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Conference Call Transcript

Infotech Enterprises

Q1FY12 Results

July 20, 2011 | 04 p.m. IST

Corporate Participants

Mr. B.V.R. Mohan Reddy
Chairman and Managing Director

Mr. Ajay Aggarwal
CFO

Mr. Ashok Reddy B
President (Global HR and Corporate Affairs)

Mr. John Renard
President, N&CE

Mr. Krishna Bodanapu
President, Engineering

Mr. Bhanu Cherukuri
Chief Strategy Officer

Questions and Answers

Moderator: Ladies and gentlemen good day and welcome to the Infotech Enterprises conference call hosted by Edelweiss Securities Limited. As a reminder for the duration of this conference call all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need any assistance during this conference call please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time I would now like to hand the conference over to Mr. Kunal Sangoi from Edelweiss Securities. Thank you and over to you sir.

Kunal Sangoi: Yes thanks and good evening and welcome to Q1 FY'12 Earnings Call of Infotech Enterprises. Present with me on this call are Mr. B. V. R. Mohan Reddy Chairman and Managing Director, Mr. Ajay Aggarwal Chief Financial Officer, Mr. Ashok Reddy President-Global HR and Corporate Affairs, Mr. John Renard President N&CE, Mr. Krishna Bodanapu President Engineering and Mr. Bhanu Cherukuri Chief Strategy Officer of the company. Now let me hand over the floor to Mr. Reddy for his opening remarks.

Mohan Reddy: Good evening ladies and gentlemen I would like Mr. Ajay Aggarwal who is our CFO to make the opening remarks.

Ajay Aggarwal: Yes, good evening to all the participants, this is Ajay Aggarwal the CFO for Infotech and I welcome all the participants to the Q1 call. As Kunal mentioned in this room present with me as the Chairman and Managing Director Mr. Mohan Reddy, Mr. Ashok Reddy our President-Global HR and Corporate Affairs, Mr. Krishna Bodanapu President Engineering, Mr. John Renard, President N&CE, and Mr. Bhanu Cherukuri, our Chief Strategy Officer. Before we begin I would like to mention that some of the statements made in today's discussion maybe forward looking in nature and may involve risks and uncertainties. A detailed statement in this regards is available in our investor update which has been e-mailed to you and is posted on our corporate website. I would now invite Mr. Mohan Reddy to provide a brief overview of the company's performance for the quarter ending Q2 FY'11.

Mohan Reddy: Thank you Ajay and good evening ladies and gentlemen this is B. V. R. Mohan Reddy Chairman and Managing Director of Infotech Enterprises. I like to extend a very warm welcome to all of you to this Q1 Earnings Call of Infotech Enterprises. Let me first start by saying that we delivered one more quarter of consistent results. Our Q1 results for the Financial Year 2011–2012 indicate a robust quarter-on-quarter revenue growth of 6.4% and a year-on-year growth of 37.1%, quarter-on-quarter 6.4%, year-on-year 37.1% that is in rupee-terms. In dollar terms the revenue was at $77.5 million, this is a growth rate of 7.8% quarter-on-quarter or the sequential quarters and 40% year-on-year again 7.8% quarter-on-quarter and 41% year-on-year. Being the first quarter of the year we gave annual increments to our associates and this is the predominant reason for the operating margins to drop by 180 basis points over the last quarter, it is now down to 12.5%. I would like to assure you that 100% of our increases for our employees both in India as well as overseas have been covered, if at all if there is any other impact there could be a few adjustments that we have to do, which are the normal course of business during the current quarter, so the impact on account of salary increases has been fully provided for in Q1 of this financial year, though the net impact of the salary increases was 280 basis points we were able to contain the overall impact on the company to 180 basis points both due to volume growth and also managing our margin levers. The quarter saw a strong volume growth in both our verticals that is something, which is extremely gratifying given that we had a subdued growth last financial year for our N&CE verticals. The N&CE and the engineering verticals grew by 4.4% and 6.3% respectively. The growth in N&CE was 4.4, engineering was 6.3, our revenue mix from geographies North America, Europe and APAC remained very stable, it was effectively the same percentages as what we had last quarter of last financial year. Out of the overall revenue growth of 6.4% our top five customers as well as our top 10 customers grew by 5% and the others grew by 8% effectively saying we saw growth from our top customers too for the current quarter. Though there is a decline in revenues in Infotech Enterprises Europe that is the UK subsidiary that we have we saw good revenue growth in Infotech Enterprises America as well as Infotech Enterprises Germany. Germany saw such a strong growth that in spite of UK not doing too well we still have been in a position to post a growth for the whole of Europe as the continent. We continue to actively manage the various levers for improving the operating margins, the first and the foremost is efficient offsite offshore mix, certainly we are trying to move a lot of so called on-site services, which are basically at customer site into offsite into our development centers in Peoria, Illinois, Paragould, Arkansas, San Jose, California and into Hartford, Connecticut. We have also been right-sizing the pyramid with induction of freshers, I believe, earlier this week we added another 300 freshers into the company and certainly there is tremendous amount of focus on both productivity as well as utilization. You will see the utilization has improved, but we still think that there is more room for utilization to further improve especially in our engineering verticals. We are therefore very, very positive about seeing positive results in coming quarters. Our PAT was lower this quarter due to higher tax rate on account of expiry of the 10 A, 10 B benefits which were accruing to us on account of having the STPI status. We are currently targeting to have 450 seats operational from October 1, 2011 in our SEZ facilities in those three locations that is Kakinada, Vizag and Noida. We will aggressively pursue further opportunities to generate more work out of our SEZ facilities. This is something, which is on high priority at this point of time given that we have had a fairly large tax incidence in the first quarter of this year. Our liquidity position continues to be strong with cash equivalence in our position at Rs. 393 Crores. This has been a quarter where we received a number of awards and recognitions. Software Of The Year Award from Boeing, the best company located in South India doing business in United States by the Indo-American Chamber of Commerce and exceptional contribution to development of German Indian business relationship by Indo-German Chamber of Commerce are few of them that I would like to mention to you. Let me take you through the numbers for a minute, the revenue for the quarter was Rs.346.7 Crores, which is as I said earlier year-on-year growth of 37.1% quarter-on-quarter growth of 6.4% in rupee-terms. Revenue for the quarter in dollar terms was at 77.5 million, I repeat it was 77.5 million, year-on-year growth of 40% quarter-on-quarter of 7.8%. The operating margins were at 12.5% for the quarter, the profit after tax was at Rs.26.9 Crores for the quarter and as I said earlier we saw strong growth in both our verticals that network content engineering and our product process engineering. We have Rs.393 Crores of cash or cash equivalent as of June 60, 2011 in the form of current accounts, EEFC accounts, fixed deposits with banks and liquid investments. Other significant business highlights are seven customers added during the quarter, four in N&CE, three in engineering, we signed a long-term MSA Master Services Agreement with one of the global leading players in Mining and Construction equipment. We also signed long-term MSA with the world leader in providing lab analytical equipment. We were selected for providing basic design services for one of the largest manufacturers of semi-conductors worldwide. We won a significant opportunity with world's leading Aircraft systems OEM to design critical safety systems. We receive the supplier of the year award from Boeing in the non-production category. We were categorized as leaders in verticals like aerospace, defence as well as in transportation according to a recent study undertaken by Zinnov Management Consulting a leading globalization and advisory firm. We were recognized as the best Indian company located in South India doing business in USA by the Indo-American Chamber of Commerce. We received an award for exceptional contribution to the development of German Indian Business relationship by the Indo-German Chamber of Commerce, Dusseldorf, Germany. We laid the foundation stone for our new SEZ facility in Kakinada in Andhra Pradesh. We moved to a large and spacious delivery center in Peoria Illinois while we closed down our Seattle, Washington Office. With this I come to an end with my prepared remarks, thanks for your patient hearing. My management team and I will be happy to take questions from you at this point. Thank you.

Moderator: Thank you, we will now begin with the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on your touchtone telephone. If you wish to remove yourself from the questions queue you may press "*" and "2." Participants are requested to use only handsets while asking a question. Anyone who wishes to ask a question may press "*" and "1." The first question is from the line of Shrivatsan Ramachandran from Spark Capital. Please go ahead.

S. Ramachandran: Hi, just wanted to get your thoughts on margins, we have to look at, it has been almost six quarters of continuous decline that we have been seeing and we have been saying we want to improve margins, we want to improve margins but we have not seen any since once FY'11 we saw decline of may be 300, 400 BPS on year-on-year level, now on FY'12 we are starting of a

350 BPS decline on a year-on-year level, where do you see margins, is there something fundamentally changing in your business in terms of pricing or is more competition leading you to take relatively lower gross margins, just wanted to understand what are the reasons as leading to such poor performance on the margin front?

Mohan Reddy: Well Shrivatsan thanks for asking this question, you are right, certainly the margins have declined. We have explained to you in detail that the numbers, which you saw in 2009-2010, were extraordinary numbers. We went all the way up to about 21% that year largely driven by no salary increases that happened, somehow we managed to keep our pricing to our customers fairly stable and a consequence of that was the 21.8 we had, but we have always said we are more like the 18% margin company and certainly last year was not a great year for us given that we had certainly made a large number of investments, we also did acquisitions, which have certainly not shown positive results in terms of adding up to our margins and as a result after the two acquisitions that we did certainly it meant about 200 basis points of loss of margin for us, so it is a combination of increases in terms of salaries that happened last year after having a gap of one year without increasing salaries, those two acquisitions that we did and also the pyramid given the softness that was there in the economies we have not added too many people at the bottom of the pyramid, whenever the business came it was lateral hiring and as a result we thought our pyramid also went out of shape, certainly yes this quarter also we have seen a drop but this has been a typical quarter that has seen drop for any other company too and that is because of the salary increases. I already confirmed that we have done the salary increases to all our employees, this 12% increase that we have done for India centric employees 3% increase that we have done for our Non-India centric employees be it in US, Europe are in Australasia and that effectively meant about further loss of about 280 basis points in terms of margins, but given that we have shown a volume growth and we have also shown that some of levers are operating we contained it to just about 180 basis points. Certainly yes we have been optimistic in telling you that we will improve on the margins, we continue to be optimistic, not that I am trying to be very defensive in anyway that we think that there are levers that are till available to us. We believe that we are in a strong growth momentum, we will continue to grow this year, we have grown 6.4% in rupee-terms we have grown 7.8% in dollar terms and with this growth momentum we feel very confident that we will retrieve the loss of margins that we have had.

S. Ramachandran: Just wanted to get your thoughts on one more aspect, is it because we have to look at maybe even data from 2007 to 2011, the erstwhile UTG business was far more profitable than engineering services business which has changed materially from maybe where we are from FY'01 and to where we are at FY'11 is that a bigger trend wherein you could see structurally 14% - 15% kind of margins for maybe because engineering operates at a far lower margin vis-à-vis UTG?

Mohan Reddy: No, Shrivatsan I did not hear you too well, but from what little I heard let me answer this question, yes the GIS business has definitely seen lowering of margins and we have definitely understood the reason for it, you have seen a structural change in the business, the addressable market that we were doing which was originally to do with conversion services has certainly shrunk in terms of size and being a market leader the only way that we could probably make sure that we continue to keep our positioning as a number one player in that marketplace was to be very competitive in terms of our bidding, also simultaneously what has happened since 2009 or 2010 is to go back and address the structural issues, we started increasing our service offerings when you talk about increasing service offering you certainly have to make those investments. We made investments in terms of the right type of domain knowledge, be it in telecommunication or in utility, we have also put in place some strong front in people who can go and sell high-end services to the market, so therefore we think that the trend in our UTG business or it is called the N&CE business is also reversing itself, actually John can throw some light, this quarter we have seen a 100 basis points improvement in the margins compared to what we saw last quarter and engineering definitely saw a little more impact on account of the salary increases, so a combination of that is what we have shown at an aggregate level, the impact was limited to 180 basis points, but moving forward I think we can feel confident that we will comeback to the 16% level positively by end of this financial year. John would you like to add something more.

John Renard: Just to clarify the point we are absolutely aware of the last three quarters we have seen a decline in our margin zone by N&CE business as Mohan said we have actually seen a margin increase by 100 basis points and that was not because we did not pay salary increases, we still pay the salary increases in line with rest of the business 10% in India plus 2% for onsite employees and I think what you are seeing is that we are absolutely positive in the last year and talked about the cost restructuring we did and some of the changes made in our business and also as I told you high proportion of our revenue coming from our new services, not from that commoditized conversion where the rates we were getting for conversion is as low as they were 10-15 years ago, we are seeing that we are moving away from that business and consequently that is one of the things we will see our margins improve, so we, actually myself are confident about improvement in margin and we have further levers to increase it in next three quarters.

Moderator: Participants who wish to ask a question may press "*" and "1." The next question is from the line of Ashi Anand from Kotak India Focus Fund. Please go ahead.

Ashi Anand: Hi, good evening I have a couple of questions first of all there were numbers of price increases we had from our customers which were supposed to actually place through in this current quarter now as per the report which has been released it does not seem like pricing has really increased significantly, so just wanted to understand in terms of the price increases on the customers have they actually played through going forward?

Mohan Reddy: We have put out our numbers as far as price increases are concerned and for the current quarter they were very marginal, it is only 10 basis points was the impact of improvement in terms of pricing, some of our customers have not increased the pricing as anticipated and as a result they are flat and we have said this in the past the price increase is for us are not necessarily coming on January 1 of every year or April 1. They happen at the annuity, so therefore there are some more customers where price increases could happen in the current quarter or the subsequent two quarters, so the result is that as of now the price increases have been only to the extent of 10 basis points that is what the impact was in the Q1 of this financial year.

Ashi Anand: When you mentioned margins at the end of the financial year are this what you expect in Q4 margins to be or is this what you expect FY 2012 margins to be?

Mohan Reddy: We expect the FY 2012 margins to be between 15 and 16 whereas we will definitely hit the 16 number by Q4 of this financial year.

Ashi Anand: So 15 to 16% is the FY 2012 margin that you are looking up.

Mohan Reddy: Yes.

Moderator: The next question is from the line of Radhika Merwin from IFCI Financials; please go ahead.

Radhika Merwin: Hi, good evening Sir, just a couple of clarification, one I just wanted to know how much Wellsco has contributed this particular quarter and also just wanted to get a sense as to whether there is any significant shift from onsite to offshore work which we were anticipating to do in terms of Wellsco, have we been able to achieve some sort of significant shift between the onsite and offshore there?

John Renard: Good question. We are pleased with the performance we had with the old Wellsco business and we still do track on a stand-alone basis although that business is very much integrated now in to our group telecom-operating unit. The revenue we did for the three months was 220 million rupees which was slightly better than we expected and we also saw slight improvement in the operating margins compared to the previous year if you like up to the March 31, 2011. In terms of your second question about offshoring we have not made, as of today all the revenues are still onshore, we have two largest customers in North America. We are in advanced stages of being able to take up work offshore but we have not yet, so we have not seen the benefit of being able to offshore that work, there are number of aspects to that, one is the actual process and the technical improvement that we can do and we are working to that with the customer, one of the customer that we still have in security and legal issues that we are addressing the team management..

Radhika Merwin: So overall for NCE segment right now, what would be the benchmark onsite mix that we are targeting?

John Renard: At the moment our target in short term is to move to 60% offshore, for the last couple of quarters it has been almost flat at 56%, so our short-term target is to try to move it at least to 60% and probably by the end of the year I will be really pleased if we can get it two-thirds offshore, one-third onshore.

Radhika Merwin: 60 right?

John Renard: While we are moving at 56 we would like to get it to 60 during the next quarter if we can and then 66% is probably longest average over the year.

Radhika Merwin: Just a further reiteration of the earlier query on the margins of sale for the NCE business, as is evident there has been a steep decline, if you look on a segmental basis if you take overall margin performance, when you are targeting this 60-66% of offshore mix and N&CCE can we expect the margin to scale back then to at least 25-26% on the NCE business when that happens?

John Renard: As Mohan and I both said earlier in the call, we are pleased that we are able to actually improve our profit margins in N&CE this quarter, one of the levers we do have is absolutely being able to increase substantial work offshore, it will help, we do not believe it is going to take it back to 20 to 25% you just talked about but certainly one of the key drivers for example if we increase our offshore percentage by 4% from 56 to 60, that will certainly help drive an increase in our pricing margins, it is not to going to move, but the currency goes up to 20-25% unfortunately.

Radhika Merwin: Just wanted to understand the structural shift that has happened in the UTG and N&CE business was it also driven by the exit of Swisscom, has that fairly affected the kind of work, the billing dates as you were explaining in terms of the conversion process?

John Renard: Swisscom was a project and now it is almost two years ago, we completed that project., I guess the notable thing to have happen in terms of our structure was obviously the acquisition and integration of Wellsco and that is now almost a year, it was August 2010 and clearly that also had an impact on the potential work on shore and off shore and we are working to address that and again as I said earlier in the question the good news is also it is performing to our expectations and the plan we put for this year. It is regionally broad but is growing an offshore engagement around engineering and fiber design where the way to getting offshore are substantially higher than we used to get to get data conversion, so in that sense Swisscom is a good example of other customer where we engineered the relationship if you like and we are doing work at substantially higher value per associate compared to the old day conversion and that summarizes the transition in my business, so ideal revenue might be lower but the revenues per associate and the realization per associate is much, much higher and you will see if you take the number here we have 4.5% growth with a net reduction in our head count, that is another factor that helps with pushing up our revenue quarter-on-quarter.

Radhika Merwin: Just last time the clarification on the manpower addition that we had this particular quarter, we again see there has been a decline in the N&CE vertical as far as the manpower goes up, so how long do you see this kind of trend emerging in UTG vertical where we are seeing employes reducing on quarter-on-quarter basis, so is there a benchmark we are looking at for having these many number of employees at this particular utilization for the N&CE vertical.

John Renard: I think it is probably analysts wants to measure us on our revenue and our profitability not necessarily just how many people we have in the company and we are working very hard to make sure we maximize the utilization and profitability per associate, we are bringing in some new and Krishna and I supported the hiring and we are bringing in 300 freshers, who have already joined this quarter and some of those will come in my business. We actually will be recruiting and we will bring in some more associates but we are only bringing in those associates where we have the work in business and the right type of businesses above them and you will see for example we are push our utilization 3%inthe quarter, we are really focusing on not just adding people for the sake of adding people, but growing our revenue and growing our profitability and driving utilization.

Moderator: The next question is from the line of Pratish Krishnan from Bank of America; please go ahead?

Pratish Krishnan: Just to understand the N&CE business, if I look at Europe there has been a decline in the employee additions during the quarter though I do understand that the utilization numbers have gone up, the growth in revenues is much more sharper, so whereas you did state that the pricing probably is flattish, so what really is the driving growth in the N&CE business?

Mohan Reddy: I just want to leave you in to point John saying that we have explained to them so far that the complexity of the business is changing from the traditional conversion services that we provided, we certainly are providing higher end services, that is the reason why you see that we are delivering higher volume with lower number of people. John would you like to supplement that?

John Renard: That is the nature of our business somebody mentioned earlier on the call Swisscom, we needed at one stage I think 550 or 600 people to deliver the revenue which was probably running at 300,000 Euros a month, so the net value or revenue per associate was very, very low, I think around 45% of our revenues are coming from new services such as engineering and things around smartgrid where the realizations per associate is higher, absolutely one of the measures of growth is adding people and you will see we are supporting those with additional freshers and we will add people over the next couple of quarters, we are doing not the campus recruitment but we are out looking and bringing in freshers and we will also make some key lateral hires but I think again I will go back to the point I think what analysts will measure us on is not how many people we have in the company but ultimately how successful we are in terms of improving our numbers and more importantly how profitable we are, so we are looking very hard in going to topline and going to bottomline and absolutely yes we will bring some more people but if we grow the topline and grow the profitability with adding fewer people than we perhaps expected as being in a year, I am not sure that is necessarily a bad thing.

Pratish Krishnan: Any guidance in terms of hiring for the year?

Ashok Reddy: The total we are adding for this year is about 2600 people, out of that in the first quarter we have added about 569 gross additions and this quarter we already added 270 freshers, that is what we just talked about, possibly 300 and still about 669 in the pipeline, so total about 1508 will be for Q1 and Q2.

Pratish Krishnan: If I recall you had probably spoken about some net hires of 1700, does that stand?

Mohan Reddy: Net hires, what will be the number Ashok?

Ashok Reddy: Last quarter 166 is the net hires for the last quarter.

Pratish Krishnan: For the full year do you give a number, I probably recall having 1700?

Ashok Reddy: Our gross will be 2600 and assuming that we will probably have 15% attrition that we would have, we will probably still add about 1300 or so will be the net addition.

Moderator: The next question is from the line of Anup Upadhyay from SBI Mutual Fund; please go ahead.

Anup Upadhyay: I just wanted to understand on operating margins you commented that by the end of the year we are looking to reach 16% margins and the full year around 15 to 16%, one way to do the arithmetic only 16% by the end of the year mathematically one would be able to get a 15.5% or margin for the full year, so is there something which I am missing?

Mohan Reddy: I did not know what mathematically your calculations are, we did our own calculation and while we do our calculation we cannot use completely math because we also need to be very prudent in terms of how the growth will come from, where the growth will come from, we will look at both the optimistic and the pessimistic numbers and finally say we have certain amount of control on the cost part of it, we might like to have so much of control when the price increases, that is likely to come, or the volume growth that is going to come, so all that has been factored in finally coming out with this number that by the end of the year we will come to 16% operating margin and the average depending upon how the other two quarters go we will probably end up between 15 and 16 is our current forecast.

Anup Upadhyay: Secondly as you mentioned that last year because of the unexpected demand we had to resort to lateral hiring which impacted margin, if you could share the current mix of freshers and experienced in the company and coming from the perspective that if we have to let us say broaden our pyramid, then the hiring has to be done probably in the initial part of the year, so has such a shift already happened?

Mohan Reddy: As we have already told we have hired 565 people in the first quarter of this year, we had already hired about 300 of them in the current quarter itself in the first two weeks of this month, so therefore the hiring chance are as per what we have projected, that is 2600 gross hires, the HR department has the indents for them and Ashok, please go ahead.

Ashok Reddy: Let me clarify once again first quarter we added 569 and the net is about 166 we had in the first quarter and second quarter we added already about 300 freshers and still about 669 are in pipeline right now because we just got indents for recruitment of those people, we already issued about 300 offers, so we expect about 1500 people to join by end of this quarter and the total requirement we have about 2600 gross additions for the whole year.

Anup Upadhyay: How many of the people of the 569 gross additions in the first quarter would have been freshers?

Ashok Reddy: See, even though we recruit the experienced people about one or two years experience but still we take them as special company's off-campus drives, so approximately about 90% could be freshers what we added in the first quarter. We do not call them as freshers because they joined as engineers in the company, though they have an experience of one or two years with them already.

Moderator: The next question is from the line of Pratik Gandhi from IDBI Capital; please go ahead.

Pratik Gandhi: Thank you for taking my question, good quarter. My first question pertains to the wage hike, if I heard correctly offshore wage hike was around 12%, is it correct?

Mohan Reddy: Yes.

Pratik Gandhi: So, I think the last quarter we mentioned that we are planning to give 10% wage hike, but I think we have given 12%, is it something to do with high attrition rate?

Mohan Reddy: Obviously, it was attrition rate and we also recall we said between 10 and 12%, our N&CE finally settled down somewhere closer to the 10% whereas our engineering settled down more in the 12%. Also I will reflect back on the high demand that we have for the type of resources that we have in the company and it is good news or bad news everybody who wants to start an engineering services company the first place they come to us Infotech given that we have great pride in training the best of engineers and as a result we do have some pressure in terms of attrition, that is certainly of concern to us but the number of initiatives that are going on in the company at this point in time in addition to the wage increase, our HR Department is doing an outstanding job in terms of putting some of these initiatives in place, so as a result we are hoping that it will slow down in coming quarters, but all the same we are reckoning that this financial year 15 and 16% will be the attrition.

Pratik Gandhi: But if I look at last year I think we gave around 10% wage hike on offshore and 3 to 4% which is somewhere what we have given for on site that time the impact on the margin was around 350 basis points and this year if we have given 12% wage hike to offshore employee on a higher employee base and around 3 to 4% on site wage hike the wage impact is only 280 basis points, am I missing something over there?

Mohan Reddy: No, it is not necessarily true because we need to go back and look at, we did not look at the comparison but it also depends upon some of the people who have joined during the year will not be eligible for increases at this point in time and also the freshers will be eligible for the increases only after they finish the first year, so therefore though the numbers would come up differently we have not done this analysis, Ashok we should do that and I think therefore the impact is what we said just now, 350 last year whereas 280 this year.

Pratik Gandhi: Secondly I think last quarter we mentioned that we are fairly confident of growing topline by somewhere closer to 25% in dollar terms I think with this strong first quarter close to 8% topline growth, do we see any upside to that number?

Mohan Reddy: Certainly yes I think the businesses are telling us that they will grow about 5 to 7% quarter on quarter, so therefore the most pessimistic number could be somewhere in the range of 23% or so whereas the most optimistic number would be closer to the 30%, so that is where we are at this point of time and we think our growth will be consistent with the first quarter and the second quarter too.

Pratik Gandhi: So the first half will be better for us that is what you are getting?

Mohan Reddy: Yes.

Pratik Gandhi: Thirdly if both Krishna and John if they can share some highlights of their business segments, how they are seeing the demand environment in the specific subsegment of their respective segments that would be helpful?

John Renard: At the moment the market in North America is looking really good, we have got lot of traction in the utilities space and that is very encouraging, three notable very large opportunities one which we should be able to put a press release on it in the coming days where we are starting an engagement with one of the largest utility in the West Coast, two more that we are at advanced stages on, so the North American market looks good, I mentioned earlier in terms of Wellsco and, we have seen growth with Verizon. We are seeing good traction with AT&T and they are now in our top 10 as a run rate customer. The other area where there is a lot of opportunities at the moments in Australia, so we are seeing a take up of on site engagements in Australia which will help in terms of revenue and also successfully having with our initial moves in to the content engineering side particularly around mining where some of the opportunities we are covering in Australia around that market are huge, so the one challenge I have on it remains a challenge and you saw the disappointing numbers for Q4 to Q1 is in Europe and Q2 will be a black quarter unfortunately. We might have a little bit of upside. We strengthening ourselves in marketing, we are rebuilding but it can take up to three quarters so that is kind of my outlook but generally content engineering growth is going to be low and in particular the utility market there is some significant opportunities around.

Krishna Bodanapu: In general that is the sentiment in the engineering vertical too, there is reasonable demand both from what happened in Q1 in terms of the deals that were signed and also the pipeline that were seen for the next few quarters, again there are obviously micro markets where either demand is exceptionally stronger, exceptionally weaker but net-net I think it is in line what we expected and that is reflected in numbers.

Pratik Gandhi: Last one on the tax rate, I think this quarter we have seen the tax rate jumping up about 33%, are you still holding around 31% kind of number for the full year FY 2012 and 2013. I am seeing in terms of tax rate are they still holding 31% kind of number for FY 2012 and 2013.

Ajay Aggarwal: Pratik what has happened you have India number and you have a global number, for India we are paying, because we are creating of about 500 people by October in SEZ we should be able to get a benefit of 1 to 1.5% which will reflect in the second half, so effective tax is about 31.5 for India and for global depending on how the final numbers look like for Germany and all it should be somewhere between 31 and 33.

Pratik Gandhi: Krishna, how is the profitability of Daxcon in this quarter viz-a-viz last quarter?

Krishna Bodanapu: It is bad, again it has not improved and we are doing certain things to get back to profitability but the reality is unfortunately at this point is much lower than what we had planned for and what we had expected.

Mohan Reddy: I'd like to thank all the participants in our Q1 earnings call, we appreciate for participating in this particular call and we certainly like to reassure investors that we have a strong story for coming quarters. Thank you.

Moderator: Thank you. On behalf of Edelweiss Securities that concludes this conference call, thank you for joining us and you may now disconnect your lines. Thank you.