

## Conference Call Transcript

### Infotech Enterprises

#### Q4FY12 Results

April 18, 2012 | 4:30 p.m. IST

#### *Corporate Participants*

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Mr. B.V.R. Mohan Reddy  
*Infotech - Chairman and Managing Director*

Mr. Ajay Aggarwal  
*Infotech - CFO*

Mr. Ashok Reddy B  
*Infotech - -President (Global HR & Corporate Affairs)*

Mr. Krishna Bodanapu  
*Infotech - President and COO*

Mr. John Renard  
*Infotech - President - UT&C*

Mr. Bhanu Cherukuri  
*President – Strategic Initiatives*

## Questions and Answers

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**Lavina:** Ladies and gentlemen, good day and welcome to the Infotech Enterprises Q4 and FY12 Earnings Conference Call hosted by Edelweiss Securities Limited. As a reminder for the duration of the conference all participant lines are 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 assistance during the conference call please signal an operator by pressing "\*" and then "0" on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Kunal Sangoi. Thank you and over to you Sir.

**Kunal Sangoi:** Thanks Lavina. Good evening everyone. On behalf of Edelweiss, let me welcome you all to the Infotech Q4 and full year FY12 Earnings Call. We have the senior management of Infotech, headed by Mr. BVR Mohan Reddy, along with the senior members of the management team. Without further ado I will hand over the mike to Mr. Ajay Aggarwal to start the proceeding. Thanks.

**Ajay Aggarwal:** Thanks Kunal. Good evening Ladies and gentlemen. I would like to welcome all of you to the Q4 results and the annual results call. Apologies from our side, we got few minutes preoccupied in the press conference and with me in the call here are Mr. Mohan Reddy, our Chairman and Managing Director, Mr. Ashok Reddy, our President, Global HR and Corporate Affairs, Mr. Krishna Bodanapu, President and Chief Operating Officer, Mr. John Renard, President of UT&C, and Mr. Bhanu Cherukuri, President, Strategic Initiatives.

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 risk and uncertainties. A detailed statement with this regard is available in our investor update, which has been e-mailed to you and is also posted on our Corporate website. I now invite Mr. Mohan Reddy to provide the brief overview of the Company's performance for the quarter and the year ended March 31, 2012. Thank you.

**BVR Mohan Reddy:** Thank you Ajay and very good evening to all of you ladies and gentlemen. Once again I extend a very warm welcome to all of you to our Q4 and also annual results investor update call. I am pleased to announce the results of Q4 FY'12 as also for the financial year 2012. In spite of the macroeconomic uncertainty around the globe we had a very good year in line with our expectation. We posted a robust growth and higher profit because of our customer centricity and our long-term growth strategy.

Towards developing the next generation leadership, we promoted Mr. Krishna Bodanapu who was heading our Engineering services business. He has been with the company since 2001 and under his leadership our engineering services

business for the last financial year grew to about INR 1077 Crores. So we therefore, the board decided to promote him as a President and Chief Operating Officer with all the business units reporting into him. We have reorganized the company into four business units to ensure better focused on target markets and accelerated growth. This reorganization has created leadership opportunities for several senior associates leading to a more entrepreneurial ownership, career development and greater motivation.

This reorganization will bring momentum to growth plans and will help achieve our goals much faster. We have also rolled out organization wide initiatives for strengthening our execution processes, sales processes and information systems. These initiatives have ensured that we build a scalable and sustainable organization for future. We start the financial year 2013 with a strong order pipeline and a large order backlog. We are confident of an equally good FY 2012-13.

Now let me get you through a few numbers. Let me first look at the annual performance. The revenues for the year were at INR 1553 Crores, which is a year-on-year growth of 30.7% or if you are looking at dollar terms it is 24% growth year-on-year. The operating profit for the company moved to INR 270 Crores, an increase of 50% year-on-year. The operating margins as such are at 17.4% for the whole year, which is an increase of 220 basis points compared to the last year. The profit after tax at INR 161 Crores for the year is an increase of 15.5% compared to the previous year. There is no denying that. We also paid fairly hefty sum of money as income tax, which certainly reflects back on our profit after tax. It is a good feeling that we are great corporate citizens at this point in time.

On the quarterly performance, let me make a few more comments. The revenue for the quarter was INR 417 Crores, a year-on-year growth of 28%, a quarter-on-quarter growth of 0.2% or in dollar terms because there was an adverse impact because of the rupee strengthening against the dollar during the quarter, compared to the previous quarter it is the dollar growth is at 1.6%. The operating profit for the quarter is at INR 82.7 Crores. The company sustained improved operating margins during Q4; the operating margins further improved by 20-basis points over Q3 real terms due to operation excellence initiatives. There was an adverse exchange of 100-basis points in Q4 compared to Q3.

Profit after tax was at 69.8 Crores for the quarter, an increase of 106% compared to the previous quarter. The other significant highlights were as I mentioned earlier, the company has been realigned into four business units effective 1<sup>st</sup> April, 2012, which reflect the markets we address and the solutions we provide while the key drivers for this reverticalization into four business units, realignment into four business units was primarily to bring the appropriate level of focus for each of these businesses, which are different from others. The first one that we have aerospace business providing, which we call it as Aero, is providing product engineering, solutions to aerospace customers. That is our first BU. Our second BU is Heavy Equipment, Transportation, HiTech. We will start addressing it as HTH, providing products and process engineering

solutions to non-aero space customers, in manufacturing, HiTech and process engineering industry. The third business unit is going to be called as Utilities Telecom, UT, providing network engineering and related solutions to telecom and utility customers as their suppliers. The last one, the fourth one, is content providing end-to-end content solutions to a range of industries including mining, energy, and content publishing.

We have also made the following leadership changes. I mentioned one in my opening remarks that was Krishna Bodanapu being promoted as President and Chief Operating Officer, Mr. John Renard will now provide leadership for two business units, Utilities Telecom and Content, Rajendra Velagapudi will head the newly created Aerospace business unit, Anand Parameshwar will head the newly created HTH business unit. 16 customers were added during the quarter. Seven in N&CE and nine in engineering. We commenced work with two high potential must have customers. We increased traction and growth in our top two customers. The Asia-Pacific region especially around transportation and engineering saw more amount of traction too. We rented a new SEZ in Hyderabad. It is about 700 seats to accommodate 1000 engineers. This is already been functional from 12<sup>th</sup> April, 2012. Mr. Vikas Sehgal has been inducted as an Independent Director on our Board of Directors. Vikas used to work for Booz Allen. He is now the Managing Director of Rothschild Bank in-charge of all the M&A activities in automobile sector.

Our cash balances including liquid assets are at 479 Crores, which is an all-time high. We added about INR 95 Crores compared to the last financial year. Our CapEx for the quarter was about INR 14.3 Crores. With this I come to an end of my prepared remarks. Thanks for your patient hearing and participating in our conference call today. My management team and I will be more than happy to take questions now.

**Lavina:** Thank you, very much Sir. We will now begin with the question and answer session. Our first question is from the line of Srivasthan Ramachandran from Spark Capital. Please go ahead.

**S. Ramachandran:** Just wanted to get a kind of an update, you said, order booking and order pipeline is pretty strong, so in terms of near term growth prospects at least the next six months how do we see it? Do you hope that it will be more back ended kind of growth or it will be more even as we speak and then any thoughts on which verticals you could do stronger growth and which could be the weaker ones?

**BVR Mohan Reddy:** Thank you, Srivasthan. Certainly we start the year with a strong pipeline. The last quarter saw a fairly large order intake from our utilities and telecom business especially from North America as well as from Asia Pacific. We certainly have also seen a traction or ramp up with two of our large customers who are in our engineering business. At this point in time we are saying that the growth will be better than the industry averages. That is what we can share with you at this point in time. We can also share with you that the order backlog at this point of time covers this for about eight to nine months, but then it does not necessarily mean that all of that can be executed right now.

So these are a few remarks I could make at this point. Krishna do you have anything more to talk?

**Lavina:** Our next question is from the line of Radhika Merwin from PUG Securities. Please go ahead.

**Radhika Merwin:** Good evening. Just a couple of pointers, I just wanted to check. If we look at basically the N&CE vertical again, this particular quarter there has been a steep margin decline; one, what has lead to this kind, because we assume that this vertical was going to stabilize going forward at least at 18% kind of a margin. If some color if John could throw on what exactly is happening in this vertical?

**John Renard:** Thanks very much. Two questions. I guess every year we saw 200-basis point increase every year, so pretty much what we set out to do improving our margins over the 12 months happened. We did see, I would not say it was a steep, but we did see a small drop in our margins in Q4 partly some of that foreign exchange and part of it is also as Mr. Reddy mentioned we had a very strong month based on quarter in terms of our order intake. We had a record quarter in terms of the business we booked over \$40 million so we had a fairly large chunk in the sales commission that we pay against that. So it was two sort of one off items. The main reason and it is a slight thing and I think we have told you before we had while we had an overall growth in volume and we did show strong growth this quarter in terms of revenue, what happened was we had to transition essentially 300 people out of British Telecom, we moved our guys into other projects, so that is the impact how utilization went down by 6% and that really has reflected in the fact that we saw some erosion of margins. So it is a transition, we also ramped up two other projects, which like I mentioned in our highlights, so the combination of that was really it was an aberration and if you look at the trend over the year the trend over the last five quarters there is margin improvement and that will continue.

**Radhika Merwin:** Great. Then just broadly on the margins overall margins for the business, we were confident of sustaining at around 17% going forward but many thanks to rupee depreciation where we have seen much better performance there. So how do we look at it going forward into FY'13?

**BVR Mohan Reddy:** FY'13 we think our margins will be stable currently, Radhika. We will probably be in the same levels of 17 to 17.5%. That is where we think we will do for the financial year.

**John Renard:** As you said that the rupee remains where it is.

**Radhika Merwin:** Broadly on the businesses, where should we see traction more either on the engineering or on the N&CE? Do we have any thoughts over there, which would be the driver in FY'13 for us?

**Krishna Bodanapu:** I think broadly speaking we are expecting similar growth. Again it will be a little bit different across the four businesses, but we are seeing more or less similar growth across the businesses, again there are certain areas that tend to be good drivers for us, based on the backlog we think that the HiTech segment in engineering would be a good growth driver, the Heavy

Engineering segment will be rather a good growth driver for us, similarly utilities

**John Renard:** Utilities will, you are seeing from the segment right now on N&CE, you feel it did very well a compared to a year ago, and will continue to see that traction in the utility sector in particular will have another very strong year.

**Radhika Merwin:** Great. Any specific triggers or action we can look at from the Aerospace vertical because that has been in the news off late and also couple of pointers by your main client like Pratt & Whitney, so any thoughts there?

**BVR Mohan Reddy:** We continue to grow in our Aerospace business. Further trigger could come if the Government of India goes ahead with the defense deals that they have been talking about and that has been in the news for a quite a bit of the recent past, the offsets will start kicking in, if they do, I think we will see a little more upside to our Aerospace business, but as we speak at this point in time our existing customers still continue to show us growth and we think the sustainability of growth is there at least for two to three years is what our current projection is.

**Radhika Merwin:** Great Sir. Thanks a lot and all the best for the management.

**BVR Mohan Reddy:** Thank you.

**Lavina:** Our next question is from the line of Mr. Dipen Shah from Kotak Securities. Please go ahead.

**Dipen Shah:** I had a very slightly broader question, if you can just throw some more light on the overall macro scene and any particular trends, which we are seeing which are different as compared to what you saw at the end of December?

**Krishna Bodanapu:** The question was on the macro situation and how is it different from December? So what I was saying is we do not see the things are very different, there is definitely some amount of uncertainty with certain customers and certain industries, but we do not think there is anything concerning in terms of how the outlook is looking as things stand right now. Again there are always going to be and just like every year there are issues in terms of certain customers or may be certain market segments, but that is more curtailed towards the specific region, but from a macro situation and from what our customers are telling us we do not see somebody called it gloom earlier, we do not see any amount of that, but we are fairly confident, when we did our budgets we were fairly confident in terms of where the revenue is coming from.

**John Renard:** As a point, a few years ago, my side of the business we had some exposure in several governments, public sector and if you look in Europe, the sovereign debt issues and the consumer and governments, but yes, the corporates have money and are investing and that is what we are seeing certainly in the sector as well. Our exposure to government sector we do not have any exposure to government side. That is an important point to mention.

**Dipen Shah:** We were expecting some billing rate increases from some of our

clients, any changes in that or that has actually come through?

**BVR Mohan Reddy:** I think this quarter we said the price increase is 1%. That is what it was and we will continuously have these increases because our contracts specify that on annuity the price increases would happen. As of now we are not seeing any pressure from our customers and we are hoping that we will continue to have the price increases as per the contracts.

**Dipen Shah:** Thank you. Just last one more thing is we received this dividend from IASI, which is about 40.8 Crores. When did we receive this?

**BVR Mohan Reddy:** We received during the Q4 and we paid tax on it, which was 15% dividend tax that we paid so therefore there is about 6 Crores of tax incidence on it. That is also a part of the 80+ Crores of tax that we paid in the financial year.

**Dipen Shah:** Okay. Where would this get reflected? Is it a part of the other income component?

**BVR Mohan Reddy:** No, it would not be reflected, I believe. Ajay you should help me. It would not be reflected.

**Ajay Aggarwal:** Since you are looking at the consolidated financial in our investor pack it would not reflect, because year-on-year we take our share of profits from this entity being 49% of our share, so whether dividend comes it will not reflect in the consolidated accounts.

**BVR Mohan Reddy:** But the tax will reflect on the P&L side.

**Dipen Shah:** Okay fair enough. Thank you very much and all the best.

**Lavina:** Our next question is from the line of Srivasthan Ramachandran from Spark Capital. Please go ahead.

**S Ramachandran:** On the margin front, we are exiting at a runrate of about 19.4% to 19.5%. Any specific reason why on an average for the whole year do you think it will be 200-BPS kind of decline. Is it more investment mode or are you just being more cautious than anything else?

**BVR Mohan Reddy:** Srivasthan, we are at this point of time going ahead and increasing the salaries by 8 to 10% for the offshore resources and 2% for the onshore resources. So that itself will have an impact in the first quarter and thereafter we will build it back and given certain amount of uncertainties that are there we are very prudently saying we will be in a position to sustain our current margin levels. We are expecting or we are planning on a slightly lower exchange rate or a lower exchange rate, again to be prudent in terms of where things are right now, so at a lower exchange rate that will also take some of the margin away, again we want to plan towards that because we believe that is the more sort of prudent way to plan the business for the next year especially if there is any uncertainty that crops in.

**S Ramachandran:** Just I was looking at the geographic revenues, any specific reason that Europe was so weak. Is it mainly because of the BT effect or anything beyond it?

**BVR Mohan Reddy:** It was BT effect to some extent and there was also two other customers especially in rail signaling, again UK tends to be a big market for us in that particular segment and UK rail industry is now pretty much closed for any upgrades because the Olympics are coming up therefore what happens is work slowed in some of the signaling customers and that had a little bit of an effect.

**S Ramachandran:** Ajay, just wanted to know what was the average for the hedge books that we have at this moment of time?

**Ajay Aggarwal:** I believe our total hedge outstanding as already been given in the investor document. I think your question is about the rates. I will give you the rates. For example, for the US dollar the rate for 2012-13 is 49.6, for GBP it is 78.3, for Euro it is 68.5. That is for the period 2012-13. We also have positions for first six months of 2012-14. For the first six months, the rate for USD was 54.2, for GBP 84.1, for Euro 73.1.

**S Ramachandran:** Have all these hedges been marked-to-market the repercussion of these financials?

**Ajay Aggarwal:** Yes. They are all marked-to-market.

**S Ramachandran:** There has been some of these hedges at 54 that have also marked-to-market, so you would have gained something like Rs.4 per dollar of hedge on that front also?

**Ajay Aggarwal:** Right. These are all notional in nature. They get restated at each quarter, but that is notional. Most of it is notional in nature.

**S Ramachandran:** Thanks a lot.

**Lavina:** Our next question is from the line of Sandeep Muthangi from IIFL. Please go ahead.

**Sandeep Muthangi:** Good quarter, congratulations. I was wondering if you could give me some more insight on the kind of services in these industries like HiTech, Heavy Engineering and Utilities that have experiencing traction?

**Krishna Bodanapu:** Sandeep I think it is across the spectrum, again, in the product engineering business we are seeing a lot of traction, in electronics, embedded software, at the same time mechanical is also growing, so it has been across the spectrum in the product engineering business and I will ask John to answer the network.

**John Renard:** In Utilities, the asset inventory space there is a lot of work going on around, sort of cleaning up the inventory data, we are also seeing some really good traction and that has become a fairly large practice for us, in the MS DMS, the systems that runs across the network like outage management distribution management so in countries like Australia we are putting in these systems. It is all really part of the smart growth. It is alternately smarter than driving the performance of the networks that we are seeing in and likewise on the engineering side so it is really across all three aspects of what we are doing in utilities.



**Sandeep Muthangi:** Thanks, can you share your hiring plans for the next year?

**Ashok Reddy:** Hiring plans for next year is 1500 net additions we are adding.

**Sandeep Muthangi:** Thanks. That would be all.

**Lavina:** Our next question is from the line of Pratik Gandhi from IDBI Capita. Please go ahead.

**Pratik Gandhi:** Thanks for taking my question and congratulations to the management for a good set of numbers. Just couple of things, firstly what was the gross hiring in the current quarter?

**Ashok Reddy:** Gross hiring for the current quarter is 662.

**Pratik Gandhi:** Secondly, if I hear correctly that John was mentioning of USD40 million deal wins N&CE in the current quarter?

**John Renard:** You heard me right USD40 million during the previous quarter that was what I said was that was the order intake in utility telco during the quarter.

**BVR Mohan Reddy:** All together in that quarter we closed \$40 million in Utilities and Telecom.

**Pratik Gandhi:** That would be executable over FY'13?

**John Renard:** Yes, the way we look at the order intake it is effectively the revenue the bulk of that would be worth 1000 bills and invoiced by March and so the bulk of that will go to this financial year.

**Pratik Gandhi:** Fair enough. In terms of next year growth outlook I think how should one look at among between the two service line, which is say Engineering and network, how should one look at again, Engineering will continue to outperform network or do you see the growth rate to converge in the next year?

**John Renard:** I think probably we will be announcing that now do we have the full business units we are going to see slight variant growth across the full business units and these markets will have a bit more traction than other markets.

**BVR Mohan Reddy:** Exactly, Aerospace, which is our largest, would be slightly slower than say some of the others but it is just probably the split will be 5% to 7% but the split would not be this one will be flat and then other will double.

**Pratik Gandhi:** Sure, and in terms of the wage hike, which we intent to give will it be given in the first quarter or it will be standard?

**BVR Mohan Reddy:** This is first quarter. It will be given between first and second quarter but it is usually effective first quarter.

**Pratik Gandhi:** Which will have around 200bps impact on our margins, right?

**BVR Mohan Reddy:** Probably little more about 300bps.

**Pratik Gandhi:** Fine. Thank you so much and congrats to the management once again.

**Lavina:** Our next question is from the line of Anuraj Purohit from Systematix. Please go ahead.

**Anuraj Purohit:** Good evening to the management, and congratulations on good numbers. I had few questions from balance sheet front because if I look the March 2012 balance sheet vis-à-vis March 2011 there is quite substantial increase in payables, short-term provision and also goodwill has been pretty much volatile in last few quarters?

**BVR Mohan Reddy:** Balance sheet I believe between 2011 and 2012 there is volatility in the goodwill.

**Ajay Aggarwal:** Can you please refer where you are referring the numbers please?

**Anuraj Purohit:** This is I referring from the financial results balance sheet on NSE and BSE? I am looking at the consolidated balance sheet if I am not wrong.

**Ajay Aggarwal:** Let me answer one by one. First you talked about the goodwill, the movement in goodwill on account of amalgamation of certain entities. What has happened is initially this PEC DAXCON used to be a 100% subsidiary of IEAI our 100% owned subsidiary and subsequently it has been amalgamated into IEAI when that happens the goodwill also gets charged off to the reserves. So that is what event which has happened and that is what is making change in the goodwill, if you want to have specific discussion may be you can have a separate call and look at quarter-on-quarter movement but the amalgamation of the entity within the IEAI is the driver of change in goodwill. Your specific question on payables to my knowledge I do not have the numbers in front of me there is no significant change. It is in line with business but I can may be take your question offline and explain to you.

**Anuraj Purohit:** Sure, and also the drop in depreciation in this quarter is it because of drop in amortization?

**Ajay Aggarwal:** That is right, that is the same as I explained that is because of the drop in the amortization post the PEC getting merged into IEAI.

**Anuraj Purohit:** Thanks a lot. I will take the other details offline. Thank you very much.

**Lavina:** Our next question is from the line of Hiral Sanghvi from Dalal & Broacha. Please go ahead.

**Hiral Sanghvi:** If you could just highlight where you are seeing growth going forward and what the quantum of growth could be for your next year?

**BVR Mohan Reddy:** Hiral, what we have said is that all the business units, we have four business units now in the company, Aerospace, HTH, Utilities and Telecom and Content all of them will grow next year but there could be a variation between one business unit to the other business unit. We currently have an order backlog, which is also very consistent with what we have said so far and we believe that we will grow in all the business units for the current financial year.

**Hiral Sanghvi:** But could you quantify what kind of growth you are looking in?

**BVR Mohan Reddy:** What we are saying as of now is that we would have a better growth than the industry average that has been put out so far.

**Hiral Sanghvi:** Sir, and also wanted to know I am sorry I missed this question. What are the wage hikes that we are seeing in the quarter?

**BVR Mohan Reddy:** It is not for the quarter for the financial year Hiral, we are saying that 8% to 10% for offshore resources, 2% for onshore resources.

**Hiral Sanghvi:** Okay and what is the tax rate that we are seeing for FY'12?

**BVR Mohan Reddy:** We think that we will be in a position to save between 150 basis points 200 basis points in the current financial year because our ability to go and move some of the work in to SEZ.

**Hiral Sanghvi:** That is it from my side. Thank you so much.

**Lavina:** Our next question is from the line of Amitabh Sonthalia from SKS Capital. Please go ahead.

**Amitabh Sonthalia:** My question is related to the tax expense. The tax for this quarter are at around Rs.38 Crores versus around Rs.4 Crores in the corresponding quarter for the last year so what has been the reason of such a high tax increase?

**Ajay Aggarwal:** See there are two or three reasons. First is as we already discussed we had received this dividend from IASI on which we had paid 15% plus surcharge tax on it. That is one item, which is distinguishing between the two quarters that was about Rs.6.6 Crores. Second is in this quarter if you see we have MTM gains and the way the tax has to be accounted in the deferred tax because of the MTM provisions the income tax provision also goes up and because of that the tax goes up and third is naturally there is increase in the profit between the two quarters corresponding year-on-year because of that also tax is up and the one quarter when we are saying for the previous years that is the STPI we had the STPI benefits in the year 2010-2011 so the effective tax rate if you see at that time for the whole year was about 17% we moved out of that STPI. So I think these are the four reasons for movement in tax. So some of these are abnormal they will not continue in the coming quarters.

**Amithab Sonthalia:** Effective tax rate for the next year can you give some colour?

**Ajay Aggarwal:** As Chairman just now said because of the SEZ plants we have made a lot of investments into SEZ in the current year. We have also hired a facility at Hyderabad on lease basis for SEZ, which has 650 seats, and with some shift operation it can have 1000 people so with all this we are saying that the tax rate can come down by 1.5% to 2% in the next year.

**Amithab Sonthalia:** High other income of Rs.35 Crores in this quarter sir?

**Ajay Aggarwal:** That is because of the MTM gains that we have on the forward outstanding position.

**Amithab Sonthalia:** Thank you.

**Lavina:** Any one who has the question may press "\*" and "1". A next question is from the line of Rob Urbanowicz from Geehan Group. Please go ahead.

**Rob Urbanowicz:** Hello congratulations again on a great quarter and a great fiscal year. The question I have is about the growth you are expecting in future is it coming from an existing customer base or do you see it more from acquiring new customers?

**Krishna Bodanapu:** I think it is a combination of both typically what we have seen approximately 95% or so of our business across our service lines comes from existing customers and 5% comes from a new customers any given year. We think that that will continue. We still believe that in our existing we have a pretty significant growth opportunity. If you look at our revenue per customer last year versus this year increased by approximately 30%, 30% plus was the revenue per customer that increased last year to this year so we believe there is a lot of potential within our existing customers therefore this 95:5 rule give or take is what our business will continue to do any given year 95% will come from existing customers and 5% from new customers.

**Rob Urbanowicz:** Great thank you and in terms of our contracts that you are seeing are you seeing any change in terms of the length of the contracts longer terms contracts that you are looking monthly, quarterly contracts?

**Krishna Bodanapu:** Monthly, quarterly no I mean we do not do. Typically we would not do monthly or quarterly contracts. Typically our contracts happen three to five years and that is what we are seeing. I mean those are still the rules there might be some exceptions but that still is the rule.

**John Renard:** I think my side of the business three seems to be it is probably slightly harder for the people to have a five year contract because there may be three year then a one year and a rollover. So the three year seems to be the norms in the utilities and telecom.

**Rob Urbanowicz:** Excellent. Last question is do you see that you would continue with more of the linear model of resources for revenue as opposed to any other software or other platforms that you would be interested?

**Krishna Bodanapu:** At this point yes. I think we are definitely looking at the next stage of evolution of our business but at this point we do think that and it will be linearish and I am saying linearish because again when moving up the value chain the realization per hour etc., will be different and higher, but again we think that this point we are still our unit of measure is still revenue per hour versus intellectual property or anything but again we believe in the next stage of evolution of our company and we are working on that because that looks very different depending on which industry which service line and so on.

**Rob Urbanowicz:** Thank you.

**Lavina:** Kunal, please go ahead with your question.

**Kunal Sangoi:** Sir I had a couple of question. One is that during the analyst meet in Feb, you had highlighted some of the focus areas one was that you know unified global account management for all your large customers, second

was with regards to the global processes in the IT systems and you had highlighted four different areas where you would want to update your IT systems internal processes if you could you know give us some update about the progress on both these fronts please?

**BVR Mohan Reddy:** Firstly, Krishna you want to talk about the unified sales process. I will give you a minute, but in terms of the systems and processes, which we talked about Kunal when we had the investor conference, they are all progressing very well. The first one that we talked about this is a global rollout SAP for all our subsidiaries. That has become reality at this point of time. I believe 97% or 98% of our revenue recognition from April 1 will only happen through SAP system and not through any more desperate systems or pulling data from one system to the other system. That rollout is complete and the 1-2% that I am leaving behind is that of the two branch offices that we have one in Tokyo and the other in Montreal are those they are very small so will probably also pull them very soon but as we think of course the 98% of the revenue is now been accounted under SAP system itself. The second one that we talked when we were here is called Universal Delivery Management System. There are two components to it. One is at the level of capturing the time sheet data from our engineer. It will be done through a package, which is home loan called Hi-Track and on top of it were be the EPMS is which is the Enterprise Project Management System of Microsoft. Hi -Track is now ready for global rollout. It is going through the testing process with some of our POEs and we are very confident that by end of Q2 we should have the rollout happening for our Universal Delivery Management System. The third one we talked about is the Global HRIS our Human Resource Information System. There again it is being done in three phases, phase I, phase II, phase III and the last will be completed I believe complete rollout will be completed by end of December and linked with this is the fourth one which is project profitability and that will also happen by the end of the Q2 so we are on course at this point of time. We are very confident of making sure that these are implemented because by implementing them we believe that we can get very robust variable company for PGL's growth in the coming quarters. I am personally as I said managing this along with our group CIO Ramaswamy Ananthram and every Thursday I have conference call. We are very confident that we will be in a position to do this before end of this financial year and as we move forward we also have already got a number of requests in terms of enhancing our SAP system those would also being slated at this juncture. So with that I complete on the system and processes, Krishna on the unified sales process can you comment on it please.

**Krishna Bodanapu:** We spent a significant amount of time defining the unified sales process. I think now we have a unified sales and account management process again the key is obviously in implementing it and we are still refining it as we start to roll it out across the sales organization. I think that is something that is in progress. Just as importantly we are also unifying the automation of that. That is salesforce.com is now the standard platform. We still have multiple implementation of salesforce.com but at least we are on the same platform and

the next step is we are going to unify. The third part is do they have a key account planning process now on place to the first time. We have done accounts plans for 29 key accounts and there are an other 20 or so that are in progress at this point so I think we have made a really good progress on it but it will be by the end of the year when we truly have a uniform sales process and uniform automation process.

**Kunal Sangoi:** Third question from my side is with regards to the some of the accounts that we been opening over the last two to three quarters usually Q4 we have seen that it is in terms of new account opening its been quite strong, has there been some differences in terms of some of the new customers wins in terms of may be could be the size of the deal or the scope of the work that you initially begin with?

**Krishna Bodanapu:** As we said Kunal, we have record quarter for our wins in utilities and telecom during the Q4 and that certainly helped us considerably in terms of also making up for the gap that came in because of the degrowth that we saw in our British Telecom business so that we are moving forward I think the customer wins that we had in the last quarter in utility and telecom will help us ramping up in our old N&CE business are now as is called the UTNC business. On the engineering too we started ramping them up and that is how we saw the revenue growth happening during the quarter and we think that we will have still large number of people during the current quarter which should definitely help us in terms of ramping further those the accounts that we have with us.

**BVR Mohan Reddy:** In the interim it is just the characteristics of the deal I do not think things have changed dramatically. I mean we have seen similar sizes we are seeing similar scope of work again I would not say that things have changed dramatically for the better or for the worse honestly so we still are in the same situation.

**Kunal Sangoi:** All right, and Mr. John earlier eluded that higher sales commission for some of the new wins have also led to margin coming off so there something probably we have started incentivizing sales more for newer order bookings if you can highlight that?

**John Renard:** As I said, we have changed the way we are hiring people and incentivizing more is a reflection of their success and the fact that we had a very strong quarter and some of the hit target average and one of the principles we support with our sales guy is we want them to be successful and as they were successful they have earned a lot of commission and that is really the reality. That said, increased amounts of commission we are paying it is a reflection of the fact that we were very successful, some of them have met their target and possibly exceeded their targets and they have earned the commission. So no change of policy, just a reflection of their success.

**Kunal Sangoi:** Thanks a lot and all the best for the future.

**Lavina:** Our next question is from the line of Pratik Gandhi from IDBI Capital. Please go ahead.

**Pratik Gandhi:** Thanks for taking my question again. Just wanted to again

understand you said that we want to hire on a net basis around 1500 people, if that is the number I think for the last four to five years I think, this will be a strongest head count addition for FY'13 and we have already seen utilization rate dropping at least in the network and content engineering. So we just wanted to know what kind of volume growth assumption, which we are making with this kind of robust hiring number?

**BVR Mohan Reddy:** Pratik it is very difficult to give you volume growth assumption, but we will only tell you why the utilization dropped in the Utilities and Telecom business for us primarily we have said we had to ramp down on British Telecom and we ramped up about two accounts. In the British Telecom business, we have ramped down. There is a challenge with utilization. You have a ramp up, you also have a challenge, and it is a double whammy that worked on us. The good news was inspite of the ramp down we still maintained our revenue profile, but it was definitely caused a little bit of concern in terms of utilization, but we cannot say anything about how volume growth is being projected. We will repeat ourselves by saying that we are anticipating that we will do better than the industry average.

**Pratik Gandhi:** The reason why I was saying that 1500 on the base of 9300 odd people itself will give you around 16%? What I am saying is that the 1500 people on the base of 9300 odd people itself will give you a 16% volume growth considering current utilization rate and if we assume that utilization rate likely to go up at least for the network largely because the BT ramped down will be off setted by some of the newer wins then in that case we are probably inching close to 18-19% of volume growth number. That is why I was a bit curious to understand why a 1500 people net addition in the current year?

**BVR Mohan Reddy:** Pratik, you people are very smart in doing your numbers, but we are not in a position to comment at this point of time except that we are saying we are not a company which ever gave guidance in the past and especially when the big boys are also very concerned about giving guidance we thought it probably was not good for us to do it, but that is the reason why we are saying, but we are saying given the backlog that we have we are very confident that we will grow better than the industry average.

**Pratik Gandhi:** Fair enough. Thank you so much.

**Lavina:** Participants that was the last question. I would now like to hand the conference over to Mr. Kunal Sangoi for closing comments.

**Kunal Sangoi:** Thank you everyone for participating in the call. I will hand over to Mr. Reddy for his closing remarks.

**BVR Mohan Reddy:** I would like to thank all of you who have participated in our investor call today. We are beginning to reconfirm, delighted about the progress that we made last year. We had fairly large revenue growth, margin expansion and we have also added profitability and finally there has been cash accretion in the company. We feel very confident about the financial year 2013 and we look forward to your continued support. Thank you very much. Thank you Kunal.

**Kunal Sangoi:** Thank you.

**Lavina:** On behalf of Edelweiss Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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