# "HCL Technologies Second Quarter Earnings Conference Call"

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**MODERATORS**:

Mr. Shiv Nadar, (Founder Chairman and Chief Strategy officer HCL Tech.)
Mr. Vineet Nayar, (CEO, HCL Technologies)
Mr. Ranjit Narasimhan, (President & CEO,HCL Tech. BPO Division.)
Mr. Anil Chanana, (Executive Vice President.)
Mr. Prahlad Rai Bansal, (Corporate Vice President.)

**OPERATOR:**

Ladies and gentlemen, good morning and good evening. I am Rochelle, the moderator for this conference. Welcome to the "HCL Earnings Conference Call." Please note that for the duration of this presentation, all participant lines will be in the 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 on this conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time I would like turn the conference over to Mr. Shiv Nadar. Please go ahead, sir.

**SHIV NADAR:**

Good evening ladies and gentlemen. Thank you very much for joining our conference call. Here on the call, it's me Shiv Nadar, there is Vineet Nayar, who has now been newly elevated CEO and President of HCL Technologies; Mr. Ranjit Narasimhan, CEO of the BPO Division, Anil Chanana, Executive Vice President and Prahlad Bansal, Corporate Vice President.

Thank you very much for joining us. The results, which have been announced today, have been with you for a while. I will request Vineet to say a few words then followed by Ranjit, followed by Anil Chanana and afterwards we'll turn it over for question and answers. Thank you. Vineet, your call.

**VINEET NAYAR:**

Good evening ladies and gentlemen. Welcome to the Q1 results of FY08. We are happy to share the results with you. I believe there are eight key highlights for this quarter.

First is growth, you will be happy to know that we crossed LTM revenues of $1.5 billion, our revenue for this year is…this quarter is up, 43% year-on-year and 8.4% quarter-on-quarter. IT services has also grown by 43% year-on-year, 9.4% quarter-on-quarter and you must remember that comes on the back of a 9.3% quarter-on-quarter growth last quarter, and the net income is up 42%. So, that's growth.

Consistency is a second hallmark of the results. This is the fourth quarter consecutive quarter we have shown a greater than 14% growth year-on-year, four consecutive quarters. And if you look at the CQGR, for the last four quarters it is 9.3%, and if you look at the CQGR of the last six quarters that is also 9.3%, showing the consistency of results, which we have demonstrated, and also shows that the transformation initiative we took have started showing early results.

The third is higher realization. What you see is a 43% growth in revenue with only 25% increase in headcount, and that is happening because of a higher realization. What is interesting to note is that there is a 7.8% year-on-year growth in realization per person, and that 7.8% is largely driven by about a 9% plus year-on-year growth in offshore and about a 8% plus year-on-year growth in onsite base or onsite realization per person.

That realization per person is not just been driven by bill rate increase. Actually, what is happening is, the mix of what we are selling is changing, which is what we have been indicating to you for the last two years, and because of the product mix, the revenue mix, the geography mix changing, and also the way we offer our services changing, the realization per person is showing a healthy trend.

The fourth point is margins. Interestingly, what you are seeing is that the operating margins are being retained on a quarter-on-quarter basis at about 17.3%, despite a salary increase this quarter. So therefore, our operating levers have worked pretty well this quarter, and this quarter has also been where we have added the maximum number of IT professionals in the RIT services of 3,600, which is a largest addition of manpower in a quarter for the IT services for HCL.

Similar margins even on Y-on-Y basis, we have been able to retain similar margins despite an appreciation of 12% to 13% of the rupee. So, at EBIT at 17.3% and net income at about 18%, the margins have remained intact on a Y-on-Y basis almost in fact despite of a major fluctuation of rupee. So that should come as a good news for all of you.

Just look at the people aspect, which is the fifth aspect. While everybody is announcing, and most of the industry is taking about attrition being constantly a problem, the attrition in IT services has shown a downward trend, third quarter in a row.

Now, unlike the financial statements there is no standards on the way attrition is computed and declared. Therefore, I will not look too much into absolute attrition, but the trend line for the industry seems to be going up, and the trend line for HCL seems to be going down at least for the last three quarters, which is thanks to the "Employee First" initiatives and many other initiatives we're taking.

It will also crosses with 45,000 people this quarter and also continues, and this quarter was the largest addition on manpower of 3,600 in IT this quarter.

The sixth aspect of interest in this quarter is the deal flow. This is starting with a big bang. It is always good if you start the quarter with a high, if you're opening batsmen could score a century as I always call it, the rest of the team hopefully will fall in place. So, starting with a $250 million big bang deal, which we announced this quarter, hopefully, our customers will agree and come back for a press conference, therefore, we are retaining, not declaring the name or the industry segment with which we are working with the customer.

So, with that and the third in…this is the third deal we have announced in the last 24 months and all are IT deals. So, we are not taking about the acquisitions or carve out or paying money to acquire an entity, we are talking about plain vanilla, total IT outsourcing contracts, the third greater than $200 million. 12% of our revenues are coming from the big deals, we have already signed, which is the current quarter, and I think that will only go up.

So, with the big deals playing a major influencing role and the story of margin expansion, and the story of revenues growing and people not going with the same ratio, you are hopefully seeing the early indications of the strategy we rolled out 2 years ago saying that we will basically disrupt our business model and bring about a non-linearity to the goals. However, these are still early indicators, not too much to talk about, but its interesting to see the early indicators.

The seventh point I would talk about is, what are the growth drivers? The growth drivers continue to be the same over the last, you know, four or five quarter, first is our non-US revenues, have grown 62% year-on-year, because of which our US dependency has come down from 60% same quarter last year to 55% this quarter. So, there is a 5% reduction on US dependency on a back of…back of a 40% plus Y-on-Y growth in revenue for the last four quarters.

So, our revenue has consistently grown. Dependency on US has come down from 60% to 55%, and I see that trend line continuing because it is a conscious strategy adopted by us, and the reason for that is that ANZ, Japan and Europe are fast expanding markets. And they're finding meaning in the total IT outsourcing services, which we are offering to our customers.

All services lines are firing, which is a good news, which I said last time also. Infrastructure continues to lead the way but you've also seen growth in IT services, in the application services this quarter, which indicates what I had said that the infrastructure and application combine is really paving the way of a new industry getting created. So, infrastructure at 63% year-on-year is a interesting way to see how infrastructure is driving application growth.

The second very interesting point you should see here is that engineering is growing at 47% year-on-year, and as I explained to you last time it is very important for HCL to see engineering growth because somewhere down the line we're going to merge engineering applications and infrastructure and combine that as one service, which we will talk about, As software as service or you know, the frameworks and different propositions can be brought at the table.

This is over and above the exciting possibility of integrating BPO and application. We've not seen to many deals of that kind right now, but I think there is…there is a lot happening in the market in that space. When that integration happens, you will again see different services dragging the other services for their growth. So, that is going to be an interesting trend in the multi-service construct of HCL.

There are three verticals. We just started growing greater than 80% year-on-year this quarter, which is very interesting, which are Life Sciences, Aero and Auto, and Financial services. So, when you look at Life Sciences, Aero and Auto, and Financial services and when you look at the comparative scenario, you are finding that HCL has found micro verticals in Life Sciences and Aero or Auto where it is accelerating its growth, and where some of the other colleagues in the industry are not finding growth. So, that is the one strategy of micro verticalization.

The second is that we have micro-verticalized the Financial services itself, and chosen our spots of beauty and because of that we are driving growth at 80% year-on-year in this quarter. So Financial service is also growing, which is interesting.

The next one in growth is the top twenty customers are growing at 9.8% CQGR and 46% year-on-year, so, the health of our top twenty customers looks pretty good.

Last point is on recognition. The recognition as I always say that, you know, you can grow if you are early to market with the service, and if you are best in class in that service. So, we were early to market on the Remote Infrastructure Management Services and Forrester report, which came out on the European Remote Infrastructure Management reports. "HCL is the only Indian company to be cited as a leader in the European Remote Infrastructure Management report." So that should settle any doubts in anybody's mind as to who is the leader on Remote Infrastructure Management, and Ovum has also declared HCL as a leader in Remote Infrastructure Management.

So, we continue to leverage Remote Infrastructure Management not only for RIM alone, but also to drive the application and the total IT outsourcing growth.

There is a point I would like to make on the Forex gains, which I would…which Anil will elaborate, which is important for us to point results for you. You saw a huge Forex gain last quarter of $61.5 million against $3.6 million of this quarter. When we came and explained the $61.5 million last, I am sorry, let me repeat that.

Last quarter you saw a $61.5 million gain in Forex and that was based on the fact that the rupee appreciated significantly in that quarter and also because HCL had adopted a hedging policy, which was pretty good policy applied over the past few years. We ended up making a significant gain in that quarter, which we declared and we explained to you that it was a one-time in nature and may not repeat itself.

The way we are now accounting for our hedges is different, which Anil will explain, because of which you see a $3.6 million in the P&L, and you see a significant amount in the balance sheet. That's the comment on the Forex gain.

Overall, our outlook for the current quarter and for the current year is quite good. We believe that we've started with a bang. The current run rate in IT services is quite good. So, even if on the current run rate on IT service is the growth and, you know, we do nothing more in IT services, we grow 25% year-on-year, which is not definitely what we're going to do. But the outlook looks good, the deal flow looks good, the company seems to be on a good trajectory for growth.

With that comment, I hand over to Ranjit to share with you the perspectives on BPO.

**RANJIT NARASIMHAN:**

Yeah, thanks Vineet. The BPO Division completed one more satisfactory quarter. During this quarter, our revenue grew by 43.6% year-on-year to $55.1 million, the EBITDA grew

66.3% and the income from operations grew by 94.3% year-on-year. We managed to sustain a high level of profitability even under difficult market condition.

Last quarter we were ranked by Janney's Outsourcing Newsletter to be the most profitable third-party BPO operation in India, during the AMJ quarter.

One important factor I need to mention in this connection, our second largest customer last year who accounted for 13% of our revenue from an Indian operation merged with another company, and the new company has decided to withdraw all outsourced operations from India, and hence withdrew their outsourced services from the three Indian vendors who were doing their operation and the complete operations came to a…ceased with effect from 30th September, 07.

We have made necessary arrangement to makeup for this loss of revenue with revenue from other customers and hope to continue to outperform industry growth rates though there maybe a slight dip in the revenue during the OND '07 quarter.

The people centric processes institutionalized by PCMM Level 3 certification helped us to achieve the lowest attrition in the last 3 years during this quarter, and as we go forward, we shall continue to focus to move up the value chain**,** thanks, Anil. And now, I hand over to Anil.

**ANIL CHANANA:**

Thanks Ranjit. Good evening everybody, I am going to walk you through the quarterly results and explain the variances vis-à-vis the last quarter of fiscal '07. I am going to explain the revenues where the growth in revenue came from. What have been the EBIT, the levers on the EBIT? What it was positively and what it was negatively? Then explain the foreign exchange gain, which Vineet talked about. The treasury gains and the tax, how it looked like.

Let me first give an overall perspective. As Vineet said, during July to September, our revenues at 429 million were up 42.8% Y-on-Y with net income going up by 42%. We grew something like 33.3 million in revenues. Incidentally this is, I mean, it is just a coincidence that this is exactly the same number by which we grew in April to June quarter.

Now, where this revenue growth of 33.3 million has come from? There has been an 8.1% growth in revenue on account of volumes, the effort. Then the realization has given us 1.4%. The hedge accounting, which I am going to talk slightly later has given us 0.3%. We talked about the higher realization being even on…Vineet talked about Y-on-Y as 7.8%, I mean, on a blended basis, this quarter offshore realization moving up by 1.7, onsite by 2.5.

There have been on the revenue side certain things working on the negative in the sense that though they were good for profit like change and mix in favor of offshore, which took away growth by 1.3%, and there has been a reduction in the non effort base or as we call it one-time revenues, which have again come down. So, the net-net we grew by 8.4% Q-on-Q. Just to summarize, volume growth of 8.1, higher realization 1.4, hedge accounting impact of 0.3% and the negative contributing 1.4. So the net was 8.4%.

If I go service offering wise, the core software, the volume growth was phenomenal 8.9%, the realization…better realization here contributed to 2.4% in growth and the change in mix in favor of offshore took away 1.8% of the growth leading to 9.5% growth in the core software side. Infra volume growth 12%, and there was a reduction in the non-effort base revenues there, which took 2.8%. So, it was net-net 9.1%.

In BPO, it was more of a one-time revenue and you would also observe that in BPO there has not been any headcount increase and what has happened is that, I mean, there were higher number of working days in July to September quarter, so that has sort of a…kept the tempo on.

I will now move on to the…to explain the EBIT, in terms of EBIT, our margins this quarter are at 17.3% exactly the same as they were in April to June quarter. There have been negative and there have been lot of positives. The negative have been the wage hikes, which was 15% offshore and between 3% to 4% onsite, which took away on the…for the company as a whole 172 basis points.

You had heard Vineet mentioning that we hired something like 3,615 people in the IT services. It had an impact on the utilizations when we take into account the trainees, and it impacted the EBIT margin by 39 basis points. So, on the negatives, we had 213 basis points.

On the positives, we had higher realization giving us 121 basis points, the mix, the SG&A leverage, and the depreciation leverage giving us put together 92 basis points. So, there was…there was no negatives in this quarter. We could absorb the wage hike in our numbers for this quarter.

I will now move to explain the treasury income. During this quarter, we earned 8.2% returns on our…on the treasury investment. If you look at the treasury returns, the income this quarter was 10.3 million, opposite 10.4 million in April to June quarter. I am basically for calculating 10.3 and 10.4 considering the unrealized gains as being part of the income. So, we'll continue to build the unrealized income from treasury, which is currently standing at something like 20.8 million.

I go on to explain you an important, I mean a thing, which Vineet mentioned in terms of foreign exchange gains. You would have observed that this quarter we have recorded 3.6 million of foreign exchange gains, opposite 61.5 million in the quarter ended on 30th June 2007. We till 30th June 2007, which was the last fiscal year have been marking-to-market our foreign exchange covers. So, it was…any gain, which was realized in that quarter or any gain, which was even unrealized at that point of time, it used to be passed through the income statement into the balance sheet.

What we decided was to reset the rates and put them as of July 01, 2005. So as for the covers, which existed as on 30th June 2007, the rate was reset, it was…it was to these…yeah, to the rate which was on 30th June 2007, and from there on we calculated our gains, the total gains, which were there are at 59.3 million. So, 3.6 million, which came to the P&L, and 55.7 million, which were taken to the balance sheet directly, and something like 1.5 million, which were taken through the revenue. So, I beg your pardon, it is not 59.3 it is 60.8 million, so which is total gains for this quarter. This is on top of whatever we recorded 61.5 million in the quarter immediately before.

As of 30th September 2007, we are having dollar-rupee cover of $1.86 billion. This covers us for the next nine quarters. So, what has happened is that hedge accounting has…due to following the hedge accounting the…whatever gets realized, the gains which get realized, so the change in rate from 30th June to 30th September and whatever is realized amounting to 1.5 million has been taken into revenue and which is like 36.36% increase in the revenue, which is…it is constituting.

I will now move on to…walk you through the tax provision. The tax provision this quarter has been inline with what has been for the full year of 06-07. So, it was 10% this quarter, it was 10% for the whole of last year.

There is not much change in terms of the number of shares outstanding in the quarter. That is all I have to say. Yeah, in terms of capital expenditure, we have in this quarter covered, I mean, incurred 28.2 million, and we for the full year expect to incur about 150 million.

Thank you. Now we will open the floor for questions.

**VINEET NAYAR:**

So, Anil can you just…just so that because you changed your numbers in a bit. So, what we are saying is 61 point, against that $61.3 million what is the forex gain equivalent. Okay, if you could run those numbers again because you changed those numbers in between?

**ANIL CHANANA:**

Yeah, against 61.5 million the gain is 60.8 million.

**VINEET NAYAR:**

Right. Out of which how much is in the balance sheet?

**ANIL CHANANA:**

What is in the balance sheet is 50.7 million, which is shown in the notes to the accounts, which is Note #A2.

**VINEET NAYAR:**

Okay. Okay, we open the…open for question and answer please, moderator.

**Q&A**

**OPERATOR:**

Thank you 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 "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and

"2". Participants are requested to use only handsets while asking a question. Anyone who has a question may press "*" and "1" at this time.

The first question comes from the line of Mr. Joseph Foresi from Janney Montgomery Scott. Please go ahead sir.

**JOSEPH FORESI:**

Congrats and good performance this quarter. I just had a question, first on the budgeting heading into calendar year '08, maybe you guys can give us some color on what you are seeing as far as client spend for calendar year '08, and what you expect revenue growth to look like this year on the financials…I'm sorry, on a fiscal basis?

**VINEET NAYAR:**

The question #1 answer is that you know, it's…there are two ways of looking at it. One is that the trend of spending within the IT organizations globally is going towards save money and run the business and deploy that savings in change to business. So, people are not going head over heels in spending discretionary funds and change the business. Unless they have a strategy on figuring out how they can reduce the costs to run the business. So, 'run the business' had suddenly become a very important element in everybody's strategy. When we say run the business, what it basically means is that the story of application operations, production support, infrastructure management and BPO is "run the business." And they want ways of improving SLAs and reducing cost in that "run the business."

Now, that is exactly what we, as an Indian IT industry and HCL as a pioneer started offering and that is the reason we are seeing a significant growth in "run the business," and that "run the business" is moving towards India in a very big way. And that is the reason the Indian IT industry outlook is very bullish.

The discretionary fund on "change the business," I would say is you know, we are not seeing too much discretionary funds in "change the business" where people are spending significant dollars in "change the business" and that is the reason you are not seeing too many orders on "change the business." But, we are happy with the approach which our customers are taking of funding "change the business" or to "run the business" and deferring that, and so therefore, not taking the savings into P&L but deploying that into “change the business.” So, most of the deals we are getting is we are funding the “change of business” out of “run the business” and that budget of “change the business” also comes to us because we are funding the “run the business.” So that’s the question to your…first question in terms of how we are seeing. We are seeing an interesting trend of growth because of this particular reason.

The second reason, you are actually seeing growth is because suddenly the after success, which we have achieved in Dixon and Skandia and some other European customers, we are seeing a larger off-shoring trend coming out of Europe, and that is also driving positive growth. And the third is suddenly Australia and New Zealand have also joined the party, in terms of looking at becoming more competitive buying outsourcing operations to India. So, these are the three factors because of which we are seeing the IT spending, which is relevant to Indian IT services becoming positive.

On future outlook as I said in the beginning is pretty good, from an IT services perspective if we do not do anything else we are already on a 25% year-on-year growth basis. We had given a long-term guidance of 30% growth from now to 2010 and we continue to maintain that guidance over 30% growth rate from now to 2010, which is a long-term guidance.

**JOSEPH FORESI:**

And just to clarify your comments. So, are you seeing a slow down in discretionary spend or is it equal to what you saw last year or I mean just a little more clarity on your comments on the discretionary spending?

**VINEET NAYAR:**

We are seeing that discretionary spends on a standalone basis are slowing down. We are seeing discretionary spends originating out of savings of “run the business” are going up, and that is a reason the total volume of discretionary spends we are seeing the same. But, the mix has changed, that is the point I was trying to make.

**JOSEPH FORESI:**

Okay. Thanks for clearing that up. And just sort of looking at the margins, what was the impact from currency fluctuation on a basis by basis sequentially?

**ANIL CHANANA:**

30 basis points.

**JOSEPH FORESI:**

30 basis points. And what do we…and I know the headcount went down in BPO and you talked about a potential contract issue in that business. Should we expect revenues to come in a little bit on the BPO side?

**RANJIT NARASIMHAN:**

Yeah, we last had done…the second largest customer had decided to take their operations out of India from all the three vendors whom they are doing, and we are trying to make up with increasing business from other customers. As I stated this particular quarter in O&D there maybe a marginal dip, but overall during '07-'08 we hope to make, not only make up, but we also hope to outperform the industry growth rate as we have been doing for the last, all these years.

**JOSEPH FORESI:**

Okay. And just how many campus offers have you guys made?

**VINEET NAYAR:**

I don't have the number off hand, but we can get back to you.

**JOSEPH FORESI:**

Okay. And then just one, last one real quickly. The tax rate…if the tax holiday goes away in 2010, what do you expect the tax rate to be? Thanks guys.

**ANIL CHANANA:**

Currently as you see the current…the tax rate being about 10%, 10%-12%, in that period, I mean its dependent upon a lot of factors the sort of a type of other income, the treasury incomes, and so on and so forth, but I will place it very close to 20%.

**JOSEPH FORESI:**

Okay. Thank you.

**ANIL CHANANA:**

But then, IT will start dipping. So, it will go to 20 and then it will start dipping, as the growth will come through SEZ's.

**JOSEPH FORESI:**

Okay. Thank you.

**OPERATOR:**

Thank you, Mr. Foresi. The next question comes from the line of Mr. Moshe Katri from Cowen & Company. Please go ahead. It appears that no one is on that line. So, I will put in the next question.

We have the next question from Moshe Katri's line again. Please go ahead sir.

**MOSHE KATRI:**

Okay, thanks. Thank you. You haven't said much about pricing trends during the call. Can you give us a feel on what you are seeing on the pricing side? Thanks.

**VINEET NAYAR:**

Hi, Moshe. You know, as I said in New York the pricing trend had…okay, so let me give you the data and then let me give you the logic. The data we are seeing is it is 7.8% increase in realization per person, 9.8% in offshore. So, first data point is 7.8% increase in realization for HCL on a year-on-year basis. Also the fact that we said that the new contracts are getting renegotiated and new contracts are coming at 5% to 15% higher bill rates. When the contracts come up for renegotiation we are seeing a 3% to 5% increase in bill rates. So, these are three data points.

However, I want to give an explanation on these three data points. It is true that we are not selling today what we were selling two, three years ago. So therefore, to compare the bill rates of today with what we were doing two three ago is wrong. So, technically I will not call it a bill rate increase. So, realization per person is increasing with newer contracts because we are offering newer services.

**MOSHE KATRI:**

Great, thanks for the clarification. And then, you spoke a lot during your "Investor Day" a couple of weeks ago about your focus on performance based and milestone based contracts. Can you kind of give us some more thoughts on this in terms of the quarterly results today?

**VINEET NAYAR:**

Yeah, so one of things we had said was that the reason we wanted to do that was, we wanted to have a bigger and bigger divide between manpower and revenue growth, which is the indication which you are seeing and that is the two graphs we have added this quarter to make the same point. As I said in New York, the fact is that our focus is to make sure that we get into businesses where we are either transacting on a transaction based pricing or an output based pricing or a fixed contract based pricing. So that when eventualities like today happen, which is the dollar challenge and the manpower costs going up, we are able to respond with a higher flexibility then we have today. Today all the productivity gains, which we offer actually go to the customers pocket. So, our ability to respond to that situation gets marginalized, and that is the reason we had put together the strategy two years ago to try and move towards that.

Now, the total revenue in this quarter, it continues to be insignificant, it continues to be about 5%-6% that is the reason you know, we are not talking too much about it, other than the fact that is a conscious strategy for HCL, and that is the direction in which we are moving. You are not seeing that impact right now but over the coming years you will see that…you will see that as a big story from HCL.

**MOSHE KATRI:**

And finally, it seems that, as you said, this is the quarter where you had the largest headcount additions in your IT services operation. Should we read this a sign of confidence on what you are seeing out there?

**VINEET NAYAR:**

Yeah, what, what…yeah, I think the sign of confidence is definitely there, what I see out there. I see very exciting times. I see…the reason I see the exciting times is three reasons. #1 in US we are seeing a lot more operations contract, which is right up our alley, where we are very strong. In Europe, we are seeing total IT outsourcing contracts, which is right up our alley that's the reason we are very strong. And ANZ and Japan and New Zealand growing, where we…we are now we are as large as anybody else. So, we see as a great advantage, that's the reason we are excited about what we see ahead of us.

**MOSHE KATRI:**

Thanks, nice quarter.

**OPERATOR:**

Thank you, Mr. Katri. The next question comes from the line of Mr. Julio Quinteros from Goldman Sachs. Please go ahead.

**JULIO QUINTEROS:**

Thanks guys. Vineet, maybe first of all I should…congratulations also on the new title here. I wanted to just check on the penetration of your top accounts. Can you walk us through your best view on how mature you think your Top 20 accounts are today? And also what kind of competition are you seeing there, are they multi-vendor situations or you kind of sort of the single incumbent in these relationships?

**VINEET NAYAR:**

Yeah, that is a very interesting question. It goes back to the presentation chart, which I made. I don't have it in front of me, where I said that we have a two-pronged strategy, one is on large Fortune 500 to be, one of the multi-source vendors with a new proposition and that proposition could be either in infrastructure or a BPO or a testing proposition or a mark the data management proposition, content management proposition. And the second was that we want to be a total IT outsourcing vendor to Fortune 500 to Fortune 2000, those are the two strategies we put together. So, in our Top 20, right now we have 5 single sourced customers, right and 15 multi-sourced customers. Out of the 15 multi-sourced customers there are 6 of them where we are a dominant player. So that takes us to 11 in position of dominance. For the left nine, we are fast becoming a dominant player. So, we are right now on equal footing, or marginally less and when I am saying competition, I am talking about the global competition including IBM. And in those nine, we are we are actually gaining ground with every passing days using multiple services.

The second truth about these 20 customers, just all of them today have become multi-service customers, which was not true last quarter, but starting this quarter, all of them have become multi-service customers.

**JULIO QUINTEROS:**

Okay, great. And then, one question for Anil, Anil can you go back and just walk us through the three business lines and can you give us the reported revenue on a rupee basis and then dollar denominated basis, I just want to make sure I have those numbers correct?

**ANIL CHANANA:**

Okay so, if you…

**JULIO QUINTEROS:**

Broke it.

**ANIL CHANANA:**

If you go to Page #11. The IT services, total IT services is 373.9 million, which is constituted by core software of 309 million and infra of 64.7 million. The BPO revenue is 55.1 million. And if you go to the rupee numbers, the rupee numbers are on Page #20 and 21. 20 has the consolidated IT services, which is this core software and infra put together, it is 1,489.5 crores and BPO is 219.8 crores. The component of core software is 1,231.6 and infra is 258.

**JULIO QUINTEROS:**

Okay. Got it.

**OPERATOR:**

Thank you Mr. Quinteros. The next question comes from the line of Ajay Nandanwar from India Capital. Please go ahead.

**AJAY NANDANWAR:**

They got my name incorrectly. But hi and congratulations on a good set of numbers. I had a quick question on the forex gains, could you please explain how you decide what to keep in other income versus what goes into the revenue line, what gets taken to balance sheet. How is it accounted for?

**ANIL CHANANA:**

You know, till 30$^{th}$ June 2007, which was the last quarter of fiscal 2007, we have been marking-to-market the foreign exchange covers we have. What we decided was that we have now covers going up to something like nine quarters, a), b) there is too much of a volatility, which is happening, c) this is like a fiction, the marking to market, but not actually having realized it. So what we decided to follow the policy of cash flow hedges. So, currently the exchange gain is…the total exchange gains which we made on top of what we had made in April to June quarter, this quarter July to September has been $60.8 million, out of which 55.7 million went straight to the shareholders equity as other comprehensive income. It didn’t touch the profit & loss account. 3.6 million appears as below the EBIT level as foreign exchange gains. 1.5 million got added to the revenue, which is 0.36 percent of the total revenue for the last quarter.

**AJAY NANDANWAR:**

Sure, thanks for that split up. Also curious about how you arrive at that split, you know, especially between the split between what's below EBIT line and what's above the EBIT line?

**ANIL CHANANA:**

What is below EBIT line, I mean a) Is that when we are using the policy of cash flow hedges, we have to see whether these hedges meet the effectiveness testing, which is required to be done under using US GAAP. US GAAP has very tough norms in that regard. So, whatever passes through that filter will be sort of a taken to cash flow hedges, whatever doesn't pass through that filter comes as…will be below the EBIT line, #1. #2 item, which is impacting there is the restatement of foreign exchange or foreign currency asset and liabilities. So, we have operations in various countries and all those assets and liabilities are restated at the quarter end rate. So, any loss or profit, which is arising there, again gets passed through the foreign exchange gain/loss line item below EBIT. Okay is it clear?

**AJAY NANDANWAR:**

Thanks so much.

**OPERATOR:**

Thank you sir. The next question comes from the line of Ruchit Mehta from HSBC. Please go ahead.

**RUCHIT MEHTA:**

Yeah, hi good evening. Just on the BPO revenue front you mentioned there could be some fall in revenue in the second quarter. Did I hear that correctly?

**RANJIT NARASIMHAN:**

There maybe a marginal fall, but we are trying to make up for that to ensure that there is no fall in revenue. We have other orders on hand. But since the [Inaudible] went up, our second largest customer that who accounted for about 13% of the last year's revenue. That could be a marginal dip, but it will not be very significant. But overall the whole year '07, '08 we plan to not only to make up for that, after making up we also hope to outperform the industry growth rate.

**RUCHIT MEHTA:**

Okay, no problem. And just on the whole year hiring plans, could you give us a sense of what the hiring plans for the full year and then if you could split it up between the three different businesses?

**VINEET NAYAR:**

We had indicated that we will be planning a gross addition of 25,000…sorry, a gross addition of 25000 and a net addition of 12,000, spread across all the businesses. Beyond that we have not provided any guidance on manpower hiring business by business.

**RUCHIT MEHTA:**

Okay.

**VINEET NAYAR:**

And I just want to make sure that, you know, everybody understands what Ranjit was saying is that the largest customer accounted for 13% dip in…I mean 13% of the revenue. He has very clearly stated that it will not result into a 13% drop in BPO revenue and now please, and don't marry those two sentences and make your own assumptions.

**RUCHIT MEHTA:**

Okay, so the customer's actually has gone out, how much of a…I mean percentage of revenue was it really?

**RANJIT NARASIMHAN:**

It was declining over a period of last 8 months.

**RUCHIT MEHTA:**

Okay.

**RANJIT NARASIMHAN:**

Last quarter that accounted for less than 5% of that revenue.

**RUCHIT MEHTA:**

Okay, no problem. And just on the pricing environment, going forward into the full year do you see any scope to improve your actual billing rates on a like-to-like basis, apart from whatever productivity related gains that you may have?

**VINEET NAYAR:**

My answer to that is going to be the same as what I answered two years ago and one year ago, that I can't predict it right now. I dream about it and I hope for it and I see it right now, but I don't want to predict it and project it.

**RUCHIT MEHTA:**

Okay, no problem. Thank you very much.

**VINEET NAYAR:**

Thank you.

**OPERATOR:**

Thank you Mr. Mehta. Ladies and gentlemen if you have a question at this time please press "*" followed by "1" on your phone participants are also requested to use only handsets while asking a question.

The next question comes from the line of Sandeep Shah from ICICI Securities. Please go ahead Mr. Shah.

**SANDEEP SHAH:**

Yes. On the BPO, we are still mentioning that if you take out that 13%, 14% of the revenue in FY07, you will outperform the industry growth rate. So, this is based on what, is it like new deals which have been signed or some client ramping up because if you take out 14% it means we have to significantly grow to outperform the industry growth rates?

**RANJIT NARASIMHAN:**

Yes. Vineet connecting here (Ph), possibly I was not very clear I mean, I think that the customers accounted for 13% of the revenue from Indian operations last year. And we had agreed on a ramp down and during last quarter they accounted for less than 5% of our total revenue, which we would be making it up, and we have lot of orders on hand and orders' in pipeline.

**SANDEEP SHAH:**

Okay.

**RANJIT NARASIMHAN:**

Though the ramp down started in the April, you would find that even in the last quarter, there has not been any dip in the revenue or in the profitability.

**SANDEEP SHAH:**

Okay and what is the Indian BPO revenue as a percentage to total BPO revenues?

**ANIL CHANANA:**

I mean, Sandeep we are not giving that information, it's sort of a competitive information so please excuse us here.

**SANDEEP SHAH:**

Okay. In terms of billing rate comments, which Mr. Vineet has mentioned earlier, are we maintaining the same kind of billing rate are even been witnessed in the BFSI vertical because of the subprime issues? I believe for us the BFSI contribution is low, but I also believe that the plan concentration is high?

**VINEET NAYAR:**

The plan concentration is high and one of the comments I've made is BFSI has grown 18% year-on-year this quarter. So, what we are doing is, we are targeting through micro-verticalization**,** we are targeting insurance, we are targeting some portions of capital markets and we are targeting banking, retail banking in a big way. Right now our exposure to, you know, the mortgage market is quite low. Our customers have got exposed so, there is a direct impact and there is an indirect impact. We do not see any direct impact. That's answer #1. On the indirect impact, the indirect impact on our customers, impacted the discretionary funds, do not impact the non-discretionary funds. And the point I was making earlier was that two years ago, we've moved ourselves to…moving towards more operations revenue, more long-term contract, more operations revenue and savings of operations revenue is driving spending on discretionary funds. So, our projection with our customers we have…they definitely have got impacted, some of them have definitely got impacted, but we are not seeing that impacting our revenues with them.

**SANDEEP SHAH:**

Okay, but the billing rate increase, which you mentioned 5 to 15 for new contracts and 3% to 5% is it even happening with the BFSI clients?

**VINEET NAYAR:**

It is happening because, it is happening because we are offering new services.

**SANDEEP SHAH:**

Okay.

**VINEET NAYAR:**

That is the reason I made that provision very clear right in the beginning. So, let me maybe, maybe make it more clear. For same work, ADM to ADM work we're not seeing billing, you know, the new contract getting us a higher bill rate than the old contract. So, the…but, however, the fact that since we are offering new services, we are seeing higher bill rates. I hope that is clear.

**SANDEEP SHAH:**

Okay. And can you share the findings with the recent survey, which we have done with the clients?

**VINEET NAYAR:**

Yes, so that which is the point I was making, what has come out is as follows, which is the summary which I gave. That all of or some of them have definitely got impacted, which has impacted their discretionary budget of the project's which they were wanting to roll out. So, we are seeing the customers come back and saying they want to fund the discretionary out of outsourcing the operations, which is "run the business." So, they are showing an increase, significant increase in spending in "run the business" and spending with us, not with themselves because they want 20%, 30% savings out of "run the business" and that money they want to re deploy in "change the business." So, that is the biggest headline news we have extracted out of the survey we have done. Individual responses are different, you know, changing from customer to customer, but this is the headline news we have seen.

**SANDEEP SHAH:**

Okay, and is it the finding across all the verticals or some special…?

**VINEET NAYAR:**

No, this pressure we are seeing in retail, we are seeing retail in US and we are seeing in capital markets, US.

**SANDEEP SHAH:**

Okay, so for the other verticals even discretionary spending is going up?

**VINEET NAYAR:**

Yes.

**SANDEEP SHAH:**

Okay. Thanks very much and all the best.

**VINEET NAYAR:**

Yeah, but you must understand that we are educating the rest of the verticals that it is a bad strategy to fund discretionary budgets without saving from "run the business."

**SANDEEP SHAH:**

Okay.

**VINEET NAYAR:**

So, it is our…our energy is going to educate everybody else that retail and capital markets could happen to you tomorrow. So, you should look at it, because it fits into our area of strength.

**SANDEEP SHAH:**

Okay, thanks.

**OPERATOR:**

Thank you Mr. Shah. The next question comes from the line of Anthony Miller from Arete Research. Please go ahead.

**ANTHONY MILLER:**

Yes, good evening gentlemen, I am not…I want you to maybe just elaborate a bit more on the recruitment side. Firstly, can you give us an idea of what you think the fresher mix will be for the year and how that compares to last year? And secondly, can you talk about your training capacities, I am sure you know Infosys they had to delay the on take of freshers because of delays in building facilities. Can you tell me how your position is to take on the freshers this year and next and sort of what utilization you will be running your training at? Thanks.

**VINEET NAYAR:**

Of course, you know, I am not aware of Infosys' comments, but I can tell you that our team, which is creating facilities, is bang on target and they are delivering one very large facility on 1st of November, which is being inaugurated by the Ex-President of India and the current Finance Minister and the current Commerce Minister. So, we are on target with our Noida facility, we are on target with our Chennai facility, we are on target with our Bangalore facility. So, I at least have not heard back from them there is a facility reason for which we need to delay hiring. That correlation at least I've not seen in my business, #1. #2, our focus this year is to do a lateral to fresher hiring at a 50-50%. So, 50% of the people we want to hire are laterals and 50% freshers and the reason for that is we want to move up the value chain. We don't want to be into this 90% freshers and 10% laterals, predominantly because we do not see us as a coding factory or a testing factory. We see us as a value partner to the customer and we believe, if you want to increase realization per person than we better have people, you know, who can ask for that realization. And if you see the gross addition for the last year, we hired 9,900 laterals and 4,000 freshers. So, that was the equation last year. This year the equation will be more 50:50. Your question on utilization, I believe that because we have staggered hiring of freshers and because of the fact that we have e-learning initiatives, we would be able to maintain our utilization within plus minus 2% of where we are today. The last question was in terms of our capacity for training, we are a company which is, you know, which hugely believes in partnerships. There are so many partners out there who can train very well. There is no point of creating facilities for training for vanilla skills. So what we do is, all the freshers who come in into HCL, we train them through partnerships so an IIT trains them and there are I think 5 or 6 vendors, who participate in training these people. And that training starts one year before they join HCL, through e-learning and through some certification courses and when they join HCL then they go to our partnership partners facilities which are spread across metropolitan towns, which is convenient for them to locate co-locate with their…in their house. So, it keeps the costs low. It keeps the variable costs low. And therefore, we have an, you know, theoretically an unlimited number of people we can train in unlimited number of facilities and we get these trained people. The quality, that there is a way we run these programs is we assess the quality of the student and quality of training and we pay them based on performance. So, the performance of all the vendors is based on paid on the output they produce, based on the outgoing test and if the score in the outgoing test are low, then penalty upto 26% gets deducted, otherwise they get bonus. So, that is the way we run the partnership programs and that is the way we wish to run it in the foreseeable future. So, we do not see ourselves getting impacted by any of the events, which we have talked about.

**ANTHONY MILLER:**

I see. And just to clarify on that fresher mix. Did you not say that last year you own about 9,500 laterals compared to about 4 or 4,500 freshers, which is right now you know is 2/3rds, 1/3rd? And now you bring the fresher mix upto 50:50. So, in fact you are diluting it, not strengthening the skills. Isn't it that so?

**VINEET NAYAR:**

That is true because last year was a peculiar year where we were ramping up. So, if you look at our General Managers and above, we grew them at 56%. Our managerial position grew at 56%, whereas our total manpower positions grew by about 26% to 28%. So, last year we had to do a lot of rationalization to put key leaders in place, which we did last year. Today with these new initiatives, new service lines being established and initial investment, which were required made, we believer that we can increase the ratio of freshers. My point of 90% fresher is that industry standard is between 90% to…70% to 90%. And that was what I was referring to that benchmark not to what happened last year.

**ANTHONY MILLER:**

Okay, thank you very much.

**VINEET NAYAR:**

Thank you.

**OPERATOR:**

Thank you Mr. Miller. The next question comes from the line of SHEKHAR Singh from Goldman Sachs. Please go ahead.

**SHEKHAR SINGH:**

Hi sir, this is Shekhar Singh from Goldman Sachs Asset Management. Sir, I believe like you have this first right to refusal from Deutsche Bank, which is one of the largest bank in BFSI area and that right to first…first right to refusal as it comes to an end next year. Is that a point of worry for you?

**VINEET NAYAR:**

You know, I worry about everything. Not only first right of refusal, but I worry about every client and every employee. Every employee has a right to go away and every client has a right to go away, it's just a matter of excuses.

**SHEKHAR SINGH:**

But can't…

**VINEET NAYAR:**

I believe…

**SHEKHAR SINGH:**

Can't that be a…right?

**SHIV NADAR:**

This is Shiv Nadar. Actually I was the one who signed the agreement and implemented a good part of the Deutsche Bank agreement. The right of first refusal, you should know what is the meaning of that. Right of first refusal does not mean that the order has to be given to us. It is for us to say whether we will be able to take up this order in that price according to those SLA's or not. And so, during the period if in their good judgment, if they felt that we did not possess the capability to execute it, they would go and give the business to somebody else. For example, during this period, there was a large outsourcing contract called Project Orange. I don't recall the amount, but it was more than $2 billion.

**SHEKHAR SINGH:**

Okay.

**SHIV NADAR:**

This is an outsourcing contract of data centers, which is given to IBM. We were not invited to bid, so you should see these things in the right perspective.

**SHEKHAR SINGH:**

Okay.

**SHIV NADAR:**

Can I elaborate any further on this for you?

**SHEKHAR SINGH:**

That's fine, maybe I will take off line.

**SHIV NADAR:**

Sure.

**SHEKHAR SINGH:**

Thanks a lot.

**OPERATOR:**

Thank you Mr. Singh. The next question comes from the line of Sarvottam Kumar from Lehman Brothers. Please go ahead.

**SARVOTTAM KUMAR:**

Yeah, hi Shiv. My question relates to exchange rate. I wanted to know what was the realized exchange rate for this quarter? And my second question is why do we do convenience translation, isn't it better to translate the dollars revenue into rupee revenue using average realized rate? Thanks.

**ANIL CHANANA:**

So far as the translation is concerned, we have been consistently following the quarter end rates. We have deliberated what should we follow. We don't want to deviate from the practice. So it's, and then, we want to keep the numbers consistent, so that has transparency, consistency that has been our policy.

**VINEET NAYAR:**

But your point is right in terms of if we had done a convenience transaction, I mean convenience conversion, then this quarter results would have looked better. But that's not what we wanted to do. We wanted to be consistent with what we have done in the past.

**ANIL CHANANA:**

I didn't understand your first part of the question. Maybe if you could repeat please?

**SARVOTTAM KUMAR:**

So what were realized rate for this quarter?

**PRAHLAD RAI BANSAL:**

The realized rate for the quarter is 40.36.

**SARVOTTAM KUMAR:**

Okay, thanks.

**OPERATOR:**

Thank you Mr. Kumar. The next question comes from the line of Deepen Shah from Kotak Securities. Please go ahead.

**DEEPEN SHAH:**

The question has already been answered. Thank you.

**OPERATOR:**

Thank you Mr. Shah. The next question comes from the line of Atul Bhole (Ph) from Tata Mutual Fund. Please go ahead.

**ATUL BHOLE:**

Hello, sir. We have…you have shown a new client addition of 19. However, the net increase in active clients is only 2. So, can you explain what has happened to the 17 clients?

**VINEET NAYAR:**

So, what really happens is that when these, you know, especially in technology projects, in our engineering services, when we get a technology development project, we get it as a project. We don't get it as a client. It's not, you know, ongoing customer.

**ATUL BHOLE:**

Okay.

**VINEET NAYAR:**

So, that customer goes away once the project is over.

**ATUL BHOLE :**

Okay. Thanks.

**OPERATOR:**

Thank you Mr. Bhole. Ladies and gentlemen, if you have a question at this time, please press "*" followed by "1" on your phone. You are also reminded to use only your handsets while asking a question. We have a question from the line of Kanchana Vydianathan from Pacific Crest Securities. Please go ahead.

**KANCHANA VYDIANATHAN:**

Hi, thank you. One question is with respect to infrastructure management services; if I look at your operating margin it's about 11.7% and that's still below I guess the operating margin of BPO and the core software. I mean, I do realize that the operating margin has improved over the past 2 or 3 years. Can you help us understand you know, how high do you think if this operating margin can increase and what are the levers that can be used to increase your margin?

**VINEET NAYAR:**

What really is happening is when we started this business maybe 2 years ago and I don't have the numbers right now, but we were in the single-digit margins and we were asked the same question and the infrastructure business has two relevance's for us. One is that it is the core driver for us to change, pursue, to run the business. So, when…when we go and say that we can do operation better than anybody else it is dominated because we are using the tools framework, methodologies like for example, ITIL is relevant in CMM Level 5 is irrelevant. So because of this the total IT also same contracts we are getting is because of the infrastructure management. So I'd not look at infrastructure management as a standalone business, but I will look at infrastructure management as a related business. So, that is…that is the first important point, I just got the numbers in front of me, in July-September '05 the infrastructure EBIT margins were about 6.5% and they are now at 11.83%, so that basically about doubled in 2 years time. So, do I believe that they will double in the next 2 years time? There are enough levers, once the volume increase once they approve…approach sizes of the

BPO kind of sizes and once the customer start you know, giving up these long-term contracts, which start rolling and we are able to get more efficiency out. I see…I see margin levers in infrastructure business.

**KANCHANA VYDIANATHAN:**

Okay thank you. One another question was, with respect to your large deal pipeline. Can you give us more information with respect to you know at this point, how many deals are you bidding for you know, with respect to geographies are there more in North America, Europe and the kind of verticals?

**VINEET NAYAR:**

So, I can only say we are bidding more bids then we can bid. I mean, it's never been so active in the territory and it maybe, I think this…this is a very high degree of activity we see before Thanksgiving. And we are at what I call our peak activity. So virtually all Saturday and Sunday they are working for you know most of these days. So, that's the good news. What we are seeing interestingly is the fact that we are seeing lot of traction in retail we are seeing a lot of traction in Life Science and BFSI these three segment are firing all cylinder in the US. Europe continues to be dominated by BFSI and retail and the rest of the world is virtually all segments. So that is from our vertical point of view, from a deal flow point of view, we are seeing Europe dominates in deal flow compared to US, when I say deal flow I am talking about the size and scale of large deals so we are seeing more deals in Europe then we are seeing in US.

**KANCHANA VYDIANATHAN:**

Okay, and one final question with regards to your commentary on or maybe a slow down in the discretionary spending of what you're seeing. I was wondering can you help us understand, looking at your revenue stream right now. What is your exposure to discretionary spending, I mean, in terms of, is it possible that you may get impacted because of that?

**VINEET NAYAR:**

I don't have that split right now in terms of what percentage is discretionary funding. I mean, we don't have that gut. But I do not believe that you know, we will get impacted by discretionary funding, the discretionary funding largely in HCL's case is in technology spending, is in our engineering services business and when you see our engineering services business going 47% Y-on-Y and being amongst fastest growing on Q-on-Q you do understand that the discretionary spending on the R&D side is not slowing down it is actually accelerating. In the ADM side because we came late to the party, our exposure to ADM is quite limited, and because we came to the party late, we largely have operations and testing kind of deals other than in few segment where we are dominating because of our domain knowledge in those verticals. But, I right now do not have specific cut on it, at the same time I must say that very clearly that I've not seen anybody slow down on the discretionary spends, the survey we did and which the gentlemen had asked me to question was the survey which I shared in our Bombay Analyst's Meet that we were tapping into our you know 100 plus customers and asking them what they are, looking ahead and this is the indication of the customers have given up going forward. But the impact on the HCL, which is these you know, we had asked three questions. The impact on the HCL in either case we have not seeing anything any impact on HCL because of what our customers are saying. We only saw large opportunities emerging from what our customers are saying.

**KANCHANA VYDIANATHAN:**

Thank you. This is helpful.

**VINEET NAYAR:**

Thank you.

**OPERATOR:**

Thank you, Ms. Vydianathan. The next question comes from the line of Pankaj Kapoor from ABN AMRO. Please go ahead.

**PANKAJ KAPOOR:**

Hi, my question has been answered, thank you.

**VINEET NAYAR:**

So, we will…we will take the final two questions, please.

**OPERATOR:**

All right, sir. We have question from the line of Anu Upadhyay from SBI Mutual Fund. Please go ahead.

**ANU UPADHYAY:** My question has been answered.

**OPERATOR:**

Thank you sir. The next question comes from the line of Julio Quinteros from Goldman Sachs. Please go ahead, sir.

**JULIO QUINTEROS:**

Thanks guys. This is probably more of a theoretical question. But I want to understand about two quick things. One what is the process for you guys to put into place some form of a buyback, I mean, we are looking at the stock on year-to-date basis down significantly looking at that stocks rating at trough levels evaluation, you guys are sitting on something like $600 million cash on the balance sheet. What would it take for you guys to contemplate an active buyback program at this point in time?

**SHIV NADAR:**

I will answer that question. This is Shiv Nadar. This has not even been considered, mooted, thought of in our book. So you should think of this as a possibility at all.

**JULIO QUINTEROS:**

It has not been thought of or it has been thought of?

**SHIV NADAR:**

It has not been thought of at all. Because if we do want it, we will have alternate ways for deploying these funds.

**JULIO QUINTEROS:**

Okay, great thank you.

**OPERATOR:**

Thank you Mr. Quinteros. The next question comes from the line of Ashwin Mehta from Ambit Capital. Please go ahead Mr. Mehta?

**ASHWIN MEHTA:**

What could be your outlook on taxation in FY09 given the fact that our Q4 would be post the Section 10A regime?

**ANIL CHANANA:**

That will be just one quarter, which will be posted. The rest all will be…three quarters will be within the regime and within that period I expect it to be between 10% to 12%.

**ASHWIN MEHTA:**

Okay, thanks.

**OPERATOR:**

Thank you Mr. Mehta, ladies and gentlemen that was the last question. I would now like to hand the floor back over to the HCL management for the closing comment.

**SHIV NADAR:**

Thank you. I do know that that's possibly a record number of questions and answers given the time of the day or evening. Thank you very much for joining us and again for all the patience with which all of you have sat through. Thank you.

**OPERATOR:**

Thank you, sir. Ladies and gentleman thank you for choosing the Chorus Call Conferencing facility. Thank you for your participation and you may now disconnect your lines.