

Prithvi Information Solutions Limited
Transcript of Analysts Conference Call
Dated February 5, 2007

Moderator: Good evening ladies and gentlemen, thank you for standing by. Welcome to the conference call of Prithvi Information Solutions Limited, hosted by Concept Communications. We have with us today Mr. Satish Kumar, Managing Director; Mr. Shastri, Chief Financial Officer from Prithvi Information Solutions and Mr. Rahul Mitra from Concept Communication. At this moment all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. At that time, if you have a question please press '*1'. I would now like to turn the conference over to Mr. Mitra. Over to you Mr. Mitra.

Mitra: Thank you Operator. Thank you ladies and gentlemen for joining us in this conference call. We have seen great results of Prithvi Information Solutions Limited and to fill us in on the future plans is Mr. Satish and Mr. Shastri. Over to you Sir.

Shastri: Good evening to you all friends, this is Shastri. I would just run through the important numbers. This of course you have all gone through and have them with you that will be introductory to this conference where after Mr. Satish will give the overview and we will get on to the Q&A session. I am glad to report that the quarter ending December 2006, has been very encouraging for us and keeping in tune with the other quarter we have been able to do a top line of about 199 crores close to 200 crores and there was a PAT of 18.07 crore giving an earnings of about 12.93 for the quarter. For the nine months period ended we are at a very robust 509 crores top line and the bottom-line at about 64 crores and the nine months EPS is at Rs.35.4. We have been able to do well in keeping with what we have reported in the last two quarters. And as the indications are we should be able to maintain and do similarly well in the last quarter also, details of which Mr. Satish would be sharing with you. Again on a quarter-to-quarter basis it has been almost 61% growth compared to last year this quarter and the profit has also grown quite well around 75% compared to the last nine months of last year. These are the overall figures and Mr. Satish will take you through the overview. Over to Mr. Satish.

Satish: Thank you Shastri and welcome you all to the conference call. During quarter we have seen some revenues coming in from our existing customers, we have been able to move close to 10 more customers into the \$2 million bracket revenue range and that is one good achievement from the company standpoint. And we added 7 new customers during the quarters, two of which are in the telecom space and three are in Health Care space and one is in the technology hi-tech space. What has been interesting during the quarter has been the kind of interaction and the traction we have been able to get from some of our major customers. We feel a lot of traction happening and we have been working with them for their New Year budget 2007 and we feel very good response from at least four of our customers. And I think that is a very good sign for the company in terms of its visibility for both for our offshore revenues as well as onsite revenues. Two of these customers have promised greater number of people and revenues coming from the offshore. So, in terms of our major challenge that is moving things offshore from an onsite centric model that we have been carrying. In this quarter we have kind of dipped around 9.9% from around 12% last quarter. That's mainly due to the reason that we have improved upon our overall revenue targets, essentially we targeted around 15% for the entire year but we will more or less land around 12% for the overall year. The reason for that being initially we have projected on 550-600 crores of revenues I think we will be upwards around 700 plus crores in terms of revenues that's the reason kind of dipped the offshore revenues in terms of percentages. But in terms of absolute numbers we have more or less achieved what we have initially targeted for and that's the good sign. In terms of people in offshore we are close to 480 people for the current quarter and we are moving upwards. We are in line with our yearly target of 700 people by end of March 2007, which we should achieve. So that is in terms of people.

In terms of margins we have seen a status quo on the margin but the billing rates are improving for us the offshore rates have definitely on the upward, even though they are not major reflecting in terms of margin here. I think that's a good trend that we are seeing and strengthening of rupee because of concern for us and we are trying to adjust that by hedging some of our receivables etc. That is in terms of the overview.

In terms of geography Europe is doing okay, we have projected around \$3 million revenues; I think we will be there. And Middle East, Doha and Qatar and Dubai we are scoping the entire thing and for the next fiscal we should have some good numbers coming from that region also. So that is in terms of region and both in terms of Europe and as well as Middle East we are concentrating on technology, E-governance and telecom spaces. We have seen some great traction happening with our customers and prospective customers there. And we are also being in Qatar specifically we are being launched in Qatar by Microsoft where we have a joint venture with big corporation in Qatar. So, that's essentially a bird's eye view of what the operations are being during the last quarter. Over to you Rahul.

Mitra: Okay Sir, we can start the question and answer now?

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question please press '*1' on your push-button phone and await your turn to ask the question when guided by the facilitator. If your question has been answered before your turn and you wish to withdraw your request, you may do so by pressing the '#' key. We have our first question from Mr. Madhukar Sheth from Amex Network. Mr. Sheth please go ahead.

Sheth: Good day Mr. Satish. Radio frequency is said to be the fastest growing segment and we are into it but little slow in getting up with the employment progress or whatever. And even otherwise our employee strength is increasing at a slower pace than average, can you explain Sir?

Satish: For the current quarter the employee growth hasn't been there much but we are kind of consolidating the reasons for that being removing from contractual employees to a permanent employee mode on an H1 transferring some people from H1 there from whom we have processed for the current year and we move them to the US. So you don't see much of this thing but in terms of new projects there has been some consolidation happening from the telecom providers and we are watching it and everything should be fine from that perspective.

Sheth: So the next quarter should be much better.

Satish: In terms of head count definitely yes.

Sheth: Thank you.

Moderator: Thank you Mr. Sheth. We have our next question from Mr. Yogesh Parekh from Nirmal Bangalore. Mr. Parekh please go ahead.

Parekh: May I know what is your current debtor position?

Satish: Debtor position as on 31st December it was 117 days, we moved down from 130 days to 117.

Parekh: Can you tell me what the billing rate you get for onsite call because major work is onsite only.

Satish: For the current last quarter the average billing has been around \$66.5 that is approximately.

Parekh: Thank you Sir.

Moderator: Thank you Mr. Parekh. Next in line we have a question from Ms. Deepa from Global Assets. Ms. Deepa, you may please proceed with your question.

Deepa: Good evening everybody. Congratulations on a very good set of numbers. There are few questions that I want to address, one is I want to know the development which is going on the ODC front and what is the status now and when do you think it will be operational?

Satish: As you are aware that we have already exploited the land and we have applied for the permission and we should get the permission anytime now. We are anticipating by December we should be able start occupying the premises and the first six months of 2008, I think the billing should be fully done but we will start operating sometime in December.

Deepa: Because of the increased growth, which you were expecting in your revenues, you are seeing that the offshore/onsite mix has been changed and would not be achievable to the tune of 15% for FY-07. I just want to get a feeler about how do you see the offshore/onsite mix moving in financial year 2008?

Satish: From whatever the present percentages we still are hoping to achieve around 20% for FY-08. The visibility that we are carrying from the kind of traction that we are talking with our clients I think we should get around \$35 million in revenues for FY-08 in offshore.

Deepa: What developments are you seeing on the acquisition front probably we were looking for some areas for acquisition and the KPO domain as well as have them in US. Can you just give us the complete...?

Satish: Right now we are doing a due diligence on one firm, the others we are still on the negotiation front. So not much of a great update on that.

Deepa: Okay, thanks a lot.

Moderator: Thank you Ms. Deepa. Ladies and gentlemen, for any further questions you are requested to press '*1'. We have a question from Mr. Umesh Soni from Bank of Baroda. Mr. Soni please go ahead. I believe the line has got disconnected. We will take our next question from Mr. Madhukar Sheth from Amex Network. Mr. Sheth please go ahead.

Sheth: We reached \$70 million for the four acquisitions and whether we have done the acquisitions or when we propose to do?

Satish: We haven't yet raised the money Mr. Madhukar. Once we have finalized with our acquisition targets and we are very closer that's when we will raise this one, we haven't yet raised the money.

Sheth: A very broad question, our discounting is much lower than the average, mid-cap also. What are we doing to improve our market discounting?

Satish: That is a good question Mr. Madhukar, we welcome suggestion there. What essentially we are trying to do internally is, you will see that giving out more information to the investor going forward, that's one thing that we are doing. Second thing we are changing our auditors to the big size that is the second thing, for the next financial year that's what you will be seeing. And obviously these two are the major steps that we are trying

to do and then get it done and any other suggestions are definitely welcome.

Seth: One suggestion is whenever you are in Mumbai please have dinner with us.

Satish: In any case in addition to this teleconference that we are doing, we realize that only quarterly calls is not giving enough of visibility. And so as you rightly suggested we would be trying to meet many more between the quarters and in addition to that we will have full-fledged analyst conference definitely for Q4 and the year ended by about April. One other thing we have noticed is we have not been able to bring Madhavi to interaction, today also we tried to get her on the concall but you see we tried our best and it takes about 2'o clock in the morning there. So each time we don't get on to a call unless our markets are closed. We are having some small inconvenience like that in getting her but this time we are requesting her to come over to India and we should definitely be having a full-fledged conference along with her. And anything like this we feel that devoted ability and coming to the investors more often than the quarters will definitely have an impact and we will do that.

Sheth: Very kind of you, thank you.

Moderator: Thank you Mr. Sheth. We have our next question from Mr. Yogesh Parekh from Nirmal. Mr. Parekh, please go ahead. 15.31

Parekh: Sir, actually some 91 crore has been raised in the IPO for making another ODC, of this 66 crore has already been deployed as per your quarterly statement. So can you give the brief for what purpose it has been used?

Satish: Firstly we have raised at around 135 crores from the IPO, out of which 91 crores was towards the ODC and the related activity. The details of the 66 crores are around 33.4 crores have gone to buildings and reality and also for the computer hardware and software and the licensing we have got 32.95 is what we have spent.

Parekh: Can you give us a brief idea of how much percentage change in onsite to offshore will bring, how much percentage change in the margins?

Satish: For every percentage increase in the offshore revenue, I think we should get a gross margin improvement of around 0.5 or something like that.

Parekh: Okay, thank you Sir.

Moderator: Thank you Mr. Parekh. We have our next question from Mr. Harit Shah from Angel Broking. Mr. Shah please go ahead.

Shah: Good afternoon, congratulations for your very good set of numbers. I wanted to get an idea on your onsite billing rates seems short of quite significantly on sequential basis which seems around double digit. So if you can say that the rupee appreciation and the fact that onsite revenues as a percentage of sales have increased. So therefore in that case it would obviously imply that your billing rates have gone up quite significantly, in terms the man months bills has gone up by something like 7%. So therefore this whole idea is what exactly is happening on that front and what is the reason why we are seeing such a significant increase, is it partly because of cost arising or simply because your value added work for your clients.

Satish: The later is more true Harit. The better value-added businesses we are doing that as you know that we are operating in four segments. We are seeing more things happening on the higher value segments for us and that's why the billing rates are increasing. Secondly all the new contracts that we are trying to take in the technology outsourcing space are mostly into the, we are applying global delivery model there, so off shoring is happening. And the essential reason why the billing rates are moving up is essentially the kind of work that we are taking up in business intelligence, network solutions and areas like that.

Shah: Second question is that how are we seeing the things on the HR front, the break up of Prithvi manpower of why different than Infuses or **TCS**, given the fact that your onsite ratio is so high, you have significant number of employees onsite. So how do you see the middle management path of the bracket between maybe say 3-7 years of experience of project managers, how do you see the acquisition on that front. The overall attrition is low

because of probably higher onsite component but how do you see the middle management path spanning out?

Satish: The middle management when you say 3-7 years it is a area of concern for us too. The way we have structured at this point of time is we have contractors with whom we take some contracting or bodyshoping of starting companies and we have the people on our own rolls. If you have observed we process close to 150-175 H1 for the current fiscal and we are planning to do another 250-300 in the next Q1 of the fiscal. I think over the next 3-4 years the ratio between contractual employees and permanent employees in onsite will come to 50:50 ratio and as far as offshore work it is obviously 100%, we are not having any plans to take contractual employee in India yet, that's on an overall view. But in terms of the question of 3-7 years it is an area of concern because that is the area where most of the people look for huge jumps in career and all that stuff. The way we are trying to handle that attrition is give more responsibility, obviously the salary is one part, so I don't even want to talk about it because we are as good as and as bad as everyone else. We are trying to give them more responsibility and make them more accountable to create a challenge in life for them to work.

Shah: What is your expected employee head count at the end of FY-07?

Satish: In terms of India we are targeting around 700-750 people and I think we should be there.

Shah: Right Sir, thank you very much and best of luck.

Moderator: Thank you Mr. Shah. We have our next question from Mr. Siddharth Purohit from Way 2 Wealth Securities. Mr. Purohit, you may please go ahead.

Purohit: Just wanted to clarify with regards to the other income. The Forex loss during this quarter was quite substantial. Could you tell me what is the strategy going like how are we committing on our currency and all? 21:56

Shastri: We are broadly looking at our distribution of dollars and you know the business model being one where most of our revenues again gets spent in dollars, we have natural hedge. So what we need to really take care is the 12-15% margin, which will actually come into the business.

In fact we have this quarter started-off to look at and examine exhaustively at the various Forex options like the options trading and forward coverage, buying the options and so on. We are in fact amidst that exercise and for this quarter onwards we are trying to see that at least our 10-15% of our total revenues are protected against Forex fluctuations while the other balance will have a natural hedge added to spend it there in US. We are taking care of that from this quarter on.

Purohit: Okay, thank you.

Moderator: Thank you Mr. Purohit. Ladies and gentlemen, for any further questions you are requested to press '*1'. We have a question from Mr. Devang Sanghvi from Capital Market. Mr. Sanghvi, you may please go ahead.

Sanghvi: I just wanted to know what is the Forex loss this quarter against that of the previous quarter?

Satish: The Forex loss for the current quarter has been 5 crores as of the last quarter we actually had a small profit. Forex loss for the current quarter is 5.06 crores.

Sanghvi: In this quarter we have seen time and material going down.

Satish: The way this bid work is where I mean its only the revenues when we bill the client, so it kind of shoots up at a particular quarter, quarterly if you observe the numbers in the fact sheet that is given.

Sanghvi: Yes, September quarter was...

Satish: 4.16% and in this quarter it has been close to 14%.

Sanghvi: What is the level that it will stay at, you are targeting?

Satish: I think we will be at around 10% overall.

Sanghvi: What is the increase in the average billing rate if there is any in this quarter?

Satish: I think there has been \$3-4 is what the increase has been in the last two quarters, if I am not mistaken.

Sanghvi: Okay Sir, thank you. 25.00

Moderator: Thank you Mr. Sanghvi. We have our next question from Mr. Ashwin Mehta from Ambit Capital. Mr. Mehta, you may please proceed.

Mehta: Hi! Just wanted to know what is the order book in pipeline this quarter, have you disclosed that?

Satish: The contract that we have signed are close to around \$175 million and the sales looks closer \$200-220 million.

Mehta: The other thing is in terms of the tax rates, what is the reason for staying so almost negligible taxes?

Shastri: That is because essentially we are operating through a corporate incorporated in India and what we have outside is the liaison and marketing offices. So as per the concept in US as per the advise we have taken, legal advise and taxation advise, since there is no **fee**, we don't come under taxation under US and we will have to be taxed in India and in India we are there as a STPA up to 2010, that is the reason.

Satish: We have 10A tax benefit in India.

Mehta: And just one more thing, what would be your cash balance and debt as on date?

Satish: As of 31st December, I think our cash balance is close to 70 crores.

Mehta: That is including investments?

Satish: That is including investments and as far as the debt I think it was around 16 crores, if I am not mistaken.

Mehta: Okay, thanks.

Moderator: Thank you for your questions Mr. Mehta. Next in line we have Mr. Madhukar Sheth from Amex Network. Mr. Sheth, please go ahead.

Madhukar: Satish, this 66 crores were spent on offshore center. That creates how many seats if we count in seats terms.

Satish: 2500 seats.

Madhukar: And the previous speaker just now asked the question on tax payment. In the market everybody feels a bit confused about a company which pays no tax and which pays no dividend. So we are rightly paying no taxes. So wherever possible you may please give an explanation like a footnote that since we are so and so company, we are not liable to pay tax or whatever. So that we realize that you are not paying taxes although you are making genuine profits.

Shastri: Right, in fact if you would have gone through our 2006 Annual Report has got a CPA report of the revenues and income done by CPA auditor from US and he has very clearly discussed about the status of our company as the liaison office of a foreign Indian company. So there the taxation thing also has been very clearly point out by the CPA in that report and we will continue to highlight that as suggested by you. And as per the dividend is concerned, we started doing that last year and we..

Satish: And we distributed a 10% of the profits..

Madhukar: No, you are distributing dividends, yes I know that.

Shastri: I will continue to do that.

Madhukar: And better.

Satish: Okay.

Madhukar: Thank you.

Moderator: Thank you Mr. Sheth. We have a question from Mr. Harit Shah from Angel Broking. Mr. Shah, please go ahead with your question.

Harit: Sir, I think I didn't quite get the debt figure that you had, was it 16 crores or 60 crores?

Satish: 16 crores.

Shastri: What we have is just a working capital bill-discounting limit.

Harit: Okay, thanks.

Moderator: Thank you Mr. Shah. We have our next question from Ms. Dimple Khaitan from Finquest Securities. Ms. Khaitan, please go ahead.

Khaitan: What kind of an offshore/onshore mix you are looking for in FY-09?

Shastri: I think the target is 25% and 75%.

Khaitan: For FY-08 you said 20:80, right?

Satish: Yeah.

Khaitan: And why are your promoter stake is coming down, it has drastically coming down.

Satish: There are two things to it, Ms. Khaitan. One is that when you look at the, when we did the IPO we had a promoter group holding of 40% in which the main promoters that me and Madhavi, held around 30.5 or 31%. And the balance 9.5 or 10% was held within the promoter group by companies which was owned by one of the original friends and family and some of the employees and some of the people who were in the original list of shareholders and we categorized them as the promoter group. Some of them have sold it off, so that is the reason the promoter group holding look small but from an individual capacity of me and Madhavi as main promoters, I don't think there is anything that has changed.

Shastri: It is only that 9 and 10% which has moved out, held in the corporate form but individuals have not..

Khaitan: Okay, thank you.

Modertor: Thank you Ms. Khaitan. We have our next question from Mr. Madhukar Sheth from Amex Network. Mr. Sheth, please go ahead. 30:50

Madhukar: Sir, this Wipro's Chairman is putting some part of his salary into buying his share. How about we doing it?

Satish: I didn't get that Mr. Sheth?

Madhukar: Wipro Chairman is regularly putting part of his salary into buying Wipro shares is a well-known fact. So family and friends may be reducing their holding but Mr. Satish and Ms. Madhavi must be increasing the stake.

Satish: Between me and Madhavi, the personal goal is to hold 51% of the company and I think over the next couple of years we will definitely do that.

Shastri: And we are definitely looking at ways and means of getting their individual stake increased and no day goes without their telling me that I must buy something, so that will happen.

Madhukar: Yeah, thank you.

Moderator: Ladies and gentlemen, for any further questions, you are requested to press '*1'. We have a question from Mr. Viraj Mehta from KJMC Capital Markets. Mr. Mehta, please to ahead.

Viraj: Our group company original management was holding 18 lakhs shares during the IPO and the holdings have come down. So could you just throw some light on this aspect?

Shastri: As I just told Viraj, the Origin Management Consultants held 18 lakhs shares which were part of the one of the first investors that have come into the company and some of the old employees whom we have given some stocks. So some of these people have sold these stocks that is the reason it came down.

Satish: Because originally put as part of the promoter group.

Shastri: Other than that individual promoters have kept their stocks intact.

Viraj: Sir, this year in terms of onsite/offshore mix, we have actually failed to achieve our targets, so going ahead in FY-08 how do we plan to achieve that?

Satish: As I told, in terms of absolute numbers, we have achieved the numbers that we have targeted for the current year. But in terms of percentage, if you have observed when we started off the Q1 conference call we gave a guidance of 550-600 crores in revenues for the entire year.

But if you look at the half year, 3 quarters together, we did a business of close to 510 crores. So we will be upwards of 700 crores in revenues for the full year. So when we gave a guidance, when we actually project a 550 crores and said 15%, we are close to talking about 70-72 crores in terms of offshore revenues. That number is being achieved and slightly better. But because of the overall growth in the company the number in terms of percentage have come down. So I wouldn't say that we have failed in achieving the offshore target, I think we have achieved the offshore target but in terms of percentages it doesn't give that impression.

Shastri: Well, the percentage is now on a higher base than what it was when we gave the guidance in Q1. It was 15% on 550 crores, now the same 15% applied on 700 plus looks unachieved. But in terms of out of 700, 15% of 550 is still achieved.

Viraj: Sir, one last question. When is the ODC expected to start?

Satish: December of the current year we should start occupying it and it will be totally occupied during Q4 or Q1 of next year.

Viraj: Sir, and how will the ODC coming live will impact the operating margins?

Satish: See, what we are anticipating is that we will go to around 20-25% in terms of offshore revenues and that I think will help the company's gross margins move up to around 20-21%.

Viraj: Okay sure, that is all from my side.

Moderator: Thank you Mr. Mehta. We have our next question from Mr. Ravi Gupta from UTI PMS. Mr. Gupta please go ahead.

Gupta: Hi! Couple of questions. First is that given the kind of growth the company is witnessing, when do you think the company would have to start planning for another ODC? Or does the present ODC which is said has about 2000 seats takes care of growth over the next couple of years? 35:58

Satish: I think the present ODC will definitely care of the next couple of years at least till mid of 2009. But we might start planning for another ODC sometime around 2010, unless we grow faster and we achieve higher numbers in offshore.

Gupta: I am sorry, id didn't follow this. You said this present ODC will take you through mid of 2009, that means for growth post-2009 you have to start planning for the next ODC before mid of 2009.

Satish: No, we will start planning in 2010 is what I am saying.

Gupta: What happens between 2009 and 2010? You enter into a no-growth phase?

Satish: We will not be at a no-growth, what essentially I am saying is currently we are around 500 people in India, the ODC that we have planned is 2500 people. Till March '08 we want to hit a target of 1500 people in India and we want to hit a target of 2500 people by March '09. Then we will start planning for the next ODC facility, sometimes after March '09 and then we will plan accordingly.

Gupta: And we would raise funds, if I understood correctly, if and only if you find certain opportunities in the inorganic growth space.

Satish: Exactly.

Gupta: And can you give us some sense of the kind of growth you feel the company would witness in FY-08?

Satish: Our target has always been close to, conservatively I think around 30% is a good benchmark that we can have, but historically speaking we will always go beyond 40%. I hope I answered your question on that Ravi, or you want me to repeat that?

Gupta: No, I followed that. And on the margin side, do you feel that the margins should start improving and slowly get in line with the other players in the sectors, of course not the top players, at least the second-rung companies?

Satish: Here I hope to make a comparison which I shouldn't, but if you look at you have done a margin improvement from 10% to 12% last year and from 12 to around 15% in gross for the current year. And for the first three quarters we maintained that and I think we will maintain the same for the current Q4 also. Secondly, we want to take this to around 18-18½% for the next year, that is FY-08. And if you look at some of the top player companies the gross margins for them is 19½%, I have been specifically comparing to one company. But I think it is around 19½% which from the kind of offshore/onsite mix that we have, I think we have a healthy margin ratio there.

Gupta: Okay, fair enough, thank you Sir.

Moderator: Thank you Mr. Gupta. We move on to our next question from Mr. Yogesh Parekh from Nirmal. Mr. Parekh, please go ahead.

Parekh: Sir, what is the work force you are planning for the next year?

Satish: I think we want to add around 850-900 people for FY-08.

Parekh: And Sir, of this how much part will be offshore?

Satish: I am purely talking about the offshore numbers, anything 800-900 people in offshore, we might add around on an overall basis 100 people in onsite.

Parekh: So how with these people, where will the capacity be generated, like your ODC will be coming at the end of the year, know?

Satish: Right, we will be taking leased premises in between.

Parekh: You will be taking leased premises. And Sir, actually if the onsite proportion is not going to change, onsite/offshore proportion, how will your margin improve?
40:24

Satish: As I saying the onsite/offshore revenue for FY-08 will change from the present 88:12 to 80:20 Yogesh.

Parekh: Sir actually as a percentage currently you are answering to Viraj question that the percentages not improved, just in amount you have achieved your targets.

Satish: If you look at the last numbers the off shoring was close to 9½%, currently on an overall basis it will be around 12-12½%.

Shastri: And on effort basis it is always on the right side, what is happening.

Satish: And also what we need to remember is even if we look at the absolute numbers, the profitability for the, if I were to do a 75 crore offshore in gross margins, they will be close to 45-50% on that. So that obviously increases the profitability.

Parekh: But Sir, you were telling for every percentage there will be 50 basis point increase in the margins and as per you there is around 3-4% change in the onsite to offshore change in IPR. But if we see the overall change in the margins it is coming around something 30 basis point?

Satish: If you look at the last year margin is 12% and current year is around 15%, that's an improvement of around 300 basis point on 3%. And out of which the contribution because of off shoring is close to 1½-2% and balance 1% has been because we moved up the value chain in terms of our onsite services been provided to our customers. 42:17

Parekh: Actually for nine months ended margin is 12.6%.

Satish: If you look at the gross margin, here I am not talking about the net profits, the net profit can change either way because we had a hit on the foreign exchange. If you don't consider the foreign exchanges then my net profits would have been much better than 12%.

Parekh: Okay, thank you.

Moderator: Thank you Mr. Parekh. We move on to our next question from Mr. Viraj Mehta from KJMC Capital Market. Mr. Mehta please go ahead.

Mehta: Sir, can you throw some light on the cost over for the ODC center?

Satish: As I told 91 crores is the overall budget that we have put and I think we should be there around the same number, maybe plus of 2-3 crores something like that. But at this point we have spent close to 66 crores of which around 33.4 crores is in terms of the reality that we have purchased and all that stuff and the computers and the licenses that we have got is another 33 crores is the present status. But on an overall budget space is I think we will be around 91 plus few more crores.

Mehta: What would be the price per sq.ft. including the furniture for the ODC center?

Satish: Overall costing is coming to around Rs.2000 per sq.ft.

Mehta: What would be the cost if you rent it out?

Satish: Right now we will lease that we are paying is close to Rs.55 per sq.ft.

Mehta: So the leasing would turn out to be much costlier option.

Satish: Yes, it is a costlier option and the depreciation; I mean the straight expense that we have a cash expenditure that we have here. But if you have your own premises you have a deemed expenditure of the depreciation, which will enable us to have better negotiating powers with our customers. 44.48

Mehta: Any revision in the full-year guidance?

Satish: As I told 700 plus is what we will definitely achieve.

Mehta: And the bottom-line in terms of...?

Satish: We will cross 80-85 crores.

Satish: With regards to the FCCB issue would it be EPS dilutive or accretive?

Satish: It will be accretive.

Satish: Sure, that's all from me Sir.

Moderator: Thank you Mr. Mehta. Participants who wish to ask any further questions may please press '*1'. Please press '*1' to ask any question. As there are no more questions, I would now like to hand over the conference to Mr. Rahul Mitra. Please go ahead Sir.

Rahul: Thank you operator, thank you ladies and gentlemen for taking part in this conference call. We call it a day now Sir. Over to you.

Satish: Thank you everyone for joining this conference and hope to see you again in the next conference call or sometime in between too. If you have any clarification you could call me at our office, we will be more than happy to take those questions or clarifications, thank you.

Moderator: Ladies and gentlemen, that does conclude your conference for today. We thank you for your participation and for using TATA Indicom conferencing services. You may please disconnect your lines now, thank you have a great evening. 46.32