

**MindTree Limited**  
**Second Quarter Earnings Conference Call, Financial Year 2008-2009**  
**October 20, 2008**

**Moderator:** Good evening ladies and gentlemen. I am Ahmed, the moderator for this conference. Welcome to MindTree Limited's Conference Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to WebEx International. After that, the question and answer session will be conducted for participants in India. I would like to hand over to Mr. Sushanth Pai. Thank you and over to you sir.

**Sushanth Pai:** Thanks Ahmed. Good evening and welcome to this conference call to discuss the financial results for MindTree Limited and Aztecsoft Limited for the second quarter ended September 30th 2008. I am Sushanth from the investor relations team in Bangalore. We have with us the senior management team including Ashok Soota, Chairman and Managing Director; N. Krishna Kumar, CEO, MindTree; Samir Bodas, CEO, Aztecsoft; Janakiraman, President and CEO, R&D Services; Anjan Lahiri, President and Co-CEO, IT Services; Rostow Ramanan, CFO, MindTree; Sundararajan, CFO, Aztecsoft; Puneet Jetli, Global Head, People Function; and Salil Godika, Chief Strategy Officer. The agenda for this session is as follows. Ashok, Samir, KK, and Rostow will begin with a brief overview of the company's performance, after which we will open the floor for the Q&A session. Before I hand over, let me begin with the safe harbor statement. During the course of the call, we could make forward-looking statements. These statements are considering the environment we see as of today and obviously carry a risk in terms of uncertainty because of which the actual results could be different. We do not undertake to update these statements periodically. I now pass it on to Ashok Soota.

**Ashok Soota:** Thank you Sushanth. Good evening and welcome to the analyst conference call for the quarter ended September 30<sup>th</sup> 2008. This quarter marks an historic milestone for the company as the results of Aztecsoft are fully consolidated with MindTree for the first time effective August 1, 2008. This will increase MindTree's revenues and contribute to its growth story. Since the dilution of MindTree shareholding is only about 3%, the consolidation would increase MindTree's earnings per share as well. We are confident that this should lead to increase in shareholder value for MindTree. I am also pleased to advise that we have posted strong results for the quarter. Given all the tough challenges the world is facing, a differentiated player like MindTree is focusing on creating strong customer and people satisfaction and this is helping us to continue to generate good momentum. During the quarter, we set up the MindTree Foundation, a not-for-profit organization that will work



globally in the area of supporting primary education and differently-abled people including the use of assistive technologies. I would now invite my colleague Krishna Kumar to give more details of the quarter.

**N. Krishna Kumar:** Thanks Ashok. Good evening to everyone on this call. For MindTree including MindTree Technologies, that is TES-PV, a company which we acquired in December 07, the Q2 software revenues were US dollar 59.6 million representing a quarter-on-quarter growth of 9.1% and a year-on-year growth of 32.5%. In rupee terms, this represents a quarter-on-quarter growth of 14.4% and a very strong year-on-year growth of 40.6%. In rupee terms, our EBITDA margin is 27.9% this quarter, which represents a quarter-on-quarter growth of 52.6% and year-on-year growth of 142%. This is a significant increase in EBITDA margins this quarter, both due to rupee depreciation and focused efforts in productivity enhancements such as utilization. Both our businesses have shown good results in the current challenging environment. In dollar terms, IT services has grown 10.1% quarter on quarter and 35.4% year on year while R&D services has grown 5.7% quarter on quarter and 22.8% year on year. The Board has recommended an interim dividend of Rs. 1 per share. This reflects our continued confidence on the state of our business performance. On the service offerings, Package Implementation and Maintenance have shown good performance in IT services. Industry groups for ITS which have done well are Manufacturing, Travel and Transportation. In R&D services, Consumer Appliances and Multi-Markets have shown significant traction and good growth. We have established an office in France and planned expansion into Mexico to service large customers in this region is proceeding well. On the people front, the attrition on a trailing 12-month basis has reduced to 15% compared to 16.3% in Q1 and 15.7% in Q2 of last year. Now, I will hand over to Samir to give an update on Aztecsoft results for the quarter.

**Samir Bodas:** Thank you. Thank you very much KK. Hello everybody. Aztecsoft too had a very good quarter, and our Q2 software revenues were US Dollars 19.36 million, representing a quarter-on-quarter growth of 5.4% and a year-on-year growth of 25.9%. In rupee terms, this represents a quarter-on-quarter growth of 11.4% and a year-on-year growth of 37.9%. In rupee terms, our EBITDA too was very good. The margin was approximately 25.1% this quarter which represents a quarter-on-quarter growth of 59.4% and a very robust year-on-year growth of 179%. We added five new clients this quarter and now have 65 active clients as of September 08. The OPD market continues to be very promising and the integrated company will be able to cross sell services and penetrate this market even further and when the two companies come together, we will be perhaps one of the largest independent testing players. Therefore, we will cover both OPD and independent testing even better as an integrated and



combined entity. Now, let me pass the mic to my colleague Rostow to share a few other financial highlights and we will thereafter open the floor for Q&A.

**Rostow Ravanan:** Thank you Samir. I am Rostow and good evening to everybody on this call. Like Samir and KK briefly mentioned, MindTree's fee income growth in the current quarter compared to the previous quarter was 9.1%. That breaks down to a volume growth of 8.4% and an improvement in realized rates of 0.7%. So, even in the environment that we see as of today, very pleased to report that we are continuing to see strong traction with our customers, which is reflected in our improved pricing as well. In the current quarter, MindTree added 22 new customers. We have 206 active customers as of 30<sup>th</sup> September 08. The other interesting highlight of the current quarter was an increase in our 1 million dollar customers. 1 million dollar customers have gone up from 48 in quarter one to 51 in quarter two and even our 5 million and 10 million dollar customers have gone up. 5 million dollar customers have become 10 customers as of 30<sup>th</sup> September as compared to 8 five-million dollar customers in Q1 and even the 10 million dollar customers, we now have three 10-million dollar customers which is up from two in quarter one. Utilization has shown a very sharp increase. Utilization increased in the current quarter to 70.2% as compared to 65.6% in the previous quarter. The improvement in utilization along with other productivity and operational efficiency improvement as well as the rupee depreciation led to the increase in EBITDA margins to approximately 28% in the current quarter, which has gone up from 21% in the previous quarter. In the current quarter, rupee depreciated approximately 8% and therefore we had to take an additional mark-to-market provision of 3.75 million dollars as the provision for our derivatives portfolio. Again, happy to report that in spite of this 3.75 million dollars provision on our mark to market for our derivatives, we have still posted a year-over-year growth in quarterly profit of approximately 31%. A brief update on Aztecsoft. As announced in September end when we announced the merger, MindTree owns 79.9% of the equity in Aztecsoft. The accounting rules require us to test the date on which we acquired significant control. That date was decided as 1<sup>st</sup> August, 2008, and so therefore for the months of August and September, MindTree and Aztecsoft are presenting results on a fully consolidated basis. For the months of June and July 2008, MindTree is consolidating proportionate profits for those two months of approximately 31% because that was our equity holding in Aztec for those two months. The process for the merger is going very well. We have completed the approval process with the stock exchanges and have filed the application with the Honorable High Court of Karnataka. We are now following up with the remaining regulatory authorities and expect to receive the merger approval by early next year and the merger will be effective 1<sup>st</sup> April 2009. On a standalone basis, Aztecsoft Q2 revenue grew 5.4%, that breaks



down to a volume growth of 5.1% and an improvement in realized rates of 0.3%. EBITDA margins have improved to 25.1% in Q2 as compared to 17.6% in Q1. Aztecsoft has done a great job on reducing their DSO. DSO has decreased to 74 days at the end of Q2 as compared to 78 days in Q1. Aztecsoft took an additional MTM provision of approximately 94 million rupees on the derivatives portfolio that Aztec has, which does not qualify for hedge accounting. On a consolidated basis, MindTree and Aztecsoft revenues grew 39.6% quarter over quarter. The consolidated EBITDA margin is 27.8% in Q2. Coming to the guidance for the remainder of this fiscal year, though the business environment is challenging, we continue to be confident that we will meet the revenue guidance on a consolidated basis for both companies. On the earnings front, as we have mentioned before, our reported profits are sensitive to the accounting treatment on our derivatives portfolio. We need to watch the dollar-rupee exchange movement over the next few months to assess the impact to our profit guidance, but like Ashok, KK, and others have mentioned earlier in the call, we are confident that we will meet our revenue guidance in dollar terms for this year. We will now open the floor for question and answers. Thank you.

**Moderator:** Thank you very much gentlemen. At this moment, I would like to hand over the proceeding to WebEx International moderator to conduct the Q&A for participants connected to WebEx International. After this, we will be having a question and answer session for participants at India bridge. Over to you Lori.

**International Moderator:** Thank you. We will now begin the Q&A session for participants connected to the WebEx International bridge. Please press \*1 to ask a question. Participants who wish to ask questions, please press \*1. I repeat, participants who wish to ask questions, please press \*1. At this moment, there are no questions from participants at WebEx International Center. I would like to hand over the proceedings back to India moderator.

**Moderator:** Thank you Lori. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions, please press \*1 on your telephone keypad. On pressing \*1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press \*1 now. I repeat, to ask a question, please press \*1 now. First in line, we have Mr. Sandeep from IIFL. Over to you sir.

**Sandeep:** I have a question on the EBITDA margin expansions, can you take me through each of the components which have resulted to this stunning margin expansion for both MindTree as well as Aztecsoft.



- Rostow Ravanan:** Hi Sandeep. This is Rostow. Like I said, the rupee depreciation was approximately 8% in the current quarter. That would have translated to about a 4% improvement in the EBITDA due to that reason. The other reasons were through operational efficiencies, partly because of utilization improvement and other productivity and operational efficiencies, but the one large component out of that was the rupee depreciation.
- N. Krishna Kumar:** We will ask Sundar to talk to you about the Aztecsoft margin expansion.
- V. Sundaraajan:** Aztecsoft's EBITDA margin approximately on a sequential basis improved by 7%, out of which around 4.5% is on account of the exchange rate impact, due to favorable exchange rates and the balance is due to various productivity measures, operating expenses reduction and better utilization in some parts of the business.
- Sandeep:** Okay. And I heard of the utilization and even the employee hiring, I believe revenue growth is really high and you guys are also maintaining your guidance, what is the reason for such low employee additions and how are you driving your utilization so high?
- N. Krishna Kumar:** See, clearly if you had participated in the last quarter call, we were running at about 65% to 66% utilization and it was a targeted opportunity to certainly improve utilization, and we had also sort of shared that some of the large accounts with which we work, we continue to see traction and some of the large accounts which has started work would start to ramp up. So, primarily the utilization improvement has been driven by a focused effort to improve utilization and in MindTree we grew utilization by almost 4 plus percentage points, which got driven by traction in large account as well as the 22 new clients which we got during the quarter.
- Sandeep:** Okay, thanks. I will come up for followup questions later.
- Rostow Ravanan:** Thanks Sandeep.
- Rostow Ravanan:** Ahmed...
- Moderator:** Thank you very much sir. We will take up the next question from Mr. Santana from Spark Capital. Over to you sir.
- Santana Krishnan:** Just had a question regarding the hedging. Could you just elaborate on what type of instruments you have and what is the current level in this quarter compared to what it was last quarter?
- Rostow Ravanan:** Sorry, I couldn't hear your question clearly.



- Ashok Soota:** Regarding the hedging, what instruments do we have and how does it compare with what we had in the last quarter.
- Rostow Ravanan:** Sure. The question...we haven't changed any...we haven't done any incremental bookings in the current quarter because the policy MindTree adopted was to hedge 50% of our revenues and since we are already at that level, we didn't do any additional hedges. The portfolio of instruments that we have comprises of a mix of forward contracts, plain vanilla puts, and leveraged options, again no change in the portfolio except in quantum. Whatever got used up in the current quarter, that is the only change from the last quarter.
- Santana Krishnan:** And leveraged options, could you just elaborate, what is the leveraged option like, I mean is it a barrier option or it is a range, I mean what is the type of option do you have there?
- Rostow Ravanan:** It is a simple option. The only issue was that it is leveraged to the extent that if the spot rate on the date of settlement is higher than our contracted rate, then I am required to sell twice the notional, but otherwise they are not linked to any other cross currency or anything else. It is a simple option from that point of view. The conversion rate is fixed. It is not a barrier or a range or anything like that.
- Santana Krishnan:** Rostow just wanted to...at what price is the spot fixed at, that is like there have been lots of options wherein you can have at 42, 45.42, is it more than that. What is the threshold limit in the case of this option?
- Rostow Ravanan:** 40.97 is the average of our options for the rest of this year.
- Santana Krishnan:** 40.97. So, what is the expiry time for most of these options you are having?
- Rostow Ravanan:** Approximately 38 million worth of options expire in the remainder of this financial year and we have another 130 million dollars worth of options, but those span the next four years where we have approximately 30 million dollars per year from 2009-2010 till 2012-2013.
- Santana Krishnan:** And this is at 41 approximately.
- Rostow Ravanan:** No, the options for the future are at an average rate of 42.76.
- Santana Krishnan:** Okay, I mean the one in the near term.
- Rostow Ravanan:** The near term, rate of our leveraged options for the next six months is 41.14.
- Santana Krishnan:** 41.14, okay. Thanks a lot Rostow.





- Rostow Ravanan:** Thank you.
- Ashok Soota:** If you like to get the information on Aztecsoft also on the comparable issue, then Sundar will come in with it.
- Santana Krishnan:** Okay, sure.
- Moderator:** Thank you very much sir. Next in line, we have Mr. Ritesh from UTI. Over to you sir.
- Ritesh:** Hello...
- N. Krishna Kumar:** Yeah...yes Ritesh.
- Ritesh:** Hello...sir, can you just give us a cumulative consolidated forex loss for first half of this year, both on the P&L and on the balance sheet hedging reserve?
- Rostow Ravanan:** For MindTree, the cumulative P&L impact is 16 million dollars and Sundar will give you the equivalent figure for...
- Ritesh:** Can you quantify in rupee because the dollar number itself is a bit issue number, whether it is 40 or 45 or 49 sort of...
- Rostow Ravanan:** That is 69.3 crores in rupee terms for MindTree.
- Ritesh:** And how much was in first quarter and how much was in second quarter?
- Rostow Ravanan:** The second quarter was approximately 16 crores..,
- Ritesh:** Okay.
- Rostow Ravanan:** ...and the first quarter was approximately 53 crores.
- Ritesh:** Okay.
- N. Krishna Kumar:** Sundar will give you those numbers for Aztecsoft.
- Ritesh:** Yeah.
- V. Sundararajan:** For Aztecsoft as of 30<sup>th</sup> September, the closing provision is 34.6 crores and the same number as of 30<sup>th</sup> June is 24.99, 25 crores.
- Ritesh:** So, cumulatively it is some 54 crores.
- V. Sundararajan:** No, 34.6, three four point six.
- Ritesh:** Okay, cumulative.



- V. Sundararajan:** And quarter one ending, it was two five crores, 25 crores.
- Ritesh:** And how much is the reserve on the balance sheet hedging reserve, like loss on the hedging reserve side.
- Rostow Ravanan:** For MindTree, the loss on the hedging reserve was 17.19 crores.
- Ritesh:** Okay. And how about Aztec?
- V. Sundararajan:** Aztecsoft is very negligible because of our options are all what we call as noneligible options, so we have provided the complete mark to market. It is not much in the balance sheet.
- Ritesh:** Now, can you take...after considering...because you were insisting post 1Q that most of your forex loss would get reversed, but now things have changed from then. So, how it is going to impact your guidance. I agree dollar top line doesn't get impacted, but on the EPS number, can you just put some light on that front.
- Rostow Ravanan:** Sure. Like I mentioned, the profitability number depends on how the exchange rate moves in the second half of this year. So, therefore we would like to wait and watch. From our point of view, the issue is not at specific rupee level. What concerns us more is the volatility in the exchange rate. So, given that you have seen unprecedented amount of volatility so far, we would want to wait and watch for at least one more quarter before we make any assessment of how the guidance could change because of the changes in the exchange rate. So, at this point of time, we would like to wait and watch.
- Ritesh:** So, what was driving last quarter when you said you expect the losses to get reversed for the next nine months and would those get reversed or not, I didn't get that logic at that point of time that you were expecting the losses to get reversed.
- Rostow Ravanan:** See, the losses would reverse when the contracts expire, but if the rupee continues to remain volatile, then new provisions may need to be booked. If you see, what has happened is in the first quarter, the rupee moved. In April, it was approximately 40 rupees. By 30<sup>th</sup> June, it had moved to 42.93. That movement from 40 to 42.93, approximately 3 rupees had led to a provision at that time of 12 million dollars.
- Ritesh:** Yeah.
- Rostow Ravanan:** Subsequently the rupee has moved from 42.93 to 46.45. So, that further movement has resulted in additional 3.75 million dollar loss. So, clearly we have now moved to a stage where the accounting requires you to book a lower and lower loss for future deterioration in the rupee levels because the portfolio is also





getting eroded with every month because you are also using up the contracts. The problem is it is difficult to estimate it given the level of volatility. At the end of June when we, you know, completed our results and made the announcement, we had not predicted this range of volatility. Having seen one quarter of really extreme volatility, we would like to wait and watch before we make any comments for the future. The principal that we mentioned before still stands, that as the contracts get used the provisions reverse and you have seen that happening in the current quarter itself.

**Ritesh:** Okay. How about your mark to market, with the quarter end spot rate or quarter end 12-month forward rate?

**Rostow Ravanan:** It is a technical sort of forex question. The instruments need to be mark to market, so you take the current spot, then you look at the forward premiums for those period and then again these are options. When you value the options, in the sense you value the optionality that is embedded in the contract, the sum total of all of those give you the mark to market provision.

**Ritesh:** And one final question. Can you reiterate your dollar top line guidance, was it in 32% to 35% quantum, year-on-year growth rate?

**Rostow Ravanan:** It was a 25% to 29% year over year growth for MindTree.

**Ritesh:** Yeah.

**Rostow Ravanan:** The revenue guidance for MindTree was 228 million dollars to 238 million dollars. For Aztec, the guidance was 79 million dollars to 81 million dollars, which also was approximately a 30% or so growth rate for Aztec. So, we believe that both companies are confident of meeting the revenue guidance on a consolidated basis for the yearend.

**Ritesh:** And you have considered the current cross currency impact in this dollar top line, I agree.

**Rostow Ravanan:** Yes.

**Ritesh:** Okay. That's from my side.

**N. Krishna Kumar:** Ritesh, I lost out ... from which organization you are.

**Ritesh:** UTI Mutual Fund sir.

**N. Krishna Kumar:** UTI Mutual Fund. Thanks Ritesh.

**Ritesh:** Okay.



- Moderator:** Thank you very much sir. We have the next question from Ruchit Mehta from HSBC. Over to you sir.
- Ruchit Mehta:** Yeah, hi, good evening and congratulations on your numbers. Just wanted to get a sense in terms of your hedging strategy, I mean we are used to seeing a lot of the IT companies report, you know, the hedging losses or gains at the revenue level and also above the EBITDA level. So, is it fair to assume that you are following the same policy or is your accounting quite different?
- Rostow Ravanan:** Sure. There are two parts to your question. The hedging strategy continues to be that we will hedge approximately 50% of our revenue.
- Ruchit Mehta:** Hello...I can't hear you actually.
- Rostow Ravanan:** I think somebody on the call is on a speaker phone and they probably have another line. If they can put it on mute, then I guess we can all hear each other.
- Moderator:** Mr. Ruchit, are you on a hand phone sir.
- Ruchit Mehta:** Yeah, I am on a head phone.
- Moderator:** Alright.
- Rostow Ravanan:** The echo is still coming, so I am not sure Ruchit can you hear me.
- Ruchit Mehta:** Yeah, I can hear you.
- Rostow Ravanan:** Okay. There are two parts to your question. The hedging strategy has not changed. We would like to hedge 50% of our revenues. The only updation after we have understood the new accounting requirement was that henceforth any hedges that we have booked will only be AS-30 compliant hedges. We will not use noncompliant hedges anymore. So, other than that, there is no change to strategy. On the reporting front, our approach has been to report exchange gain or loss in a separate item and not probably to revenue, so that the impact of the exchange rate movements are visible to the reader of the financial statements. We believe that is a better disclosure.
- Ruchit Mehta:** Okay. Because, you know, should you to, you know, adjust for your accounting, this hedging loss or gain whatever you have reported, your actual EBITDA is about 18%, so we have to assume that whatever FX losses that you have accounted about 30 odd crores, they have to above the line and your actual EBITDA is about 18%, would that be a fair assessment?
- Ashok Soota:** Yeah, one second. Maybe we can take the next question while.....given you are probably right but.....



- Rostow Ravanan:** Yeah, sorry, I heard that over the current quarter, do they...now, I have my numbers in front of me. Our EBITDA after adjusting for the mark-to-market losses is 22.5%.
- Ruchit Mehta:** 22.5%.
- Rostow Ravanan:** Correct.
- Ruchit Mehta:** Okay. Is that...
- Rostow Ravanan:** Ignoring...sorry, one second Ruchit.
- Ruchit Mehta:** Yeah.
- Rostow Ravanan:** Ignoring the impact of the mark to market, our EBITDA is 28.3. If you factor in the impact of the mark to market, then it is 22.5.
- Ruchit Mehta:** And this is for the consolidated or just for standalone?
- Rostow Ravanan:** No, this is for standalone MindTree.
- Ruchit Mehta:** And the consolidated would be how much?
- Ashok Soota:** I think maybe about...we have the Aztecsoft number, I'll have to give you the consolidated number.
- Ruchit Mehta:** Sure. And just to get some clarity on margins, EBITDA margins going forward, with 22% to 23% range is what you are looking for, for the year as a whole?
- Ashok Soota:** No, that also depends on the way the rupee is moving in.
- Ruchit Mehta:** Let's assume that rupee is stable.
- Ashok Soota:** Yeah, if the rupee is stable, then there is no reason why shouldn't we sustain the current rate.
- Ruchit Mehta:** Hello...
- Rostow Ravanan:** Like we mentioned Ruchit, targeting for specific rupee-dollar level, it is the volatility.
- Ruchit Mehta:** Okay.
- Rostow Ravanan:** If the rupee remains stable, then we should be able to continue to deliver these sorts of margin levels.
- Ruchit Mehta:** Which would be 22% to 23%.



- Ashok Soota:** As a matter of fact, we have compensation which is effective October 1<sup>st</sup> and that can impact margin by how much percent/
- Rostow Ravanan:** The average offshore increase was approximately 15% and the average onsite increase is 2-3%. The impact on the margin, you know, we will calculate and let you know.
- Ruchit Mehta:** Actually, I missed entire part of that, I believe you are having your salary increases effective 1<sup>st</sup> of October.
- Rostow Ravanan:** Absolutely.
- Ashok Soota:** Not all of them, but some of them.
- Ruchit Mehta:** Some of them, okay. But, I mean just for understanding purpose, if margin...if there is no salary hike and the rupee remains where it is, rupee is stable, you will deliver about 22% to 23% on MindTree basis and consolidated basis.
- Ashok Soota:** Anyhow, yeah, there is no need to assume, actually you are saying, you are really answering it yourself.
- Ruchit Mehta:** Okay.
- Ashok Soota:** If anything changes, it will flow from the current level.
- Ruchit Mehta:** That's 22% to 23%.
- Ashok Soota:** That's correct.
- Ruchit Mehta:** Okay. Thank you so much.
- Moderator:** Thank you very much sir. Next in line, we have Mr. Santosh from Tata Securities. Over to you sir.
- Santosh:** Good evening again. I had a few questions on whether MindTree Technologies Private Limited is included in the MindTree standalone results and if yes, what is the contribution on both the top line in terms of profit from MTPL and the other question that I have is on the general demand environment, you had some customer-specific issues in the last quarter, what is the status on the same and you had closed one large deal in Europe a few quarters back and how is the ramp-up coming up there because Europe as a percentage of revenues is coming down.
- Ashok Soota:** Why don't we start with the general environment issue and then we will respond to your question on MindTree Technologies. KK, do you want to address the issue on the general environment and maybe even, you know, Samir might want to talk to you about the environment for Aztecsoft also.



- N. Krishna Kumar:** Again, just to talk in terms of the ramp-up, I will first ask Anjan to talk about the ramp-ups with the large clients in Europe and then we will sort of add on specifically in terms of what we see of the overall demand environment.
- Anjan Lahiri:** As you picked up, last quarter we had announced a new large acquisition in Europe that is going according to plan. I think we are continuing to see traction in that account as we had hoped a quarter ago. In addition, the overall macro demand environment obviously, while the overall economy is uncertain, we are seeing continued traction with our existing customers as well as with prospects. I think as capital investment projects are...people are being cautious about, we are seeing a larger focus on cost reduction engagements which we are seeing from our existing accounts as well as some new prospects. So, overall, there is...it sort of continues as planned.
- Ashok Soota:** You know, can I just summarize this one to say one thing that we have seen very strong growth. So, clearly nothing in the environment has impacted growth. In fact, we have done exceedingly well in both the entities. Secondly, the fact that we are reiterating to you revenue guidance, a view on how we are seeing the future. We are not seeing any negativity arising which makes us feel uncertain about, and we can achieve those growths.
- Santosh:** Because on a standalone basis when you look at the numbers across geographies as well as the industry segments like say from some manufacturing and one odd other industry segment, you are seeing a slowdown in the growth on a standalone basis?
- Ashok Soota:** I am not sure where you are seeing that. These are percentage numbers.
- N. Krishna Kumar:** Yeah, these are percentages...
- Santosh:** Yeah, that's right, on a percentage of revenue basis.
- Ashok Soota:** If one segment grows faster than the other, the other segment's percentage goes down. It doesn't mean it is not growing.
- Santosh:** Okay. And if you could just highlight on whether MindTree Technologies Private Limited is included in the standalone and how much is the contribution from the same?
- Rostow Ravanan:** Sure, if you see the fact sheet that was available on our website, MindTree column includes MindTree Technologies, the consolidated column represents the numbers including Aztec, but I just wanted to respond to a point that the previous question had asked. The impact of the wage revisions on our EBITDA is 2.9%. On a standalone basis, MindTree Technologies numbers were



relatively negligible. Revenues for the current quarter were approximately 424,000 dollars with a marginal 35,000 dollar loss. So, those were the standalone numbers for Q2 for MindTree Technologies alone.

**Santosh:** Okay. Thank you so much.

**Ashok Soota:** Thank you.

**Moderator:** Thank you very much sir. Next, we have Mr. Sunil from Credit Suisse. Over to you sir.

**Sunil:** Hi sir. My questions have been answered. Thank you.

**N. Krishna Kumar:** Thank you.

**Moderator:** Thank you very much. Next in line, we have Mr. Hitesh from Religare Securities. Over to you sir.

**Hitesh:** Good evening to the management and congratulations on good set of numbers. My question is regarding the growth in the top client in this quarter because approximately 20% of your growth in this quarter has come from your top client and we have already hearing quite a lot of negative news from that particular client, so what is your outlook on those regards for projects, not in particular FY09 but also next year.

**Rostow Ravanan:** Hitesh, one clarification for you. There was a change because the customer who was our second largest customer in the previous quarter actually grew very well, so that customer has now become our largest customer. AIG which used to be our largest customer before has become our second largest customer as of this current quarter.

**Hitesh:** Sure.

**Ashok Soota:** And there again, we want to give you a thing, it is not because that has slowed down, it is just that the number two customer grew exceedingly well, and we have absolutely no reasons to have any concerns on any of the aspects about AIG. We believe that the work we are doing for them is in a very core area of their business. We see continuity in it and there is absolutely no reason for us to have any concern on it.

**Rostow Ravanan:** And to support the point that Ashok made, if you look at our top five customers which was 27.9%, grew to 29% quarter on quarter, which was that all our top five customers grew. So, it is not as though the previously larger customer AIG is showing any sign of concern, that that is affecting us.



- Ashok Soota:** Sure. I would like to highlight one other number which I think is important because quite often in previous conversations people have said maybe our dependence on top 5 or top 10 may be larger...more than some much larger players whereas you see it on a consolidated basis having included Aztecsoft, the top customers are 17.6%, top 5 customers are 26.4%, the top 10 customers are 59.8. These numbers then become fairly comparable to many of the larger players.
- Rostow Ravanan:** And again, Rostow once more, even if you look at the number of increases that we have had in our million dollar, 5 million dollar and 10 million dollar customers, all of them have shown growth. We had 48 million dollar customers in the previous quarter, that has gone up to 51. We had eight 5-million dollar customers in the previous quarter which has gone to 10. We had two 10-million dollar customers in the previous quarter and now a new addition has also broken into that triangle well. So, we are seeing growth across all the large numbers and if you see the consolidated numbers, we are getting the benefit of Aztec also having large entrant relationships. On a consolidated basis, we have 60 million dollar customers, 12 five-million dollars, and 4 ten-million dollar customers. So, we are getting the benefit of Aztec's diversification even on client metrics.
- Hitesh:** I understand that. Also, if you could just highlight the second largest customer, what was the contribution to revenue in previous quarter, if you could just mention that.
- Rostow Ravanan:** Just give me one minute.
- Ashok Soota:** Maybe we can take the next question while we check on the last quarter data also.
- Hitesh:** Sure, not an issue. Thank you and all the best.
- Rostow Ravanan:** Thanks Hitesh.
- Moderator:** Thank you very much sir. Next in line, we have Mr. Vikas Jadhav from Motilal Oswal. Over to you sir.
- Vikas Jadhav:** Yeah, hi. Congrats on a good set of numbers. Just to follow up to the previous question actually, can you just highlight what kind of work we are doing for AIG and what domain?
- N. Krishna Kumar:** See, clearly like Ashok said, we work with the commercial insurance group of AIG which is probably their most profitable division, which used to be called the domestic brokerage group earlier and clearly as AIG gets into getting focused on their profitable business and we are working with the division which really contributes to their survival and are an integral part of it, we do not sense any discomfort in terms of our own strategic





importance to them or the continued nature of our relationship with them.

- Vikas Jadhav:** Okay. And what kind of service offering will this fall into mostly?
- Ashok Soota:** This will be either application development or maintenance. You must appreciate we can't tell you too much about the given customer and the nature of work. All we would say is it is absolutely critical, mission critical work, a very large part of it is keeping the lights on. So, it is not work which is dependent on either new expansion or any other development. It is clearly as we stated predictable business.
- Rostow Ravanan:** Hi, this is Rostow again. I just got the data for the previous question. The customer who is our largest customer in the current quarter which gave us 9.2% of our revenues for the current quarter gave us 7.4% of our revenues for the previous quarter. AIG is flat between two quarters in percentage terms, but obviously has grown because our revenues itself have grown. AIG's revenues from the last quarter was 7.9% and in this quarter also they continue to be at 7.9%, though our revenues have grown 9% between those two quarters. So, AIG itself has grown, but the other customers have grown faster than AIG.
- Vikas Jadhav:** Okay, fair enough. And just a clarification, I just wanted to know whether, you know, most of Aztec's business is on time and material basis because the ratio has declined significantly after consolidation. You just have 15% now in FP versus 18.4 for MindTree standalones.
- V. Sundararajan:** Yes, in case of Aztecsoft, most of Aztec's business is in time and material basis .
- Vikas Jadhav:** Okay, that's it. Thanks a lot.
- Ashok Soota:** Thank you.
- Moderator:** Thank you very much sir. Next in line, we have Mr. Sujit from Irevna. Over to you sir.
- Sujit:** Hi, good evening. Just a couple of questions, first thing on your hiring plans both for Aztecsoft and MindTree, could you just give some idea on that.
- Ashok Soota:** Puneet...
- Sujit:** Pardon, I couldn't hear you.
- Puneet Jetli:** This is Puneet here.
- Sujit:** Yeah.



- Puneet Jetli:** You know, when we drew up the plan, we had assumed roughly around 1,000 people to be added.
- Sujit:** Okay.
- Puneet Jetli:** And since we are tracking on the plan, we would continue to, you know, our estimate is that we will continue to add this number barring any fine-tuning that we would have to do because, you know, we also want to improve our operational efficiency, especially the utilization percentage as we go ahead. So, we could do a little bit of that in, you know, first half of the year and in the second half of the year also, it is going to be a continuous focus area. So, whatever we can do in terms of achieving our plan with adding fewer number of people, that amount of fine-tuning will actually come in. On the Aztecsoft, I will have Samir...
- Samir Bodas:** I think we do have .....
- Sujit:** Hello?
- Samir Bodas:** Yeah.
- Sujit:** Yeah, I just missed that last sentence, there was a lot of disturbance, so could you just please repeat that?
- Samir Bodas:** You see we should not have any incremental addition in that.
- Sujit:** Okay, but I guess you are looking at something like around 400 to 500 for full year, so is that plan on....
- Samir Bodas:** Yeah, that includes campus hires, so generally that is on track if the campus hires come in Q4.
- Sujit:** Okay great, and one final thing, the clients and the way volume and pricing is looking from an outlook perspective, could you just throw some light on that for both Aztecsoft and MindTree.
- N. Krishna Kumar:** Sujit, let me give you the MindTree perspective. If you really look at I think you have had good volume growth in terms of onsite volume increase, it has been 4.6% and offshore is 8.9%, and overall if you look at the increase in dollar terms of 9.04%, the fee income onsite has increased by 11.93 and offshore is 7.92, and the sequential price increase is 0.7%. So, there has been good traction from customers like Ashok and Anjan mentioned. We have had good volume growth which we think will certainly help us improve both operational efficiency like utilization and help us expand margins. What I will do is I will ask Samir to give you details of Aztecsoft volume.



- Samir Bodas:** For Aztecsoft, it is 5.4% quarter over quarter growth. About 4.2% of that came from volume increase, 50 basis points came from price increase, and 80 basis points came from new business. Quarter over quarter, from rate realization point of view, our realization went up by 5.5%, and it might be something that come to celebrate but perhaps not because this was a contract that was negotiated earlier in the year, where the rate hike kicked in July. That is why there is a robust realized increase, but you will probably not see that in this quarter.
- Sujit:** Okay, my specific question was regarding the outlook, I mean, for your previous client that you are talking through. Is there any sense that you are getting that there could be pressure on volume side or on the pricing side.
- Samir Bodas:** The type of customers we work with, who are essentially very large ISP's or very large portals, their product cycles are long enough where it has not impacted our growth as yet. We do believe that in the short term, there will be some impact, but till they communicate the impact to us, we first we should seek the guidance to where it is, and we are cautious.
- Sujit:** Okay, that is it from my side, thank you.
- Moderator:** Thank you very much sir. We take the next question from Mr. Murali from Franklin Templeton. Over to you sir.
- Murali:** Hi, can you actually throw some light on the EPS number assuming rupee-dollar rate at 47 which was let us say the rate on 30<sup>th</sup> September.
- Rostow Ravanan:** Murali, we have not done that analysis. The guidance like I said depends on the profitability level, depends on the rupee-dollar exchange rate, and we would like to wait and watch how that happens. However, like Ashok mentioned in his opening remarks, we believe there should be a reasonably good upside to MindTree EPS number due to the Aztec consolidation. As we have announced before, we will be able to consolidate Aztec from 1<sup>st</sup> August, so the entire Aztec revenues would get, would be accreted to MindTree's earnings, but the dilution to MindTree is relatively small. So, there should be an upside to MindTree from that angle, but on the rupee-dollar exchange rate, we would like to wait and watch before we make any comment on the EPS impact because of exchange risk.
- Murali:** I am just little bit puzzled because you gave guidance based on rupee-dollar exchange rate of 39.4, and right now, we are close to 49, so we probably had about 25% depreciation, are you confident about the guided EPS or there could be some positive surprises here?



**Rostow Ravanan:** We are not making any comments on that Murali at this stage because while you are absolutely right that there had been a very sharp rupee depreciation, unfortunately because 50% of our revenues are hedged, and the way again unfortunately accounting on this particular aspect is deviating from the economics of the underlying transaction, there is an impact of the provisions we need book for derivative portfolios as well. Given that scenario, we would like to wait and watch before we make any comments on the profitability guidance for this year, and if you look at the numbers for Aztec, Aztec is covered approximately 100% of its revenues for this year, so Aztec would not get the benefit of the rupee depreciation on their revenues. Given all of that, we are currently not able to comment on the impact to profitability.

**Murali:** Okay, thanks a lot.

**Moderator:** Thank you very much sir. We take the next question from Mr. Hitesh from Citigroup. Over to you sir.

**Hitesh:** Congratulations on a good set of numbers. You have already commented on the demand, but if you could just throw light on the four issues on the demand side of environment, the pipeline, the closure rate of that, the ramp-up of already closed contracts, and the pricing environment that we are seeing.

**N. Krishna Kumar:** Maybe Hitesh what I will do is I will try and give you a picture and probably ask Anjan, Jani, and Samir to give specifics. Clearly, if you look at the pipeline, we see an increase in terms of pipeline, and quarter on quarter, we have seen.... again it sort of varies across segments, but at this point in time, I think we are not seeing a concern in terms of pipeline. We are seeing in people who are first time outsourcers, coming into, trying to leverage the offshore model. We think people who clearly want to adopt what one could call more a multi-sourcing option where they work with one or two large preferred vendors for now opening up their portfolio to a newer set of vendors, particularly a well-entrenched players or well-prepared players like MindTree, and asking them to bid for the current portfolio business. So, we do not see any panic in terms of the pipeline, and we keep measuring that quarter on quarter basis, the pipeline in terms of opportunities, the pipelines in terms of where we made proposals, pipelines where we are short-listed, and what is it which is at a closure stage. Clearly, all these four stages in terms of the sales process, we see that there is fairly good strength in it. What is clearly happening is there is more caution, so the sales cycles are expanding. Clearly, decisions are taking longer, so closure time certainly has expanded vis-à-vis what was the market scenario even one or two quarters back. In terms of some of the larger businesses which have closed, I think our ramp-up is proceeding as what we had planned for, which in turn is reflecting in terms of the strong volume growth which we have had during the current quarter, so



that is clearly what we see on the positive side. Finally, on pricing, we do see that there is a stable environment. We are not seeing any pricing pressures where customers are coming in terms of things. We would rather see a muted environment where our anticipation is pricing is going to be more on a stable environment over the next 2 or 3 quarters. Maybe I will ask Anjan, Jani, and Samir to add to this.

**Rostow Ravanan:** The only other point I wanted to add was if you see our data, almost 99% of our revenues from existing customers, so which also gives us confidence that we have good relationships with these accounts, so we have fairly decent visibility on the growth path, and in terms of the pipeline within these accounts, so that is what makes us confident for our revenue for the rest of this year.

**Hitesh:** Sure, and in terms of pricing, we had been seeing improvement even in 2Q, so especially given the economic challenges, are we seeing any clients asking for pricing discount or should we continue to see stable or pricing with upward bias for the next couple of quarters?

**N. Krishna Kumar:** Pricing will be stable.

**Ashok Soota:** I don't think we should be looking for upside, there is no pressure to get downside, it is broadly stable and viable.

**Hitesh:** Sure, and lastly on hiring front, you said 1000 net hiring for the full year, so for the first two quarters, we have just seen 100 net hirings, so is it that they are looking at 900 net hiring in the second half?

**Puneet Jetli:** So, you know, for the first half of the year as I had mentioned, we had specifically set ourselves target to improve our utilization because you know every time I think we have spoken to you, I think it has been highlighted that we have scope to improve our operational efficiency through better utilization, so we are focused on that and obviously have gotten good results on that. See, when we had created the plan, we had staggered the joining of people based on what we saw as the visibility for the business, and we are going as per plan, so in October for example, we have gotten the first set of campus hires, and that was the original plan, so you will see this ramp-up over the subsequent quarters, and it is pretty much aligned to the plan. As I said, barring fine-tuning that we will have to do because we still have probably some upside for operational efficiency improvement.

**Hitesh:** Sure, thanks and all the best.

**Moderator:** Thank you very much sir. Before we move on to the next question, I would request the participants to wish to ask questions,



please press \*1. We have a followup question from Mr. Santana from Spark Capital. Over to you sir.

- Santana:** Just one question on your R&D client base. Could you just tell me like out of your total R&D client base, how many companies would be VC funded or private equity funded?
- Janakiraman:** Okay, see the R&D clients we have added last quarter totally 7 new customers. None of them are private equity funded customers, and overall, if you take most of our customers are large clients and they are billion-dollar kind of clients, and we have very few who are either the start-ups or the private equity funded other than one or two who are in the semicon space.
- Ashok Soota:** You know, this question might be more applicable to Aztecsoft and its OPD business, so we will ask Samir to give you a picture on that side.
- Samir Bodas:** Sure, on the Aztecsoft side, 25% of our revenue, approximately 25% of our revenue comes from start-ups which are VC-funded. None of our customers are private equity funded, so they don't fall in that category.
- Santana:** Sure, and just one question on the transportation, like what type of companies you work with in transportation space?
- Anjan Lahiri:** Without giving any names, we have a lot of presence with companies which are in the distribution of transportation material, whether it is distribution of tickets, distribution of transportation material. Also enabling technology, transportation enabling technologies. We also have worked quite a lot with a few airlines themselves, so in other words transportation distribution, transportation airlines, and transportation technology enablement, and of course also car rental segment has been always a strong segment for us for a long time, so across the board on the transportation space.
- Santana:** Okay, and just one final question on your hedged part like when you spoke about the range options, could you just tell me what is the underlying amount and what would be your commitment in the time of expiry?
- Rostow Ravanan:** Just to re-clarify we did not have range options. We have dollar-rupee options. The only reason why they don't qualify for hedges is because they are leveraged. The amount of options that we have is 68 million dollars for the rest of this year, and 130 million dollars for the next four years.
- Santana:** What will be your commitment, like for 68 million, let us assume that you would have hedged at 40, and since the dollar-rupee is at 48, so your exposure will be 130 million, right?



- Rostow Ravanan:** Sorry, the number is 38 million, that includes twice the notional. So, my contracted value is.....
- Santana:** 34 million and exposure is....
- Rostow Ravanan:** No, no, contracted amount is half of 38 million, 19 million is the contracted value. With the leverage kicking in, it becomes 38 million dollars.
- Santana:** Sure, okay, thanks a lot. Thank you.
- Moderator:** Thank you very much sir. Next question is from Mr. Dinesh from Anush. Over to you sir.
- Dinesh:** Hello, good evening sir.
- Rostow Ravanan:** Hi.
- Dinesh:** Hello?
- Rostow Ravanan:** Please go ahead.
- Dinesh:** Can you throw some light on your ...hello? Are you able to hear me?
- Ashok Soota:** Your voice is breaking up, so if you don't mind, please repeat the question.
- Moderator:** Mr. Dinesh, can you repeat the question?
- Dinesh:** Can you hear me now?
- Rostow Ravanan:** Yeah, please go ahead.
- Dinesh:** Can you throw some light on your hedging portion sir?
- Rostow Ravanan:** Yeah, like I just explained, we have 68 million dollars worth of hedge for the remainder of this financial year, and 130 million dollars worth of hedge for the next 4 years. That is for MindTree.
- Samir Bodas:** For Aztecsoft, hedging is up to March, it is 48 million at an average rate of 40.12 and for April, May, June of next year, it is 12.25 million at 40.65.
- Dinesh:** 48 million for this year, and after this?
- Samir Bodas:** 48 million for this year and after that for the next 3 months 12 million.





- Dinesh:** 12 million, okay. Excuse me, for MindTree, at what average price sir? What is the average price sir?
- Rostow Ravanan:** The average price for MindTree is 40.97 for the remainder of this financial year and 42.78 for the next four years.
- Dinesh:** What, 40?
- Rostow Ravanan:** 2.78.
- Dinesh:** 42.78.
- Rostow Ravanan:** Yeah it is a total of 135 million worth of hedge at an average rate of 42.78.
- Dinesh:** Okay, thanks a lot sir.
- Rostow Ravanan:** Sure,
- Moderator:** Thank you very much sir. Next question is from Mr. Ameesh from JM Financial, over to you sir.
- Ameesh:** Yeah hi, just needed some light on this realization rate as you have been saying, you know, the planned increase, it has already increased from 65 to 70, even on the consolidating basis including, excluding trainees. So, if you can just throw some light on that number, at what level you know, you would want to take it up to and stuff like that?
- N. Krishna Kumar:** Clearly, like we articulated in our last call, we felt that that's the lever which is available for us to improve margins and there has been focused effort in driving the utilization up. What we do think is now the scope on that is limited and we will be comfortable with this because just to re-articulate, our definition of utilization is fairly tight with respect to industry standards. Utilization for us is hours billed by available hours, and under that tight definition, we have reached 70.2, maybe there is scope to improve it by another 2 to 3 percentage points.
- Ameesh:** Okay, so you are saying another 2 to 3 percentage is always still possible, so you are saying it is tighter in terms of hours billed.
- N. Krishna Kumar:** Right.
- Ameesh:** Okay and by when do you think you can reach here in the sense this 900 net additions during the next two quarters, will you be able to ramp up over and above that or you are looking at say next two quarters of the next fiscal year?
- N. Krishna Kumar:** Again, I do not think there is going to be a step increase in utilization over the next two quarters, because I think in the



service business you need to create capacity to ensure you have the ability to grow, so obviously you are not going to see this 2 to 3 percentage points improvement in the next two quarters.

**Ameesh:** Correct.

**N. Krishna Kumar:** It happens in a step function, and again we have not at this point in time planned when this will reach. So, obviously it is not going to be in the immediate quarter.

**Ameesh:** Okay, okay, thanks a lot.

**Moderator:** Thank you very much sir. We take a followup question from Mr. Ritesh from UTI Mutual, over to you sir.

**Ritesh:** Sir, just because you are maintaining your guidance level at overall basis, how about on segmental basis, the R&D division, what is driving you to keep the guidance considering the other Indian IT companies, I have seen demand softening in the same segment, how different is your profile, it is that it is not discretionary, it is more of non-discretionary you are doing and how demand has changed compared to the last 6 months when you gave the guidance in the initial of this year?

**N. Krishna Kumar:** Ritesh, what we have clearly indicated is overall we see that the segments in which you operate, we see caution but at the same time we are confident with the customers whom we are working with and like you have seen even in this quarter, almost 99% of the business comes in from our existing customers. What we don't do is clearly try and give guidance with respect to individual subsegment in terms of our businesses.

**Ritesh:** Yeah.

**N. Krishna Kumar:** What we do believe is, is the portfolio of business we have, we see that, yes we are comfortable maintaining the revenue guidance we have given to the market and that confidence is high.

**Ritesh:** And how about in terms of discretionary, what percentage of the R&D would be discretionary for the client, it would be more of feature products even though it is named R&D, something which would be required and something which may not be required. So, can you just bifurcate on that percentage wise?

**Janakiraman:** Sure, we operate in multiple segments in R&D services and of that I can say the segments where we see a continued momentum are areas like storage, consumer appliance or industrial systems or medical, those kind of areas. Where as there is some level of, you know, flattening when it comes to the semiconductor or the communication kind of segments, but overall we see that the



momentum continuing and many of the ones that we are doing are long term projects and the projects which involves enough level of existing products that need to be sustained and enhanced in addition to new products being developed.

**Ritesh:** And coming to your development being 50% at the application level, can you just give us what sort of average duration the projects under development we are having?

**Rostow Ravanan:** Average duration of our projects will be typically about 9 to 12 months in the IT services space and approximately 8 to 9 months in the R&D services segment.

**Ritesh:** And how about in development specifics, would it be the same?

**Rostow Ravanan:** Yeah, as I said develop projects between the two businesses are approximately 9 to 12 in IT services and about 8 to 9 in R&D services.

**Ritesh:** Among the BFSI clients you mentioned of one client sir, how about the other client, are they in the problem, are they in transition phase, have their management got changed and have you taken the caution built-in in our guidance?

**N. Krishna Kumar:** See again if you see our own BFSI segment, we talked about that one large insurance client we have, but as the strategy, we have largely focused in terms of the mid-sized segments in that and people who are in businesses which we think have a strong traction effect. We do not see any sense of discomfort with any of these clients, and we have been in constant touch with them and primarily when you work with clients who are on a focused segment, they still continue to do well, in fact one of the banking clients which whom we work with even in this environment of chaos, has been ranked as amongst the top five banks.

**Ritesh:** And has there been any management change in most of your clients other than the AIG?

**N. Krishna Kumar:** No client, in fact there is..

**Ashok Soota:** I think we should also clarify that even in AIG, the operating management has not changed, all the people we deal with are very much there and the business continues to be very steady.

**Ritesh:** Yeah, and how about non-AIG.

**N. Krishna Kumar:** This is what I said, certainly there is steady and there is growth in the segment even across non-AIG.

**Rostow Ravanan:** Like we mentioned earlier in the call, even AIG itself in absolute terms, revenue has grown in Q2 versus Q1.



- Ritesh:** Yeah, I agree.
- Rostow Ravanan:** So, we continue to be confident of growth from all our large relationships.
- Ritesh:** And one another technical question, how about on the loan side, are there been in foreign currency and have we taken hedge on that front?
- Rostow Ravanan:** Yeah, there have been and loans are also getting repaid, so some of those loans are in foreign currency, some are in Indian rupee and those like I said are going as per plan.
- Ritesh:** But have we hedged them or we have kept those open and sort of..
- Rostow Ravanan:** Some have been hedged, some have not been hedged.
- Ritesh:** Okay and what percentage would be that, can you just quantify?
- Rostow Ravanan:** No, we do not give that data.
- Ritesh:** Okay, fine. Thanks.
- Moderator:** Thank you very much sir. Next we have a followup question from Mr. Hitesh from Religare Securities. Over to you sir.
- Hitesh:** Yeah, thanks for taking my question once again. My question is regarding the jump in onsite billing rates, so if you just do a reverse calculation of volumes versus onsite revenue, there is significant jump in onsite billing rates. So, is it primarily because of fixed price projects or it is kind of recurring in nature?
- Rostow Ravanan:** It is recurring in nature. This is an improvement in realized rates, so these are new projects or new customers for which we have got price increases, our existing customers new price, we have got price increases. So, it is a combination of all those factors.
- Hitesh:** Okay, so the price increases are across all the customers or only just few customers have reflected this price increase?
- Rostow Ravanan:** Our onsite portion is relatively very small, so in the cases where we do, you know some amount of onsite business, we have had some price improvements.
- Hitesh:** Thank you and all the best.
- Male Speaker:** Thank you.
- Rostow Ravanan:** Thank you.



- Moderator:** Thank you very much sir.
- Rostow Ravanan:** Ahmed, we would like to close the call at this stage because the members of the management team have other planned meetings for the rest of this evening.
- Moderator:** Certainly sir. So would you go ahead with the final presentation sir.
- Rostow Ravanan:** Sure, can we cut over to the final presentation.
- Moderator:** Yes sir, you can go ahead with the final presentation sir.
- Sushanth Pai:** Thank you everyone, that concludes the conference call for today. We look forward to speaking with you in the coming months. If you have any questions, you can write to us at [investors@MindTree.com](mailto:investors@MindTree.com). Thanks Ahmed.
- Moderator:** Thank you very much sir. Ladies and Gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines.
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