

NIIT Technologies Limited
Earnings Conference Call – Quarter 2, FY 2008-09
October 17, 2008

Moderator: Welcome to the NIIT Q&A conference call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. Now I would like to hand over to Mr. Arvind. Thank you and over to you sir.

Mr. Arvind Thakur: Good evening everybody. My apologies for starting this conference a little late. We had some problems with the technology, with the carrier, so I like to first of all welcome you to the NIIT Technologies Q2 results conference call. I think we are taking this call in a period where we are experiencing turmoil of unprecedented proportions. I think all of you are quite familiar, perhaps well educated on what is happening in the environment. The turmoil which had directly impacted the US financial sector is now spreading across UK, Continent and other parts of the world and has prompted unprecedented action and government support of epic proportions. The credit squeeze and the liquidity crunch I think will most certainly take the economy into a period of slowdown but I guess the economists are yet to agree on the period over which this meltdown will subside. So these are extraordinary times and I think it calls for some unique measures. To their credit, governments across the world have acted swiftly and in conjunction to intervene to instill confidence and prevent some kind of a collapse or you know something worse which could have happened, but I am sure you will agree that economic pressures will persist for some time and for businesses and clients whom we serve as well, the priority will be to cut spending, cut flab, and preserve capital. Our industry which is the IT and retail industry is an integral part of the global ecosystem and so I think would get impacted to some extent as a result of the economic turmoil. The mitigating factor, however, is that we have had early signals and recognized the issues that are likely to be coming but obviously not to the magnitude that we are experiencing now and have been working on measures to deal with the challenges in the environment either by improving utilization or by enhancing productivity or by introducing appropriate changes and service lines and I think these are all the measures which will help us ride the storm. So it is in this background that I share with you the quarterly results for the second quarter of the financial year 2008-2009.

Consolidated revenues from operations for this quarter stood at 2587 million rupees which is up 13% YOY and 5% quarter-on-quarter. During the quarter, the rupee depreciated significantly against the dollar and other major currencies resulting in a decline of 85 million rupees due to crystallization of effective hedges. In spite of this burden, I think we had robust sequential growth in the quarter of 5%. The company has hedged US \$242 million for up to 27 months and the depreciating rupee has a bearing on effective hedges reducing dollar denominated revenues. For the geography mix, we will, however, consider the operational revenues excluding the impact of hedging and with this perspective the share of revenues from the US was 31%, EMEA which is basically Europe accounted for 50% of revenues, and the balance was from the rest of the world where the largest growth actually came in the domestic market here in India which now is moving into double digit share with a revenue share of 10%. Individual industry segments, the revenue mix for them remain the same as the last quarter. 27% of the revenues were contributed by the insurance segment, 28% by Travel which is our largest segment, 15% in the BFS – the banking and financial services and 13% in retail and distribution. Given that 20% of the revenues are derived from the insurance segment, we find that the companies that we engage with have been relatively less exposed to the sub prime risk and the other volatility that we are seeing in this particular segment. A quick analysis of our top clients in the financial services space indicate that the risk exposure in any one of them has not been more than 3% of the total assets to the sub prime market. The travel segment which went through a major crisis earlier in the last quarter when oil hit more than 140 USD a barrel has seen the crude prices settling down to much lower levels of around 70-80 USD a barrel so the industry is now breathing easier but is having to cope with issues of demand in line with the other economic slowdown trends. This is a time to think big and act fast and we have been able to put together some strong value propositions because as I mentioned earlier businesses are focused on cutting costs, cutting flab, and preserving capital. And some of our propositions are gaining fruit, for example, we worked with British Airways with whom we have a 12-year relationship and offered them a value proposition whereby we could help improve their cost structure and secured a 3-year multimillion pound per year engagement. Under this contract, British Airways will carry out all its support, maintenance, and testing services with NIIT Technologies. Each one of our

individual industry segments had a quarter-on-quarter growth ranging between 5%-6% so they have been growing well in this quarter. The other mitigating factor in dealing with the challenges with the environment has been a focus on creating service lines that have nonlinear revenues like managed services or IP-led or IP-asset based services. During the quarter, revenues from such nonlinear services further increased to 25% as compared to 23% in the last quarter. Room Solutions, our specialist insurance organization further supporting the nonlinear services has unveiled its next generation of insurance processing frameworks which we call IPF-3, 3 standing for the third generation. This is something that we have been talking about for the last few quarters as a major exercise that has been undertaken by NIIT Technologies to bring in a solution which provides comprehensive support to underwriting, claims, reinsurance, and financial processing enabling insurers to tailor their business processed with precision. This multi-tier highly modular service oriented architecture based solution maximizes the reuse of software resulting in a highly cost effective framework for deployment of software in the commercial insurance sector. The solution was unveiled to our existing customers in London on October 2nd and we had an enthusiastic response. In fact we are at this moment in discussions with a number of them and at least with one, we are pleased to have agreed a program of work which will include the new framework, and this program builds on the long term relationship between the 2 companies and will be executed over the next 12-18 months. The contracting is currently under process and so I would not be able to disclose more details at this point in time but basically to let you know that the solutions and framework has been enthusiastically received and now we are in active discussions for business around this new solution. 61% of our revenues are derived from onsite activities and 39% were from offshore activities so we have seen an improvement of 1% over last quarter in terms of more business happening offshore. To do a little analysis of our clients, 92% of business came from existing customers while new clients contributed to 8% of revenues in the quarter. The proportion of revenues from our top clients remained the same as in the last quarter with 34% coming from our top 5 clients, 46% from our top 10 clients. Million dollar clients remained the same as well at 42, and we added 5 significant new customers in this quarter, one in the insurance space, 2 new airlines, 1 in retail, and 1 government customer in the domestic market. Fresh order intake for the quarter rose dramatically to 75 million USD which is you know 74% up from out intake in the last quarter which of course includes the business that we acquired from British Airways. Order executable over the next 12 months now is at USD 95 million. Operating profits grew 8% year-on-year. As I mentioned earlier, there has been a hedging loss of 85 million rupees in revenues which has put pressure on margins reducing it by 83 basis points versus Q1 to 18%. If I exclude the impact of the hedging loss, our operating margins would have been 20.3%. Net profits improved 4% quarter-on-quarter to rupees 367 million and net margins stand at 14% which are at the same levels as the last quarter. During the quarter, our headcount reduced by 221 people taking the total headcount to 4667. This has resulted in improved utilization which is now up to 81%. 23% of direct resources are engaged in onsite activity while 77% are involved in offshore engagements. During the quarter, cash and bank balances stood at 1307 million rupees. We had dividend payouts. We repaid loan in the UK of 1.25 million pounds and a further 172 million rupees was utilized in expansion of facilities and of course work in our Greater Noida campus added to the capital work in progress. Bills receivables during the quarter rose marginally to 80 days of sales outstanding from 77 days in the previous quarter. So with these opening remarks about the performance and the results for the second quarter, I would now like to open the floor for discussions.

- Moderator: Thank you very much sir. We will now begin with the Q&A interactive session. Participants who wish to ask questions, please press *1 on your telephone keypad. 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, please press *1 now. The first question comes from Mr. Ashwin Mehta from Mangal Keshav Securities.
- Mr. Ashwin Mehta: Hi, just wanted to get a sense of what is the OCI as of now in our balance sheet, the losses due to Forex which are sitting in our balance sheet?
- Mr. Arvind Thakur: The losses...Ashwin, can I just get back to you with the numbers?
- Mr. Ashwin Mehta: Yeah, just one more thing, in terms of CAPEX what do we intend to spend over the next 2 quarters?
- Mr. Arvind Thakur: We have about 50 crores to spend over the next 2 quarters.

Mr. Ashwin Mehta: Okay and in terms of our other income what is the breakup between interest income and M-to-M losses, if you could give me the breakup of Forex loss translation gain and the interest portion?

Mr. Arvind Thakur: Okay, we are just pulling out the numbers. So Forex gain is 39 million.

Mr. Ashwin Mehta: Okay.

Mr. Arvind Thakur: And our hedging gain is 17 million.

Mr. Ashwin Mehta: Okay.

Mr. Arvind Thakur: And interest loss is 3 million. And mutual funds are 21 million.

Mr. Ashwin Mehta: Okay and one more thing in terms of hedges, what portion of it is ineffective as of now?

Mr. Arvind Thakur: Okay, let me just give you the details of that. We have current exposure on forward contracts of 242 million, 5% of this is ineffective.

Mr. Ashwin Mehta: Okay.

Mr. Arvind Thakur: And let me just give you the Q2 reserves. How much is it? Okay, so our hedging reserves in the balance sheet have increased by 392 in the quarter.

Mr. Ashwin Mehta: 392 million?

Mr. Arvind Thakur: Yeah.

Mr. Ashwin Mehta: So we had around 650 million as of last quarter?

Mr. Arvind Thakur: We had 795 as of last quarter.

Mr. Ashwin Mehta: Okay. Fine. Thanks a lot.

Mr. Arvind Thakur: You are welcome.

Moderator: Thank you very much sir. The next question comes from Mr. Dipen Shah from Kotak Securities.

Mr. Dipen Shah: Yeah, I have a couple of questions. First of all, Arvind can you just comment on the declining number of employees which in the second quarter we have seen that employees have gone down and so what would be your comments on the same?

Mr. Arvind Thakur: My comments are the same as I gave in the last quarter. Basically if you look at environment, it is a tough environment. As with other businesses, we have to manage our cost structures extremely well which basically means we have to enhance our utilization levels so we look at our utilization that has improved from 77% in the last quarter to 81% in this quarter.

Mr. Dipen Shah: Yeah.

Mr. Arvind Thakur: And so basically what we have done is we have moved on to just in time hiring.

Mr. Dipen Shah: Okay.

Mr. Arvind Thakur: We are letting natural software attrition, you know, take its toll. We are not backfilling as we normally used to do and we are not hiring for the bench.

Mr. Dipen Shah: Okay.

Mr. Arvind Thakur: So these are the measures that we are taking and I think that is the reason why we have seen, if you discount the hedging losses, we have seen an improvement in our operating

margins because the headcount has reduced, revenues have increased and another reason for supporting that is that our proportion of nonlinear revenues have also increased. This was you know 23% on a lower base last quarter and it is 25% at a higher base in this quarter. So I think our combined in fact...frankly headcount I think going forward we are going to be more and more cognizant of our cost structures and we will be looking at generating revenues by leveraging, you know, less of our headcount than we have been doing in the past year or so.

Mr. Dipen Shah: Okay. So what would be the target utilization levels which you have in mind as compared to the 81% which we had...

Mr. Arvind Thakur: You know at the moment we are moving...see the year before last, we were actually at operating at 83%...83.5% in fact, so we would like to bring the utilization levels to those levels.

Mr. Dipen Shah: Okay. Fair enough. The second one is what was the performance of Room in this quarter in terms of revenues and margins?

Mr. Arvind Thakur: Just give me a second. Room at revenue of 326 million rupees...

Mr. Dipen Shah: Okay.

Mr. Arvind Thakur: And generated a healthy margin of 22%.

Mr. Dipen Shah: Okay. Fine. That's one thing and

Mr. Arvind Thakur: So you can see the benefit of nonlinear growth.

Mr. Dipen Shah: Yeah, yeah, that's pretty much clear. And I think that's all about it. Thanks very much and all the best.

Mr. Arvind Thakur: Thank you.

Moderator: Thank you very much sir. We have next on line Mr. Ajay from India Capital.

Mr. Ajay: Good afternoon, hi.

Mr. Arvind Thakur: Good afternoon.

Mr. Ajay: Why do you think your.... you know it seems like this quarter was almost you know zero cash flow generation given the dividend and loan repayment almost matches your PAT on roughly 100 million rupees cash generation. When do you think given that over last year or so, you know, revenue growth in your revenue currency has almost been flat. When do you think you would start seeing cash generation in line with your earnings?

Mr. Arvind Thakur: Cash generation in line with our earnings?

Mr. Ajay: Yeah. You know if your business is growing, you would need to invest, but at this point over last year your growth has been almost...no growth in the denomination of your billing currency.

Mr. Arvind Thakur: Well, actually if you really look at past trends. We have been growing steadily.

Mr. Ajay: Q2'08 to Q2 '09...

Mr. Arvind Thakur: Yeah. I mean if you really look at previous quarters and look at how our year-on-year growth has been...if you look at you know....let us start with Q3 '07, it was 1%, Q4 was 2%, and Q1 was 7%, and now we are 13%, so you can very clearly see.....

Mr. Ajay: That's the

Mr. Arvind Thakur: trend....

Mr. Ajay: So that's in rupee term.....you know of course rupee depreciation is helping you but if you look at the dollar terms, you know, or Euro terms which is your currency of billing is I presume....

Mr. Arvind Thakur: Okay, so let me just try to explain that as well. If you really look at the currency gain because we are hedged, we actually do not get a currency gain. Our hedging losses are 85 million this quarter, was 43 million in the last quarter, so if you look at our rupee numbers, really what is really happening is that whatever currency gains that we get in the business is offset by the hedging loss. So when you are looking at these numbers, you are really looking at volume growth.

Mr. Ajay: In your revenues, which line do you put the currency numbers in?

Mr. Arvind Thakur: Rupees.

Mr. Ajay: No, no, at what line in your income statement, are you putting the currency numbers in?

Mr. Arvind Thakur: In the revenue.

Mr. Ajay: So you are taking the currency hedging losses out of the revenue completely?

Mr. Arvind Thakur: Yes absolutely, absolutely.

Mr. Ajay: Yeah. Okay, and you know when do you think your cash flow at this point....if anything your cash flow will start sort of, you know, running in line with, I don't know, at least some reasonable percentage of your revenue growth....of your earnings?

Mr. Arvind Thakur: Well, I think basically what is really happening is that we are reinvesting our cash into the investments that we are making in the campus and other capital projects of that nature. So in my mind, our cash position is very healthy and as I shared with you, we have cash and bank balance of 130 crores.

Mr. Ajay: Sure.

Mr. Arvind Thakur: So I don't think that's an issue at all.

Mr. Ajay: Yeah, great. Thanks so much.

Mr. Arvind Thakur: You are welcome.

Moderator: Thank you very much sir. We have next on line Mr. Mehta from HSBC.

Mr. Ruchit Mehta: Hello?

Mr. Arvind Thakur: Hello.

Mr. Ruchit Mehta: Yeah, sir, this is Ruchit here from HSBC. You mentioned that you had generated revenues of 326 million from Room Solutions with a 22% margin. Did I hear that correctly?

Mr. Arvind Thakur: Yes, yes.

Mr. Ruchit Mehta: What lead to the sharp improvement in EBITDA for Room because I think if I remember correctly in the last quarter you had mentioned room at a margin of somewhere around 4 odd percent.

Mr. Arvind Thakur: No, last quarter, it was 19%.

Mr. Ruchit Mehta: For Room Solutions?

Mr. Arvind Thakur: Yes, yes.

Mr. Ruchit Mehta: Is this assuming...is this on a standalone basis or are you assuming this as an integrated part of...

Mr. Arvind Thakur: No, no, it is not an integrated part.

Mr. Ruchit Mehta: On a standalone basis, what would have been the margins?

Mr. Arvind Thakur: On a standalone....Room...15% and 11%.

Mr. Ruchit Mehta: 15% and 11%?

Mr. Arvind Thakur: Yeah.

Mr. Ruchit Mehta: Okay and sir also could we get a sense on what were the revenues on the BPO side of the business and SofTec?

Mr. Arvind Thakur: We don't disclose those numbers separately anymore.

Mr. Ruchit Mehta: Okay, okay. Great, just into the Room Solutions you mentioned that now that you know the momentum seems to be picking up, how do you see growth in this business panning out over the next quarters?

Mr. Arvind Thakur: Yeah, I think you know the good news as I mentioned, we have launched a new version of the solution and it has been received well and I think the first implementation is going to be very critical and as I mentioned, we are currently in the contracting process, so hopefully within this quarter, we should get another one, so we should have at least 2 new clients in this quarter around the new solution and based on the customer experience of these 2, we will be able to talk about how things go beyond that in the other quarters.

Mr. Ruchit Mehta: Okay, okay, and just to get back to your hiring I mean obviously we reduced headcount this quarter, so do you think the current level of utilizations are more an optimum and would one like to look at, you know, net hiring increase going forward?

Mr. Arvind Thakur: We are going to take our utilization to over 83%.

Mr. Ruchit Mehta: Okay.

Mr. Arvind Thakur: That's the current thinking from the organization and the goal that we are driving.

Mr. Ruchit Mehta: Okay, so would you look at further you know natural attrition take its course or you would actually just look at you know no hiring as of now just as a revenue growth call?

Mr. Arvind Thakur: I think we will hire only if we need the special skills....

Mr. Ruchit Mehta: Okay.

Mr. Arvind Thakur: Because we have enough resources available to service our existing accounts.

Mr. Ruchit Mehta: Okay, great, and just on the CAPEX front, you mentioned you had 50 crores to be spent in the second half, but how much did you actually spend in the first half?

Mr. Arvind Thakur: Just a second. 45 crores have been spent in the first half.

Mr. Ruchit Mehta: Okay, so if you are spending this...the amount of money that you are spending on the assets I mean why has depreciation you know fallen again in this quarter, I mean, on a sequential basis it has come off, any particular reason or....?

Mr. Arvind Thakur: There are 2 things. One is of course a lot of this spending is going to capital work in progress.

Mr. Ruchit Mehta: Sure.

Mr. Arvind Thakur: And then obviously there are some assets which are retiring.

Mr. Ruchit Mehta: Okay.

Mr. Arvind Thakur: So both these are contributing to that.

Mr. Ruchit Mehta: Great. Just finally for me, can you just comment about your tax rate because it has gone up in this quarter as well and so where do you see taxes heading for the year as a whole?

Mr. Arvind Thakur: It is currently at 13%....14%, so our expectation is that it will be 14%.

Mr. Ruchit Mehta: Okay. Thank you.

Moderator: Thank you very much sir. The next question comes from Mr. Subramanyam from Unifi Wealth Management.

Mr. Subramanyam: Hi.

Mr. Arvind Thakur: Hello.

Mr. Subramanyam: I have 2 questions from us. One is can you tell me what is your volume growth over the next I mean over the last quarter and last year?

Mr. Arvind Thakur: I can tell you over the last quarter and like I mentioned earlier, when you say volume growth basically you want to remove the impact of currency gain, right?

Mr. Subramanyam: Yeah.

Mr. Arvind Thakur: So that's what I was explaining. We had a currency gain of 72 million and a hedging loss of 85 million. So in a sense the hedging loss has offset the currency gain so you can take the number that we have reported as more or less being the volume growth for the company.

Mr. Subramanyam: Do you see any pricing pressure going forward?

Mr. Arvind Thakur: I think we will definitely see pricing pressure going forward. These are challenging times and as I mentioned earlier, organizations are looking at improving their cost structure, so this is certainly not the time to ask for price increases. And I would say that for commodity services. Obviously there are value added specialized services, where you can get better prices.

Mr. Subramanyam: You said 242 million dollars have been hedged for...spreading over 27 months...

Mr. Arvind Thakur: That's right.

Mr. Subramanyam: What is the rate at which it is hedged?

Mr. Arvind Thakur: An average rate of 42.17.

Mr. Subramanyam: Okay, thanks a lot.

Mr. Arvind Thakur: Am sorry, 41.27.

Mr. Subramanyam: 41.27?

Mr. Arvind Thakur: Yeah, 41.27.

Mr. Subramanyam: Okay, thanks.

Moderator: Thank you very much sir. We have the next question from Mr. Ankur from ING Investment Management.

Mr. Ankur: Hi, just a couple of quick questions. You told about hedging reserve in the balance sheet. Now as of now, the reserves are 795 million, am I correct in that?

Mr. Arvind Thakur: 1187.

Mr. Ankur: 1187 million as of now?

Mr. Arvind Thakur: Yes.

Mr. Ankur: Alright, and second question is regarding the new product which you have launched. What is the total cost of development for this product?

Mr. Arvind Thakur: I don't have that number.

Mr. Ankur: Okay, can I take that offline later on?

Mr. Arvind Thakur: If we can get that number, maybe I can talk to you about the size of the project team.

Mr. Ankur: Yeah.

Mr. Arvind Thakur: So let us get that number and we can talk about it offline.

Mr. Ankur: Alright. Thank you.

Moderator: Thank you very much sir. The next question comes from Mr. Ritesh from UTI Mutual Fund.

Mr. Ritesh: Hello sir.

Mr. Arvind Thakur: Hello.

Mr. Ritesh: This is Ritesh from UTI.

Mr. Arvind Thakur: Hello, Ritesh.

Mr. Ritesh: First question, you said of this Room Solution platform you expect the implementation to take place in few of your clients, especially the current existing client but do you think even if it is successful, given the current turmoil in the economic scenario the new clients would accept the product and there would be implementation on that front?

Mr. Arvind Thakur: Yes, in fact that is the enthusiasm at which the solution has been received because it is you know it is based on the SOA architecture which allows customers to implement you know, the services that they want to implement in a phased manner. Earlier it was a monolithic implementation which would be a big investment up front and now you know this ameliorates the situation, so it is a much better solution and you know they will welcome it.

Mr. Ritesh: But given the current environment spending, cautiousness would prevail more so in spite of that do you expect the clients to accept given the current bailout in insurance clients too?

Mr. Arvind Thakur: You know most of these clients are in the Lloyd's market and it is a very specialized area which is the commercial insurance space.

Mr. Ritesh: Yeah.

Mr. Arvind Thakur: And in fact that is not really impacted by you know the turmoil that you are seeing in the market place.

Mr. Ritesh: Yeah, as you said, it is only 5% of that asset is sub prime exposed, you said once few of your clients, but the cautiousness would be more over there, right?

Mr. Arvind Thakur: I think the cautiousness would be to the extent of the cautiousness that exists in the economy as a whole.

Mr. Ritesh: Yeah.

Mr. Arvind Thakur: Yes, to that extent, yes, but you know business has to go on and if there is a value proposition which helps improve cost structures which is what this does, they would welcome it.

Mr. Ritesh: And excluding Room Solution, the BFSI segment, have any of your clients faced transition in terms of management transition where you have been asked to take a pause and then they will come back to you?

Mr. Arvind Thakur: No, there is no management transition in any of our clients.

Mr. Ritesh: Sir, this order intake, it has been concentrated, can you just let us know what islike why there is such a sharp jump in EMEA order book?

Mr. Arvind Thakur: That's because I talked about the very large engagement that we secured with British Airways.

Mr. Ritesh: How big is this and for how many years, can you just put some more light on that front?

Mr. Arvind Thakur: A 3 year....

Mr. Ritesh: Yeah.

Mr. Arvind Thakur: Multi-million pound per year.

Mr. Ritesh: So was this a renegotiated one or a new one?

Mr. Arvind Thakur: What do you mean by renegotiated, what do you mean by new?

Mr. Ritesh: The existing one which has been extended for another 3 years or 4 years sort of thing or ...

Mr. Arvind Thakur: It is actually both because the value proposition was to you know to provide a service in a more cost effective manner using the offshore capabilities of the organization. So it is an extension and more.

Mr. Ritesh: But in spite of that order, executable has not increased, any sharp fall in the next 12 months order book which has.....

Mr. Arvind Thakur: No, that see the order executable depends upon the consumption rate from the order book so these are long term contracts, you know, had this been a 1 year contract the order executable in the next 12 months would have increased but since it is a 3 year contract, it is spread across 3 years.

Mr. Ritesh: If you exclude this thing, what would have been the order intake?

Mr. Arvind Thakur: That is something I cannot disclose because you know then we would be talking about the value of the contract.

Mr. Ritesh: Okay, okay, okay. That's it from my side. Thanks.

Mr. Arvind Thakur: You are welcome.

Moderator: Thank you very much sir. The next question comes from Mr. Ganesh Shetty from Individual Investor.

Mr. Ganesh Shetty: Hi, sir, I am Ganesh Shetty, sir.

Mr. Arvind Thakur: Hello, Ganesh.

Mr. Ganesh Shetty: Sir, congratulations sir for a good set of numbers in difficult times.

Mr. Arvind Thakur: Thank you, Ganesh.

Mr. Ganesh Shetty: Yeah, sir, I just have one question. The verticals in which we are focusing are very, very sensitive to macro economic conditions, so sir are we in a position to diversify to new verticals like media or energy sector so as to create a new vertical of focus, can you please throw some light on this, sir?

Mr. Arvind Thakur: I think Ganesh the approach has been...for the company has been to build various specializations.

Mr. Ganesh Shetty: Yeah.

Mr. Arvind Thakur: And that is what we are concentrating and focusing on because as I mentioned in the current turmoil...the companies such as ourselves have a very strong value proposition because we help improve organizations' cost structures dramatically.

Mr. Ganesh Shetty: Okay.

Mr. Arvind Thakur: Now for them to engage with us, we have to show specialization and for that it is important to remain focused so we will continue our focus. However, what we are doing is we are opening up in few new markets as I mentioned in the last quarter earnings, we are opening up in Middle East and we are focusing a lot in the Indian domestic market. And in the Indian domestic market, we have a strong presence in the government, and the government is relatively you know less sensitive to you know changes of this kind in the environment so these are some of the other steps that we are taking to mitigate those risks.

Mr. Ganesh Shetty: Thank you very much, sir. Best of luck, sir.

Mr. Arvind Thakur: Thank you, Ganesh.

Moderator: Thank you very much sir. Participants who wish to ask a question are requested to press *1 on your telephone keypad. The next question comes from Mr. Dipen Shah from Kotak Securities.

Mr. Dipen Shah: Yeah, Arvind, this is a follow up on more on the macro side. You did mention that things are looking challenging, there could be clients who would be focusing more on their budgets and reducing flab, could you just throw some more light upon what is your expectation about NIIT Technologies maybe in the near term and say the next year or so, just a very qualitative kind of an assessment?

Mr. Arvind Thakur: Okay, I think basically if you really look at the environment, and that's what we have been talking about, this financial meltdown has come on top of a series of you know other issues in the environment.

Mr. Dipen Shah: Okay.

Mr. Arvind Thakur: So you know if you look at the beginning of the year and that's when the sub prime started which was localized to the US.

Mr. Dipen Shah: Correct.

Mr. Arvind Thakur: Then came the credit crisis, and then slowdown, and then came the oil price hike, and then came you know inflation

Mr. Dipen Shah: Yeah.

Mr. Arvind Thakur: And then you know oil prices came back and the rupee...there was you know volatility in the currency.

Mr. Dipen Shah: Correct.

Mr. Arvind Thakur: And now finally the meltdown.

Mr. Dipen Shah: Yeah.

Mr. Arvind Thakur: So I think what has really happened is that one event after the other has been plaguing us throughout the year in the environment.

Mr. Dipen Shah: Right.

Mr. Arvind Thakur: So it has obviously become more challenging than what it was in the first half.

Mr. Dipen Shah: Yeah.

Mr. Arvind Thakur: Earlier our expectation was that there will be dramatic recovery.

Mr. Dipen Shah: Yeah.

Mr. Arvind Thakur: In the second half, I think what we would now say is that there would be you know cautious optimism in the second half.

Mr. Dipen Shah: Okay.

Mr. Arvind Thakur: Now the way we are approaching it is in these challenging times, people are going to engage with organizations which are able to provide value and as you are aware, at least in 2 of our largest segments, one is the travel and the other is insurance, the recent surveys you know which have been done by the Black Book of outsourcing, they have positioned us as number 1 in travel.

Mr. Dipen Shah: Okay.

Mr. Arvind Thakur: And here we are talking about all outsourcers in the world.

Mr. Dipen Shah: Yeah.

Mr. Arvind Thakur: And in insurance at number 3, here again we are talking about all outsourcers in the world.

Mr. Dipen Shah: Okay.

Mr. Arvind Thakur: So we are going to go with you know that positioning to our customers in these segments and position our specialist skills and show them how we are going to provide them with value.

Mr. Dipen Shah: Okay.

Mr. Arvind Thakur: I think this is a period in which you have got to think big and act fast.

Mr. Dipen Shah: Okay.

Mr. Arvind Thakur: The proof of the pudding lies in the way we were able to secure the British Airways engagement.

Mr. Dipen Shah: Okay.

Mr. Arvind Thakur: Where we have used our capabilities and understanding of the industry and our technology positioning and secured our future, you know, things that were 6 months and 1 year contract earlier are now 3 years contract...

Mr. Dipen Shah: Okay.

Mr. Arvind Thakur: You know we are securing our future and you know increasing our share of wallets in those accounts.

Mr. Dipen Shah: Okay. Right and any client specific issues as I understand you mentioned that there were no management changes at any of the clients but any client specific issues which could lead to maybe some scale downs in maybe the next quarter or a quarter after that which you are anticipating?

Mr. Arvind Thakur: I think the client specific....there are no client specific issues. There are basically industry specific issues.

Mr. Dipen Shah: Okay.

Mr. Arvind Thakur: So I don't think there is any specific clients that I can talk about, you know, which may again in a position of severe distress....

Mr. Dipen Shah: Okay.

Mr. Arvind Thakur: There is none in fact.

Mr. Dipen Shah: Okay. Right. Thanks very much.

Mr. Arvind Thakur: You are welcome.

Moderator: Thank you very much sir. The next question comes from Mr. Anubhav from B&K Securities.

Mr. Anubhav: Hello?

Mr. Arvind Thakur: Hello.

Mr. Anubhav: Yeah, good evening, sir.

Mr. Arvind Thakur: Good evening.

Mr. Anubhav: Sir, just wanted to understand that your employee numbers have reduced, but however your...the manpower cost has increased, just wanted to understand what is the reason behind that?

Mr. Arvind Thakur: Okay. I think as you know when we talked about the...

Mr. Anubhav: Yeah.

Mr. Arvind Thakur: The currency fluctuations...

Mr. Anubhav: Okay.

Mr. Arvind Thakur: If you look at our revenues....

Mr. Anubhav: Yeah.

Mr. Arvind Thakur: 61% of our revenues come from onsite activities.

Mr. Anubhav: Right sir.

Mr. Arvind Thakur: Right?

Mr. Anubhav: Right.

Mr. Arvind Thakur: So major cost also lie onsite.

Mr. Anubhav: Yeah.

Mr. Arvind Thakur: And the costs are now being accounted for at the depreciated value of the rupee...

Mr. Anubhav: Okay.

Mr. Arvind Thakur: Where as the revenues are being accounted for at the hedged values of the dollar.

Mr. Anubhav: Okay.

Mr. Arvind Thakur: So that's the reason why we are seeing an increase in cost.

Mr. Anubhav: Okay.

Mr. Arvind Thakur: That's reason number 1.

Mr. Anubhav: Yeah.

Mr. Arvind Thakur: Reason number 2 is we gave our annual increments in this quarter.

Mr. Anubhav: Sir in this second quarter?

Mr. Arvind Thakur: In the second quarter.

Mr. Anubhav: Okay.

Mr. Arvind Thakur: So that was partly given in the first, the majority happened in the second quarter.

Mr. Anubhav: Okay.

Mr. Arvind Thakur: So that's another reason why salary costs have increased.

Mr. Anubhav: Okay, fine, sir. And also sir, are the margins in the nonlinear business more, on a higher side than the linear business?

Mr. Arvind Thakur: Yes, in fact, I just shared with you the margins in Room Solutions,

Mr. Anubhav: Yeah.

Mr. Arvind Thakur: They are more than the organization's margins.

Mr. Anubhav: Yeah.

Mr. Arvind Thakur: So...but you know in this business, if there is a certain volume and scale...

Mr. Anubhav: Okay.

Mr. Arvind Thakur: We will start delivering much better margins.

Mr. Anubhav: Okay. Okay sir, now can I assume that your fresh order intake would be coming in the nonlinear businesses like the contract we have secured with British Airways is of a nonlinear business kind of a contract?

Mr. Arvind Thakur: No actually, unfortunately not. British Airways is quite linear.

Mr. Anubhav: Yeah.

Mr. Arvind Thakur: Because it is in the area of support, maintenance, and testing.

Mr. Anubhav: Okay.

Mr. Arvind Thakur: But you know it is an annuity business.

Mr. Anubhav: Yeah.

Mr. Arvind Thakur: So it is a long term business, it is a secure business.

Mr. Anubhav: Yeah.

Mr. Arvind Thakur: And the good thing about that engagement is that the value proposition was to do it from offshore and offshore margins are better than onsite.

Mr. Anubhav: Yeah. Okay. That's all from my side, sir.

Mr. Arvind Thakur: Thank you.

Mr. Anubhav: Yeah.

Moderator: Thank you very much sir. The next question is from Mr. Sanjeev from Reliance Money.

Mr. Sanjeev: Yeah, hi, good evening.

Mr. Arvind Thakur: Good evening. Hello, Sanjeev?

Mr. Sanjeev: Could you give some status on the Adecco JV?

Mr. Arvind Thakur: The Adecco JV is...there is no change in the status.

Mr. Sanjeev: Okay. So what is the manpower, last quarter it was 70 around, so what is the number this quarter?

Mr. Arvind Thakur: Actually it is at the same level. It is just operating on a slow burner right now.

Mr. Sanjeev: Okay.

Mr. Arvind Thakur: As I has explained in the last quarter, Adecco is essentially a starting company.

Mr. Sanjeev: Okay.

Mr. Arvind Thakur: And you know in this current turmoil, starting companies have been impacted quite significantly.

Mr. Sanjeev: Okay.

Mr. Arvind Thakur: So you know they are just dealing with their internal issues. I think we will just have to keep it on a backburner for maybe another quarter before we start seeing something happening in the JV.

Mr. Sanjeev: Okay. My second question pertaining to the order book of 95 million dollar, if you could give some color on the order book pertaining to the Room Solution?

Mr. Arvind Thakur: Room, if I am not mistaken was 5.3 million. Yeah, okay, okay, okay. No, no, on 95 I will not be able to give but I think out of the 75 million intake,

Mr. Sanjeev: Yeah.

Mr. Arvind Thakur: Room was I think 5.3 million. I can just confirm that to you.

Mr. Sanjeev: Okay. And third question is on the margin side, this quarter we have seen a fall in the core IT services margin by around 110 basis point by adjusting the hedging losses of 85 million and last quarter it was 46 million, it is because of the drag in the BPO margins?

Mr. Arvind Thakur: No, no, no, it is not because of drag in the BPO margin, it is because of the hedging losses.

Mr. Sanjeev: Okay. But after adjusting 85 million this quarter and last quarter it was I believe it was 46 million, there is a 22% margin of Room Solution and last quarter it was 19%, so this quarter the organic IT services plus BPO margin is 17.8% as compared to last quarter by 18.9%, am I right?

Mr. Arvind Thakur: If I look at it without hedging

Mr. Sanjeev: Yeah.

Mr. Arvind Thakur: Last quarter margins would have been 20.5.

Mr. Sanjeev: Okay.

Mr. Arvind Thakur: And this quarter it is...sorry I beg your pardon, it is 20.05.

Mr. Sanjeev: Okay.

Mr. Arvind Thakur: And this quarter it is 20.3.

Mr. Sanjeev: Okay, it is organic...this IT services plus BPO?

Mr. Arvind Thakur: Yes.

Mr. Sanjeev: Okay. So there is no drag in the margins?

Mr. Arvind Thakur: No, no.

Mr. Sanjeev: Okay, what is the margin message going forward for FY '09?

Mr. Arvind Thakur: Margin message going forward without hedging is what I just explained. But we don't know what the impact of hedging would be.

Mr. Sanjeev: Okay. Thanks a lot.

Moderator: Thank you very much sir. We have next on line Mr. Jigar Walia from Parag Parikh.

Mr. Jigar Walia: Hello. Sir, good evening and congratulations. I have a few queries. One is I would like to know your outlook on the retail industry and given that NIIT Techs' competency within that industry and scenario. That is the first one.

Mr. Arvind Thakur: Okay.

Mr. Jigar Walia: The other 2 questions I have is one is on your plans for any inorganic initiatives.

Mr. Arvind Thakur: Okay.

Mr. Jigar Walia: And third is on how much was the increment which was given in Q1 and Q2?

Mr. Arvind Thakur: Okay, so let us talk about the retail industry. So when we are talking about retail, we are talking on retail and distribution which includes, you know, distribution from manufacturing companies so it is not just pure retail companies that we engage with when we are talking about the segment. Obviously the economic environment is making it challenging for the retail part of the business but the manufacturing businesses are impacted the least and they will ultimately get impacted but you know much later in the cycle so we have pretty good growth in business last quarter in our retail and distribution. We actually grew 21% year-on-year and it now contributes to 13% of our revenues. We had fresh orders coming in from our existing clients, mainly as new businesses and mainly in the area of managed services, you know, which is what we call as nonlinear business. So this whole retail and distribution phase is an area where we are incubating our future growth engine which has to do with managed services. So that was that and your second question was on inorganic initiatives, right?

Mr. Jigar Walia: Yeah.

Mr. Arvind Thakur: So we have like I said a continuous program, an ongoing program for inorganic initiatives. It is a key element of our growth strategy. We are looking at potential organizations that can help build our capabilities in the industry segments that we are focusing on. However, I mean there are no targets or anything for us to report at this point in time.

Mr. Jigar Walia: Sir, if I understand properly for inorganic, you would purely be looking at focused verticals, I mean....

Mr. Arvind Thakur: Yes.

Mr. Jigar Walia: Insurance

Mr. Arvind Thakur: Yes, mainly insurance and travel.

Mr. Jigar Walia: Mainly insurance and travel.

Mr. Arvind Thakur: Yeah, that's right.

Mr. Jigar Walia: Okay, and sir if you can tell me what were the increments given in Q1 and Q2 for salaries?

Mr. Arvind Thakur: Increments overall are onsite of 3% on an average.

Mr. Jigar Walia: Okay.

Mr. Arvind Thakur: And offshore 10%.

Mr. Jigar Walia: Offshore was given last quarter which is Indian people getting increments in Q1....

Mr. Arvind Thakur: No, no, no, offshore is given in this quarter.

Mr. Jigar Walia: Offshore is given in this quarter.

Mr. Arvind Thakur: A part of it was given in last quarter, I will say 2% or 3% of the staff were in last quarter, the balance are in this quarter.

Mr. Jigar Walia: Okay, okay. Sir within the 3 industry verticals that you are focusing on, where do you see higher chances for vendor consolidation?

Mr. Arvind Thakur: I think vendor consolidation is a theme which is going to be prevalent across industry in all large accounts. Now here is where we are very strongly positioned because our whole approach to the market is to position ourselves as being the best and big enough in contrast to being the biggest and just being good enough, and the case in point is British Airways. So, you know the support and maintenance activity has been consolidated with us, primarily because you know we are known as the best in the travel space and we have reasonable size and so you know we are aggressively pursuing all those opportunities in each and every one of our large accounts.

Mr. Jigar Walia: Okay, thank you very much sir and congratulations again, sir.

Mr. Arvind Thakur: Thank you.

Moderator: Thank you very much sir. The next question comes from Mr. Nimesh from M.S. Global.

Mr. Nimesh: Yeah, hi.

Mr. Arvind Thakur: Hello.

Mr. Nimesh: My question is on the British Airways deal what you have bagged. Can you throw some more light on the particulars of the deal in the sense in which area it is focusing- is it on the operations side or is it one the ADM side and also if you can share the likely course of ramp ups, how do you see them?

Mr. Arvind Thakur: Okay. So basically this is part of British Airways' new strategy to focus on fundamentals, reduce costs, and we just discussed consolidation. So what has really happened here is that work around support, maintenance, and testing has been consolidated with NIIT Technologies and so you know that helps us increase our market shares in the account. The ratio of offshore work is going to be higher versus what has been done previously and this is a longer term deal. Earlier you know the engagements were for 1 year, this is going to be for 3 years. So what this really does is it demonstrates the confidence of British Airways in NIIT Technologies' capability, validates what I just talked about as our best and big enough positioning, and to my mind our entire strategy of focusing and differentiating is really paying off over here. So that is what this whole engagement is all about.

Mr. Nimesh: And how do you plan ramp ups on that, is it fixed price kind of a deal or will it be outcome based, or is it a time and material and when do you see this you know ramp up starting, when are you hiring for this actually?

Mr. Arvind Thakur: Well as I mentioned, there is going to be movement of work from onsite to offshore.

Mr. Nimesh: Okay.

Mr. Arvind Thakur: That's going to be the first phase because we need to provide the value proposition to improve the cost factors, so that will probably happen over the next quarter and so the ramp up really is going to happen post that and maybe after 2 quarters.

Mr. Nimesh: So will you be... you will be adding more people next quarter or next to next quarter?

Mr. Arvind Thakur: Next to next.

Mr. Nimesh: Okay. Okay, and is this a time and material deal or you know or in the transition phase, it could be a fixed price and then it could move on to time and material?

Mr. Arvind Thakur: Actually none of the engagements in BA are time and material. Every piece of work has to be billed against. So this is for a certain volume of work, SLA based.

Mr. Nimesh: Okay.

Mr. Arvind Thakur: That's the way it has been structured.

Mr. Nimesh: Okay and if I could understand what kind of employee reduction BA is looking at with this kind of a deal?

Mr. Arvind Thakur: Oh, BA is doing some dramatic changes so you know I will not be able to comment on that, you would probably see it in the UK newspapers.

Mr. Nimesh: No but what they have disclosed is on a largely basis but if you can throw some light in particular with this deal? How many people are...is BA actually looking to layoff?

Mr. Arvind Thakur: No, I definitely cannot comment on this.

Mr. Nimesh: Alright, okay, okay. Thanks a lot.

Moderator: Thank you very much sir. The next question comes from Mr. Ashwin Mehta from Mangal Keshav Securities.

Mr. Ashwin Mehta: Just a follow up sir, in terms of you know, in terms of our margins excluding hedging, are we confident of holding the margins at the current levels?

Mr. Arvind Thakur: Well, I think the fact of the matter is that the environment is so volatile, we cannot be certain about anything but all I can say is that, that is our endeavor.

Mr. Ashwin Mehta: Okay, and one more thing in terms of our hedges, what portion of these would correspond to this year compared to the next year?

Mr. Arvind Thakur: I think it is spread equally across the 27 months.

Mr. Ashwin Mehta: Okay. Thanks a lot.

Mr. Arvind Thakur: You are welcome.

Moderator: Thank you very much sir. We have next on line Mr. Srinivas from ABN-AMRO.

Mr. Srinivas: Yeah, hi, good evening to management. My first question pertains to your 12 month order book which stands at 95 million and if I compare this with the same time last year it was at 101 million, and also reading into your comments that you are expecting some of the work to be moved from onsite to offshore on a major contract, does this mean that we may see some pressure or possible degrowth in the top line over the next that is the second half or maybe the next 2-3 quarters?

Mr. Arvind Thakur: Top line degrowth in this specific account is a possibility because you know that is the value proposition. They are looking at cost improvement and that's why we are moving to use from onsite to offshore but I think there are enough other accounts which are ramping up to take care of that.

Mr. Srinivas: Okay but does this number....which the executable number over the 12 month bother you given that it is coming down and what kind of gives you the confidence that the whatever is not in your order book would actually drive better growth moving forward?

Mr. Arvind Thakur: I think number 1 is the pipeline. Number 2 we will definitely see an improvement in this position over Q3 and Q4 because you know those are larger quarters as compared to the earlier quarters in terms of intake.

Mr. Srinivas: Okay so we still maintain a view that the growth trajectory is looking like it would improve going into second half?

Mr. Arvind Thakur: I would tend to feel so.

Mr. Srinivas: Okay. Okay. And secondly I just wanted to understand of the order booking of 75 million, how much would pertain to say business or work which you were already doing versus how much of this was new business?

Mr. Arvind Thakur: Okay, I don't have that breakup.

Mr. Srinivas: Okay. I mean any ballpark guesstimate on that?

Mr. Arvind Thakur: No, I will hesitate to take a guess.

Mr. Srinivas: Okay. Okay. The third question actually pertains to your wage hikes. Were these given in the beginning of the quarter or somewhere in the mid quarter, that is to understand whether you would have any residual impact coming into the next quarter?

Mr. Arvind Thakur: Yeah, beginning of the quarter.

Mr. Srinivas: Okay. Alright and also I just wanted to understand since the depreciation has taken a dip during the quarter, what are the expectations going forward, would depreciation be the same level in the second half also as this quarter?

Mr. Arvind Thakur: I think you can, yeah, more or less say 4% of revenues.

Mr. Srinivas: Okay. Alright. And finally.... I actually missed your CAPEX number, what are you planning to spend in FY '09?

Mr. Arvind Thakur: 45 crores were in the first half and 50 in the second half.

Mr. Srinivas: Okay. Alright. Okay. Thanks, that's all from my side.

Mr. Arvind Thakur: Thank you.

Moderator: Thank you very much sir. The next question comes from Mr. Amish from JM Financial.

Mr. Amish: Hi, good evening.

Mr. Arvind Thakur: Good evening.

Mr. Amish: I just wanted to understand you know the slightly broader industry perspective. Do you think the industry is well prepared this time around vis-à-vis say the last time's TMT bubble, post TMT bubble kind of a scenario where you know the decline was sharp and also you know in the internet space which was you know the industry domain, vis-à-vis this time around where you know the crisis is coming from the other side of the spectrum which is you know banking and consumer, so do you think in the interim industry is well prepared to you know to kind of take this slowdown in terms of slowdown in hiring and stuff like that which will give industry a better discipline in pricing?

Mr. Arvind Thakur: Yeah I think we have not changed our mindsets from this theme of hiring to the theme of you know providing service and value and I think that is the transformation which the industry is undergoing or should be undergoing whereby we are now looking at not providing

services on a headcount bill rate basis but providing the service against certain service level agreements.

Mr. Amish: Sure.

Mr. Arvind Thakur: So our ability to accomplish that is what is going to return and how we ride this storm. And I think the industry now has matured and is able to provide those kind of services so to my mind, yes, the industry will ride the storm and will ride it well.

Mr. Amish: Okay and coming to this hedging policy 27 months, is there any you know way of deriving this in the sense that why so long vis-à-vis say our computers were doing it for 6-12 months and do you think that will be a drag for you in terms of you know not being able to give say the clients the benefit and/or the employee the benefit because of this?

Mr. Arvind Thakur: Yeah, I mean, as long as the rupee keeps depreciating, it will be a drag but the moment it starts appreciating, it will be to our benefit.

Mr. Amish: Okay, but is there any reason why you are looking at 27 months which looks slightly larger than the you know industry average I would put it as between say 12 to 15 months?

Mr. Arvind Thakur: Well, that is a call we took when the rupee was moving in the other direction.

Mr. Amish: Okay.

Mr. Arvind Thakur: It was a call which was taken 3 or 4 quarters ago.

Mr. Amish: Okay, okay.

Mr. Arvind Thakur: Yeah.

Mr. Amish: Okay, so this is not the movement in last 6 months, right. This is an average which is rolling over.

Mr. Arvind Thakur: That's right.

Mr. Amish: Correct, correct, and coming to you know on the ground indication of clients holding back their decisions or ramping down decisions in your specific vertical, your order book doesn't suggest so, so is there any concern there on any of the verticals there?

Mr. Arvind Thakur: Yes, I think there would be some holdback in the banking and financial services space. I believe in the travel industry since they were hit by the oil price increase...

Mr. Amish: Sure.

Mr. Arvind Thakur: ...you know last quarter, the holdback in costs would have happened at that time and now they would have figured out so how they should be spending and what they should be spending on.

Mr. Amish: True.

Mr. Arvind Thakur: Insurance to my mind is a conservative industry.

Mr. Amish: Right.

Mr. Arvind Thakur: But not really impacted the way the banking and the financial services have been.

Mr. Amish: Okay.

Mr. Arvind Thakur: But they will undergo the normal economic worries that any other industry would pass through.

Mr. Amish: Okay. And are your clients based on the insurance side are say relatively medium size of the insurance players the way you are mentioning the commercial side, vis-à-vis say the Lloyd's'

and the large you know clients, I am not aware of your large interests in say UK but is your client base some middle guys who have not been impacted or something like that?

Mr. Arvind Thakur: We have got both.

Mr. Amish: Okay.

Mr. Arvind Thakur: We have some of the very largest clients like ING as our client where we are one of the tier 1 partners.

Mr. Amish: Okay.

Mr. Arvind Thakur: And a whole host of mid tier organizations, in fact one of the good things about both – the travel and the insurance industry positioning of NIIT Technologies is that we have got 50 plus active clients in both these industries, so it is a pretty good spread.

Mr. Amish: Okay.

Mr. Arvind Thakur: You will not find this kind of a spread with you know from any other organization from the industry in India.

Mr. Amish: Okay. Okay and any progress on say other large accounts on the travel side the way you know BA has migrated?

Mr. Arvind Thakur: Yes, yes. Very good progress. We have some accounts which are ramping up very well. And then you know they are not airlines but they are providing distribution services to airlines and some of them are providing services to airports and securities you know which is not really impacted by passenger traffic.

Mr. Amish: Okay,

Mr. Arvind Thakur: So you know those are pretty healthy accounts you know that we have.

Mr. Amish: Okay, okay, thanks a lot.

Mr. Arvind Thakur: You are welcome.

Moderator: Thank you very much sir. Participants who wish to ask a question are requested to press *1 on your telephone keypad. We have next on line Mr. Ritesh Rathod from UTI Mutual Fund.

Mr. Ritesh Rathod: Hello sir.

Mr. Arvind Thakur: Hello.

Mr. Ritesh Rathod: You said this currency gain is 72 million whereas hedging loss of 85 million, have I heard it right?

Mr. Arvind Thakur: Yes.

Mr. Ritesh Rathod: And this currency gain is in revenue line item or is it in other income?

Mr. Arvind Thakur: Revenue line item.

Mr. Ritesh Rathod: So basically we had a gain from rupee which was 72 million and hedging loss which was 85 million, so net-net it was just 13 million sort of loss?

Mr. Arvind Thakur: Yes.

Mr. Ritesh Rathod: Which impacted the revenue line item?

Mr. Arvind Thakur: That's right.

Mr. Ritesh Rathod: Okay, Thank you.

Mr. Arvind Thakur: You are welcome. Operator, we can just take one last question now.

Moderator: Sure, sir. Sir, we have next on line Mr. Ruchir from Pioneer Investment.

Mr. Ruchir Desai: Hi, good evening. Thanks for taking my question. Just a question on your earlier comment which you made regarding the pipeline – you believe that pipeline still looks good in the current environment, so could you comment on in which areas of the pipeline you are seeing some stress and in which areas we are seeing some kind of a traction and how it has changed in the past couple of months or past 6 months and also on pricing, on some of your potential deals in the pipeline, do you feel that closing deals is coming down to or pricing is becoming a determining factor in closing new deals and what was the experience for the 2 new deals you signed in the travel space which you announced recently? Was pricing a determining factor in closing these deals?

Mr. Arvind Thakur: Pricing obviously in a competitive situation becomes determining factor but not to the extent of you know going under what you normally price, so I think our new deals have come at good prices and we have also you know introduced in our existing deals, introduced, some you know innovations in our pricing, so that you know while we can give benefit of pricing on normal commodity services, we provide value added services so, for example, in the British Airways engagement when we were looking at moving work from onsite to offshore we said you know we will provide the service at UK time and for that, we will charge a premium price.

Mr. Ruchir Desai: Okay.

Mr. Arvind Thakur: So you know there are many ways of dealing with the pricing situation.

Mr. Ruchir Desai: Okay, and also you mentioned the pipeline still looks pretty strong, so in which areas are you seeing it strengthen and which areas are you seeing some kind of pressure?

Mr. Arvind Thakur: Well, a very difficult question to answer.

Mr. Ruchir Desai: Yeah, obviously besides financial services, I mean, are you seeing something in travel because you were pretty cautious on the travel front a couple of quarters back but you have done pretty well in last 2 quarters in travel so how does that pipeline look as of now?

Mr. Arvind Thakur: Travel is actually pretty good.

Mr. Ruchir Desai: Okay, alright, thanks and all the best.

Mr. Arvind Thakur: Yeah. You are welcome.

Moderator: Thank you very much sir.

Mr. Arvind Thakur: Okay.

Moderator: I would like to hand over the floor back to Mr. Arvind Thakur, thank you and over to you for the final remarks, sir.

Mr. Arvind Thakur: Once again my apologies for starting the call late and I thank you all for actively participating in this call. I hope all of you have a good week next and I wish you all a very happy Diwali. Thank you very much.

Moderator: Thank you very much sir and sorry for the inconvenience caused in the beginning of the call. 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.
