



“KPIT Technologies Limited Q2 FY15 Conference Call”

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MODERATOR: **MR. HARDIK SHAH – SENIOR ANALYST, KR CHOKSEY SHARES AND SECURITIES PRIVATE LIMITED.**

Moderator: Ladies and gentlemen, good day and welcome to the KPIT Technologies Limited Q2 FY 2015 Earnings Conference Call, hosted by KR Choksey Shares & Securities Private Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hardik Shah from KR Choksey Shares & Securities. Thank you and over to you Mr. Shah!

Hardik Shah: Thanks Mallika. On behalf of KR Choksey Shares & Securities, I welcome all the participants to KPIT Technologies Q2 FY 2015 Results Conference Call and wish all of you a Happy Diwali and Prosperous New Year. Today on the conference call, we have Mr. Ravi Pandit, Chairman and Group CEO, Mr. Kishor Patil, MD and CEO and Mr. Sachin Tikekar, Whole time Director, President, Strategic Relationship and Business Transformation, Mr. Anil Patwardhan, Senior VP and Head, Corporate Finance and Governance, Mr. Sunil Phansalkar, Head of Investor Relations and General Manager M&A. We would like to thank the management for giving us an opportunity to host this conference call. I would now hand over the call to Mr. Sunil. Over to you Sir.

Sunil Phansalkar: Thanks Hardik. A very warm welcome to everybody on the Q2 FY 2015 KPIT Earnings Conference Call. I take this opportunity to wish you and your families a very happy, healthy and safe Diwali and a prosperous new year ahead. I hope all of you would have received our investor update where we have tried to detail the performance about the quarter and put some insights in to what we look in to the future. As always we will have the initial comments about the performance of the quarter and how we look the year ahead from Mr. Ravi Pandit and after his comments we will throw open the floor for questions. I would just request everybody to limit their questions to one or two so that everybody gets a chance to ask their questions. Thank you and a warm welcome to all of you. Now I will hand this over to Mr. Ravi Pandit.

Ravi Pandit:

Good afternoon to all of you and welcome to this second quarter call of 2015. Let me first wish you all a very happy Diwali and Prosperous New Year. I would like to make comments on the quarter. On the overall operations basis and on the basis of the way in which we are organizing our business and then as Sunil mentioned we will throw the call open for your questions. This is the first quarter in the life of KPIT where we have hit half a billion dollars run rate, so we did \$125 million or 757 Crores of revenue. Quarter-on-quarter revenue growth was about 8.5% in dollar terms, about 10% in rupee terms. The EBITDA growth was little over 20% quarter-on-quarter and the profit growth was a little less than 40%. We look at our business, I should say in three dimensions, one is our offerings and services which is automotive engineering, SAP and integrated enterprise solutions, that is one dimension, the second dimension is the verticals to whom we service which again is automotive manufacturing and energy utility and the third one is the geographies.

Let me give you some color of the growth during this quarter. In terms of our offerings and services automotive engineering SBU grew by 24% quarter-on-quarter and this includes the services revenue as well as the products and platform revenue. This SBU had a healthy growth during the quarter. SAP SBU which had had problems if you recollect last year is now coming back on track and that grew by about 8% in this quarter. The EBITDA which used to be negative in the earlier quarters was kind of break even last quarter and now it is in mid single digit and we are hoping that we will close the year in high single digits maybe around 8 to 10%. The third SBU which is integrated enterprise solutions grew by about 2% which includes Oracle which actually grew very recently. If you were to look at our performance on the vertical side the automotive vertical had the best traction which grew about 23% quarter-on-quarter as a matter of fact energy utility vertical which is a little smaller actually grew even faster, it grew by about 32% whereas the manufacturing vertical degrew by about 15-16% which was largely driven by one single large account and we were kind of aware about how that particular account will move.

If you were to look at our performance on the geographical access Asia grew the best which was over 40% and US grew by 4-4.5%. During the quarter our cash flow improved as you can see because our DSO came down by about two days. During the quarter we also hired almost 450 people because we believe that the traction in the months to come will be quite good. In this quarter we acquired the remaining 50% of the shares of Impact Automotive where we earlier held 50% of the shares and we acquired the remaining 50% from our partners because we realized that for us to bring growth in to that company we needed to add more products than what we had earlier agreed for and therefore we decided to acquire the entire ownership of the company and the result of that you will see in the overall investment etc., during this quarter. During the quarter we had some benefit on the taxation front because we had over provided taxation to the extent of roughly 24 Crores, although this was like a reduction in the tax flow to the extent of 24 Crores we actually provided on conservative basis some other areas on the SG&A and also on tax as a result of which the net increment to income on account of the tax credit was almost like 8 Crores and not 24 Crores. During the quarter you would also notice that the goodwill amount has come down quite substantially and that is largely on account of the amalgamations of wholly owned subsidiaries that we did which has resulted in the reduction of the goodwill. The networth increased and the networth also had an impact, joint impact of increasing net worth on account of profits as well as reduction in net worth on account of goodwill, the goodwill reduction actually contributed to more than 200 Crores with a total reduction of 140 Crores, the difference being 65 Crores roughly of the additional profits during this quarter. We believe that we will end the year at more than \$500 million in terms of total revenues. We have also indicated that our initial profit estimates we may not be able to meet and we might fall short by about 10% or so largely on account of the impact that we had in the first quarter of this year. We believe that we are getting some traction on account of our products and solutions one of which hit the market in this quarter and partly in the last quarter and we have mentioned that in our investor update, the product is in the domain of telematics, we believe that we have current orders on hand which will last for another three

quarters and then thereafter we estimate that the new orders for the same product will start. We also have some other products in the pipeline and we hope that as time goes by we will be bringing more and more technologies to the fore. In not all the cases we will be doing a full product manufacture but we expect to get reasonably good income on that. Our margins on the products are better than the margins that we have as the company as a whole.

You would notice that our EBITDA margins have improved slightly during this quarter which of course is good news but we believe that we have some more work to do in this regard and as a team our efforts are focused on that. This gives an overview of the quarter that went by. We expect that Q3 would be somewhat flat because of the loss of days on account of Christmas as well as Diwali, three days on account of Christmas as well as Diwali and typically whatever growth that we get in this quarter is to a certain extent decreased for this reason, however we expect it to be flat. We do believe that our last quarter should again do well. So, these are my comments on the quarter that went by and we will now welcome any questions and comments from you. Thank you very much.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Urmil Shah from Maybank, please go ahead.

Urmil Shah: Hi Sir! Wish you a very happy Diwali and congrats on a very strong quarter. Sir just wanted to get your view on the long term growth in the next two to three years given the telematics orders and also SAP has now picked up, how does the growth look over the next two to three years after like high single digit growth in FY'13 and FY'14 should we expect a strong pick up over the long term or there could be some challenges?

Kishor Patil: Roughly if you look at next few years our focus is to grow our strategic accounts, GAM accounts and strategic accounts, we believe that there is a significant opportunity for us to grow in the existing accounts while we will acquire actually new accounts as well but the existing accounts provide a lot of potential. Now

coming back to services in this quarter as well as going forward we see a very strong traction in the automotive IBU overall the spend on engineering and our opportunity and traction is significantly higher. We worked on it last few quarters and we see a significant traction in that. As we had talked about products and platforms also I think you know we believe that we should be in a position to come up with newer products and introduce new products and that should continue to drive growth. In other cases if you look at it as I mentioned I think we have an opportunity there to expand certain markets specifically enterprise while we have grown significantly in US but I think there is an opportunity to extend and expand market in Europe and Asia that is where we see a bigger opportunity in that part. Also the accounts which we have in the manufacturing and energy utilities if we cross sell our other services I think there also we see the opportunity. So overall we believe that the opportunity for growth is good and we will continue with the traction going forward.

Urmil Shah: Thanks that was helpful. If I may add on to this the restructuring which we have done for the go to market has the results have been in line with what we expected and secondly when do you see the full impact of that coming in on the growth?

Kishor Patil: Naturally I mean these are ongoing efforts and will continue doing some changes every quarter but I think most of the changes have been done with. I think we are seeing some of this growth as I mentioned in terms of specifically automotive IBU was the first one where we made these changes almost about three to four quarters back and I think that's where we are seeing the results so I think as this goes I think we will start seeing similar growth opportunities more in the manufacturing and E&U area further.

Urmil Shah: In the current quarter in the automotive segment if I understand right the Telematics order was for JMMURM apart from that how has the rest of the segment grown?

Kishor Patil: No we have seen good growth in our GAM and strategic accounts in both North America and Asia.

Moderator: The next question is from the line of Srivatsan Ramachandran from Spark Capital. Please go ahead.

S. Ramachandran: I just wanted to get your comments on this products and platform that you are talking off just wanted to understand more the nature of it, the selling model that you are typically adopting for it and would it be more focused on new and emerging markets are you would be looking and taking to develop markets also?

Ravi Pandit: So let me broadly describe what do we mean by products and platform, you know as we can see in all our industry vertical there are some broad technology trends which are coming into play, so for example if you were to look at the automotive vertical there is a movement towards connected cars there is a movement towards greener cars, there is a movement towards safer vehicle and also higher degree of electronics in these vehicles, now these are broad technological changes which are happening, similar are the changes that are happening in energy utilities as well as general manufacturing, so our basic intention is to look at these changes and figure out a way in which we can offer products and platform which are largely driven by software. It is not our intention to do a lot of hardware manufacturing, our intention is really to capitalize on our software knowledge, these are the areas in which we have filed and got patents over the last two three years in decent numbers, so apart from the one that we have in telematics and the one that we have built over a last three four years on the hybridization Revolo where we are now hoping to get finally a green signal from the government post the certification etc., so apart from these two we have other technologies in our portfolio which we now are planning to bring into the market. These are the ones which are on hardcore automotive engineering side that we believe there are also opportunities on the business IT side of a similar nature and as you would have noticed by the even by the change in the name of our company we are focusing on broad spectrum of technologies and they are not necessarily just pure IT but they are

largely software driven. So we expect that over a period of time our focus on the technology part and our share of income from these non-linear models will be higher, now the business model for these technologies can be multiple. In some cases there could be a hardware and software sale as has been in the place in the case of telematics or in some other cases it could be purely a software product sale as we have been doing in the area of Autosar or it can be a royalty sale going forward if we sell somebody a technology they will do the remaining thing and we will get licensee fee and royalty, so all these possibilities exist as they relate to the multiple technologies on which we are working.

Moderator: The next question is from the line of Dipen Kapadia from Batlivala and Karani Securities. Please go ahead.

Dipen Kapadia: Sir can you give me a margin walk through because you used to publish it and last quarter we had a couple of negative which would have been taken care of this quarter and even after 30 basis points of currency benefit our margins have not expanded that much can I have a margin walk through if possible sir?

Sunil Phansalkar: So Dipen, two three things we need to look at one is if you look at the net hiring that has been pretty strong during the quarter we have hired more than about 440 people now that has come on board so that is one, second I think the rupee depreciation had a impact of about 10 to 15 basis points on the overall margin, third as we have said earlier in the opening remarks we have some conservative provisioning done in the SG&A for the quarter which has also impacted the EBITDA margins for the quarter. The margins in SAP have improved; they are about 4.5 to 5% now that's where the SAP margin stands for. So from the margin point of view I think if you look at the positives, SAP improvement, revenue growth and rupee depreciation these are the three positives. On the things which affected negatively the margin was hiring which was more than usual hiring for the quarter and the second impact was these prudent provisioning that we did in SG&A. There was also some increment as we said which will happen during the quarter, those promotions

they also happen though the impact was smaller about 20 basis points but that also was one of the reasons.

Dipen Kapadia: Sir, I mean to put it the other way our raw material consumed have gone up significantly so is that Telematic as you would put it Telematic deal initially would be a low margin business to start with from the transient phase to the steady-state phase, is that the hardware component that we have got the incremental credit we got \$4 million from?

Sunil Phansalkar: So the material, see this is like a complete solution which is sold, it is not hardware separate and software separate it's a complete kit that has been sold the material cost appearing on the P&L is today can be almost all of entirely attributable to the Telematic revenues and when we see the margins the lower its not lower with the respect to the company margins but with respect to the overall margins of the deal, so the margins as the volumes grow will further grow today the margins are comparable are slightly higher than the company average margins for this deal.

Dipen Kapadia: Okay, so as of now that is wholly from Telematic deal and its more a recurring revenue or its like I mean what I am trying to understand is spread across next four five quarters will it be a recurring revenue because if it only related to Telematic next quarter will it be stagnant or how do we see the growth for the deal happening?

Sunil Phansalkar: So as we have said earlier the total value of the orders received is about \$35 to 40 million the current delivery schedule that we have in hand are about will go on for the next three odd quarters and as we come nearer to that date we will get further delivery schedule so this should continue for a longer period of time.

Moderator: Thank you. The next question is from the line of Mohit Jain from Anand Rathi. Please go ahead.

Mohit Jain: Hi three questions, one is on telematics as a follow up, what percentage of it is hardware in the solution and what kind of growth margins should we expect from

this deal? Second is on SAP outlook, now this is a second quarter this quarter was very strong as far as SAP revenues go, so what kind of business outlook do you have for FY'15 rest of the year in terms of SAP and lastly on margins and attritions, what should we expect in terms of margins and what was the attrition for Q2?

Sachin Tikekar:

This is Sachin Tikekar I will talk about SAP first, I think the objective for this year was to stabilize the operations, make them profitable, make them robust and make some fundamental changes in the business model, I think we have done a reasonably good job so far as they got reflected in the results in Q1 and Q2. For the rest of the years as Ravi mentioned at the beginning of the call the margins will continue to go up and we hope to end the year at about 8% to 10% on the bottom line. Obviously Q3 in the services business and SAP is mostly services business you know there is always pressure so Q3 will be flattish but we should go back we should again see a good amount of growth in terms of topline coming back in Q4. So that will probably set up a very good sort of opening balance for the New Year. That's the brief on the SAP SBU.

Kishor Patil:

On telematics we mentioned the EBITDA is about 16% - 17% right now and we hope to improve it further as we go forward. On the attrition rate we are looking forward to about 18% for the year or so right now it is slightly higher may be 19% for this quarter. Margins will improve I think from where it is and especially they would improve in Q4 because Q3 as we mentioned there are a reasonable number of working days less as compared to this, it will still may improve a bit but I think the real growth will come in Q4.

Mohit Jain:

Okay just a follow up, from your guidance it seems like Q4 is the key quarter in terms of growth delivery because Q3 as you are mentioning is expected to be flattish in terms of revenues so what kind of visibility do we have in terms of are these deals which are going to ramp up or is it something which meaning what kind of confidence do we have on Q4 growth number?

Kishor Patil: We have reasonable orders on hand and reasonable visibility naturally you can't have 100% visibility but we have reasonable visibility for Q4 we have been talking about some of these deals including these telematics as well as some other deals which are happening and most of these deals have been closed and either will start end of this calendar year or early next quarter so from that perspective we are reasonable.

Mohit Jain: Is it safe to assume it will be driven by SAP growth?

Kishor Patil: No it will be all around.

Mohit Jain: I missed first part the hardware percentage in the telematics?

Kishor Patil: I mentioned about the EBTIDA percentage I think that would be about 16% - 17% on that.

Moderator: The next question is from the line of Shivam Gupta from Equirus Securities. Please go ahead.

Shivam Gupta: Sir first regarding the telematics deal you say that you have enough supply for the next three quarters so the next three quarters the order delivery that you would it be of the similar amount that you have done this quarter or that is going to incrementally increase and exit at a higher number?

Kishor Patil: It could go down in Q3 and it may come up in Q4 and we don't have visibility about Q1 right now, but this depends upon the uptake by government of this and so typically we have the order and delivery schedule will be decided based on the final government orders.

Shivam Gupta: So if I look at it from a margins perspective so you have SAP which has really turned the corner now for you and obviously you are guiding a let say a double digit exit margins for this you have now the telematics deal which obviously is at a higher margins than your average then why are we still not showing up, we are still

guiding for 10% lower than our guided providence, I believe don't we have a more optimistic case for margin expansion at least exit for this year?

Kishor Patil: That's the visibility we have right now and you know I believe that you know sometimes if you really look at the total, we are also continuing to make our investments in some way in the market but even you look at the margin expansion what we have factored I think still we may be short of our original numbers based on given the increased revenues for the Q4.

Ravi Pandit: You know we are carrying actually the burden of the low income of the first quarter.

Shivam Gupta: Lastly regarding the BTU business unit which is under a bit of pressure for some quarters now and so first what is the reason why, is it performing according to the plan or is it some fixing needed there?

Sachin Tikekar: You are right, I think you know we are actually taking one business unit at a time to create long term goals and I think we have done a reasonably good job trying to launch our products and platforms. We have also done a reasonably good job in terms of SAP. BTU is something that will start to look at towards the end of this year so will see some uptake in BTU, we will see a turnaround in BTU in the next couple of quarters right. I think we have to prioritize certain things and products and platforms and SAP took priority over BTU but it is an important business unit for us we have started taking some actions, you will see the results in the couple of more quarters.

Moderator: Next question is from the line of Hardik Shah from KR Choksey, please go ahead.

Hardik Shah: Sir, Congratulations on a good set of numbers. What kind of EBITDA margin you look forward to in Q4?

Kishor Patil: I think we will get around 15% by Q4.

Hardik Shah: Sir, I know it is way forward but what is the target for FY 2015?

- Kishor Patil:** We will get back to you on that at the end of Q4.
- Hardik Shah:** Sir your manufacturing sector is down by \$7.5 million, can you throw more light?
- Kishor Patil:** As Ravi mentioned in the opening remarks specifically because of one customer and we were aware that the projects were getting over and they would be ramped up, so we were aware of that.
- Sunil Phansalkar:** Hardik, there has also been some reclassification between manufacturing and automotive from the last quarter, so it was a cumulative effect of these two issues.
- Hardik Shah:** Project is over Sir, so there is no loss of contract or client right sir?
- Kishor Patil:** No, it is just a ramp down and this customer we should see picking up in the next financial year.
- Hardik Shah:** Sir you mentioned in SG&A there is a conservative provision that you have made, what kind of impact is there on the EBITDA?
- Anil Patwardhan:** In amount terms it could be around 5 to 6 Crores rupees.
- Hardik Shah:** So we can expect that this kind of provision would not be there in Q3?
- Anil Patwardhan:** It is not exactly in Q3, so over the next couple of quarters that should not be there.
- Hardik Shah:** Sir just wanted to clarify, order book for telematics is around \$35-40 million, is it right?
- Kishor Patil:** As I mentioned we expect the uptake in this year for about \$20 million, the order booking is higher but as I mentioned it is depending upon the delivery schedule received from the government so based on our current delivery schedule we understand our orders can change but we believe about 20 million orders can be delivered by March.

- Hardik Shah:** Sir on the pass through revenue that 30 Crores is it total pass through revenue, is it right Sir?
- Sunil Phansalkar:** Hardik as I said earlier it is a complete solution, the input here is not timed that we typically put in a services business the input is the material cost, so I think it is wrong to say that it is pass through, I think the sales happens as a full solution of which hardware is an input cost.
- Moderator:** The next question is from the line of Urmil Shah from Maybank, please go ahead.
- Urmil Shah:** Sir last quarter we indicated the growth in order book on quarter-on-quarter it was a very strong growth, would you like to put a number for this quarter as well?
- Kishor Patil:** Generally we don't give number on that but it is pretty strong, it continues to be very strong, the order book has gone up significantly.
- Urmil Shah:** So it was a quarter-on-quarter growth again in this quarter?
- Kishor Patil:** In terms of pipeline yes.
- Urmil Shah:** Sir on the telematics product has the pipeline grown what it was like towards three quarters before when we won that deal?
- Kishor Patil:** It is for a year, as we had mentioned it is for four to six quarters, typically that order is there and then we get a delivery schedule.
- Urmil Shah:** Sir any view on \$1 billion and a 20% EBITDA margin target?
- Kishor Patil:** At the end of the year when we talk about we will talk about EBITDA, right now we are very focused on getting back to growth which has been a bit slow in the last one or two quarters.
- Moderator:** Next question is from the line of Srivatsan Ramachandran from Spark Capital, please go ahead.

S. Ramachandran: Hi, just wanted to get your thoughts on the telematics deal, the business is more domestic or India business, just wanted to know what is the probability or what is the roadmap for taking it to some of the emerging markets or other developed markets just wanted to understand the roadmap, would the focus on the product business be more towards building solutions for the emerging markets than on maybe the western markets given the technology gap?

Ravi Pandit: As I laid out the overall product portfolio earlier there are products which are relevant for the emerging markets and there are also products which are relevant for the high end markets and so we will see that as a mix all across. The ITS can be obviously more in markets where the bus transport is used and as you know Europe uses that as much as South America or the rest of Asia. If you have to look at products like Autosar the markets are essentially the developed markets especially Europe, so different products actually have different market segments. What is actually tying them all together is the fact that they relate to some of the core technologies which are making paradigm shift in the industries in which we are placed.

S. Ramachandran: On the SAP and the integrated enterprise solutions business just wanted to get your thoughts in terms of the whole cannibalization to some extent that is happening on the implementation revenue thanks to SAP so how large would our portfolio be exposed to in terms of revenue that would come from SAS not only of standalone but may be even the SAS provisions of an SAP or Oracle.

Sachin Tikekar: You are absolutely right and it is a good point and we have been consciously working on changing the revenue mix the spend on transformational thing has gone down, there is cloud and other things that have come in to play and both on the oracle side of the house as well as the SAP side of the house we have been working very diligently to sort of make some proactive investment in terms of creating some vertical solutions, create very specific solutions that are on cloud and in both these areas we have made significant progress over last year and we believe that is going to be the way to sort of create greater value for our customers

going forward so this will continue to happen at least for now and we believe that bringing in very specific point solutions to solve some of the customer problems that go around ERP or within ERP with a focus on specific industry segments as well as leveraging the cloud technology just to give you an example we started looking in to the success factor which is the HR part of SAP on cloud we started a very small practice last year and that practice has grown four times this year and we expect, so we will focus on one such solution at a time, take it to a level and over the next couple of years have several such cloud based solution that are either part of Oracle or SAP or our own sort of add value to the ERP that are existing, so we believe that is actually going to be the way to sort of create greater value, another example of that is both on the Oracle side there is Exadata and on the SAP side there is HANA, we have made substantial investments proactively, we have implemented quite a few projects successfully and we are one of the few ones who have actually done that with some of our customers. As they become more and more prominent in the market we think that we will have a head start in those areas as well, again to summarize I think (a) verticalized solutions with the ERP around the ERP point number one that are relevant to our industry segments. Point number two, embracing the cloud and continue to make progress and third look at emerging technologies like HANA and Exadata to sort of accelerate value to our customers, so those are the three ways for us to tackle the whole challenge of cannibalization that you talked about.

Moderator: Next question is from the line of Shivam Gupta from Equirus Securities, please go ahead.

Shivam Gupta: Thanks for taking the call. I missed the opening comments about the reason why goodwill account has decreased, if you can just elaborate that?

Anil Patwardhan: Actually we have gone ahead with the merger of KPIT Global Solutions in to KPIT Technologies which has resulted in to reduction of goodwill of over 200 Crores, so that has been the main reason and then we have consolidated impact automotive

solutions on 100% basis, that has slightly increased the goodwill which is let us say 4 Crores.

Shivam Gupta: In the case of this 200 Cr decrease that you had, so this particular company if you are merging also I think reducing your shareholder equity, so is there some kind of a loss which has been written back in?

Anil Patwardhan: Actually there is no loss, actually the networth which got amalgamated with KPIT Technologies that has been sort of consolidated and the differential in networth and the investment that gets net off against the goodwill, so there is no loss there.

Moderator: Next question is from the line of Srivatsan Ramachandran from Spark Capital, please go ahead.

S. Ramachandran: Just wanted on the excess conservative provisioning we made on the SG&A, just wanted to understand the increase in amortization that is expected for what we saw in Q2 and maybe that will play out in Q3 and Q4, both are different entities I presume?

Anil Patwardhan: The amortization increase as we said is for two quarters which has come in Q2 and going ahead obviously it will be 50% of this number for Q3 and for Q4.

S. Ramachandran: So, it is about 3.5 Crores incremental amortization?

Anil Patwardhan: It is not incremental, the amortization incremental in Q2 was 7 Crores, the next quarter it will be 3.5 Crores and the quarter next would be 3.5 Crores, so the amortization will go down by 3.5 Crores in Q3.

S. Ramachandran: And on the tax a bit, for the year you are looking at taxes of about 29%.

Anil Patwardhan: The way it happens is 28-29% would be our tax rate, net of this tax credit would come finally as tax provision.

- Moderator:** The next question is from the line of Hardik Shah from KR Choksey, please go ahead.
- Hardik Shah:** Sir, in terms of partnership with Japanese JV you have acquired the client, any impact on the topline in EBITDA this quarter or is there no additional impact on topline in EBITDA in this quarter?
- Kishor Patil:** There is no revenue growth which we have got because of that because we were already servicing those customers. We have directly acquired the right to directly work with the customers, so that is the only thing what has changed. We have been working with this customer for the last few years.
- Hardik Shah:** Sir, no impact on the cost also in terms of like lower commission, something like that?
- Kishor Patil:** Marginal.
- Moderator:** As there are no further questions from the participants I would now like to hand the conference over to the management for their closing comments.
- Sunil Phansalkar:** Thank you everybody for participating in this conference call. If you have any further questions please feel free to write to me and I will be happy to answer all your questions. Thank you once again and have a great Diwali. Thank you.
- Hardik Shah:** I would like to thank the management for giving us the opportunity to host the call and all the participants for joining the call. Thank you.
- Moderator:** Ladies and gentlemen, on behalf of KR Choksey Shares and Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.