

**KPIT Cummins Infosystems Limited**  
**Investors/Earnings Conference Call**  
**(October 16, 2009)**

**Moderator:** Good evening Ladies and Gentlemen. This is Yashashri, your conference moderator for today. We welcome you to the Q2 FY 2010 results conference call of KPIT Cummins Info systems Limited. At this moment all participants are in a listen only mode. Later we will have the floor open for the question and answer session guided by me. I would now like to turn the conference over to Mr. Sunil Phansalkar. Over to you sir.

**Sunil Phansalkar:** Thank you Yashashri. Warm welcome to everybody for this post earnings call of KPIT Cummins for Q2 FY10. We also take this opportunity to wish all of you a very Happy Diwali and a successful and prosperous new year ahead. So today we have Mr. Ravi Pandit - the Chairman and Group CEO, Mr. Kishor Patil - the CEO and Managing Director, Mr. Girish Wardadkar - the President and Executive Director, Mr. Anil Patwardhan - the Vice President - Finance and Sunil and Lipika from the IR team. So a welcome to all of you again. Now what we will do is Mr. Pandit will brief about the quarter's performance and outlook for the year ahead which can then be followed by a question & answer session. So now I will hand over the baton to Mr. Pandit. Thanks once again.

**Ravi Pandit:** Good evening and welcome to all of you. As we always do what I would like to do is to make some opening remarks and I would like to put my remarks really broadly in three areas. First is the quarter that went by, the current quarter. The second is how do we look at the rest of the year and the third is a slightly long term outlook. I would like to deal with these three factors.

Many of you had been talking to IR team and have sent their questions. I would like to address as many of them as I can. You would have also gone through our update and I trust you would have found the update to be good. What we have done this time is bring in a lot more flavor of the business so as to help you understand what you do. While the update gives a reasonable amount of detail regarding our nature of work, I would also seriously recommend that you visit us sometime. I know that this is a busy month for most of you but may be next month Sunil can probably organize your visits to visitors so that you get a better understanding of the nature of the work that we do.

Now, let me turn to the current quarter. As you would have seen from the numbers we grew revenue quarter on quarter 3% on USD terms and about 2.4% in the rupee terms. This has resulted in healthy EBITDA growth of 28% Q-on-Q and 20% Y-on-Y and EBITDA margins have touched about 26%. There is a healthy gross margin expansion of roughly 3% Q-on-Q and 4% Y-on-Y and the gross margins are in the region of about 46%. On the other hand the profits have grown 27% on a year-on-year whereas there is a decline of 5% on quarter-on-quarter. There has been a significant growth as you see on the EBITDA margins and that is fueled by a few factors. The first is the increase in the offshore revenues. Our offshore revenues in this quarter were 62.7% as opposed to 58% in the first quarter. Our volume growth was close to 8% offshore and 6% in total. Our offshore utilization also increased by about 5% during this quarter. You would also notice that there has been an increase in the fixed price project coupled with some ongoing productivity improvements all of which have really helped in improvement of the EBITDA margins.

Our SG&A costs have fallen by about 9% quarter on quarter and 25% year on year and major areas of savings have been on the operational side which includes electricity, telephone repairs, third party fees, all of them. They are in our opinion reasonably sustainable and they are not one time. We believe that under the current conditions we should be able to maintain or sustain EBITDA margins in the region like 21% to 23%.

Looking at the rest of the year you would remember that in the last quarter we said that we do not know how the year is going to pan out and we stayed away from making any outlook statements for the rest of the year. The matters are become a little more clear now. We believe that in the market in which we work we would not see any significant dip going forward. We think that the revenue run rate will be more or less same with some minor ups and downs in dollar terms. There could be some minor ups and downs especially if you I mean as you would know Q3 is a tricky quarter, quite a few of the customers have furlough during this period, they hold back the budget, so you know Q3 is a little difficult but we do not think Q4 will be a big dip. So we are assuming that for the rest of the year we will be more or less at the same level that we have been in the first two quarters.

During this quarter Cummins has fallen by 2.5% Q-on-Q. We expect it to fall only similarly in Q3 and thereafter it should be more or less stable. So, on the revenue front we are anticipating more or less stability in H2 as compared to H1. When it comes to profitability we now believe that our profitability for the year would be in the range of 77 crores to 82 crores. It is true that in the first half we have done a little over 43.5 crores and obviously it means that for the second half we are looking at slightly lower profitability. And that is on account of the following reasons. We will be doing significant investments in our front end in subject matter experts in our practice people in H2 because this is the time we believe that you know having gotten a good control or a good perspective on our top line I think, we think this is our time to make the investments going forward.

We will also now start working on the increments and promotions and some of them are likely to happen in H2. So these are some of the reasons why we feel that we have a handle on the profit but it will not be the same as in H1. We would also appreciate that the rupee is now going up so it is appreciating that it is likely to affect the bottom line though probably not as much as in other cases because you know we have a significant hedging position. So in line with all of these we feel that our EBITDA margin would be between 21% to 23% for the rest of the year.

Looking at a little long term you would notice that in this investor update we have done a fair degree of elaboration on the nature of the work that we do because we have been asked questions about what is it that our future will hold considering the fact that manufacturing industry in many parts of the world is not doing too well. The point that we have tried to bring out here is going through the details of the nature work that we do. As you know we work with manufacturing industry more than 90% of our revenues come from that industry and within the manufacturing industry we work with automotive, we work with industrials and we work with high-tech.

Apart from these industries, or should I say within the same industries we have now started working with Defense and PSUs which are in terms of nature similar to the manufacturing industry. We have now begun looking at energy and utility then we see some traction there. So in these industries, broadly the manufacturing industries in that context we see some major paradigm shift happening. Manufactured products are becoming more environmentally sensitive. They are adopting more and more of green technology.

In automotive there is a move towards small cars, there is a move towards intelligent cars, smart cars, secure cars, safe travel and all these areas call for significant investment in electronics and that is an area in which we work and that is an area where we are very strongly embedded in the ecosystem and we are seeing some traction in that area going forward. We are currently working with a large number of vehicle programs, more than 30 vehicle programs with existing new customers which really bring focus on the area in which we operate. Looking at the position that we have got into this area we feel that you know we are at a right spot although manufacturing industry as a whole may come down but the composition of the

industry is moving in the favor of our services. And we feel that we can safely target for \$500 million revenue in another year's time and that is a goal that we have taken for ourselves and we are confident that we will be able to reach that goal. As you know in the past also we have grown through both organic and inorganic methods and we feel that we will continue to do that in the future. We do not have an exact figure as to how much will come from organic or inorganic but we will take it as it comes and we believe that with both these things in our hand and with the focus that we have on the manufacturing industry we should be able to achieve our target or we should be able to achieve our goal.

So this is what I thought we could make as some preliminary comments. We are now open for questions, so please feel free to ask any details that you would want. Thank you very much.

**Moderator:** Ladies and gentlemen we will now have the question and answer session. Participants who wish to ask a question are requested to press \* and 1 on their phone. We have a first question from Mr. Dipen Shah from Kotak Securities. Mr. Shah, please go ahead.

**Dipen Shah:** Yeah thank you. Hi Ravi.

**Ravi Pandit:** Hi.

**Dipen Shah:** Just a couple of questions. First of all, did I hear it correctly that you had a volume cut of about 6% in the current quarter.

**Ravi Pandit:** 8% in offshore and 6% in total.

**Dipen Shah:** Okay so 6% was the revenue growth but volume growth, 3% was the revenue growth so was the balance realization reduction?

**Ravi Pandit:** No, actually it is also changing the composition of onshore to offshore and that also has an impact on the difference between the volume growth and the dollar growth.

**Dipen Shah:** Okay, fine that is it and second one was what is your take on the salary increments which you spoke about? Have you decided on anything or when should we expect the same to happen?

**Ravi Pandit:** So you know I think those gates are getting opened, so we will have a selective basis you know increments or promotions happening on this half of the year and we have embedded that in the outlook that we have given for the rest of the year.

**Dipen Shah:** Okay, okay and can you just dwell a bit more on the macro scene like how the situation as compared to the previous quarter and where exactly are the improvements which you are seeing?

**Ravi Pandit:** So, as you know globally in the last few months the auto industry has done well and it has done well partly because of the governmental incentives but also on account of the change in the composition of the product sold. So there has been a lot more thrust on the electric cars, on the hybrid cars. There is a lot more thrust on the smaller cars and that has been really powering or triggering the growth. See that as a more secular trend going forward. There is a fair amount of manufacturing coming to our region and you know so there are possibilities open by that. Secondly by more globalization of the industry there are possibilities open in terms of you know collaborative computing, in terms of distance product life settle management software so I mean a whole new bunch of areas are opening up. So we are quite bullish on account of these trends.

**Dipen Shah:** Okay. Fair enough. Thank you very much.

**Ravi Pandit:** Thank you Dipen.

**Moderator:** Thank you Mr. Shah. We have a question from Shradha Agarwal from B&K Securities, please go ahead with your question.

**Shradha Agarwal:** Hi sir, congratulations on a very good quarter. First of all how many freshers are expected to join the company in the remaining two quarters of the year, if you could give us an indication?

**Ravi Pandit:** Approximately 225 freshers will be joining us in the next six months.

**Shradha Agarwal:** Okay so, on that account do you expect some dipping utilization to take place?

**Anil Patwardhan:** Well it has been only factored into our calculations for H2 so certainly there will be some dip but it has already been accounted for.

**Shradha Agarwal:** And sir one thing more, on your other income, you have shown in other income a loss of 13 crores for this quarter versus a loss of close to 2 crores for last. I do understand that you had gained to mark to market on your foreign liabilities in Q1 which was not in Q2 but I mean could you give us the breakup as to what was the loss due to hedging and what was the loss on translation in this quarter Q2 that went by.

**Kishore Patil:** Yeah, out of the 13 crores odd loss which is sitting in other income about 8 crores is on account of the MTM loss on the forward hedges which are in the P&L which essentially mature in the next quarter. About 1 crore of net loss is on account of honoring of the forward contracts during the quarter. So this is the net of the MTM reversal of last quarter plus the actual loss and 4 crores is the net loss on conversion of assets and liabilities which are denominated in foreign currencies. So this total sub to about 13 crores loss.

**Shradha Agarwal:** You said 8 crores was mark to market losses on hedges which are expected to expire in next quarter?

**Ravi Pandit:** Right.

**Shradha Agarwal:** So meaning to say that these were the ineffective hedges on which you showed mark to market this quarter.

**Anil Patwardhan:** No, what it means is that if we have an average hedge rate of let us say \$45 our average hedge rate and the spot is at \$47 and if 20 million contracts are maturing in the next quarter in which Rs. 2 difference on this 20 million which is Rs. 4 crores will come as MTM loss in the balance sheet. So this is how the MTM is calculated.

**Shradha Agarwal:** Sir, that would come in the balance sheet but why has that been shown in the

**Anil Patwardhan:** No, that will come in the P&L. What will go in the balance sheet is the forward contracts which mature after the next quarter that means which start maturing from Q4 onwards.

**Shradha Agarwal:** Okay, so for next quarter you show the impact on P&L from Q4 probably you would start showing. And what is the OCI loss fitting in the balance sheet as of now?

**Anil Patwardhan:** That is about 77 crores now. It has come down from 84 last quarter.

**Shradha Agarwal:** Sure sir. Thank you.

**Ravi Pandit:** Thanks Shradha.

**Moderator:** Thank you Ms. Agarwal. We have our next question from Madhu Babu from Systematic Savings. Please go ahead with your question.

**Madhu Babu:** Yes sir. Sir, what is the quarter-on-quarter the revenue growth trajectory we would look after the macroeconomic recovery takes place, I mean say from January 2010 onwards.

**Ravi Pandit:** So as I said earlier we are really looking at you know marginal up or down for the rest of the two quarters.

**Madhu Babu:** Okay. Sir and in terms of your vision for being a \$500 million company what are the areas which we are looking to scale up I mean is it like, there is a big opportunity in auto electronics or more on the manufacturing side?

**Ravi Pandit:** See we work as I said for the manufacturing industry as a whole and for the manufacturing industry we service three types of customers. We service the CTOs, the Chief Technology Officers, in the company where we provide embedded software, we provide mechanical design engineering services and we also provide the chip designing services. So all of them go into should I show advanced technology solutions or more on the engineering side. We also service the business IT requirements on manufacturing industries which is like the SAP or the Oracle or Business Intelligence etc. And the third thing that we do is we service the business processing needs of the same kind of companies so for a manufacturing company we would typically service the CTO, the CIO and the CFO. And we see growth in all these three segments.

**Madhu Babu:** And sir you have talked of focus on emerging markets, I mean could you talk more about that?

**Ravi Pandit:** So you see first is that the emerging markets have picked up faster or I should say that they never really went all the way down and therefore we see a greater potential in that area. We are seeing better traction in India. We are also seeing some traction in China and that is where we will probably see some good results in the next few quarters or may be years.

**Madhu Babu:** Okay sir. Thanks.

**Ravi Pandit:** Thank you.

**Moderator:** Thank you Mr. Babu. We have our next question from Ms. Grishma Shah from Envision Capital. Please go ahead with your question madam.

**Grishma Shah:** Yeah, I just wanted to know what are your outstanding hedges and what is the rupee-dollar rate that you are building in our guidance?

**Ravi Pandit:** See our total outstanding hedges as of now are about \$151 million out of which about \$47 million will mature in the next six months. And the average hedge rate for this \$47 million is 45.7 and beyond this financial year the average rate would be around 45.5.

**Grishma Shah:** So what have you taken it in your guidance around?

**Ravi Pandit:** So in the profits numbers we have assumed a spot to be around 47 to a dollar.

**Grishma Shah:** Okay fine. Thank you.

**Moderator:** Thank you Ms. Shah. Participants who wish to ask question may please press \* and 1. We have a question from Mr. Vihang from Motilal Oswal. Please go ahead with your question.

**Vihang:** Yeah, good afternoon sir. Yeah, just had a question on FPP front I do not know if I missed this. We have seen a pretty decent improvement on that front. Just was curious to know what was this led by, as did the client ask us for higher FPP projects or are we confident about taking it high up?

**Girish Wardarkar:** So we have been consciously trying to really contracts from T&M to fixed price because that would allow us to get benefits of productivity measures which we are taking internally in terms of both assets and other utilizations so from that perspective we have been in a position to convert some large engagements from the customers to fixed price contracts. So I think that has resulted into it. So this was a proactive step and in the beginning of the year we have said that that is what we would like to do going forward so that we can take benefit of productivity which we could improve internally.

**Vihang:** Right, so do you think there is still more scope to go here? At what level would you be comfortable?

**Ravi Pandit:** It is very difficult to say exactly at what levels we will be there but basically we still think there is a room to go up. We also think that there will be different business models which can come up other than T&M and fixed price but certainly there is a room to grow further in fixed price projects.

**Vihang:** Right. And I just missed what was the pricing impact on this quarter?

**Ravi Pandit:** So there is no pricing impact during this quarter.

**Vihang:** So pricing was flat?

**Ravi Pandit:** Yeah.

**Vihang:** Okay. And another thing just about your guidance I think overall I think you have done around 43 crores in the first half and at the higher end you have guided around 82 crores for the whole year so the second half profit should be less than the first half profit. Just wanted I mean if you are saying that your revenue should be flat from this quarter which already has seen a growth as compared to the last quarter I just wanted to know are you factoring in a margin decline in the second half?

**Kishore Patil:** No, as I mentioned in the earlier comment we are doing investments in the front end, we are doing investments in practice people, we are doing investments in SMEs. We are also going to do some increments and promotions as I mentioned. Secondly you know with the rupee appreciating I think our realization would be slightly less in the second half as compared to the first half. Pricing pressure is actually not so much on the horizon now.

**Vihang:** Okay, and lastly just I mean I see your onsite FTE count you know although you have hired city value on the offshore's top site the onsite FTE has gone down I mean partly that could be also because of your offshore shift but I mean have we moved people offshore or have these people been let go?

**Ravi Pandit:** Actually most of the large customer contract when we have moved to fixed price I think what we are trying to do is reduce the cost to customer and convert more onsite projects to offshore and that is what we had been in a position to do for some of our major customers.

**Vihang:** Right. Okay, that is it from my side. Thanks.

**Ravi Pandit:** Thank you.

**Moderator:** Thank you Mr. Vihang. We have our next question from Mr. Ashish Kacholia from Lucky Securities. Please go ahead with your question sir.

**Ashish Kacholia:** Yeah good evening to the KPIT Team. Just wanted to check this 77 crore number that was mentioned on the balance sheet, is that some mark to market losses that are still pending on the balance sheet?

**Kishore Patil:** Yes, these are the mark to market losses on the forward contracts which will be maturing post the next quarter so whatever forward contracts mature in the next quarter the MTM loss or gain on it is taken to the P&L and whatever contracts mature beyond 90 days the MTM is taken to the balance sheet. So this 77 crore refers to that MTM.

**Ashish Kacholia:** So this will kind of translate, suppose this is our eight quarters or whatever, you know so this will translate as what roughly at about may be 9 crores a quarter kind of a run rate of these MTM losses will come into the P&L every quarter?

**Anil Patwardhan:** Sir this is Anil. Basically this is the MTM reported as of quarter end based on whatever is the spot closing rate which is 48.04. I believe this MTM will reduce going forward if the spot movement continues the way it is today. So if I have to interpret over say eight or nine quarters, what would be the loss per quarter, it actually depends upon what is going to be the spot movement.

**Ashish Kacholia:** No, I am assuming that the spot remains at today's price. Suppose it remains today at whatever 46.2 or whatever then what happens?

**Anil Patwardhan:** No, then it would come down further.

**Kishore Patil:** So Ashish if you look at the losses which were there as of March end they were about 163 crores in the balance sheet. Today it comes down to 77 crores in two parts. The difference in this two is not what we have taken to P&L so if you look at P&L number it is 15 crores only. So it does not work in a linear way that 77 by 8 or 9 quarters will come and hit the P&L because apart from the spot difference there is a volatility factor added to it when the MTM calculations are done. So what we can say is probably about 80% of this number and flow to the P&L over a period of the next quarters if the spot remains at 48. So in a hypothetical way this is how we can put it.

**Ashish Kacholia:** Okay, so I mean that is what we can kind of assume and if the rupee continues to appreciate then this number will go down is what you are saying?

**Kishore Patil:** Yes, this number will go down. Rupee has appreciated from 51 to 48 at the end of this quarter. This Rs. 4 movement has brought it down from 163 to 77 crores so if it further appreciates this number will definitely go down.

**Ashish Kacholia:** And what is the sensitivity to every Re. 1 appreciation of the rupee versus a dollar. Suppose today we are at 46, okay then 46 then goes to 45, then what is the sensitivity of this 77 crores to that?

**Ravi Pandit:** What I would look at Ashish is if we look at 30<sup>th</sup> June and 30<sup>th</sup> September position dollars moved from 47.87 to 48.04 in spite there is a reduction in the MTM loss from 84 to 77 crores. Of course there are two factors. There are some contracts who have got matured during the quarter so Re. 1 sensitivity it is slightly difficult because it is a function of 2 variables, one is the spot other is the volatility factor but if spot is moving in our favor the MTM would come down substantially and that is what we see happening over next couple of quarters.

**Ashish Kacholia:** So this movement of 46 would have already have reduced to 77 crores down further?

**Ravi Pandit:** Yes.

**Ashish Kacholia:** How much?

**Ravi Pandit:** No, it has come down to because of 48.04 we are reporting 77 crores MTM. See it is already down by at least 6 to 7 crores.

**Ashish Kacholia:** Another further 6 to 7 crores. Alright okay. Great. And one of the questions was you mentioned this utility as being a big driver so what gives you the confidence to kind of you know give us this kind of I mean you have not been known for giving out vertical additions just without having concrete backup to the statements that you have made in the past?

**Ravi Pandit:** Yeah that is true. So basically as you know we have been focusing on these three verticals, automotive, industrial and high-tech and what we realized is these were the sectors which were most affected by the downturn though they are stabilizing now. At the same time what we realized is large amount of government investment is going into energies and utilities sector and a lot of service offerings which we have created for our own sector are quite relevant for energies and utilities as a vertical. So in engineering sector you know like embedded electronics, mechanical engineering as well as ERP implementation and they are well funded to go with many initiatives in this area. So what we have seen is we have been in a position to get business from three to four customers by doing this and that gives us that confidence.

**Ashish Kacholia:** Okay. Thanks a lot and all the best guys.

**Ravi Pandit:** Thanks.

**Moderator:** Thank you Mr. Kacholia. We have our next question from Mr. Neerav from Capital Market. Please go ahead with your question.

**Neerav:** Good evening sir. Sir, I wanted to take on the offshore-onsite state how high can it go.

**Kishore Patil:** Right now we are at 62% offshore business and we think this is, I mean this is on the higher side so we believe for the remainder of the year it might be a percentage point here and there but more or less we will be in the same range for the remainder of the year.

**Neerav:** Okay, so this is the optimum you can go you know not this year next year also.

**Kishore Patil:** Yeah, this is for the next two quarters. Once we are in the growth phase then probably onsite can increase a bit and this ratio can come down a bit. For new customers especially the onsite numbers can be higher initially and then it can move to offshore.

**Neerav:** Okay. Sir, and I wanted to take on budget spend by the customers on the three verticals that you have given. In fact in which has it started or you know how does it look like the auto, industrial equipment and the high-tech?

**Kishore Patil:** So we see this revival more strong in especially country like India. Also automotive segment we are seeing you know a turning around for let me put it like this, for our type of services there is more demand due to some of the factors which we have mentioned in our investor update that because of the regulatory pressures, because of the way technology changing and the government spending money and that is being key to the survival of many of the companies in this sector.

**Neerav:** Has the spend begun?

**Kishore Patil:** That is what I am saying. So we have also acquired more number of customers during this quarter from that and also we see that the new programs being taken with our customers.

**Neerav:** Okay. Sir and what about Europe?

**Kishore Patil:** So Europe today we see some dip in the business but that is also on account of some of the business which also includes Cummins and a couple of customers especially situation but again I think there was a pressure on Europe specifically in automotive and high-tech sector in last two quarters which seems to now stabilize.

**Neerav:** Sir but are you seeing revival in US and Europe or how is it? Is this similar or

**Kishore Patil:** No, I think now US will probably pickup quicker than Europe.

**Neerav:** Okay, but you are seeing pickup in US and not much in the Europe's geography at the moment.

**Kishore Patil:** Europe is stable, US is picking up.

**Neerav:** Okay. Thanks a lot.

**Moderator:** Thank you Mr. Neerav. We have our next question from Abhir Pandit from Parag Parekh Financial Advisors. Please go ahead with your question Mr. Pandit.

**Abhir Pandit:** Hi sir. In looking beyond document you had said about the new focus on the defense vertical and the PSU vertical. Could you elaborate on that?

**Ravi Pandit:** See the work that is required in defense as well as in PSU is fundamentally similar to the work that is required in any other manufacturing company. So whether it is related to vision based systems or sensor technologies or hybrid, it is the same kind of work which is needed in both defense as well as PSUs as it is required in the normal say automotive industries and that is what we are really focusing on. Similarly on the Business IT side the application of softwares like SAP or Oracle is similar whether it is in automotive or in the PSUs. Those are some of the areas that we are seeing traction.

**Abhir Pandit:** Okay, thank you. Got it.

**Moderator:** Thank you Mr. Pandit. We move on to our question from Mr. Srinivas from RBS. Please go ahead with your question sir.

**Srinivas:** Yeah, hi. Thanks for taking my question. Firstly just wanted to understand that you might have had some benefit of cross currency in this quarter so I mean in constant currency terms what was the growth?

**Anil Patwardhan:** See in constant currency terms, the USD growth was around 2% as against 3% which is in the actual gross rates.

**Srinivas:** Okay and if we break down this 2% into volume and pricing and may be some negative impact of the offshoring how would those numbers look like?

**Anil Patwardhan:** See, the pricing is stable so there is no impact because of pricing it has not changed in the quarter. The only impact is because of the movement from onsite of offshore so I would not be able to tell you the breakup of 2% but the breakup which is available for this is that volume growth is around 8% in offshore, (-4%) in onsite and hence about 6% overall.

**Srinivas:** Alright. And I mean when we talk about this onsite offshore movement I mean is it primarily relating to our top account where we earlier mentioned that there is some kind of restructuring of the contract?

**Ravi Pandit:** Yeah, it includes Cummins.

**Srinivas:** Okay I see. And secondly just I might have missed this earlier in the call but what is your sense on at least the near term demand outlook and particularly I mean do you see the volume growth picking up from current levels or how does it look at least for the next one of two quarters?

**Ravi Pandit:** So as I mentioned earlier that we see new customer traction. We see new programs and new projects being you know at least budgeted or started in some way by customer but we think that it will be a little slow recovery but it would happen over the next couple of quarters but it basically shows that there is no further cuts. So basically we see that we have reached the bottom.

**Srinivas:** Alright, okay thanks. That is all from my side.

**Ravi Pandit:** Thank you.

**Moderator:** Thank you Mr. Srinivas. We have our next question Mr. Shradha Agarwal from B&K Securities. Please proceed with your question madam.

**Shradha Agarwal:** Sir, how has the commentary from your top client Cummins changed this quarter versus last because last quarter if I am not wrong there were some portfolio rationalization exercise being taken by this client so how has that exercise impacted you in this quarter plus on an overall business environment the top client Cummins was a bit cautious and there was a reduction of IT spend. So how have those parameters changed in this quarter?

**Ravi Pandit:** So as I said earlier Cummins fell by about 2.5% during this quarter on a quarter-on-quarter basis, we expect to have a little less of similar fall in the Q3 and after that we expect to see stabilization because on the actions that they have taken would have panned out.

**Shradha Agarwal:** So are you hearing from them anything on CY10's budget?

**Ravi Pandit:** We have not gotten into any discussions on that yet.

**Shradha Agarwal:** Sure sir. Thanks.

**Ravi Pandit:** Thank you.

**Moderator:** Thank you Ms. Agarwal. We have our next question from Mr. Ashish Kacholia from Lucky Securities. Please go ahead with your question sir/

**Ashish Kacholia:** Yeah sir, just wanted to check on this growth for financial year 10/11 our SG&A expenses I was kind of seeing held constant or they have not really gone up in a very significant manner so if you want to ramp up growth in FY11 when will we have to start investing in additional sales people and you know the delivery or the admin overheads that are needed for the sales growth in FY11?

**Ravi Pandit:** So Ashish as far as the investments in the basic infrastructure is concerned I do not think we will need any investor for at least two more years. Now, as far as the investment in Sales Force is concerned and turnkey delivery people is concern we are planning to do the investments now and they have been factored into our H2 outlook.

**Ashish Kacholia:** Okay, so basically I have read is that you have said even if scenario becomes a little adverse the EBITDA margin should not go below 20% so does that incorporate the additional expenses needed for marketing investments?

**Ravi Pandit:** If it does.

**Ashish Kacholia:** Alright sir, okay. Thank you very much.

**Ravi Pandit:** Thank you.

**Moderator:** Thank you Mr. Kacholia. We have a question from Jaspreet Chabra from Aventis Capital, please go ahead with your question sir.

**Jaspreet Chabra:** Good evening sir and congrats on good numbers. I just want to get a sense on what is our FOREX Hedging Policy going to be, I mean we have seen our total FOREX Hedge has come down from some \$200 to \$150 this quarter so are we going to see this I mean in absolute terms? Are we going to see this \$150 million being maintained or is it going to come down may be you can say that next quarter or may be in Q4?

**Anil Patwardhan:** Jaspreet it is like as of this quarter end we have \$151 million hedged. We see \$47 million getting matured over next H2 that is next two quarters. You know end of the quarter we would see \$100 plus million hedged position. Our policy would be to look at two quarters on a rolling basis to see what is the net position we need to hedge so we will continue doing that post April 2010. So, overall hedge position would definitely go down from current level as of end of the year.

**Jaspreet Chabra:** Okay. Sir, apart from this \$47 million which is going to expire in the current financial year the balance is spread over how many years, I mean is it going to expire in FY11 only or is it spread over

**Kishore Patil:** It is spread over around 2.5 years.

**Jaspreet Chabra:** Okay, can I get a sense on how much would be for FY11?

**Kishore Patil:** Can I get back to you with the exact position going forward?

**Jaspreet Chabra:** Okay sure. Thank you.

**Moderator:** Thank you Mr. Chabra. As there are no more questions I would now like to hand over the conference to Mr. Ravi Pandit. Over to you sir.

**Ravi Pandit:** Thank you. I would like to thank all of you for being on this call. I appreciate your interest in the company and we do hope that we will continue to satisfy all your attritions regarding the growth as well as the information. As I mentioned earlier I would like to request you to come and visit us may be in the next month so that you can get a better idea of the nature of work that we do. Thank you very much and have a nice Diwali.

**Moderator:** Ladies and gentlemen this does conclude your conference for today. We thank you for your participation and for using iJunxion Audio Conference Service. Have a nice day.