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"Sasken Earnings Conference Call"

October 25, 2011

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Moderator Ladies and gentlemen good evening and welcome to the Q2 FY 2012 Earnings Conference 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 the full details. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rajiv C. Mody – Chairman and CEO, Sasken. Mr. Mody will take you through the financials and the highlights of the quarter followed by Q&A. Thank you and over to you sir.

Rajiv C Mody Thank you Melissa. 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 the Sasken Group for the quarter ended 30th September 2011.

I am joined on this call by my colleagues Ms Neeta Revankar, CFO and Global Head – HR, IT and Administration and Executive director to the board of Sasken, Dr G Venkatesh, CTO, CSO and Executive director to the board of Sasken, Rajesh Maniar, Vice President, Finance, Rajesh Rao, Senior Vice President & Head – Worldwide Sales, Ramesh S, Vice President HR and Ms Nagamani Murthy, Senior Vice President and Head – Worldwide delivery.

Let me begin by walking you through our financials for the second quarter FY 2012.

In the second quarter of FY 2012, the consolidated revenues for the Sasken group grew 0.7 % over the previous quarter to Rs 130.9 Crores. Consolidated Earnings before Interest, Depreciation, Taxes and Amortization costs for the second quarter FY 2012 were at Rs 16.7 crores, a growth of 3.7% sequentially over the previous quarter. Consolidated PAT for Q2 FY 12 was Rs 17 crores, up 58 % over the previous quarter. PAT margin for the quarter was 13 %.

Software services revenues for the quarter were Rs 122.8 crores, a growth of 2.8 % over Q1. Software product revenues for the quarter were Rs 7 crores, a drop of 15.5 % over the previous quarter. Services EBIDTA margin for the quarter was at 12.6% as compared with 12.1% in the previous quarter. Products EBIDTA margins were at 30 %.The consolidated Earnings per share for the second quarter was approximately Rs 6.6. Cash and cash equivalents were approximately Rs 176 crores as of September 30, 2011.

We added 10 new customers this quarter taking our active customer base to over 134 customers. There has been a shift in the revenue mix from high cost to low cost locations during the quarter. There has also been a reduction in European revenues from a Tier 1 customer. We are happy to inform you that we have compensated for this revenue decline and have seen business volumes grow in India during the quarter. This change in business mix has resulted in an improvement in EBITDA during the quarter despite the revision in employee compensation. We continue to focus on adding to our employee base, in order to take advantage of new business opportunities. Attrition remained at a high level of 33.8% during the quarter causing a net decline in headcount by 220 globally. We ended the quarter with 3193 employees even as utilization increased to 69%.

I will now take you through some of the key business highlights for the quarter.

Sasken has won the Sony Ericsson supplier award which recognizes key vendors in different areas that have enabled SEMC successfully meet various requirements during the year. This is the second time that Sasken has won this award from this customer for excellent service in the Consulting, IT and Test & Mfg. sector.

Sasken continues to build its position as a market leader in offering a bouquet of solutions and services for the entire ecosystem engaged in making Android based products such as phones, tablets and other devices. We have played a critical role in enabling several OEM's keep pace with the rapid evolution of Android Operating Systems on all chipset platforms in the market today. The pipeline of opportunities in this space is robust and has helped us offset shrinkage of business in other operating systems. We continue to see good traction for S40 based services.

As we have signaled in the past, adjacencies such as Consumer and automotive Electronics are seeing good traction and we continue to deepen our engagements with leading solution providers in this space including several Japanese and Korean OEMs/ODMs.

Our semiconductor business continues to be well poised to service opportunities from our marquee and challenger accounts. Besides this, we are also placing stronger emphasis on partnering with these customers to address their end customer needs. Our "sell with" strategy, while reducing cost and effort involved in hunting for new customers will also lower barriers in entering adjacencies. We are working on complete solutions ranging from high-end rear seat entertainment to low-cost car radio while partnering with tier 1 semiconductor manufacturers to reach a wider set of customers in this market.

On the network side, we are working on development and test of a 3G Femto cell for an Asian telecom equipment manufacturer specialized in the manufacture of equipment that enhance voice and data reception. We have built competencies and capabilities that will enable us to take advantage of the tremendous growth in LTE deployments. We also have engagements for LTE solutions with handset & semiconductor manufacturers cutting across protocol stack development, integration, as well as conformance test case development. Field testing demands will increase as new devices are rolled out. We are engaged in testing of LTE devices in operator networks based on our field test capabilities. We had announced in the last quarter that we had been selected as a supplier by a Tier 1 OEM and now we have started to see business flow in from this OEM.

To conclude, we thank you for your continued support and strongly believe that our endeavor to create new areas of growth will fructify in the coming quarters. We continue our quest to acquire new customers amongst telecom service providers / operators and new Europe based semiconductor vendors. Diversifying our customer base will open up new vistas of growth in the coming quarters.

Moderator Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We have the first question from the line of Chetan Vadia from JHP Securities. Please go ahead.

Chetan Vadia Good morning sir. My question is for the quarter the taxing rate seems to be on the higher side, will this continue in the subsequent quarters as well except the matter that has been applied over here?

Rajiv Mody Let me repeat the question, you are saying quarter 2 that the taxes are on the higher side and require an explanation about this.

Rajesh Maniar Currently, the tax as a percentage of profit before tax has remained around the same level that was there in the last quarter, so in that sense…

Chetan Vadia Sir, I am talking about the first six months, the rate was around 14% and now it's close to around 20% for the half year ended September 30th, the 6.8 crores is the total tax.

Rajiv Mody Right.

Chetan Vadia And compared to the previous, it was 6.4, but if you go on by the percentage wise, previously it was 14%, now it's 20% close to. So are we at LIBOR plus MAT rate from here on?

Rajesh Maniar Well I mean that's clearly the impact of the change in the regulation STPI, with the STPI benefits going away. Effective tax rate compared to the last year, has clearly gone up. Fine, does that answer your question?

Chetan Vadia Yeah.

Chetan Vadia But will it remain at these levels?

Rajesh Maniar The answer is yes, it will remain at these levels.

Chetan Vadia Okay I take that. And sir, my next question is if you can touch once again the reasons for decline in the software product revenue and what will be the outlook for this segment driven for FY12?

Rajiv Mody The reason for the decline in the software product side is primarily driven by the volume shipment that keep happening on the IPs that we have licensed. Like I think, we said in our last call that we have seen a decline in the royalty revenues that we derive out of our multimedia IPs while we are signing up newer customers and we are having those products go out in the market. We are not seeing commensurate volume growth over there. We expect that it will turn around fiscal 12. On the royalties that we derive out of our GSM/GPRS protocol stack license to the large semiconductor player out of China, the volumes continue to remain good and attractive and continue to growth quarter on quarter.

Chetan Vadia Okay I take that. And sir, you said in spite of this high attrition rate, your net added employee for the quarter, so which area of the business you have added the employees, can you touch upon that?

S. Ramesh No, I think overall, we have gross additions, but net headcount is actually down by 220 people across the group for this quarter.

Chetan Vadia Sir, in the initial remark, you said that grossly you have added employees. There is a net addition of one…

S. Ramesh We have added 160 new employees, but if we take the new employee addition and the employee that either has resigned or we have let go, the net position is overall, the headcount is down by 220 people.

Chetan Vadia Sir, my question is, once people which you have added for the quarter, in which area of the business that you have added them?

Rajiv C Mody We continue to add people in almost all different areas like I told you in the opening remark, we continue to see growth in semiconductors, we continue to see growth in networks, in Android based operating system for various kinds of devices, field testing. So frankly, we are adding capabilities and there is lateral recruitment going in all areas from the market.

Chetan Vadia Okay sir, I take that. All the best for the next six months.

Rajiv Mody Thank you so much and wish you happy Diwali.

Moderator Thank you. Participants who have a question, may press "*" and "1" on their touch-tone telephone. The next question is from the line of Ashi Anand from Kotak. Please go ahead.

Ashi Anand Good morning to management. First of all, wish you happy Diwali and have a great new year. Sir, the first question I had was really in terms of growth that we are looking you are getting, in terms of deeper mining of existing clients versus new clients, what really is the focus and where do you see greater growth coming from?

Rajesh Rao There are three possible areas, we are looking at growth, one is there is clearly a focus on hunting and creating new accounts which will grow. We are looking at adding new accounts that is one. Second is mining of existing accounts, there are accounts that we have identified internally as account with potential to grow and we are making specific plans to identify areas of growth in those accounts, so mining existing accounts is the second avenue. The third avenue is that we have identified a set of services that we want to proactively take to other prospects in the market, because these are based on strengths that we have identified within, so all of these are going on. So it's not just mining of existing accounts, it's all of those.

Ashi Anand Okay, but have there been any organizational changes at the sales team level in terms of greater engagement with certain clients? Have we added or shifted people to focus at new accounts? Just to understand, any changes we have made in terms of the sales structure and sales strategy?

Rajesh Rao Yeah we have made quite a few changes. We have strengthened the sales teams in Japan and Korea and we are going after a much more diversified set of business opportunities in these regions. We have strengthened the team in Europe also. And we had a certain revenue coming in from Europe from our existing customers, but in order to try and diversify our footprint in Europe, we have added a sales team that can do so. We have added one person specifically to focus on what we call our sell-with strategy. Mr. Mody mentioned it in the beginning and this has been a recurring theme for the last couple of quarters. In this phase, we find a lot of potential for partnering with certain other technology companies to develop a solution for the end customers and that's what we call our sell-with strategy. And we have brought one person on board with experience in running such partnerships to do our sell-with partnerships. So these are the changes that we have brought about in the sales force as such. It's got coverage in geographic terms and in industry terms.

Ashi Anand Perfect. The second question I had, when you are speaking of Android and it being a growth area, I was just wondering it to be possible to share what percentage of our overall revenues are currently coming from work related to Android. And if you could give some more color in terms of how much of that work is actually happening with the handset providers versus the semiconductor players and also in terms of Tier-1 versus Tier-2 and tier 3 kind of handset players really, what is the major work, which key areas is the Android work coming in from?

Rajiv Mody Yeah we don't disclose the percentages that we derive on the revenues from a particular segment, however we can tell you that the entire ecosystem on either devices, be it phones, tablets, and semiconductors is right now focused heavily on the Android world and we are engaged with all the Tier-1s over there, be it handset guys, tablets, or semiconductor guys. We have a significant play frankly in the Android world and we continue to see that to be our growth trajectory as a matter of fact, some of the downsizing that we are seeing in the world of Symbian and all will continue to re-vector that strongly in the world of Android. So going forward, Android seems to be a big area for various different activities in Android itself. And just to kind of reiterate, we work with all the Tier-1s handset guys as well as semiconductor guys. And like the Rajesh mentioned the sell with strategy where you go actually to your customers to serve them on various platforms to take their end products into the market, is what our focus is to grow our business and broad base our customers.

Ashi Anand Would it be fair to say that the work we do is more linked to the Tier-1s and that say if you look in the Tier-2s or tier 3s, I am talking of companies ZETE, Micromax etc., we don't work with those kinds of players, it's more of the Tier-1s that we focus on, have we also broken into the next level.

Rajiv Mody We do work with Tier-2s, however, those will be Tier-2s that supply into mostly the European as well as in the US market. I mean if you are asking and I am just interpreting, if you are asking whether we work with the suppliers ZETEs and all, we supply into the Indian market, probably not. But we do work with the Tier-2s that excessively supply into the operator-based devices that go into the US as well as in the European market.

Ashi Anand Perfect. If could just ask a last question on Android, in terms of out of India delivery, what are the other Indian companies which you believe are doing significant work on Android?

Rajiv Mody Frankly, I would not want to risk answering that question, at least not on an analyst call.

Ashi Anand Okay great. Thank you so much sir.

Moderator Thank you. The next question is from the line of Shraddha Agarwal from B&K Securities. Please go ahead.

Shraddha Agarwal Hi sir, wish you a very happy Diwali first. This is with relation to the results announced by TI management yesterday, I think TI management kind of indicated that bottoming out of semiconductor demand. So how do you read that commentary and how does it reflect in our pipeline on the semiconductor side of the business?

Rajiv Mody We frankly are not seeing much impact change based on any lowering on these things from the semiconductor marketplace. As a matter of fact, we are seeing more and more demand come primarily because of the fact that software particularly Android and if take TI, they are leaders on the old map side of the world and they are selling aggressively in the various mobile devices that are getting launched in the marketplace. And we are plugged and continue to serve them. Same is the case with ST both on modem as well on their app processor story that they are building it out serving Tier-1 customers of theirs.

Shraddha Agarwal Sir, if you were to qualitatively define as to where do you see a pipeline versus what it was last quarter, so do you see some improvement in your pipeline?

Rajiv Mody I will answer that question and then have Rajesh take you through the details. I mean the fact that we were to able to, if you look at Q1 to Q2 services revenue and I said in my opening remark, we had seen a dip in our revenues from our Tier-1 customer. And just to remind you, typically Q2 is a slower quarter for us because of the vacation period in Finland. In spite of all that we are able to make up and demonstrate 2.8% growth kind of is a reflection in some ways of one, broad-basing our customers and seeing demand coming in from our existing as well as our new customers. While we definitely saw that there was there were a degrowth in the Tier-1 that I just mentioned. But with this I would like Rajesh to take you through more details and answer that.

Rajesh Rao Yeah another way to look at pipeline generation is one is to say that we are looking at more than one platform partnering with more than one semiconductor company, so that we can target a wider customer base, we are doing that on Android and in the telecom space. But another thing we are trying to do aggressively is work with the same semiconductor companies to target other business segments, by that I mean consumer electronics and automotives.

Shraddha Agarwal I am sorry to interrupt you, but this brings to my next question, I mean since the time we have acquired Ingenient, have we been really successful in getting new Tier-1 logos?

Rajiv Mody Answer is yes, we have been able to get Tier-1 logos. We are delivering a full rear seat entertainment solution to Tier-1 supplier to the OEM and closure on that should happen deliveries happening in the next month or so. And expectation is that product will go out into market sometime in middle of next year. So we build the full blue ray based rear seat entertainment system for them using various components from Ingenient acquisition as well as doing full system design for it, rather than supply just bits and pieces. Similarly, I mean we supply whole bunch of low latency codecs that go inside various defense products which we are not allowed to talk about. But we see those things also in the marketplace where we continue to deliver them to our customers.

Shradha Agarwal And sir secondly if I recall it right probably, you were sometime back talking about 10% of your revenue coming in from automotive and consumer electronic, so how do we stand vis-à-vis that guidance today?

Rajesh Maniar At the moment, it's not 10%, but we are working towards creating a pipeline and expanding our revenue from adjacencies.

Rajiv Mody All I can say Shraddha is that we have and this I am linking it to what Rajesh was mentioning during the question that he was asking on building sales team, we see a good traction building up for us in the automotive consumer world in both Korea as well as in Japan. And also we are starting to serve on the automotive side out of companies that were Tier-1s out of India. So we are building the thing out very systematically, maybe it's taking little longer, maybe we are optimistic on giving that number that we will build 10% out. But I think I am confident that we are headed in the right direction in terms of serving those customers of ours.

Shradha Agarwal Right. And the last question from my side, you have kind of given some color on the top account, but any material update would you want to give on the forum?

Rajiv Mody No material update frankly, like I said we continue to see few things happening. We were expecting Symbian to possibly fully ramp down by December this calendar. We expect that to continue, part of it continue at least until middle of next year. So overall I think we are seeing that it is not as bad as what we had earlier anticipated. But it's good to be paranoid, because that's allowed us also to broad-base and go after newer customers to de-risk our business.

Shradha Agarwal And we are still not doing any material work for Nokia on their Windows platform?

Rajiv Mody That is correct. We are not doing any material thing in the world of – Nagmani has some point to make on that.

Nagmani Murthy But we have started seeing requirement on the Windows from the other OEMs and platform vendors, we are building with them on the Windows side.

Shradha Agarwal Right so that was helpful. Thanks a lot and wish you again a very happy Diwali to the management team.

Moderator Thank you. The next question is from the line of Sandeep Palgota from PCS Securities. Please go ahead.

Sandeep Palgota Good morning sir and have a very Happy Diwali. My question is after this stock option conversion what would your equity go up to?

Rajiv Mody No, our equity stays at 25.7 million and I don't know which stock option, Neeta, do you know?

Neeta Revankar We have been granting stock options over a period of time and we continue to grant, so it's very difficult to give you one answer on that. But you can expect 1% change in the equity structure over a period of time because of ESOP.

Sandeep Palgota Okay. Coming back to your main business on Android, when are the revenues likely to come in from that segment for the new client that you are updating on?

Rajiv C Mody In the world of Android, we do a whole bunch of things for our customers. We do testing for them, we do operative specific development for them, we do what they call as upgrades for them, and we do base port and bringing up the Android operating system on various silicon platform existing and old and the news ones in the pipeline. So there is a whole, and we serve like Tier-1s over here that you can name in the marketplace. So now that Android is one of the significant operating system besides Windows and iPhone, the Apple operating system, I think our play is going to be quite significant when it comes to the Android operating system. So we do whole bunch of things frankly speaking.

Sandeep Palgota Any percentage transfer that would help for our focus?

Rajiv C Mody I mean frankly, we don't give the percentages out, but lot of activities like we said on devices, silicon is on Android.

Sandeep Palgota Okay so this is fair to assume that a large part of your growth going forward, additional growth will come from Android space?

Rajiv C Mody Yeah that is very clear that it will come from Android space.

Sandeep Palgota Right sir, that's about it. Thank you.

Moderator Thank you. The next question is from the line of Niraj S from Span Capital. Please go ahead.

Niraj S Hi, Happy Diwali to you all of you. First I wanted to ask you this other income of 10 crores, could you explain little more on that? I mean in this quarter you had other income of around 10 crores, am I wrong?

Rajiv C Mody That's correct.

Niraj S And how did that come in?

Rajesh Maniar We have seen increase of around 77 million other income compared to the last quarter. Out of which around 20 million relates to FMP maturity, gains booked on maturity of fixed Maturity plans. And the remaining 50 million approximately relates to revaluation of debtors because the exchange rate has gone up to 49 approximately at the end of the quarter.

Niraj S Okay so the debtor's revaluation has caused this 5 crores and 2 crores has come from, that's the 7 crores difference that's how it's come.

Rajiv C Mody That's right.

Niraj S And now being rupee at 50, do you see a sharp jump in your earnings because last year, this quarter was around at 46, do you see all that flowing into you or do you see clients looking at revising or what do you see in terms of because you had a straight jump of a 10% from your average of 46 to now somewhere in the range of 50. So how would that help the company or will you pass on the rate or you are already forward booked. Could you just throw some light on that?

Neeta Revankar See any change in the exchange rates if it is for the short term then it doesn't really impact our business very significantly. If these exchange rates sustain over a period of time definitely it is going to benefit our business.

Niraj S Straight a way the booking would come at 50 right? I mean technically if have contract signed in dollar terms, how is it, could you throw some light on that?

Rajesh Maniar We have around $40 million worth of contract at 47 forward rate. So we have contracts booked so really to the extent of currency being 47 we are hedged at that level and if have revenues flowing in more than what we have for contracts clearly we will booked the differential gains for the higher realizations.

Niraj S And one small question to the other client saying that reduce the prices because you know your rupee or you don't see that trend happening in the very short period anything coming up provision or you don't see that happening right now.

Rajesh Maniar At the moment there is no such pressure.

Niraj S Okay. Mr. Rajiv I would like to ask you. Now you have gone through everything you have seen the cycle, you have seen Nokia ran down. How would you now rebuild the company? You know market cap is now an issue. You can do what you like technically, I mean not in the wrong sense but you can rebuild the company as you like because technically the valuations are so attractive, I mean you can even take it direct, you can do whatever, how would you rebuilt the business? I mean would you merge, would you acquire, or would go it organically. How would you rebuild this business again? What I meant was in a five years' time where would you like to see the company, how would you take if forward from here? Because you have seen everything you have seen ups and downs and now probably you have seen your best client also probably changing its own focus, you have seen everything in terms of in the last 7-8 years. So now how would you build the company again in terms of growth, in terms of whatever, attrition rates you have seen high, everything it seem. What would the next five years you would do?

Rajiv Mody I agree I think it is an interesting question. I hope I will be able to answer in few minutes rather than because can take me a long time also but anyway I think we will continue to serve our customer base that we have built because we work with the Tier-1s, the advantage in working in this market which is particularly the devices, mobile in which the fast changing market and most of the innovates is that the remaining markets kind of take on our riff and learn from these markets. So we will continue to build our business and remain focused to see that we maintain our edge over here. However, having said that what we will also do simultaneously is go aggressively after newer segments where mobility as well as communication and remaining cloud, analytics all those key words are kind of playing out significantly. So we are kind of focusing on that and building things out and one of the strategy where Rajesh mentioned during the call is the cell with where we are actually going after our customer's customer to build out solutions for them and see how we can kind of enable them in the newer world that is clearly led by mobility as well as cloud analytics and devices. So while we continue our quest and maintain our leading edge in devices we are working to see how we leverage the other areas and for that right now frankly we don't have any inorganic plans or anything we continue to build our business organically.

Niraj S Sorry, just to interrupt you on this. You know you are already big, you are not small right? 600 crores is not small already in what you do whatever said is $120 million. So I mean you are already reasonably big in the Tier-2 software developer. So how do you scale this to next level? It is not your worry it is also the other telecom company which are listed in the same space. And also improve your margins because your margins whatever set and done is anywhere between 8-10% or 10-12% in that range. Do you see the change in the company or do you continue doing this and at some point get something right and then move.

Rajiv Mody No I think we will do change and we are changing as we are talking, we many not talk about it too much on our call and all. We are making an internal shift in terms of the newer focus areas for us to grow our business and then in appropriate time we will bring those stories to you rather than talk about it upfront but fact remains opportunity are there, serving enterprise with many different application, mobility playing out, retail sector opening up with adaptation of newer technologies where smart devices are playing out in a significant way. So we are watching and we are putting bets over there to see that in the next three years or so you will see a different Sasken where it has not only scaled things on devices alone but also enabled various end-to-end solutions in different verticals be it retail, healthcare, automotive world for example moves at a slower pace compared to mobiles but those things are also coming into the automotive world. Similarly if you take consumer electronics over there also newer things are coming in comparatively slower pace when you compare it with the devices. So we are plugged into these things very aggressively to take advantage of that. So I think in next three years you will see a different Sasken which would have scaled up reasonably well, as well as ensuring that it delivers higher margins because quality of business is an index that we continuously track. Frankly it is not so difficult to go and bring in any business into the company which cannot yield profits nor may yield any strategic demands and advantage to you and we are conscious of that and making sure that we sign a good business which is sustainable.

Niraj S And would that good growth be 15% I mean three to five years will you see the company may be gone 15% CAGR next five years or would that be a good thing. Do you think that will be able to achieve?

Rajiv Mody Yeah, I don't know whether you were there in our April analyst call or not but over there I said that I would rather deliver numbers rather than because in the past I said something and not delivered so I won't do that.

Niraj S I understand your business is very dynamic but would 15% be good growth entirely what you would feel comfortable with over a CAGR.

Rajiv Mody Any business that is over 20% but also assuring that the EPS grows by that is a business. So definitely hope is to see that those things because it is easy to lower EPS and show growth at the top-line.

Niraj S No I understand mix of the two what I meant was in that sense. And what do see with the cash? With currently cash which you hold about 170 crores what you plan to do? What would your saving be?

Rajiv Mody I guess make sure we hold it and spend it wisely if at all required to spend for, we use for organic growth like we have seen we have no, like I have said plans for any inorganic growth. So we will continue to generate cash and maintain and create a healthy pile of cash.

Niraj S And also I have heard some stories, I don't know if it is true that you have surplus land and you plan to sell it, is there any truth to that? Or it is just market someone will be saying that you have a lot of surplus land and which you would sell or would that be just a rumor.

Rajiv Mody I think those are all, you are asking we have surplus land?

Niraj S Yeah surplus land in your Bangalore place.

Rajiv Mody No we don't have surplus land, we have adjacent premises to where we are and we don't have any plans to sell.

Niraj S That is it and wish you all the best.

Rajiv Mody Thank you.

Moderator Thank you. The next question is a follow-up from Ashi Anand from Kotak, please go ahead.

Ashi Anand Yeah hi, thanks for taking the question again. I just want to understand in terms of when you are going to Japan and Korea are we seeing similar billing rates so what we were getting in US and Europe or are these at lower billing rates and at lower margin.

Rajesh Maniar The rates in Japan are for many of the customers better than the US rates. In Korea they are slightly lower than US rates.

Rajiv Mody But also most of the engagement that we are looking at our offer fixed price in nature so they are not necessarily led by headcount and time and material criteria.

Ashi Anand Okay you know when you speak of Japanese and Korean OEMs and as we understand lot of the work is happening on these adjacencies. Is this a different business module you kind of mentioned fixed price. Is the business module a bit different in terms of the risk-reward in terms of product development, if the product does not do well we may have to take some write-offs. How exactly or is it fairly traditional business models we are just doing it on fixed price as compared to a TNP model.

Rajesh Maniar Yeah for the most part all these business that I described in Japan and Korea are of that kind where we execute a project of a fixed scope for a fixed price.

Rajiv Mody And components IP is that we supply into it we get royalties for that on a per unit basis.

Ashi Anand But the bulk of the work continues to be traditional service kind of.

Rajiv Mody Yes that is correct meaning it is fixed price, full system delivery meeting the criteria that their customers would expect out of an end product. So it is actually full product development situation.

Ashi Anand Perfect. Also understand that you kind of done a very marquee rear seat entertainment system seems to be quite a marquee when an end- to-end project that we have delivered. What is the kind of billing one can do on a product of such a nature?

Rajiv Mody We don’t want to disclose that frankly because that is competitive information if any of our competitor, somebody is listening on into the call then we would be giving away details, at least giving indications but those are reasonably priced programs where you do the full end-to-end thing for the customers.

Ashi Anand Or perhaps if I could ask the question in another way as we actually developed this particular vertical could we potentially have a $5 or $10 million account in one of these or these typically smaller projects, single projects that happen from year-to-year and therefore the ability to scale it in a 5-10 million account seems to relatively limited.

Rajesh Maniar There are two ways in which we look at it. One is to say that we develop the product for a customer and then there are variants, if we develop it for one customer and they are selling it to the end carmaker. Then there are variants that we have to work on when this particular product is sold to other carmakers. So that is one source of opportunity, the other if you take the same solution to other device makers. So there are two ways to look at it and we are pursuing both kinds of opportunity. Does that answer your question?

Ashi Anand Sure. Actually the main thing what we understand is could we have are these typically smaller engagement. Are these like a $500,000 contract and the ability to get a large 3-5 million contract in this these adjacencies is not really possible. So these are smaller kind of business contracts and we actually have to work with larger amount of plans so scale it up or can we do a few plan focus engagement and actually see in this vertical.

Management Typical deal sides where we have to develop a full AFX entertainment solution is a substantial one, you know there are again product development for the first variant is one thing, the multi variants that follow is the second maintenance and support for that first product is the third so this becomes a substantial deal. So these are not small deals.

Rajiv Mody And the fourth thing, I would like to add is also when they open relationship with them our intent is to go and search another area where they would normally not have outsourced so the intent is to see that we leverage what we have created as a relationship to get in to a $5, 8, 10 million account. On a one-off kind of thing for example if you ask me can you build and sustain $5 million business by just doing one product for them, answer is no, because that won't happen on a year-on-year basis.

Ashi Anand; No sir perfect, actually I have got my answer on this.

Rajesh Maniar And one more thing that I wanted to add to that, we partner with the company that makes a semiconductor platform. So this is an example of partnering with a technology company as part of our sell width approach. So, a fair bit of market positioning and branding is done by the partners. The effort in sales is usually a little bit reduced because of that.

Ashi Anand Perfect excellent. If I could just ask my second question, you know we give our profile plans the percentage of revenues I know you don't disclose the names but then if you could just indicate how many of our top 5 clients come in from the handset players, how many from semiconductors and are any network equipment client still amongst the top five.

Rajiv Mody I am pretty sure that net equipment client are there, silicon guys are there, handset guys are all of them showing top five. All three would be there to broad base and de-risk our business.

Ashi Anand Okay.

Rajiv Mody Even in top 10 it would be there.

Ashi Anand But in the top 5 could you actually indicate how many from handsets, how many from network equipment and say how many semicon.

Rajiv Mody No I don't want to do that.

Ashi Anand Okay great and just one clarification, I think you mentioned on the call that there are no major plans in inorganic growth is that correct?

Rajiv Mody That is correct.

Ashi Anand Perfect thanks a lot for all the answers.

Moderator The next question is from the line of Abhir Pandit from PPFAS, please go ahead.

Abhir Pandit Happy Diwali sir.

Rajiv Mody Happy Diwali to you too.

Abhir Pandit Sir my first question is how much time would you require to ramp up the offering you have in Android to offset the Nokia.

Rajiv Mody Let me make here, I understand your question, you are saying how much time is required to offset the revenue drops that we may see from Nokia.

Abhir Pandit Yeah.

Rajiv Mody I can only answer in what we have delivered from Q1 to Q2 where we have seen a drop in revenues from the Tier-1 but have made it up with other customers other clients and that is not along Android alone frankly there is also, we have seen growth elsewhere. From a resource perspective, it is not so difficult for us to retrain our people who are Symbian and re-vector for Android and that is exactly that is what is happening internally. So we don't see frankly, will be able to manage the impacts that we see on the downturn and like I said in the question I think raised by Shradha that what do we see in Nokia itself and I said therefore we continue to remain strong and we continue traction and since then we had plans that we would have close to the engagement by the end of December but now we expect that to partly continue until middle of next calendar year.

Abhir Pandit Okay sir my next question is do you see opportunity in the consumer and automobile space. So how big is this market and who would be your competitors?

Rajesh Rao Well hard to quantify the size of the space because there are many ways of slicing and dicing this. But you primarily will be looking at since you mentioned automotive and consumers this three segments you are looking at. Automotive in the entertainment space is one and rear seat entertainment solution is an example of that automotive breaking into non-entertainment is the second which could include things like body electronics and controls and so on. Third one is consumer electronics right so all of these are large opportunity and your question was are we taking actions to break into these three areas. Like I said there are three categories and our actions are in keeping with these three separate areas. In fact our strengthening of the team, the sales team in Europe is to precisely address this opportunity. The teams in Japan, Korea and Europe are working on these opportunities.

Abhir Pandit Sir, I wanted to know who would be our competitors in this space?

Rajesh Rao Well, we are working with all the usual suspects. Wipro is a big competitor for sure. We have come up against Accenture in one of the opportunities, again prospects are there.

Abhir Pandit Sir, my next question is, could you give us an update on ConnectM, your joint venture with IT for IDBI Ventures.

Rajiv Mody The solution of ConnectM has been deployed in the telecom towers as well as enterprise for both energy management as well as energy optimization. So for example, in enterprise, they have rolled out solutions which does smart monitoring and its assurance around drop in the consumption of electricity, both for lighting as well as HPAC. We see continued demand and sustained orders. We went through the phase of piloting and demonstrating and now we are saying a systematic growth happening on that side. On the telecom tower side, we have deployed close to I think 3300, 3400 at 3400 sites out of a total 5000 that we are expected to deploy and yes there were initial teasing problems, challenges, both on inflation as well as. Dealing with these social aspects when you are trying to do things which automate things and bring in certain other discipline which was not possible otherwise, but seeing results both on meter reading for energy consumption as well diesel consumption and diesel perforates going down. So those two are the areas which seem to be promising and we seem to be continuing to focus on that.

Abhir Pandit Certainly, my last question would be Sir, since you have a good amount of cash of balance sheet, sir, is there a possibility of another buyback since as you have indicated that you don't want to do any inorganic acquisition. Is there a possibility?

Neeta Revankar Definitely a possibility, but I think we are bound by regulations firstly. Until June of next year, we can't even think of a buyback.

Abhir Pandit Okay. Thank you very much about that. All my questions have been answered. Thank you.

Rajiv Mody Thank you.

Moderator Thank you. The next question is from the line of Abhishek Shindadkar from ICICI Securities. Please go ahead.

Abhishek Shindadkar Hi, thanks for taking my question and Diwali wishes for the management team. Rajiv, could you quantify what could have been the revenue growth if you had not crossed the revenues from Nokia?

Rajiv Mody Well, why would you want to know that because frankly the reality is we have lost that revenue.

Abhishek Shindadkar No, you know, what I wanted to also understand is I suppose Nokia was more than 20% of your revenues. Could you just quantify what would be the S40 contribution as a percentage of total revenues or within the Nokia's revenues?

Rajiv Mody No I don't want to give that detail because I think that will not be right for me to do it. But let me try to answer in a different way. We have seen systematic drop in the revenue which comes from Nokia over the last 3 quarters or so and expect that, that will continue into this quarter as well as next quarter. Otherwise, like I would say, we are making all our efforts in demonstrating that we are covering up for that and hopefully will be out of the woods and be in a steady state with them by end of fourth quarter. That is this fiscal.

Abhishek Shindadkar Okay, that's helpful. And secondly from whatever numbers I am seeing, you might have said this earlier in the call, I apologize I joined in late, but is it fair to assume that operationally we have passed the trough.

Rajiv Mody I would like to believe that.

Abhishek Shindadkar Okay, thanks for taking my question.

Rajiv Mody Yeah, I would like to believe that. But like I said in the earlier, lets deliver your numbers rather than give you guidance, okay.

Abhishek Shindadkar Okay, and just to reiterate whatever you said in the call the 15% growth numbers, you know.

Rajiv Mody That was a question in context of what is my…..

Abhishek Shindadkar Absolutely. I agree that the question is, would you be seeing that level of growth by 2013 at the earliest.

Rajiv Mody That's our effort. Let me assure you that definitely our effort and making sure that the revenue stream that we get from our customer is robust. So broad based our sense quality of revenue improvement, margin improvement. That is exactly because we have experienced in the last 3 years twice an event where once when Motorola decided to cancel Symbian , we went through a tough time. Recently we have seen a change happened because Nokia deciding to change its direction. Going forward, at least I would like to learn from these two things and make sure we don't make the same mistake one more time.

Abhishek Shindadkar Perfect. Thanks for taking my question.

Moderator Thank you. The next question is from the line of Pratik Mehta from Bajaj Alliance Life Insurance. Please go ahead.

Pratik Mehta Thank you for the opportunity and wish you, the management team a happy Diwali.

Rajiv Mody Thanks a lot Pratik. Wish you the same.

Pratik Mehta Thank you. Sir, do you guys track a revenue growth in a constant currency terms. Would it be possible to share because we have seen quite a few volatility in the currency during the quarter?

Rajesh Maniar Well, I mean, during the quarter, the Euro and rupee rates both changed vis-à-vis the dollar. So it covers this revenue for the quarter about $26.3 million compared to 26.6 last quarter. But if the currency had remained the same, then the dollars denominated revenue would have been higher than the last quarter.

Pratik Mehta So given that Euro and GBP would have also moved against Euro, what would be the dollar revenue if there won't have been movement in those currencies, I mean do you track it or leave it to pull that up.

Rajesh Maniar Don't track the exact numbers, but on a broad basis, we can say it would be higher than 26.6 million.

Pratik Mehta All right. Fair enough. Just a clarification on what is the hedge number you mentioned which you mentioned hedged at 47 rupee to dollar. What is the number?

Rajesh Maniar We have hedged around $40 million at Rs. 47.15 to a dollar.

Pratik Mehta	And on the brought up revenue side, I mean, 7 crore quarterly run rate, do you expect further decrease in the quarterly run rate or there is more or less steady state from here on?
Rajiv Mody	There is more or less steady state from here. It probably will get better starting next year because we had done this one-time buyout of part of our royalty because of which the royalty members for this calendar year has come down. That will go back to the normal royalty that we get starting January 1st.
Pratik Mehta	And on the utilization front, there has been a obviously net addition drop this quarter and negative addition to total manpower, but the utilization at close to 70% odd level, will it sustain or with you probably adding people or start to add people over a course of next 1 or 2 quarter that will again fall of to probably 65 and sub-65% level.
Nagmani Murthy	Nagmani here. I do believe with the current level of requirement we have from our customer, and also the focus we have in terms of building the capabilities, we should be able to sustain it.
Pratik Mehta	Sorry, sustain close to 69-70%, is it?
Nagmani Murthy	Yeah, that is right.
Pratik Mehta	That is it from my side. Thank you very much.
Moderator	The next question is a follow-up from the line of Ashi Anand from Kotak. Please go ahead.
Ashi Anand	Yeah, I just want one question. Given the kind of extent of macro uncertainty right now, I just wanted to understand in terms of our clients' budget. How do we typically see these moving if, say for example, the world of key global markets were to go into a recessionary environment next year? Do you see then dropping spends on R&D or given the fact that technology is fairly important, do they actually keep spending up. Could you just give some outlook, one in terms of the overall spends and also in terms of billing rates.
Rajiv Mody	Well, let me answer the second one first. I think the bill rates fairly remain stable. I don't see that is changing frankly speaking. However, there are various scenarios on the global outlook. Depending on what scenario you are coming from, if it is totally gloom and doom, definitely I don't think there is any way any organization

will get protected because of that change that the world goes through. But I think if we continue to go ahead at these levels where we are today, then I don't frankly see it significant in fact in terms of the R&D spends of most of our customers.

Ashi Anand Okay, but as now, would they keep increasing at a particular low rate or do they kind of plateau it out in a weak environment.

Rajiv Mody I think they definitely are looking at, they are increasing it because they need to transition the whole bunch of thing to lower cost regions also and when they see that companies like ours are able to deliver them what would normally have been expected getting done in developed world, I think they definitely are encouraged to see that lowering of cost is a significant advantage.

Ashi Anand Okay, great. Thanks a lot.

Moderator As we have no further questions, I would like to hand the floor back to Mr. Mody for closing comments. Please go ahead, Sir.

Rajiv Mody Once again, thank you all and appreciate you joining on the call. Thank you so much for all your support during these times that we have gone through and wish you all a very happy and a prosperous Diwali. See you soon in January time period. Thank you.

Moderator Thank you gentlemen of the management. Ladies and gentlemen, on behalf of Sasken, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.