Moderator: Good afternoon Ladies and Gentlemen. I am Priyanka, the moderator for this conference. Welcome to the KPIT Cummins Conference Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to handover to Mr. Ravi Pandit. Thank you and over to you sir.

Mr. Ravi Pandit: Thank you very much. Good afternoon everyone. It is my pleasure to welcome you to this conference of KPIT Cummins. Let me give a broad overview of the last quarter, and after the overview, I will be happy to take any questions. So, in this quarter, we have had good growth in sales as well as in the profits. The growth in sales on a quarter on quarter basis has been 12% in rupee terms, and about 10% in dollar terms. On a year on year basis, it is 30% in rupee terms, and it is 31% on dollar terms. The growth has happened primarily in the European as well as in the rest of the world markets. The Q-on-Q growth in Europe is about 16.5%, and in the rest of the world, it is 25.5%, whereas in the US it is 7%. If one were to look at the growth from our verticals perspective, the major growth has happened in the manufacturing vertical, which in our domain includes automobile, industrial and farm equipment, as well as the semiconductor or chip manufacturing companies. Looking at the growth from the perspective of which services have sold more, you could see that our automotive electronics, which is embedded software and the mechanical design now has grown. It has grown 25.5% quarter on quarter and 78% year on year, and our chip manufacturing or semiconductor solutions has grown 13.5% on a quarter on quarter basis, and 10% year on year basis. So, these are like broad components of our growth. In terms of where the growth is coming from for geography or verticals or line of business. It is one way to look at the bottom line, the growth in the profit after tax is almost 28% on a quarter on quarter basis, and it is about 19% on a year on year basis. There is similar growth in both PBT as well as in the EBITDA levels. The increase in the profitability is on account of a variety of reasons. First reason is of course the increase in revenue. The increase in revenue has contributed to the increase in the basic contribution. The second is our increase in the utilization, and that has also contributed to the overall growth. If you were to look at our growth, our growth in offshore revenues has also grown 20%, which again as I said contributed to the basic bottom-line. The profits have been of course worked out after considering the current exchange rates. The dollar increase of average realization is 2%. Our average realization last quarter was 41.61 and currently is now 40.18. We have also recorded revaluation of our foreign currency loan, which has been
incorporated into the G&A expenses, and the accounts also show
the revaluation on account of our forward contracts. You would
recollect we also had three derivative contracts amounting to total
of 42 million dollars. One of those contracts had knocked out
when we gave the press release. Today, the second contract got
knocked out, and the contracts knocked out constitute about 27
million. The MTM is in the range of 35 million as it stands now.
During the quarter, we have added 6 more customers; almost all
of them are in the industrial area. We have also added one star
customer, a customer which was in a general category has been
added to the star customers. We have over the last few quarters
focused significantly on building of new technologies, and our
efforts in that area continue. We filed for two additional patents
during this quarter, so this gives a broad texture of the nature of
growth that we have had. Based on our current perception of the
future, we think we should be able to meet the guidance both for
topline as well as bottomline. However, we believe that the
conditions continue to be extremely volatile, and therefore, our
expectation about the meeting of the guidance is subject to any
very unusual circumstances that may come up during the year, so
this is where we stand as far as the quarter is concerned. I will be
happy to take any questions if you have any.

Moderator: Thank you very much sir. We will now begin the Q&A interactive
session. Participants who wish to ask questions, please press *1. On pressing *1, participants will get a chance to present their
questions on a first in line basis. Participants are requested to use
only handsets while asking a question. To ask a question, please
press *1 now. The first question comes from Mr. Sanjeev from
Reliance Money. Over to you sir.

Mr. Sanjeev: Yeah, congrats on a good set of numbers.

Mr. Ravi Pandit: Thank you very much.

Mr. Sanjeev: Sir, I have a couple of questions. Firstly, there is a net reduction
of 41 headcounts during the quarter, and are we still sticking to
our hiring guidance of 1900 odd headcount for FY '09, and if you
could share the gross add addition during the quarter?

Mr. Ravi Pandit: No, I didn’t understand your second question. Could you kindly
repeat?

Mr. Sanjeev: Are we still sticking to our hiring guidance of 1900 odd headcount
for FY '09, and the gross add addition during the quarter?

Mr. Girish Wardadkar: Hi, this is Girish here. The guidance of about 1900 addition for the
year was on the basis of certain assumption on attrition. The
attrition of course has now reduced from the older levels of 21 odd
percent to closer to 16%.
Mr. Sanjeev: Okay.

Mr. Girish Wardadkar: To that extent, you know, we will certainly have adjustments on hiring.

Mr. Sanjeev: What is the addition during the quarter?

Mr. Girish Wardadkar: During this quarter, you know, the gross additions were at….I will just get the number to you, approximately 200.

Mr. Sanjeev: What is the revised hiring target you are having for FY ’09?

Mr. Girish Wardadkar: The revised target based upon on the newer attrition forecast going forward would be anywhere between 1450 to 1550.

Mr. Sanjeev: Okay, my second question is like what is the realized rate for dollar for the Euro exposure in this quarter, and we have closed one contract during the quarter worth 12 million. What is the knockout level for the contract we have exited, and secondly, what is the impact of the same in the cash flow, and as far as sequential basis, the cash flow is declined by almost 13 crores. Is it for the same?

Mr. Ravi Pandit: Yeah, couple of things. First is the decline in the cash flow over the quarters, I don’t know where you got the number from, and I think the interpretation would be cash and cash reserves, so there is a decline from quarter one to quarter two. The way I see is the decline in cash and cash equivalents on quarter on quarter basis is on account of two things. One is our receivables’ level is at slightly higher level, and so operations surplus’ what is generated is what is invested in this receivables, and we continue with our certain capex and term loan repayments, so that is why there is a decline in cash equivalent.

Mr. Sanjeev: Sir, what is the impact of this knockout of these two contracts?

Mr. Ravi Pandit: Impact of knockout of these two contracts is basically only on mark to market. As you know, the mark to market reported as of 30th September has been 472 million rupees, and so knockout of this 27 million dollars’ worth contract would reduce that mark to market substantially. There is no impact on the cash flows either way.

Mr. Sanjeev: Okay, it is only for this drop in the Euro-USD rate or we are thinking about some lower realization going to happen in the Euro exposure going forward?
Mr. Ravi Pandit: No, this knockout has happened because of Euro-USD rate going down.

Mr. Sanjeev: Okay, there is no other reason?

Mr. Ravi Pandit: There is no other reason.

Mr. Sanjeev: Okay, my last question is last quarter, you have commented on the uncertainty about the FY '09 guidance, and this time, you kept your guidance unchanged for FY '09. If you could share some thought on the environment and what changes that you have witnessed in the last 3 months that makes you more optimistic on achieving FY '09 guidance now?

Mr. Ravi Pandit: The basic reason is that at the end of the last quarter we had three more quarters to go and now we have two more quarters to go. We were equally uncertain about the future. We continue to be uncertain about the future, but we have now covered two quarters. We have a reasonably good handle on the future, and as I said subject to most unforeseen circumstances, we will be able to hit our both guidances.

Mr. Sanjeev: Okay, that is all from my side. Thank you.

Mr. Ravi Pandit: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Dipen from Kotak. Please go ahead with your questions sir.

Mr. Dipen: Yeah, Ravi, good set of numbers. Congrats for that.

Mr. Ravi Pandit: Thank you Dipen.

Mr. Dipen: Some questions from my side. First of all, just a broad question, can you just throw some more light on the actually scenario on the ground and what are you hearing of late from your customers?

Mr. Ravi Pandit: Well, of course, the shift that the manufacturing sector has had is of course less than what the banking sector has had. From what we hear from our customers just now, there is no major drop as we see it. In the overall automotive area, people are now more wary of making further commitments. Companies which are directly dependent on certain aspects of the building industry have questions regarding their operations going forward, and all of that we have kind of captured into our thought that it seems to us that we will be able to meet the ladder.

Mr. Dipen: Okay, but are you seeing any project cancellations or things like that, or it is just that the normal?
Mr. Ravi Pandit: Nothing really, nothing very serious. As of now, we don’t see any major cancellations.

Mr. Dipen: Okay, right, that is the first part. The second one is that in terms of the top 10 accounts, the top 5 and the top 10, the revenue contribution has reduced in percentage terms, anything specific we should read about these things or maybe it is a quarterly phenomenon.

Mr. Ravi Pandit: No, I think it is a quarterly phenomenon plus you know you could see that our number of customers with a given run rate has increases, so you know, there has been a little more evenness in the overall revenues coming from these customers.

Mr. Dipen: Okay, that is the second part, and the third part is, I am sorry for this, but could you just explain me this whole derivatives issue like where exactly do we stand and what happens over the next couple of quarters on this derivatives, the one contract which is outstanding.

Mr. Ravi Pandit: Yeah, so there is one contract which is outstanding, which is I think for 15 million, and we have exposure under that contract. As we explained in the very first call, we have exports in the currencies to which we have the exposure, and therefore, we believe that the variations in that contract we should be able to take care in our normal operation. These contracts extend for another 3-1/2 years or so, and so we will see how it goes.

Mr. Dipen: Okay, and amount of mark to market which I missed actually the whole amount what you said.

Mr. Ravi Pandit: We are currently, you know, as of yesterday, we were at 350 million.

Mr. Dipen: Okay.

Mr. Ravi Pandit: And we had a knockout today, and we don’t know what could be the correct amount just now because the other contract that we have has limits on both sides, so we would imagine that our total MTM would be in the same range as of now.

Mr. Dipen: That is about 350 million rupees.

Mr. Ravi Pandit: That is right.

Mr. Dipen: Okay, and depending on the rate movements, this can either get extinguished over the next 3-1/2 years.

Mr. Ravi Pandit: That is true, but most importantly Dipen, these are in the currencies in which we actually deal. So, these are not like on account of our operations.
Mr. Dipen: It is compensatory in terms of revenues and losses.

Mr. Ravi Pandit: Yes, yes.

Mr. Dipen: Okay, and the last part is that in terms of the non-Cummins star accounts, the data has not been given this quarter, so can we have that data?

Mr. Ravi Pandit: Non-Cummins star customers, they contribute 42.5% revenues.

Mr. Dipen: No, how many?

Mr. Ravi Pandit: They have grown like 0.37% quarter on quarter.

Mr. Dipen: What is the growth rate?

Mr. Ravi Pandit: 0.37. It is on our page 7.

Mr. Dipen: How many accounts, in fact the number has not been given this time. Has there been a reduction or increase in the number of non-Cummins star accounts?

Mr. Sanjay Sinha: Actually, Dipen this is Sanjay here, the total number of star customers is given as 26, if you take out Cummins there are 25 non-Cummins star customers.

Mr. Dipen: Okay, okay, maybe I mistook, sorry. Thanks very much and all the best.

Mr. Ravi Pandit: Thanks Dipen.

Moderator: Thank you very much sir. Next in line, we have Mr. Goyal from Motilal Oswal. Please go ahead with your questions sir.

Mr. Goyal: Hi, congratulations sir.

Mr. Ravi Pandit: Thank you very much.

Mr. Goyal: Three questions from my side. Firstly, what would be your capex plan going forward for this year? Secondly, what is....

Mr. Ravi Pandit: Can we take one at a time.

Mr. Goyal: Sorry.

Mr. Ravi Pandit: Can we take one at a time.

Mr. Anil Patwardhan: The capex plan for the remaining portion of the year would continue to be in the same range, so we do not see any major
change, so what it means is that we will continue to invest 2 million dollars a quarter for the next 2 quarters.

Mr. Goyal: Okay, secondly, would you be looking at any inorganic kind of a growth through acquisitions, and if so, in what segment would you be interested in?

Mr. Ravi Pandit: We don’t have any specific target currently in our mind, but we continue to look at inorganic growth. The inorganic growth that we look at will be exclusive in the area of our vertical, which is the industrial vertical and the service lines that we work on, but we actually don’t have a specific target in our mind just now.

Mr. Goyal: Lastly, what is the existing debt on your balance sheet, and would you be looking to raise any other kind of funds going forward in the near future?

Mr. Ravi Pandit: Currently, we have adequate cash with us, and we don’t feel the need for looking at any extra debt, but currently, the total debt that we have is about 891 million rupees.

Mr. Goyal: Okay, that is it from my side. Thanks.

Mr. Ravi Pandit: Thank you.

Moderator: Thank you very much sir. Participants are requested to ask only one question at a time. Next in line, we have Mr. Atul. Please go ahead with your question sir.

Mr. Atul: Hello sir. Congratulations on the number.

Mr. Ravi Pandit: Thank you.

Mr. Atul: Sir, in this quarter, our onsite revenues as percentage of total has come down to 44%, that is almost 4% drop, and besides that, considering these revenues come at a higher billing rates, besides that we have 12% increase quarter on quarter in revenue, so how the growth is coming in, I mean, offshore revenue growth is…what is the growth in offshore revenues?

Mr. Ravi Pandit: It is not too difficult to calculate separately the offshore and onsite revenue. I can do the calculations and send it across to you, but if I were to put some qualitative color to it, as I said, the growth is coming from our embedded software area, it is also coming from our semiconductors area, both of which are largely offshore revenues, and that is what has contributed to our growth, and that has also, you know, as you could see contributed to our higher profitability.
Mr. Atul: Considering our new project starts onsite first, can we take it that new projects are getting delayed or we are not getting new contracts.

Mr. Ravi Pandit: I would not say that, you know, if you were to see that onsite revenues as a percentage of our total income, that has come down from 47.5% to 44%, but onsite revenues per se have grown up by 3.5%.

Mr. Atul: Okay, yeah, that is there. Okay, and next question is in the last one year, our fixed price contracts have went up from 12% to around 17% as percentage of total revenue, so how the margin profile will change because of this or will it remain the same or will it....

Mr. Ravi Pandit: That is already embedded. Atul, that is already embedded in the profitability that we have, and our effort is to increase the fixed price projects going forward.

Mr. Atul: So, what is the percentage you are looking for say next two to three years?

Mr. Ravi Pandit: We would ideally like to take it to between 25% to 30%.

Mr. Atul: Okay, yeah. That is it from my side. Thank you.

Mr. Ravi Pandit: Thank you very much.

Moderator: Thank you very much sir. Next in line, we have Ms. Divya from JM Financial. Please go ahead with your question ma’am.

Ms. Divya: Hi. Pardon me, if you have already answered this. When you say you have maintained your guidance you mean it in dollar terms or you mean it in the rupee terms because you have had a very sharp movement in the rupee. To that extent, I was wondering how your guidance would stand for that?

Mr. Ravi Pandit: So, we have given guidance for topline in dollar as well as rupee terms, and the bottom line guidance, we have done basically only in rupees.

Ms. Divya: Right.

Mr. Ravi Pandit: I mean all of them.

Ms. Divya: Right, and why would that stay, but we have had a couple of knock-outs as well?

Mr. Ravi Pandit: No, that has nothing to do with the guidance.

Ms. Divya: Right.
Mr. Ravi Pandit: See, the guidance does not actually consider the derivatives knock-outs.

Ms. Divya: Okay, okay, and would not we have an improvement in the rupee number with rupee being where it is today?

Mr. Ravi Pandit: I hope we do, but you know, we do not know really what is going to happen in the world economy. So, I would rather, you know, be cautiously optimistic about how things are moving. Second thing, however, I would like you to note is that although there is a rupee movement, see last year after the rupee became very strong, we went in for a lot of fixed forward contracts, and you would therefore notice that whereas the rupee has touched like almost 49, our realization during the quarter was only 41.61 because that is….I mean we had done booking for the rupee in the earlier year itself to play safe. So, we may not be able to get all the benefit of the, you know, drop in the value of rupee.

Ms. Divya: Right and as far as the dollar guidance is concerned, you were saying that there is still uncertainty. Do I take it to mean that there could be a threat to the dollar guidance if the situation does not stay at the current level?

Mr. Ravi Pandit: No, I would put it like that. If the situation deteriorates significantly, then there would be a threat to the dollar guidance. Otherwise, under the current circumstances, I think we should be able to meet our guidance. That is what I am saying.

Ms. Divya: Right, and if I got your gross….what is your gross hiring that you are guiding for? 1450 to 1550?

Mr. Ravi Pandit: Gross, yes.

Ms. Divya: And what is your earlier guidance please?

Mr. Girish Wardadkar: The earlier number was 1900 for the whole year.

Ms. Divya: Okay.

Mr. Girish Wardadkar: And now, what we are looking at with the reduction in the attrition, we are looking at between 1450 and 1550.

Ms. Divya: Right. Thank you.

Mr. Ravi Pandit: Thank you.

Moderator: Thank you very much ma’am. Next in line, we have Mr. Sandeep. Please go ahead with your question sir.
Mr. Sandeep: Hi Ravi.

Mr. Ravi Pandit: Hi Sandeep.

Mr. Sandeep: Congratulations on the quarter.

Mr. Ravi Pandit: Thank you.

Mr. Sandeep: I have a question on your Forex?

Mr. Ravi Pandit: Yes.

Mr. Sandeep: I believe we have just one contract outstanding now on the derivatives per se?

Mr. Ravi Pandit: Yes.

Mr. Sandeep: Can you elaborate more on the knock-out criterion for this? When would even this may get knocked out?

Mr. Ravi Pandit: See, the contract has a knock-out at about 130, but the contract it is a complex contract and you know it has multiple other conditions.

Mr. Sandeep: Okay, but one definite condition is if the Dollar-Euro is 130, it would get knocked out?

Mr. Ravi Pandit: One part of the contract will get knocked out.

Mr. Sandeep: Okay and for this contract, are the fixing dates equally spaced out or is it something which will occur after one year or something like that?

Mr. Ravi Pandit: No, the contracts’ dates are fixed every six months.

Mr. Sandeep: Okay, and just one more question on the revenue growth for the quarter?

Mr. Ravi Pandit: Yes.

Mr. Sandeep: What was the contribution from Harita during the quarter, the acquisition of the team?

Mr. Ravi Pandit: No, Harita contributed to roughly a million dollars of revenue, but Harita did not contribute anything significant to our contribution.

Mr. Sandeep: Okay.

Mr. Ravi Pandit: That is in accordance with our plan.
Mr. Sandeep: Okay, thanks Ravi. That is it.

Mr. Ravi Pandit: Thank you, thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press *1 on your telephone keypad now. Next in line, we have Mr. Shah from Enam Securities. Please go ahead with your questions sir.

Mr. Shah: Hello, yeah. I just wanted to know whether we have effected any salary hikes this quarter?

Mr. Girish Wardadkar: No, I mean all the salary hikes, you know, have…..every quarterly we do and majority of it has been already effected as of July 1.

Mr. Shah: Okay and….

Mr. Girish Wardadkar: We have the anniversary-based increments. So, those people who fall due in those respective months or quarter, will get their hikes in those respective months and quarter.

Mr. Shah: Okay fine, and if you could just throw some light on your clients in the automobile space whether they are facing any pressures and whether we would be affected by that?

Mr. Ravi Pandit: See, like all other, you know, clients in the automotive industry, our clients are also facing pressures. I am sure we will be affected by that, but the current situation is something that I have taken into account when I have said that we seem, you know, subject to most unforeseen circumstances, we feel reasonably confident of meeting our guidance.

Mr. Shah: Okay, fine. Thanks a lot sir.

Mr. Ravi Pandit: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Ashakiran. Please go ahead with your question sir.

Mr. Ashakiran: Hi, gentlemen.

Mr. Ravi Pandit: Hi.

Mr. Ashakiran: Can you give, how many people were added this quarter?

Mr. Girish Wardadkar: Approximately, 200 at the gross level.

Mr. Ashakiran: No, net addition?
Mr. Ravi Pandit: There has been a decrease in 40.....the number has gone down on a quarter-on-quarter.

Mr. Girish Wardadkar: So, it is minus 40.

Mr. Ashakiran: Okay, can you give some sense on what is the cash flow from operations?

Mr. Anil Patwardhan: If you see my cash and cash equivalents quarter-on-quarter, I see a deficit of say 135 million rupees. So, that is how it will get reflected. From operations, what we have generated, has got invested in current assets and receivables.

Mr. Ashakiran: Can you update us for the decline in BFSI in this quarter, why have there been a decline of 5% of down?

Mr. Ravi Pandit: BFSI is not a very strong focus area for us....

Mr. Ashakiran: Okay.

Mr. Ravi Pandit: ....and it contributes just about 5% of our total revenue, and on a quarter-on-quarter basis, there is a decline of roughly 5%. Last time, it was 6% of our revenues. Now, it is 5% of our revenues. In absolute terms, it has declined by 5%, but you know, that has not been an area of focus for us for the last many quarters, almost like three years. So, you know.....

Mr. Ashakiran: No, can you give a number or guidance or the guided numbers?

Mr. Ravi Pandit: Sorry.

Mr. Ashakiran: Your guidance or numbers for the year, can you give the numbers, topline and bottomline?

Mr. Ravi Pandit: Are you looking for guidance numbers for the year?

Mr. Ashakiran: Right, yeah, yeah.

Mr. Sanjay Sinha: The guidance number in US dollars terms was 185 to 190 million dollars. In rupee terms, it was 740 crores to 760 crores, and in profit, we had 65 to 67 crores as the profit guidance.

Mr. Ashakiran: Thank you sir.

Mr. Ravi Pandit: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Sandeep from BNP Paribas. Please go ahead with your question sir.
Mr. Sandeep: Great results. Just wanted to check with you how are you hedged for the next 6 and 18 months. The exchange rates for the first two quarters had been 41 and 40 or thereabout. So, how does it look for the next 6 and 18 months?

Mr. Anil Patwardhan: I believe we have provided that in our investor update. We have like average rate of 40.50 for the remaining part of this financial year, which is Q3 and Q4, dollar to rupee rate I am quoting.

Mr. Sandeep: Okay.

Mr. Ravi Pandit: So, we take a view on the yearly basis. So, when we will come out with the next year's numbers, at that time we will come out with the numbers for the next year.

Mr. Sandeep: Okay.

Ms. Sharanya: Hello. Sir, this is Sharanya from BNP.

Mr. Ravi Pandit: Hi.

Ms. Sharanya: Sir, I just have a clarification on your general and administrative expense. This has gone up by about 90% in the current quarter vis-à-vis the same quarter in the previous year. It is purely on account of your re-evaluation of foreign currency loan or is there any reason attributable to this?

Mr. Anil Patwardhan: Basically, it has three or four components. One, is the Forex loss on account of restatement of foreign currency loans. That is one. The second part is we have done this Harita business which is part of now KPIT. So, G&A of Harita is also part of this number, and also there is certain incremental expenses because of the additional budget during this financial year compared with previous financial year considering the revenue growth and the capacity planning which we have done.

Ms. Sharanya: Okay. Thank you sir.

Mr. Anil Patwardhan: Thank you.

Mr. Ravi Pandit: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Rajiv Mehta from India Infoline. Please go ahead with your question sir.

Mr. Rajiv Mehta: Yeah, what was the contribution of that SAP license sale in the quarter?

Mr. Ravi Pandit: During the quarter, I think we had about half a million dollar of SAP license sale, and the margin on that is not very high.
Mr. Rajiv Mehta: See, if I remove the SAP license sale revenue and _ revenues from your topline, your revenue has grown ahead of your volumes. So, was there any sort of a pricing improvement quarter-on-quarter?

Mr. Ravi Pandit: When you say revenue has grown ahead of your volume, you mean the number of people vis-à-vis the revenues?

Mr. Rajiv Mehta: Yeah, I mean, the number of people billed I mean overall, your FTES?

Mr. Ravi Pandit: Yeah, so actually, the reason has been better utilization rather than higher rates.

Mr. Rajiv Mehta: Okay and how has been the pricing quarter-on-quarter and how do you look at it for the next few quarters?

Mr. Ravi Pandit: Pricing has not changed really much. It has been more or less the same as compared to the earlier quarter.

Mr. Rajiv Mehta: Okay and how do you look at it for the next few quarters?

Mr. Ravi Pandit: We did get a fair degree of price rises in the first quarter. So, we are not looking at very significant price rise going forward.

Mr. Rajiv Mehta: Okay, okay, but there has been no request for a cut till date?

Mr. Ravi Pandit: At least, we have not got one yet or so far.

Mr. Rajiv Mehta: Okay. Sir, when you say, you will be maintaining your guidance baring any unforeseen circumstances, you should be able to achieve it. I think, topline, yeah, I mean, even I do believe that we will be able to achieve it for the year, but do you mean that your margins will be expanding over the current levels in the second half?

Mr. Ravi Pandit: I do not think that there would be a need for margin expansion for us to hit the profit numbers because if we do our topline....

Mr. Rajiv Mehta: Okay.

Mr. Ravi Pandit: ....even with the current margins, we should be able to steady the bottom line.

Mr. Rajiv Mehta: Okay, okay, and sir, your tax rate has gone up in Q2 over Q1, so what could be the tax rate which we can assume for the entire year?

Mr. Ravi Pandit: I believe the tax rate for the entire year would be around 13% to 13.5% from PBT to PAT. This is based on Q2 profitability of respective entities.
Mr. Rajiv Mehta: Okay, thanks a lot.

Mr. Ravi Pandit: Thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press *1 on your telephone keypad now. Next in line, we have Mr. Dipen from Kotak. Please go ahead with your questions sir.

Mr. Dipen: Yeah, in fact, the question which I had has been answered, but just one thing like in the depreciation you have included amortization of acquisition expenses. Could we have a quantification of the same?

Mr. Ravi Pandit: It is around 3 million rupees.

Mr. Dipen: Okay, thanks very much.

Moderator: Thank you very much sir. Next in line, we have Mr. Sandeep. Please go ahead with your questions sir.

Mr. Sandeep: All my questions have been answered. Thank you.

Mr. Ravi Pandit: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Pradeep. Please go ahead with your questions sir.

Mr. Pradeep: Hi, you mentioned some expenses from Harita also being included in your G&A, so could you just help us quantify that amount?

Mr. Ravi Pandit: No, actually, typically after the acquisition of a company, we don’t track their individual company-wise expenses, and I don’t have an exact number just now, but I could say that you know it is million dollars of revenue, hardly any contribution, so you know, it is not very significant amount.

Mr. Pradeep: Okay, and you have slightly brought down your hiring target for FY '09, would it be prudent to assume that it would only be on account of lowered attrition or are you seeing any more uncertainty in terms of volumes, commitments.

Mr. Ravi Pandit: No, in terms of future, I mean, all of that is rolled into my comments when I say that subject to most unforeseen circumstances, we will be able to meet our numbers.

Mr. Pradeep: Yeah, but what I specifically wanted to know is that the hiring target that you brought down and....
Mr. Ravi Pandit: One is what is our perception about revenues and the revenues the same as we said at the beginning of the year, so that would not have an impact on the hiring target, but what my colleague was talking about was also the impact of attrition, and we are distinctly seeing a lower attrition and therefore the need to recruit more people has gone down.

Mr. Pradeep: So, to paraphrase it, it would be like given the current circumstances if you are able to meet the guidance, then your hiring requirement would be somewhere in the range of 1500.

Mr. Ravi Pandit: Yeah, that is true.

Mr. Pradeep: Yeah, and final couple of comments if you could give on the outlook on your industrial sector clients more in terms of start and non-star clients, if you could just throw some light on how they are shaping up in terms of what you see coming from them in the next 1 or 2 years.

Mr. Ravi Pandit: If you were to look at the industrial and farm equipment clients, which typically includes you know the construction and mining and those clients, so far they have had a good year. One, however, does not know how the rest of the year will pan out.

Mr. Pradeep: Okay, great, thank you.

Mr. Ravi Pandit: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Hitesh Shah from Citigroup. Please go ahead with your questions sir.

Mr. Hitesh Shah: Congratulations on good set of numbers.

Mr. Ravi Pandit: Thanks Hitesh.

Mr. Hitesh Shah: Just wanted to understood for the 15 million dollar Forex contract, which is still open, what rate would that get knocked off.

Male Speaker: I think I said that earlier about 1.30.

Male Speaker: Part of the contract will get knocked off at 1.30.

Mr. Hitesh Shah: And the remaining?

Male Speaker: Remaining will not get knocked out at that.

Mr. Hitesh Shah: Okay, so if it crosses 1.30 then what would be the contract that would be outstanding, would you be able to share that?

Mr. Ravi Pandit: No, it is a fairly complex contract. The contract has various components to it, and one component gets knocked out.
Mr. Hitesh Shah: Alright, and in the two contracts which got knocked off, even the USD-INR like get knocked off or just USD-Euro?

Mr. Ravi Pandit: No, the contract just completely knocked off.

Mr. Hitesh Shah: Okay, sure. Also in terms of hiring, what was the gross hiring for the first half?

Mr. Ravi Pandit: We will have to come back to you Hitesh. I don’t have an exact figure with me just now.

Mr. Hitesh Shah: Sure, and secondly, this 200 gross hiring of second quarter also includes 100 people from Harita or that was over and above this 200?

Mr. Ravi Pandit: Yes, it does include.

Mr. Hitesh Shah: Okay sure, thanks and all the best.

Mr. Ravi Pandit: Thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press *1 on the telephone keypad now. We have Mr. Sandeep again. Please go ahead with your questions sir.

Ms. Sharanya: Hello, this is Sharanya from BNP. On the MTM loss of 47 crores as of 30th September, can you please tell us the accounting treatment for this, that is how much has been provided in contingent liability and balance sheet provisioning?

Mr. Ravi Pandit: No, actually, if you were to look at our last balance sheet, we have not provided for any of these MTM losses, and our stance has been that these are in currencies where we have our own inflows, and therefore, in our opinion, they will stand adjusted, but the amount then as well as the amount now has not been provided in the balance sheet.

Ms. Sharanya: Okay, so there is no P&L impact and no balance sheet impact during the first half.

Mr. Ravi Pandit: That is true.

Ms. Sharanya: Okay, thank you.

Mr. Ravi Pandit: Thank you.

Moderator: Thank you very much ma’am. At this moment, there are no further questions from participants. I would like to handover the floor back to Mr. Ravi Pandit for final remarks.
Mr. Ravi Pandit: Yeah, I would like to thank you all for being present in this investor call today. I appreciate your attention. Thank you very much.

Moderator: Ladies and Gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice evening.