Transcript: Post Q2 FY2010 results conference call, Mastek Ltd
12th January 2010, 5pm IST

Presentation Session

Moderator: Good evening ladies and gentlemen. I am Gopal, moderator for this conference. Welcome to the post results conference call of Mastek Limited. 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 now would like to hand over the conference to Mr. Abhinandan Singh, Head of Investor Relations, Mastek. Please go ahead Mr. Singh.

Abhinandan Singh: Thank you and welcome everyone to our post results conference call. The quarter under review is our second quarter of fiscal 2010, as ours is a July-to-June financial year. Present along with me today at this call are Mr. Sudhakar Ram, our Chairman and Managing Director, Mr. John Dowd, our Group CEO, Mr. Farid Kazani, our Group CFO & Finance Director, and Mr. Jamshed Jussawalla, our CFO. We will begin today's forum with brief opening remarks by Mr. Ram and then open the lines for your questions. After the call ends, within a few hours, we should have the audio replay of the call also available to you at the access numbers mentioned in the conference call invitations that were sent to you earlier. The transcript of the call should become available in a few days, which you can access at our website mastek.com. Now I would like to request Mr. Sudhakar Ram, our Chairman and Managing Director to initiate this call with his remarks.

Sudhakar Ram: Thank you Abhinandan, and welcome to our second quarter results call. The quarter which has gone by has been pretty good in terms of meeting many of our expectations within the company. First of all we had said that we would arrest the decline of the order book, which had slid down to 242 crore at the end of September, and I am pleased that it has gone up to 296 crore this quarter, which is an improvement of almost 22 percent. But more than the numbers and the underlying improvement, there are three very significant things that I would like to share with you. One is the fact that we had our first break which is about to be signed in Asia which is our ElixirAsia™ product, which is an important break for our insurance business. The second was the first deal in U.S. for Elixir™ which is for Elixir Distribution Management in the U.S. And the third is the fact that our Capita relationship has moved to the next level, where we are now looking at doing client implementation on the Elixir platform and we have had an announcement on that. And while we have been talking about this in the past, this is an actual confirmation that we would expect at least around 25 million pounds of business from Capita over the next two years. So, these are three significant things which are under the order backlog of 296 crores. Apart from that, on revenue terms while on the face of it, it looks like we are below our guidance we are actually at 200 crore on constant currency basis – the 193 crore translates to 200 crore in constant currency, which is about 4% growth sequential quarter on quarter, pretty much in line with what we had thought we would do in the beginning of the quarter. The only disappointment during the quarter was a sharp drop in our EBITDA margin from 15 odd percent to 12%. And this is primarily due to two reasons. One was the delay in the start of the Capita deal. We thought it will start in Q2 but it is actually now going to start in the Jan-Feb-March quarter. And we had built up cost in terms of servicing this deal which had hit our EBITDA margin. Apart from that, the forex rupee appreciation has cost us in terms of margins. So both these together led to an EBITDA drop. Because the Capita thing will start delivering from next quarter, we do see the EBITDA margin getting back on track to 15.5% or so in Q3. So overall if I look at where we stand as a company, at a fundamental level we do see early signs of revival. It's not that full revival is visible or that we are on a peak ramp in terms of growth, but at least we have arrested the drop. As we anticipated, Q1 was our worst quarter and we see that situation will improve going forward. In terms of our guidance for next quarter, you would see that, at the lower end we are looking at a 188 crores. Just to put it in perspective, the 193 crore for this quarter, at today's currency rate, translates to 188 crore. So, at the lower end we are looking at flat, but we see an improvement between 2% to 3½% during the quarter as a sequential growth. The EBITDA would improve, but this quarter we had a tax credit because of our R&D thing in the U.K., which we will not have, that's a one time benefit we had, that will not be there next quarter. So about 21 to 23 crore is where we expect Profit after Tax to land. But EBITDA would see a significant improvement as compared to Q2. We are seeing early signs of revival. We know that in the solutions business revival will be slower than in the services business, because we need clients to build confidence in their own businesses to be able to take on transformational projects. So we will see that getting translated to our revenue and bottom line over the next three or four quarters. Overall, based on the client conversations we have had in the pipeline that we are building up, we do see that the demand for transformation project will improve over the next few quarters. With that, let me close my initial comments and we will throw the floor open for questions.

Question and Answer Session

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. We request you to kindly restrict with one question in the initial round, to facilitate all others on queue to ask questions.

Our first question comes from Mr. Ruchit Mehta from HSBC Asset Management.

Ruchit Mehta: Good evening. On the cost structure and on margins, just want to get a better sense as to how we are handling that. Because with guidance of 27-29 crore of profits for current quarter, even that's missed and margins have probably one of the worst I've seen in last 4-5 years. So where do we see EBITDA going forward next couple of odd quarters. What would drive that improvement?

Sudhakar Ram: As I said Ruchit, we do see EBITDA improving from 12 point odd percent to more than 15.5% in the next quarter, in the Jan-March quarter. And it should see further improvement in April-June.

Ruchit Mehta: What will drive that? Don't you think that in terms of revenues basically you are guiding to flatness in revenues? So what are the cost elements which are there in this quarter, which may not come about in the next quarter?

Sudhakar Ram: We had built up cost for the Capita client implementation, which did not translate to revenues this quarter. But that will start yielding revenues from Jan-Feb-March quarter onwards. So the cost has already been built up but revenues were not there and that should get changed.

Ruchit Mehta: Okay. And just finally when you say that, you are starting the migration work of customers with Capita, essentially you would start off with Zurich moving on to the Elixir platform?

Sudhakar Ram: That's right. In fact, we do have Steve Parkinson, who's the CEO of the Capita Life & Pensions business. He is available on call. Moderator, if you could open the line for Steve to just share with us what their plans are in terms of supply and implementation.

Moderator: Certainly sir.

Sudhakar Ram: Steve.

Steve Parkinson: Hello.

Sudhakar Ram: Yes Steve, we can hear you.

Steve Parkinson: Hi all. Just taking up the point on client implementation, to answer the question is, we're planning to start with Zurich in the first quarter of this year and then before the end of 2010, we aim to have a two more of our clients using the Elixir platform, not necessarily having migrated legacy portfolio policies across – that's more likely to happen during the course of 2011.

Sudhakar Ram: Thanks Steve.

Ruchit Mehta: And just finally on the order book, we have seen a pretty decent uptake in the current quarter. What led to this…if you can give a probably bit more color on that. You have mentioned Elixir; you have got a breakthrough in the U.S. so on and so forth. So can you give us some more details on that?

Sudhakar Ram: That Capita deal got finalized, so obviously the next 12 months revenue is part of the order book. And there are other wins that we have had. So it's a combination of all those which have led to an uptake in the order book.

Ruchit Mehta: Okay thanks.

Moderator: Next question comes from Mr. Sangam Iyer from Alpha Advisory.

Sangam Iyer: Are we seeing any particular projects or anything that are coming to an end this particular quarter, because of which even with the Capita deal starting, we see the top line almost flattish?

Sudhakar Ram: As I said, top line is not flattish, it is largely because of the currency variation that you see 193 coming down to 188 crore.

Sangam Iyer: Even if you assume that it is at the higher end of 193 crore and that the margins are improving due to contribution from the Capita deal…even this quarter we had the same kind of top line numbers, so we are not seeing much of a difference in the absolute number in the top line. So is there any particular project that are coming to an end during this quarter, which are not there in the next quarter which one should be aware of?

Sudhakar Ram: No, there is nothing specific. Obviously there will be different execution cycles in different projects. But what you have to understand from the guidance is; our range is 188 to 195. 188 next quarter is the same as 193 this quarter. So in constant currency terms, it would be equivalent to 193 to let's say 200 or so. So that's the range that you have. And that's a 3%-3½%, at the highest end; at best we will do about 3%-3½% sequential quarter on quarter.

Sangam Iyer: That was precisely the question. Because if were to look at it on a constant currency, the guidance is equivalent to 193 to 195, that we did this quarter, right?

Sudhakar Ram: 193 to 200, yes.

Sangam Iyer: And with the cost that was just built up this quarter, next quarter when the contribution from Capita does come in, where does it add up to the top line, because, the rest remaining the same, our top line is flattish?

Sudhakar Ram: Yes, it's a modest growth. So there will be variations quarter on quarter in terms of project execution. The main uptake will happen out of Capita and there may be pluses and minuses in other projects. Farid would you like to add anything to this?

Farid Kazani: Yes. Typically, there is an element of new business that gets booked and shipped every quarter. And we have been a little conservative in considering that element of business in the next quarter. Even this quarter we did expect some revenue to flow in, but if book & ship gets delayed, that impacts the quarter. So, Capita revenues just fold into the next quarter but some of the other elements of new business that would have actually come in at a book and ship that has been assumed at a lower end for the next quarter.

Sangam Iyer: Okay. So other than that, would there be any other risks to your margin assumptions of 15½% for the next quarter?

Farid Kazani: Yes, if the currency variation is more than what we have assumed in the next quarter and rupee strengthens then it could have an impact.

Sangam Iyer: So other than that we are very comfortable with a guidance of 15½%.

Farid Kazani: That's correct.

Sangam Iyer: Okay. Thanks a lot sir.

Moderator: Next question comes from Mr. Srivatsan Ramachandran from Spark Capital.

Srivatsan Ramachandran: Just wanted to get an understanding on this Capita relationship. That 25 million pounds, is it kind of a minimum guarantee that Capita is offering in terms of what could be your potential revenues? What is the exact deal structure like?

Sudhakar Ram: See basically these are client implementation deals. As Steve said, apart from Zurich, we are also expecting a couple of other clients of Capita to migrate onto the Elixir platform. So this is the total quantum of work expected over the next two years. It is somewhere in this part, there is no minimum guarantee or anything; it could also be more than this.

Srivatsan Ramachandran: Is this somewhere included in the order book number that we see?

Sudhakar Ram: What we expect in the next 12 months is included.

Srivatsan Ramachandran: And the other question I just wanted to ask is what is the accounting principle for this implementation? Is this percentage completion or how do we recognize it?

Sudhakar Ram: See implementation part would actually go by and large on capacity kind of a mode.

Srivatsan Ramachandran: On the license fee and other things, is it one off or…?

Sudhakar Ram: It is already included in our current revenue.

Srivatsan Ramachandran: How is the revenue booking done in terms of accounting, that is what I was asking for.

Sudhakar Ram: See, normally we don't book license fee in one shot. We book license fee over a period of execution, which is already happened in the Capita case.

Srivatsan Ramachandran: Okay. Farid this question is specifically to you. We are kind of worried that you are not having a complete control on what your cost parameters could be, because it's been almost third or fourth continuous quarter wherein you are missing earnings guidance and predominantly not because of forex, even outside forex you've been missing. Does it make you slightly uncomfortable, in terms of ability to manage cost, that lack of predictability in terms of what my next quarter is going to bring?

Farid Kazani: Actually if you look at the cost structure, it has not moved up and it is not that we do not have control of cost elements. The fact is that there are certain expected revenues that would have helped to bring about an improvement in the EBITDA margins or improve the profitability. But some delay has impacted profitability. The second element that hit is the FX translation loss. When you look at this quarter there has been an impact of around 1 ½ crores and that is due to lower translation rate of the investments in the U.K., with the pound rate being lower, so typically that has impacted us in this quarter. And going forward with revenue which would be a little more certain than what we have seen in the past quarter, there would be a much better predictability of the profitability levels going forward. You wouldn't see such kind of impact which has happened in this quarter.

Srivatsan Ramachandran: Okay, the other question what I wanted to ask is, our head count has gone down by another about 230, but salary cost has gone up, and onsite head count has come down, and then rupee has also been favorable to us. What's led to this kind of the salary cost increase and the staff cost increase?

Farid Kazani: If you look at the head count, reduction has happened in the virtual bench that now stands at 175. That typically does not have a great amount of impact in terms of reduction of cost because that was at a significantly lower cost. The cost increase is in terms of the frontend investments that we made in the sales team, both in the U.S. and U.K., which is why you see the overall cost in terms of salaries that has gone up and that's something which we have consciously invested in. Because we believe that could help us to grow the business going forward.

Srivatsan Ramachandran: Okay. I will come back later for questions. Thank you.

Farid Kazani: Thanks.

Moderator: Next question comes from Mr. Nikunj Doshi from Envision Capital.

Nikunj Doshi: Yes, good evening all. Don't get me wrong, but just wanted to understand, what is the problem with our business model? Because after so many years of existence we are still struggling at quarterly run rate of around 200 crore of revenues, whereas many other competitors have reached where they are. So is there any problem with the business model or the business approach that we have overall?

Sudhakar Ram: See, at a broader level we have been addressing this question many times that Mastek's business model has been distinct from the rest of the industry, in the sense that we play in the higher-end; we are more focused on transformative solutions and less on commoditized work. So we consider ourselves to be a third wave company. And to that extent we have gone against the grain of the market, because mainstream in the Indian market is labor arbitrage, commoditized work. So to the extent we do high end work, it's not usual for Indian companies to do it. That has been one of the reasons why we have not grown in the commodity end of the business. But going forward as costs become tighter and labor arbitrage becomes less attractive, we see our business model to be far more relevant because it is a non linear model. We see it as something, which the customers will get far more open to. So in our own estimation there is a huge amount of legacy transformation business which is out there, which only companies like Mastek can deliver. Because we are yet a large fixed price, complex program, and we get involved in, we have the IP to go into it in areas like insurance. But it's a question of business model. We don't want to do commoditized work, we want to do only high end work.

Nikunj Doshi: No, but that again is not reflected in the margins, because ultimately margins are…

Sudhakar Ram: It is reflected in the margins. What you have to look at is the gross margin, because the quality of work is reflected in the gross margin and not in the net margin. And at gross margin level, Mastek has been at the highest end of Indian industry. We are among the top two or three every quarter.

Nikunj Doshi: Okay. Okay thank you.

Moderator: Next question comes from Mr. Ankit Shah from B&K Securities.

Ankit Shah: In terms of fixed price project contribution, we have seen an increase in the utilization also and price have decreased, so still we are posting a lower margin, so this is just because of the one reason that you told under cost you have already incurred for the Capita and the remains didn't come up?

Sudhakar Ram: That's one. And second is that we have made investments in the frontend team through this year. Over the last 12 months, we have enhanced our sales, marketing capabilities. So those are not translated into a large number of people but these are all key senior exec hired who obviously cost us a lot.

Ankit Shah: What are the employee addition plans for the next quarter and for this current year going forward?

Farid Kazani: We don't give guidance in terms of employee addition and at the moment we have 175 people on the virtual bench. In terms of the business we see an uptake in the next two quarters, we would see how we can utilize the virtual bench and convert them into active bench or production head count.

Ankit Shah: Okay. And are we looking at improving our fixed price project to time and material project proportion going forward? Or it would be under similar levels, what we are seeing?

Farid Kazani: Yes definitely. That is something which will happen over a period of time. The T&M projects would grow as a percentage as compared to the fixed price.

Ankit Shah: T&M projects would be increasing, yes?

Farid Kazani: Yes.

Ankit Shah: Okay. And what are the utilization rate we are seeing going from here? How mush room do we have to increase from this levels?

Farid Kazani: I think we are pretty much there in terms of utilization. If you look at Q2, we are at 87% and that's been a marginal improvement as compared to 85% in the last quarter. So we are pretty much there and that will depend upon how we utilize the virtual bench.

Ankit Shah: Okay. So we are looking at similar kind of utilization levels going forward.

Farid Kazani: Similar. I would say similar levels.

Ankit Shah: Sir, are we looking at some pricing pressures going forward or the pricings have been stabilized at least for this quarter and the next quarter?

Sudhakar Ram: Like I have always been saying, in the solutions business we have not had an issue on pricing. With a couple of customers in services, we did have, that was three quarters back, and that is already been factored in. There is no further pressure.

Ankit Shah: Okay. And sir, lastly, have we included some salary hikes in this quarter for employee cost? Or are we planning to give some king of hikes for the next quarter?

Farid Kazani: We are considering an increase in salaries from February, selectively, across the Mastek group, and that's going to have some marginal impact which has already been considered in the guidance.

Ankit Shah: But for the current quarter there have been no salary hikes which have been included for?

Farid Kazani: In Q2, there has been no salary hike impact.

Ankit Shah: Okay. Thanks a lot sir.

Moderator: Next question comes from Mr. Pratish Krishnan from Bank of America.

Pratish Krishnan: Just want to understand, what is the hedge position currently?

Farid Kazani: 2.5 million dollars and 5.35 million pounds.

Pratish Krishnan: Okay. And is it possible to quantify the quantum of Capita value, order value, including the order book?

Sudhakar Ram: Yes, that is about 25 million pounds, which we have already shared in the results release.

Pratish Krishnan: Which is part of the order book, maybe for the next 12 months, so how much is that?

Sudhakar Ram: We have taken what we think will get executed from there. We can't break that up further than that.

Pratish Krishnan: Okay. Just to understand, does this cover all the clients of Capita or could there be further upsides also?

Sudhakar Ram: See, all this implementation of our legacy modernization platform is quite a complex and enormous effort, which is why we have taken such a long time over this entire program. Capita has more clients, but even within the current clients there are more books of business. I think Steve was talking about this actually, covering the new products more than the existing books of business. So there is potential to take it over a period of time, but right now we are planning to take on first priority the three clients at hand and complete some level of implementation for them in the calendar year 2010.

Pratish Krishnan: Okay, sure. And finally for EBITDA margin, I understand you've mentioned your guidance is 15.5%?

Sudhakar Ram: About 15.5%, correct.

Pratish Krishnan: Okay. And that factors the appreciating rupee?

Farid Kazani: We have given the level at which we have given the guidance, which is 45.5.

Pratish Krishnan: Okay fine thanks a lot.

Moderator: Next is a follow up question by Mr. Ruchit Mehta from HSBC Asset Management.

Ruchit Mehta: Sorry to dwell on this, but I am not able to figure this out. With flat top line or to marginal uptake, for you to deliver almost about 15%-15½% or above margins, your cost would need to come off in the quarter. Is that what we are looking at?

Farid Kazani: There was cost that we had already invested in for the program on Capita. So there is not going to be incremental cost, with Capita revenues coming in next quarter. So in effect there will be constant cost but there will be some improvement in the revenues.

Ruchit Mehta: You know, Farid, if you want to remove your FX clause from the cost in the quarter year, total expenditure will be around 166 crores, and except your other income your revenue will be around 191 crores. If that remains flat, your 166 has to come off in the quarter for you to deliver 15%-16% margin. My argument is that you may have some revenue, extra revenue, from cost of Capita but then there would be some other costs which would need to come off. I mean the figures are not, I am not able to tally them.

Farid Kazani: There are other areas of cost improvement and reduction that we have planned, which is what we have already considered in our margin improvement.

Ruchit Mehta: Okay, okay. And although in the taxation front, last two quarters you have had a bit of reversals, but the balance two quarters, what's the tax outlook?

Farid Kazani: Well, in the first two quarters, we had negative tax and the next two quarters we will obviously have positive tax and overall for the year it will be between 3% to 5% effective tax for the year.

Ruchit Mehta: Of the PBT?

Farid Kazani: Of the PBT, yes.

Ruchit Mehta: And next year, how would that scale up?

Farid Kazani: That would scale up next year. And it would be definitely higher. And that would be anywhere in the range of 10% plus.

Ruchit Mehta: 10% plus. Okay. Just finally, we have been cutting down on head count for sometime now. When do you realistically expect that you would need to go back to the market and hire, depending on demand and whatever ample you see from Capita and so on and so forth?

John Dowd: Yes, we have done that calculation very recently and we have looked to be going back to our recruiting sources in the Q4 this fiscal year and with potential hiring in Q1.

Ruchit Mehta: Okay. Thanks.

Moderator: Ladies and gentlemen, to ask a question please press * and 1 on your telephone keypad. Next question comes from Mr. Madhu Babu from Systematic Shares.

Madhu Babu: A lot of Government projects are coming out in U.K. which the Indian vendors are bidding of recent. Are we bidding for any of those Government projects?

Sudhakar Ram: Sure. U.K. Government is one of our primary markets. So we do have bids in the pipeline there.

Madhu Babu: Okay. Thanks.

Moderator: Next question comes from Mr. Neerav Dalal from Capital Market.

Neerav Dalal: The effective tax rate of 3% to 5% includes the impact of the write back this quarter, the tax refund this quarter, right?

Farid Kazani: Yes, it includes the first two quarters' negative tax. Negative tax is primarily on account of deferred tax captured in the first quarter and our R&D tax refund that we got in the second quarter. There would be a higher effective tax in the next two quarters close to 12% to 15% ending up with between 3% to 5% as a effective tax for the year.

Neerav Dalal: Just wanted a comment on the U.S markets, now that you've got your first deal there for Elixir, and bit more on the U.K. market.

Sudhakar Ram: In the U.S. market obviously, they will wait and watch for this EDM implementation; that is the Distribution Management implementation. But we do have interest in the pipeline, much will be based on the first success of the implementation. But generally the pipeline and the conversations in U.S. are looking positive because more insurance companies are today willing to talk transformative deals in the new business underwriting area as well as in the distribution management area. In U.K., our growth has been through partners. It has also been through direct accounts. We do expect to add partnership and direct accounts in the next 3-4 quarters.

Neerav Dalal: Okay, but what about the demand environment as such?

Sudhakar Ram: It is improving. We can see the improvement in transformational programs.

Neerav Dalal: Okay. Thanks a lot.

Moderator: Next is a follow up question by Mr. Srivatsan Ramachandran from Spark Capital.

Srivatsan Ramachandran: This is about the revenue break up between maintenance and development. Maintenance has seen a drop of 15 percent QoQ, what's led to that kind of a drop?

Sudhakar Ram: I wouldn't take these splits between maintenance and development on a quarterly basis to be significant.

Farid Kazani: Primarily the last quarter had some specific change requests. Last quarter was higher at 80 crore and this quarter is a little less. So I think it is better to look at it on a YTD basis, just like Sudhakar mentioned.

Srivatsan Ramachandran: Okay, because generally you don't expect such drastic cuts in maintenance projects.

Farid Kazani: You are right. What you see in the quarter under review is the normal maintenance level. If you look at the preceding quarters, say Q4 of '09 and Q3 of '09, you will see similar levels. In Q1 of the current financial year, there were some additional change control requests and considered part of ongoing maintenance, and that has come in Q1 which obviously was not there in Q2. So what you saw in Q1 was actually a one off spike in maintenance rather than Q2 being abnormal.

Srivatsan Ramachandran: The two new Elixir deals, one in Asia and one in U.S., are these also part of the order book or is it still yet to get signed and closed?

Sudhakar Ram: One of them is. But the ElixirAsia deal is not yet signed, so that is not part of the order book. EDM is part of the order book.

Srivatsan Ramachandran: In terms of the certain investments that has been made, the fact if you just go by the numbers that's been reported from December '08 to '09, our marketing team is more or less flat, so in terms of that can you quantify what kind of investments has been made in frontend and in which geographies?

Sudhakar Ram: We have enhanced the team both in U.S. and in U.K. Numbers being flat actually will be misleading, because the underlying constitution there has been, we have been looking at what kind of people we need in terms of selling high end complex solutions, who can actually map to the C-level within the clients. So the numbers may be the same but the constitution could be different.

Srivatsan Ramachandran: Okay. And what would be the impact kind of on the profitability on any numbers that could be possibly be thrown as such?

Sudhakar Ram: That's what we said, next quarter the EBITDA would actually improve.

Srivatsan Ramachandran: In terms of what we are looking at, maybe say, June '08 or something until now we had a significant strength in the frontend and marketing end consulting people. If that's the case what would be the, suppose we hired 20-30 frontend, what would be the overall total cost on quarterly basis due to these higher…?

Sudhakar Ram: It is difficult to break it down that way, because there are some people who moved out, some people who have come on board, there have been changes in the structure, so that will be difficult to quantify.

Srivatsan Ramachandran: Okay, sure. Thanks a lot.

Moderator: Next is a follow up question by Mr. Ankit Shah from B&K Securities.

Ankit Shah: What are the current hedging rates for the U.S. dollar 2.5 and pound?

Farid Kazani: In terms of the hedge up to the Q4 of this year, the rate is a little above 48 and we have done some covering for the next year which is at around 46.50 level. And pound also is in similar terms, the pound is hedged in terms of up to this year Q4 at around 77.30 and for next year there has been some marginal hedge taken which is around 75.10.

Ankit Shah: The 5.35 million hedge for in pound currency is for the next quarter and for FY 11 and some part of FY 11?

Farid Kazani: Correct, it is a position as of December 31st where we have booked up to Q4, but some further booking that we have done at the start of this month and that is something which we have covered additionally for the following quarter after that.

Sudhakar Ram: See you should remember that our policy is to hedge only 50% of net receivables.

Ankit Shah: Okay sir. And regarding the Zurich implementation, what is your planning in third quarter? So what kind of, mostly this implementation will we get some additional revenues from Zurich or it is already included in the Capita deal?

Sudhakar Ram: It is the Capita deal.

Ankit Shah: Okay, thanks a lot.

Moderator: Ladies and gentlemen, to ask a question, please press * and 1 on your telephone keypad.

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

Sudhakar Ram: Thank you everyone for participating in this call. Special thanks to Steve Parkinson for making it into this call and sharing your perspectives with the analysts and fund managers here. As I said in my opening remarks, in terms of the movements this quarter, I am pretty pleased with the way things have moved this quarter. So while the underlying figures may not exactly represent the satisfaction that I have, fundamentally I think we have made a shift this quarter both in terms of improving our order backlog as well as in the key vertical, which is Insurance. Overall, I am happy with this quarter but there is still a long way to go in terms of meeting the expectations of growth and profit. Over the next 3 to 4 quarters given the strength of our underlying business model, given the need for transformative solutions in the world, I think we would see the growth rates coming back on track and improving. Thank you all for your support and continued engagement with Mastek. See you again next quarter.

Moderator: 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 day.
