense that we were only in telecom as you know and they are almost into every other vertical. So now we see TechM and Satyam would be a full service company. How do we want to turn it around? I think essentially the Satyam is having good rates, it has a great rapport with its clients and that is why the client attrition was limited only to 30% or 35% one would have otherwise imagined that with this implosions almost every client would have left. So it is a good client list, the billing rates are descent. And there is no reason why it should not become profitable very very soon, if we can and we will plug the leakages on excess expenditure, etc., which was happening.
- Manik Taneja:** Okay sir. Sir given the kind of revenue run-rate that you guys have mentioned when you announced Satyam acquisition, there has been an expectation that you might need to do away with a large chunk of people at Satyam. What are your thoughts on that? Will the government allow you to do that at this juncture?
- Vineet Nayyar:** We are looking at all possibilities of curtailing expenditure. I think we will attack other expenditures earlier before we come to the personnel. So it is too early for me to make any prediction as to whether we will have to resort to retrenching a few people, and if so happened, how many, it is too early at this point of time to do. I think we will start by dropping SG&A and other wasteful expenditure which is occurring which is not insignificant at this point of time at Satyam.
- Manik Taneja:** Sure sir, thank you from my side and best of luck for the Satyam acquisition.



- Moderator:** Thank you. Our next question is from the line of Yogesh Agarwal of HSBC, please go ahead.
- Yogesh Agarwal:** Hi guys, I just have a couple of question if I may, firstly on the cost you have done an incredible work here but I could see most of the gains coming from higher utilization and also travel cost down I think 12% sequentially. Two parts to the question - one considering Andes deal was in the transition, can you elaborate on how did you manage cutting down on the travel cost? And secondly do you see utilization going up from these levels?
- Sonjoy Anand :** As far as the Andes deal is concerned travel is a small component of the transition cost, our people are already working on it. And therefore the other measures that we have taken on travels have impacted there. As far as utilization is concerned, as we have been saying for the last few quarters it is a key value driver from our perspective and we will continue to focus on it. The opportunity on utilization varies from customer-to-customer and from engagement-to-engagement, but we do see opportunity to take utilization up further.
- Yogesh Agarwal:** Okay. And secondly on the hedging can you suggest how the other income came into positive did?
- Sonjoy Anand:** So I think the other income has a number of components in it. As far as hedging is concerned, the total exchange gain/loss for the quarter was about Rs.70 million. However, we had some interest and dividend income and also we had refund on service tax against tax that we had booked earlier. We also had some rental income and some provision writeback from the past.
- Yogesh Agarwal:** Right, can you just remind me of the hedging positions currently?
- Sonjoy Anand:** So at this point of time we have about £270 million of cover, which Sterling to Dollar are at 1.88. And we have about \$700 million of Dollar to Rupee cover which is at about 43.63.
- Yogesh Agarwal:** Okay just the last one from me, just, could you give some color on what do you see in the telecom vertical outside BT and the other large clients? Do you see this strength being maintained in the coming quarters and what is the kind of pricing pressure there?
- CP Gurnani:** I think as Vineet mentioned during his opening comments that the mood in Tech Mahindra on telecom vertical is cautious optimism. We do believe that our deal flow is pretty good at the moment. The numbers of large deals have actually gone up, but in terms of sheer number of deals I would say that has come down. Now effectively you are looking at two kinds of markets. One is a mature market - In mature market, our current deal flow is more on output based pricing, outcome based pricing, and application outsourcing. And in the new emerging markets, we are responding to the most of the deals around new Greenfield operations. So I would say is that we are in



our niche where the Greenfield operator has to launch services and when you look at the large operator around the globe, he is taking advantage of all our six distinct service offerings and because we are able to offer services right from network planning to network operations, application product engineering, security, infrastructure we are in a better position to optimize their cost.

Yogesh Agarwal: Perfect, very well, thanks gentleman.

Moderator: Thank you Mr. Agarwal. Our next question is from the line of Anthony Miller of Tech Market View, please go ahead.

Anthony Miller: Yes hello, gentleman, my couple of question. One is about Satyam and the other one is about your European operation. Just to starting with Satyam again please, what is your current line of thinking about how you might go about integrating Satyam's operations in the UK and Continental Europe with your existing businesses there?

Vineet Nayar: I apologize I should have told earlier that for the time being both the companies are going to run independently of each other. Integration will take place in possibly after two years. Our reason for doing that is pretty straightforward. We believe that Satyam and its very loyal clients have gone through an incredible trauma for the last four to five months. Any merger in itself results in a fair amount of dislocation. We did not want to cause that dislocation to these clients. And therefore we will continue as is for the next two years where after both the companies will be merged. True, there will be certain changes in management at the senior positions which will be announced in due course.

Anthony Miller: That was going to be my follow-up question on that - so there will be some changes in the Satyam's European and UK management, which you will announce say in the next few weeks?

Vineet Nayar: Yeah we will announce it in the next few weeks. There would be management at various levels within the company including appointing a new CFO.

Anthony Miller: And my second question about your operations actually in Continental Europe, Tech Mahindra's operations, can you just remind us, how much of your European revenues comes from a Continental Europe?

CP Gurnani: Anthony as things stand today, my highest growth region globally is Continental Europe. And from a European business, you probably know that BT plus UK my other UK business accounts for almost 60% of our business. So BT and UK I mean every other business will be always the highest part of it. And if I were to classify only Continental Europe it is probably less than 10%.

Anthony Miller: Okay and just finally, I have noticed at the end of last year you launched a "Body Shop Basis" called Tech Talenta which seem to be very much focused on the I guess the Continental European market. I was just wondering if you could give us an update



on progress there, because I think you said that it kicked off with 500 FTE's where is that now, and in fact where the majority of your Continental European business is being done?

CP Gurnani: Again Tech Talenta is focused on some of our existing clients. We are looking at vendor consolidation and we are looking at eventually moving some of these works into fixed price contracts or into outsourcing but Tech Talenta per se, does not have salesman knocking IT directors globally. Tech Talenta is focused only on few clients and I guess because the main aim was consolidating some of the contractors and also to be able to leverage the current business model of onsite and offshore, I do not have the exact number but it has probably come down from 500 to maybe 350 now.

Anthony Miller: Okay, thanks very much indeed.

Moderator: Thank you Mr. Miller. Our next question is from the line of Anurag Purohit of Religare, please go ahead.

Anurag Purohit: Hi good evening gentlemen, my question is regarding the provision written-back in the other income. Could you just quantify the refund on the income and the provision written-back?

Sonjoy Anand: I think the split of miscellaneous income was a combination of small amount of rentals about 10 million and service tax refund of about 20 million and around 60 million of provision with the past which are no longer required.

Anurag Purohit: This is over and about the 25 Crores written back in employee expenses?

Sonjoy Anand: **Yes**, those relate to employees.

Anurag Purohit: Okay, my second question is regarding the Barcelona deal, it is already been 7 quarters since the revenue began in this particular deal. How do you see it going forward particularly from the highest amount of revenues in steady state that you can achieve from this particular deal considering that you roughly got some 12-13 quarter remaining in the deal?

Sanjay Kalra: Anurag the deal started in January 2008 which means the deal has seen five quarters. If it is a 4x5 it is a 20 quarter deal so we are now into the sixth quarter of the deal. That is number 1. Number two I cannot really give you guidance on where it is but as I said last quarter the peak was unusual but you do notice that we have been gradually hitting where we come close to £18 - 20 million a quarter. Now the truth is as I said earlier there are uncertainties in BT but at the same time as I said on BT Design side the core BT yes there are uncertainties and I have been telling you that there is one or two quarters, one quarter where I think we will finally get to the bottom of where it will halt. On Barcelona, if I told you it is not affected by the current challenges BT is facing I would be wrong. It is affected. The only silver lining I see there is that we are perhaps the solution to a lot of the problems they are facing. What does that mean?



All it means is that I cannot really give you a clear prediction with confidence that this is the trend path and the right path that Barcelona will keep taking but other than that as I said on BT design on core BT side I still think it is uncertain. On Barcelona side - Yes, there is a degree of uncertainty but then we have a contract and the Andes contract actually kicks in from this quarter.

Anurag Purohit: And Sonjay if you could just highlight the steps taken on the variable pay part because I guess even after adjusting the one time your employee cost decreased quarter-on-quarter. So if you could just highlight steps taken on that front?

Sonjoy Anand: I think what you are seeing on employee cost is an outcome of a number of initiatives and also the fact that as you know variable pay does move with the overall business performance and our growth this year has been less than what we would have liked it to be. So certainly there is an impact on variable pay there. You would have also seen that our headcount at the end of this quarter is slightly less than last year as well as the fact that the number of contract employees are lower. So, I think what you are seeing on employee cost is the combination of all these factors.

Anurag Purohit: Right thank you and all the best.

Moderator: Thank you. Our next question is from the line of Mr. Vihang Naik of Motilal Oswal Securities Ltd. Please go ahead.

Vihang Naik: Yeah hi thanks for taking my question. I just wanted firstly you know the dollar terms revenues of Barcelona in the current quarter?

Sonjoy Anand: In dollar terms, the revenue of Barcelona in this quarter was \$27 million.

Vihang Naik: And secondly on the reduction in headcount in the current quarter I mean was there any performance based involuntary attrition as such which resulted in that?

Sujit Baksi: It was as usual, performance-based attrition continues over the years as usual. Some percentages of people were released based on their performance and their voluntary attrition was at about 11%.

Vihang Naik: Okay and did I get it correctly that you know BTGS decline in the current quarter will also follow in the 1Q FY10. Is that what you said?

Sanjay Kalra: No that is not what I said. All I said is that the hike that happened in the last quarter was not on the glide path. BTGS is uncertain as all vendors but from a Tech Mahindra perspective we have a contract there and Barcelona is perhaps the solution to many of the problems they are facing.

Vihang Naik: Right thanks a lot.

Moderator: Thank you Mr. Naik. Our next question is from the line of Shantanu Mishra of ATIG India. Please go ahead.



- Shantanu Mishra:** Good evening sir. Just from hedging front how much is the gain in this next quarter?
- Sonjoy Anand:** Overall if you look at exchange gain/loss which includes hedging income as well as the mark-to-market on the net foreign currency assets we had a loss of \$1.2 million.
- Shantanu Mishra:** Okay and just wanted to confirm this revenue from this BTGS how much is in this quarter in terms of Pound Sterling.
- Sonjoy Anand:** £19 million.
- Shantanu Mishra:** Okay thank you very much.
- Moderator:** Thank you Mr. Mishra. Our next question is from the line of Pratish Krishnan of DSP Merrill Lynch. Please go ahead.
- Pratish Krishnan:** Yeah hi thanks. Just to understand when do you think you will be in a position to give some clarity or visibility on the Barcelona deal?
- Sanjay Kalra:** Prateesh Barcelona deal I can give you the same clarity I gave you a quarter ago. I think the trend line is right and as I always said in deals like Barcelona it is not body shopping it is large portions of work that we take over in transition and once the transition happens it kicks in revenue kicks in. So that is the way it comes in large chunks and you saw that happening in the previous three to four quarters.
- Pratish Krishnan:** Okay so should we assume that you know a step-up function can happen may be a quarter or probably two quarters down the line?
- Vineet Nayyar:** Certainly.
- Pratish Krishnan:** Fine that is it.
- Moderator:** Thank you Mr. Krishnan. Our next question is from the line of Pankaj Kapoor of ABN Amro. Please go ahead.
- Pankaj Kapoor:** Yeah hi thanks. Just wanted to understand the funding for the Satyam acquisition what kind of a debt if you can quantify that we have raised and at what coupon rate?
- Sonjoy Anand:** You know we have got overall about 2000 Crores of debt and the average coupon is around 11%. Some of the debt is at the Tech Mahindra level and some is at the SPV level.
- Pankaj Kapoor:** Is this a long term or partly a bridge kind of a thing?
- Sonjoy Anand:** I think we have a combination of debt. Quite a lot of it is a longer term and there is some short term also in it.



- Pankaj Kapoor:** Hi Sanjay. Next quarter if you can give some sense on how do you see the BT account shaping up with a possible decline in the core BT but with Andes taken in any ballpark revenue being for the next couple of quarters around the level which we saw this quarter or you see some step up happening there, thanks.
- Sanjay Kalra:** Honestly, I have Manoj Bhat staring and glaring at me which means your question must mean you are seeking future guidance. So, I will not answer that exactly in the way you asked but my sense is on the core BT the bottom I do not think has been reached yet. Barcelona will continue to move lumpy from time-to-time. And Andes I think by the end of this quarter you will have good insights into what is the kind of revenue that will come in. so beyond that I do not think Manoj will let me answer.
- Pankaj Kapoor:** Thank you Sanjay that was helpful.
- Moderator:** Thank you Mr. Kapoor. Our next question is from the line of Manik Taneja of Emkay Global. Please go ahead.
- Manik Taneja:** Hi sir if I recall a quarter back you had said that on Andes you are expecting to book around 65% of the total revenues from the deal in the first three years. Is there a possibility that even that might be pushed off for in terms of booking?
- Sanjay Kalra:** My sense at this moment is no. On a three-year horizon I do not think there will be a change because the faster we execute on Andes the more benefit BT gets from it.
- Manik Taneja:** Okay thank you sir. That is it from my side.
- Moderator:** Thank you Mr. Taneja. Our next question is from the line of Pinku Pappan of Nomura. Please go ahead.
- Pinku Pappan:** Hello good evening guys. Yeah I would like to know the cash position and the exact interest income that you have earned this quarter?
- Sonjoy Anand:** So at the end of March quarter we had about 1000 Crores cash and cash equivalents. The interest and dividend income during the quarter was about just little over a million dollar.
- Pinku Pappan:** All right yeah thank you my questions have been answered.
- Moderator:** Thank you Mr. Pappan. Our next question is from the line of Ritesh Rathod of UTI Mutual Fund. Please go ahead.
- Ritesh Rathod:** Hello sir. I just wanted to get to know what percentage of revenue has been booked in pound terms for the overall deal even a rough cut number.
- Sanjay Kalra:** On the call while we go through the next question we will come back to you. We will just have to add it up right here.



- Ritesh Rathod:** Okay so are you still open to similar kind of deals where you pay a 10% of money upfront and take this business. So going forward are you interested in similar kind of deals like whether it would be from BT or some other customers?
- CP Gurnani:** I think as the policy we would look at the asset led deals or you know trading some of the savings upfront so yes if there is a right opportunity with the right kind of a client we will look at business.
- Ritesh Rathod:** And are there opportunities in the market where you are currently participating?
- CP Gurnani:** I mean there are opportunities but not exactly a similar one.
- Sanjay Kalra:** So Ritesh if the right opportunity comes on its merit we will value it and the other thing I want to tell you was that Barcelona revenue to date under the contract is £87 million.
- Ritesh Rathod:** And how much is in terms of aggregate number in terms of what was the deal contract in pounds?
- Sanjay Kalra:** This is what we had announced is £500 million and in five quarters it has reached £87 million.
- Ritesh Rathod:** Okay thanks that all from my side.
- Moderator:** Thank you Mr. Rathod. Our next question is from the line of Soumitra Chatterjee of HDFC Securities. Please go ahead.
- Soumitra Chatterjee:** Yeah hi sir thanks for taking my question. I want the dollar terms revenue for quarter four, total dollar terms revenue.
- Sonjoy Anand:** The total dollar terms revenue was \$211 million.
- Soumitra Chatterjee:** Okay sir my next question is regarding Satyam. The Satyam actually used to disclose its billing rates now Tech Mahindra is bit shy of disclosing the rate. So post your acquisition will Tech Mahindra also start disclosing the billing rates or the Satyam rates will also not be disclosed?
- CP Gurnani:** Soumitra I think it is purely a Mahindra group policy that they would not give any guidance for future or they will divulge details. So I think we will have to uniformly follow the policy across our group.
- Soumitra Chatterjee:** Okay so as regard to the Satyam spending can you give me the amount of debts that you have raised as on date?
- Sonjoy Anand:** I think if you look at our funding of the deal the amount that we took within Tech Mahindra the borrowing was around 2,000 Crores.



- Soumitra Chatterjee:** Okay sir just one last question I do not think how it will hold on because I guess Mahindra Gesco has quite a huge amount of lands which qualifies for SEZ. Now post this STPI scheme actually gets over now is there any plan of utilizing that land because I do not think that Satyam had invested too much into the SEZ and after March 2010 the STPI scheme will actually go away. So your liability from the Satyam will actually increase.
- Vineet Nayyar:** As I sit here in Satyam Office I can see a big building coming up which is on SEZ land and I am told it belongs to Satyam and it is on Satyam's land.
- Soumitra Chatterjee:** Okay so there is no such possibility regarding that?
- Vineet Nayyar:** No. We are not going to use Gesco's land for this purpose yet.
- Soumitra Chatterjee:** Okay sir thanks a lot.
- Moderator:** Thank you Mr. Chatterjee. Our next question is from the line of Anurag Purohit of Religare. Please go ahead.
- Anurag Purohit:** Yeah thanks for taking my question again. Coming back to BTGS deals if I understand £87 million in five quarters which effectively means you will have to for next 15 quarters we require somewhere around £28 million. Is there a possibility of this deal could get extended more than five years or so?
- Sanjay Kalra:** Sir if that situation were to arise I suspect we would get into that discussion as we come towards the end of the contract, not immediately at this point because if I look at the trend line it is healthy.
- Anurag Purohit:** Okay fine thank you.
- Moderator:** Thank you Mr. Purohit. Our next question is from the line of Vihang Naik of Motilal Oswal Securities Ltd. Please go ahead.
- Vihang Naik:** Yeah just a follow-up question. Is there any indication that we are giving right now I mean about when you know Satyam's actual numbers could be released as such?
- Vineet Nayyar:** The forensic audit is being done. Exact date cannot be given but I am hopeful though I cannot say I am confident that by end of the year we should have these re-stated numbers.
- Vihang Naik:** Right and secondly you know about the debt I mean how much of the debt is on Tech Mahindra's book out of the total 2,000 Crores?
- Sonjoy Anand:** I think the number of 2,000 Crores which I gave you is basically the debt that we have on Tech Mahindra's book.



- Vihang Naik:** Okay and you know I mean so considering a coupon of 11%, I mean we should expect somewhere around 200 Crores of interest outputs.
- Vineet Nayyar:** Yeah you are right.
- Vihang Naik:** Yeah that is it thanks.
- Moderator:** Thank you Mr. Naik. Our next question is from the line of Chinmay Sathe of DBS Cholamandalam. Please go ahead.
- Chinmay Sathe:** Sir what is the gross addition target for us for the next full year?
- Sanjay Kalra:** You are asking in terms of headcount?
- Chinmay Sathe:** Yeah that is right.
- Sanjay Kalra:** Chinmay you are aware that would be giving guidance. We have stopped that long ago but I will give you some comfort. Most of the long-term hiring that we are doing on campuses we have postponed that for a short period.
- CP Gurnani:** Focus is much higher Chinmay on increasing productivity.
- Chinmay Sathe:** Sir what is the outstanding offers that you would have given already? You would not be absorbing those offers?
- Sujit Baksi:** We have close to 5,000 offers of last years' and this year's put together 2009 joining. We have deferred joining of most of the people by two quarters at least.
- Chinmay Sathe:** Okay but these people would be joining the company by the time the financial year ends.
- Sujit Baksi:** Not necessarily we have deferred joining. We will give a definite joining later.
- Chinmay Sathe:** Okay and would the revenues and the P&L for Satyam get consolidated with us for the June quarter?
- Vineet Nayyar:** We would not have the numbers by that time. We need re-stated accounts before we can start consolidation. So I suspect we will need to take exceptions. We would need to take special relaxation from SEBI.
- Chinmay Sathe:** Thanks.
- Moderator:** Thank you Mr. Sathe. Our next question is from the line of Ritesh Rathod of UTI Mutual Funds. Please go ahead.
- Ritesh Rathod:** Sir even though in the BTGS it has been just five quarters but we have paid up front some eight quarter back somewhere in March 2007 and the revenue numbers are not



as per the expectation. So if the so the deal does not come through what sort of recourse or what sort of performance guarantee which we have which can be enforced or is it more a relationship driven and the money paid is driven by relationship?

Sanjay Kalra: I guess all large deals when they are signed are driven by relationships but Tech Mahindra is commercially protected.

Ritesh Rathod: So we have any sort of legality where the money paid can be given along with the time value if the deal flow does not come through.

Sanjay Kalra: Ritesh you are asking the details that you clearly know I cannot disclose in a call especially because it is a customer contract but there are two things I will say. There was a delay of about three quarters at the beginning of the contract which is the reason the start date of the contract shifted from April 2007 to January 2008. So therefore effectively the contract got extended by those three quarters.

Ritesh Rathod: Okay. But going forward what is your learning from BTGS deal like would you still go into like as you said you are looking forward in such deal but the deal has not given the NPV which was expected. So are you still interested in similar kinds of deals in spite of this deal not flowing through as per the expectations?

Sanjay Kalra: As I said this deal at this point is 13% to 15% of Tech Mahindra's total revenue. So if it disappoints you I will have to fix time, but it is the best that if we have to do philosophical discussions I am happy to fix time and talk to you or we can if there is time at the end of the call we can take it up.

Ritesh Rathod: Yeah sure we can take.

Moderator: Thank you Mr. Rathod. Our next question is from the line of Santosh Iyer of Tata Securities. Please go ahead.

Santosh Iyer: Hi good evening if I look at the segmental revenues on the BPO front there has been a sequential quarter-on-quarter decline of nearly 20%. Is this specific to you know specific customer ramping down and how is this part of the business shaping up?

Sujit Baksi: Just some fixed term projects, six months project with large number of people and the projects got over.

Santosh Iyer: Okay and would this trend continue or how is it going ahead?

Sujit Baksi: Right now most of the projects are in line support. We do not see any going down from the current numbers.

Manoj Bhat: I think you should view this in the context of the decline in BTGS because as we have mentioned before BTGS was largely oriented towards BPO so I think that is the linkage there.



- Santosh Iyer:** Okay and how is this part of the business actually the outlook for this BPO business in future?
- CP Gurnani:** We quite actively engaged with some of the projects right now and most of our customers this is a serious service offering because we believe that as a Telecom BPO Company we are probably one of the largest right now in the world and we are trying to capitalize this position. Our funnels are pretty good and hopefully by next quarter we will have good results from the BPO business.
- Santosh Iyer:** Thank you.
- Moderator:** Thank you Mr. Iyer. We have a follow up question from Soumitra Chatterjee of HDFC Securities. Please go ahead.
- Soumitra Chatterjee:** Yeah hi sir. Sir can you help me with the volume and pricing figure for this quarter, volume and pricing growth.
- Sonjoy Anand:** Yeah for the current quarter the impact of pricing is about (-2.5%) and volume I would say about 2%.
- Soumitra Chatterjee:** Okay sir thank you thanks a lot.
- Moderator:** There are no further questions. At this time I would now like to hand the conference over to Mr. Vineet Nayyar for closing comments.
- Vineet Nayyar:** Ladies and gentlemen thank you ever so much for the time you have spent with us. We do believe that we had fairly decent results when one considers the kind of economic travail which exists globally. We see Satyam acquisition as the paradigm changing move which will make Tech Mahindra stronger and a more diversified company and frankly I look to future with great confidence. Thank you so much for your attention and hopefully we will talk to you again a quarter later.
- Moderator:** Thank you Mr. Nayyar. Thank you gentlemen of the Tech Mahindra Management. Ladies and gentlemen on behalf of Tech Mahindra that concludes this evening's conference call. Thank you for choosing the Chorus Call Conferencing Service and you may now disconnect your lines. Thank you.