“Sasken Communication Technologies Limited Q2FY11 Earnings Conference Call”

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SPEAKERS:	**Rajiv Mody**	**Chairman & CEO, Sasken**
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	Rajesh Maniar	**Vice President, Finance**

Moderator: Very good morning to all of you. Thank you for standing by. And welcome to the Q2FY2011 Earnings Call of Sasken. Before we begin, we must point out that certain statements made during the call concerning Sasken’s future growth prospects 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 C Mody, who is the Chairman and CEO of Sasken. Mr. Mody will take you through the financials and the highlights of the quarter followed by a question and answer session. Over to you, Mr. Mody.

Rajiv Mody: Thank you, Swetha. Ladies and gentlemen, good morning to all of you. It's my pleasure to welcome you to the Conference Call to discuss the business performance of the Sasken Group for the second quarter ended September 30th, 2010. I am joined on this call by my colleagues, Neeta Revankar, CFO and Global Head-HR, IT and Administration and Executive Director to the Board of Sasken; Dr. G. Venkatesh, CTO, Head of Worldwide Delivery and Capability, and Executive Director of the Board; Rajesh Maniar, Vice President, Finance; Dr. T.K. Srikanth, Vice President, Business Development; S. Ramaraj, Senior Vice President, Head of the Asia-Pac and America's Operations; and Ramesh, the Vice President HR.

Let me begin by taking you through our financials for the second quarter ended September 30th 2010. The consolidated revenues for the Sasken Group for the first half of the current financial year grew by 6.6 % in dollar terms and by 1.6% in rupee terms, over the corresponding first half of the previous financial year. Revenues for the second quarter dropped by 1.4%, over the corresponding quarter in fiscal 2010 and declined by 8.2% over the previous quarter to rupees 133.8 crores. Earnings before interest, depreciation, taxes and amortization for the second quarter fiscal 2010 was at rupees 24.2 crores, a decline of 14% over the previous quarter, and 7.6% over the corresponding quarter in the previous financial year. Consolidated PAT for Q2 fiscal 11 was rupees 15.7 crores, lower by 31.8% over the previous quarter and by 3.9% over corresponding quarter in the previous year. PAT margins for the quarter was at 11.7%. Software services revenues for Q2 dropped 10% in Rupee terms over the previous quarter to Rs. 120 crores. As we had guided in the last quarter, we have invested for growth in the second half of the year. And EBITDA margins for the services business for the quarter was lower and stood at 15.6%. The consolidated earnings per share for the second quarter was Rs. 5.7 and Rs. 14.7 for the half year. Cash and cash equivalent as of

September 30th 2010 was Rs. 205 crores. The consolidated Sasken headcount as of September 30th 2010 stood at 34.71. We see our customers are engaged on the process of moving work from high cost locations to low cost locations. What it means for us is in the short-term, we have to deal with the decline in the quantum of work at high cost locations and continue to engage with them through their planning cycle to move business to low locations. We continue to see increase in the quantum of RFPs of these companies and this will offset some of the decline that we have currently seen in the high cost locations. The product business revenues and margins will continue at the H1 levels. The Board has approved a buyback of the shares to the extent of Rs. 34.5 crores, with a maximum price of Rs. 260 per share. This is reflective of management's view that our current share is currently undervalued, our strong cash position gives us the leeway to buy back our shares to the extent approved by the Board. The Board also has approved an interim dividend of Rs. 2.5 per share.

Employee compensation was revised with effect from July 1st. The changed compensation framework was well received by employees. Focused efforts are on to retain key talent through innovative measures. Actions have also been intensified to help individuals to manage their growth and career aspirations. Across the board, we have heightened our employee engagement through increased leadership communications with employees and a series of targeted initiatives such as employee recognition performance-linked reward system, managerial training and we expect these initiatives will stem attrition in the next few quarters.

To conclude, we are optimistic about seeing return to growth during the later half of the financial year and we continue to make investments in the areas of smartphones, long-term evolution and Datacom to enable us to benefit from the increased R&D spends, which are becoming visible. Our move to address market adjacencies including consumer electronics, defense, space and automotive will begin to pay dividends in the coming few quarters.

Thank you for your attention and now I'll hand over to Swetha for question and answer.

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 in the call. If you wish to cancel your request, you may press “0” “2”. I’ll repeat “0” “1” to ask a question and “0” “2” to cancel your request. Our first question comes from Shradha Agarwal from B&K Securities.

Shradha Agarwal: My first question is, when you gave the guidance for the full-year, I mean when you gave the revised guidance for last quarter, was this kind of weakness for second quarter already built in or were you surprised by 10% decline in services revenue?

Rajiv Mody: When we gave the guidance for the full-year at the end of our first quarter results, we had not anticipated the significant drop that we saw particularly in the high-cost locations that our customers moved in to see the volume drop. We had not anticipated that. We had expected that to continue because that was the visibility that was given to us. However, we definitely were a bit surprised when the volume started dropping in the high-cost location with a significant emphasis to move towards the low-cost location. Second thing we had not anticipated was certain fixed price programs were coming to an end, which we were aware of in Q1 and we were expecting that for the closed ones, the newer follow-on would happen in Q2, there has been a slight delay in that. It’s not that we have seen any pull back or programs being cut, it is just there is a delay in that and we expect that in Q3 and Q4 these things will fructify and see revenues come from it.

Shradha Agarwal: Sure, so I mean again following up on the previous question, so were you kind of building in a positive growth momentum or were you anticipating decline, if not 10% kind of a number?

Rajiv Mody: Can you repeat that? I missed your question.

Shradha Agarwal: I mean, when you guided the market for revenue in the last quarter, were you building in a revenue momentum, I mean positive revenue growth for this quarter or were you building in a decline, if not a decline as steep as 10%?

Rajiv Mody: No, we were expecting a decline. However, we were building in the momentum for growth basically and that's reflected in the head count that we continue to add.

Shradha Agarwal: Right. And, so among the three major sub segments, which sub segment took you by surprise?

Rajiv Mody: I think primarily on the -- if I'm at high-cost movement, the mobile and the semiconductor definitely took us by surprise. The satellite piece, as you know, we concluded and delivered. And we were expecting the follow-on thing to happen and start yielding revenues in Q2. Now there's a slight delay in that and we expect that to start in Q3 and Q4.

Shradha Agarwal: Right. So, then how would we read the guidance for FY11? Do we still maintain a 10 to 12% kind of a revenue growth in dollars for FY11 or is there some change in the guidance now?

Rajiv Mody: We definitely see a change in the guidance now. We expect the overall 5 to 6% growth from FY10 to FY11. However, we see 10% growth from H1 to H2 in FY11, 10 to 12% growth we expect in FY11. So from H1 to H2, we expect that we'll grow by about 10 to 12%.

Shradha Agarwal: But for the full year we are now guiding for 5 to 6%.

Rajiv Mody: That is correct.

Shradha Agarwal: And how about margins, sir? Where do we stand in terms of margin guidance?

Rajiv Mody: Neeta, do you want to take that one?

Neeta S Revankar: As far as margins are concerned, we expect to retain the same margin band of 18 to 20% that we guided. During this quarter there would be a decline in margins. In the coming quarters, we have actually put in place a plan to recover. For the year we are maintaining same margin guidance of 18 to 20%.

Shradha Agarwal: Neeta, just a followup here, I mean looking at that attrition levels now, I mean our attritions have shot up quite significantly despite we taking a salary hike in this quarter. So, do we expect another round of salary hike to take down attrition?

Neeta S Revankar: We are not looking at salaries as the only way of dealing with attrition and increasing retention. There are a number of actions that we have been taking over the last six to nine months, and we further intensified the focus on them. And I think Rajiv already mentioned those actions in his opening remarks. So, I think we will stay with that and we will focus on other ways of increasing employee engagement and retention. We are not looking at any kind of re-review, it's just three months since we did the salary revision.

Shradha Agarwal: Right. And if I may just ask the last question, a book keeping question, Neeta, what would be the hedge cover at the end of last quarter?

Neeta S Revankar: We had about $43 million equivalent hedged at about 46 rupees, 86 paise.

Shradha Agarwal: And what would be the OCI balance in the balance sheet?

Neeta S Revankar: Sorry?

Shradha Agarwal: What would be the hedge reserve in the balance sheet, since we are now following cash flow hedging?

Neeta S Revankar: It's insignificant. It's like 30 Lakhs.

Shradha Agarwal: Okay. That's it from my side. Thanks a lot.

Moderator: Thank you. Our next question is from Ms. Harini from Mint.

Harini: Hi. I'd like to understand the rationale for your buy-back. Also could you help us with the cash on your books?

Rajiv Mody: Yeah. Our rationale for the buy-back like I said in the opening remark is that we believe our stock price – our share price is under valued and we have strong cash position to give us the leeway to buy back our shares to the extent approved by the Board. So we are looking at buying at the max price of 260 per share and max outlay of Rs. 34.5 crores. Today, we have close to 205 crores of cash in our company.

Harini: I thought you're also looking at acquisitions and since the acquisitions were unable to fructify, therefore you were looking to buy back shares.

Rajiv Mody: I didn't get your question, madam.

[Inaudible]

Harini: Were you also looking at acquisition?

Rajiv Mody: No. Acquisitions, definitely we have said in the past that we would look at selective, but I am sure now that we have announced the buyback there is a regulatory requirement that you do not change your capital structure for a certain period. So, I am sure we are not looking at acquisition as a method during the regulatory requirement.

Harini: Okay.

Rajiv Mody: Ma'am, you may want to put it on mute.

Harini: Yes, thanks.

Rajiv Mody: Thanks.

Moderator: Thank you. Participants, if you wish to ask a question, please press "0" "1" on your telephone keypad now. All right, our next question comes from Mr. Rohit Anand from PINC Research.

Rohit Anand: Yes, hi sir. Did you say the second half will grow at 10% higher than the first half?

Rajiv Mody: That's correct. 10 to 12% is what we expect the second half to grow over the first half.

Rohit Anand: But still sir if I take a 10% kind of rise in second half, still it gives a flattish kind of growth compared to last year. So, then why do we see a 5 to 7% kind of growth?

Rajiv Mody: I think our calculation shows that -- I mean essentially what we are saying is our product run rate would maintain the same run rate that we have in the first half.

Rohit Anand: So basically, you are talking about the full year growth.

Rajiv Mody: That is correct.

Rohit Anand: Full year H2 growth will be 10% higher than the first half?

Rajiv Mody: Just to make sure before I…

Rohit Anand: Because then the number would have to be 5% in that case, otherwise if the guidance is only for the services side, then you know it comes out to a flattish growth even if you take a 10% growth in the second half.

Rajiv Mody: That's necessarily correct. What you're saying is the services could potentially remain flattish year-on-year, but the overall growth will be there primarily because of our products growing from -- I think, products is growing better than the services side.

Rohit Anand: Okay, sir. Also, sir, if you can help us in terms of an outlook for the, you know three segments, mobile and handset and semicon and what's happening on that front?

Rajiv Mody: Like I said in the opening remarks, we are seeing continued demand both on the handset side, as well as the semicon side. Network side is stable now. Just to refresh everybody's memory, you know that we exited in some of the accounts, which were non-strategic from our point of view in Q4 and Q1, and of course there has been an impact on the volume because of that. But, overall, the network side looks stable and we are seeing RFP is also starting to come in the network equipment side and we expect to possibly win over there. But the demand particularly on handsets and semicon continues to be quite significant and of course the satellite side we have entrenched ourselves and see good growth coming in the next few quarters and the following years.

Rohit Anand: Just a last question, the top five clients have declined significantly, I mean, what is happening with the large clients? Is any specific client a problem or the top five clients are not doing good?

Rajiv Mody: No, I think we have seen that the top five clients continue to engage and grow in specific areas, but the other customers are also growing pretty well. And essentially, the other thing that has happened, which I described earlier is that we have seen some of the movement from high cost to low cost locations with some of our top five customers also.

Rohit Anand: Okay, sir. Thanks a lot.

Moderator: Our next question is from Mr. Biplab Chakraborty from B&K Securities.

Biplab Chakraborty: Hi, thanks for taking my question, sir. My first question is regards to your software products business. The margins have gone up significantly during this quarter. If you would just discuss how you're seeing the demand environment on that?

Rajiv Mody: Yes, so the margins have gone up significantly primarily because of two reasons. One is we have seen royalty revenues scale up in some of our engagements that we had signed up two or three years ago and we are starting to see results around that. We also have seen new licensing deal happening in some of the areas with customers. And third thing also is the fact that if you remember, we had acquired this asset in the U.S. in last October, Ingenient. We have rationalized costs so there and retargeted lot of activities out of Pune and that's yielding good results. So, overall, I think whatever we had promised and committed, we have kind of delivered and we see the revenues on royalties and all are continuing at least for this and the following quarter that's why we are confident of meeting the H1 numbers and H2. Beyond that, like you all know, it's as difficult to predict depending on what models and how shipment kind of shape out. So we're not making any definitive directional thing particularly for the following year.

Biplab Chakraborty: Sure, sure. That's very helpful.

Rajiv Mody: But margins will continue to remain northwards of 30% at EBITDA levels in our products business.

Biplab Chakraborty: Sure, sure. Sir, if you could also give some colour on how you're seeing the R&D spending panning out going forward?

Rajiv Mody: Like I said, we definitely continue to see that the trend where low cost is becoming more and more critical and a lot of work is moving. And just to highlight the point, we have seen increased attrition primarily because of that also because a lot people are finding opportunities, MNCs are growing and we are losing to some of them. So, overall, the trend is positive. We also, just to kind of act to it, increased our internal resourcing recruitment objectives by creating a strong training engine and ensuring that we recruit freshers as well as people who have one, one and a half year experience and take into our system, so that they are productive. And that is also reflected in the net gross adds that we have done during the quarter and we continue on that part of adding more and more people, so that we can meet the demands that is coming up in the marketplace.

Biplab Chakraborty: Thanks Rajiv. All the best for the remainder of the fiscal. Thank you.

Rajiv Mody: Thank you.

Moderator: Thank you, Biplab. Participants, I'd like to remind if you have a question, you can press "0" "1" on your telephone keypad and I will announce your name in the call. Our next question comes from Mr. Ganesh Ram from [indiscernible].

Ganesh Ram: Thanks for the opportunity. I just wanted to know that on the Q4 you have been giving the revenue guidance of 18 to 20% for FY11 and later it has been reduced to 10 to 12% in the last quarter and now around 5 to 6%. So, there is a major deviation, which has happened to this kind of decline in the revenue guidance more than like last two quarters?

Rajiv Mody: I think primarily the decline or when we began the year, there was definite expectation and optimism around based on the visibility that we were having with some of our customers. However, they themselves have gone through some changes. That has kind of reduced the outlay for the remaining year. But we expect that that should change in the new financial year, which will start from January. The second change that has impacted us also is the fact that lot of activities have shifted from high cost to low cost, so there has been a decline in value terms. That has impacted us. The third thing that has impacted us by the way is the high attrition. We had not anticipated and I remember in swap of this calendar year. We had taken a review of it and not expecting this kind of an attrition because of which we have lost certain billing during the last six months, which have impacted us. And fourth, like I said, there has been a slight delay in decision making on some of the areas that we have well entrenched activities, our customers taking little longer than what we had earlier thought that they would have a continuity based on whatever they were kind of projecting to us.

So, those four things largely are the ones in my view that have impacted us. Anything to be added to it, GV and Neeta? But we are not what we do call, what -- coming back to the point. We believe that the R&D outsourcing space will continue to grow. Yes, we have gone through the situation primarily because of the reasons I described. And going forward I think we will see the growth come back particularly value and volume growth in low cost locations out of for a year.

Ganesh Ram: Is the impact due to all the segments or is it only for any particular segment because of which you are reducing your guidance?

Rajiv Mody: Yes, right now, to be honest we are seeing growth or demand in all the segments.

Ganesh Ram: Okay.

Rajiv Mody: Today the biggest challenge from management's perspective is like we described making sure you retain your talent at the reasonable cost level so that you can run your business efficiently.

Ganesh Ram: Okay.

Rajiv Mody: Otherwise demand-wise we are not seeing a problem at all.

Ganesh Ram: What about the geographical break-up? You are looking at revenue coming from all the geographies, revenue increase from all the geographies? Just lost in the areas in which you would be getting your revenue growth from, that is both the products wise and geography wise?

Rajiv Mody: I'm sorry. Can you please repeat the question.

Ganesh Ram: We were discussing about where the incremental revenue, say the revenue growth would come from in the H2FY11 as well as FY12. From what kind of products and business segments as well as the geography?

Rajiv Mody: Yes, so like I was saying that and we are specifically talking about the growth in the services side, because on the product side we are saying that, we will repeat our performance from H1 to H2. So clear focus is on ensuring that we deliver volume growth in H2 or H1 in the services side.

Ganesh Ram: And in terms of geography?

Rajiv Mody: From geographical perspective, definitely we are seeing significant growth come in fees -- I mean, let me elaborate that a little bit, because a lot of our customers have local presence over here in India. And those customers are based out of either Europe or the United States. So, we do see growth coming in from U.S. and Europe, but we do work with their local setups over here as well as we work with them in their local home countries as well as their setups that they have globally. So, we are seeing honestly growth comes from our key customers across all regions. So, we are seeing growth coming in China for us. We are seeing growth coming in India specifically. So, those are two areas. However, we are seeing that in high cost locations, there is a significant movement to revector work out of high cost to low cost.

Ganesh Ram: My last question is when would the buyback would commence and what would be the dividend policy going forward?

Neeta Revankar: I think so. The public notice for the buyback will be given in about two days' time and we expect to start the buyback within two weeks from then.

Ganesh Ram: Two weeks?

Neeta Revankar: Yeah.

Ganesh Ram: Okay and any change in dividend policy?

Neeta Revankar: No, there is no change in dividend policy. If you remember last year for the whole year, we had declared a dividend of 60%.

Ganesh Ram: Okay.

Neeta Revankar: And this was based on certain proportion of profit after tax, which will be distributed. We maintain our same policy.

Ganesh Ram: Okay, ma'am. Thank you.

Moderator: We'll take our next question from Ms. Shradha Agarwal from B&K securities.

Shradha Agrawal: Just a follow-up on your buyback, I mean the buyback quantum actually deploys 90% of your cash on books. So, what is the thought, which has gone behind there?

Neeta Revankar: Actually the buyback only takes away 35 crores of cash that we have invested. So, you have to read cash on book as well as our liquid investments, both together 205 crores as of September 30th. Of the 205 crores, we are only deploying 35 crores in the buyback.

Shradha Agrawal: Okay, sorry. I missed that investment part. Thanks, Neeta, for clarifying this. And secondly, in our guidance for margins, we had assumed some amount of pricing hike in the second half of FY11. So where do we stand there?

Neeta Revankar: Actually, we expect that we will get the pricing hike in line with our expectations.

Shradha Agrawal: And what would…?

Neeta Revankar: We are on track. Some pricing hikes have already come in and some more will be coming in in Q4.

Shradha Agrawal: Sure. Okay. Thank you.

Moderator: Our next question is from Nihar Shah from Enam Holdings.

Nihar Shah: Hi sir. Just two questions. One would be on the technology side. You know, on the handset, we are hearing from a lot of other industry participants and there is a lot of increased spending in terms of R&D especially for smartphones. Given the results that this quarter has seen, can you sort of help us understand if there have been any technology challenges? I understand that you work particularly on the Symbian platform. Have you seen sort of less spending on that and that's the one of the reasons?

Rajiv Mody: Maybe I can help you review that. In terms of technology for the handsets especially smartphone, we're seeing a lot of traction in the Android platform.

Nihar Shah: Okay.

Rajiv Mody: In fact, there are a number of opportunities that are changing today are around Android whether it is a semiconductor company or it is with the handset companies that are going to deploy phones with Android.

Nihar Shah: Okay.

Rajiv Mody: And that is one of the big technology drivers. On Symbian, there is a big push to move work from high-cost locations to low-cost locations.

Nihar Shah: Okay.

Rajiv Mody: And that is impacting us both positively and negatively, because we have workflow going in both locations. But in terms of the quantum of work itself, we don't see in terms of any declines.

Nihar Shah: Okay.

Rajiv Mody: Of course, now Symbian is one of that restricted to one manufacturer we have, but we're still seeing a lot of RFPs coming from that.

Nihar Shah: Okay, sure. Sir, on the second question that I had was again on the buyback. The quantum of the buyback is you know just a fraction of actually the cash that you have on the balance sheet and so you know just wanted to understand given that you have no acquisition plans also coming up in the short or medium term, why is it at 34.5 Crores?

Neeta Revankar: Actually, there are a number of regulatory considerations that we have to keep in mind as we consider our buyback quantum.

Nihar Shah: Sure.

Neeta Revankar: Out of those is that up to 10% of the equity capital and reserve we deploy for a buyback with Board approval. And we have chosen that route. Have we gone in another route, it could have probably taken much longer because you have a number of more desks to cover.

Nihar Shah: Okay.

Neeta Revankar: There are also some restrictions on how much can the promoters' shareholding go up by as a result of a buyback.

Nihar Shah: Sure.

Neeta Revankar: There are a number of things that we had to juggle with.

Nihar Shah: Okay, sure. That was all from my side. Thank you and good luck with the second half of the year.

Moderator: Thank you. Participants, I'd like to remind you, if you have a question you can press 01 on your telephone keypad now. Our next question comes from Amish Kanani from JM Financial.

Amish Kanani: Yeah, hi, just I wanted to understand you said you know this European delivery centres high-cost you know moving to low-cost. If you can just give us some more color in terms of how big are all the center, how many people are there and you know in terms of moment that's moving and what happens to the manpower there?

Rajiv Mody: Yeah. So we have close to about 120 people in software in Finland and about 70 people in hardware in Finland. In the US, we have close to around 40 or 50 people primarily working in different areas. So if you're asking me specifically on the European one, lot of, some of the activities are indeed moving from high-cost to low-cost, particularly like TV mentioned in the area of BNS for those things. But we are evaluating how we vectored some of those people in Finland in capabilities areas that they have which is moving to be to the low-cost location than like we have said that we will continue to maintain our margins and deliver on that. So we will deal with this either one of the two by vectoring them to newer customers, newer opportunities, or seeing how do we reduce our cost on that.

Amish Kanani: Okay. And in terms of shifting of volumes is it a one-to-one or there is a downgrade of volumes from that center and you know it's taking time to shift it to say in their location?

Rajiv Mody: Yeah, essentially the way it – it's – the operating is typically they shift an entire subsection of Symbian from high cost to low cost.

Amish Kanani: Okay.

Rajiv Mody: So for example, connectivity is an area or audio is an area or protocols is an area. So depending on which area they are – they are looking actually the way its happening is, they are indeed reverting the entire functions from high cost to low cost. So they are and – and in – well what we have seen is in value terms typically when it shifts over here it decreases, but volume term it increases over here.

Amish Kanani: Okay, okay. So that that would in a slightly longer-term, our perspective would be an opportunity, right?

Rajiv Mody: That is correct. That's – that's exactly what we are – we are going after to make sure that while in value terms it goes down, but in volume term it increases because when they are transitioning the entire thing, they are actually optimizing by ensuring the end-to-end thing moves over here, so that they need more, more capability competency over here.

Amish Kanani: Okay. And in terms of EBITDA margin on those revenues versus this revenue, is there any adverse change or it's – it's more or less similar, can you show something like this?

Neeta Revankar: No, there is no impact on us, EBITDA margins. Our EBITDA margins have been similar for the quarter.

Amish Kanani: So it's basically Euro revenue moving into a moderate INR cost basis, which is taking a hit on the top-line and also associated EBITDA and absolute terms. Of course, but in terms of percentage it doesn't affect, right?

Rajiv Mody: Yeah.

Amish Kanani: My simple question is the European cost locations EBITDA margin would be similar of 18 to 20% and those who all knows when it moves in India also would have similar margins, right.

Neeta Revankar: Yes, on enormous circumstances, they would be at those margins, but right now where there is a transitionary situation happening.

Amish Kanani: Yeah.

Neeta Revankar: There's work moving, definitely EBITDA at low cost locations is more.

Amish Kanani: Okay.

Neeta Revankar: From that perspective, you can look at an improvement.

Amish Kanani: Okay.

Rajiv Mody: We have seen an impact in the quarter two because of that, because there has been what you call a lower utilization and high cost location.

Amish Kanani: Okay. And in terms of net additions targets that you had mentioned earlier in the year was 750. If my notes are correct…

Rajiv Mody: Correct.

Amish Kanani: What – is – is that a change there?

Rajiv Mody: No.

Neeta Revankar: Actually, we are on track with the discount.

Amish Kanani: Okay. So that – on that point, you're moving as to the plan so that much is – are you – your strength in your visibility of the business right?

Neeta Revankar: That is correct.

Rajiv Mody: That is correct.

Amish Kanani: That's correct. And in terms of is there any restructuring charges or goodwill that can happen when this kind of shift that happens from a laboratory perspective? Is there any…?

Rajiv Mody: Goodwill.

Neeta Revankar: So everything – is there any hit to goodwill?

Rajiv Mody: Yes.

Amish Kanani: Yeah.

Neeta Revankar: So as of now, we are not seeing anything else. As you know, every quarter we are required to review the status of goodwill on the balance sheet. So that has been done and we see no reason to impact – impair any goodwill.

Amish Kanani: Okay. Yeah, thanks a lot and all the best.

Moderator: Our next question is from Mr. Nihar Shah from Enam Holdings.

Nihar Shah: Hi, just a follow-up on the previous participant's question. Do you foresee that you know you might have to let go some amount of people who are currently in Finland as a result of this move from onsite to offshore work. And you know hence have anyone time sort of cost that would hit your P&L over the next two or three quarters. That's it?

Neeta Revankar: Actually in Finland, we have been rationalizing our head counts for a while now and there never is a one-time based head count.

Nihar Shah: Okay.

Neeta Revankar: There could be some temporary layoffs that may happen, but it doesn't result in a one-time cost increase.

Nihar Shah: Okay. The reason I was coming this from was that cost of sort of retrenching employees in the European economies that's usually very high. So I just wanted to get an understanding on that.

Neeta Revankar: Yeah. While that has been true in our case for Germany…

Nihar Shah: Right.

Neeta Revankar: We have seen a similar situation in Finland. I think the Finland laws are slightly different.

Nihar Shah: Okay.

Neeta Revankar: And the Workers' Council behavior is also different.

Nihar Shah: Sure.

Neeta Revankar: So we don't end up with one-time cost like that.

Nihar Shah: Okay. Thank you. That's also from my side.

Moderator: Thank you. Participants, I'd like to remind you. If you have a question, please press "0" "1" on your telephone keypad. Our next question comes from Mr. Pratik Mehta from Bajaj Allianz Life Insurance.

Pratik Mehta: Yeah, good afternoon. Thank you for the opportunity to ask the question. You mentioned that demand on the services side remains pretty strong. But I mean if I look at the services revenues and guidance and how it has moved over the last two quarters, from 116 odd million dollars last year, we initially guided for 18 to 20% kind of a growth level, which is something like 137 to $139 million. And now, we're guiding for a flattish kind of a number for services revenues, which is essentially 15 to $20 million kind of a change compared to what we earlier guided for. So I mean if I were to look at the reasons for this one is, obviously the delay in some of that European customer spent and the spent maybe slightly going down. And second is, obviously to move from on-site to offshore. So, my question is to understand if there is any other factor in addition to that, and if you can quantify impact of those – this two or three factors between this 15 to $20 million.

Rajiv Mody: Yeah. The other large factor could be attributed towards attrition. I think that has also had an impact, which we had not expected or anticipated at the beginning of the year or the number being around the 30% range. That has been a billing leakage because of that and while the demand is there, many a times the ability to serve that demand also becomes that much limited. But all those things are being addressed in the second half for us to be able to get the volume growth up on the services side. So, that's the other element that I would add to it.

Pratik Mehta: Okay. So – but can you break this up 15, $20 million kind of a shortfall between these three factors?

Rajiv Mody: It's very hard to do it, what do we call in a - on a call like this, but we'll take this as I mentioned that - if we can come back on that.

Pratik Mehta: Sure. That's perfectly fine. That's it from my side. Thank you.

Rajiv Mody: Okay.

Moderator: Thank you, sir. At this moment, there are no further questions in the queue.

Rajiv Mody: Okay. Thank you so much for attending this call and look forward to having you back on our results for our Q3 numbers. Once again, thank you so much.

Moderator: Thank you, sir. With this, we conclude the conference call. Thank you all for your participation and have a nice evening.