"Q1 FY11 Conference Call of Sasken"

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SPEAKER: **Rajiv Mody – Chairman & CEO, Sasken**
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T.K. Srikanth – Vice President, Business Development
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Moderator: A very good morning to all of you. Thank you for standing by and welcome to this Sasken Q1FY2010 Conference Call presented by Mr. Rajiv C. Modi who is the chairman and CEO, Sasken. At this time, all participants are in a listen-only mode. Before we begin we must point out that certain statements made during the call concerning future growth prospect may be forward looking statements. Please read the Safe Harbor clause in the presentation for full details. I will now hand over to Mr. Rajiv Mody. Mr. Mody will take you through the financials and the highlights of the quarter followed by a Question & Answer session. Over to you, Mr. Mody.

Rajiv Mody: Ladies and gentlemen, good morning to you all. It's my pleasure to welcome you to the Conference Call to discuss the business performance of Sasken group for the first quarter ended June 30th 2010. Before we begin we must point out that certain statements made during the conference call concerning our future growth prospect are forward looking statements. Please read the Safe Harbor clause in the second slide of our presentation for full detail. I am joined on this call by my colleague, Neeta Revankar, CFO and Global Head for IT and Administration and Executive Director to the Board; Dr. G. Venkatesh, CTO, Head – Worldwide Delivery and Capability, and Executive Director to the Board of Sasken; Rajesh Maniar, Vice President, Finance; and Dr. T.K. Srikanth, Vice President, Business Development.

Let me begin by taking you through our financials for the first quarter ended June 30th 2010. The consolidated revenue for the Sasken Group for the first quarter grew by 4.5% over the corresponding quarter in fiscal 2010 and declined by 5.2% over the previous quarter, Rs. 145.7 crores. Earnings before interest, depreciation, tax and amortization for the first quarter fiscal 2011 was at Rs. 28.2 crores, a growth of 3.4% over the previous quarter and 17.3% over the corresponding quarter in the previous financial year. Consolidated PAT for Q1 fiscal 11 was at Rs. 23.1 crores, higher by 5.7% over the previous quarter and up by 14% over the corresponding quarter in the previous year. PAT margins for the quarter was at 15.8%. Software services revenues for Q1 dropped 7% in Rupees terms over the previous quarter to Rs. 133.4 crores. EBITDA margins for the services business for the quarter were at 19.1% while the consolidated EBITDA expanded to 19.3% from 17.7% of the previous quarter. The consolidated earnings per share for the first quarter increased to Rs. 8.5 from Rs. 8 in the previous quarter. The services revenue is delivered in EPS of 8.22 for the quarter.

Cash and cash equivalent as of June 30th 2010 was at Rs. 196 crores. The consolidated headcount as of June 30th 2010 stood at

3284, a net add of 131 for the quarter. As part of our accounting practices, that can reduce the goodwill in the books of accounts every quarter. Given the uncertainty of the quantum of software and hardware businesses, from our Finland subsidiary and the economic situation in Europe and as a matter of abundant caution, we have decided to impair the goodwill by Rs. 130.6 crores. Based on the honorable Karnataka High Court's order in March 2010, which allows us to set up the impairment loss against the reserve, we have offset this amount. Again the business restructuring reserve created in the books. The management is confident that Sasken will continue to benefit from our unique ability to service the express need of our key European customers to outsource to a blend of near and offshore locations. Our ability to extend deep domain competencies, optimal location price will help us retain our position as a strategic supplier to all these customers. The velocity of our business growth in comparison to what we forecasted earlier may be slightly muted due to challenges faced by some of our key customers across our business segments. This may result in somewhat lower growth estimate than earlier forecasted and is now expected to be in 10-12% over fiscal 10.

I will now highlight the progress and key achievements that Sasken has made since our last quarterly call. Sasken has emerged as the partner of choice for key tier 1 customers and is providing testing services on their primary feature phone platform. In the near term, this will help us expand our range of offerings and consolidate our position as one of the leaders in the mobile handset space. We have made investments in building specific competencies on the android platform and we are keenly pursuing large opportunities in this potentially high growth area. Our China's operation has successfully commenced commercial engagements with key tier 1 handset vendors. This augurs well for us than build on our multisided optimal cost capability strategy allowing us to expand our portfolio of offerings to both the existing and prospective customers in this region.

Satellite phone designed by Sasken for the GSPS programme was launched as a part of the commercial service introduction. This milestone was achieved as per plan with the launch being announced in Communique Asia Conference in Singapore. As a result of this, we are seeing increased traction in the satellite segment. Our efforts to expand into the consumer electronic adjacent is showing positive result with the integration of Ingenient business in full customer support and the cost efficiencies achieved in the last quarter. As mobile services have become ubiquitously available in India, we have consciously decided to explore opportunities in the Indian market. With the launch of the way of Vyapar Seva multimodal platform that incorporates web technologies, SMS in multilingual voice response systems, we are targeting to address the challenge of inclusive growth. This platform proposes to serve woman self-help groups and by enabling them to offer products and services direct to consumer and to enhance the profitability and sustainability of their business.

Now I will cover key trends in the communication industry is witnessing in the near to medium term. Mobile devices will inter-work with servers to create rich user experience by harnessing contextual awareness. However, these devices will continue to act both independently and in the network mode and mobile devices may not always be connected to a land mobile network. In the future, memory and confidential power of devices will be leveraged alongside server site capability enabling services to use the most efficient and responsive resources at any given time. The limited bandwidth of wireless network is being heavily taxed by the rapid increase in data use. With the increase in uptake of smart phones and wireless 3G modems that are used in conjunction with net books, data has far surpassed twice as the leading bandwidth user. We are investing in building capabilities and technologies that will effectively deliver and distribute video or wireless channel coupled with innovative applications that will enable streaming and sharing media for both retail and enterprise customers applications.

The Semiconductor Industry Association reported strong growth in worldwide sale of semiconductors which is reflected in increased traction in this segment. A key win in this quarter has been the setting up of a strategic centre for chip design services for key Q1 semiconductor customers and we are also pushing deals with certain new customers in this segment to diversify our customer base and consolidate our position further.

To conclude, I wish to state that we continue to invest in building capabilities that would help differentiate our offerings, respond to market opportunities with agility and flexibility while fostering collaborative customer relationship across the communication R&D services value chain. Thank you and over to you for Q&A.

Moderator: Thank you, sir. At this time, if you wish to ask a question, please press “0” “1” on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, you may press “0” “2”. I will repeat “0” “1” to ask a question and “0” “2” to cancel your request. Our first question comes from Mr. Kunal Sangoi from Mumbai, Edelweiss Security.

Kunal Sangoi: Thanks for taking my question. Sir, if you can just update as on the current quarter revenue – you know, what led to 7% decline in

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services revenue? What is the volume and what is the currency impact on revenue?

Rajeev Mody: There are three primary reasons for the decline in the current quarter revenue. One is like you said because of the exchange particularly the Euro, Dollar movement during the quarter. Second is some volume decline because of the delays that we have seen from some of our European customers in taking their decisions. And third one has been because of attrition. So I think overall the fact is that we are impacted and we are closely watching those factors very carefully to ensure that we deliver what we have guided the market right now in terms of achieving our 10-12% growth for the full year.

Kunal Sangoi: Okay. With respect to volume decline, did you face it in particular segment of the services that is a network segment or the handset segment? Which segment led to our decline?

Rajeev Mody: Two things: One, it's the network segment because as you know we had announced to the market during our last call that we will exit some of the non-strategic accounts and we did that in the first quarter and that had an impact on the overall volume, which we were planning to make it up by two things. One of course is the volume growth itself. But on the negative side, what has hit us during the quarter which we had not planned for was the exchange rate movement as well as the slightly higher attrition than we had anticipated.

Kunal Sangoi: Right. And essential decline in the revenue growth outlook is primarily because of delay from European customer?

Rajeev Mody: That is primarily being the case that we are weak vessel. The trend is positive. More and more work is moving to the low cost locations from the high cost locations. So we also have during the quarter seen some of our high cost location revenues getting re-affected to low cost locations, which has impacted the top line but it is definitely helping us in improving our margin.

Kunal Sangoi: Right. Second question is with regards to margin. How do we lok at margin going forward given the fact that salary hikes will kick in from this quarter onwards and obviously because of the attrition the cost of employees also may tend to up.

Rajeev Mody: I will request Neeta to answer that question.

Neeta Revankar: Rajeev already communicated to us. Salary revision is in fact from July 1. So we will expect a margin decline on account of this revision in quarter two. But as you know, we have other factors in our control which is really utilization, the business mix, billing wave. And we are expecting to use all these levers to help us improve our margin from quarter three onwards. The expectation is that for the whole year we should be able to maintain margins at the level guided at the beginning of the year. As Rajeev mentioned earlier, the business mix shift in terms of onsite and off shores, a lot of business moving from overseas locations to India is also going to help us improve our margins.

Kunal Sangoi: Okay. That's all from my side. Thank you.

Moderator: Our next question is from Mr. Rishen Goswamy from Locus Investment Delhi.

Rishen Goswamy: Just on the revenue guidance now, how confident are you meeting the 10-12% guidance in terms of your interaction with the existing clients and the business that you expect to win going forward? What kind of dialogues you are having with the client? What is the confidence that you will be able to meet this 10-12% guidance? Is the chunk of the business already under talks with you or how is it? Just some clarity and thoughts on the revenue guidance going forward.

Rajeev Mody: We are absolutely confident of achieving 10-12% growth in dollar terms across the globe. We have seen increased traction like we say primarily from a lot of work moving into India and China and we are in active discussions and conversations with our existing customers and the newer customers that we are opening into primarily in the automotive and the consumer space to meet that target, that goal that we are guiding the market with. Having said that, we are also seeing increased traction because of our successful delivery of our Inmarsat phone to Inmarsat. They have launched in the market. I am sure you probably read about it. They have launched it and initial reactions are very positive from the market itself and we expect their follow-on activities on those devices as well as newer devices and we are in active conversations along that line, not only with Inmarsat but newer customers in the satellite segment overall. And as you probably know these are slightly longer sales cycles but these are significantly large orders and they have longer timeline horizons for execution. So we expect those things to also fructify in the next 2-3 months and based on all of the above we definitely believe we will at least meet this and targeting if we can deliver more on this.

Rishen Goswamy: Okay. Thanks. Just on the trend, the last few quarters have been a bit of muter in terms of growth overall. So is it vendor consolidation that's becoming a challenge for you to grow or what are the challenges that you are facing in terms of revenue growth coming in?

Rajeev Mody: Primarily, if you look at our quarterly numbers, we have seen growth coming over the last three quarters. If you look from Q2 to Q3 and Q3 to Q4, we have seen growth now. Now Q4 to Q1, there was a drop because one of the major milestones got accomplished on one of our fixed price programme in Q4 and simultaneously we were impacted on three counts like I described earlier. One is, we had some volume drop primarily because the customers on certain areas like I explained earlier which we had proactively decided to exit because they were non-strategic image. And second thing that was not planned or we didn't anticipate was the currency movement and the rise in the attrition level. To be very honest with you, over the last 3-4 months, we have seen a significant change overall in the market itself. The rate has matured. The hiring has increased. It was completely unexpected and unanticipated. So we were completely taken by surprise on the rise. So much of rise in attrition, because of which there has been some billing leakage over the quarter.

Rishen Goswamy: Okay. I will come back for more if I have.

Moderator: Our next question is from Mr. Dhananjoy Misra from Sushil Finance, Mumbai.

Dhananjoy Misra: Good morning to all of you. Congrats on the good set of numbers. My question is regard to this present subsidy where we recognize 130 crores impairment losses. How much we have invested in this company till now?

Neeta Revankar: If you remember, we have about a little over 200 crores invested in the company over the last four years. And basically what we have done in this quarter is that we have looked at the uncertain European situation and the deferring of decisions by customers. On account of that, we thought it better and prudent because of the impaired investments that we have. But of course we continued to do whatever we can to ensure that the long term business from the European region continue.

Dhananjoy Misra: Okay. So it's only because of this European market condition. This is done.

Neeta Revankar: That's correct.

Dhananjoy Misra: Okay. My next question is regard to our consumer business. We acquired Ingenient Technologies. How that business is doing?

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Rajeev Mody: Previous business that grows from quarter 4 to quarter 1 and we expect now that this will stabilize in the range that we actually demonstrated in the quarter 1. Cost-wise what we have done really is that we have moved a lot of the goods that we were delivering from the US and now we are delivering that out of our India centre, primarily the Pune centre. So we have brought the cost of that centre down and the business started showing in the profit from the current quarter.

Dhananjoy Misra: Okay. And what is your hedging right now?

Rajeev Mody: As you see, at the end of the quarter, we had price segregating to really $45 million hedged at an average rate of around Rs. 47.

Dhananjoy Misra: Yes. Okay, thanks. That's all from my side.

Moderator: We will take our next question from Mr. Neerabh Dalal, Capital Market, Mumbai.

Neerabh Dalal: Good morning, sir. I just wanted the dollar number for the product business.

Rajeev Mody: Dollar number for the quarter one is $2.7 million.

Neerabh Dalal: Okay. And the Ingenients' number would be in the product business?

Rajeev Mody: Yes, it would be in the product business but we will not disclose it separately. Yes, Ingenients' business would reflect in the product. It would include royalty as well as any licensing fees that we have signed up.

Neerabh Dalal: Okay. Thanks a lot.

Moderator: Our next question is from Mr. Neehar Shah from Enam Holdings, Mumbai.

Neehar Shah: Good morning, sir. I had a couple of questions. My first question was, last quarter you had given a growth guidance of around 20%. What led to the lowering of guidance? Was that some specific client issue or can you just elaborate a little on that? And my second question was in terms of your cost structure. Your cost of revenues was down quite substantially Q on Q. Can you give me a breakup of why that was the case?

Rajeev Mody: Okay. So let me answer your first question and then I will request Neeta to answer the second one. On the first one, we had guided the market at 16-18% in dollar terms in our Q4 and the full year conference call. From there we are right now guiding at 10-12% primarily because of two reasons. We are seeing the attrition which is kind of impacting in certain billable areas where we have seen impacts coming because of increased rate over there. Second reason also is because we exhibit some of our non-strategic accounts which have had an impact on the revenues top line. And third reason is in the last month, month and a half we have seen some slowness in the decision making primarily from the European customers because of the fact that they themselves are re-vectoring their next growth strategies and due to that we are seeing. But overall the demand in India is increasing significantly. So there is a mixed change happening simultaneously from high cost location to low cost location and we are serving that growth quite aggressively. So those are the few reasons that I can kind of elaborate on for us to re-look at this guidance overall. And coming to the second question, I will request Neeta as to what's the reason for the decrease in cost from Q4 to Q1.

Neeta Revankar: Actually the answer to this question also lies in what Rajeev said. That the mix is changing significantly towards India. So cost in overseas locations is getting replaced by Indian cost. And that is the single largest reason for the cost reduction that you are seeing.

Neehar Shah: Can you give us a breakup of either your revenues or your efforts on an onsite offshore business for this quarter and previous quarter?

Neeta Revankar: We have as part of our presentation which displays onsite revenue as 28%. And quarter it changed I think from 27 to 28%.

Neehar Shah: Okay. And my last question would be on the attrition side. Is the attrition much higher in your network business? Since you are exiting out of a lot of accounts over there, can you sort of tell us what's the attrition there and what's the attrition in your handset business?

Neeta Revankar: We don't really tract attrition by each of our businesses. In fact the increase in the first quarter that you are seeing has been significantly on account of higher attrition in the

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network sales. As we mentioned that we did exit business from our non-strategic accounts in the network site. We did have a higher amount of attrition over there. Going forward actually we do see attrition continue at this level and slightly higher during this current quarter two and we expect to moderate only from quarter three onwards. As you are aware, we did our salary revisions in July 1. And the way we have done it predefines the reward philosophy itself. We benchmarked our competition with industry and we also improve the linkage of reward with performance. The other action that we have been doing over the years is that we have continued with our promotion. A number of actions that we have taken, we believe, will help in bringing attrition down to better level in the near term to one or two quarters. Apart from that we continue to take some structure changes in the way we engage employees. Over three to four quarters' period, I guess we will see some impact of that in bringing attrition down to industry standard.

Neehar Shah: Sure. Can you give us what's your wage hike given from July 1?

Neeta Revankar: The wage in India went up by about 12%. Globally, the impact on us will be 6%. And so impact on EBITDA will be around 3-4% which we will manage both through improving our pyramid and by monitoring our utilizations carefully. We have been inducting over the last couple of quarters. A large number of freshers into Sasken and they are currently undergoing training, which is why you see utilization at the level that it is right now. And the expectation is that the benefit of this improved pyramid will be visible to us in quarter three and quarter four. And that's how we mentioned that we expect to improve margins.

Neehar Shah: Thank you so much.

Moderator: Our next question is from Ganesh from Kim Eng Securities, Mumbai.

Ganesh: Thank you for the opportunity. Most of the questions are answered. I would like to know what is the traction you see in your new business basically the consumer durables and auto segments.

Rajeev Mody: We have started to see whatever efforts we have put in over the last two quarters fructifying into real business. So we will see revenues coming out of those newer engagements and those newer areas starting Q3 and Q4. And I will request my colleague T.K. Srikanth to probably elaborate a little more on that.

T.K. Srikanth: What we have done over the last two quarters, like Rajeev said, is leveraging on the customers that had got for the Ingenient acquisition. We have been able to position our overall Sasken proposition to these customers are predominantly consumer electronic devices and automotive electronic solutions mostly in Japan, Korea. And we have started seeing a heavy traction there. We have started signing up customers not just for the product business but also services around that. So Q3 would start seeing impact of this more explicitly but there is a very significant improvement in our traction compared to where we were two quarters back.

Ganesh: Okay. Thank you. One last question. Is it the attrition rate increasing due to any kind of value differential between you and your peers or is it some other reason?

Neeta Revankar: Actually, we have already covered that. What we have done is, with this salary revision we have reached the wage gap between us and our competitors. Now it's important to understand who are our competitors. They are other Indian IT companies which are the in the similar space and of a similar size. We are very clear that we cannot match the compensation standard of the multinational companies who are also our customers and who are operating in India.

Ganesh: Okay. Thank you.

Moderator: Thank you, sir. There are no further questions in the queue. So I would like to remind the participants if you have a question, you can press "0" "1" on your telephone keypad and wait for your name to be announced. Our next question comes from Mr. Neerabh Dalal from Capital Market, Mumbai.

Neerabh Dalal: Good morning, sir. I just wanted to know, you spoke about moving work from onsite to offshore. Has that started?

Rajeev Mody: Yes, that has already started in a significant way.

Neerabh Dalal: Okay. Because shift doesn't seem much for the first quarter.

Rajeev Mody: But you will start seeing that getting reflected more in the coming quarter.

Neerabh Dalal: Okay. Is there any number that you are seeing, you know?

Rajeev Mody: In terms of what will be the onsite-offshore mix?

Neerabh Dalal: Yes.

Rajeev Mody: All we can tell you is, it's going to be approximately in the 80:20 range.

Neerabh Dalal: Okay. So it's at the end of the year?

Rajeev Mody: Yes, towards the end of the year. You will see more faster growth happening in the low cost locations compared to the high cost locations. That trend you will observe. We have not seen any impact on our rates or any such thing. As a matter of fact, rates remain stable and are looking healthy.

Neerabh Dalal: Okay. Thank you.

Moderator: Our next question is from Mr. Amish Khanani from JM Financial, Mumbai.

Amish Khanani: I just wanted to understand whether the slowness that you have observed, is it largely coming from one of your key clients who is having hedging in terms of financial performance and whether that is a threat to you or you see that as an opportunity in the sense that we have been hearing that they would want to outsource more and more from low cost locations.

Rajeev Mody: While we have not commented specifically on any customer, we can say clearly that the trend is in favour or significantly in favour of outsourcing more and more particularly to India and China and we are capitalizing on that trend and expect to capitalize on that in a significant way in the coming quarter.

Amish Khanani: Sir, what is the EBITDA? What is not clear to me is that you know if you see last one, one and a half month, post this Europe effect and otherwise also before that the situation in Europe was seemingly improving and you were saying you know… since you have guided us in the fourth quarter. You have been lowering the guidance. So what has changed? In the last four to six weeks situation, it seems to have been improving. So my question is, what is the client level that you are hearing which is giving you more concern whereas the key headlines from Europe… is the margin improving?

Rajeev Mody: What we are seeing is that the European customers are deferring one their decisions about what amount to do in the European region. Deliveries have been… some are European regions. So that's the part that is getting affected because of this decision being deferred of what they want to do in Europe. But in terms of the long term trend of how they will do work in low cost locations like Indian and China, they continue with the healthy trend. That also is doing. We have seen a growth from the same customers in Europe in respect to what they want to do in India and China but in terms of their investment in Europe itself, there is a bit of slowness.

Amish Khanani: Okay. Thanks.

Moderator: Our next question is from Mr. Dinesh from Aditya Birla Money, Mumbai.

Dinesh: Good morning all. Congrats on the good set of numbers. I have a couple of queries. One is, can you give me the reason for the drop in the 7% in telecom software services? And the second question is, can you give us some light on your macro level outlook on service business for all the semiconductors or network and handset?

Rajeev Mody: The reason for the drop was explained earlier but primarily it's because of three reasons. One is, because we exited some of our non-strategy customers. We are expecting that we could replace those revenues by customers from other accounts but that replacement has not happened. The main reason is that we have seen a slightly increased attrition. We are starting off aggressively but a lot of our staffing is based on bringing in freshers and training them and bringing in relatively lesser experienced and training them. So that has a time lag. So the increased attrition in some sense has heated up in terms of our ability to start staffing some of the new opportunities. It is not really a demand situation. It's more about our ability to sound the demand that we are seeing coming to India.

Dinesh: Okay. As you said, three points. Right? One is, non-strategy customers' exit and attrition. And another one is?

Rajeev Mody: Primarily, European slowness that we are seeing, the decision making that is slowing down in respect to the work that our European customers want to do in the European region. We have every centre in the European region and we are not seeing the workflow to that centre.

Dinesh: These are the three reasons. Okay. On a macro level, sense for service business?

G. Venkatesh: Service business continues in terms of the offshoring and moving of R&D into India and China. It continues to remain pretty robust. We are seeing very strong growth in our handset space. Semiconductor industry is rebounding as far as we can see. Almost all semiconductor companies are showing healthy growth on 19-20% in terms of revenue growth and their R&D spends are also correspondingly showing increase and it's helping us in terms of our show that comes to us. Fortunately, both semiconductor and handset space are showing positive and they started to enter some of these new spaces like consumer electronic and other segments. It should also start showing some growth but they will end up this eventually.

Rajeev Mody: To elaborate a little more, I mean, you have seen that we have had net debt of 135 people for the full quarter. Because of the higher attrition I mean… if it was not for the slightly higher attrition, we could have used them to fill in newer opportunities rather than to protect the existing opportunity. To kind of also let you know, we have cranked up and we are focusing very heavily on two things. One is of course, recruiting freshers as well as laterals and training them and that Ingenient is cranked up in delivering month-on-month on an increased basis. So we are working and confident on that and like my colleague GV said that the decision making of the work that needs to be done in the European region is what is the concern which we are kind of reflecting and evincing some of our top line guidance.

Dinesh: Okay. She was saying that our semiconductor business is on the rebounce and you are expecting a healthy growth from that. What kind of a growth we can expect from that level, sir?

Rajeev Mody: We are not actually any more giving guidance by segment.

Dinesh: Overall industry I am saying.

Rajeev Mody: Overall industry, industry as a whole is growing 19-20% in 2010 calendar compared to 2009 calendar. R&D spends are likewise also growing.

Dinesh: Can you give the numbers, sir? Your voice is breaking.

Rajeev Mody: 19-20% growth our industry is reflecting in 2010 versus 2009.

Dinesh: Okay. On your handset, sir?

Rajeev Mody: Handset industry is growing relatively slowly but if you look at the Smart Phone segment it is showing a very healthy growth. It's in double digits growth and will continue to do that for the next 3-4 years. And what's more interesting is that the R&D component that is there is kind of getting re-vectored to the Smart Phone and the services category. So we are seeing a big increase in the R&D spending with Smart Phone by another company. A lot of that is getting pulled out also to robust country.

Dinesh: Okay. That's all from my side, sir. Thanks a lot.

Moderator: Thank you. Sir, currently there are no further questions in the queue.

Rajeev Mody: Well, if there are no further questions, I would like to take this opportunity to thank you all for joining. The key message we would like to leave with you is definitely we have seen from the market perspective a lot of traction for customers to move to the low cost locations. There is slight slowness in the decision making particularly in the European region. We are focused on delivering the numbers that we have guided the market with. Profitability, we are saying that we will maintain overall for the full year at the EBITDA margins that we had informed at the beginning of the year. Salary increases we have delivered to the organization and expect the attrition over the next few quarters to come down. And we have cranked up our recruitment, training engine, and expect that will start delivering our necessary growth that we are targeting. Successfully delivered the ISAT phone to the market which has created a unique position for us in the market itself and for the traction for us to grow in that space which we expect to deliver on. Also at the adjacent spaces as well as the automotive and the consumer like we described. We have started to see action as well as revenue from there overall. Products business has delivered 2.7 million and going forward we expect to maintain at least $2 million revenue on a sustained pace with higher profitability margins.

So that is kind of in a nutshell the message we are leaving overall for the delivery that we have planned during the quarter. Once again thank you all and appreciate you joining on the call. Look forward to seeing you again in the Q2. Just to let you all know, Q2 traditionally is a quarter where we have lower revenues primarily because of the slowdown or the vacation period that we normally have in the frontal region. So just to kind of close that and let you be informed about that. Once again thank you all.

Moderator: Thank you. This concludes the conference call for today. Thank you for your participation and have a pleasant evening.