Moderator: Good Evening Ladies and Gentleman, I am Mohnish, the moderator for this conference. Welcome to the Hexaware Conference Call. For the duration of the presentation, all participants’ lines will be in the listen-only mode. I will be standing by for the question and answer session. I would like to hand over to Ms. Latika Gidwani. Thank you and over to you ma’am.

Latika Gidwani: Thanks Mohnish. Good evening to all of you. I would like to start by apologizing for this delay in the conference call. Our board meeting ended at 7 p.m. due to which we had to postpone the call. So let me start with the people who are with us today. Today with us, we have Mr. Atul Nishar, Chairman; Mr. Sekar, Vice Chairman and CEO; and Mr. P. K. Sridharan, Executive Director, Mr. Prateek Aggarwal, CFO; Mr. Rajiv Pant - President of North America; Mr. R. V. Ramanan - Head Global Delivery; and Mr. Deependra Chumble - Chief People Officer. I shall just read out the safe harbor condition - Certain statements on this conference call concerning our future growth prospects, our forward-looking statements which involve a number of risks and uncertainties that could cause actual results to defer materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include but are not limited to risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT Services including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed time frame contract, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication network, our ability to successfully complete and integrate potential acquisitions, liability for damages in our service contract, the success of the company in which Hexaware has made strategic investments, withdrawal of Government fiscal incentives, political instability, legal restrictions on raising capital, or acquiring companies outside India, and unauthorized use of our intellectual property, and general economic conditions affecting our industry. With this, I would hand over to Mr. Atul Nishar. Thanks.

Mr. Atul Nishar: Good evening, Ladies and Gentlemen. Firstly, I thank you all for joining us for this call at this late hour for the Q2-
2008 earnings. At the outset, I would once again like to extend a warm welcome to our new CEO, P. R. Chandrasekar, who is popularly called Sekar; our new CFO Prateek Aggarwal; and Rajiv Pant, our President of North America. They have all joined, all 3 of them, at a critical juncture in the Hexaware growth path under trying macro-economic conditions. While the global market continues to be challenging, we believe that our approach as the multi-pronged niche specialists would continue to hold us in good stead. The steps initiated by our leadership team will reflect in the superior performance in the times to come. While the new team has joined us towards the end of Q2-2008, and by the time they knew the people and the organization, the quarter was actually over, but even then, I would let both Sekar and Prateek take lead in presenting this Q2 results to all of you and also give their assessment of where the Hexaware stands at the moment. I would also like to remind you all that we will be hosting an investor/analyst meet tomorrow at 4 p.m. where the purpose is for all of you to meet the management team, and also, of course understand the quarter two result better, and we would take the opportunity later for Sekar and the team to make presentation to you all on the future strategies. So with that, I would hand over to Sekar to take you through the result.

Mr. P. R. Chandrasekar: Good evening, Ladies and Gentlemen. Thank you for participation in our earnings call. To begin with, I have joined Hexaware as CEO and Vice Chairman on June 2nd and I can say without hesitation that it has been two of probably the most interesting months of my life and hopefully it will continue. I welcome you once again, and I welcome you to my first quarterly results call with all of you. In terms of Q2-2008, the reported revenue was USD 67.6 million. In April 2008, the guidance provided was in the range of 6% to 8% growth implying USD 71 million to USD 72.5 million in value terms. There were fundamentally 2 developments, both of which are significant. A couple of our large customers are going through a slowdown on their projects. These resulted in a drop in revenues which was clearly unanticipated at the outset. This we believe is on account of the macro-economic environment in the United States markets. While there may be an adverse near-term impact, we expect the revenues from the same accounts will rebound with time as the economic scenario begins to look up. We will continue to service these customers, albeit at lower volumes over the next few quarters. In addition, the deals which were very close to closure did not materialize as expected. This continues to validate the sentiment heard
in the market including statements echoed by our peers. This has resulted in a further shortfall against our expectations during Q2-2008. On another point, the deal pipeline continues to be stable, but we observe that the closure of deals is getting delayed. The clients are exercising more caution, and the decision times are being delayed beyond what has been the norm. If we look at the four large deals with TCV in the USD 25 million to 100 million range that we have previously mentioned, we have made headway in each of these deals but the closure is still a few discussions away. With this overall summary, we have revised our annual guidance to USD 270 million to USD 275 million for FY2008. For Q3-2008, we as an organization and the management team will be focused on strengthening the company and we expect the revenues to be the same as Q2-2008 or thereabout. On the positive side, we believe that the acquisition of an existing customer in the form of an European arm of a large US bank has paved the way for future growth in the new setup with promising potential in both the acquirer as well as the acquired firm in the future. We have added 10 impressive clients in Q2. We expect these clients to ramp up and deliver growth in forthcoming quarters. We have 66 clients in the Fortune 500 list on our roster. The quality of client accounts continues to be impressive. Our subsidiaries especially Caliber Point and Focus Frame are delivering good growth. Their performance also holds promise for the future. While I look forward to meeting most of you in person tomorrow, I shall now handover to Prateek, our CFO to discuss the financial performance in Q2-2008. Prateek?

Mr. Prateek Aggarwal: Thank you, Sekar. Hello, everybody. This is Prateek, and I joined as CFO on June 2\(^{nd}\). I welcome all of you to the earnings call and look forward to meeting all of you tomorrow at our analyst meeting. Taking over from the financials that topline was covered by Sekar, I will go through the other cost lines and the specifics of the P&L. The reported Q2-2008 operating margin is 3.3%; however, there were some one-off developments in this quarter, including the hiring cost of the new management team adjusting for which the underlying business operating margin is 30 BPS better than last quarter, it is at 7.8% versus 7.5% in the last quarter despite the impact of salary increases and the visa expenses that came in this quarter. The one-off items were- Number (1) The joining expenses of the senior management team. This has impacted the operating margins by about 190 basis points. Apart from that, we had about 265 basis points of expenses that have lowered the margins. There was investment in product development which we wrote-off which accounts for about
another 50 basis points out of the 265 basis points, and the balance 215 basis points is really accounted for by one-time provisions related to some contracts that we had some issues on. It was an eventful quarter even if we look at the anticipated movements that we had flagged off in the last earnings call. We implemented wage hikes this quarter amounting to about 10%-12% offshore and we expensed visa charges as well. This had a combined effect of reducing our gross margin by about 210 basis points. The second factor here was the utilization which has come down compared to last quarter due to unforeseen go-slow of some of the large projects that Sekar already spoke about, which had the impact of lowering the margins by about 60 basis points. The third factor here on the positive side was the productivity gains through the reduction in the headcounts and the increase in billing rates that we have witnessed, which had the combined effect of increasing the margin by about 160 basis points and of course, we were aided by the rupee depreciation of about 5.7% against the dollar. All in all, all these factors bolstered our margins by an overall 30 basis points apart from the one-times that we discussed earlier.

If you look at the other income, we have low other income, primarily because of lower disposable cash or cash available for investments. We have further invested about 20 crores as capital expenditure in this quarter, both in Nagpur as well as Chennai. And going to the tax line, the effective tax rate this quarter is a quarterly aberration because the profits were lower due to multitude of one-off factors that we have spoken about and of course the FBT, Fringe Benefit Taxes, included there as well, so the percentage look higher than the normal of 14%-15% that we usually see there. The positive news on the cash flow side is really the DSO has come down from about 74 days to 68, which I think is a great reduction driven by some of the real close monitoring and followup with the field, and that alone has increased cash flow this quarter by about 4.5 million dollars. And in total, we have added cash of about 5.5 million dollars this quarter. I would just point out one aspect in the metrics which needs mention - that is on the geography split. As Sekar had mentioned earlier, one of the European division of a large US bank was acquired by a European bank and due to which we have reclassified the business we had from that European bank into Europe instead of the US. This is making the change look large. Otherwise, there is nothing more to really look at. I will handover back to Sekar for his comments on the strategy and the closing remarks.

Mr. P. R. Chandrasekar: Thank you Prateek. While Prateek has talked about the current numbers, I would just like to add a couple of words
on some of the key initiatives that the team has already started working on. They are taking steps first of all to shore up our offshore utilization. We believe that the dip in quarter two was due to some unanticipated developments, and we would continue to improve our utilization going forward as well as other operational efficiency related aspects. If you look at the business fundamentals, I believe that Hexaware has a healthy pipeline in all of our geographies and competencies. While continuing to pursue our multi-niche strategy, we intend to scale up our business by adding a few more domains to our existing verticals. We would also commit higher investments to incubate our horizontal competencies such as BTO and Enterprise Solutions as we attempt to establish greater leadership in these select niches. We are showing the revenues from these Emerging verticals through our metrics for the first time ever. This has been a significant source for the revenue and has performed impressively in a relatively flat 2008. In the horizontals, for the first time we have also provided the share of BPO revenues. We believe we are well positioned to launch integrated IT and BPO Service offerings to the wider market at large and have already witnessed some good traction and successes both in the HRO and the Healthcare space. In addition, we will continue to actively collaborate with all our subsidiaries to offer broad based, more consulting driven, and integrated service offerings and leverage more from a go-to-market standpoint the subsidiaries in order to address the laudable client roster that we already provide. Launching these services would require some structural modifications in the organization to foster growth and these steps are currently underway in terms of organizational alignment and competency incubation. I expect these initiatives will establish a strong foundation for sustainable and profitable growth in 2009 and beyond. With this, we would like to open the floor for question and answers and over to you, Mohnish.

Moderator: Thank you very much Sir. We will now begin the Q and A interactive session. Participants who wish to ask questions, kindly press *1 on their telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, kindly press *1 now. First in line, we have Mr. Kunal from Edelweiss Securities.

Mr. Kunal: Yeah, hi. My first question is with regards to the reserves balance that we see on a quarterly basis – reserves has gone down by 52 crores, so just wondering whether any
Mr. Prateek Aggarwal: Yes, hi, Kunal. Yes, that's right. There is a mark-to-market this quarter. Like we have said, we have 196 million dollars of Forex hedges which are designated as effective cash flow hedges, and yes, there has been a marked-to-market on that front. We are carrying them at 40.38.

Mr. Kunal: 40.38, okay. And what is the total amount of mark-to-market, which is, debited to the reserves?

Mr. Prateek Aggarwal: It is about 86 crores.

Mr. Kunal: 86 crores, okay, right. Second question is with regards to the one-time expenses that you just spoke about, can you just, you know, describe about the one-time provision you said about 215 basis points impact on margins - what is that one-time provision about?

Mr. Prateek Aggarwal: It is related to some projects that we had some issues from the client side, and we have some kind of discussions going on with some clients, and this is on a prudent basis, we have assessed that we might ultimately land up having to incur costs, and we have on a prudent basis provided for that.

Mr. Kunal: Okay. And the other thing is that the one-time joining expenses for the senior management that would be for yourself, as in, you know, Mr. Sekar and Prateek, right?

Mr. Prateek Aggarwal: Yeah, Kunal, that is really for the 3 people who have joined - the CEO, the CFO, as well as the President North America.

Mr. Kunal: Alright, okay, thank you sir.

Mr. Prateek Aggarwal: Thank you very much.

Moderator: Thank you very much sir. Participants who wish to ask questions, kindly press *1 on their telephone keypad. Next in line, we have Mr. Krishnan from DSPML, over to you sir.

Mr. Pratish Krishnan: Hi, this is Pratish Krishnan from DSP Merrill Lynch. Yeah, just in terms of the order book for the full year, I mean like, you know, what is the order book situation today?

Mr. Prateek Aggarwal: We have an order book of 130 million left from Q2.
Mr. Pratish Krishnan: Okay and I believe this was in excess of around some 250-300 million dollars and if I am not wrong, I mean..?

Mr. Prateek Aggarwal: This is only for the current year, and it used to be about 170 million in the month of April when we last discussed this number.

Mr. Pratish Krishnan: Okay, and do you see any, you know, you also saw some slowdown in your clients, I mean, did you also see new project cancellations or you know, from the order book that you had?

Mr. Prateek Aggarwal: We have not really seen any stoppage of contracts yet, but like Sekar mentioned earlier, there is a slowdown of some of the projects, so that is what we are really talking about. Ultimately, whether they.. I mean some of the clients might speed them up in the next quarter or the quarter after that, or they might continue to slow down. It is difficult to predict at this moment of time; however, there were some fixed price projects which also came to an end, which was expected, so that is not really a stoppage per se.

Mr. Pratish Krishnan: Sure, and in any particular vertical where you saw those, you know, slowdown happening for you?

Mr. Prateek Aggarwal: It is basically BFSI.

Mr. Pratish Krishnan: Okay, and you talked about, you know, this German client, you know, which probably got acquired, you know, if you can just explain to us why do you think you will benefit probably, I mean, you know, from this and reorg in that area?

Mr. Prateek Aggarwal: I will ask my colleague Ramanan to talk about that.

Mr. Pratish Krishnan: Sure.

Mr. R. V. Ramanan: Hi, one of our customers as you mentioned has been acquired by this European agency. What we find is this is a good opportunity for us to penetrate into an area and add a new customer in to the vertical and also the fact that some of the projects which they had put on hold pending such decision for a sellout, now have been revived and we are seeing positive indications where the new acquisition is going to make sure that the continuation of those projects will happen. So we expect these things to happen in Q3-Q4 to revive which has slowed down in the past.

Mr. Pratish Krishnan: Sure. And just one last..., I would like the.... organization which has acquired this entity, is that a client of yours or
we are probably hoping that you will add them to your client list and …?

Mr. R. V. Ramanan: Currently, it is not a client of ours but by the nature of the operations since they do not have operations in the country where our current customer is operating, they are continuing with all the current contracts, and they will get added as our customer as well.

Mr. Pratish Krishnan: Sure, fine, yeah, thanks a lot, yeah.

Moderator: Thank you very much sir. Next in line, we have Mr. Gaurav Jain from Raroc Capital.

Mr. Gaurav Jain: Hello, thank you for taking my question. The forward covers actually detailed in this quarter it is the same as in the first quarter, 196 million at 40.38, so have not you used any Forex covers this quarter?

Mr. Prateek Aggarwal: Gaurav, our covers were not maturing in this quarter.

Mr. Gaurav Jain: Okay, okay.

Mr. Prateek Aggarwal: They are more spaced out in the future.

Mr. Gaurav Jain: So whatever dollars are coming in, you are just converting it into cash at that spot price of the rupee?

Mr. Prateek Aggarwal: Yes, that's right.

Mr. Gaurav Jain: Okay, and what is the margin impact of the various one-time expenses that you mentioned 215 basis points as one-time provision on these Forex contracts or something else?

Mr. Prateek Aggarwal: Oh, no, no, these are client contracts. This has got nothing to do with the forward contracts.

Mr. Gaurav Jain: Okay.

Mr. Prateek Aggarwal: These are client contracts, and these are business risks that we take as we do business.

Mr. Gaurav Jain: So, there are some clients that have gone off and because of that, there are these charges that you have taken or were there some performance sort of because of which there are these charges?

Mr. Prateek Aggarwal: These are like I said earlier…. these are assessments that we have made on some of the contracts that we are running, and we have taken a prudent assessment of the
risks that are there in that contract and we felt it is prudent to provide for it.

Mr. Gaurav Jain: Are there any more, I mean, is this a feature of a lot of the contracts that you do, that is, there are some issues, you might need to take one-time provisions on?

Mr. Prateek Aggarwal: Okay, that’s a good one because actually I would like to point out that these are not in the nature of the normal type of contracts that we normally sign.

Mr. Gaurav Jain: Okay.

Mr. Prateek Aggarwal: There was one contract where we did not have favorable clauses that were too favorable to us and I do firmly believe that these are now things in the past and to the best of our knowledge, we should not have this kind of a charge coming forward.

Mr. Gaurav Jain: Okay. Sir, employees are going to be most likely flat this year if we look at the guidance, then it seems like you would not grow your employee count this year so would it make sense to do Cap Ex on these new facilities this year? Hello?

Mr. Prateek Aggarwal: Yeah. Yeah, that’s a good point, Gaurav?

Mr. Gaurav Jain: Yes.

Mr. Prateek Aggarwal: The plan is with regards to the facilities.

Mr. Gaurav Jain: Okay.

Mr. Atul Nishar: There are certain facilities that have already work in process. There are certain commitments that we had made both with the government and other authorities from which we have got the land.

Mr. Gaurav Jain: Okay.

Mr. Atul Nishar: And to that extent, given the stage of these projects, these Cap Ex that we have incurred and might to some minimal extent incur in the next couple of quarters will be invested; however, that is an area where we as in, you know, management team are looking at very, very closely.

Mr. Gaurav Jain: Okay.

Mr. Atul Nishar: And very clearly going forward, investments in facilities and Cap Ex with regards to facilities will be very, very minimized and prudent in nature.
Mr. Gaurav Jain: Yes. I believe you cannot shift your existing business to these facilities, right?

Mr. Prateek Aggarwal: As you know, because of these special economic zone rules..

Mr. Gaurav Jain: Yeah.

Mr. Prateek Aggarwal: You have to start only new projects there.

Mr. Gaurav Jain: Yeah and if you are....

Mr. Prateek Aggarwal: But transfer the current business or people are restricted

Mr. Gaurav Jain: Yeah.

Mr. Prateek Aggarwal: So whenever a project ends, then the new project can start there. So it is an ongoing contract.

Mr. Gaurav Jain: Okay.

Mr. Prateek Aggarwal: Let us say a 3-year contract when it ends, when you renew, you can start there.

Mr. Gaurav Jain: Okay, okay.

Mr. Prateek Aggarwal: And 20% of the employees can be from the older lot.

Mr. Gaurav Jain: Okay.

Mr. Prateek Aggarwal: So that mix has to also be continued, so that is a restriction in full utilization of new infrastructure in an SEZ.

Mr. Gaurav Jain: Okay, okay, sure. And the reason I was asking is that if you do not grow your topline then it might happen that, there is excess capacity at the new facilities you create. It is a...

Mr. Prateek Aggarwal: Yeah, for a short.. yes, for a period, it is possible, yes.

Mr. Gaurav Jain: Okay. Thank you.

Mr. Prateek Aggarwal: Thank you, Gaurav.

Moderator: Thank you very much sir. Next in line we have Mr. Sujit Joshi from Irevna.

Mr. Sujit Joshi: Hello. Yeah, good evening, just one quick update on the CitiGroup account group, could you give some sense on what is happening there?
Mr. Prateek Aggarwal: We would not like to discuss specific accounts, Sujit.

Mr. Sujit Joshi: Okay, great. No, because I just saw that your top client has, like you know, done fairly well so I just wanted to get some update on that, so..?

Mr. P. R. Chandrasekar: Yeah, but we frankly do not have approvals on any individual client.

Mr. Sujit Joshi: Okay, not a problem. Yeah, could you just remind me what is the wage hike impact on gross margins this quarter?

Mr. Prateek Aggarwal: Sujit, that impact is total of...... including the visa charges, this is about 210 basis points.

Mr. Sujit Joshi: Okay, 210. Yeah, and could you tell me how much is actually the provisioning that you have done on this prudent basis for certain delivery related issues with this client as you mentioned?

Mr. Prateek Aggarwal: It is a figure of about 1-1/2 million, which is basically 215 basis points.

Mr. Sujit Joshi: Okay, great, yeah, and any MTM losses that you have parked in your SG&A or portion of that?

Mr. Prateek Aggarwal: No. The mark-to-market is only in the balance sheet. As I told Kunal earlier, it is to the tune of 86 crores.

Mr. Sujit Joshi: Okay, great, that is it from my side. Thank you very much.

Mr. Atul Nishar: The effective, if you just divide, hedges divided in two parts, as per the new accounting guidelines which came out quarter back, effective hedges and ineffective. Effective hedges, the fluctuation that happens is reflected in the reserves and not in P&L. Ineffective hedges get reflected in the P&L account. The effective hedges are one which are backed by contracts, and ineffective are ones which are not backed by contracts. So, the 196 million that we have declared in the release is all effective hedges. We do not have any ineffective hedges in our portfolio.

Mr. Sujit Joshi: Okay, great, yeah, thanks. That is it from my side.

Mr. Prateek Aggarwal: Welcome Sujit.

Moderator: Thank you very much sir. Next in line, we have Ms. Subhashini from JM Financial.
Ms. Subhashini: Hello?

Mr. Atul Nishar: Yeah.

Ms. Subhashini: My question is regarding the head count. I mean, we have seen a decline consecutively in the net addition in the last 2 quarters. What is the kind of head count target we have for the full year now?

Mr. Deependra Chumble: As we have mentioned, our head count has gone down by about 300 plus, and we expect it to go down by another at least 300 by the end of the year.

Ms. Subhashini: Okay, and I mean, attrition has also spiked up considerably this quarter. So, what do you expect the trend to be for the full year?

Mr. Atul Nishar: I am sorry, we are not able to hear you clearly. Can you repeat your question please.

Moderator: Yes, there is an echo coming from your end. Can you just come closer to the phone or you can just....?

Ms. Subhashini: Yeah, sure, am I audible now?

Mr. Atul Nishar: Yeah, that is better, thanks.

Ms. Subhashini: Yeah, attrition has also spiked up considerably during the quarter, so what is the trend which we can take for the full year?

Mr. Deependra Chumble: I think the trend continues to be similar what has been in the past.

Ms. Subhashini: I mean, the jump is from 19.5 to 24% this quarter, so do we assume that the attrition remains at around 24% to 25% for the full year?

Mr. Deependra Chumble: It should be coming back to somewhere around 20% again.

Ms. Subhashini: Okay, sure, and apart from that, what is the pricing trend which you are seeing currently in the market?

Mr. P.R. Chandrasekar: Subhashini, this is Sekar here, I will also ask Rajiv, my colleague here to comment. Other than the fact that clearly we have had some pressure, and we are witnessing pressure in general in the market place from a pricing standpoint, and one specific incidence of a client negotiating an existing contract and a marginally lower
price, we have not really seen too much of a development on that front, so I would say overall if you look at our pricing on the onsite level, they have actually gone up, and on offshore they have remained stable, and we frankly expect this to continue at least in the near term. Rajiv, would you like to add something?

Mr. Rajiv Pant: No, I think that is about it. This is Rajiv. You know, we have not really seen a pattern, what we have seen is this one customer where there was a negotiation, and we had to go down on our rates, but I don’t think we have seen a pattern across the market.

Ms. Subhashini: Was it a volume discount or was it like-to-like price cut.

Mr. Rajiv: Yeah, it was based on commitment of volume over 3 years that was committed to us, so based on that, there was a discount provided.

Ms. Subhashini: Okay, and our full year guidance, does it factor in any pricing decline.

Mr. P.R. Chandrasekar: No, it does not.

Ms. Subhashini: Sure.

Mr. Atul Nishar: What is your question, repeat?

Ms. Subhashini: No, my question was for the full year guidance which we have given, does it factor in any pricing decline?

Mr. Atul Nishar: Yeah, all that is taken into account while giving guidance. I mean the only client only we have so far had declines, but yes it is reflected in the number, lowered number.

Ms. Subhashini: Sure, that is all from my side, thank you.

Moderator: Thank you very much ma’am. Next in line, we have Mr. Nirav from Capital Market.

Mr. Nirav: Good evening sir. I just had one question regarding the provisioning. Was the provisioning done out of the debtors or was it done from the unbilled revenues or it was in from there? Hello?

Mr. Prateek Aggarwal: It is a provisioning. I really don’t want to get into whether it was a pure expense provision or unbilled debtor or a……

Mr. Nirav: Debtor?

Mr. Prateek Aggarwal: …or a debtor really.
Mr. Nirav: Okay, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Ashwin from Equirius Capital.

Mr. Ashwin: Hi, this is Ashwin from Equirius Capital. My question is the share of manufacturing as part of your overall revenues has been declining over a period of time, and in your current release, there is you know no mention of that, so going forward is there any kind of strategy around manufacturing?

Mr. Atul Nishar: Actually, it was not manufacturing. I mean, it was a grouped item along with ERP.

Mr. P. K. Chandrasekar: I am not sure where you are seeing this, Ashwin.

Mr. Ashwin: Your 2007 annual report, manufacturing is said to be 29% of your overall revenues.

Mr. Atul Nishar: Actually, we will have to come back to you on this because that is probably based on some other classification, that if you look at the data we have provided this quarter, we have not really singled out manufacturing at all.

Mr. Ashwin: Right. So….okay fine, and my second question was I see there is a blended utilization rate.

Mr. Atul Nishar: See, actually, if you are referring to the one item, used to say manufacturing and are others item where we used to say into break it largely ERP, I think probably you are referring to that. You know, predominant ERP revenue, which did not really come under other classification, so that is how we used to show.

Mr. Ashwin: Okay, I understand, thanks a lot. Second question was I see a blended utilization rate. Could we also have a split up between offshore utilization and onsite?

Mr. Prateek Aggarwal: We have not been providing that data so far, Ashwin.

Mr. Ashwin: Okay, great, yeah, so that is all the questions from my side. Thanks a lot.

Mr. Prateek Aggarwal: Thank you very much.

Moderator: Thank you very much sir. Next in line, we have Ms. Balakrishnan from JPMorgan.
Mythili Balakrishnan: Hi, this is Mythili Balakrishnan from JPMorgan. Just a couple of questions. I wanted to ask you the new domains that you have planned to enter. Have you already decided and focused on them or are these still like in the… it is still in the planning stage?

P. R. Chandrasekar: Mythili, the answer is frankly we are still in the planning stage. We have an implementation standpoint as well as kind of giving it some further shape in terms of the specifics of those domains, but clearly the wants that we are triangulated towards are based on existing customers that we have in that area, some of the capabilities, synergies that we can drive, and at this point, they revolve around manufacturing and health care.

Mythili Balakrishnan: Okay. I also wanted to confirm my understanding on what you mentioned on head count. Did you say that you expect head count to decline by 300 by the end of the year?

Mr. P. R. Chandrasekar: That is correct, and that could be a process of attrition as well.

Mythili Balakrishnan: Right, and lastly in terms of margins, on an operating level, if you were at around 7.8% for this quarter, do you think you can hold on to it for the rest of the year or what would be headwinds that you see for it?

Mr. P. R. Chandrasekar: Mythili, the market place is tough. We are initiating some actions in terms of our costs across the board from operating parameters to travel, communication, and all other cost parameters. However, the revenue line, as you can see is not showing major growth, so the challenge is going to be to try and maintain the operating margin at current level, and we will have to really see how it pans out.

Mythili Balakrishnan: And in terms of utilization, do you think you have any more or just significant upsides on that anymore?

Mr. P. R. Chandrasekar: We will have some upsides, Mythili. I don’t know whether I want to label it significant or otherwise, but clearly I think we see our utilization going up.

Mythili Balakrishnan: Thank you, that is all from me.

Moderator: Thank you very much ma’am. Next in line, we have Mr. Hitesh Shah from Citigroup.

Hitesh Shah: Hi, this is Hitesh Shah from Citigroup, couple of questions. First of all, a few quarters back, we had said that the
European revenue was affected due to German operation of an US bank. My understanding was this revenue from German operation of US bank was always classified as European revenue, is that right or wrong?

Mr. P. R. Chandrasekar: I think that is a wrong understanding somewhere, Hitesh.

Hitesh Shah: Okay, also can you tell me what was the quantum of revenue which got classified from US to Europe in last quarter?

Mr. Prateek Aggarwal: It is about almost 3 million.

Hitesh Shah: Sure, and secondly, basically this sale of German operation of one of your top 5 accounts was announced in the end of June quarter, so just wanted to understand the rationale why even the April-May-June quarter revenue was reclassified for this client.

Mr. Prateek Aggarwal: We have....just one second. It is only that this quarter revenue that has been reclassified. We have not really reclassified the last quarter.

Hitesh Shah: No, the sale of operation has happened post the June month, so that is what I just wanted to understand the rationale of reclassifying, April-May-June quarter, when the German operation was still with the US bank.

Mr. Prateek Aggarwal: Okay, we have gone by the date we are announcing the results really. It is a cosmetic kind of...it was end of June, so we have done it in Q2, we could have very well done in Q3.

Hitesh Shah: Sure, not an issue. Secondly, the delivery related provision that you had made, is that for one of your top 10 clients?

Mr. Prateek Aggarwal: No comment on that really. Like I said, earlier...it is not.

Hitesh Shah: Sure, thanks, because the quantum looked very large, so maybe probably it is for multiple quarters of revenue.

Mr. Prateek Aggarwal: No, it is one-time matter, and not pertaining to any of the top 10 clients.

Hitesh Shah: Sir, not an issue. Also, we did not speak anything on the onsite wage hikes. Did we give any wage hike and how much were they?

Mr. Prateek Aggarwal: That is something we have not implemented in the April-May-June quarter, that is something which is going to be
implemented only in the next quarter. We have deferred it by a quarter.

Hitesh Shah: Sure, and lastly, from the last couple of quarters, we had started sharing the revenue share of capital markets and AMC business primarily because of our increased focus on that subvertical within BFSI. Just wanted to know what was the revenues from that subvertical of BFSI this quarter?

Mr. Prateek Aggarwal: We have clubbed it this quarter because we don't want to focus just on the capital markets. We want to focus on banking and financial services equally going forward as well as insurance, so that is the reason we have sort of clubbed it even for the past quarters in this publication.

Hitesh Shah: Sure, was it significantly down in this quarter?

Mr. Prateek Aggarwal: No, that was not the reason at all.

Hitesh Shah: Okay, not an issue. Thanks and all the best.

Mr. Atul Nishar: Thank you.

Moderator: Thank you very much sir. Next in line, we have Ms. Subhashini from JM Financial.

Ms. Subhashini: Hi, I just had a couple of followup questions. What is the dollar revenue in this quarter?

Mr. P. R. Chandrasekar: It is 67.6 million dollars.

Ms. Subhashini: Sure, and what is the order book size which we have left for the full year?

Mr. Prateek Aggarwal: 130 million.

Ms. Subhashini: Sure, and just one last question about depreciation, which seems to have gone up in this quarter, so any reason behind that?

Mr. Prateek Aggarwal: That is the first that I covered about our investments in some product development where we have taken write-off of about 50 basis points.

Ms. Subhashini: Sure, that is all from my side. Thank you.

Mr. Prateek Aggarwal: Thank you.

Moderator: Thank you very much ma’am. Next in line, we have Mr. Vinod Kumar from Trust Capital.
Mr. Vinod Kumar: Hello, good evening.

Mr. Atul Nishar: Good evening.

Mr. P. R. Chandrasekar: Good evening.

Mr. Vinod Kumar: I am very late, so I want to know why profits have gone down?

Mr. Atul Nishar: I am sorry, I didn’t get your question please.

Mr. Vinod Kumar: Hello. I want to know why profits have gone down this quarter?

Mr. Prateek Aggarwal: Okay. We have explained right upfront that there was some one-off item. So, though the operating margin is reported at 3.3%, there is the underlying margin is actually at 7.8% before the one-time charges. Therefore, if you look at underlying business performance, it is actually 30 basis points up versus the last quarter.

Mr. Vinod Kumar: Okay. Any forex losses?

Mr. Prateek Aggarwal: No, there are no forex losses.

Mr. Vinod Kumar: Okay, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Joshi from CLSA.

Mr. Nimish Joshi: Hi, I had a question on the forex hedges. See, 196 million dollars, you have maintained hedged level constant, given that your order book has deteriorated and you have reduced guidance, would not some of the hedges correspond to some probable revenue you would have expected and which is not going to come, so would not these hedges be now classified as ineffective hedges and losses taken in the P&L?

Mr. Prateek Aggarwal: No. The way we have taken the hedges is on a conservative basis. We have taken it, I mean, this guidance revision that we have done, does not really have an effect on the effectiveness classification of those hedges.

Mr. Joshi: So, basically thus, none of the probable revenue you expected was hedged, which has been now reduced?

Mr. Prateek Aggarwal: Let me put it this way, I mean, we had not taken an aggressive posture while deciding the quarter-on-quarter
hedge amount, so even the reduction in the guidance that you are seeing today is really not affecting the effectiveness of the hedges.

Mr. Joshi: Okay, and quickly, you mentioned that couple of losses, couple of clients have slowed down, and few deals did not go through, so did the entire 40...you were expecting almost 40 million dollar revenue from this. Is it that the guidance was aggressive in the first itself.

Mr. P. K. Chandrasekar: I think it is probably a combination of both.

Mr. Joshi: Okay, and the 56 million MTM loss which you had taken forex hedges last quarter, was it on hedges expiring last quarter?

Mr. Atul Nishar: That was the one which was some ineffective hedges, and I think we mentioned in the last quarter as well, that was all the ineffective hedges that we had, which were closed.

Mr. Joshi: Which were closed last quarter?

Mr. Atul Nishar: That is right.

Mr. Joshi: Thank you.

Moderator: Thank you very much sir. Participants who wish to ask any questions, kindly press *1 on their telephone keypad. At this moment, there are no further questions from participants. I would like to handover the floor back to Mr. Atul Nishar for final remarks.

Mr. Atul Nishar: I would like to thank all of you for having joined so late for the call, and I will look forward to meeting all of you tomorrow at 4 p.m. As I said, the purpose is to have...meet the new management team, and also discuss the quarterly results. Look forward to listening to all of you, and thank you very much.

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