

Firstsource Solutions Limited – Q1 FY 2008 Earnings Conference Call Transcripts

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Earnings Conference Call for US, UK and India: (July 30, 2007)

Moderator: Good evening ladies and Gentlemen. I am Rita, the moderator, for this conference. Welcome to the Firstsource Solutions' conference call. For the duration of the presentation all participant lines will be in a listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to the international bridge. After that, the question and answer session will be conducted for participants connected to India. I would now like to hand over the floor to Mr. Krishnan, thank you and over to you sir.

Krishnan: Thank you Rita. A very good morning to participants from US, good afternoon to our UK participants, and good evening to our participants from India. Welcome everyone and thank you for joining us on our earnings call for first quarter fiscal 2008. This is Krishnan, head of investor relations. Please note that the results, fact sheet, and press release are also available on our website www.firstsource.com. The presentation and the transcript of this call will also be made on our website. To take you through the results and to answer your questions we have with us today, Mr. Ananda Mukerji, our CEO and Managing Director.

Ananda Mukerji

Hi, welcome everybody.

Krishnan

Mr. Raju Venkatraman, our joint managing director and COO.

Raju Venkatraman

Hi, welcome to all of you.

Krishnan

Mr. Rajesh Subramaniam, our CFO.

Rajesh Subramaniam

Good morning and good evening.

Krishnan

And Mr. Farid Kazani, our finance controller.

Farid Kazani

Hi, Good day to all of you.

Krishnan

We will be starting this call with a brief presentation providing an overview of the company's performance in this quarter followed by the Q and A session. Please note that anything said on this call which reflects our outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with the risk that the company faces. A full statement and explanation of these risks is available in our prospectus filed with SEBI, which can be found on www.sebi.gov.in. With that I would like to turn the call over to Mr. Ananda Mukerji, our CEO and managing director.

Ananda Mukerji

I hope everybody is looking at the same presentation; I will just start with the numbers on slide 3. This shows how our total income, EBIDTA, and PAT numbers have moved from the Q1 of the previous year and what has happened in the last quarter and what is the performance in this quarter.

As you see, our total income is up 75% on a year-on-year basis and 1.9% on a quarter-on-quarter basis. EBIDTA has grown from 17.8% to 23.9% on a year-on-year basis and there has been about a 3.2% increase on a quarter-on-quarter basis. This is as against the 20.8% EBIDTA margin we achieved for the fiscal 2007. Profit after tax has gone from 8.3% in quarter 1 of fiscal 2007, to 15.7% in quarter on fiscal 2008, and on a sequential basis from 12.6% to 15.7%.

The next slide gives you a breakup of the numbers and shares, as you would see our total income has grown from Rs 1610 million to Rs 2821 million on a year on year basis. EBIDTA has moved from Rs 286 million to Rs 673 million, EBIT from Rs 155 million to Rs 484 million and profit before tax from Rs 138 million to Rs 504 million. If we exclude other income, which is really comprising things like gain on Forex covers and so on, the EBIDTA on revenue from operations is at 20.4%, which is up from 17.7% a year back, on a year-on-year basis and up by 30 basis points on a sequential basis. EBIT as a percentage of revenue is up from 9.6% to 13.4% on a year-on-year basis and by 60 basis points on a sequential basis and diluted EPS has gone up from 0.85 to 0.99 on a sequential basis.

So, in terms of highlights, it has been a strong financial performance in the quarter, particularly given the context of the quarter's performance. As we have been mentioning in the earlier calls, our first quarter is when we see a seasonality hitting us because the collections business reaches a peak in Q4 of our fiscal and then falls off in Q1. So, this is the quarter when collections were at a seasonal low. We obviously had the industry wide impact of salary increase which takes place in this quarter and this year of course we have had the rupee appreciation. So, given all of that, I think the fact that we have been able to continue growing top line and maintained and actually improved margins, is we believe strong financial performance. During this quarter we have seen the Hutch ramp transition to full scale operations and that has contributed to some of the improvement and maintenance of margins we have had. You know as we have mentioned in the last call, we had a very big ramp-up from Hutchison and we are expecting some of the ramp-up costs and initial stabilization costs to continue hitting us this quarter. We have done that better than what you would have expected and it has reached full scale level at earlier than what we had thought.

The margin expansion continues to be driven by operating leverages. We have been able to leverage on both Service delivery and SG&A and depreciation as a percentage of revenue has also come down this quarter. The impact of the rupee appreciation, while it has certainly affected our business like everybody else's, its impact is probably less severe on us than some other companies and the reason is two sources, one is the fact that our business has diversified across currencies and we have revenues in rupees growing this year. We have revenues in dollars and pounds and as a result of that, our overall exposure to any single currency appreciation is less than what it would be if you are exposed to a single currency. We have also been actively and conservatively hedging our position and that certainly has helped us. Today we have Forex covers of over Rs. 3000 million at the end of June and this covers us for pretty much for the next two quarters.

Some of the other highlights; our client concentration from top five clients perspective has continued to decline from 52% a year back to about 46.6% today. Geographically, we mentioned at the year end call that we are expecting India to be a growing segment of revenue for us and of course a big impact has come this quarter because of the Hutch business coming in entirely in this quarter now. So, India is now just over 10% and the US and UK is roughly 50-50 between them.

In terms of verticals, we have seen telecom and media grow significantly and BFSI come down in percentage term, mainly because of the Hutch ramp, which has increased the telecom revenue as also the seasonality in our collections business, which is largely BFSI and that has a seasonal low in this quarter which affects the percentage to some extent.

Some of the other factors are in terms of the number of clients, we have gone from 62 a year back to 75 now. Sequentially, it has largely been flat and employees have nearly doubled from a year back from 8,500 to 15,300. Sequentially this has gone up by just under a 1000. Centers have gone up year-on-year from 11 to 25 and seats have gone up from 6,800 to 11,600.

The key challenges continued to be industry wide challenges, one is of course, the dollar depreciation against the rupee and clearly what we are trying to do is to ensure that all

new contracts are priced based on current dollar levels and we believe that the guidance we have given on 50% revenue growth will hold good even in the current environment we have. We have had challenges on attrition in this quarter. It spiked a little bit this quarter, mainly because of the fact that we have begun operations in 4 new cities in this quarter. When you open a new center and a new operation in a new city and in several of them we are actually one of the very early movers, there is an initial learning period in terms of learning to fine tune our recruitment strategies, our training strategy and that is something we are expecting to see getting stabilized as it goes forward.

So, that is really pretty much the presentation. To sum up, overall we have seen good momentum in the market place. We have seen year-on-year growth at 75%, which is well above the 50% growth rate, we have forecast for the year as a whole. We have been able to manage the external environment as also our internal challenges which we have in this quarter well, by being able to maintain our margins and overall we seek good growth in the rest of the year ahead. With that I will hand you back to the moderator to go to the question and answers.

Moderator

Thank you very much sir. At this moment, I would like to hand over the proceedings to the WebEx International moderator to conduct the Q & A session for participants connected to the international bridge. After this, we will have a question and answer session for participants connected to India. Thank you and over to you Krisbel.

Krisbel

Thank you moderator, we will now begin the Q and A session for participants connected to the WebEx International bridge. Please press *1 to ask a question. The first question comes from Mr. Anthony Miller with Erich Research.

Anthony Miller

Yes. Hello, a couple of things, can you just sort of run through the source of things you have done or you are doing to try and bring down attrition number, which obviously has

spiked a bit and secondly if you can tell more generally whether you are seeing any changes in the competitive landscape, which gives you any particular concern on the services that you are delivering on sort of regional basis particularly in the UK and in US. Thanks very much.

Ananda Mukerji

Okay. The spike in attrition, as I mentioned, is really caused by the process of stabilizing operations in 4 new centres in 4 new cities which we started in the last quarter. We believe it is coming under control now and we would see the impact in the following quarters as it happens. What happens is, in any new environment when one enters, one has to look at what is the right profile of people from that particular environment, what is the kind of recruitment strategies, what kind of people to target, what not to target, who would be able to be trained and would be able to deliver the quality levels we ask. There is an element of learning which one goes through in any new city and I think what we have seen in the last quarter is some of the earlier teething troubles which we have had, but I think now we have some experience and we are learning to do it better and we expect that in the coming quarters this will certainly stabilize.

Anthony Miller

So, you are not anticipating having to be paying any additional salary in order to retain a staff.

Ananda Mukerji

No not at all. It is not really a salary-related issue at all. It is really a matter of hiring the right quality people and targeting the right skill sets, we will be able to deliver the quality, which we need. It has really nothing to do with salary changes. We are not making any salary changes in any of those cities. On your second question on comparative environment, we have not really seen anything very significantly different happening in this quarter compared to what we have seen in the past. You know, we do operate in a competitive environment and we have a number of companies competing with us in each of the verticals we are playing, but we are not seeing anything very significant.

There are not really any new major players who have come into the field who were not there earlier and nor have we seen anything significantly different being done by any of the existing players. Obviously there are a lot of opportunities out there, which we are all going after and you know, we all have existing customers which are growing. We are all facing similar issues in terms of the kind of attrition issues we spoke about earlier. So, I think the environment has been pretty much the same, I think other than the factor of the rupee appreciation; there is nothing very significantly different in this quarter than earlier quarters.

Anthony Miller

Thanks very much.

International Moderator

At this moment there are no further questions from the participants at WebEx International Center. I would like to hand over the proceedings back to India moderator.

Moderator

Thank you Krisbel. We will now begin the Q&A interactive session for participants connected to the India bridge. Participants who wish to ask questions, kindly press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, kindly press *1 now. First in line we have Mr. Shrivatsan from Spark Capital, over to you, sir.

Ganesh

This is Ganesh from Spark Capital. I have two questions. One is for your other income if can just break it down and #2, I see revenues from your BFSI vertical dropping from about 165 Crores to about 100 Crores on a Q-on-Q basis. Would you attribute all this to the collection seasonality?

Rajesh Subramaniam

To answer your first question, other income is about Rs. 121 million, out of which about 90 million was attributed to exchange gain and the balance is from the proceeds of our IPO deployed in investments. The second part of your question on BFSI coming down is that there are three elements to it. One is the collection seasonality fall off. The second element is, between the last quarter and this quarter, the accounting rate for the dollar is different. Q4 was obviously 7% higher than Q1 so that will explain the drop in rupee terms in BFSI. The third element of this is, there was one client who was ramping down last year which we cannot name, but that client has ramped down; the revenues do not accrue for us in this quarter. So these are the three elements which have contributed to the reduction on the BFSI segment.

Ganesh

Okay, fine, thank you.

Moderator

Thank you very much sir. Next in line we have Mr. Manik from Man Financial, over to you sir.

Manik

Good evening sir, congratulations for the good set of numbers. I had a couple of questions. First one was regarding your employee strength. You added something like 918 employees during the quarter which took your employee count to 15,340. Can I get a breakup of the India headcount and non-India headcount?

Rajesh Subramaniam

Total employees outside India are about 2500 and the rest are in India.

Manik

So that means of the total of 918, you have added close to 300 people outside India?

Rajesh Subramaniam

That is right.

Manik

Okay, and the second question was once again with regard to the ramp-up on the Hutch account. So are we to believe that the full scale of capacity to 2000 seats that happened will stabilize going forward from this level?

Ananda Mukerji

Yes, I think we have, it is already in the process of reaching stabilization and as I mentioned during my presentation, we were expecting it to take probably longer to stabilize than it has, some of the upsides we have seen in the numbers this quarter has been because it has stabilized a little bit quicker than what we thought it would. So I would say it is today very stable to us although it is still an early process from that perspective.

Manik

My question was on your other operating income. Could you just highlight on that part?

Rajesh Subramaniam

The other operating income is the grant we have received from the Northern Ireland for operations we run in Northern Ireland.

Manik

What about the seat capacities at the end of this quarter?

Rajesh Subramaniam

We are at pretty much close to a full ramp situation in Northern Ireland right now.

Manik

Thank you.

Moderator

Thank you very much sir. Next in line we have Mr. Madhu from Finquest Securities, over to you sir.

Madhu

Yes sir, you see the personnel expenses have come down in June quarter, I mean sequentially, can I know the reason for this sir because considering the employee additions that have taken place?

Rajesh Subramaniam

The sequential reduction is again because a lot of our expenses are in dollar and in pounds. So when these costs get converted in INR at the exchange rates prevailing the expense in INR terms is lower. So this is the reason why you see a decline in our total employee cost and the percentage of revenues.

Madhu

Okay, sir, thank you.

Moderator

Thank you very much sir. Next in line we have Mr. Sudhakar from Span Capital.

Sudhakar

Yeah, hi, good evening. Sir congratulations the management for good set of numbers.

Rajesh

Thank you.

Sudhakar

My question is regarding your margins. Your EBITDA margins have improved by 3% in the last year. Do you think going forward this can improve, anything that would stabilize more or less at this level and my second question is regarding your scaling up, right your employee count is 15000 and your attrition is very high at around 45%, so how do you think you can scale up the 30,000 odd plus employees?

Ananda Mukerji

What we have guided is that net margins would be between 11% to 13% given the pace at which we are growing and we believe this is the range we would be able to stabilize our operations at. I think EBITDA we are expecting to be between 22% and 24%, so I think this is the kind of range we would expect to be at in the course of this year. Your question on ramping up, I think we do have the capacity to increase headcount as we are going along. We are now in several cities in India and abroad and attrition notwithstanding, we have been able to add more people at a supportive ramp. We have significantly opened up new centers within India and outside of India in the course of last several quarters and we do not see a problem in being in to add headcount if needed.

Sudhakar

I have another question with regarding your inorganic growth strategy. There has been news floating around that you are planning to acquire a company US called Medassist, your comments on that?

Ananda Mukerji

You are aware we have done a number of acquisitions in the past and we have looked at acquisitions as means for getting into new values of business and deepen our domain experience, get new capabilities and so on. One of the stated objectives in our IPO to use the funds was to do acquisition. So acquisition is certainly a part of our strategy and that is something we are going to continue. We obviously cannot comment on any specific target.

Sudhakar

Thanks and all the best.

Ananda Mukerji

Thank you.

Moderator

Thank you very much sir. Next is a follow-up question from Mr. Manik from Man Financial, over to you sir.

Manik

I just had a question regards to the data point, in FY07, 31% of your revenues came from US and UK operations, would you get the same figure for this quarter?

Rajesh Subramaniam

The number is about 39%.

Manik

39% of these quarterly revenues came in from?

Rajesh

From operations outside of India.

Manik

Outside of India, okay, thank you.

Moderator

Thank you very much sir. Next in line we have Mr. Madhur from Finquest Securities, over to you sir.

Madhu

Yes sir, how is the strategic relationship with Metavante progressing, I mean are there any new client additions from any new banks?

Ananda Mukerji

Yeah, as we have mentioned last time, we do not really disclose client wins by channels we work with or geographies we work in. I think the relationship is progressing. We are having a lot of discussions with a number of prospects we are talking to. So it is something which is progressing.

Madhu

Sir, then another one, how was your traction at the BFSI? How did the banks get ready to outsource to India, I mean considering the IP, intellectual property and all that?

Ananda Mukerji

Yeah, we have seen banking has been one of the larger verticals as far as outsourcing and offshoring is concerned. It is probably the single largest vertical in terms of potential of the market. If we look at the number of players who have moved operations to India both either in a captive environment or in a third party environment, probably the industry which has taken a lead in doing it is Banking. I think it is a very large vertical from an opportunity perspective and I think it is going to continue to grow.

Madhu

Sir, and any other geography that is likely pose significant challenge to India at least three years down the line?

Ananda Mukerji

Well, yes, we see definitely there will be competition from other countries from a delivery perspective which is why you know we have set up a center in Philippines now which is going to start operations this quarter. We have set up a center in Argentina and we would look at other places to set up operations as we go along. I think there are going to be other countries who are going to compete with India in this space for sure.

Madhu

Okay, sir thank you.

Moderator

Thank you very much sir. Participants who wish to ask questions, kindly press *1 on your telephone keypad. Next in line we have Mr. Neerav Dalal from Capital Market, over to you sir.

Neerav Dalal

Good evening sir. Could you give me the breakup of the personnel cost meaning what was the impact of the wage hike and what was the impact of the rupee appreciation? Hello?

Farid Kazani

Yeah, just one second. The impact of Wage hike in this quarter has been 0.8% of revenues. And that has largely got offset in rupee terms including the employees who are outside India.

Neerav Dalal

Of the employees who are outside India ?.

Ananda Mukerji

When you translate the cost of, we have, I mentioned during the other call, we have 2500 outside India, both costs in dollar and pound when they are translated into rupee, those costs are down. And as Farid mentioned, the increase in wages of the impact on the margins and the cost in this quarter was 0.8%. So as you would see that the personnel cost is pretty much almost flat.

Neerav Dalal

It is down 2.1% over quarter-on-quarter. So 3% or 4% was the benefit of the rupee appreciation?

Ananda Mukerji

That is right.

Neerav Dalal

Okay, thank you sir.

Moderator

Thank you very much sir. Participants who wish to ask questions, kindly press *1 on your telephone keypad. I repeat participants who wish to ask questions, kindly press *1 on your telephone keypad. At this moment, there are no further questions from participants. I would like to hand over the flow back to Mr. Ananda Mukerji for the final remarks, over to you sir.

Ananda Mukerji

Thank you. So I just want to thank everybody for participating in this call. We had a good quarter from a financial performance perspective, with grown top-line we have been able to maintain profitability and grow absolute profits significantly and we feel given the momentum we have in the market and what we have seen around, we feel at this point we are confident about maintaining the growth in revenues which we have guided the market to. Thank you very much for participating.

Krishnan

Thank you again everyone for participating in this call. If any of your queries have been unaddressed or if you need any further clarification, you can also log into our conference call scheduled for tomorrow morning at 10:30 a.m. IST. You can also additionally contact our IR Department for any additional query. Thank you so much and have a good day.

Moderator

Ladies and Gentleman thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your line. Thank you and have a nice evening.

Earnings Conference Call for India, Singapore and Hong Kong: (July 31, 2007)

Moderator

Good morning ladies and gentlemen. I am Rita, the moderator for this conference. Welcome to the Firstsource Solutions conference call. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation the question and answer session will be conducted for participants connected to India bridge. After that, the question and answer session will be conducted for participants connected to international bridge. I would now like to hand over the proceedings to Mr. Krishnan. Thank you and over to you sir.

Krishnan

Thank you very much, Rita. A very good morning to all of you. Welcome everyone and thank you for joining us on our earnings call for first quarter fiscal 2008. This is Krishnan, Head of Investor Relations. Please note that the results, fact sheet, and press release are also available on our website, www.firstsource.com. The presentation and the transcript of this call will also be made available on our website. To take you through results and to answer your questions we have with us today, Mr. Ananda Mukerji, our CEO and Managing Director.

Ananda Mukerji

Good morning everyone.

Krishnan

Mr. Raju Venkatraman, our Joint Managing Director and COO.

Raju Venkatraman

Good morning.

Krishnan

Mr. Rajesh Subramaniam our CFO.

Rajesh Subramaniam

Good morning everybody.

Krishnan

And Mr. Farid Kazani our Financial Controller.

Good morning everyone.

Krishnan

We will be starting this call with a brief presentation providing an overview of the company's performance in this quarter, followed by Q&A session. Please note that anything said on this call which reflects our outlook for the future or which can be construed as a forward looking statement must be viewed in conjunction with the risk that the company faces. A full statement and explanation of these risks is available in our prospectus file with SEBI, which can be found on www.sebi.gov.in. With that, I would like to turn the call over to Mr. Ananda Mukerji, our CEO and Managing Director.

Ananda Mukerji

Yeah, first, I'll quickly take you through our numbers and stress on some of the highlights of this quarter followed by a very short presentation and a Q&A session. On the slide in front of you, we have shown the total income EBITDA and PAT for this quarter and compared it with the year-on-year i.e.; the first quarter of the previous fiscal, quarter-on-

quarter i.e. Q4 of fiscal '07 and what was in for the whole fiscal year 2007. If you look at it, our total income has grown 75% on a year-on-year basis and 2% on a quarter-on-quarter basis in rupee terms. On quarter-on-quarter basis, it grew by about 8.8-9% in dollar terms. The EBITDA percentage has improved from 17.8% in Q1 of fiscal '07 to 23.97% in this fiscal. The profit has gone up from 8.3% in Q1 '07 to 15.7% in Q1 '08. Some details on the numbers itself; our total income is Rs. 2,821 million, EBITDA is Rs. 673 million, EBIT at Rs. 484 million, and profit after tax of Rs. 443 million. As you see, there is a line item there, which is other income, which is largely our gain on Forex and income from investments. If we exclude that, then the EBITDA as a percentage of revenue from operations has grown from 17.7% in first quarter fiscal '07 to 20.4% in this quarter and sequentially it has gone up by 30 basis points. EBIT as a percentage of operations has grown from 9.6% to 13.4% and the EPS has grown from Rs 0.37 to Rs 0.99 year-on-year and from Rs 0.85 to Rs 0.99 quarter-on-quarter. So, overall I think our financial performance is strong, we have continued to show strong growth, both EBITDA and PAT are significantly higher than what it was a year back and even sequentially both those numbers have shown improvement. This is of course in the context of what has been a fairly difficult quarter for the whole industry. We also have certain seasonality in our business, about which we have told this community earlier, that our collections business peaks in Q4 and tends to fall off in Q1. So there is a company specific seasonality in our performance, which is something we have to overcome in the Q1 performance, plus of course the industry issues of salary increase which takes place in this quarter was also there and of course the rupee appreciation in this quarter. So given all that the context of this background, I think we have been able to maintain our growth rate, we have been able to maintain our profitability and overall it has been a strong quarter. Factors which have helped us to overcome some of the negatives is that we have been able to continue to get productivity benefits, operating leverage benefits and the better than expected management of Hutch ramp which we have spoken about in the last quarter. Overall the revenues and profits have come in a little bit earlier than what we had projected. So that has helped us to deliver better performance than what we thought in this quarter. Obviously, currency risk is something which is affecting the whole industry and it has affected us also, but I think the diversity in revenues which we have does help us to some extent. As you would have seen, our dollar denominated revenues are about 45%, pound denominated revenues are 45% and rupee denominated revenues has increased in this quarter to 10%. So that has helped us to

some extent reduce our exposure to Forex fluctuation. The impact of the rupee appreciation in this quarter was about 1.7% on a net margin, but it was counter balanced by the hedging which we have done, as also some of the other productivity benefits and operating leverage improvements that I spoke about. Today, we have outstanding Forex covers of about Rs. 3 billion and that is adequate for the next 2 quarters. Just a snapshot of our business performance; our revenue from top 5 clients as a percentage of revenue has come down from 52% in the first quarter of fiscal '07 to 46.6% in this quarter. Geographically, our roughly 50-50 mix between US and UK has been maintained, but India, as we had spoken in the last call, has now come in with a significant percentage of about 10% of our revenues now. In terms of verticals, because of the major ramp for Hutchison and the seasonality in the collections business, we have seen a shift in the mix with telecom and media growing significantly in this quarter and BFSI coming down. But overall, I think all the segments are fairly large healthy segments right now. Just a snapshot of some of other statistics; our number of clients has grown on a year-on-year basis from 62 to 75 and quarter-on-quarter it has been largely flat; no major new clients additions or reduction in this quarter. Employees have gone up roughly from 8,500 to about 15,300 year-on-year and roughly about a 1,000 people were added in this quarter. Number of centers has grown from 11 to 25 and we added one new center in this quarter and seats have gone up roughly from 6,800 to about 12,000 seats year-on-year. Major challenges are really currency appreciation which we spoke about, we are clearly repricing new contracts based on the current exchange rates, but we believe, given the current exchange rate regime we have, we are still fairly comfortable with a guidance of 50% revenue growth we had given in rupee terms and we believe that, that will still hold. Attrition has been a concern and you would have seen our attrition has spiked this quarter. This is primarily due to the fact that we started 5 new operation centers for Hutchison, out of which 4 were in completely new cities for us and there is an initial learning curve which one goes through in terms of fine-tuning one's hiring strategies and training methodologies, so that you make sure that you have the right profile of people coming in and who can be productive and trained. In that process one makes some early mistakes and some of the spikes we have seen are because of that. We expect this will stabilize, as the operations are now starting to become a little bit more mature. So overall, I think from our perspective, it has been a strong quarter from financial performance. We have executed on what we needed to do. We are seeing our client performance improving. We are seeing productivity kicking in.

Operating leverage is something which is a major driver of our profitability, we see that having an effect and which has enabled us to counter some of the negative pressures which were there during this quarter in the environment and in the industry. EPS of course has also grown during this quarter. So, that is really the summary of what has happened in this quarter for us. I am happy to take questions and now hand you over to the moderator.

Moderator

Thank you very much sir. We will now begin the Q&A interactive session for participants connected to the India bridge. Participants who wish to ask questions, kindly press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, kindly press *1 now. First in line we have Mr. George from Edelweiss. Over to you sir.

George

Yeah hi. Good morning to the management, congratulations on a good result. I am actually quite surprised by the way your EBITDA margins have moved up sequentially and particularly noting two things, one the INR appreciation which are the currencies and the fact that your collections business seem to seasonal peaking in Q4, so one would have expected that dip also happening in Q1 of the new fiscal. So, can you just take me through, how the EBITDA margins have risen quite significantly from last quarter levels and I might have further questions later. Thanks.

Rajesh Subramaniam

Hi, this is Rajesh. As we had mentioned last time when we spoke about the elements of operating leverage in our business, that gave in levers for margin expansion. There were elements on service delivery; we spoke about process maturities, which were giving us expansion to the gross margin levels. So that is something that we have seen continuing in this quarter. The second element was in terms of our physical capacity of seats. If you remember, last time when we ended 31st March 2007, we explained that our fill factor

was about 70% and that number today is 76%, which basically has helped us grow our gross margins because rent, facilities, cost and all those are sunk costs which we anyways incur and increasing revenues give me the leverage. So that is something which has helped us this time and the last element is our SG&A leverage, which we explained, is something we believe will continue as we get closer to a 14-15% steady state SG&A as a percentage of our revenue. So largely these are 2-3 elements which have contributed to our margin expansion and the other element which Ananda touched upon was the Hutch ramp, which we managed very well and we have transitioned that to our BAU operations and there are elements of our cost structure that we handle much better than what we envisaged, which has also enabled us to drive the margin expansion.

Ananda Mukerji

To add to what Rajesh said, clearly, seasonality is a company factor which we have to deal with and is something we are well aware of and there is a rupee appreciation issue. But, I think the important thing for us to understand is that there are many drivers for both revenue growth and profitability, than just the appreciation of the rupee. And, because of the fact that we have diversified revenue stream, the impact on us is much less than the impact which you might have seen in some of the other companies, which are largely exposed to a single currency - the dollar and therefore, there is very little one can do in terms of managing that. So that has really been how we have been able to manage the margins the way we have.

George

Okay, thanks. My next question relates to sustainability of these margins. Would you say that continued SG&A leverage and the fact that you might expect more output based pricing to kick in, will it mean that we could see this picking upwards from these levels as well?

Ananda Mukerji

I think we are maintaining and are going to continue growing and as we are continuing growing at the pace we are, there is going to be investments happening. We would like to guide to range of margins which we mentioned in the beginning of the year, which is net margins will be 11-13% level. We believe those are sustainable levels. So you will see it going up one quarter because of things falling in place and then there will be more investments in others quarters. So I think somewhere in the 11-13% range is where we would continue to guide towards.

George

Okay. Going by the evidence of what we have seen in Q1, in the future you should probably end much higher than that I would imagine.

Rajesh

We will leave you to form that conclusion.

George

Okay. The other question I had was, your comment on re-pricing contracts as per exchange rates, you just mentioned that very briefly in your address. Given our conversation with other players saying that it is difficult to re-price contracts based on moving exchange rates, the strengthening INR, I am surprised that you are actually being able to do that or is it something that you already factoring in and asking people for higher exchange rates based on value?

Ananda Mukerji

I think I, I don't know what exactly I said, I said we are re-pricing new contracts. That means when we price contracts, we price based on our target gross margin and that is the basis on which we look at every contract pricing. And, we are now recalibrating what is the price we are going in to the market with, based on what our forecast of where the rupee-dollar is, and that is what I said, we are not at this point going back to our customers and asking for re-pricing our contracts, as we can see we are being able to

manage our margins at this level. Clearly as you have mentioned, a big part of our revenue streams is actually output based pricing and in fact that number is 45% in this quarter. I think it is up from about 40% in the last year, it is about 45% right now. From that part of our revenues we clearly have the ability to manage it ourselves. The rest of the business of 55%, the bulk of it is with long term contracts with our customers and contracts have, indexation to cost most of the them other than I think about 1 or 2 exceptions are not linked to the Forex rates. Clearly, if there are major movements in currencies either way, these are long-term relationships with customers and we believe we will be able to go back to customers and talk to them if the eventuality arises, but at this point in time we don't think there is a need to do that.

George

Okay. One last question if I may. When you talk about output based pricing, you mean that you are de-linking that from FTEs, is that the way to read it?

Ananda Mukerji

That is right.

George

Okay, fine. Thank you and congratulations once again.

Ananda Mukerji

Thank you very much.

Moderator

Thank you very much sir. Next in line we have Mr. Ruchir Desai from Pioneer. Over to you sir.

Ruchir Desai

Hi good morning, congrats on the numbers. Just a question on your repeat business and existing business, the percentages have changed considerably over Q4 FY '07, could you talk about it? Was it because of seasonality to certain vertical or was it as client ramped up in a specific process. Could you just throw some more light on that?

Ananda Mukerji

Yeah, I think if you look at the business profile, part of it is because of seasonality. New customers coming in a particular quarter, tends to be episodic,. When there is a big ramp, it adds a lot to the revenues in that particular quarter. Now, what happens is that the new customer in Q4, for which we got revenues in Q4, now becomes an existing customer and for this year and it is categorized in the existing customer for that purpose. So it is a function of when a ramp takes place. If there is a ramp in a particular quarter from a new customer, you will see the new businesses going up. So this is a ratio which I think is probably most meaningfully looked at on an annual kind of a basis, it is not a number which will give a lot of insights in a quarter-on-quarter.

Ruchir

All right, Great. I will come back with any follow up questions I have. Thank you.

Ananda Mukerji

Thank you.

Moderator

Thank you very much sir. Next in line we have Mr. Sangam from India Independent, over to you sir.

Sangam

Yeah hi, my question is based on this quarter. Because of the seasonality, your BFSI was down as a percentage of the total revenue. Is it, do we read it as just as seasonality or is there any particular problem with any particular client, the ramping down its business etc?

Ananda Mukerji

No, no you're right. There was a client ramp down which we had mentioned in the last quarter. Actually it ramped down in the last quarter in Q4. We had mentioned it at that time. So that impact in the reduction came fully in this quarter. So, that is also contributed to the reduction in the BFSI percentage as well.

Sangam

Going forward how do you see this BFSI as a percentage of the total revenue? Do we modulate at around 40-42% or we see the collection business peaking in the next couple of quarters, third and fourth and going back to the 40-45% levels?

Ananda Mukerji

We are expecting it will be in the 40%+ level for the year, I mean there are other ramps which are happening in the course of the year from other BFSI customers. Our pipeline also shows BFSI customers coming in. So we would see that it should be around the 40%+ level. We don't really drive these numbers too much in the sense that if there are good large telecom revenues coming in, we don't necessarily complain. So, It just depends on where the pipeline is coming from and at this point in time, we do see BFSI growing again with what we have in the pipeline.

Sangam

Okay. Could you also give us a break-up in terms of your number of employees who are stationed in India and the number of employees who are abroad, just to understand, you

know, how much of a natural offset that you have got with respect to the appreciating rupee when you talk about the salary hikes, etc?.

Ananda Mukerji

Yeah, we have about two and a half thousand employees outside of India, but there are two aspects to the cover against the appreciating rupee. One is what you mentioned, the fact that a part of our costs are also in those currencies, but I think the fact is that there can be two impacts of the Forex, one is the rupee appreciating, but historically what happens is a dollar has depreciated but the pound has appreciated. So, given that we have 50-50 between dollar and pound on a rupee term, that is to some extent a natural diversification which we also enjoy. Also, 10% of our revenues is rupee denominated, which also protects us to come in.

Sangam

Okay and my final question is that on the insurance segment, I mean, are we looking over for any inorganic kind of plans or anything in mind to expand our base in the insurance segment also?

Ananda Mukerji

Well, you know, BFSI for us includes insurance, but you are right, if I look at my BFSI segment, probably 80+ percent is banking and insurance forms a much smaller piece of it. We do look out for acquisition opportunities in all our target verticals, so I won't rule it out but our strengths within the BFSI segment is banking rather than insurance.

Sangam

Okay. Thanks a lot.

Moderator

Thank you very much sir. Next in line we have Mr. Ajay from India Capital. Over to you Sir.

Ajay

Hi. Congratulations on a good set of numbers.

Ananda Mukerji

Thank you.

Ajay

Couple of questions, if you would leave out the currency fluctuations, what was the hit on the top line on a Q-o-Q basis, because of the fluctuations?

Rajesh Subramaniam

Yeah. I think if you take a look at our actual figures, in rupee terms our revenue grew at 2%.

Ajay

Yeah.

Rajesh Subramaniam

So if I take a look at what it would have been in dollar terms, the growth would have been about 7 to 8%.

Ajay

Okay. Now dollar also depreciated against pounds. So if you were to sort of assume constant currency what would be the growth?

Rajesh Subramaniam

Yeah. The question was on the constant currency basis, the growth would have been about 4%.

Ajay

Constant currency growth of 4% quarter-on-quarter?

Rajesh Subramaniam

Yeah.

Ajay

And could you elaborate a bit more on the incentives you get for Center and Northern Ireland?

Ananda Mukerji

Yeah. The incentives we have is government incentives to cover the initial cost of setting up the operation and the initial period, before the operation stabilize and we make the levels of margin we expect. So this is given on a per person we hire basis and there are certain rules around, because it comes in as we add headcount in Northern Ireland.

Ajay

Sure. So this would fairly be a one time thing that's happened this quarter, because you had made a comment earlier that Northern Ireland is fairly ramped up.

Ananda Mukerji

No. We will have this throughout the year in the course of the year as we are, we continue to ramp up the operations there and you know what happens in any new process is that there is an initial, there is probably a 9 to 12 month period before the operations achieve anything, like the stable margins with gross margins, which we expect it to return. The reason for that is because the costs are up-front and the fixed costs are really people costs which we incur, while the efficiencies and utilizations improve once we start learning the operations better and start to get those benefits.

Ajay

Sure.

Ananda Mukerji

That in fact is far more severe in the UK, because obviously the costs are much higher than the costs here. But what we expect in the course of this year is that our productivity will improve and the efficiency of our operations will kick in and that is what we see happening. So, by the time the grant falls off, our margins would have gone up to be able to take care of that.

Ajay

How many people you have in Northern Ireland today?

Ananda Mukerji

Just under a thousand.

Ajay

Okay and how many do you expect by the end of the year?

Ananda Mukerji

It would stay more or less at the same level.

Ajay

Okay.

Ananda Mukerji

But in terms of relating it to the grant, the grant doesn't come in exactly when we hire people, it comes in depending on us meeting some milestones. So we see the grants coming in, in the course of the year.

Ajay

Sure. And from the utilization of this 1000 people, is it at where you would expect it to be or do you expect it to go up?

Raju Venkatraman

This is Raju. Yeah. Currently, the purpose of the grant is to make up for the lack of utilization, for the amount of time we need to do in coaching and feedback and other kind of work that needs to improve the employability of that people in that region.

Ajay

Yeah.

Raju Venkatraman

So right now I would say that we are in the suboptimal level and we will be able to increase it essentially to the levels that we would like. We are not anywhere in that region.

Ajay

Okay, great. Also this has been talked about a lot, so I don't need to build this to that, but on a year on year basis, your BFSI revenue is almost flat and this time the quarterly valuations, you know in rupee terms, so there is some adjustment there, but is that is this a result of some kind of saturation you are seeing in BFSI or some slow down in BFSI, you know when I look at Q1 '07 to Q1 '08 and see that the BFSI hasn't really grown much in absolute terms.

Ananda Mukerji

Yeah. I mean one in fact is clearly the exchange rate. The Q1 '07, the Q1 '08 numbers are at different exchange rates so that is one impact. There have also been the impact of the ramp downs, which I spoke about. We don't think the market is anywhere near saturated, we think the BFSI market has a lot of potential and we have ramps going on right now in some of our processes and the pipeline also shows that we will have BFSI growing in the coming quarter.

Ajay

Sure. Great, thank you so much and best of luck.

Ananda Mukerji

Thank you.

Moderator

Thank you very much Sir. Next in line we have Mr. Mathrani from Deutsche Bank. Over to you sir.

Mathrani

Yeah. Thanks. Thanks and good morning everyone. Congratulations on a good quarter.

Ananda Mukerji

Thanks, Ajay.

Mathrani

Welcome. One question, the segmental revenues or actually the segmental earnings, if you look at it, it has dipped, except for the other unallocable expenditure, you know, both UK and US and Canada have dipped on quarter and quarter basis, that is Q1 over Q4 and the other unallocable expenditure has then come down substantially. I was just wondering is there a change in accounting, or is this related to some cost cuts that you have done, etc?

Rajesh Subramaniam

No Ajay. First point is in terms of the revenue segmentation. You are aware that India has grown significantly and UK has grown thanks to the ramp in the Northern Ireland operations. So that explains where the revenue segregation has happened, you know, Q-on-Q.

Mathrani

No if you look at the earnings, last quarter, you know that the March quarter, UK was 664 million that is March 31st quarter and if you look at this quarter, it has come down

substantially from that. US has come down and the other unallocable expenditure has come down from about 628 billion to 116 or a remarkably lower number.

Rajesh Subramaniam

Yeah. I think, you know, Ajay, I think this again comes back to be impact of the exchange and you know rupee cost expenses, which have come into play in this quarter.

Mathrani

Okay, and on personnel expenses we saw a decline Q-O-Q basis, not that the decline is sustainable, but do you think these levels of employee costs are sustainable throughout the year, say as per person or as a percentage of revenue?

Rajesh Subramaniam

No, Ajay, two reasons why what has happened to our employee costs. One is obviously, there has been an absolute increase in the India base and that is less than 1%, it's about 0.8% and the other element is given, you know, the pound and the dollar went in a different direction to the rupee and actually even the pound depreciated in the quarter and given the pound and the dollar expenses we have on shore, that is also resulted in our net manpower expenses coming in lower in rupee terms. In Q2, the pound obviously has again appreciated by a little bit, so we will -- there will be some increase in the manpower costs in Q2 attributed to the pound appreciation but the dollar has remained where it was in Q1.

Mathrani

All right, great. There is one question on pipeline, how are you seeing that shape up? Are we seeing any large clients which we expect, FY '08 seems more like you will be driven by existing client in the bags, but if you look, say 18 months out, do you see any attraction with new or large clients where you think could enter a top 5 or top10?

Ananda Mukerji

Yeah. We do as in most of our business mix, you have seen earlier as well, that existing clients do account for the bulk of revenues and that entire thing will continue, but we are expecting to see new client wins in this year as well. First quarter we haven't had anything significant happening, but there is a good pipeline and we would see new customers bills coming in.

Mathrani

All right. Thanks guys, and all the best.

Ananda Mukerji

Thank you.

Moderator

Thank you very much Sir. Next in line we have Mr. Madhu from Finquest securities. Over to you sir.

Madhu

Yes sir hi. The BFSI client ramp down you are taking of, how big is this client sir? Is it a 5% customer?

Rajesh Subramaniam

No, its not.

Madhu

Okay. And any reasons for the ramp down, sir, I mean are they setting up their own captive or something?

Ananda Mukerji

No, this was a client who moved the operations back to the home country as a result of some internal consolidation they were doing. They had capacity constraints and capacity over-supply and rather than do a capacity rationalization amongst their existing operation, they decided to shut down their offshore operation and take it back.

Madhu

Okay sir. And sir, currently the operating expenses that is coming around say 26 to 27% of the sales. So could you expand you margins, I mean sir, can that come down to 20% say over three or four years?

Ananda Mukerji

There are as you know operating leverage kicks in, clearly some of the fixed items of cost gets amortized over a larger base. Rajesh mentioned things like, you know, rent, utilities, things as we use our infrastructure more efficiently those start to get benefits, our operating efficiencies in terms of utilization of people also improves, as those processes mature, so yeah, we do see considering improvement in those ratios, but don't want to give a forecast as to how much it can improve by.

Madhu

Okay sir, thank you.

Moderator

Thank you very much Sir. Next in line we have Ms. Mitali Ghosh from Merrill Lynch. Over to you mam.

Mitali Ghosh

Yes. Good morning and congratulations on a very good quarter.

Ananda Mukerji

Thanks, Mitali.

Mitali Ghosh

I apologize I Joined a little late so you may have already covered this on the call, but I was just wondering did you discuss what the outlook for the next quarter is like, at least directionally?

Ananda Mukerji

No, we didn't, Mitali, nobody had asked that question yet, but what we are saying is that we stand by the rupee top-line growth guidance, which we had given inspite of the fact that the rupee is at a much higher level than what it was, when we had given that guidance, we still stand by that, 50% growth guidance we had given for the year and we are saying that we will maintain, the margins, you know, range which we had said we believe will still hold, we are not changing any of those.

Mitali Ghosh

Right. Could you just say and remind us what is the margin range you had suggested and is this a net margin level?

Ananda Mukerji

Yeah. We had said 11 to 13% is what we believe is at this point comfortable for us given, given the growth rates, which we are growing at right now. So, factoring cost of growth and all of that, we believe 11-13% is the range and we don't want to change that guidance right now.

Mitali Ghosh

Sure. And secondly, on the overall sort of longer-term outlook, could you take us to the trends you are seeing in collections, for instance, is there any particular uptake you are seeing because, some of the sub prime issues, etc that you are seeing in the US and also in terms of the BPO pipeline itself maybe some of the trends that you are seeing?

Ananda Mukerji

Yeah. We are seeing strong momentum in our collections business as I think a lot of the debt purchases are, the debt purchased in the US is growing and some of those players are looking for collection services to be able to more efficiently manage their operations, so we see that growing. We definitely see overall business momentum in pretty much all our segments in telecoms, in BFSI, in healthcare. We are also seeing continuing growth in the India domestic opportunity, which I spoke about earlier. So we see a fairly robust pipeline and growth prospects for us in all our segments of business, which is why we feel comfortable in maintaining the 50% growth guidance inspite of the rupee impact.

Mitali Ghosh

Right. Thanks a lot.

Ananda Mukerji

Thank you.

Moderator

Thank you very much ma'am. Participants connected to the India bridge who wish to ask questions, kindly press * 1 on your telephone keypad. Next in line we have Mr. Rajeev Mehta from India Asset. Over to you sir.

Rajeev Mehta

Yeah. Hi, sir. Sir is it, is Hutch a top customer and that is why we have seen revenue from top client going up from 15% to 18.5% quarter on quarter?

Ananda Mukerji

I am sorry. Could you repeat that, we couldn't hear you.

Rajesh Subramaniam

No, Hutch is the customer, which was for a good part of Q1 still in a ramp up phase so the 18.5% you see is not because of hutch, it is because of the same customer that was our top customer in Q4.

Rajeev Mehta

Okay, Okay. And sir, could you also, you gave a number about utilization going up from 70% to 76% sequentially. So what is that utilization you are talking about?

Rajesh Subramaniam

It is seat-fill factor, the way we define fill factor is, if there is a seat in production for even 1 hour it is counted as something which adds to the numerator in terms of seats being brought into production so that number was 70% in Q4 or rather fiscal '07 and that we have now ramped that up to 76% as we have got incremental growth, which has come into the seats, which have already been created in the prior period.

Rajeev Mehta

Okay. Basically, it means more spreading of seats which we had already created regarding people?

Rajesh Subramaniam

Yeah. That is right.

Rajeev Mehta

And sir, I could not actually understand the explanation you gave for a sort of a flattish personnel costs quarter on quarter. You did give some explanation about pound and dollar how it worked against each other. Can you just repeat that?

Rajesh Subramaniam

Okay. Lets start with, if say for example, in the last quarter let's say the average exchange rate was, say 44, so then, you know, my rupee revenues would come in higher.

Rajeev Mehta

Okay.

Rajesh Subramaniam

Say, my average exchange rate this quarter is 40.5, so my rupee revenues come in lower so that is the exchange impact on the revenues.

Rajeev Mehta

Right.

Rajesh Subramaniam

What happens is, I also pay salaries in dollars and pounds, I have a significant element on my dollar revenues, which have dollar costs, as I consolidate those costs into rupee

terms, so then what will happen is, I will bring those back into a 40.4 regime, which basically reduces my personnel cost as a percentage of my revenues.

Rajeev Mehta

Right.

Ananda Mukerji

Just to clarify this is for the two and a half thousand employees we have employed outside India, whose salary costs are paid in dollars or pounds as the case may be.

Rajeev Mehta

Okay.

Ananda Mukerji

As translation of that cost into rupee, which is I mean lower.

Rajeev Mehta

Okay.

Ananda Mukerji

And onto that, counters the wage increase, which has taken place on the India employees, which I think Rajesh mentioned was 0.8% of revenue in this quarter.

Rajeev Mehta

Sir, if you can just give us the quantum of the wage increases you had in India?

Ananda Mukerji

Can you repeat?

Rajeev Mehta

Quantum of wage increases you bid in for the India employees in the quarter?

Ananda Mukerji

It is about 0.8%.

Rajeev Mehta

But that is 0.8% of revenue?

Rajesh Subramaniam

That's right. Our dollar and pound expenses are about 40% and the balance is what we pay in rupee terms. So it is 60% of our cost base. Net impact was about 0.8% in wage cost.

Rajeev Mehta

Okay. Okay. And sir, if you can just give us an outlook on attrition, because it seems to be pretty high for us in giving an explanation on that, but where do you see it catching over a longer period of time.

Ananda Mukerji

Yeah, I don't know if you were there earlier in the call I mentioned that attrition has spiked in this quarter because of the hutch ramp where we set up operations in 5 new centers and out of those 5 new centers, 4 were actually new cities for us and few of those cities are actually where really there is not a whole lot of BPO companies have

gone before. So there is an initial learning period, which we have gone through where we have had to revisit and fine tune our hiring strategies and the way we train and bring people and make people operational, so that has resulted in us having to make some corrections as we go along in the quarter and that of course results in attrition. With additions and maturing we expect this will stabilize.

Rajeev Mehta

Okay, and sir, lastly our top client will be ICICI bank or the ICICI group?

Ananda Mukerji

No ICICI bank is nowhere near a top client for us. ICICI bank as a group accounts for about 4.7% of our revenue, this is the whole group including bank and life insurance company for which we work for. So ICICI has never been, you know, one of our largest customers and is not today either.

Rajeev Mehta

But are we disclosing a top client or may be the industry as BFSI or telecom?

Ananda Mukerji

No, we don't disclose which is the top client, this has been one of our top 5 clients probably for the last 3 years. It is one of our top client, this particular client has been ramping up in the course of last year and somehow that ramp continues in this year, which is why they have grown in terms of their actual percentage of revenue.

Rajeev Mehta

This seems to be a telecom client, right?

Ananda Mukerji

We don't disclose who the top client is or the sector.

Rajeev Mehta

Okay, thank you sir, so much.

Moderator

Thank you very much sir. Next is a follow up question from Mr. George from Edelweiss. Over to you sir.

George

Yeah hi, thanks for taking the follow up. Can you just give us an update on your focus with Metavante, I mean, I am surprised that you know that, I would have thought, that would be one way of using the platform and possibly driving new client acquisition. Is it early days yet or you would expect that to happen only over a period of time?

Ananda Mukerji

I mentioned in the past the Metavante partnership is working well, we are working actively with them in developing the market we have a lot of conversations going with Metavante customers, with the kind of proposition we are taking to them involving a combination of Metavante technology platforms, our process capability both on-shore and off-shore. These are complex deals and we believe that it is going to take time for the first few deals and once we see that hopefully we will see more momentum, but there is a lot of activity going on, on that front and we hope to see deals closing in the course of the year.

George

Okay, another follow up question relates to client wins, I mean we haven't had any, I think, this quarter. Is that something that would worry you just in case, you know, you feel that for this year, you might have the revenues pretty much in the bag, but may be for the next year you might need to depend upon, you know, new business that you win?

Ananda Mukerji

Not really, I mean our business is about adding few clients in the course of the year and then growing them. We have had many, many quarters in the past, where we have not added any significant new customers. So it is not really something which bothers us, I mean last year we added, you know, 10 new customers excluding the acquisition which we did, and this year we have added two new customers and three small customers have been discontinued. So, in terms of customer net numbers, we are flat I think we're down one customer. But, overall our business is not one where you add a lot of customers every quarter and you try to assess momentum by how many customers you are signing up in each quarter. In our business, each customer we enter into is a long term customer. We don't necessarily have to add a lot of customers to be able to maintain our growth momentum.

George

Sure, thanks. And, one last question. You did mention that 45% of your revenues are currently coming from output based pricing. Are there any processes that lend itself, any specific processes that you do that lend itself more naturally to this output based pricing?

Ananda Mukerji

Yeah sure, I think two to three processes are natural output based pricing type. One is the claims processing work and claims adjudication work we do for the health care segment and the other is the collections business processes, which are largely output based pricing models rather than FTE pricing models.

George

Okay, thank you so much.

Ananda Mukerji

Thank you.

Moderator

Thank you very much sir. Participants connected to the India bridge who wish to ask questions kindly press *1 on your telephone keypad. I repeat, participants who wish to ask questions kindly press *1 on your telephone keypad. At this moment there are no further questions from India participants. I would like to hand over the proceedings to the international moderator to conduct the Q&A session for participants connected to the international bridge. Thank you and over to you, Zina

International moderator

Thank you Rita. We will now begin the question and answer session for participants connected to the international bridge. Please press 01 to ask the question. At this moment, there are no questions from participants at international bridge. I would like to hand over the proceedings back to Rita.

Moderator

Thank you Zina. At this moment I would like to hand over the proceedings back to Mr. Ananda Mukerji for the final remarks. Over to you sir.

Ananda Mukerji

Thank you. I want to thank everybody for participating in this update call. We have discussed various aspects of the performance and I think we have covered most of the salient things, we believe given the environment we are operating in and the nature of

our business, it's been a strong quarter for us and we see good momentum in the market place in all our verticals. We see good momentum with our existing customers growing and in spite of the continuing challenges around the currency and so on, we feel comfortable with the growth we are able to achieve in the forecast we have given and maintaining profitability at the levels we have done. Thank you very much for joining in and if you do need any more clarifications you can get in touch with Krishnan.

Krishnan

Thank you so much. And, thank you once again everyone for participating in this call. If any of your queries have been unaddressed or if you need any further clarifications you can contact me or Mahesh Pratap Singh at our Investor Relations Department. Thank you so much and have a good day.

Moderator

Ladies and gentlemen, thank you for choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.
