

# Investors/Analysts Conference Call

October 28, 2005

## Corporate Participants

**Rajiv C. Mody**

Sasken Communication technologies Ltd - Chairman & CEO

**Dr. G. Venkatesh**

Sasken Communication Technologies Ltd - Member of the Board of Sasken, Chief Technology Officer and Head - Products Division

**Neeta Revankar**

Sasken Communication Technologies Ltd - Chief Financial Officer

**Prabhas Kumar**

Sasken Communication Technologies Ltd - Chief Operating Officer and Head - Services Division



## Moderator

Good afternoon ladies and gentlemen. I am Parul, the moderator for this conference. Welcome to the Sasken Communication Technologies Limited conference call hosted by Enam Securities. Ms. Priya Rohira of Enam Securities is your call leader today. For the duration of the presentation all participants' lines will be in the listen-only mode. After the presentation, the Q&A session will be conducted for participants connected to SingTel. After that the Q&A session will be conducted for India participants. I would like to hand over to Ms. Priya Rohira of Enam Securities. Thank you and over to Ms. Rohira.

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## Priya Rohira

Thanks Parul. A warm welcome to all of you all and a good afternoon. Welcome to the Q2 FY06 earnings call of Sasken Communication Technologies. Without taking in much time I would now hand over the floor to the management team at Sasken for their presentation. Over to you Rajiv.

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## Rajiv

Thank you Priya for your introduction. We understand that some of you may not have got an adequate time to analyze our results. This is due to the bad weather in Bangalore. We will be happy to take any further questions should the need arise at a later point.

Ladies and gentlemen, a good day to you all. It is indeed my pleasure to welcome to you the first conference call and present before you the business results of Sasken for the second quarter and time permitting look at half yearly as well as Q1 to Q1 comparison of our financial year.

I am joined on this call by my colleague Dr. G. Venkatesh, Member of the Board of Sasken who is our Head of Products Division as well as Chief Technology Officer; Neeta Revankar, who is our CFO, and Prabhas Kumar who heads our Services and also is our Chief Operating Officer.

This is indeed a historic and momentous occasion for Sasken. The collective efforts of our customers, colleagues, lead bankers, analysts, investment community, and all our friends of Sasken make a successful debut in the capital markets earlier this year. It has been quite a moment for us and we continue to strive to do our best and deliver value to all our stakeholders. Today I have the privilege of addressing you formally to announce the second quarter's performance of Sasken. In addition, the presented material that you now have a copy of includes the first quarter's performance, a summation for H1, and both sequential and comparable quarter analysis.

Sasken has seen consolidated revenues for the first half year ending September 30, 2005, scaled to Rs. 154.13 crores. This represents an increase of 41.1% over the corresponding period last year. In H1 FY06 our profit after tax stood at Rs. 16.44 crores translating to an increase of 58.1% over the same period last year. In the second quarter of the current financial year the recorded revenues amounting to Rs. 86.4 crores represented a year-on-year growth of 46.5%, and a PAT of Rs. 11.67 crores, a year-on-year growth of 78.0%.



As you may be aware Sasken's business is essentially divided into two areas of focus, products and services. For the first six months ended September 30<sup>th</sup>, 2005, the relative contributions of the products and the services divisions stood at 18% and 82% respectively.

At Sasken our singular area of business focus has been telecom. We have been continuously striving to connect all the dots in the telecom value chain and offer greater synergy to our entire customer universe. As a result of this articulated strategy we have been incubating a new offering to customers in the service provider space globally. I am very happy to report that we have successfully achieved this in Q2 FY06 by signing up with a large tier one European global service provider. With the maturity and consolidation that the service provider space is witnessing worldwide, we are very excited about this new suite of services and we would be looking at it as an integral part of the our offering portfolio henceforth.

We have another significant highlight in Q2. Annualized revenues from one of our client exceeded the milestone of USD 20 million. At Sasken we have always prided ourselves on our ability to work with global tier one organizations and this momentous achievement with our longstanding client relationship reinforces this belief. It also leads credence to our philosophy of going beyond a vendor relationship into a strategic partnership. In this and other instances Sasken adds value by strategizing and thinking for our customers so that they can be more successful with theirs.

A laser sharp focus on execution, quality, and timely delivery to our customers has also ensured that we have recorded an improved utilization rate on the services side up from 64.3% in H1 of FY05 to 73.5% in H1 FY06.

On the products sides too this has been an exciting quarter for us. Our focus on creating intellectual property and sustaining the spirit of innovation has meant that our products business is well on track. One significant new initiative we have rolled out this quarter has been the launch of an integrated software solutions suite for the mobile handsets. This is a first of its kind offering, and we have successfully rolled it out. Additionally the products business witnessed robust revenue growth this quarter on the back of one non-royalty based licensing deal that paid off in Q2.

People force has been a credo at Sasken, and we are happy to announce that we have received further acknowledgement of our people focus by being listed as one of the top 20 best employers in IT in India in a survey conducted by Dataquest magazine along with IDC.

We at Sasken strongly believe that we are seeing the acceptance of India as a global hub not just for offshoring but also for outsourcing of critical R&D services. The aim is to move to a greater degree of product realization and product ownership with all our customers, and we continue to stay firmly on this path.

The Board approved the proposed merger of Sasken Network System Limited with Sasken Communication subject to the relevant statutory approval.

Thank you all so much for your patient hearing and my colleagues and I will now be happy to answer any queries/questions that you may have. Over to you Priya.



## Priya Rohira

Thank you Rajiv for your kind introduction and the review on the Q2 FY06 performance. At this point of time I would just want to make a remark, we would appreciate if you could restrict the questions to the Q2 FY06 earnings in the initial round of Q&A session. We would subsequently address the queries on Q1 FY06 financials towards the end of the concall. With this remark I would now hand over to Parul to start with the Q&A session.

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## Moderator

Thank you very much madam. At this moment I would like to hand over the proceedings to Zenab to conduct the Q&A for the participants connected to SingTel. After this we will have a Q&A session for India participants. Thank you and over to Zenab.

## SingTel Moderator

Thank you Parul. We will now begin the Q&A session for participants connected to the SingTel bridge. Please press 01 to ask a question. At this moment there are no further questions from participants at SingTel. I would like to hand over the proceedings back to Parul.

## Moderator

Thank you Zenab. We will now begin the Q&A interactive session for India participants. 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. We take our first question from Mr. Hitesh Zaveri of Edelweiss.

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## Hitesh Zaveri

Hello. Congratulations on the quarter to the management team. My question is that there has been a sharp improvement in the profitability margin in the second quarter, it appears that it is largely contributed by the one off license fee that you have received in the quarter on your product side and also from the sharp improvement in the utilization on the services side. Now my question is would you have similar levers in the second half of the year and how does the profitability look there?

## Rajiv

First of all of course the policy that we follow is that we do not give any future guidance, otherwise coming back to your question on the sharp improvement in the profitability from Q1 to Q2, indeed the licensing deal has definitely contributed along with that improved utilization also has contributed to improved margins from Q1 and Q2 and besides this I would like Neeta to add any other factors that have indeed contributed.



**Neeta**

We have seen also the impact of sales on the EBIDTA margin of services business. So I think this is the other reason for the improvement in margin.

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**Hitesh Zaveri**

That question would be more on the side of whether you would have the same or some other levers to maintain margins going forward or these are the stable chit margins that you think you could earn?

**Rajiv**

Our levers for growth on the services side and our IPR side, I would like Prabhas Kumar to describe those levers for the services side and Venkatesh to take you through the levers on the growth on our IPR product side.

**Prabhas Kumar**

On the services side, as you know the primary lever is to deliver margins, at a gross margin level are employee compensation, utilization, and average realization that you get per billed employee. So these are the three levers we continue to balance between because each one of the lever has certain band in which it should operate because if you drop the utilization too much it is obviously not good for the margin, but if you increase it too much also, it is not so good for managing growth. So it has to lie in a certain band. So the way we deal with the situation is that we look at the combined effect of utilization and average compensation of employees and our usual like April was the time when we increased salaries for our people. So based on that we try to balance off some of that by increasing the compensation cost in the second quarter by getting the freshers in, which had an impact on utilization. If you actually look at Q1 to Q2 sequential, the utilization has dropped marginally, and that is because basically the freshers have come in, but at the same time we have put in extra pressure on having very utilization on experienced resources, and as a result the overall drop in utilization was only 2% sequentially, roughly 2%. So that is what, I mean, this is the combination of levers we use; so it is a question of balancing between salaries and utilization. That's really at the gross margin level, and apart from that, as Neeta explained before, as the services business scales more and more with tier 1 customers scaling from less than one million dollar account to \$1-3 million account to \$3-10 million and \$10 million plus, the effect of scale shows up on the many front and marketing and sales expenses, and as a result that will contribute towards improvement in margins.

**Venkatesh**

On the product side one has to look at the licensing revenues which will continue to come from both our existing deals that we have on hand as and when we complete the milestones for which we receive certain fees and new license deals that we are striking which are more predominantly biased towards royalty. We do see that our licensing



revenues are going to be choppy quarter-on-quarter, but as the royalty numbers start going in calendar year 2006 there should be some more predictability in revenue.

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**Hitesh Zaveri**

Right thank you. I have more questions, but may be I can come a bit later if there is an opportunity, thank you.

**Rajiv**

Thank you.

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**Moderator**

Thank you sir. Next we have a question from Mr. Shekar Singh of ICICI Securities.

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**Shekar Singh**

Hi sir, congratulations on a very good set of numbers. Just wanted to know like this licensing revenue jump which we have seen in the current quarter is it just on the back of one client buying the license or is it like multiple clients buying licenses, and if so like if you could just give the volumes attached to each, say like, okay, it is about just one big client buying the big license, then possibly it might not be repeated. That is where I am coming from.

**Venkatesh**

The deal is for a GSM GPRS protocol stack license that we have made, and we had for every customer acquired we had some license numbers, so basically on the back of a number of customers have been acquired through one semiconductor relationship that we had.

**Shekar Singh**

Okay. So basically, as far as your relationships are concerned like on the royalty side what are your relationships which have been formulated in the current quarter? Because say still I believe that from the royalty side you don't have many relationships already on.

**Venkatesh**

We have today 8 semiconductor platforms that we are designing our products on, and being matured on 8 semiconductor platforms, out of which 5 of these platforms are today deals that are royalty bearing. Most of these products are being matured at this point in time and we will start shipping only once, there is one phone that is expected to start shipping in calendar 2005, but majority of the phones are going to be shipped only in calendar 2006, which will be royalty bearing.

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**Shekar Singh**

Okay. Next look on the employee utilization, what is the maximum that you can actually go up to, because you are currently at, for the first half year, it is almost to 75% employee utilization. So I was wondering like what is the maximum that you can go up to?

**Prabhas Kumar**

As a said before, it is a balancing between the margin requirement in short term and growth requirement in the long term, so that is the balancing act we keep doing. So we have a particular low water mark and high water mark that we keep watching, and based on these water marks we basically manage the utilization quarter after quarter. So basically we have modeling for each of the four quarters during the financial year, and as you know there are certain events that take place in particular quarters, for example, salary change take place in the first quarter of the year, so that needs to be taken into impact and we want to make sure that they are balanced in a particular band to ensure the net effect is not generating any major fluctuations.

**Shekar Singh**

No, but still like okay, just on the basis of historical data, what is the maximum utilization that Sasken has operated at? So that can give us an idea of what is the sort of levy that we have in terms of improving utilization and therefore the margins.

**Rajiv**

I think in a sustained growth environment that we are in; you can assume that you can have utilizations fluctuate between 72% to 75%.

**Shekar Singh**

Okay, that is very helpful. Secondly, can you just comment on the billing rates, how have the billing rates been and are you seeing any pressures from any of your clients?

**Prabhas Kumar**

As far as billing rates are concerned, you have to look at it in couple of parts, one is the business portfolio that we have, and you know we have lot of business which is R&D business, and there is one part of business which is the deployment business, which is through the subsidiary of SNEEL that we do. Now both have pricing parameters which are very different, because our deployment which is happening in India operates at a different pricing. So if you just look at the offshore R&D business, which is the majority of our business, we have seen stabilization of prices and in fact we have seen a very very minor improvement sequentially between Q1 and Q2, which is roughly 1% on that R&D business price improvement. So as acquire new customers, we are seeing the new customers





coming at better pricing, but only when the volumes kick in from those customers, there will be any real effect on the overall rates.

**Shekar Singh**

Thanks a lot.

**Moderator**

Thank you sir. Participants who wish to ask questions, may please press \*1. Next in line is a question from Mr. Ajay Matharani of DSP Merrill Lynch.

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**Ajay**

Yeah hi! How are you?

**Rajiv**

Hi! Pretty good.

**Ajay**

Congratulations on a good quarter and welcome to the listed quarterly calls.

**Rajiv**

Thank you.

**Ajay**

First question is on margins. If I look at the EBIDTA margins in the software services business, YOY, they are down from you know about 28% to 22%, but if you look, you know, you mentioned billing rates are stable, if you look at utilization, it is up, offshore percentage is up on an YOY basis, but margins are down. Just trying to understand that.

**Neeta**

I think we need to understand this in a few ways. The first thing is that time and material business has seen stable rates as Prabhas mentioned. In the last quarter before financial year 05, we had a couple of significant fixed price programs, which has milestones that ended in Q2 of '05, these were pretty high realizations. So this has been the significant reason for you know the change in EBIDTA margins YOY in spite of improvement in a number of other operational matrix like utilization, compensation cost and other things.

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**Ajay**

Okay, thanks Neeta. Related to this then would you expect quarterly revenue growth and margins to be more volatile than peers given fixed price and for may be size etc., kind of reasons?





**Rajiv**

Do we expect whether there will be volatility? Ok today if you go by the amount of revenues that we derive from fixed price is about 11.4% compared to 20.3% similar period, and if those numbers, fixed priced projects are there where we take significant milestones then definitely the impacts in those quarters are there because what you do through the growth, I mean when you are executing the fixed price projects, if you don't hit the milestone you inventorize those costs, but however, since when you bill these and realization is significantly more than what you inventorize it definitely has an impact on the margin. Prabhas you want to add to that?

**Prabhas Kumar**

Yeah. Our goal has been particularly this particular fixed price projects that we talked about in Q2 FY05, they were in a particular segment of our business, and what we have done since then is that we have renewed our focus on building the time and material offshore long-term sustainable business as priority one in that part of our business, and looking at restricting the fixed price percentage as an overall percentage in that part of business in a certain narrow band so that the fluctuations are really not there.

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**Ajay**

That is helpful Prabhas. Just another question on the service provider business, you know, this one client that you have added, I was wondering what kind of, what the scope of assignment that we have there now, and how would this business pan out say over a 2-3 year period, would we look at you know few clients with large business volumes from there, are we looking at multiple clients, how do you think it will be panning out?

**Prabhas Kumar**

Our service provider strategy is no different from our overall services strategy where we want to remain focused on large tier 1 customers, enter, penetrate and grow those accounts. So same thing applies to service providers. So depending upon which phase of business engagements we are in with a particular customer, we have a certain focus, and as far as the service providers are concerned last three quarters our focus has been to define this entry strategy and execute on that, and we believe that we have been successful on that and as we go into the next phases our focus for this particular customer shift from entry to scaling remains focused on entry strategy for some of the other tier 1 customers. So that is how we are executing on it. I will not be able to share the kind of work we are doing with these customers, because that will be customer confidentiality agreements.

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**Ajay**

Sure. Just one last question, would it be possible to give client numbers in the product and services business separately?



**Neeta**

Today this is what we are providing, combined client customers, and this is based on what we will be able to provide on a sustainable basis.

**Ajay**

Okay, thanks a lot and all the best. Thank you.

**Rajiv**

Thank you.

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**Moderator**

Thank you sir. We take our next question from Mr. Vinay of KR Choksi.

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**Vinay**

Congratulations sir on posting a good set of numbers.

**Rajiv**

Thank you.

**Vinay**

Sir just one question on your royalty. The royalty numbers as you said would start kicking in from calendar year '06 onwards.

**Rajiv**

That is correct.

**Vinay**

When the numbers would move in, what are the key matrix which needs to be keyed in for the royalty numbers?

**Rajiv**

Yeah I will have GV address that question.

**Venkatesh**

I believe the key matrix that one has to look at is, it goes in three phases: the first phase is designing into a semiconductor platform. As I mentioned already we are designed into 5 semiconductor platforms on a royalty bearing relationship. The second matrix really is designing into phones, wherever it is semiconductor platform, we will have phone design



customers, and all I can say is that at this point in time there is one phone what is happening 3G market that we will be shipping in the late part of calendar 2005. There are several others that are being designed that we will be shipping in 2006 calendar. And since one has to look at how many units of these phones shipped, we expect basically that the volumes on these phones will start, you know, the volume shipments will start really only in the later part or impact actually in calendar 2007.

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**Vinay**

Sir on a per phone basis, what would be the realization to Sasken?

**Venkatesh**

We cannot disclose it because it is confidential information, but you know you can make a guesstimate based on the software part of the phone.

**Vinay**

Okay, thanks sir. Just one more question, the R&D cost have declined I think in this quarter.

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**Neeta**

Actually in absolute terms the costs have not declined, they have gone up, but what has happened is during this period we have had some programs that completed the research phase, and they have actually moved on to the next phase and accounting standards require us to capitalize that expenses. So during the quarter we have capitalized Rs. 14 million. So that is probably why this appears as if R&D has declined.

**Vinay**

Thanks a lot.

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**Moderator**

Thank you sir. We take a followup question from Mr. Hitesh of Edelweiss Capital.

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**Hitesh**

Yeah hi! My question is with regard to the integrated solution suite for the mobile handset that we talked about in your brief. I would appreciate if you could elaborate on the same and where it is going, and so also some of the ongoing programs in your overall product development. Thanks.

**Venkatesh**

Primarily, the product lines that we have are, we have a wireless modem solution suite which includes both the GSM, GPRS, as well as 3G dual mode modem. The line of product we have is multimedia codex and applications that are targeted primarily to high end

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phones in the Japanese 3G market and European 3G markets, and the new product line that we have recently started, this is the integrated software, which is especially is pre integrated bundle of softwares, it includes Sasken's modem, includes Sasken's multimedia application suite, and also includes several third party software components so that we can pre integrate all of these and test it and make it available for a different category of phone. And the primary market to which this is addressed is basically what we call expression phones which are especially phones which are like \$100 lower in terms of price a piece, and these are phones that are going to be with those constraints that need to have lower R&D cost, therefore they look for pre integrated software bundle.

**Hitesh**

Right. In how many of the newer handsets other than those that are going to be shipping in CY06 onwards, so would your such software be in contention and if you could share as to you know over the next one to two years, in what varieties of phones would you expect your integrated software to be in a very serious contention of being adopted?

**Venkatesh**

Going forward into 2006 is hard to predict the composition of our product and get integrated into phones and to make a prediction of the volumes, but we do expect that integrated solutions will contribute a significant part of revenues going forward.

**Rajiv**

And that will typically address a lot of markets which are being addressed by about \$100-150 kind of handset a piece.

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**Hitesh**

Neeta question for you, if you could advice as to what could be the tax rates we should look for in the second half and also in FY07, the tax rate if you could throw some light there?

**Neeta**

Our tax rate basically has three drivers, okay. One of them is the amount of onsite business we do, the second one is the amount of India business we do, and the third is the amount of withholding tax that we are required, that is applicable to us on a licensing or royalty fee. So based on the movement of these, the effective tax rate is determined. It is very difficult to just give one rate.

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**Hitesh**

Fair enough. Does it mean that in QY06 going forward your tax rate could be on a higher side than what they are in the first half?



**Rajiv**

No, I don't think we can make any such guess.

**Neeta**

The only thing I can tell you to this is that in Q2 we have had a significant amount of tax which has been withheld on our licensing revenues.

**Hitesh**

Right.

**Neeta**

Okay? So that is the significant highlight of Q2.

**Hitesh**

Right, sure, appreciate it. Thank you.

**Rajiv**

Thank you.

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**Moderator**

Thank you sir. We take our next question from Mr. Shekar Singh of ICICI Securities.

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**Shekar Singh**

Just wanted to know like what is the receivable days and how is it changed over the past quarter, what is the unbilled revenues, and again the shift, and what is the capitalized portion of expenses?

**Neeta**

The debtors position as you will see from our balance sheet, we have a DSO of 88 days. Clearly it has increased over the last quarter, and a couple of reasons for that, but before I go into that one thing we would like to clarify that the quality of debtors is good, 93% of the outstanding is less than 90 days. Another thing that we must note is that we had licensing revenues during the quarter, which relate to the month of September, so they were not due at the period end. The other thing was that we had a couple of customers that did delay their purchase orders and payments during the quarter. We are working with them to improve the situation going forward.

**Shekar Singh**

Okay. How much was it last quarter?

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**Neeta**

The DSO for the last quarter was 68 days.

**Shekar Singh**

Okay. And what is the unbilled revenue?

**Neeta**

The unbilled revenues is, are you asking for the quantum or?

**Shekar Singh**

Yeah, the quantum.

**Neeta**

Yeah this quantum is Rs. 30 million during the current quarter.

**Shekar Singh**

Okay, how much was it for the last quarter?

**Neeta**

It was Rs. 170 million.

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**Shekar Singh**

Okay. And lastly, what is the capitalized portion of expenses during the quarter, and what was it last quarter?

**Neeta**

Last quarter we had Rs. 10 million, sorry, in Q2 FY06 we had Rs. 14 million that were capitalized, and in the quarter previous to that it was Rs. 10 million.

**Shekar Singh**

Okay, thanks a lot.

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**Moderator**

Thank you sir. Participants who wish to ask questions, may please press \*1. We have a followup question from Mr. Hitesh Zaveri of Edelweiss.

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**Rajiv**

Yeah hi Hitesh.

**Moderator**

Sir his line has got disconnected. Participants who wish to ask questions, may please press \*1. At this moment there are no further questions from participants. I would like to hand over the floor back to Ms. Priya Rohira for final remarks.

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**Priya Rohira**

Yeah I would just appreciate if I could have two questions from my side?

**Rajiv**

Please.

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**Priya Rohira**

Just looking at the attrition rate, if you could comment qualitatively which levels are you seeing the attrition being higher rather.

**Rajiv**

Primarily we are seeing that our attrition rate is highest in 0-2 year within the organization, and that is what we are looking at addressing, which is what you call a significant amount of our attrition. So that is one concern area that we definitely have which we are looking at how do we club that. Otherwise we don't see much attrition inside the organization at what we call as the band 4 and above, over there the rate of attrition is pretty insignificant, I would hazard a guess there that it is very low. And secondly in context of attrition, I guess there is not much in that I can add right now.

**Priya Rohira**

Okay, and what are the quantum of employee additions which you are looking at for the second half, we saw first half adding around 350 people.

**Rajiv**

You would like to know what is the numbers that we are planning to add in the second half?

**Priya Rohira**

Right.

**Rajiv**

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Okay. I think that we do plan to add at least similar amounts during the second half if not more.

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**Priya Rohira**

Okay. And just wanted to check Neeta is there change in the composition of the top 10 clients in the current quarter vis-à-vis the first quarter?

**Neeta**

Actually there is one change and that is because of the revenues that we got from this licensing deal, otherwise the composition had not changed.

**Priya Rohira**

Okay thanks, that is all from my side. Parul we can just take if there are further questions, because Hitesh's line had got disconnected.

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**Moderator**

Yes madam, he is back in the queue, I will just release his line. Mr. Zaveri.

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**Hitesh Zaveri**

Yeah thank you, I just got cut off a couple of times, may be we need some Sasken software here. Sir my question is what is the cash on the books as of 30<sup>th</sup> September, 2005, and Rajiv if you could you know talk about a couple of things which is what is the acquisition strategy that you have, would you have active would that be, and do you see some opportunities in the near terms for the same? And secondly, when the clients come and see you and what kind of competition that you witness in those accounts that you see at this time, especially the ones that you would be adding from your pipeline at that time?

**Rajiv**

I will have Neeta answer the question on the cash.

**Neeta**

Yeah. See we got to look at cash as well as investments, because we have deployed most of the cash that we raised in investment, so we had Rs. 84 million of cash as at 30<sup>th</sup> September, and we had Rs. 201 million invested. I am sorry, that is Rs. 2015 million invested.

**Hitesh**

Sure, thanks.

**Rajiv**



On the acquisition M&A side of the thing your question, the short answer of course is that we do not have any thing specific that we are targeting or that you would hear us making any announcements on, otherwise we have under Swamykrishnan, who is our CMO, a group which continuously looks and evaluates on an ongoing basis, and if and when such situation arises we will look at that, and stand by our stated objective that we would look at such opportunities primarily based on one of course financial discipline to ensuring that there is cultural match, and three, that it indeed helps either with acquiring new customers or acquiring the new capabilities which allows us to take it into our existing as well as the new customer base.

Coming to your question on competition, we do compete with tier 1 in this space, particularly on all the different sub verticals that we address in a market place, the network equipment manufacturers, the semiconductor, and the handset as well as the service provider sides, so typically our competition is tier 1 besides of course the others who are also focusing in this space, but we do compete and we are winning in specific cases.

**Hitesh**

Right. Does clients have preferences in any way for the size apart from the domain competence?

**Rajiv**

I think in our opinion domain competency plays a significant role, of course size does matter, but I think we have scaled up to a size which makes the customer comfortable, one, and two, we have shown consistently on our ability to scale up and also deliver on complex product lines worldwide, so I think we have created a good image in all the different sub verticals working with the tier 1 players for us to be able to win in this form.

**Hitesh**

Right. And lastly you know 3-5 years down the line, would you see your services business growing rapidly and the services business when we look at the tier 1 players there the growth rates has been pretty good, and do you see yourself playing a similar game on the services side?

**Rajiv**

Our services play is not tactical, it is very strategic, as I said, with our singular focus in telecom, we believe our strategy is to continuously connect the dots in the telecom value chain and offer greater synergy to our entire customer universe. Ultimately, whether it is services or IPR based revenue model, it is a business model, but basically what we are aiming is go beyond the business model and see what is the more value add, how can we make our relationship more sticky, as well as how can we add more value to not our customers alone but to our customer's customers. Just to remind, we are doing R&D services, which is not just ending with them, actually whatever we do gets passed on or is actually done for the end market.



**Hitesh**

Right, thank you so much and good luck to the management team for the future.

**Rajiv**

Thank you so much.

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**Moderator**

Thank you sir. We take our next question from Mr. Vinay of KR Choksi.

**Vinay**

Just one question. Sir what does the management feel in the future which segment would contribute the highest level of profits, is it services or products, say FY07 or FY08?

**Rajiv**

If you look at the EBIDTA level, definitely we expect products IPR to deliver higher margins.

**Vinay**

Sir in terms of absolute profits which segment would be larger?

**Rajiv**

I am not able to make that prediction.

**Vinay**

Okay thanks.

**Moderator**

Mr. Vinay?

**Vinay**

Yeah I am through with it.

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**Moderator**

Okay, thank you sir. At this moment there are no further questions from participants. I would like to hand over the floor to Ms. Priya Rohira.

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**Priya Rohira**

Analyst call transcript

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Parul, just appreciate the point that if you could just see if there are any questions from the international bridge?

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**Moderator**

Zenab, are there any questions?

**SingTel moderator**

There are no questions Parul from us.

**Moderator**

Okay, thank you. Priya.

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**Priya Rohira**

Yeah, we can take those questions.

**Moderator**

Madam, there are no questions.

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**Priya Rohira**

Okay, fair enough. I would want to thank all the participants for joining us for this conference call and at the same time I would want to hand over the thanks to the management team at Sasken Technologies for taking their time in order to discuss the Q2 FY06 earnings performance. Over to you Rajiv.

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**Rajiv**

Thank you all for participating in our maiden conference call. Look forward to having you more and more. If you have any further questions, do feel free to write to us, and I am sure we will be able to provide more detailed answers. Once again thank you so much.

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**Moderator**

Thank you sir. Ladies and gentlemen, thank you for choosing WebEx's conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.

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