"HCL Technologies Limited FY 07-08 Earnings Conference Call"

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MODERATORS: MR. SHIV NADAR, CHAIRMAN AND CHIEF STRATEGY OFFICER,
HCL TECHNOLOGIES LIMITED.
MR. VINEET NAYAR, CEO, HCL TECHNOLOGIES LTD.
MR. RANJIT NARASIMHAN, PRESIDENT & CEO,
HCL TECHNOLOGIES – BPO SERVICES
MR. ANIL CHANANA, EVP – FINANCE, HCL TECHNOLOGIES LTD.

Rochelle: Ladies and gentlemen, Good Morning and Good evening this is Rochelle the chorus call conference operator. Welcome to the FY'07-08 HCL Technologies Limited earnings conference call. Please note that for the duration of this presentation all participant lines will be in the listen-only mode and this conference is being recorded. After the presentation there will be an opportunity for you to ask questions. Should any one 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. Shiv Nadar, Chairman and Chief Strategy Officer of HCL Technologies Limited. Thank you and over to you sir.

Shiv Nadar: Thank you. Good evening ladies and gentlemen. Thank you for joining for our conference call for the annual earnings announcement. To start with, I have one announcement to make. I would like to highlight five points out of the information pack let, which is lying in front of you and again emphasize one point, which is a consequence of the milestones that we have reached. The announcements which I have to make is, I would like all of you to join me in welcoming Vineet Nayar to the board of directors of HCL Technologies. Vineet joined the board in the board meeting held yesterday and today. He joined the company in 1985 and he became the CEO of HCL Comnet in 1992 and Executive Vice-President in 1999 of HCL Technologies. He became president in 2005, CEO in 2007, now he has joined as a whole time director of the board of directors. This reflects two things, which are inherent to our corporation. One, we do believe that those who join our corporation and who pursue the path with passion and lead by example, they would go to the very top of our company and this is an example that we have set and he will be participating beyond the set of business results. –He will be participating in governance of the company, guidance of the company in areas such as CSR and its implementation of same policy. I welcome Vineet to the board of Directors. The highlights, which I would like to give you are the some other landmarks that _have been achieved by our company _over the last year as _well as over the last quarter. The most important point is our that company in head count crossed 50,000 mark and we are closing the year with an employee strength in excess of 50,000. The second key point is during the last year, one single geography crossed the billion dollars mark. - Two years ago as a company, we were not a billion dollars; now one single geography which is the United States has crossed a billion dollars. We believe it is an important milestone.

Third, our geography, which is very important to us, we have always maintained dispersion of where our revenue come form, which is Europe on its own has crossed $500 million. We believe it is important for you to note that- amongst vertical, one vertical crossed $500 million in the last 12 months, which is the BFSI vertical and if you just go back and _look back the company five years ago, we were barely present in BFSI vertical, now it is more than half billion inside. It is important to note that _ last point, which is a very fundamental point ,is where the company came from was high technology and R&D services and that services continues to be dominant in our growth and _ did higher that $500 million over last year, so put together it has been a very satisfying year as such. As a consequence of this we are happy to increase the dividend. You all are aware that we have a consistent dividend policy and we have been following that over the last 22 quarters and we have been steadily stepping enough with good view of the future and for this quarter we have now raised the dividend _rate from the current 100% to150%. Now with these opening remarks I turn it to the CEO _Mr. Vineet Nayar, thank you.

Vineet Nayar: Good evening ladies gentleman and thank you for (audio break) this year is a validation of our strategies starting in 2005 of looking at co-sourcing and best reward and the early indicators are that we signed this quarter -) $310 million in contracts this quarter _for eight customers and $1 billion TCV – over _ 14 customers over the year, which I think is close to twice of what we did last year. The second is the validation of our strategy of output based pricing. You have seen the fixed prices component in HCL Technology go up, which is a validation of that, so the way to look at

35.2% year-on-year growth in dollar terms on the back of 42.4% last year is the fact that it is a validation that our mix of revenues and our strategy towards co-sourcing large deal seems to be working. To look at 3.9% quarter-on-quarter, which Anil will explain to you _ coming from effort based revenue increase. On the back of 8.4%, 7.4% and 5.2% quarter-on-quarter growth is again an expression of consistency in growth, which we have demonstrated. The way to understand our revenue growth with reference to manpower growth is the fact that we have focused very hard to try and see if we can consistently outgrow revenues and not link it with manpower growth and multiple strategies we have put together like output best pricing, royalty based, risk reward models, device-based pricing, fixed base pricing and you will be happy to note that about the last two quarters we have been able to successfully - achieve it. There are three reasons that you are seeing for significant increase of revenue without the significant increase in manpower. The first is that our utilization of the trainees has significantly improved compared to last year_., so if you see our trainings, we have 5400 in OND, which came down to 2800 in JFM and it came down further to only 135 in AMJ, so that is a significant reduction of training manpower in our growth, which is what you saw, so we did not have to hire from outside, we will able to deploy training in our projects and largely because they are fixed pricing device-based pricing projects. The second reason for that is the fact that we increased our utilization successfully this year. We increased our offshore utilization from 71.3%-73.9% and similarly onsite utilization from 95.1%-96.8%. Again that would mean that we would need less number of people to make the growth. The third is, our moving away from manpower-based cost into more royalty – based pricing. You saw Cisco, you saw Computer Associates and you saw a large of large IT outsourcing deal where productivity increases was significant because of this the revenues are increasing without associated manpower increase. So that was the explanation on the manpower growth versus the revenue growth. Now one important point I would like to state here, which is the fact that over the last journey of transmission in the last three years, we had targeted to accelerate the growth of HCL's organic business to grow faster than the industry average and looking that you see that the indicators shows that we have been successful in achieving this especially in the last two years not only in terms of the deal values we have signed but also in the YOY growth. The fact that we have expanded our margins two years in a row and the fact that our revenue mix whether it is geography dependence, whether it is a service dependence or whether it is client dependence had also come down and the interesting point where our revenue mix of dominance of infrastructure, enterprise application and BPO as a total percentage of a revenues is large in because of which we are right placed in going after the total IT sourcing deals. I think it is time for us to go back and adopt the policy we had adopted on the fact that we will not give guidance for the future. We had adopted this policy five years ago and we had followed that policy consistently other than in the last year where we had given a –guidance of 35% because there was an anxiety amongst some of the investors on the uncertain market environment which we had started starting seeing in July, August and September and what it could mean for HCL Technology. Therefore _ we came out and gave one-time guidance _ that we will grow by 35% this year and we had given a long-term guidance of 30% in 2004. Both of them we had met and therefore we have decided now that we would not like to give any further guidance of business .Our past and our performance should speak of what we have done and we as a management we are capable of doing and therefore I would request to be excused in making any specific comments on guidance of next quarter or next year guidance with reference to revenue, profit or head count. Having said that there are some opening comments I would like to make on what you can expect and the comments are the fact that we would believe that given the strategy we have been able to put together. We should be able to retain our margins at the current year level. We should be able to continue spending the SG&A at the current level although I believe the _S will go up and will be funded out of G&A and that is the reason we will be able to maintain our margins. I do not see expansion of margins. I believe that we will able to maintain our margins and I believe that the outlook after you see the growth in US year-on-year. This is basically an indication of the fact that our strategy of focusing on some of the business is being successful and because of that success we have been able to grow the US geography pretty well and you will see growth coming back into Europe pretty soon. That is an easier task and therefore given this, I would believe that we are quite optimistic of the growth environment and HCL's ability to growth in this environment going forward and we will keep updating you as and went significantly events happened as we have been doing in the past, so that _you can keep track of us. So with those comments I would request Ranjit to comment on the BPO performance.

Ranjit Narasimhan: Thanks Vineet, during '07 and '08 the revenue BPO division grew by 21% and the head count by 18% .In spite of various pressures we continue to expand our margin. More than a year back we decided to consciously move away from linear monotonic growth and de-link the growth in revenues from the growth in head count. This was a conscious decision that we taken a year back and 07 - 08 was a year of transition. Consequently there has been a reduction in the rate of growth during last year compared to the growth that has been the there during the previous year specifically in a much larger period of time during last 5 year CAGR of revenues was about 50% and this year that growth of profit was about 113%. This year we have decided to focus on enhancing the revenues from platform based services and _output based pricing, which shall make our current high levels of profitability much more sustainable and also minimize to a large extend secondary risk.. The results of these efforts shall be visible in the coming months. Now I will pass it on to Anil to give the financial.

Anil Chanana: Good evening and good morning everyone. I will walk you through the financials, which will be with you already. For the year ended June 30, 2008, our revenues have been at 1.9 billion with EBIT at 341 million. This is quarter when all the businesses have shown EBIT margin expansion. This was fifth quarter in a row when the margins expanded company wise. The revenue for FY'08 grew 35.2% YOY, while the EBIT outgrown at 36.8%. Sequentially we grew by 504 million in revenue and 98.4 million in EBIT. This translates to a growth of 3.9% in revenue and 10.9% in

EBIT. I will now walk you to the elements of growth in revenue. The revenue growth as Vineet mentioned has largely been volume based. Actually it is more than that; out of that 19 million, which is added to the revenue, it was 19.8 million, which came through volume growth. There was a higher realization of 3 million. There was a change in mix in favor of onsite, which gave us 1.4 million and there were some one-time revenue elements, which over 3.5 million, so we had on the positive side 27.7 million. When I look at what went down the material revenue, which we described last quarter is a conscious decision in remote infrastructure division to be focused away from the material side of the business, so there we had a further decline of 3.7 million and hedge counting we had a negative impact on the revenue on quarter-on-quarter basis by 5.1 million. Net, we grew by 19 million which _translates to 3.9% growth in quarter-on-quarter. Hedge accounting 5.1 million of negative has been absorbed to the extent of 4.6 million by the core software and about 0.5 billions by the BPO division. I will take you to the some highlights about the infra business. The infra business currently in the last quarter the material revenue has been of the order of 10 million, while for the full year it is 60 million. I will now take you to the EBIT margin. There was expansion in EBIT by 123 basis points. It was lead by higher utilization, which Vineet mentioned, which give us 85 basis points. We had exchange rate benefit of 191 basis points, which was utilized a). To fund the SG&A, which took away 108 basis points and the hedge accounting, which took away 82 basis point. Additional we had 14 basis point coming from higher utilization and 43 basis points coming from certain grant we got in northern Ireland and certain other one off and they were partially offset by 10 basis points through increase in depreciation and another 10 basis point by change in mix which happened from offshore to onshore in this quarter. I do not want to walk you through each of the lines of business in terms of EBIT margin. I would also like to highlight the positions in respect of receivables. The receivables which were 69 days as of June 07 were at 77 as of March, which is last quarter,and was 79 days as of June 30. Most of our receivables, which is 85% of our receivables, if I exclude the India part of the business are within 60 days. 0-30 days account for 59% of our receivables and 31-60 days accounts are 26% of our receivables _ and balance 15% is what is more than 60 days. I will take you through the other lines. The treasury income this quarter you would have seen realizes to 8.3 million. It is depressed since there has been an increase in this quarter on realized income by 0.4 million. The depreciation impacted the treasury income for this quarter in dollar term by 0.6 million and the closing position by 1.2 million, so if I account for all these actually my income this quarter was 10.5 opposite 11.1 million in the January to March quarter. The returns this quarter were at 8.7% opposite to 8.4% last quarter. Most of funds continue to the invested in the mutual fund and fixed deposits with banks. I will take you now to the hedging position. As of June '08 we have 2 billion of hedges, which consist of 1.85 billion of hedges for the USD INR, £41 million pound hedges and € 42 million of hedges against US dollar. Our hedging position has come down from 2.7 billion as of March to 2 billion as of June 08. When you look at dollar to rupee, we are hedged for the next seven quarter in respect of GBP, Euro against US dollar we are hedged for about two quarters. You would have seeing that and we sort of made a press announcement and also had a call with you separately that we _cancelled _ covers, something like 540 million in this quarter. I just want to sort of give you couple of data points here. One of the data points is that these are covers which are taken for the long-term use and therefore they are best seen over a longer period of time. If I just take last three years, which was 05-06, 06-07 and 07-08 we had a net gain of _0.4_ billion, just taking the other income into account. There was a loss in the first year of 7.5 million, which is FY'06. There was a huge gain of 79.2 million in FY'07 and FY'08 there was a loss of 71.3 million. If we aggregate all this translates to a gain of 0.4 million. The other data point here is that we as part of our treasury policy, we keep on watching the moment of the dollar very carefully and have a policy of stop-loss within a narrow band when it relates to a near term exposures, something like six to nine months. So if you see the rate, how the rate moved at the end of March the dollar-rupee was at 40.11. It depreciated by 1% in April and additionally 6.6% in the month of May. It reminds me a year back sometimes in March-April over a period of five weeks there the moment in the dollar-rupee in reverse side of something like close to 8%. Our advisors _were predicting that there could be a further depreciation of between 3%-5% in rupees in the near term we thought that keeping that in mind we thought it should be better to have a stop policy, so cut down our short-term exposure to the extent of 540 million, out of whatever we had 2.6 billion and assuming whatever advisors had said or predicted had come true and the rupee would have touched 45 we would have additionally lost 22 million. In this process we had a cash loss of 9 million, but what you see in the P&L account of this quarter on account of cancellations is a loss of 31 million. 22 million is relating to the various past quarters either before June 2007, when we were following mark-to-market accounting or even beyond June 07, when we had booked gains in the other income in respect of cross currency covers in respect of GBB to Dollars and Euro to Dollars. I will take you on now to the capital expenditure. In this quarter we incurred a capital expenditure of 33.1 million. _We currently have for the next year we are predicting it to be about 150 million and there are about 16,000 seats, which are being created out of which of more than half are going to be made operational in FY'09 itself. I will now take you through the tax figures. The tax for the whole year is at 31.6 million, which is 10.1%. The tax for this quarter has been 4.7 million. There have been some sort of a reversal this quarter either in terms of the increase in deferred tax assets as due to extension of the tax holiday period, we were asked to deferred taxes at which we were not creating earlier in respect of gratuity and leave encashment and a very partial benefit of 1.5 million an account of Capex loses. If I disregard these one-off my tax rate on operating income is of the order of 10% and on other income it is about 16%. Going forward I am anticipating FY '09 my tax rate to be between 12%-13%. I would say 12 on the operating income and 16 on the other income. FY'10 I would anticipate it to be between 15%-16% and thereafter at about 20%-21%. I will now move on to the employee stock option, the employee stock options the ESOP charge for the full year FY'08 we had a stock option charge of 22 million. This year we expect it to be lower. We expect that run rate to be about 4.1 million every quarter on account ESOP charge consisting of both the fair value as well as Rs. 8

which is the par value grant. Currently the stock options, which are outstanding, are about 6.1% of the capital of the company out of which at market price of 4.2% and below market prices 1.9%. This year FY'09 we expect the basic number of shares to go up by about 1.4% on an average basis and on a diluted basis to go up by 0.8%. We did acquisition of - Capital _Stream, which we announced, was consummated around middle of February. We realized as we mention to you 2.2 million of revenues from middle of February to end of March and another 5 million in April to June 08 quarter. This is in summary the financial numbers and I will be very happy to answer any questions you have.

Rochelle: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Anyone who wishes to ask a question at this time may press "*" and then "1" on your touchtone telephone. The first question is from the line of Mr. Kanchana Vydianathan from Pacific Crest Securities. Please go ahead.

Kanchana Vydianathan: Hi, thank you. I was wondering if he could give us an update, just looking up this quarter revenue from the various industries. Financial services seem to have declined sequentially, telecom also seems to have decline. Can you give us an update as to what are you seeing across the different verticals in terms of the demand and can you give the pipeline?

Vineet Nayar: Let me take one by one. On financial services we are seeing increase in demand. Out of some of the deals we have signed financial services seems to dominate the deal flow _. Definitely financial services are under significant pressures, but new deals are going in to financial services. Moreover, we have peculiar situation in financial services where I have said last quarter that we have two customers who had flat trajectory of growth that means they had frozen the budget, actually I have said this two quarter ago. One of those customers has actually become worse starting the last month of this quarters where the budgets are being significantly cut down and that is one of the reasons you are seeing an overall growth in financial services of 44% or 43.4% year-on-year, but you are seeing it flat. Out of eight deals we have announce this quarter we have seen two of them come from financial services, so our overall view on financial services is the fact that in the short-term we are _flat or negative on financial services quarter on quarter growth because of this event of one customer, which is quite significant. It is about, it is going to impact us about $10-$ 11 million per quarter; however, that could be made up by the financial service wins that we have and by also the telecom industry coming in with a big bang, so you will see telecom, we have won a lot of telecom orders, so you will see telecom industry coming back with a bang. In telecom we did 30% year-on-year last year and 1% quarter-on-quarter growth. Next quarter onwards you will see telecom coming in and subsidizing the blip you see in financial services, but overall I would believe from a years point of you, life sciences, financial services and telecom would be our top three performing vertical on a overall year basis.

Kanchana Vydianathan: Okay thank you. I guess as a follow-up, would you able to elaborate just in financial services. At least the deals that you have signed, what kind of offerings are you seeing in increased demand for?

Vineet Nayar: What is happening is that in financial services about 10% of revenue is spent on IT. 70% of that 10% goes in to run the business. In some cases the 70%, in some cases up to about 90. So far financial services was not happy in outsourcing, what we call run the business, which is the combination of infrastructure operations and application operations. There were outsourcing only application maintenance and application development. We are seeing an increased trend in the financial vertical of outsourcing application operations where we would takeover there application and infrastructure operations; this is what we call run the business, in addition to application maintenance. In application operation, which is run the business application and infrastructure operations, which is run the business, it is an HCL sweet spot, because we were one of the first to get into that market space. Actually we were pioneer in that market space and we created a significant dominance in that market space by announcing our large deals in Fonterra, Dixons and Scandia, Autodesk, Teradyne and build a user model capability in tool processes, which is coming in handy to convince the financial services from stock to walk that path, so with run the business out sourcing coming in fashion in the financial services is where we are seeing most of a financial services deals.

Kanchana Vydianathan: Okay great and one final question, just looking at your enterprise application; in the past two quarter you had very sluggish growth but this quarter it has really picked up, so can you help us understand what changes you have make and where is this amount coming from?

Vineet Nayar: Enterprise application I had defined last year is a challenged area for us where we have to redefine the vector of that service offering from HCL, so that we make it the fastest growing services for HCL and there were some strategies, which started putting together in JFM of this quarter, which include our global partnership with SAP. I think the current quarter is not a great indicator of the fact that EAS growth had come back. I think it is still early. We have one big deal in the EAS area last quarter, but I would believe that as I had indicated earlier for the EAS strategy, which is a new strategy, which we have rolled out and it is having good traction in the market for it, really to start showing impact. I think we will have to wait for OND onwards for EAS robustness growth to come back.

Kanchana Vydianathan: Okay thank you, this is very helpful.

Vineet Nayar: Thank you.

Rochelle: Thank you Ms. Vydianathan. The next question is from the line of Mr. Sagar Thakkar from ICICI. Please go ahead.

Sagar Thakkar: This is Sandeep Shah. Just on the hedging, I wanted to know the 540 million worth of hedging, which we have canceled during quarter. What was the original maturity date?

Anil Chanana: They were maturing within a period of 6-9 months Sandeep.

Sandeep Shah: From this quarter?

Anil Chanana: From as of when we did the cancellation, which was towards end of May.

Sandeep Shah: So in that sense the total loss we have booked to the P&L in this quarter regarding that?

Anil Chanana: The total loss as I was explaining booked in this quarter relating to the cancellation is 31 million, 9 millions is the cash, which we will pay to the bank and 22 million is what was in the P&L account in one form or the other spread over two financial years; which was 06-07 and 07-08.

Sandeep Shah: So, there will be no further loss on this hedging going forward in the coming quarters?

Anil Chanana: Because this is canceled.

Sandeep Shah: Within the two billion worth of hedging, what is the ineffective hedge position right now we have?

Anil Chanana: Ineffective hedge positions are about 579 million.

Sandeep Shah: It has increased from 459 in the last conference call, is that what you said?

Anil Chanana: Correct, it is a complicated US GAAP analysis, which needs to be run to make sure whether they are effective or ineffective hedge.

Sandeep Shah: The top five customers if you look at is almost a flattish growth, what do you like to say, beyond the BFSI, why the top five customers just growing flattish?

Vineet Nayar: No, actually it is not a flattish growth. This time the top five customers have a negative growth and the reason are four fold. The first is that the I have indicated the two clients had become flat out of the top five, so that is one problem. The second is one of the two clients as I had said that, reduced their budgets substantially, which impacted us as part of the quarters not the full quarter, which will impact us next quarter. The third is that there are two large deals, which we did which are part of the top five for which the two pay employees, we were getting paid for two pay employees is no more to pay them; we were successfully able to transition and moves that offshore towards March and early April, because of which the revenue has dropped from an onsite billing to an offshore billing, so the customer has got that benefit and the last is that this quarter it is coming behind the 6.5% quarter-on-quarter growth last quarter in the top five clients, which is what initiated those two customers when they in, they came in with more onsite growth and then that was moved offshore. So therefore in the business, which we are in, which is total IT outsourcing contract where we start significantly onsite and then move offshore I would encourage you to look at the LTM revenues and year-on-year growth, which is quite robust for top 10, top 20 and top 5 customers.

Sandeep Shah: Just entering FY'09 where do you see your growth rates. I do agree that we do not give guidance, but based on the pipeline, which we expect to achieve the industrial growth rate of roughly 21%-24% growth?

Vineet Nayar: Sandeep I would say that I would like to be excused from making a comment on that, because we had adopted a policy five years ago and then we have not changed the policy, but we gave a guidance of 35% because there was huge uncertainty in the pipelines and we demonstrated that we could grow pretty robustly and I would just leave it that and make any comments about the future. We have adopted the policy that whenever there is a material even within HCL like the two clients going flat or one of one of the client going negative on revenue. We have shared that with you and I have also share that with you that one client going negative is going to impact us negatively. However, we have orders especially from telecom industry, which going to make that good, so we will continue making statements to you to you materially when it is positive and negative and I request you to allow us to allow that freedom to continue with that guideline.

Sandeep Shah: Thanks, that is all, all the best.

Rochelle: Thank you Mr. Thakkar. The next question is from the line of Mr. Vikas Jadhav from Motilal Oswal Securities Ltd. Please go ahead.

Vineet Nayar: Hi Vikas.

Vikas Jadhav: Hi.Congrats to the management on good set of numbers.

Vineet Nayar: Thank you, you are the first one who spoke about that. I was wondering what have I done wrong.

Vikas Jadhav: Congrats to Vineet also being elevated on the board. I have seen this addition $1 million clients in this quarter has been quite good. Also there has been good addition in some of the $10 million on a quarter-on-quarter basis and it has been quite highest. So, I was just wondering, are we seeing a good traction from some of these smaller clients or are we focusing on the smaller clients in this troubled time, can you please clarify on this.

Vineet Nayar: There are two strategies, which we have adopted. There are two numbers you need to watch and I think you are focusing on the right numbers, _; you may need to go on mute because _ there is an echo coming in, so there are two strategies which two numbers you need to watch out for. One is the repeat business. Repeat business for us is 94%. That means new customers are 6%. If I am correct, that must be amongst the highest in the industry, which reflects our win ratio, which reflects why our growth rates are higher than some of our well performing colleagues. The second is that there is a significant investment, which has gone into HCL, which I have not talked about in account management, so one of the things we discovered is that fortunately for HCL, engineering, custom application , infrastructure, ES and BPO are substantially large service lines and we are a well balanced company in terms of service line, so as the custom application businesses grow at a lower rate and the other businesses grow at a higher rate there is an opportunity for us to go into the customer we have acquired very well using our new customer acquisition strategy over the last three years and sell them new services and which is what you are seeing, so interestingly that $1 million, $5 million, $10 million massive expansion, which you are saying three quarter-on-quarter of $10 billion and 2 on $5 million and 15 on $1 million is because of this strategy.

Vikas Jadhav: Secondly on the BPO front basically especially the Liberata acquisition, which you have made. Can we see some pressure on the margins for the _near term given that the business is onsite and then we will be steadily getting it offshore?

Ranjit Narasimhan: The Liberata business is part of a conscious strategy to continuously enhance the margins and go towards value added service to the customer. Initially there could be some marginal pressures on the margin, but over period of time this may turn out to be more profitable than even the existing business.

Vikas Jadhav: It is definitely a good acquisition and last question, in this troubled times, I mean we have focusing on output based pricing and non-linear pricing models, so are seeing any change in the clients kind of a outlook or they opting out for such models, can _throw some color on this?

Vineet Nayar: There are two aspects; one is that one sixth of the revenue three years ago was coming from this model, which is now about one-third of the revenue, so there is a significant change .As we have rightly noticed in our fixed pricing or output base pricing or whatever you call it. Now that is because of two reasons. Number one, we have focused on it as I have been saying for the last three years and the second is the customers in the current environment want to reduce cost and that can be given in terms of reduced pricing or can be given in terms of converting the contract from a time and material contract into a fixed price contract where you can deploy more fresher's and squeeze out margins because of productivity tool usage and technology, so the answer to customer queries on pricing is moving towards this area, so these two trends is the reason you are seeing higher fixed price, which I think is very good for us, because two years in running you are seeing margin expansion five quarters in running, you have seeing margin expansion, thanks to this strategy working and thanks to customers adopting the strategy in these challenging times.

Vikas Jadhav: Thanks and good luck.

Rochelle: Thank you. The next question is from the line of Mr. Nirav Dalal from Avendus Capital. Please go ahead.

Niral Dalal: Hello Sir. I wanted some color on your ADM business, what has been the growth in this business and what are the margins in this ADM business, application, development and maintenance.

Vineet Nayar: So what had happened I think when I give you an answer it could result in wrong conclusion. The answer first is that ADM business has grown by about 39% year-on-year and margins in ADM business are pretty good. However, that cannot be misunderstood of that fact that how ADM business is growing at 39%, what is happening is in the total IT outsourcing deals, which we are doing, it is a combination of infrastructure and ADM and therefore the growth driver for ADM business is not ADM on a standalone basis, but the total co-sourcing or total IT outsourcing, which we are doing, so that is the answer on the growth of custom application and why it is out growing industry rates for HCL. The question of margin, it is a same margin as you get in the total IT outsourcing deal. It is one margin and the margins are pretty good.

Niral Dalal: Okay thanks a lot.

Vineet Nayar: Thank you.

Rochelle: Thank you Mr. Dalal. The next question is from the line of Mr. Shree Vasthan from Spark Capital. Please go ahead.

Shree Vasthan: The engineering services and R&D services have been growing very strong. Is it possible for you to give some sort of a breakup as to what is the underlying industries _-service like aerospace, telecom or head of equipment just wanted to get some idea about it?

Ranjit Narasimhan: So the engineering services for us have grown 8.9% quarter-on-quarter and about 45% year-on-year and this has been consistently the trend. I think the share of revenues of engineering services for HCL has moved up from 27.2% in 05-06 to 28.9%, so there is a 2% improvement of share of engineering services and that has been _led by three industries. The first one is Aero as you rightly pointed out, which is driving the growth. The second one is Telecom, which is driving the growth and third is medical devices, which is life science. These are the three growth drivers and engineering services.

Shree Vasthan: And the growth is more on the Semicon side or in the network equipment side that you are saying it has good growth; special equipment commentary from other people has not been so positive?

Anil Chanana: Yes, because they must be loosing orders to us, so I think the semi conductor industry is in as part of a problem which all of us are aware of and therefore we are seeing too much growth in the Semiconductor industry, but we are seeing a significant growth in the Telecom equipment manufacture space.

Shree Vasthan: Okay the next question is overall platform BPO strategy overall, Capital stream & Liberata will be adding to it. Just wanted to get some in sense of what has been the customer preference from platform BPO because historically it has been the larger player like Hewitt who have been strong in this area. First how is the customer acceptance been, what sort of lead time does the customers typically said take for you to sort of convince and to start out sourcing to you?

Ranjit Narasimhan: Actually this Liberata comes with the set of six marque customers. Three or four are in the global Fortune 500 and we need to see in a larger perspective. The customers are extremely happy with the existing vendor, we buy the company with a total contracted value of $540 million, which will be a steady stream of revenue over the next couple of year and moving the customers from the existing platform to Liberata will significantly enhance their productivity, so the customer's acceptance of the platform is good, the customer's contracts are very long, some of them are evergreen and when we had spoken to the customer, they were very happy with the fact that HCL has acquired, so they have access to much larger resource base than what they had earlier.

Shree Vasthan: That is in terms of existing platform. Suppose you are coming up with your own platform in new area, what sort of lead time it take and how is the customer acceptance for these has been?

Ranjit Narasimhan: Our strategy is to go for the acquisition normally inorganic growth and preferably acquire platforms which are already well accepted by the customer. We are also developing a platform on our own but that that is completely in a different space. Currently our focus is on acquiring companies with large contract value with platforms, which have been well accepted in the market.

Shree Vasthan: Okay, just to get a little bit more on Liberata acquisition, that is part of a much bigger organization, a part of it has been taken over, but I just want to get, is it mainly a license based pension insurance fees has been taken over. Can you give some more details on this please?

Ranjit Narasimhan: Yes, what we have taken over is Liberata Financial Service, which is part of a larger company called Liberata Limited. They are in to the financial services space as well as the public sector space. In the financial service they are in to life and pensions as well as some high end services, which include actuarial services, which are analytical services and also corporate pensions. They have a very large pool of actuarial on their role for capable of providing high-end services and high value added service to their customers.

Shree Vasthan: Okay sir, thanks a lot.

Rochelle: Thank you Mr. Vasthan. The next question is from the line of Mr. Jayendran Rajappa from Prabhudas Liladhar. Please go ahead.

Jayendran Rajappa: Thank you for talking my question. Congrats on great set of numbers and congrats to Vineet for joining the board. My question is primarily in terms of net addition to head count, which definitely has declined and has primarily skewed towards IMS services. What should one read into this trend and do we see this trend persisting going forward that is one point. The second thing is in terms of transformational deals, which is what we have been talking about and focusing on, have you seen the deal wins not transformational in nature but are _ more generic in nature that is one part and lastly if you could throw some light on given the current hedge position and what if one more to assume stability in the rupee level. What kind of mark-to-market losses would we incur over the next one or two quarters, thank you?

Vineet Nayar: I had made the statement about two quarters ago that things are getting quite mixed up between infrastructure services and application services, because in the total IT out sourcing contracts, which we are getting. The application monitoring services are being factored in the infrastructure division predominantly because we are seeing the significant advantage of bringing the culture of operations, the pooling of operations and the _right working of operations in the infrastructure services division and that is the reason that you are seeing some head count growth there.

The short-term answer on the application story is something, which I already gave you I think I said this about six quarters ago that I believe that our application business is far inefficient compared to our competitors. I think our competitors were running a much tighter and brighter show in the ADM business and there was not only an opportunity for us to increase the realization proportion but also an opportunity of running a tighter shift, so if you look at utilization rates they were not the best in class in the industry you can look at our deployment of freshers, they are not best in class in industry. If you look at our realization proportion, they are not the best in class in industry, so we went on six quarter ago and I said that in a conference call that we are going to plan to change it and I think what you are your seeing is that change, so the indicators, which I mentioned a few minutes ago are the fact that the freshers for example we started with about 5500 freshers, who are there unfilled in the first quarter and that came down to about 2500 and that came down to about 135, so most of those freshers we were able to accelerate and deploy them, which we were not able to do in the same period last year, so that is one so therefore when you are looking for head count addition the way you should look at a 5400 coming down to 2800 coming down to 135, so all these 2800 freshers got build in AMJ. The second is the utilization we were pushing it hard and we have taken enough from 71.3% to 73.9% and the onsite utilization from 95.1%-96.8% and third is when we sign the Computer Associate kind of deals and Cisco kind of deals, which are royalty based and not linked to effort we are seeing the advantage of those deals coming in. So those are the three drivers for us now if you look at that from a two year prospective the HCL story you would see that we have successful being able to increase the divide between the revenue and the manpower growth and if we continue to be successful in that area and this something, which we said three years ago I think you should continuous seeing that and that is healthy for our business.

Jayendran Rajappa: In terms of transmission deals taking a back seat?

Vineet Nayar: Let me define what so I think we have getting mixed up with vocabulary here, so I would say there is; what happens is that as I said 10% of a financial services and 4% revenues of a manufacturing company is spent in IT 70%-90% goes in to run the business and 10%-30% goes in change the business, so when you out source run the business it is called co-souring or outsourcing that means I am running the business on $100 million per annum please do it at $90 million per annum, so that is one kind of deal. The second kind of deals is the fact that you take my applications suite and transform that so that you can reduce the cost, so take 500 applications reduce it to 400 application, reduce it to 100 applications and the cost saving should fund the transformation. So these are the two kinds of deals, which we were getting. I would believe that HCL pioneer the run the business outsourcing but three years ago and then migrated to what I call transformation out sourcing about 18 months ago where we started taking large contracts where we will take the responsibility of transforming so what I called application portfolio optimization strategy transforming the portfolio of the applications and reducing cost through that so that we can be more competitive compared to our peers in the industry and that is the reason you are seeing a billion dollars of deals which HCL signed and you are seeing a larger component coming from new customers, which is 6% compared to our previous in the industry. So, HCL's win has been more transformational deals rather than normal deals are my short answer to you, Anil will answer that question.

Anil Chanana: Just too sort of the hedging position, which we have, comprises of two part one is the cash flow hedges and the other will take mark-to-market. The mark-to-market is already marked to market as of June 30. So _if the rate _deteriorates from thereon, it impacts but so as for what goes into the other comprehensive income or other comprehensive loss, which is _114 million, which is _sitting there, actually if I look, it has two components, one is the spot and another is premium. The spot component of that II4 is about 55 million. Your question was how it impacts the number for the next couple of quarter? I can give you number for the whole of 08-09. If I take just take this spot, which was Rs 43 rupees and 4 paisa as of June 30th, it will negatively impact my revenue and EBIT by7.1 million.

Jayendran Rajappa: Over than entire year?

Anil Chanana: Over the entire year. Does it help?

Jayendran Rajappa: On the premium parts, that would be constant?

Anil Chanana: I am just giving you on the spot basis, with just 43 rupees and 4 paisa but if you take the premium, which were prevalent as on that day by which the I mean as of June 30th if you are to buy forward for one year the forward rate is something like 45 rupees it is the impact would be 18 million. So at 43 it is 7.1 million if it goes above I mean it is about 18 million. It goes below 43 it will be less.

Jayendran Rajappa: Thank you so much this has been very helpful and all the best.

Vineet Nayar: We will take five more questions, we are running out of time but we will take the question from Centurion Bank, ICICI, ABN Amro, Goldman Sac and Lehman and therefore we will extend the time of the conference. Thank you.

Rochelle: Sure sir, thank you.

Vineet Nayar: And Franklin Templeton.

Rochelle: The next question is from the line of Mr. Pankaj Kapoor from ABN Amro. Please go ahead.

Pankaj Kapoor: Congratulation on a good set of numbers. Just trying to get a handle around the outlook for the next year given the way the environment is so; you spoke of getting a larger share of business from these non-manpower based deals but if I recall right I believe couple of quarters back you had probably said that you will start giving out specific number to the revenues once it reached a significant stage. So if I assume that this will be something around 10% you can correct me on that about 90% of the business is still is manpower intensive, so given that there is a still a high linearity in the business could you give some sense in terms of how the outlook on the hiring could be especially the fact that this quarter we had a fairly flattish kind of recruitment. Thanks.

Vineet Nayar: Yes I had said that when the output based pricing becomes material we will come out with it. Last year it was less than 5% and I think next year it will be more than 5%; you have already seen the announcement of Cisco, you already seen the announcement of Computer Associates and you have not seen two more additional announcements, which you will find, so the output pricing is already succeeding part of that you are already seeing in form of the fixed price contracts growing up, so seeing the trajectory I said it was one-sixth of our revenues and it is now one-third of the revenue you are seeing a significant increase there which is being demonstrated their, so all the growth which you are seeing in the fixed price revenues is largely coming from the output based price so that is the answer to that question. Guidance on hiring I have actually none I had requested to be excused on giving any guidance on manpower hiring or revenue and I will appreciate if you would allow me that liberty.

Pankaj Kapoor: Sure sir but in the way that this quarter the hiring in fact the net addition has been not significant and just follow this quite a bit further does it indicate any kind of a sense in terms of a near term uncertainty on demands, which most of your peer groups are talking about?

Vineet Nayar: No, I would say that I made the statement maybe you were not in the call that we were inefficient in running our ADI application business and we have now invested hugely in the last six quarters to make that more efficient, so what has really happened is the trainees we have been able to deploy them more productively and have been able to do with less lateral hires that is the reason you are seeing margin expansion, so any company which is able to do larger fresher deployment and lesser lateral is going to win in the longer term .So the last two quarters we have been able to demonstrate that the 5400 fresher we had in OND came down to 2800 and all the 2800 odd we were able to deploy in AMJ, so it is something, which we are demonstrating in HCL Technology that we are able to deploy these fresher very quickly in our cycle because of again the output based pricing and fixed pricing where we do not have to name the person and therefore do not look at just the net addition from that point of view, if you look at from the fact that the fresher pool is being intake and there again there is a new fresher pool coming in and our ability is to try and see if we can reduce the lateral hires and increase the fresher deployment as much as possible but that will keep varying from business to business. The second point you should notice is that we were 71.3% utilization last quarter, we brought that up to 73.9% this is a significant utilization improvement year-on-year and quarter-on-quarter, again some inefficiencies in our company, which will leverages with offshore and similarly we where able to leverage about 1.8% or 1.7% inefficiently in onsite utilization, so again that helped us increase the manifest, so what we did was we really squeezed efficiency, which is the last six quarter initiative we have taken. We really want to become as efficient as others are and I must admit the others were more efficient then we where and these are what I call looking at the path. Looking at the future I again I would again like to be excused and not make a comment on what is going to happen in future but I am pretty positive and that HCL will continue demonstrating success.

Pankaj Kapoor: Fair enough sir, lastly just on the T&M side of the revenues. Could you give some sense on how the pricing environment is looking like in terms of both the existing clients with whom I may say they are coming for renewal as well as the new clients who are coming in on the T&M side of billing?

Vineet Nayar: So what is happening is ; that so look at this carefully the overall pricing environment is pessimistic there is a pricing pressure; however, if you convert the pricing pressure into fixed price contract, so that means if you convert the customer's expectation of drop in pricing into drop in spending by converting the contracts into higher offshoring, more commodity based, which is output based pricing, device based pricing you can still squeeze the margins out, so that is one point and overall the environment is still pessimistic on pricing but you can manage and that is what we have done. The second way to do it is not to sell commodity services but using APO, enterprise transformation services, --- services, other consolidation services, enterprise application services, you can overall improve your pricing in the market space if you continue to be in commodity, which is the point I was making .On ADM I think there is an overall pricing pressure, so our strategy at HCL and that is the reason I constantly keep reminding all of you about our revenue mix in HCL Technology is going to be the critical success factor going forward if we as HCL technology has to succeed as we have succeeded in the in the last two years is that leverage these diversity in revenues, integrate it as a service point, so that you are not talking price you are talking total contract value and which is what we have successfully been able to that is the reason five consecutive quarter we have demonstrated margin expansion and two consecutive years we have demonstrate margin expand..

Pankaj Kapoor: Thank you sir, all the best.

Vineet Nayar: Thank you so much.

Rochelle: Thank you Mr. Kapoor. The next question is from the line of Shekhar Singh from Goldman Sachs. Please go ahead.

Sekhar Singh: Hi sir. Just wanted to know this dividend increase, which will happen this quarter is it like only one quarter phenomena or we will see it the coming quarter also, the same dividend?

Vineet Nayar: I think our dividend policy has been consistent over the last 22 quarters and in none of those 22 quarters we gave a prediction of what we would do going forward and I intend to continue with that spirit in which we announce the dividend policy, so I do not want to make a forward looking statement but you have to look behind to look in front and at the current share pricing I am sure you have computed this it is almost a 6% yield.

Shekhar Singh: For a growth stock?

Vineet Nayar: For the growth stock post tax so I think the shareholder should be quite happy with what we are doing and also demonstrate positive outlook on the company's growth.

Sekhar Singh: Secondly in the BPO business there seems to be some one-time income, which has propped up the margin can you just quantify what is the quantum of that one-time income?

Anil Chanana: Actually the one-time as I mentioned was a grant; however, it was sort of an eaten away by the what you call the hedge accounting side, the loss which was there half a million about and some on the exchange side. If I look at the EBIT margin side on the BPO, the gain by something like 250 basis point and the positive, one of the major positive, has been the exchange peers and also the grant, which I mentioned it was I mean to some extent taken away by the SG&A increase so these have been the positives and negative peer.

Sekhar Singh: So Vineet mentioned that going forward we are sort of confident about maintaining margins now when you say confident about maintaining margins- you are referring to Q4 or you referring to full year FY'08?

Vineet Nayar: The margins would vary quarter on quarter for various reasons because there is a salary increase coming in next quarter there is another salary increase coming in OND quarter and we distribute our salary increases over July or September and OND there is a customer reduction, which is happening next quarter, which will get compensated by a new revenue coming in, so margins will vary quarter-on-quarter but over the year-on-year on the organic revenue we will maintain margin.

Sekhar Singh: Lastly sir do you have any targets for employee utilization that you want to reach to, you have already done very well but any further targets for improvement in employee utilization?

Vineet Nayar: I think it is a signs we are watching closely our what I called the high performing colleagues and watching the best practices they are doing I think we have in the last six quarter achieved what I called an optimum level and if there is something else, which comes up in the horizon, which helps us improve utilization we will definitely push the anvil up but as of now I think we are at edge and if you ask my colleagues they are saying it is enough.

Sekhar Singh: Thanks a lot sir.

Anil Chanana: Thank you.

Rochelle: Thank you Mr. Singh. The next question is from the line of Mr. Harmendra Gandhi from Lehman Brothers. Please go ahead.

Harmendra Gandhi: Hi and congrats on a good set of numbers. I just want to ask you one question we have seen that wherever particular vendor is specifically big at a client location and the client is facing margin pressure because of the environment typically they have said to the vendor that you should share the pain and take some price cuts; because you are big in many of your relatively smaller clients do you see that kind of thing happening to you or this has already happened?

Vineet Nayar: First is I think you are absolutely right and this trend is not a new trend. I think this trend happened as soon as we started experiencing difficulty for our customers that they rightfully I would say rightfully asked their vendors to share their pain and I think their demand was quite reasonable and I commented on that maybe two or three quarters ago, so the way we have responded to that what call the reasonable demand especially because if you do not collaborate with your customers when the times are down you are not here for the next quarter or the next year you are here for a long term I mean we will be in and around for 32 years and hopefully for the next 32 years, so our philosophy is to find a win-win with our customers, so we have gone proactively with a proposition, which is quite unique in HCL and we have taken our top 50 customers and found a way to reduce their total spending and the same time to protect our margins, which would mean that we have told them that we will off shore more, convert the the contract into a fixed price contract and will you a discount and allow us to deploy whatever resources, technology methodology so that we can make some margins and you get the spending reduction, so all those things we have done.So our philosophy in HCL is to collaborate with our customers including the customers, so there is a spending reduction, which is happening at the customer point and initially the customer had said to us that he would be flat in budgets but suddenly there is a crisis point in his business because of which he wants to significantly reduce the spending and we have said absolutely fine I mean we are not throwing the contract at him, it is absolutely fine for $10-$12 million per quarter to go down and we are very clear that as soon as his business is stabilized a majority of his business will come back to us and this is part of a business and this is the way you need to collaborate with your customers to grow your business and HCL will have to adopt new business models output based, risk, reward sharing whichever way it is to be able to deal with it, which I think for the last five quarters of margin expansion and two year's of margin expansion we have demonstrated that it is possible so far so good.

Harmendra Gandhi: You mention two of your BSFI clients were facing pressure two quarters back, so one of them you said has deteriorated further what about other one?

Vineet Nayar: Right now it is all flat I met that customer only today and as of now there is no indication in his mind of any further deterioration, he is only talking about positive language but I am not as positive he is right now.

Harmendra Gandhi: Thanks a lot.

Rochelle: Thank you Mr. Gandhi. The next question is from the line of Mr. Murali Yerram from Franklin Templeton. Please go ahead.

Murali Yerram: It is a question on your cash flow statement; the forex loss you had for the year about $70 odd million, has it been paid or is it being written back on the cash flow statement?

Anil Chanana: Sure, I can answer your question. What happens is that the cash component of that loss is only 9 million. Rest all is mark-to-market so when you see the balance sheet it gets sort of a adjusted out of the total stock holder equity.

Murali Yerram: Why is it not added back to the cash flow from operations?

Anil Chanana: Current liability : if you look at the change in the assets and liabilities, there increase of 185.5 million.

Murali Yerram: That is included there.

Anil Chanana: This is included there, you have to any case take the asset and liabilities and do a fund flow I mean in any case will get captured.

Murali Yerram: Thank you.

Rochelle: Thank you Mr. Yerram. The next question is from the line of Mr. Nitin Padmanaban from Centrum Broking. Please go ahead.

Nitin Padmanaban: This is with regard to the BPO. I was just wondering over the past I think couple of quarters I think in the transitioning phase and billing rates have also been going down but when do you really see this really kicking up in terms of growth when do you see this phase really going off?

Ranjit Narasimhan: Actually the billing rates have not been going up they have been continuously going down.

Nitin Padmanaban: Going down is what I meant?

Ranjit Narasimhan Actually it is not going down .It is going up that is why you will see a significant margin expansion and secondly the growth and revenue last year was 21% and there was much higher growth in the EBITDA but if you see a slightly longer of period time last five years the CAGR for revenue is 50% and CAGR for profit is 131% and it is only last year we have been undergoing transformation changing from input based sales changing from voice centric and non-voice centric and to focus on platform based services and result will be visible this year. You will find actually the significant margin expansion between 07-08 and the previous year.

Nitin Padmanaban: The other thing was this time the involuntary attrition is sort of up so is that to really tone down regarding the same thing you were talking earlier?

Vineet Nayar: You are talking about BPO or are you are talking about general business?

Nitin Padmanaban: The Core Software.

Vineet Nayar: There is one problem, which we are facing in the industry and I am talking to my colleagues, which is that forging of Bio-data. The percentage of people failing in background checks has significantly increased and the background checks because of what ever is happening in our country and around the world has become very stringent, very important for most of our customers and everybody even in NASCOM meetings we were taking about how do we fix this problem because this is like a malice and I think there is some articles written in Indian newspapers on this issue of the habit of lying, increasing your mark sheets talking about the fact that you graduated from colleges you did not graduate, so we have seen over the last two quarters a sudden increase in background checks, rejections and this was only restricted to BPO for sometime BPO industry was suffering from this for quite sometime but the IT industry largely was isolated form it and BPO industry in NASCOM meeting used to constantly talk about it. We are suddenly seeing that happening in the IT industry in the infrastructure management industry, which is concerning so I do not have an answer for you but and what is to be done but I hope it does not increase further and I do not know how to hire people. You cannot for background checks to hire people; you have to hire them and train them and by that time do their background checks so that they can be deployed in 30 day and in 30 days' time you can finish the background check but with this rejection rates, we will have to really think about how to solve this problem but it is a big problem.

Nitin Padmanaban: Thank you.

Vineet Nayar: Thank you.

Rochelle: Thank you Mr. Padmanaban. The question is from the line of Mr. Yash Gadodia from ICICI Direct. Please go ahead.

Yash Gadodia: My question on pricing as been answered; I actually missed the EBIT expansion explanation, I am sorry if you could just go through back once again.

Vineet Nayar: The EBIT expansion...

Yash Gadodia: The break up that you had given.

Anil Chanana: Give me one second, you talking about EBIT expansion for the...

Yash Gadodia: The 123 basis points expansion.

Anil Chanana: As I said all the business this quarter reported EBIT expansion and I will give you the components of 123 basis points; the higher utilization gave us

85 basis point, the exchange rate and the depreciation of rupee - gave us 191 basis point, which was fully utilized by increase in SG&A to the extent of 108 basis point and hedge accounting where will we lost this quarter by 82 basis points. In addition, there was one-off in BPO, which gave us 43 basis points and higher realization gave us 14 basis points. This was to some extent offset by the increase in the depreciation by 10 basis points and the change in mix in favor onsite; onsite margins are lower than the offshore margin that took away 10 basis points, so we had positives of something like 333 basis points we have negatives include the exchange rate of 210 basis points.

Yash Gadodia: On the revenue you said 19.8 million was due to volume 1.4 was onsite, 3.5 some one time and there was another component in that?

Anil Chanana: So 19.8 was volume, 3 million was higher realization, mix change in favor of onsite, which I talked about on the margin side was 1.4 million and the one time revenue component was 3.5 million.

Yash Gadodia: On the negative was 3.7?

Anil Chanana: Negative 3.7 was the reduction in the material revenue, material revenue last quarter was about 14 million in infra business and this quarter was only 10 million, so that 3.7 million went away there and hedge accounting took away 5.1 million, so net-net it was 19 million but the effect is that volume gave us 19.8 million in revenue terms.

Yash Gadodia: That is it, thank a lot.

Rochelle: Thank you Mr. Gadodia. Ladies and gentlemen that was the last question. At this moment I would like to hand the conference over to Mr. Shiv Nadar for any final remarks.

Shiv Nadar: Thank you very much for attending this conference call, it has been probably the longest that we have taken so far and a very high level of attendance thank you for your interest and thank you for attending it for this long sufficiently, good night.

Rochelle: Thank you Mr. Nadar, thank you gentlemen of the management. Ladies and gentlemen on behalf of HCL Technologies Limited that concludes this evening's conference call. Thank you for choosing the Chorus call conferencing service and you may now disconnect your lines. Thank you.