"HCL Technologies Limited Earnings Conference Call"

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Moderator Ladies and gentlemen good morning, good afternoon, and good evening, this is Rochelle, the moderator for your conference call. Welcome to the HCL earnings conference. Please note that for the duration of this presentation, all participants' lines will be in a listen only mode and the conference is being recorded. After the presentation there will be an opportunity for you to ask questions. Should anyone need assistance during this conference call they may signal an operator by pressing '*' and then '0' on their touchtone telephone. At this time I would like to turn the conference over to Mr. Vineet Nayar. Thank you and over to you, sir.

Vineet Nayar Good morning, good afternoon, and good evening everybody. Thank you for joining us in our 2nd quarter results. I am joined with my colleagues, Anil Chanana who is our CFO; Anant Gupta who heads our Infrastructure services division; RK who is driving Enterprise Transformation, Enterprise Application, and Merger & Acquisitions, we are also joined by Suresh Sundaram who is our head of Marketing, and our investor relations team headed by Sanjay.

This quarter is unique in many ways because we are ending a calendar and therefore I thought it would be not only important to look at this quarter's results, but also look at this quarter's results in _perspective of the calendar year and also look at our strategy during recession and our strategy post-recession.

I presume that the numbers have already been seen but our revenues are up by 3.4% and I thought I will spend some time in revenues and then ask Anil to talk about the lines below the revenues. When you look at revenues of 3.4% growth it is on behind of 11.3%, 7.6% in AMJ'09 and 3.8% JAS'09. If I look at only three quarters CQGR the reason I am doing the analysis three quarters CQGR are because that is outside AXON. AXON acquisition is purely baked in the JFM'09 quarter. We have registered a 4.9% CQGR over the last three quarters after the AXON acquisition which is quite impressive. So that was Point No. 1. Point No. 2 is when you look at service lines there is a couple of very interesting observations here. The interesting observation number one is the custom applications has shown a fantastic growth at 12.6% in AMJ'09, 7.3 in JAS'09 and 3% in OND'09.

Coming to CQGR growth rate of 7.5% which should be about four times higher than most of the industry averages I have seen. Infrastructure Services, Anant will talk about, is at about 15.6%. So the reason you see custom applications and infrastructure CQGR growth rate to be very good is because the total IT outsourcing services which we are offering to our customers which we won a lot of deals in the past was driven by the combination of custom applications and infrastructure. So these were the two drivers for our growth in the calendar year and also in the last three quarters. If you look at what happened to the enterprise applications in the last three quarters it went up by 3.5% and went down and went up again. So we have held our head above the water. And again this is one of the few people who have held up the head. So we are at 1.8%. And the engineering services again if you look at 1.8% negative it must be amongst the slowest negative growth in engineering services and the maximum was in AMJ'09. And after that we have been able to hold our head at the AMJ'09 numbers and JAS'09 and OND'09 we have been able to retain that level of revenue stream and we will talk about this when it goes up.

On BPO services I am going to spend some time in detailed analysis of BPO services, in talking about what we are going to do about BPO services because it was up 4.5%, went down about 0.5% and 1.6%, so average is about 0.7%, but BPO and JFM'09 went down by 10%. So BPO is a cause of concern. I am sure all of you would like me to address and I have a separate slide on BPO alone. The service line strategy if you go back and see what happened before the recession was that, engineering, enterprise application and BPO were the three leaders who were running up the growth till 2008. So BPO was fast growing till 2008, enterprise applications and engineering were fast growing. And during recession because "Run The Business" dominated the requirement from our customers therefore custom applications and infrastructure led the growth rate for HCL to 4.9% CQGR over three quarters.

Now, if you look forward what we have seen if we look at the S&P500 Index AMJ'10 is where 80% of the companies are going to register a positive quarter-on-quarter, which is making me believe that the discretionary spends should be coming back into traction in the second half of calendar year 2010. If that happens and I expect that to happen you will suddenly start seeing the growth of engineering services and enterpriseservices coming back. So it will be very interesting to note because of the diversified portfolio of HCL the Engineering and Enterprise Applications were the growth drivers for us before recession and will be the growth drivers for us post-recession. And the "Run the Business" for medium drivers before recession were high growth drivers during recession. And I think they will go back to the medium growth drivers post-recession when discretionary spends will be the call of the day.

Business Process Outsourcing, I am going to spend separate time on it. If you look at the verticals it is the similar analysis; that the micro vertical strategy of the HCL in media publishing, 10.3% sequential growth in this quarter, 18.8% average of the three quarters, same as to life sciences 16.6% and 9.7% and retail and CPG 18.2% and 10.5%. This is the results of what I call micro vertical focus. And driving those micro vertical we were able to drive growth.

You will interestingly find that this financial services in the last three quarters has significantly been an uptick and even this quarter we announced two large deals in financial services. So AMJ'09 was 13.1%, went up again another 10%, so two great quarters followed by a 2.4%, so an 8.5% three quarters growth rate on financial services. So in the short-term you will see financial services, retail, media and life sciences to be the growth driver. However, if you go back to HCL's history actually manufacturing was the big growth driver pre-recession. So we come back to the interest, manufacturing and financial services were the growth drivers pre-recession, so two verticals which were growth drivers pre-recession. One of them had started moving up which is financial services.

Manufacturing has still not started moving up. But if you really see 9.7% up in AMJ we have been able to hold our head above water at 0.9% cumulative CQGR over three quarters. I believe I am hoping that the discretionary spend coming back you will see a huge upswing in manufacturing. The reason is engineering services is largely dominated by manufacturing and same is to enterprise application. So with the upswing of discretionary spend we would see manufacturing upswing. And again post-recession I see manufacturing will lead growth driver for HCL along with financial services. And I think muted growth from the Retail, Media, Publishing and Life sciences, muted means less**,** because our dominance of Manufacturing and Financial services is high. The reason I am saying this is that if you combine this with our services split in all these verticals you will understand the play HCL has been playing. So we went into our focus strategy of growing Manufacturing and Financial services pre-recession, because the size of these markets are very large, during recession we focused on micro vertical because there was opportunities happening in the micro verticals rather than mega verticals and then again once we come out of recession we will go back to our mega verticals. So that is a select strategy which we are operating.

Geographies are also very interesting. You will see that the European geography and I have been talking about our Continental Europe strategy, 11%, 5.6%, 5.1%; the cumulative of 7.2% over last three quarters is also a very attractive story. Asia-Pacific, again we continue to announce large deals in Asia-Pacific. 19%, 1.3%, again comes back to 13.4%. ;11% in Asia-Pacific. U.S. has been muted. 3.9, 3.4, 0.5, and it has to be expected. And again pre-recession U.S. was a dominant growth. And I see when we come back to post-recession you will see U.S. driving growth all over again led by discretionary spend. So again because of the fact that our revenues are well-split in service lines, verticals and geographies we performed well pre-recession, we performed well during recession and we hope to perform well post-recession. And that is the reason because our service mix is very well spread.

Having said that I think the critical question which we have not answered is what is happening to BPO and I thought that I will spend some time in talking about BPO in a bit of a detail. So the BPO if you really start looking at what was happening, in 2006 to 2008, BPO was a fantastic growth story. Not only it was a growth story it was expanding margins, to 16%, 17% and 20% margins was largely happening because the volumes were going up. So in BPO as the volumes were growing up we were driving higher and higher margins. At the same time we were offering only one services which were largely contact center oriented and largely in the telecom space.

Now, once you understand that and we played the margin story in 2008 we decided that that is not going to take us anywhere and we need to bring about some strategic services. You can call them non-voice services, but let us just call them strategic services, which are either platform-based or transaction-based or something which is not contact centre oriented because the contact centre and the purpose for that is that we saw what is happening to their in terms of contact center coming under margin challenge from Philippines, we saw that the fact of the differentiation in contact center from one vendor to another is low, there were smaller vendors would be able to drive more cost-effective operations and drive lower margins will drive the pricing down.

And therefore it was very essential for us to re-jig our BPO business even on a standalone basis to have more services in BPO. The second important aspect of BPO was the fact that on the long-term which is, so if you go back to our transformation journey in 2005 we saw the opportunity of converging applications and infrastructure and attacking the total IT outsourcing market. In 2010 and above we see a convergence of BPO with IT services being offered on a standalone basis, on a transaction pricing basis and under a cloud, to be dominating our strategy from 2010 to 2015. And therefore it was very important when we were setting in 2008 to recognize that BPO would need to undergo a transformation. So in 2009 we started the journey of adding non-voice business and that was largely driven by acquisitions. So two things happened in 2009 which is the last year. One is that the non-voice business came at the significant lower margin which is (-3%) because we acquired both Control Point and Liberata which were making losses, so that was (-3%.) And because we stopped growing and from our existing customer than new customer new voice revenues we were targeting a better mix between voice and non-voice are margins went down from 20% to 16%. And you might remember go back to 2006 the 16% is where the margins were at those kind of volumes. And that end in H1 of 2010, 16% went down to 14% and there is where we are right now. This is for the voice business. And this 14% I believe will remain 14% if the current volume is what we retain and if that volume de-grows further then there would be a further, the 14% go down to about 12%. But I think the interesting story of what we are trying to do in BPO is only platform-based BPO. So in 2009 total we were close to about 30%. That 30% we have taken up to about 40% in 2010. You saw that we have won the ELAS bid for $200 million. So we are hoping that we want to be able to reach a place where we have 60% of non-voice business and we have 40% of voice business. Now, there is a significant amount of the investments which is going into platform right now. So you must understand we have acquired businesses which were making losses and the feature functionalities of these platforms were not up to speed. And therefore we have to go into a process of fixing those platforms, converting those feature functionalities, promising those to new customers and winning deals like ELAS. And that is going to take time. And that is what was happening in BPO margins. So BPO margins in non-voice business for some time it is going to go down. And then over a period of time it is going to go up. I believe it will be 16% but right now it is anybody's guess as to how much will it be. But my guess is it will be better than what I call the voice contact center margins. Now, therefore, in principle we are heading towards reconverting our BPO business from a contact centre business to a non-contact centre business. It constitutes only 10% of our service line and therefore it is not material from our point of view to be worrying too much about margins in this business. And we are more worried about strategically converting into platform because like infrastructure was a small business but in the end it drove a lot of growth story for the rest of HCL technology. I believe BPO is a small business, but it is going to drive a lot of growth from 2010 to 2015 for us, strategically because business services will sit on top of all IT–enabled mix services. And therefore it is very important for us to get it right.

Now the critical question is when is this year "N" and when are we going to reach this level? Now, that is a difficult one because there are two aspects involved. I have been talking about in the last three quarters about the fact that it is going to take four to six quarters and I will explain this in detail. So, the specifications of the platform which we need to do are in place, but we are very clear what we want to do. With the current two platforms we have the development on these platforms had started so we estimated a certain period, it is taking longer than we estimated because we are discovering more and more about the underlying architecture and technology of these. We expect a platform and that is the investment we are making. And therefore I believe that we should be able to go to market with new product specifications both for Control Point and for Liberata Finance in about two to three quarters from now. In this business I think the revenue uptick will only come post three or four quarters. So there is still three or four quarters of pain left in BPO. But the reason I am spending so much time in explaining this is because this is the exact conversation we had on infrastructure business when we were running an 8% to 9% margin infrastructure business. And I had said that the fact that we need to make investment _into_ services so that we can take it to 13%, 14% the margin business and up to 15% margin business. And we went through a certain amount of pain in infrastructure services also when we were doing that but in the end it is not just what infrastructure standalone business means to HCL, but infrastructure is leading a lot of application development growth which you saw. None of the application development growth has come on a standalone basis. Same is true with BPO, so I would be patient as management with the transformation of BPO. It would be very important for us to get it right. And we will make it a point to brief you as we make progress on BPO in the coming quarters. So with that I hand over to two good performing businesses. Anant and RK, please go ahead.

Anant Gupta Thanks, Vineet. Again in this quarter the sequential basis we grew at 7.8%, this is in the back of two quarters of double-digit growths, we announced 25.4% and 14.4%. So revenues stood at 132 million, up 56.3 YoY basis. And if we take the last four quarters we have averaged 12% CQGR or roughly about four times the average industry growth today. EBIT grew by 36.4% on a YoY basis. If you remember last quarter we had mentioned that we would be giving _a wage increase, which would kind of impact margins by 200 basis points. In addition to 71 basis points on account of currency ,we have been able to partly offset that with the 61 basis points improvement through operational efficiency.

Some of the reasons why we have continued growth _ is a combination of the large engagements that we have signed earlier in the year plus of course ongoing transitions of new engagements which have come in during the quarter. The other key reasons continue to be that clients continue to look for virtualization and consolidation of the global data centers which kind of aides the transformational outsourcing kind of nature of the engagements. The early investments in emerging markets plus the conservative verticals we see good traction over there, we have seen early adaptors in both these areas which is expanding the addressable market space. The other reason being the churn in incumbent supplies as well we are going through a period when there are a large number of ITO contracts which are up for renewal and given the fact that the industry had moved by 5 to 7 years there are more options available with the market today and even which is driving our growth over here. If you look at some of the trends; there is a continued interest to run the business which is the regular infrastructure operations outsourcing, it is still driven by customers need to optimize costs and win their services to industry best practices so going forward we continue to see that that will drive a part of the growth strategy in the infrastructure services.

But in addition to that we are actually two interesting trends which actually add to the discretionary nature of spend is in the infrastructure business. One is the increased interest in technology refresh, especially in mission critical data center and networking technology. As you know companies worldwide have kind of kept their investments in technology at a fairly low levels for the last couple of years, there is an increasing need where the need to refresh _and build them up to levels which are sustainable. So that is driving a large amount of transformation in data centre and networking. In addition we are also seeing large integrated offerings that we have in the total IT outsourcing space. There is a proposition in the large scale system integration space which we have seen as a result of large scale refreshing technology both on the application side and therefore the underline infrastructure over there and we believe that a lot of this would lead to fuel growth in the second half of the calendar year. If you look at operations attrition improved by 60 basis points, came down to about 12.6% from 13.2%. And like I said earlier the renewed markets continue to show positive traction. With that I give it to RK.

Ram Krishna Thanks, Anant. We move on to the Enterprise Application Services. As you saw in the first slide, which Vineet presented EAS has grown by 5.5% and 4.6% sequential on a constant currency basis. Overall for the last three quarters we have had about 1.8% to 2% growth in the EAS from a CAGR perspective.

More important numbers is the **pie** of EAS in the share of revenue of the overall company and this is important because this is the investment rationale for that AXON acquisition or one of the biggest investment rational for AXON acquisition is for us to really build the division and build the business to be a dominant service line with HCL and in the last 12 months if you really see EAS as a service line it has reached a size of about 518 million contributing about 22.4% in OND'09 and overall I think it has contributed about 23% overall share of the revenue in the company. What has really happened in the last quarter is mainly some blueprinting, consulting, and similar exercises. These have been possibly projects, which are being put on hold during revisions and some of these things have been released, and that is what we really saw in the last quarter and these are typical engagements which get booked in the particular quarter, start delivery and probably finish off in this quarter and the next quarter. These are short life cycle kind of a projects blueprinting and consulting and that is what led to the growth in the last quarters. Primarily in sectors like Consumer Services, Retail, Manufacturing, and Healthcare which is what we saw with the growth taking place.

Looking at trends , we do expect the overall demand to improve from the middle of July 2010. This is as per some of the predictions from analysts such as Gartner and others who have indicated that the total IT spend for 2010 will probably grow about 5% compared to 2009 and obviously when this happens some of these will be in the enterprise applications or package applications space. And this also will probably lead into more license sale on the core ERP applications. And as and when license sale happens in the core ERP application or a license increases in the core ERP application this will lead into service revenue with a lag. That is what we are expecting from the middle of this year. Even now EAS plays a very significant role in the transformation deals that the company has signed up in the last couple of months. Out of the 12 transformational deals at least four of them have EAS as a principal component, okay, so that really underscores the point that EAS with its dominance in size is able to help HCL win transformational deals with the EAS with infrastructure and various other service lines surrounding that.

On the strategy of how EAS to be positioned in the marketplace we are very happy to share two of the recognitions which have come, one from AMR and other from Gartner, which underscores the benefits led proposition of HCL to be really helping the client and this is what differentiated for us is something which we indicated out differentiators from HCL and HCL Axon that our proposition to the marketplace is strongly towards benefits led approach that is very clear quantifiable benefits clients under something which has been written about by AMR on the Burmingham City Council Case and Gartner on the Queensland Rail case. And this is really a differentiator and this will help us to build the business when the market really starts to grow _in the middle of this year or sometime later. In addition to that our sharp focus on specific solutions is really helping us to bring in the differentiator which will help us to really get into a leadership position when the market really goes up and gets into an upswing mode. That is on the EAS. And I hand over to Anil to take you through the financials.

Anil Chanana Thanks, RK. Firstly, I am going to walk through is on the profit and loss account for the overall company. So the revenue exceeds 22 million, up by 28.5% YoY, 3.4% sequentially, EBIT at 108 million, up by 19.2% YoY, but lower by 5% sequentially. I am going to talk about where that revenue gain growth came from, why the EBITDA as well EBIT was impacted. We also did the EBIT growth over the last three quarters similar to the trend in the revenue growth. So in the revenue terms we saw, Vineet was mentioning that the revenue grew by 4.9% on a CQGR basis over the last three quarters and EBIT growth has been 5.3% over the last three quarters. If you look at the IT services in IT services the growth is much better, 34% YoY, 4% sequentially. And EBIT at 24.3% YoY, but lower by 1.7%. If you look at the CQGR, it is 5.4%, so it has been a very impressive sort of a growth in the IT services side and Vineet talked about the restructuring the BPO business is going through.

I am now going to walk you through the reasons where the revenue growth came from. So the revenue growth in IT services has been 22.8 billion which is 4% quarter-on-quarter, which is mainly volume-led which is 2.9% and the favorable exchange rate gave us 1.1%. So the volume has been led by the increase in technical manpower, both in software services by 1,000 people and in Infra by about 500 people. And if you look at even quarter-on-quarter the growth has been 3.5% and 5% respectively. If you look at the build effort it has gone up by 1.3%, however, most of this effort which has increases in the onsite. 2.8% QoQ increased in the onsite effort versus about a 1% increase in the offshore build effort. Similarly, infra again has more of a onsite-centric movement in the business wherein the people are again the best and so on and so forth.

I now take you to the margin analysis of IT services. The last quarter we had guided that we are going to get increment from effective 1st October. We guided that there will be a companywide _ 130 basis points impact on the margin, 200 basis points in infra and BPO and 100 basis points in software services. And this will be outside the exchange movement. What has happened is that in IT services the EBITDA margin got impacted by 124 basis points, the wage hike took 121 basis points, so the exchange rate negative movement has been overcomed through the efficiencies of the business so we were only hit by the wage hike. If I look at the company level the picture is not much different except about 50 basis points has been used for investment in BPO. So when I come to EBIT analysis, 98 to be exact drop in EBIT margins, the wage hike took 121 basis points, the exchange rate 67 basis points and efficiency gave us 90. So efficiency has been able to more than offset the negative movement in exchange rate. And here again the BPO investment of 48 basis points has impacted the overall company margin. And the overall company margin in EBITDA has been down by 145 basis points.

This is a very interesting analysis. So what happened is that our DSO when we take, billed and unbilled receivables put together have dropped by eight days, from 90 to 82 days.Our DSO which we take as billed receivables unbilled receivables put together have dropped by from 8 days 90 to 82 days. Our DSO which is only on billed receivable have come down from 73 to 64 days there is drastic improvement in receivable positing and I am going to walk you through how it has impacted the cash flows.

So let us look at the cash flows. If you look at the cash flow for the company as a whole for FY09 you find that net cash provided by operating activity was 206 million. For the first six months this year it is 188 million. So it is a phenomenal increase in the cash generation by the business which has also led to a decrease in the net loan position which I am going to talk in subsequent slides. So when we look at our fund position we were on 30th of September had a negative cash position of 220 million which means our loan funds were higher than our deposits. This has come down to 136 million as of December end. There is a break-up of loan funds which is predominantly dollars, loan of 300 million as well as the debenture to the bonds of 215 million.

If you look at the interest expense less or the finance cost less the income on deposits and from mutual fund schemes so this is a negative 3 million this quarter. We got 6.9% return on our funds. We had put in a lot of money in the fixed deposits which are still yielding us good rates. However, that return is going to drop, will come down next quarter is dropping to 6.3%, I mean, the quarter thereafter was dropping to 5.4%. However, the cost of fund is not going to increase unless there is a change in the LIBOR. So it will stay at 6.3%.

Moving on to the hedge positions so our hedges has come down, 645 million which is about eight months of inflows. And if you look at there has not been any increase in the hedge position, there is only a decrease, so we are using our hedges and as part of our policy we have said that we are going to hedge our exposure equivalent to the inflow that is expected in the next two quarters and we will continue to use simple instruments to hedge ourselves. So currently we will look at this or maybe of course end of this quarter or the next quarter. Going further as of 30th September the negative OCI which was yet to flow through the P&L was 130 million. This has come down drastically to 70 million. And the most significant portion of it is about 50 million is going to be recognized within this financial year of the balance six months of this current fiscal and the rest of the amount will get recognized in FY10-11.

Slide 20 gives the intangible amortization schedule, which now stands at 105 million currently is getting about at the rate of 4 million per quarter. If you look at dividend payout, I mean, this quarter we maintained the dividend at Re 1 per share which converts to 24% of our net income. With this we would like to hand over to the operator for the question and answers.

Moderator Thank you very much, sir. Ladies and gentlemen we will now begin the question and answer session. At this time participants who would like to ask question may please press '*' and then '1' on their touchtone telephone. If your questions have been answered and you wish to withdraw a question from the queue please press '*' followed by '2'. You are requested to please use your handsets while asking a question. Our first question is from the line of Divya Nagarajan from UBS Securities. Please go ahead.

Divya Nagarajan Hi, Vineet, congrats on the quarter. Interesting remarks that you made about what is your growth drivers for pre-recession and how they would shape up post-recession. In some of our earlier discussions you spoke about how the normal has changed since some of the paradigms and truths that were there in the pre-recessionary world might not really hold true in the post-recessionary world. So could you for your growth drivers that you are expecting post-recession highlight what changes have come into the marketplace today and how well positioned you are to address them?

Vineet Nayar Let me split this question into couple of parts. The first is that if you look at any of the reports which Gartner & Forrestor to who are expecting growth in IT Services markets. Let me start with SMP500 indicating that 80% of the companies would positively grow. So let us assume that April/May/June recession is behind us. Now, another data if the IT spending is going to increase, but 4-5% says Gartner and Forrester which is including the exchange risk. What are our customers saying? Our customers are saying flat. And I think that flat and Gartner's data collaborates if we remove the exchange risk. So let us assume that the IT is going to be flat. Now, this flat or marginal growth in the next calendar year which is FY'11 is the new normal. Because normally it was growing at 6% to 7% year-on-year and that was the growth which we were used to. So that is the first new normal. The second new normal is the fact that so far pre-recession discretionary spends have dominated the spending by the customers because they have been driving business growth. During recession the discretionary spending virtually vanished or came down to less numbers and that result into the budget drop and then second move on the budget drops was the reduction in "Run the business". Now what is happening today let me make a point which is very interesting what will happen today and then talk about the new normal. What is happening today's currently is the budgets have partly frozen, partly not frozen, but that is a immaterial conversation. What is very material is in the negotiation of the budgets and I could not figure this out in OND'08 and now it is quite evident what is happening. When the budget negotiations are happening with the customers the CIOs are coming back to the market with new opportunity to reduce cost. Still run the business cost reduction because they are not getting the budget approvals or in the discussions they have been sent back by the CEO to say that fine, revenues are going to go down but I need further reduction in run the business. Now, these are not customers who have already outsourced but these are customers who are not outsourced enough or offshore enough and there is still head room available and I was talking to Gartner that their number of studies they are doing on benchmarking is increasing. The moment you study the benchmarking is increasing you can see that the budgeting negotiation is on and in that negotiation a lot of RFPs are coming in and therefore we are seeing an uptick in demand in JFM. So therefore that uptick in demand in JFM is led by budget, so I am going to ignore it for a minute to answer your question. In the new normal of discretionary budget coming back I think the way it is going to work is the CEOs are going to seek more revenues of reducing costs to run the business. And Anant alluded to them that you are seeing a lot of traction towards virtualization, a lot of traction towards consolidation, same is true with applications we are seeing a lot of traction towards application, consolidation, rationalization. I think they are going to take money to run the business and going to deploy and change the business. So the overall IT budgets will not change. I think the funding will come from RTB but it will go into CTB. This was not going to CTB, which was largely going away at cost savings. I think we have reached the lowest level of cost savings. I think the budgets will continue at this juncture, but the ratios or proportions will change. I think there is a third interesting element which is going to happen as we go move forward which we have to think about, which is the fact that when the change-the-business projects come in how would we run RTB decisions were taking place. Would they be led by CTB, which was what was happening in pre-recession that means the vendor who would blueprinting, the vendor who will do implementation was the vendor who was doing support or would it be run the business separately which is what we saw in recession. That RTB was separate and CTB was different. And that is something which we are getting ready for. With AXON acquisition and with engineering practice in supreme form we are ready with if the market moves towards the fact that it will be dominated by CTB players who will also get RTB spend. So the new norms would behave differently than the way it behaved pre-recession. I hope that explains it.

Divya Nagarajan

Thanks, Vineet. That was very helpful. A couple of questions for Anant. Definitely good quarter by itself, but pales in comparison with the last couple of quarters that you have had going forward do you think those kind of growth levels that you saw in the last couple of quarters could come back or do you think that these kind of growth levels are more sustainable? And secondly, what is happening on your gross margins in IT Services continue to decline, where do you think they will stabilize?

Anant Gupta

So most of the growth were in similar lines I cannot say more than that. With respect to the gross margins we said that we are going with the wage increase, we had a 200 basis point impact of that. That is really what has triggered the shift in the gross margin. Of that we have been able to recover 61 basis points, from operational efficiency. So it is a immediate quarter impact. We hope to get that in line with further efficiency as we go along.

Divya Nagarajan Thanks and all the best.

Vineet Nayar Thank you.

Moderator Thank you, Ms. Nagarajan. Our next question from the line of Balaji Prasad of Goldman Sachs. Please proceed.

Balaji Prasad Hi, thank you for taking my question. Vineet, you had spoken about the period of two years, that was opening up in terms of move towards the total outsourcing and vendor consolidation and all. Can you give an update on this aspect? If you probably see around 10-12 months of this window open or do you think the duration is expanded and how would that impacts HCL technology maybe in 2010?

Vineet Nayar Actually if you had asked me that question in OND'09 I had said OND'09 was very soft in deal flows or total IT outsourcing. Most of the deals happened were largely in telecom sector and government sector that we were not dominant player. Therefore we missed that opportunity. I would have answered that the window has closed. Window was the biggest in OND '08. However, I am seeing a peculiar trend in JFM'10and that is what I was alluding to it seems that it is a peculiar trend of JFM '10 originating from the budget exercise rather than indicating to me that it will continue in April/May/June 2010. So specific with reference to total IT outsourcing deal. But my point is this. On an overall basis we are running with five services. Right now two of them, one is in the garage as we speak, so I expect a little from it in the financial year 2010. But two are waiting for discretionary spend to come back and two are enjoying discretionary spend not coming back. If you see which ever way the industry moves I think we are geared pretty well in either eventuality. So my current assumption is that starting in the financial year 2010 for HCL which is July 2010 to June 2011 we will see more engineering and EAS driving growth versus the total IT outsourcing kind of the growth. That is my assumption.

Balaji Prasad So we could for all practical purposes assume that this window is closed?

Vineet Nayar Yes, other than peculiarity which is happening in this quarter.

Balaji Prasad Yeah, understand. My second question was on your BPO business. You gave a very detailed update in the BPO business. Assuming perfect execution in terms of your movement away from voice based BPO and your focus on platform BPO paying off by the end of 2011 and what could be the size of your BPO revenues?

Vineet Nayar I am sorry, we do not give projections. I will keep away. Let me answer your question in a different way because maybe I have not commented on this. In my mind we have not talked about 2015, but some day we will talk about HCL views on 2015. And my view on 2015 is going to be a complete dominance of utility pricing, cloud computing, transaction pricing. If you go back to 2005 to 2010 you saw some changes. If you go to 2000 to 2010 there are dramatic changes in the way the markets have behaved and the way the Indian IT Services are participating in the business. So what happened in the last ten years is going to happen in the next five years, because there will be some exploration happening. And I see business models changing. So it is the old markets will still be there, but there will be a substantially new market which will emerge. And I think therefore the right question is not what is the size of the BPO business as what is the size of our infrastructure business is also a irrelevant question, because this is driving the rest of the business. I think the size of BPO business will be irrelevant. Are we competitive and ready to offer business transaction services by end of financial year 2011 will be the right question to ask. And I am hoping that the answer is yes. Otherwise we will be in trouble in financial year '12.

Balaji Prasad Okay. What could be the indicators that we could pick up to see that you are moving on this trend?

Vineet Nayar I think we will brief you. The indicator trends are going to be on a six month basis. We will have such a detailed chart as we are having today. Because it will be more, you will not be able to see the financial numbers, you will be able to see it qualitatively. And I think I will be happy to report it on a six month basis that the progress we are making on the platform side, the feature, functionality, the stabilization of those platforms.

Balaji Prasad Fair enough. Wish to look forward to that. Just one last question on your wage impact. How do we look at this going forward? How much of this do you think over the next couple of quarters could you recover in terms of your efficiency measures or utilization or is it a norm that we are looking at?

Vineet Nayar I think we had guided that by June we would have recovered this and July August September quarter you would not see the impact of this. However, I just want to make a caveat here is in terms of if you watch out what the market does in terms of there are lots of, the market is heating up, whether it is genuinely heating up or it is abnormally heating up, and therefore do we have to respond to it. As of now we will wait and watch. I am just hoping that we do not have to respond to in an overheated market which is not based on the factual increase in volumes, but _people are just moving on, on a hiring splurge with an assumption that volumes are going to come up. So if that eventuality does not happen I think we are going to get done and dusted on this in the next two quarters.

Balaji Prasad Okay, wonderful. Thanks very much and good luck.

Vineet Nayar Thank you..

Moderator Thank you Mr. Prasad. Our next question is from the line of Anthony Miller of Tech Market View. Please go ahead.

Anthony Miller Yes, gentlemen. How may I ask you? From what I understand your protected growth in enterprise applications services is predicated on a couple of things. Firstly, that the blueprinting, consulting deals that you recently undertaken will convert some time down the line into larger scale projects, downstream projects. And secondly, there will be a pick-up in license sales in ERP, which will also drive downstream services if you make the point you have not seen that pick-up yet. I would like to ask about that especially on the blueprinting side those blueprinting deals that you recently undertaken when do you think you might see those convert into some sort of downstream activity?

_Ram Krishna: See, generally, any of the blueprinting and the implementation activity it takes anywhere from four months to 12 months to complete. So any of those activities will probably result into more downstream opportunities for us after about 12 months. This could be a downstream opportunity more projects. I just thought this could even be a downstream opportunity in running the business, which is the case which we indicated about couple of months ago when we had undertaken some of the run the business kind of a project in one of our customers in utility segment where we have implemented SAP project for them.

Anthony Miller Just one part, is there a general theme as to something like $1 consulting business to generate as much as $5 of downstream or $10 of downstream. Is there some sort of leverage effect from consulting?

Ram Krishna Overall I think it depends upon the kind of project which really comes out. It could be more implementation project or it could be projects which are as I mentioned a regular support kind of a project, but it could range anywhere from up to a multiplication factor 5 for $1.

Anthony Miller Okay. Thank you. And the second question is also relating to license sales. We are not seeing any pick-up in license fees yet. When do you think it is likely some pick-up in the license sales and then what would be the lag that you would expect before those would translate into services businesses for HCL?

Ram Krishna We hope that license sales will pick up. We do not have any clear indication. These are based on some customary reported statement from some of our partners that they do expect license sales pick-up some time middle of this year. We are just waiting and watching and only when we see some signs of that happening we will be able to confirm that license sales pick up in core ERP applications has begin. Generally, I think when license sales do happen, they lag between the license sales to kick in into the service revenue, again, it is anywhere from three to nine months period.

Anthony Miller Good, thank you very much.

Moderator Our next question is from the line of Ankur Rudra of Nobel Group. Please go ahead.

Ankur Rudra Thanks for taking my questions and congratulations for the performance in the quarter. First question is, Vineet, you did refer to some of the discretionary spending coming by at least the early signs of that. How would you characterize the nature of the spending in the coming quarters? For example, will we see periods of high projects wins like you did in the first half of

2009 or a bit more smooth out process? And would you maybe disclose the size of these contracts like you had shared in the first three quarters in 2009?

Vineet Nayar Firstly the size of the contract we are announcing this quarter is nothing great to write home about and therefore we are not announcing the deal values. I had said that whenever we have a big quarter we will come back and definitely announce the deal values.

Ankur Rudra Fair enough.

Vineet Nayar So there is nothing exciting to report on that front. The reason there is some excitement on this 12 transaction is I think what RK was trying to indicate is the first time we have seen some kind of discretionary spending coming in. Now it is too early to say because the situation has changed in three months time and therefore I am a bit skeptical about the fact that it is sustainable, not sustainable and therefore I will speak one more quarter to be able to make a definitive statement on how the calendar 2010 is going to behave in terms of going up and down or there will be a bush because there is a huge unmet demand. Lots of projects have been frozen for the last two years or will it steadily go up as company defined its strategy. So, may be I will comment on that in April after I see definitive signs of one way or the other the traction is going. All I am seeing right now is the conversations have improved more than it was in October/November/December and I just want to make sure they are while on run the business I know those deals will get closed and on change the business conversations I am just being a bit nervous saying that these conversations are not about looking at a possibility but really will convert to sales and therefore, I am waiting for the license up tick to declare a definitive victory on discretionary spend. Plus you will see that also in our engineering revenue stream. So whenever the discretionary is coming up you will see our engineering services move up, indicating the fact that the customer is willing to take higher budgets on engineering work.

Ankur Rudra Fair enough. In terms of you mentioned pent-up demand. How these specific sectors beside manufacturing you are seeing a lot of pent-up demand for discretionary spend?

Vineet Nayar BFSI has already taken off. They are going out, they change the business because they were the first to bring about significant efficiency in run the business. So BFSI is out there. I think manufacturing is the mother of all segments we are waiting for us to out perform. And I think if that start rolling, because retail, life sciences, media entertainment, all that are good segments, but they are not of the same size and scale as the life sciences and manufacturing is. And therefore, we are watching manufacturing very carefully , because manufacturing at high tech, manufacture engineering, manufacturing is the biggest segment for ERP. So a lot of bets on manufacturing and right now I have not seen indicators so I am looking at logistics companies. There is a lot of revenue upstream on the logistics companies to indicate manufacturing activity. We do not see that. I am looking at guidance where manufacturing companies there is not too much uptick on the guidance of manufacturing companies. So we are trying to see a trigger why manufacturing companies will go off. And the reason I am saying is a lot of pent-up demand, when you look at all the hi-tech companies the only way out of recession is going to be investing in new product. Is the consumers are going to buy more than their competitors? So when do they take the decision to fire? That is going to be very interesting to watch. And one vendor takes it, then everybody else in his industry will have to take the similar decision. So it is a wait and watch scenario right now, but I think we will be clearer when we come back to April.

Ankur Rudra Thanks a lot. But just one last question if I may. In terms of post the wage hike on the cost line do we see some sort of operating leverage coming to especially SG&A side going forward to the next 2-3 quarters?

Vineet Nayar No, we do not.

Ankur Rudra All right. Sure. Thanks for that. And best of luck for the remaining quarters.

Vineet Nayar Thank you.

Moderator Thank you Mr. Rudra. Our next question is from the line of Yogesh Agarwal of HSBC. Please go ahead.

Yogesh Agarwal Hi, sir. Just a couple of questions if I may. Firstly, on the Engineering and R&D services. If I am correct, your exposure is quite diversified across markets and various services and R&D only and considering how some of your competitors have seen a turnaround in this market recently what resulted in a muted growth this quarter? I understand you expect a recovery, but what is leading a strong growth with others? And then I have a follow up on infra.

Vineet Nayar So if you take the same three quarter average, the two other companies which have strong presence in Engineering, the CQGR are for three quarters have been (-5.39%) the one company and (-1.2%) for another company. And we were (-1.8%) as a third company. So I would not go into one quarter performance. If you take on a three quarter average I think everybody _other than one company which has been significantly negative, two companies are just about keeping their head up. So, therefore, I will not declare victory on Engineering services and therefore I will wait and watch. And our performance is right within the band, between the best and the worst.

Yogesh Agarwal Right. Okay. And also on Infra can you put some light on what do you think are the long-term sustainable margins of this business? Because considering you have shared services in infra, there is asset-like model, there is non-linearity, which could go up to any extent, should the margins be at least in line with IT services or in fact even higher? Why are the margin structurally lower here?

Vineet Nayar There is a structural question and then there is a sustainable question. So the structural question is that the margins are higher predominantly because given the amount of investments are growing and growing in this business and this business is different to the IT Services business because it has night operations, lot of transport and things like that. Will the margins go up with long-term volumes? I do not want to comment on the long-term sustainability of the margins. Only if you see that historically the margins have improved from I think 8% to 9% we started in 2005-07 right to about 14% right now.

Yogesh Agarwal Okay. If you can what could be the percentage of pass-through or hardware in the existing revenue?.

Anil Chanana This is between 3% to 5% is the range, it has only hover within this range of the overall company revenue.

Yogesh Agarwal Great, sir, thanks a lot.

Moderator Thank you, Mr. Agarwal. .Our next question is from the line of Sandeep Shah of ICICI Securities. Please go ahead.

Sandeep Shah Just in terms of wage inflation for this year it seems like everything has been captured in this quarter's number or one should assume something to flow in the current quarter also?

Vineet Nayar Materially everything is in this quarter.

Sandeep Shah Okay. And in terms of the margin outlook, can you guide us in terms of BPO? Is there any bottom that have been reached or do you expect a further ramp downs in the revenues as well as margins going forward?

Anil Chanana In terms of the BPO as Vineet explained, it has to undergo a structural shift . So from the voice-based to transaction-based, platform-based BPO, we have a lot of investments are going in. And our philosophy has been to use the cash flow which that business is generating to be invested back there and not capitalize it. So I think you will continue to see some pressure for the next 3-4 quarters and thereafter we will come back to, over a period of time to the levels which Vineet indicated.

Sandeep Shah Okay. But do you believe even the margins will come down with the decline in the revenues? Because it is already at a high single digit.

Anil Chanana You are right. There will be both a revenue decline because it is a conscious decision to do it as well as the margin decline because of the investment which will go back in to the business.

Sandeep Shah Okay. Sir, in that sense then what would be the outlook for the overall business as a whole in terms of margins going forward? I am not asking you to give us the exact numbers, but do you have levers to compensate loss in the margins in the BPO business through other levers?

Vineet Nayar Yes, margins loss in BPO are very small because we have already reached the bottom pit . We are already talking about $1.6 million per quarter.

Sandeep Shah Okay. In terms of the margins in the IT Services and in the Infrastructure management, do you believe with the wage inflation behind us there are some kickers in terms of operating leverage going forward?

Anil Chanana No, there are no other operating levers other than growth.

Sandeep Shah Okay. And last question in terms of deals, the 12 new outsourcing deals which we are talking about, has it been well spread across services, how is that looking like?

Vineet Nayar Yes, they are well spread across services. Actually some of them has already triggered in, in the current quarter numbers so there is no one, otherwise I would have mentioned if there was a one definitive trend. There have been EAS deals which RK talked about which are already factored in this quarter's numbers. There are some ERS deals, there are some spectrum applications and, infrastructure deals and there is also a BPO deal.

Sandeep Shah Okay. Thanks.

Moderator Thank you, Mr. Shah. Our next question is from the line of Rachel Stormonth of Nelson Hall. Please go ahead.

Rachel Stormonth Hi, good morning, gentlemen and good afternoon. And I have a couple of questions with you guys, gentlemen. The first case few back minutes where you were referring to give of much of scenario of much growth appetite for non-asset base possible acquisition in the market which if you really agree. If we look at your breakdown of your revenues the moment the kind of a proportion coming from non-asset based pricing, declining slightly could you give us some kind of indication as to what proportion of revenue at the moment coming from your new engagement models?

Vineet Nayar I am not sure I understood your question. Were you saying….

Rachel Stormonth You painted a picture where you imagine by 2015 or you predict which we agree with that and there will be an awful lot more pricing is either platform-based pricing or transaction-based pricing or kind of device-based pricing **transaction based** pricing. At the moment what proportion of revenues is coming from that kind of engagement model?

Vineet Nayar I think this is a very interesting question and we were talking about it. The definitions are very vague right now because the white suite which you used in your question, the transaction based, the device based, output based, if you combine all that then the percentage of our company will be sub-10% but higher single-digit. But I think that is not the trend line I am talking about. The trend line which I am talking about is a transaction based pricing which involves business in IT under were and that you are seeing in the Liberate Financials and Control Point from us. So in both particular case, I think the revenue stream there is close to between $30 million and $40 million is what I am saying the purity of what I am looking forward to, is that we charge the customer on transaction, the entire application, the entire business process, the entire IT, everything is with us. That is the interesting part. Not so much the output based pricing and all the other stuff which will grow anyway. I think all three business models will exist, the time and material will exist, the output based pricing will exist, but I think I am more interested in this new model which you can call around cloud, the salesforce.com model. I am more interested in that model and see the growth of that business model because that business model is going to give us a lot of opportunities at the same time threaten a lot of our current business.

Rachel Stormonth Yes. Okay, thank you. And my second question is on the first round is your attrition rate in the offshore BPO has shot up 21% quarterly. Now, can I ask what you are doing to kind of manage back going forward?

Vineet Nayar We are doing a lot but I do not want to talk about this in conference call but I think that is not of a big concern right now. I think our big concern in the BPO business or somewhere else. I think we can manage this business with the attrition we have. I think we will get worried about the attrition when we get the BPO business back on the upswing. To me that is going to be very important right now.

Rachel Stormonth Okay. Thank you.

Moderator Thank you, Ms. Stormonth. The next question is from the line of Radhika Merwin from IFCI Financial Services. Please go ahead.

Radhika Merwin Hi, thanks for taking my question. What I wanted to understand in the client mix were, if you look at the client adds, most of the adds have been in the $1 million to 10 million category rather than on the only top front anywhere. If you look at your mix on the top client to the top ten clients there has been a decline. So is there some particular trend that is happening there because I think last time speaking to some in the management he mentioned that there are a lot of opportunities from multi-services deals in these categories. So is it because of that or is there any other specific thing that is happening there?

Anil Chanana So what is happening is that if you see we added 36 new client relationships this quarter and we added Seventeen 1 million plus client, Ten 5 million plus client, Six 10 million plus client and One 20 million plus client. So, this is the quarterly number. So, as we move forward at these client relationships sort of a go-forward, this number is going to increase. So they will move into the next bucket and so on and so forth. So I do not think we have any concern so far as the million dollar client, etc., is our concern. At the same time if you look at our client base there is an increase our top 20 clients have grown, 3.7% quarter-on-quarter.

Radhika Merwin And just another question on the onsite front . If you look at your onsite mix it has predominantly scaled up quite a bit in the last few quarters and what we had discussed in the previous quarter was that there was a little bit of re-badging of the client staff which is onboard. So what is the comfort level in terms of the onsite mix because we would get some sort of lever if we push the offshore mix to a higher extent. So are we looking at that in some time in medium term?

Vineet Nayar I think I have to make a statement here. I am right now interested in revenue increase rather than margin levers, and onsite indicates some kind of discretionary budgets being used for blueprinting exercise, consulting and application portfolio consolidation. So I would see it as a positive, however, I am not saying it is a trend. So I would not be worried about offshoring and trying to squeeze margin. I think we are entering a phase where growth is going to be important and if discretionary spends come in and onsite people are used I will celebrate that.

Radhika Merwin Okay. And just one final question is, what you are talking about the blueprinting exercise that is happening in the enterprise application phase this quarter, so we are seeing some sort of growth which has come in this quarter because of that, so what kind of growth can you see going forward in terms of the types of work that you would be undertaking the enterprise application phase. Will it be more on these lines or could we see some sort of application support also going?

Vineet Nayar I think you should expect Engineering and Application services in the short-term to be muted till you see discretionary spend trend to be established as existing.

Radhika Merwin Okay. Thanks a lot, sir

Vineet Nayar Thanks.

Moderator Thank you. Our next question is from the line of Kunal Sangoi of Edelweiss Capital. Please go ahead.

Kunal Sangoi My question has been answered. Thank you.

Moderator Thank you, Mr. Sangoi. Our next question from the line of Pankaj Kapoor of RBS Equities. Please go ahead.

Pankaj Kapoor Hi. I will just persist from the margin front again. If I look at this quarter we were able to offset the margin impact from the wage hike and the currency only partially. So I am just trying to understand that should we interpret this as we do not have much room left now on the traditional levers? Our utilization is running at fairly peak levels. We are not seeing any strong uptick in the realization front also given the discretionary spend is likely to be fairly modest in the near future at least. So should we see that the margins will continue to be under pressure at least from the near to medium term? And if that is the case are we exploring any non-traditional levers? And if yes, if you can just highlight those? That is my first question.

Vineet Nayar I do not feel the margins are under pressure. I think the margins performance is quite good. We are down by 120 basis point out of 60 has been recovered, 60 needs to recover which will be recovered over in the next two quarters. Beyond that there is no further margin upswing expectations because whatever they are we are plough them back to business. To me spending more is very critical and I hope you will notice that we were at 60 basis point on SG&A in this quarter.

Pankaj Kapoor Correct sir, but in terms of hiring we are continuing to focus on lateral centric hiring. Do you see any plan to change that in terms of building up for the future if you are looking at deal flow again starting, any anticipatory hiring can come in now which can give you lever going forward?

Vineet Nayar The question to ask is that if the deal flow and the next stick of growth is going to come from discretionary spend, are you going to deploy freshers for discretionary spend? We believe it will be laterals and that is the reason our emphasis on laterals is high because we believe that the next range of growth will come from discretionary spends and that is the reason we just in time hiring. We are trying to improve that engine as fast as possible or make it as good as possible. I believe that discretionary spends come in and the demand upswings when we need experienced people to be able to meet the demand rather than. In that reason I am saying also that you will suddenly see a pressure in the market for experienced people if that happens.

Pankaj Kapoor Fair enough. And secondly, on BPO, if I look at slide that you presented I noticed that the margin differential between the voice and non-voice is just about a couple of percentage points. So I was wondering if that is indeed the case and if yes then there must be some other reasons also to go through the pains of this whole restructuring exercise and if you could highlight those?

Vineet Nayar Yes, as I said neither the infrastructure margin neither the BPO margins are of great relevance to us because the downstream revenue they create. Infrastructure creates total IT outsourcing business and you have seen that sustain our margins and increase our margins from 2005 upwards substantially because of the integrated deals. The reason I am interested in BPO is whether it is 16% or 20% or 14% I do not know right now. It just giving an indication of the fact that we expect these margins to be in that range, but we will talk more about it as we develop the business. But I think more important is like we were talking about Liberate Finance or any of these propositions if you want to take it to the market it is going to be underlined IT services margins are going to come below the BPO layer, and therefore, our investment in BPO to get that right is very, very critical. So I am less worried about BPO margins on a standalone basis. More worried about what does, what is the margin profile of this transaction based business which I do not have a visibility right now.

Pankaj Kapoor Okay. So is it like we are looking at a lot of integrated deals going forward coming in?

Vineet Nayar Yes.

Pankaj Kapoor Okay. Fair enough and just last one small question on if you can give me the number for the equipment sales and the infrastructure business for the quarter?

Anil Chanana This is between 3% to 5%. So it has hovered in that range every quarter.

Pankaj Kapoor Okay. Fair enough. Thanks.

Moderator Thank you Mr. Kapoor. Ladies and gentlemen due to time constraints the last question is from the line of Harmendra Gandhi of Nomura. Please go ahead.

Harmendra Gandhi Hi, good evening and thanks for taking my question. Just want to ask you one thing. We see some kind of pent-up demand coming in and your peers reporting good growth for this quarter. Do you think this is also because of the, they are more vertical focused than you are and they are able to get the first flow of pent-up demand kind of…?

Vineet Nayar You need to ask them that. I would just say let the numbers do the talking.

Harmendra Gandhi Okay. Your competitors have also talked about investing in client partners and becoming more nearer to the customers and is the 60 basis point increase in SG&A is focused on that? What are you investing in SG&A?

Vineet Nayar To get more business from new clients.

Harmendra Gandhi Okay. Is there a strategy change of hiring different profile of sales people or ..?

Vineet Nayar No, no change.

Harmendra Gandhi Okay. So you think the current strategy is good enough for you to penetrate and grow into the accounts also?

Vineet Nayar Yes, our numbers show that.

Harmendra Gandhi Okay. Do you think these deal sizes we have seen going down across all companies, this kind of deal size is going to be the trend for some more time or is this the new normal for the deals or….?

Vineet Nayar I think so. I think the deal sizes have gone down. That is what TPI is also talking about. There will be one or two deals which will be large deals, but I think on an average you will see smaller deals.

Harmendra Gandhi Okay. Is there any particular reason for that?

Vineet Nayar Reason is because initially we used to see big deals because asset was part of it and most of the companies was onsite. Now we have actually pulled most of the deals with 80% offshore and asset less. So, the moment you do that the deals become small automatically. Then the originally deals were changed to business followed by run the business all integrated. Now the deals are split change the business except that they will run the business is a separate deal so far. So when you do this my first question you understand why the deal values are going down. And then you further go into cloud and saying that we will grow utility based deal or effort based deal, then there is no deal, there is no committed or deal value in those transaction anyway. The volumes will determine, so you cannot go out in the market and saying there is a $200 million or $500 million deal because it will be purely based on volume. Like that there is one deal which we did in Europe which was pretty big, but it was linked to volume and therefore we did not announce it, but at the same time it is substantial in a contribution to numbers within the company.

Harmendra Gandhi Okay. Thanks a lot. Thank you.

Moderator Thank you Mr. Gandhi. Ladies and gentlemen that was the last question. Now I now hand the conference over to the management for their closing comments.

Vineet Nayar Thank you everybody for attending the conference and I look forward to talking to next quarter. And Happy New Year and have a great year ahead. Thank you so much. Bye-bye.

Moderator: Thank you gentlemen of the management. Ladies and gentlemen that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Facility and you may now disconnect your lines. Thank you.