

**Transcript: Post Q4 FY2008 results conference call, Mastek Ltd**  
**23rd July 2008, 4 PM IST**

*Presentation Session*

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**Moderator:**

Good evening ladies and gentlemen. I'm Gopal, moderator for this conference. Welcome to the post results conference call of Mastek Ltd. We have with us today, the Mastek management team. At this moment all participants are in listen only mode. Later, we will conduct a question and answer session, at that time if you have a question, please press \* and 1 on your telephone key pad. Please note this conference is recorded. I would now like to hand over the conference to Mr. Abhinandan Singh of Mastek Limited. Please go ahead Mr. Singh.

**Abhinandan Singh:**

Thank you and welcome everyone to our post results conference call for the quarter and financial year ended June 30, 2008. Present along with me today at this call, are Mr. Sudhakar Ram, our Chairman and Managing Director, Mr. Joe Venkataraman, who is the head of our UK operations, Mr. R. Desikan, our Finance Director, and Mr. Jamshed Jussawalla, our CFO. We will begin today's forum with brief opening remarks by Mr. Sudhakar Ram and after that the floor will be open for questions and answers. After the call ends, within a couple of hours, we shall have the audio replay of the call also available for you, at the access numbers mentioned in the conference call invitations that you must have received earlier. The transcript of the call should also become available in a few days, which you can access at our website mastek.com. One additional quick note: I understand that in the results announcement that was e-mailed to you earlier today, one of the excel sheets that were sent was password protected. There was an inadvertent error on our part. A fresh e-mail has been sent to you already, which you must have received, where all the data is there. Now I would like to request Mr. Sudhakar Ram, our Chairman and Managing Director, to initiate this call with his remarks. Over to Mr. Ram.

**Sudhakar Ram:**

Thank you Abhinandan and good evening to all of you. Thank you for participating in this call and your interest in Mastek. Overall if I look at the performance of the quarter as well as for the year, I think I am pretty happy with the way things have turned out as well as the platform that we have created for growth of the company. As you are aware, largely our focus is on high-end solutions that we

have been as a company focused on building enterprise applications that help industries transform. So our focus today is on insurance and government verticals as a company. We see that that has started paying off in both top line and bottom line. Over the last three or four quarters we have seen the bottom line and the margin is expanding quite nicely. This quarter we saw an EBITDA margin improvement to 19.9% as compared to 19.4% in the previous quarter. We have also seen good growth rates. This quarter on a year-on-year basis we grew at about 35% in rupee terms and more than 45% in dollar terms. The year itself has been pretty much in line with expectations. We expected to grow at about 35%; we ended the year at about 34% including an acquisition, which was not factored in, in the past. But I think what we have in terms of the order backlog, in terms of the acceptance in the market place, the field capability, and the pipeline that we have, we feel very confident that we will be able to sustain and grow much faster than the industry going forward. We have given a guidance for the next quarter, which is about 255 to 260 crores in top line. Despite the fact that we will have a wage increase in this quarter, normally we would have taken a hit in margins; we think the margins will be maintained because of certain tax reductions we will get on our R&D expenditure. So the profit guidance for the quarter ahead would be 39 to 40 crores. And we target around 300 million dollars in total income for the financial year. Like you are aware, we don't give a guidance for the full year, we just have a target. So I think the strategy that we have had in vertical enterprise applications has paid up quite well and we are seeing the beginnings of the company emerging and we have been pretty well set to be a leader in the wave 3 companies like, as have been described in our thing, in terms of high-ended strategic work coming out of India, we seem to be at the leading end of that. With that I conclude my opening remarks and I will be happy to address questions from all of you.

#### *Question and Answer Session*

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**Moderator:**

Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press \* and 1 on your telephone key pad and wait for your turn to ask the question. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing # key.

First question comes from Mr. Rishi Maheswari of Centrum Broking.

- Rishi Maheswari:** Hi, good evening and congratulations on a good set of numbers. My first question was just to understand firstly your order book and if you could throw some more color on your order book. Where are you looking at the increase in order book coming from, which division is actually contributing to that?
- Sudhakar Ram:** As you have mentioned, currently we have improved our order book to about 453 crores. If you see the actual performance last year Rishi, the insurance part of our business grew at almost 50%. Obviously, it included the acquisition of STG, but even organically the growth was pretty good and so we have been saying that in the next couple of years we see insurance as the main driver for our growth, but we will see other verticals getting added in the next year or so. The government will remain stable, while insurance will grow much faster this year.
- Rishi Maheswari:** And any updates on SOA based Elixir, how many clients have you won on your Core Elixir, that is SOA based, so far? And what is the status towards the completion of the product?
- Sudhakar Ram:** See, SOA based Elixir, like we have said, will start getting released from this year onwards. So, in the first quarter we are going to release the (not sure) module. So we do have, like we announced some time during the quarter, the Capita license deal, as part of the Capita BPO offering, is based on SOA Elixir. So they have prospective customers for SOA as yet, but as of now we have not had any installed. It is only during the year that we will have installed and revenues from SOA Elixir.
- Rishi Maheswari:** When do you actually see that fructifying sir, in which quarter would you actually be seeing that aggressively being sold?
- Sudhakar Ram:** I would say it will gradually increase this year, we are not expecting any aggressive SOA growth this year, it's more next year that the SOA version will start really yielding results.
- Rishi Maheswari:** Right. And the status on NHS, how is that ramping down?
- Sudhakar Ram:** Joe is here with me and he will answer that.
- Joe Venkataraman:** Yeah. Hi, the good news is that we did plan for a deep drop in revenue, but I am pleased to say that the rate of that drop is coming down and there are still opportunities, we are getting extensions on the work that we have done. So we are budgeting some drop, but not significant drop.

- Rishi Maheswari:** Is that being compensated by any other wins in the government sector?
- Joe Venkataraman:** Yeah. You know that we have announced with Thales last quarter and that's going to help us grow the revenue in that sector. So we have opportunities to grow. And we have got a good pipeline of working with other partners as well. So as and when that occurs, you will hear the good news.
- Rishi Maheswari:** Okay. Just one on your guidance, the one which you have given for the first quarter, I wanted to understand, when I put that into my numbers, and if I try to build in your target of 300 million dollars, the next three quarters would you have to build in say close to 10% CKGR for the next three quarters. Are you being cautious in your first quarter revenue estimates and what have you built in for the wage increases?
- Sudhakar Ram:** See, wage increases we expect about 12% offshore and 4% onsite, that's been factored in into the projection for next year. Clearly Rishi, our business does not move smoothly from a quarter-on-quarter perspective, given the nature of the high-end solutions business. There are deals, which will start where we will have revenue recognition in specific quarters, for instance, the SOA Elixir. We know that when certain customers go live, there will be the revenue recognized against that. So this is pretty much planned based on the visibility that we have.
- Rishi Maheswari:** This does not include any more acquisitions except for the STG and Vector, which you already have.
- Sudhakar Ram:** Yeah. There is nothing significant in the plan for next year, yeah.
- Rishi Maheswari:** Fine. Thank you so much and all the best. I will come back for followup if I get a chance.
- Sudhakar Ram:** Yeah.
- Moderator:** Ladies and gentlemen, to ask a question please press \* and 1 on your telephone key pad and also we request all participants to restrict with one question in the initial round to facilitate all others to go ahead with their questions. Next question comes from Mr. Ruchit Mehta of HSBC.
- Ruchit Mehta:** Yeah, hi. Good evening and congratulations. I just had a query on your balance sheet. If I look at it in the results that you have given, there is a sharp uptake in the debtors

position and also there was a bit of debt on the balance sheet as well. If you could explain the two please?

**Jamshed Jussawalla:** Yeah, Rishi, Jamshed here. Firstly, the debt on the balance sheet actually that we had raised 20 million dollar loan for the STG funding and we got the loan on 29<sup>th</sup> of February, so it was reflected in the last quarter's numbers also. Coming to the debtors, yes, as on 30<sup>th</sup> of June, the debtors are quite high 311 crores, but then in the first 10 days of July, we have collected around 80 crores of that. So, overall the debtors are fairly under control. If you see they will average out to around 65 to 70 days in a quarter.

**Ruchit Mehta:** So, was this more of an aberration in this quarter, or...?

**Jamshed Jussawalla:** Yes.

**Ruchit Mehta:** Okay, so in a sense there is no fundamental change in, I am assuming you guys are not giving out much more credit to your customers.

**Jamshed Jussawalla:** No, not at all.

**Ruchit Mehta:** Okay, and also there was a corresponding sharp increase in the liability position as well. It is almost a 200 odd crores versus 137 crores last year, so why the increase over there as well and same thing on the loans and advances figure, 13, 14 crores last year and 55 crores this year. So...?

**Jamshed Jussawalla:** On the, sorry, you are saying...

**Ruchit Mehta:** On the liabilities front also, liabilities last year was about 137 crores.

**Jamshed Jussawalla:** Yeah see, this number, last year we did not have STG and Vector acquisition. So, this June 08, these are with the acquisition numbers, the entities, liabilities and provisions.

**Ruchit Mehta:** Okay. And also there was a small uptake in the loans and advances also from 13, 14 crores to almost 55 crores.

**Jamshed Jussawalla:** See, basically one particular thing was that, for meeting this buyback we had to withdraw from mutual funds and technically we had put in a request to withdraw on 30<sup>th</sup> of June. So since the money physically did not flow into on 30<sup>th</sup> of June we had to show it as a loans and advances. So this was an abnormal transaction on 30<sup>th</sup> June.

**Ruchit Mehta:** So, as on date what would be the cash in equivalent balance please?

- Jamshed Jussawalla:** See, overall cash is the same; it would be around 135 crores.
- Ruchit Mehta:** Okay, but what would be the investments figure then? That includes that, okay.
- Jamshed Jussawalla:** That's what I am saying, no? The figure is more or less the same, only thing is that the investments had come down on 30<sup>th</sup> June and around 20 crores was sitting in loans and advances.
- Ruchit Mehta:** Okay great and just for Mr. Ram, if could you just give us some bit more color on the demand environment that you are seeing? Your guidance is fairly aggressive, it was almost like a 40% in YOY terms, but compared to what the other peers in the industry are talking about 20%, is this purely a function of our being in different businesses, I mean, what's the visibility that you are seeing for the business right now?
- Sudhakar Ram:** Ruchit, we have not given 40%.
- Ruchit Mehta:** I am just saying that last year, ex-DCOTG, you were 900 odd crores, and if I take 300 million dollars at 43, that's about 1300 crores, so...
- Sudhakar Ram:** No, basically we are looking at, in dollar terms its about 32% growth.
- Ruchit Mehta:** Okay, so what were the ex-DCOTG dollar revenues last year in fiscal '08?
- Sudhakar Ram:** 165 million, ex-DCOTG, we have closed total income of 227 million. We expect 227 to grow to 300 million. So, the growth is largely on, our business cycles and drivers are different from traditional services businesses. So this is based on what we expect as new initiative budgets and insurance companies, (not sure) Gardner and all coming up with, and our own pipeline that we see, both in new projects and new demand from existing customers as well as new customers.
- Ruchit Mehta:** Okay, and just finally on your margin environment. This year obviously have improved margins very handsomely, but what's the outlook for this year and should one also look for some more margin expansion, or you will...
- Sudhakar Ram:** See, obviously on a yearly basis, if you look at operating margins, it has gone up to 17.9%, though the last quarter was 19.9%. So from 17.9 I think it would definitely improve

by a 100 to 150 basis points this year, so around 19 1/2, we should be able to sustain through the year.

**Ruchit Mehta:**

Great. And this tax thing that you mentioned in your opening remarks for this quarter, is it specific phenomena for only this quarter, or it is going to happen for...

**Sudhakar Ram:**

It is actually three, four years together we are getting a credit now. We have made an application for R&D credit in UK, and they have upheld that we are eligible for that. It is more like a one time thing, it is not...

**Ruchit Mehta:**

Okay, so what's the effective tax rate for '09 that we should build at?

**Sudhakar Ram:**

Jamshed?

**Jamshed Jussawalla:**

Yeah, see overall the normal tax rate would be around 14% to 15%.

**Ruchit Mehta:**

Okay so the credit would only flow through in Q1.

**Jamshed Jussawalla:**

Yeah, only in Q1.

**Ruchit Mehta:**

Okay, great. Thank you so much. Wish you all the best.

**Sudhakar Ram:**

Thank you.

**Moderator:**

Next question comes from Ms. Mythili Balakrishnan of JP Morgan.

**Mythili Balakrishnan:**

Hi, good evening sir. I am sorry I missed some parts of the earlier part of the call. I just wanted to talk to you about NHS, what is the exact ramp down plan there and how is that getting factored into your guidance?

**Sudhakar Ram:**

See, like what Joe had mentioned that the NHS's ramp down fortunately seems to be slower than what we had anticipated. So it is not going to hit us as much as we thought and it will happen over a two year period rather than just this year. So we will have much better ability to replace those revenues and as Joe mentioned that what we are doing in Thales is in part going to replace it, and we are also looking at more prospects of partners through whom we will be able to make up. So the 300 million guidance takes into account what we will do in NHS and its ramp down.

**Mythili Balakrishnan:**

But how is the ramp down sort of acting does it start from the second quarter or is it being included in Q1 as well, whatever development part was getting decreasing?

- Joe Venkataraman:** See, this is an ongoing program and it is not good to kind of get into a projection on what exactly would happen. What we have done is when we do a projection to the corporate, what we take into account is, every quarter we make an assessment and in that quarter if this comes down, what are the compensating revenues that we will get from the other side as well. So we know exactly what we are getting in Q1 and we know what we need to do in Q2 as well.
- Mythili Balakrishnan:** Right. No, because I was more interested in terms of people displacement, or whatever people get moved from that project, or...
- Joe Venkataraman:** No, I think what is important is that we are conscious of that change happening as well. So we are working on that factor and in terms of the competence that we built there, how can it be used better. So I think you should wait sort of quarter to see what other things are happening with us.
- Mythili Balakrishnan:** Okay. Also like, what's the CAPEX plan for this year?
- Jamshed Jussawalla:** It would be around 55 to 60 crores.
- Mythili Balakrishnan:** Thank you. That's all from me.
- Moderator:** Ladies and gentlemen, to ask a question, please press \* and 1 on your telephone key pad. The next question comes from Mr. Santhanakrishnan of Smart Capital.
- Santhanakrishnan:** Hi, is it possible to let us know what is the contribution from Elixir during the quarter?
- Sudhakar Ram:** Your voice is not coming across clearly, can you repeat the question?
- Santhanakrishnan:** Yeah, is it possible to let us know what the contribution from Elixir was during the quarter?
- Sudhakar Ram:** No, see we have the total insurance revenues, which are reflected. We don't break it down further.
- Santhanakrishnan:** Okay, is it possible to give us a sense on how the Elixir revenues have moved, let's say, this quarter compared to previous year may be?
- Joe Venkataraman:** There is an echo in your voice. We are not able to hear the question at all.

- Santhanakrishnan:** Okay, I just want to know how the Elixir revenues have moved year-on-year, like whether, because insurance revenues overall has doubled, right, so I just wanted to get a feel on how Elixir has performed?
- Sudhakar Ram:** See, the insurance revenues have gone up by 50% during the year as compared to the previous year and roughly 50% of that in today's term is based around Elixir.
- Santhanakrishnan:** Okay, and just to clarify on the US part, like from the segment point of view, like we see a loss in the others, right, I mean, we had a profit last quarter and this quarter we had about I think, 10 crores loss in segment results, what is the 10 crore loss pertaining to?
- Sudhakar Ram:** See, these are, typically if you look at our projects in Asia, India and all that, they are not high margin projects, but they are strategic, that is how we build capabilities. So, sometimes we will be willing to take on some projects, which are not necessarily profitable in order to build capabilities.
- Santhanakrishnan:** Okay, thanks a lot.
- Moderator:** We request participants to use their handsets during the question answer session. Dear participants, also we request you to restrict with one question during the Q&A session. Next question comes from Ms. Hiral Sanghvi of Dalal & Broacha.
- Hiral Sanghvi:** Yes sir, congratulations on a good set of numbers sir, just wanted to know why there has been a dip in our active clients in the current quarter.
- Sudhakar Ram:** See, these are clients under billing, there would have been projects which would have got over during the quarter and these may be more related to STG clients, because once something gets over we may not have had any further billing, but Jamshed, do you have any further light on this?
- Jamshed Jussawalla:** No, that's what, as you very rightly said when the engagements get over and they go under maintenance, if the billing is not done, we don't consider it as client.
- Hiral Sanghvi:** All right and how would STG have performed in the current quarter, if we can get the revenues?
- Sudhakar Ram:** STG did pretty much on target roughly the STG revenues are about 4, 4 ½ million dollars during the quarter.
- Hiral Sanghvi:** Okay sir, that was it from my side, thank you very much.

- Moderator:** Next question comes from Mr. Kunal Sangoi of Edelweiss.
- Kunal Sangoi:** Yeah, sir my question is with regards to the revised agreement with Capita, if you can just brief out what have been the key changes in the revised agreement and specifically with respect to pricing?
- Joe Venkatraman:** See, we have taken into consideration the scope of service that we are providing and that has been taken into consideration while arriving at whatever the commercial agreements that we have reached. See, the most significant part of it is clarity on IPR ownership, for example, the clarity is on how will we actually deliver a solution to each of their customers. So, it is in those aspects that the changes have come and also real definition of how regulatory maintenance and various things have taken place. I would call this agreement as a reaffirmation of their confidence based on the progress that we have made in Elixir delivery so far and they have come to an agreement on this and they are confident that we are progressing forward and it is a joint effort from both parties. Both the parties are putting in the effort to get this product through pretty soon.
- Kunal Sangoi:** Okay, has there been any change in respect of the pricing?
- Joe Venkatraman:** Yes, there has been a change in the compensation aspect that we have agreed and that will be reflected in the current year numbers that we have projected.
- Kunal Sangoi:** Okay, if you can just comment on what would be the magnitude of change in prices?
- Joe Venkatraman:** I think individually it will be a difficult one to talk about, but what is important is and it is also linked to various deliverables, so instead of looking at it as a change in commercials, I think, you should look at it on a quarter-on-quarter basis, how that reflection comes into the projection that we gave.
- Kunal Sangoi:** Okay, thank you.
- Joe Venkatraman:** Thank you.
- Moderator:** Next question comes from Mr. Neerav Dalal of Avendis Capital.
- Neerav Dalal:** Yeah, hello sir, congratulations for a good set of numbers. My question is what impact of rupee depreciation have you

seen in this quarter on the revenue front and as well as any forex losses if you all have incurred in this quarter?

**Sudhakar Ram:**

Jamshed, would you like to...

**Jamshed Jussawalla:**

Yeah, see basically the rupee impact has been quite marginal. This has been around only 1.3%.

**Neerav Dalal:**

Okay, and any forex loss you had in this quarter?

**Jamshed Jussawalla:**

Yeah, we had around 2 crores of forex loss.

**Neerav Dalal:**

That would be a mark-to-market or...

**Jamshed Jussawalla:**

Yes, bulk of it is mark-to-market.

**Neerav Dalal:**

Okay, one more question on, what will be the impact on your EPS because of the buyback?

**Jamshed Jussawalla:**

No, see we have bought back around 6% of our paid up capital, so you can just...

**Sudhakar Ram:**

See, that's already factored in, because the buyback is complete, so when you look at the EPS at the end of the quarter, it already factors in the effect of buyback. I mean, almost all the buyback, I think, July 1<sup>st</sup> week we did some more buyback, but pretty much most of it was done by June end.

**Neerav Dalal:**

Yeah, so FY09 EPS would reflect some amount of the bought back shares in July?

**Sudhakar Ram:**

Very little, I think what split over to July was just hardly 3%, 4% of the total buyback.

**Neerav Dalal:**

Okay, fine, and could you let me know the attrition that was at the end of this quarter?

**Sudhakar Ram:**

Attrition has come down over the last year, so we stand today at about 17%, 18%.

**Jamshed Jussawalla:**

Yeah, it's around 18%.

**Neerav Dalal:**

Okay and one last question on what would be the contribution of revenues from Vector, you told STG would be 4 to 4 ½ crores?

**Sudhakar Ram:**

Vector we already integrated, so our insurance revenues include Vector as we stand, yeah.

**Neerav Dalal:**

A rough number on that end?

- Sudhakar Ram:** See, the problem is that on the Vector customer base we may have other revenues that Mastek has done and so on, so we don't break it out now, it's completely integrated with our US insurance business.
- Neerav Dalal:** Okay fine, thanks a lot.
- Moderator:** Next question comes from Mr. Ruchir Desai of Pioneer Invest Corp.
- Ruchir Desai:** Hi, good evening, congrats on the numbers, sir, just a couple of questions. Last quarter you had mentioned certain execution delays in certain BFS client in the North American market, just an update on that and whether work has begun from that account again and also last quarter you had sort of one time gains, which had margins, was there any one time gains in this quarter as well?
- Sudhakar Ram:** If you see our US revenues this quarter, you would notice that pretty much there has been a good growth, so whatever execution delays have been made up. In terms of overall, whatever one time gains versus one time losses, I don't think net there is any difference in this quarter; it was pretty much at the same level.
- Ruchir Desai:** Great and just a question on the guidance, would you be able to talk about what have you factored in for STG for this year?
- Sudhakar Ram:** See, now the P&C business we are going to again completely integrate, so some of the Mastek P&C customers will leverage STG, similarly we will grow some of the existing STG accounts within Mastek, so we are not going to break it down any further, its only up to this quarter that we had some visibility there. Now it will be the full P&C business of Mastek, which will come under that umbrella.
- Ruchir Desai:** All right, great, thank you and all the best.
- Sudhakar Ram:** Thanks
- Moderator:** Next question comes from Mr. Sujith Joshi of Irevna Research.
- Sujith Joshi:** Hello, good evening, I just had one question, can you just give a breakup on how much was the contribution of revenues from India?

- Jamshed Jussawalla:** Basically, when we are giving for UK, US and rest of the world, now if you just want a separate figure, it would be around 3 ½ crores.
- Sujith Joshi:** 3 ½ crores from India alone?
- Jamshed Jussawalla:** For the quarter.
- Sujith Joshi:** Thanks a lot, that's it from my side.
- Moderator:** Ladies and gentlemen to ask a question please press \* and 1 on your telephone key pad.
- Next question comes from Mr. Ramprasad of Sundaram BNP Paribas.
- Ramprasad:** Hello, good evening sir, just a couple of questions, one is on the hedging policy, where does it stand now, what is the current hedging and second is, what is the manpower addition you are looking for in the current year?
- Jamshed Jussawalla:** See, basically we cover 50% of the next six months in flows, that is our hedging policy and we had forward contracts of around 24 million dollars outstanding as on 30<sup>th</sup> of June.
- Ramprasad:** At what rate, sir?
- Jamshed Jussawalla:** It was 41.6.
- Ramprasad:** Okay, on the manpower addition front, sir?
- Jamshed Jussawalla:** Manpower addition in this quarter we added around 70 people.
- Ramprasad:** Going forward what we need to model in for the next year, sir?
- Sudhakar Ram:** See, our business is not linear, as you are aware, so this year if you look at the overall performance, we added 600, 700 people through the year, but our revenues grew at around 34%, 35%, so our need will be dependent on whatever we take on. If there is more license revenue, we will need less people, so roughly we would have about 1000 to 1200 people next year, but that's more an indicative thing, it is not something that our entire business model is driven by.
- Ramprasad:** Okay sir, on the utilization front do we expect these kind of...

- Sudhakar Ram:** The same thing, don't look at utilization and manpower numbers, for us productivity and efficiency are more important than that.
- Ramprasad:** Okay and lastly one housekeeping question, what is the average dollar rate assumed for this guidance?
- Jamshed Jussawalla:** For this quarter it is 42.5.
- Ramprasad:** Going forward, sir?
- Sudhakar Ram:** We are not guiding beyond the first quarter, so we have not taken a view there. Overall top line we have given you that we target 300 million dollars in revenue.
- Ramprasad:** Okay sir, that answers my question, thanks.
- Moderator:** Next is a followup question by Mr. Ruchit Mehta of HSBC.
- Ruchit Mehta:** Yeah sir, just wanted a little more clarity on the taxation front, now that the STP Act has been extended for a year and with your SEZ coming into play, for '010, what will the tax rate pan out like?
- Jamshed Jussawalla:** See, that is for '09-'10, it would be more or less the same and '10-'11, yes, it would go up, but it would be somewhere between 22% to 23%, because by that time the Chennai SEZ should be fully functioning.
- Ruchit Mehta:** Okay great, and just on the capex front, you mentioned 60 crores of capex.
- Jamshed Jussawalla:** Yes between 55 to 60 crore.
- Ruchit Mehta:** And this is purely for the Chennai SEZ or...
- Jamshed Jussawalla:** No, it would be for a variety of things. Chennai SEZ would be there. Our own normal capital expenditure will be there.
- Ruchit Mehta:** Okay great, and considering that we have used our cash for the buyback and also we have debt on the books, do you think that your other income will actually drop off in this year?
- Jamshed Jussawalla:** See, our cash flows have been quite robust, so you take around 48 crores of cash we generate every quarter, so may be say one and half quarter's cash will be used by capex, but overall yes, there may be a slight dip.

- Ruchit Mehta:** Okay and this debt that you have taken for the acquisition, when do you pay it off, I mean, will it continue to be there in the balance sheet?
- Jamshed Jussawalla:** Yeah, it would be there till 2012.
- Ruchit Mehta:** Okay and the cost of borrowing on that?
- Jamshed Jussawalla:** It is Libor plus 2.25.
- Ruchit Mehta:** Roughly 6%?
- Jamshed Jussawalla:** 5% you can say.
- Ruchit Mehta:** Okay, great, thank you so much.
- Sudhakar Ram:** Thanks.
- Moderator:** Ladies and gentlemen to ask a question please press \* and 1 on your telephone keypad.
- Next is a followup question by Mr. Santhanakrishnan of Spark Capital.
- Santhanakrishnan:** Hi, just had a question regarding your guidance. When you said 300 million, does it include both your revenues from the business plus the other income, right?
- Sudhakar Ram:** That's right.
- Santhanakrishnan:** Is it possible to say how much is the guidance just for the revenues from the business?
- Sudhakar Ram:** See, our other income is not going to vary very significantly next year, so you can easily figure that out.
- Santhanakrishnan:** But the other income includes the forex fluctuation also, right, that is likely to come?
- Sudhakar Ram:** Yes, obviously.
- Santhanakrishnan:** Okay, so we have factored in the forex fluctuation also?
- Sudhakar Ram:** Not on a precise basis, but yeah.
- Santhanakrishnan:** Okay and I just had one more clarification regarding the free cash flow generation, like what could be your free cash flow during the next year, do we expect a similar sort of free cash flow or is it going to be a little bit different given the investments in SEZ and probably some acquisition?

**Sudhakar Ram:** See, as of now we have not factored in any acquisition for next year, so it will be similar to this year.

**Santhanakrishnan:** Sure, okay, thanks a lot.

**Moderator:** There are no further questions. Now I hand over the floor to Mr. Sudhakar Ram, Chairman and Managing Director, Mastek, for closing comments.

**Sudhakar Ram:** Thanks Gopal and thank you all for participating in this call. Like I had mentioned that we do see the company and its unique business model paying dividends year after year. We moved into a vertical enterprise solutions model a couple of years back and we have seen a very systematic increase in penetration of the specified verticals in our brand equity as well as mind share and the specific verticals and financial performance. So I am glad that all of you have been following Mastek and you would have seen this improvement over a period of time and I thank you for your continued support of Mastek. Good afternoon to all of you and we will meet again next quarter.

**Moderator:** Thank you sir. Ladies and gentlemen this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you, have a pleasant evening.

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