"Sasken Communication Technologies Limited Q3FY11 Earnings Conference Call"

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SPEAKERS:	**Rajiv Mody**	**Chairman & CEO, Sasken**
	Neeta Revankar	**CFO**
	G. Venkatesh	**Executive Directors of the Board**
	Rajesh Maniar	**Vice President, Finance**
	T.K. Srikanth	**Vice President, Handsets Consumers and Autoelectronics and portfolio**
	S. Ramraj	**Senior Vice President and Head of Delivery**
	Rajesh Rao	**Senior Vice President and Head of Worldwide Sales**

Moderator: Thank you for standing by and welcome to the Q3FY11 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, Chairman and CEO of Sasken. Mr. Mody will take you through the financials and the highlights of the quarter followed by the question and answer session. Over to you, sir.

Rajiv Mody: Thank you, Varun. 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 third quarter ended December 31st, 2010. Before we begin we must point out that certain statements made during the call concerning our future growth prospects are forward looking statement. Please read the Safe Harbor clause in the second slide of our presentation for full details. I am joined on this call by my colleagues, Neeta Revankar, CFO; and G. Venkatesh, Executive Director of the Board of Sasken; Rajesh Maniar, Vice President, Finance; T.K. Srikanth, Vice President, Handsets Consumers and Autoelectronics and portfolio; and S. Ramraj, Senior Vice President and Head of Delivery, Sasken APAC and Notth Americas; and Rajesh Rao, Senior Vice President and Head of Worldwide Sales.

Let me begin by taking you through our financial for the third quarter ended December 31st 2010. The consolidated revenues for the third quarter grew by 3.4% over the previous quarter in fiscal 2010. Earnings before interest, taxes, depreciation and amortization for the third quarter fiscal 2011 stood at Rs. 26.9 crores, a growth of 11.3% over the previous quarter and 9.5% over the corresponding quarter in the previous financial year. Consolidated PAT for Q3 fiscal 11 was Rs. 15.73 crores, up marginally by 0.1% over the previous quarter and a drop of 8.2% year-on-year over corresponding quarter in the previous year. PAT margins for the quarter were at 11.4%. EBITDA decline has been on account of closure of Mexico site and lower utilization including in the high cost locations. We have taken corrective actions to improve utilization and bring margins back to track. Services revenue were Rs. 116 crores down 3.5% quarter-on-quarter. Products revenues were Rs. 21.6 crores up 61.4% quarter-on-quarter. Services EBITDA margins for Q3 was at 10.8%. Products EBITDA margins for Q3 was at 71.6%. Sasken Group delivered an EPS of Rs. 5.7 for the quarter. The consolidated headcount as of December 31st 2010 was 3477.

In continuation with the trend we have reported earlier of reduction in business in high cost location. We examined the prospects of our Mexico centre. As both the pipeline and future growth prospects were not healthy, we decided to close our operations in that centre. This has resulted in a one-time adverse impact on our EBITDA and PAT margins. While at the end of Q2, we were anticipating a 10% growth over H1, in reality we have not been able to meet this particularly because of continued uncertainty in the business outlook as referred to earlier in particular in the European geography. In addition, procurement of follow-on business has not been completed in the forecast timeline. Some part of our business addresses rapidly evolving technologies and business engagement in these areas tend to be in the form of short sprint cycles. This results in choppiness in some of our services business as well. Our customers in the high cost locations have ramped down business as more aggressively than what we had anticipated. We are taking steps to mitigate some of these objects. We are enhancing our sales capability. Rajesh Rao has joined us as Head of Sales. He has grown businesses in the past and we expect him to provide momentum in building out our sales function. Sales becomes especially critical as the European ecosystem that was strong in the part has declined and we are not yet out of surprises. Since that accounts for 40% of revenues and we are faced with lack of predictability on a quarter on quarter basis. Our sales teams are actively engaged in identifying new growth opportunities that will transition into creating replacement revenue. We are looking at our investments and building capabilities and Android Full Phone designs, IP led services and operator offerings to create breakthrough growth. Some key projects in this quarter include integrate and services for tier-I handset vendor, product design and testing services for TDS-CDMA standard and android MMI integrates and then stability projects for tier-I chipset vendor. In addition, we have significant wins to provide integration services and Smartphone space. It is based on a platform using the latest symmetric multi-cores as in dual core technology. In this quarter, we added three key customers amongst others taking our active customer base to 127. We have seen some positive surprises and we uptake our TDS CDMA in Chinese market leading to a significant entry in our products business. While we continue to be cautious about making inferences about this being a trend that will continue, it is likely that this market may display some momentum in the quarters to come. Some key technology trends that we observe and we are prepared to address are as follows:

While the iPhone helped to create a tipping point for mainstream Smartphone adoption, android activations are up significantly as per market research reports. They are well placed to exploit this trend of continued Android adaptation which now seems to be targeting all price point devices and attracting new entrants. Deployment of 4G network in matured economies seems to be gathering momentum that multiple operators are announcing network roll-out plans and launch of new devices in several markets. The speed of 4G will make watching live video, streaming video on mobile is much more common activity. 4G will provide the ideal foil for each media application to take off presenting us an opportunity to exploit our rich media capabilities. 4G is also likely to see the introduction of graphic-intensive applications which will leverage the compute power of dual core processors that are becoming standards in high end Smart phones.

Semiconductor vendors are hastening the introduction of multi-technology, multi-core platform and struggling to keep up pace with the rapid evolution in operating systems and applications that they are expected to support and run. The proliferation of open source platform means that semiconductor vendor and OEMs must collaborate stronger than ever before to differentiate themselves in the market place. These provide white space opportunities for Sasken to step in and fill.

To conclude, we expect to reverse the degrowth in services in the current quarter of the financial year which is Q4 FY 2011. Better results in a continued trend is what we are working towards to achieve and strive. Thank you for your attention and now I hand over to the moderator for the 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, please press “0” “2”. I repeat, if you have a question please press “0” “1” on your telephone keypad and wait for your name to be announced. Thank you. The first question is from Mr. Chakraborty from B&K Securities. Your line is unmuted, please ask your question.

Mr. Chakraborty: Hi Rajiv. Thanks for taking my question. In the commentary you spoke about strong traction in the Chinese market in the products phase. If you could please elaborate on that.

Rajiv Mody: Let me try to explain. As you know in the past licences are protocols faxed to a leading chipset vendor which is launching the phones in the China market particularly in the TDS CDMA space.

We have seen sustained royalty revenues coming from them and in this quarter we saw also a renewal of the license which contributed to high revenues coming from that customer. We don't expect that to continue in the going quarter on the revenues that we derived by the renewed license but we do continue to see revenues continue to flow to us on account of royalties on the volume shipment that they do in the market.

Mr. Chakraborty: A followup on that would be the EBITDA margins on your products business. It expanded significantly this quarter.. So if you could please throw some light on that.

Rajiv Mody: I think it is obvious that the EBITDA margins have gone up significantly because of the licensing deal that we did but in the normal situation it would go back to the regular EBITDA margins that we have demonstrated in the previous quarter.

Mr. Chakraborty: So that would be somewhere in the 50% mark?

Rajiv Mody: Depending upon the volume shipment and the royalty revenues that are derived but we see that the product side of our business is stable today somewhere in the range of 2 to 2.5 million dollars.

Mr. Chakraborty: Sure. Thanks. My second question was related to your attrition. If you could throw some colour on that going forward how do you see that panning out?

Neeta Revankar: We have seen attrition reduced in the current quarter over quarter two, but I think it is too soon to talk about a trend going forward. From our perspective we have taken all the actions that management can take towards resisting attrition. There are of course a few things beyond our control which is the pull from the market outside. It is very difficult to predict anything about attrition going forward.

Mr. Chakraborty: If I may squeeze in a third question before I come back for followup. There was a discussion regarding the second generation satellite phone with INMARSAT. I was just wondering if there are any updates on that.

Rajiv Mody: There is no further update on that. We were expecting certain closures to happen, but it is taking slightly longer time for us to come up with the exact architecture and things of that needs.

Mr. Chakraborty: That is helpful. I will come back for followup. Thank you.

Moderator: Thank you. The next question is from Dinesh Kumar from Aditya Birla Money. Mr. Kumar, your line is unmuted. Please ask your question.

Dinesh Kumar: Hi, Good morning to all. I have a couple of queries. Actually first is on the hiring plan side. Actually your hiring is muted for the last two quarters. It is stable around 3500 level. So how do you see panning out over the two to three quarters?

Neeta Revankar: I'm sorry. I didn't hear your question very clearly. Was it about hiring trend in the past and going forward?

Dinesh Kumar: Yes, yes, exactly.

Neeta Revankar: We are continuing to hire. What we have done is we have been closely monitoring the mix people like people which we hired and that is what will determine whether hiring will go up in a particular quarter or goes low. As of now there has been no significant change in our hiring plan and we continue to hire for anticipated growth.

Dinesh Kumar: Will it be lateral hiring or it will be from freshers?

Neeta Revankar: This is something that either calls that we take each quarter depending upon demand. So in one quarter we may be hiring more laterals and in another we may be going in for more freshers. It is very difficult to say anything beyond this.

Dinesh Kumar: Okay. Well and fine. Another query is, can you throw some light about what you told about product business? Right? Can you say about automotive sector because it is grown very well in this quarter?

Rajiv Mody: You are asking us to comment on the automotive segment? Are you referring to our Connect-M business?

Dinesh Kumar: The segment as a whole I am asking.

G Venkatesh: We have a subsidiary called Connect M Technology Solutions which is primarily to the M2M space and we are starting to see some gook traction from that company which has started to show some revenues for us in the current and the quarter that went by.

Dinesh Kumar: Okay.

G Venkatesh: We will have more to say about it I guess in the next earnings call.

Dinesh Kumar: Okay. In the geographical space, the revenues de-growth in North American space and Europe space, even in India we saw some kind of degrowth. How do you see these three major revenue drivers will grow?

Rajiv Mody: Yes, I think we have seen like I said in my opening remark that a lot of work is moving from high cost to low cost and we are seeing customers aggressively doing that. It has an impact on us and that is one of the contributors. The de-growth that you are seeing primarily in India because of INMARSAT closure. We have not seen much of degrowth in volume terms in India. As a matter of fact we are seeing the volume increase in the India office.

Dinesh Kumar: Okay. What about US and Europe going forward?

Rajiv Mody: Europe, definitely a lot of activities where things are moving into India and China.

Dinesh Kumar: Okay. Fair enough. Thanks. That's all from my side.

Moderator: Thank you, Mr. Kumar. The next question is from Vinayak from Right Horizon. Vinayak, your line is unmuted. Please ask your question.

Vinayak: Good morning, Rajiv and Neeta. There are three questions. First is on the revenue side. I am talking specifically about your software products business. On that if I see you know on a quarterly basis, there has been a good amount of traction in terms of run rate. So, first two quarters of the current year you did about 13 crores. This quarter you did 25 crores. So possibly I would imagine that if you would end up with about 70 crores FY11, the question is, is this segment a potential to 50 crores kind of annual basis opportunity in the next maybe two or three years. That is question number one. Question number two is, on your buyback programme you said 35 crores was allocated at 225 plus at the top end that which will continue buyback. Yet we haven't seen any movement there. So reasons for that? And finally, the third question is on the balance sheet cash level, maybe at net level you are at 200 crores. So is it safe to assume that Sasken will have a 20 crores per quarter run rate for the next few quarters?

Rajiv Mody: Okay. Let me try to answer this first question. I am sorry you have fourth question? Okay, you had three questions. Right. Okay, then let me try to answer this first question. In the product side of the thing, we have been in the last three quarters royalty revenues contributing to the overall revenue flow and this revenue we derive out of the licenses that we have signed up in the past both on the protocol tax side as well as multimedia and the new licenses that we signed on the multimedia side. Now it is very hard for us to predict on a sustained ongoing base whether we will keep generating similar kind of revenues. Our hope and our efforts definitely point towards that, but not necessarily something within our control because it depends on whether a certain product category becomes significantly successful. Today, we can safely say that on an average we would possibly do about a 2 million at least per quarter based on the outlook that we have. We keep watching that and if there is any change in that either positive or negative we will come back to you, but today at least the expectation and the visibility shows that. Efforts of course are in place to see how we increase that and build a good healthy business out of it which delivers us significant margins. So that is for the first question.

The second question was on the buyback and the cash part which I will Neeta to answer.

Vinayak: Right.

Neeta Revankar: As you are aware, we have one full year to complete the buyback and it is about a little over six weeks into the buyback programme. Already bought back a little over 100,000 shares. As far as the cash and the balance sheet is concerned, if you see the trend of the last two quarters, we started generating cash in the range of 15 to 20 crores.

Vinayak: Okay. And you are saying that you can linearly assume that you will remain at the same level?

Neeta Revankar: See, cash generation is dependent upon how the business moves. Right? So, I think we should just track how the business is progressing and you will know that cash is being generated in line.

Vinayak: Okay. But the question therefore was, is the management giving any guidance with respect to any that you are open for any acquisitions and disbursement of cash?

Rajiv Mody: No, we don’t have any plans for any acquisitions at this time.

Vinayak: Okay. Fine. Rajiv and Neeta, thanks for that. I will join the queue for any followup question that I may have. Thanks.

Moderator: Thank you, Vinayak. The next question is from Ashish Pande from CAPCO. Mr. Pande your line is unmuted. Please ask your questions.

Ashish Pande: Hello sir, this is Ashish. I want to know I mean you have some 20 lakhs of options outstanding right now and you have 275 thousand of outstanding shares. So, I want to know do you have any strategy of allotting options year-on-year or you just follow the lead based programme. I want to know do you have any guidance of how many options you are going to issue in the next two to three years. Do you follow any strategy?

Neeta Revankar: See, definitely, when we are looking at employee compensation, stock options form an important part of that strategy. Okay? So we will continue to use stock options to attract and retain core talent and leaders in the organization. If you are asking about any specific number, we are looking at going to shareholders in the near future to seek approval because as of now we do not have any options left in the kitty to grant. So when that happens, you will be aware.

Ashish Pande: Okay. I just came out with a number of [indiscernible]. Okay leave it. Can I know how much of cash and cash equivalent is left on your balance sheet right now, I mean at the end of December quarter?

Neeta Revankar: It was Rs. 211 crores.

Ashish Pande: That includes the 35 crores you have given to Karvy for buyback or excluding that you have?

Neeta Revankar: We have not given any money to anybody for the buyback. As and when we buy back, we will make payment for the shares bought back. So, 211 crores is all that we have with us.

Ashish Pande: Okay, fine. Thank you, madam. That's all from my side.

Moderator: Thank you, Mr. Pande. Participants, I repeat, if you wish to ask questions, please press "0" "1" on your telephone keypad. You will be added to a question and answer queue. After you are announced, please ask your question. The next question is from Kunal. Kunal, your line is unmuted. Please ask your question.

Kunal: Thanks. Sir, my question is with regards to your services business. How do you see the outlook over the next forthcoming quarters because if we look at the last two years, this is one business which has seen significant deceleration?

Rajiv Mody: Kunal, your observation is correct. We have definitely seen some change here come about in our services business. While not to deemphasize or give any other indication, there is significant effort being put in to see that we start reversal in the trend in the growth on our services business quarter-on-quarter. Just to highlight on the events that have occurred, one is of course one of our largest customers continues to rationalize their R&D cost and their restructuring is yet to play out. So there is slowness in the overall approach. The other thing is that we have experiences that one of our customers made a strategic change in their business focus which resulted in us having to close down some of the proximities centre particularly in Mexico. The largest customer whom we expected to grow in the US also has not grown. The satellite space we follow on is a little slow than we had anticipated. So, some of these things are definitely the negatives that have impacted us, but while these have been the negatives… and also to add to it Kunal, we have announced earlier on in the previous call that we actually exited some of our non-profitable, non-strategic businesses in the early part of the year.

Kunal: That was on the network side, right?

Rajiv Mody: That is correct. Many of these have by the way been made up also over the last three quarters compared to the previous year. Now there has been degrowth. There has been growth in other areas. So overall net-net there is still a negative that we are kind of chasing. Our focus is to see that we stabilize that and grow not only with our key current customers, but broaden that thing and take it to many more customers to reduce our dependency also currently that we have on our top five customers. So, for that like I said in my opening remark, we have Rajesh Rao who has joined us brings in a very good experience and he has taken the mantle of driving sales to go in for furthering and what do we call increasing our customer base. On the utilization number, it shows very clearly to you that we have quite a few people available and we are training them and making sure that we are ready to address the needs of the market.

Kunal: Right. Sir, you also said that you know some of your Tier-1 customers, they are moving work offshore and there is significant work-shift to India and China. Are we not part of that work flow?

Rajiv Mody: We are part of that work flow, Kunal. Unfortunately, a loss in the high cost, say if I lose in dealing in Finland it takes me significantly more over a year to replace that one on one. That is the trend that we have seen over and we had plan for certain growth in Finland also and we had kept certain cost bench over there which has not materialized, which has impacted our EBITDA adversely also. But we are taking correctives in all those things because we see that there is a pull on the requirements primarily out of customers moving things more to India and to China.

Kunal: So, what does the plan with the top customer continue? You did mention that it continues to nationalize and its slowness in an approach. So it is basically the work that you are doing is continuing without any change or you are seeing some ram-down there as well?

Rajiv Mody: Okay. In Saudi, customer accounts, the growth that we had expected didn't happen. While in some accounts we do see some ram-downs happening in some of the areas, but having said that we also see other customers growing very rapidly.

Kunal: Right. But do you anticipate further ramp-down in the indications?

Rajiv Mody: Right now there are no indications to that effect on any further ram-downs from any of our customers. I hope you appreciate the fact which I mentioned in the opening remark that we do work in many leading technologies and there is inherent job that comes as part of the activity.

Kunal: Yes, absolutely. Any new wins that you can talk about and probably some indication of the size?

Rajiv Mody: I am not able to say that to be frank with you, but we do have wins and I tried to bring that in the area of Android as well as MMI as well and another thing that I talked about was integrated services in the Smartphones business.

Kunal: Okay. Thanks a lot.

Moderator: Thank you, Kunal. The next question is from Shradha Agarwal from B&K Securities. Shradha, your line is unmuted. Please ask your question.

Shradha Agarwal: Good morning, Rajiv. Firstly, what was the one-time effect due to Mexico Centre ram-down?

Rajiv Mody: Neeta, can you answer that?

Neeta Revankar: There were a number of expenses that came through P&L this quarter. Largely lease related write downs and deferred tax assets will be recognized. So all of this added up to about 6.3 crores for this quarter.

Shradha Agarwal: Okay and how many employees were laid off because of this?

Neeta Revankar: Actually, during this quarter we had about 93 involuntary separations in the company.

Shradha Agarwal: Okay. And in terms of Ingenient, what is actually happening there in terms of your demand traction and consumer electronic and automotive segments because probably you were talking about that being the revenue driver for FY12? So any updates out there?

Rajiv Mody: Business coming out of the Ingenient line of products we are continuing to acquire customers, we continue to get repeat business with the customers in the auto and [indiscernible] the multimedia. They have actually moved forward and some of them actually win larger licensing plus integration projects with them and we see that trend continuing the next two quarters.

Shradha Agarwal: So what is the kind of… earlier probably you were giving some number in terms of what is the kind of revenue would expect from this particular segment to flow into your P&L. So what is that number as of today? I mean, how much of your revenue would you think be contributed from automotive and consumer electronics in FY12?

Rajiv Mody: No, I don’t think we break it out that way. I am not in a position to give that number right now.

Neeta Revankar: And it is too early for FY12 guidance, Shradha.

Shradha Agarwal: Okay. And in terms of subsegments in your services business, probably semiconctor industry otherwise is doing really well. If I look at numbers which are floated in media articles, probably it would be the best year in the last 10 years for semiconductor industry. So how is that particular segment shaping up for Sasken?

Rajiv Mody: We are definitely seeing good demand on chip design, on [indiscernible] activities, full system solutions providing different operating systems for the end market, connectivity for different operating systems. However having said that I want to warn you… I mean you are also aware of the market itself. I don’t need to, but there are a lot of consolidations also happening in the market place which does two things to us. One, either it slows down some of the engagements themselves because consolidation essentially makes that thing happen. Two, kind of in many ways opens up interesting opportunities for us. But overall it could bring in some element of choppiness. A good case in point is Atheros recently got acquired by Qualcomm. Atheros was a customer of ours. Qualcomm is a customer of ours. Now combining the two, how is the whole thing is going to shape out could be delayed slightly. So, those things are also impacting us and bringing in elements of choppiness.

Shradha Agarwal: Right, but if I have to talk about in terms of your confidence in your three sub-verticals, semiconductors, handsets, and network, on which segment would you be the most bullish on?

Rajiv Mody: I think, I will go probably from the end market, Shradha, and I think all the consumer devices and I include all newer devices because now we are also starting to engage with customers who are putting in newer devices like tablets and those into the market place is an interesting driver for us. Second driver for us is related to that the testing which is a key aspect both and it expands either semiconductor company or a handset or an operator and more for the developed market which is also a good driver for us. Third is the operating system which is particularly the Android operating system. It is also a good driver for us.

Shradha Agarwal: Right. That is helpful. In fact, if you could help me with the tax rate, I mean we saw substantial jump in your taxes in this quarter. So reason behind that?

Neeta Revankar: As I explained because of the Mexico decision that we took, we had to reverse a significant amount of deferred tax asset. That has been the large reason for a change in the tax as a proportion to revenues and the effective tax rate. There has been no significant change in effective tax rate otherwise from the previous quarter, but going forward as we get out of the [indiscernible] I expect that our effective tax rate will start slowly going up.

Shradha Agarwal: Any ballpark number would you want to give there?

Neeta Revankar: Right now our effective tax rate is in the range of about 17%. It will go up to like 25% over the years, Shradha.

Shradha Agarwal: Okay. And one bookkeeping question on your outstanding hedge as of last December quarter.

Neeta Revankar: You are aware that we have both forward contract and option contract and we hedge both our dollars and our euros. Overall we have about 45 million equivalent hedge at the rate of about Rs. 46.58.

Shradha Agarwal: All right. Thank you so much. That is it from me.

Moderator: Thank you, Shradha. The next question is from Jagdeep Sarkar from USI Capital. Jagdeep, your line is unmuted. Please ask your question.

Baidik Sarkar: I think you got the wrong name. This is Baidik Sarkar from Unified Capital. Rajiv, good to be talking to you. I have a couple of questions. Am I audible?

Rajiv Mody: Yes, you are audible Jagdeep.

Baidik Sarkar: It is Baidik once again, not Jagdeep, but anyway. So my first question, Rajiv, is you know we have been witnessing lower offshore revenues in Q3. I just wanted to understand from a macro perspective what does it mean? Is it a structural issue of customers not willing to outsource high-end work to India or China? I just wanted some example on that. Secondly, we have been seeing some move towards lower fixed price contracts. Again I recollect the company stating that you would like to move into the fixed price contract and move away from TNM issues. So, why is that happening? Are customers unwilling to negotiate or whatever the reasons it might be? Secondly, the lower utilizations, you had mentioned that the revenues were as they were for Q2 because of decrease in the billable resources. Now in spite of the minimal net additions we have seen this quarter, utilizations have still come down. So does it reflect a poor pipeline or is it just a timing issue? Are we on track for year-on-year 5% revenue growth? That is it. These are my questions.

Rajiv Mody: So, let me answer the questions in the order you have raised. Indian revenues decline is primarily because of the satellite programme coming to an end. We have not seen any loss of any customer during the quarter that we are surveying today. So that is going to be the prime reasons from Q2 to Q3. On the FPP side also similar because I think some of the programmes… I mean the entire INMARSAT programme was an FPP and the reason why it has come down is primarily because of that. Having said that we definitely are working with our customers to convert as many programmes into FPP in the areas where we have already worked and are knowledgeable rather than we go after FPPs where the risk element is high. So we are definitely focused on seeing that we move away as much from being headcount TNM led to an FPP kind of an activity. I think the utilization is low because of the fact that there is an effort going on in training our resources and be available to serve our customers as we see the demand [indiscernible]. So, I think this is probably a leg and will continue to be a leg for the revenue growth.

Fourth question, you asked whether we will meet our overall guidance that we had given and I said in my opening remark that no, we will not do that because of the reasons that I have already articulated earlier in terms of some of the decisions either getting slow and some of the high cost moving to low cost, some of our customers taking longer than anticipated to close on the next generation stuff. So those things are coming in the way overall.

Baidik Sarkar: Okay, thank you, gentlemen.

Moderator: The next question is from Ganesh. Ganesh, your line is unmuted. Please ask your questions.

Ganesh: Thanks for the opportunity. I just wanted to know you have discussing about new products coming in the pipeline, something in the Android segment and other stuffs. I just wanted to know when we can expect from you people any announcement of any large projects which would require you the revenue and the earnings and show a good growth in FY12?

Rajiv Mody: I would say that when we come back to you in our April call, we should be able to give a better handle and a view in terms of the wins that we have in this phase. I can only leave you with the message that there are good opportunities in this. We are in advanced conversation with many a customer, but there is always a slip between the cup and the lip and we don't want to say anything. We would rather say things when we are close and we will be able to give you more definitive thing in our April call.

Ganesh: Okay. I was comparing the nine-month numbers of FY10 versus FY09 in the amortization which has increased almost 10 times. It has been gradual over the first three quarters. So, I just wanted to know why there is a 10 times increase in the amortization.

Neeta Revankar: Actually, there was an acquisition that we did last year and as a part of that we had some right to customer contract which is what we have amortized. This should stop going forward because that particular thing has been completely amortized in the quarter that is descended. You will see it back at earlier levels.

Ganesh: From next quarter onwards, it will back to the earlier levels?

Neeta Revankar: That is correct.

Ganesh: Okay. And one last question, the investment write-off, is it part of the Mexican closedown?

Rajiv Mody: No. That is the restructuring balance sheet you are asking?

Ganesh: No. In the P&L, you have an investment write-off, diminishing in the value of investments of 4.5 crores.

Neeta Revankar: Actually, it is a reversal. We have actually recognized. Again that we have made on sale of shares that we had acquired many years ago as a part of a licensing deal, we actually assume that the value was minimal and written it off, but we realized some value from those shares last quarter.

Ganesh: Okay. Great. Thank you very much.

Moderator: Thank you, Ganesh. The next question is from Neerja Handa. Your line is unmuted. Please ask your questions.

Neerja Handa: Thank you. Good morning. I just wanted to know, you mentioned that some of your business is shifting from Finland to offshore here. Has the volume of business remained the same or even the volume has reduced?

Rajiv Mody: Volume I think is more or less similar from Q2 to Q3.

Neerja Handa: When did the shift start over? When are the customers shifting from onsite to offshore?

Rajiv Mody: This is a trend which has been going on particularly over the last 9 to 12 months. Earlier we used to see more things happened in the high cost as well as growth happened over year, but the last three to four quarters we have seen a reversal on that where significant requirements keep coming in the low cost compared to the high cost.

Neerja Handa: Okay. And would the profitability be better here?

Rajiv Mody: Definitely, the profitability is better, but it has an impact on your top line.

Neerja Handa: Sure. I understand there was a billing rate.

Rajiv Mody: That is correct.

Neerja Handa: Is this trend only for one customer in Finland or are you witnessing this in other customers in other geographies as well?

Rajiv Mody: We are witnessing with other customers also in some other geographies by the way.

Neerja Handa: That is happening in others as well.

Rajiv Mody: Yes. Our volume in Q1 versus Q3 is almost similar.

Neerja Handa: I see, and when you say that your work is shifting from onsite to offshore, are you also losing some work to other competing vendors?

Rajiv Mody: I don't think we have seen much of that particularly in the areas that we continue to serve our customers in.

Neerja Handa: Okay. Fair enough. A couple of questions on the financial side, you have stock options outstanding which shows on your balance sheet roll. I just wanted to understand is there some issue why we will not exercise because I think you mentioned sometime back that you got nothing outstanding now on stock options but there is something showing on the balance sheet. Can you clarify that please?

Neeta Revankar: Sure, what you see outstanding on the balance sheet are actually stock options already granted. Those are yet to be exercised. As long as our buyback programme is open, we actually cannot allow anyone to exercise the options as per SEBI regulation. So, that will continue to remain outstanding until we close the buyback.

Neerja Handa: What is the exercise price on this?

Neeta Revankar: There are different exercise prices and these are normally disclosed as a part of our notes to account. You will find it.

Neerja Handa: Fair enough. Secondly, do you have any existing operations in any SEZ or any plans to set up an SEZ?

Neeta Revankar: We actually have an SEZ in Bangalore. We also have one that we just set up in Pune. Yes, we are looking at expanding the Bangalore SEZ or probably setting up another one in Bangalore, but as of now these are the only ones.

Neerja Handa: Okay. That is why your asset will remain at 25 from next year because you will get some exemptions from these?

Neeta Revankar: That is correct.

Neerja Handa: Okay. And in terms of FY12, what is the plan for capital expenditure?

Neeta Revankar: It's still very early. We haven't yet drawn up our FY12 plan.

Neerja Handa: Okay, fair enough. Anyway thank you very much and all the best for the future.

Moderator: Thank you. The next question is from Mr. Chakraborty. Your line is unmuted. Please ask your questions.

Mr. Chakraborty: Hi Rajiv, this is Biplab again. Just a followup on the revenue guidance, you mentioned that Sasken will not be meeting the revenue guidance earlier of I think 5% to 6%. So are you giving out any fresh guidance?

Rajiv Mody: No, we are not.

Mr. Chakraborty: Just a followup on that. Can we expect the services revenue to grow in the next quarter?

Rajiv Mody: Yes, like I said, we definitely see the services revenue to grow from Q3 to Q4, but we would not want to leave a message with you that it is a trend because we would like to demonstrate that Sasken thing over the next few quarters before we say that it is a trend.

Mr. Chakraborty: Sure. Thanks, Rajiv. Thanks for taking my question and good luck going forward. Thanks.

Moderator: Thank you. The next question is from Sandeep. Your line is unmuted. Please ask your questions.

Sandeep: Hello, good morning, sir. I had a question with respect to utilization. Now that your Mexico operation has shut down, would this utilization pick up in the coming quarter?

Neeta Revankar: That is correct, actually. Mexico is not the only region. We have a number of high cost locations and we are looking at increasing utilization there. We are also working on improving utilization in India. So, yes, definitely you should see an improving trend in utilization globally.

Sandeep: When is this likely? How is the trend upwards going to be quarter-on-quarter type? Any guidance on that?

Neeta Revankar: Not really. Quarter-on-quarter, we will start seeing improvement right from the current quarter itself, Q4, but it is very difficult to say you know what number it will grow.

Sandeep: Okay. Like you mentioned that you have other high cost, would there be any further plan of other shutdown and moving base into the SEZ in Bangalore or Pune?

Neeta Revankar: I hope we don't have to shut down anymore. We definitely are not looking at that. We would like to grow all our existing centres beyond their current levels.

Sandeep: The last question is like, has all the cost with respect to Mexico been written off or we can expect something in the next quarter as well?

Neeta Revankar: Pretty much all that we could anticipate we have written off.

Sandeep: Okay. And this buyback programme which is going on, when is this likely to complete? Would you be doing it faster than anticipated since the price is far below your target price that you want to buy at?

Neeta Revankar: Actually we have a 12-month period. And as of now I don't think I can say anything beyond that. We will be buying back steadily. That's all we can say.

Sandeep: Right. Thanks and good luck for this. That is about it from my side.

Moderator: Thank you, Sandeep. Participants, I repeat, if you wish to ask a question, please press "0" "1' on your telephone keypad and wait for your name to be announced. At this time, there are no further questions from the participants. I would like to hand floor back to Mr. Mody. Over to you, sir.

Rajiv Mody: Well, once again, thank you all for joining us on the call and look forward to coming back to you with more information in April. Thank you.

Moderator: Thank you. With this we conclude the conference call for today. Thank you for your participation and have a pleasant evening. Thank you.