



“Prithvi Information Solutions Limited Conference Call”

February 3, 2009



Participants: Ms. Madhavi – Chairperson, Prithvi Information Solutions
Mr. Satish Kumar – Managing Director, Prithvi Information Solutions
Mr. P.S.Shastry – CFO, Prithvi Information Solutions
Mr. Sai Krishna – Manager - Investor Relations, Prithvi Information Solutions

Moderator: Good evening ladies and gentlemen. This is Melissa, the Chorus Call Conference operator. Welcome to the Prithvi Information Solutions Limited Q3FY09 Earnings Conference Call. As the reminder for the duration of the presentation all participants are in the listen-only mode and after the presentation there will be an opportunity for you to ask question. Should anyone need assistance during the conference call they may signal an operator by pressing * and then 0 on their Touchtone telephone. At this time I would now like to hand the conference over to Mr. Sai Krishna of Prithvi Information Solutions. Thank you and over to you Mr. Krishna.

Sai Krishna: Thank you Melissa. I am Sai Krishna, Investor Relations Manager of Prithvi Information Solutions. Good evening and thank you for joining us on the call. We have with us the senior management of Prithvi, Ms. Madhavi – Chairperson, Mr. Satish Kumar – Managing Director, and Mr. Shastry – CFO. We propose to begin the call with opening remarks from the senior management on Prithvi’s financial performance and operations status which will be followed by Q&A and discussion session. Prithvi has witnessed strong year-on-year growth in revenues with net profit before loss on FOREX fluctuation growing by 1 percent for Q3. I would now like to invite Ms. Madhavi to start with.

Ms. Madhavi: Good evening everybody and thanks for joining the call. I just wanted to give a quick few notes and then I will hand it over to Mr. Shastry and Satish who will sort of, take it forward with the numbers and everything. I have seen a year-on-year growth as well as quarter-on-quarter growth this quarter. We have two acquisitions that we would like to announce this quarter. We experienced growth in the telecom space and the technology space. However, going forward as you all know the market is going to be very-very tough and we are seeing some signs of slowdown in the sense as customers are asking us to reduce prices and also customers are asking us to delay some of the contract signing and things like that. We can talk about it in the question and answer sessions if you have any specific questions about it but you know so far we have continued our growth both on a top line and a bottom line standpoint. I will now give it to Mr. Shastry to take it on with the numbers.

P S Shastry: Good evening friends before we get a detailed look on the business, customers, and other things I will quickly take you through some of the important numbers which we had announced on the 31st when we had our Q3 board meeting. The entire numbers have been a sort of mixed bag with many fronts showing good progress while on certain frontiers, the concern still continue.

The revenues on Q3 FY08 and Q3 FY09 have been very handsome. The growth has been almost about 92% from 291 crores in Q3 FY08 to almost about 560 crores in Q3 of FY09. There has been a growth in the EBITDA also. This again should be understood in the background that this EBITDA we have taken prior to the provisioning of about 19 crores of additional MTM loss which we had for this quarter and also foreign exchange translations of restatement loss of about 32 crores in 2009, prior to this being charged to the account. The EBITDA levels have also gone up in comparison to Q3 2008 to Q3 2009 by about 88% from 33 crores to almost about 62 crores. The EBITDA margin, however, declined a little

marginally from 11.3 last year this quarter to 11.1 almost just about 0.2%. The net profit have again gone up by about 100% from 29 crores to almost about 60 crores.

In comparison to nine months up to 2008 and nine months up to 2009 also it has been quite encouraging. We were almost again up by about 100% from 794 crores to almost about 1,585 crores now in 2009. The EBITDA also rose by about 64% from 95 crores to 156 crores. The EBITDA margins again had fallen from 12% to 9.9%. The net profit after tax again has gone up from 81 crores to 141 crores. I should be stating one more point here that this time we had a little substantial loss on the telecom equipment supply to BSNL and the related software supplies where we had an exchange loss what was initially giving us almost about 8% to 10% profit had gone into a loss situation because of the Yen appreciation and that has almost given us about 40 crores of the provision which we have made. After this provision is made formerly we are also eligible to make an advance for tax asset, deferred tax asset will be made which will again come to roughly about 25 to 30 crores. This we have not considered in our Q3 results though we discussed it in detail we were said that we will leave it as a note for this time and probably in the Q4 we will take a view on the matter. What this means is if this deferred tax asset of 23 crores is taken it will add up to our profit after tax by another 20 crores which means what we have declared as about profit after tax of about 5.6 crores will be up by about another 20 to 25 crores which we have not regulated in the account but we have given it as a note.

This is on the numbers and it can be quite satisfying that in this quarter we have been able to increase our percentage in sectors which are more rewarding like we got more into Telecom, Manufacturing and Technology and similarly there has been very satisfying increase in the number of good clients. The \$5 million client has risen from 10 in Q3 of 2008 to 25 in Q3 of 2009, year-on-year and we have added clearly the \$10 million client who are numbering about six in this Q3 2009 compared to none in Q3 2008. We have added about nine new clients in 2009 as compared to 4 in 2008 and client's accountings are more than 5% of revenue increased from almost 0 in 2008 Q3 to 2 clients in 2009 Q3.

The performance on the employee's front also has been quite satisfying. We have been to able add almost about 175 employees going from 3,463 in Q2 2009 to 3, 638 in Q3 and also the sales and support staff has relatively increased to 153 people, an increase of almost about 24 people.

Hence, it has been a mixed bag for us. Definitely in this difficult time we have been able to do quite all right and especially in the background of not providing the deferred tax assets which will again add to another 20 crores I think overall we have been able to come out with fairly good result. With this I request Ms. Melissa to go ahead with any Q&A so that the chairperson and Mr. Satish can also participate and give the clarification. Thank you.

Moderator:

Thank you. Ladies and gentlemen we will now begin with the question and answer session. Anyone who wishes to ask a question may press * and 1 on their Touchtone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are

requested to use their handset while asking a question. Anyone who has a question may press * and 1 at this time. The first question is from the line of Mr. Nihar Shah of Enam Holdings. Please go ahead.

- Nihar Shah:** Hello sir congratulation on set of numbers. My question was in terms of your FOREX losses. Can you please give me a little bit more because if you take a look at the statutory advertisement and if you take the quarterly sort of foreign exchange losses that you have put in your notes they do not add up to the 51 Crores or that is given in the financial. Can you just give me you know which ones have been actually recognized this quarter and which ones are probably capitalized on your balance sheet?
- V. Satish Kumar:** Actually the MTM provision that we made during the quarter is close to 19 Crores and on the FOREX front translation gain and the transitional cost figures is around 32 Crores.
- Nihar Shah:** Okay.
- V. Satish Kumar:** So that will be close to around 51 Crores.
- Nihar Shah:** Okay and so this does not include the FOREX losses from your Yen translation in the Yen or of your FCCBs?
- P S Shastry:** 51 crores includes all that.
- Nihar Shah:** It includes all that so it also includes the Yen translation loss.
- P S Shastry:** Yes.
- Nihar Shah:** Okay so then there must be a foreign exchange gain somewhere or....
- P S Shastry:** Yeah on the debtors when they are restated we get some gain so from there it came off.
- Nihar Shah:** Okay could you give me that number sir?
- P S Shastry:** That I will have to work out because it is the net number of about 39 plus 1 and I will come back to you on that.
- Nihar Shah:** Okay so basically the gain on the revaluation of debtors is not there but all the numbers that are there in the notes have been recognized this quarter.
- P S Shastry:** Yes.
- Nihar Shah:** Okay and how much of this is actually notional and how much is this actually sort of you know for the FOREX contracts that have been sort of that expired this quarter?
- V. Satish Kumar:** The complete 51 is notional at this point of time.

Nihar Shah: Okay so no contracts are basically expired this quarter?

V. Satish Kumar: Right that is it.

Nihar Shah: Okay and can you give us an idea for basically whatever contracts you had outstanding last quarter you know the FY 2009 about \$40 million, 2010 \$40 million, and then 2011 \$26 million those are all still outstanding.

V. Satish Kumar: Yeah.

Nihar Shah: Okay and yeah that is it from my side sir. That is it.

V. Satish Kumar: Yes thanks.

Nihar Shah: Thank you.

Moderator: Thank you Mr. Shah. The next question is from the line of Mr. Sam John of Persistency Capital. Please go ahead.

Sam John: Okay can you tell me what your receivable balance is?

V. Satish Kumar: Give me a second Sam. It is around 760 Crores Sam.

Sam John: And the days sales outstanding.

V. Satish Kumar: I did not get that?

Sam John: Days sales outstanding.

V. Satish Kumar: Days sale is around 131 days or near about.

Sam John: 131?

V. Satish Kumar: Yeah that is right Sam.

Sam John: Okay are you seeing any bad debts given the state of affairs in the US.

P S Shastri: Still on that we have not seen any bad debts Sam and I think we are in constant touch with our customers and we are not seeing any indications of the same Sam. So we are fairly confident that all the debtors are good at this point of time.

Sam John: Someone is asking for price reduction how are you responding to that?

Ms. Madhavi: We are actually trying to push some of the cost reduction towards the off shoring. We are saying you know if you want to reduce some 70 to 55 or 60 why not just reduce to 35 and we

will move the team off shore. Thereby our margins can be kept. That is one way we are dealing with it. The next is if the contract is not for too long we are okay with locking ourselves with a lower price but if it is over 12 months we are asking them to putting the contract that we can renegotiate it after 6 months because you know if things gets better we do not want to get stuck with the contract that is tagged. So those are the two ways of doing it but you know it is coming. We are having a lot of customers asking that question. Hopefully we can turn this into an opportunity for us in terms of off shore. Does that answer your question?

Sam John: Yes. Given the fix on cashflows are you turning away any customers that are low margins bad on your cash process.....

V. Satish Kumar: Yes we are working. We have been very choosy about the customer that we are picking Sam and we think that if there is an issue with customers both in terms of their stabilities/if there is you know margin prices are there we are trying to turn them down and we did turn some of them.

Ms. Madhavi: Some of them down and to add to what Satish said we are also looking at some of our existing contract where if the margin is found to be less than 10% and the customer is asking for a price slash we are trying not to renew the contract.

Sam John: Okay can you tell me what the cash balance and total debt balance is?

V. Satish Kumar: Give me a sec Sam. Cash and bank balance is close to 317 Crores.

Sam John: Total debt?

V. Satish Kumar: Total debt including the short-term loans and working capital limits are on 150 Crores and the FCCBs are 200 Crores.

Sam John: 200 Crores on the FCCB.

V. Satish Kumar: That is not the exact number Sam but that is an approximate number. It is 242 Crores.

Sam John: Okay fine thank you.

Moderator: Thank you Mr. John. The next question is from the line of Mr. Tushar Bhole of Capgemini. Please go ahead.

V. Satish Kumar: Hi Tushar.

Tushar Bhole: Hi congratulations. My question is regarding this new acquisitions Effigent in particular. What is the top line and the bottom line?

- P S Shastri:** Before Madhavi madam gives some clarification I must tell you that is an acquisition of pure assets and not a complete acquisition of the company. We have acquired only the assets of Effigent and SRDG. Both are asset acquisitions of us.
- Ms. Madhavi:** So they are about, when we acquired them the run rate was about \$2.5 million per year. At this point I think they are running at 3.9 million.
- Tushar Bhole:** Okay my other question is regarding this, Yen loss. That is you have provided 67 Crores for last three quarters that is nine months and you have also hedged in USD and JPY and also you know you will have to purchase some equipments in Japanese Yen. So how do you place these basically? See you have USD , JPY hedge as last year you need to buy some Japanese goods. So ideally why there would be a loss of 67 Crores in this if you have hedged in USD and JPY.
- V. Satish Kumar:** If you are to look at the rate at which it bought the USD/JPY at that point of time were close 108 Yen and INR close to Rs. 41.5 Tushar and for the entire rupee to Yen was some kind of about 0.38 or 0.39 and they currently stand at 0.55 and for the hedging quarter part of it with hedge close to 20 million USD equivalent of Yen at that point of time and some of them got expired price because of all this and hence there is a total exposure on that.
- Tushar Bhole:** Okay but when you purchase this equipment obviously you will be spending less in terms of dollar.
- V. Satish Kumar:** We will have to do the entire conversion Tushar as I told I mean the Yen to the rupees when we purchased it was 0.39 today it is 0.55 which essentially means I have to pay a 16.60 paisa more for every Yen that I have bought at.
- Tushar Bhole:** Right so you made two contracts one is for JPY and USD and one for INR and JPY.
- V. Satish Kumar:** No we did not make any contract. The hedges that we have you need to bifurcate. One is the hedge for our export which is essentially sell site contract for selling US dollars and buying INR and while their is an import where we have to sell rupees and buy dollars which we have not done.
- Tushar Bhole:** Okay so entire provision has been made one you say is 67 Crores.
- V. Satish Kumar:** It is 67 Crores.
- Tushar Bhole:** Okay my other question is regarding the cash flow for last three quarters. Can you just throw some light on that and what is the actual cash balance apart from FCCB proceeds.
- V. Satish Kumar:** Yeah as I told the entire cashing bank balance was 317 Crores then if you were to remove the FCCB part which was 180 or 190 Crores the balance is that makes it 137 or 140 Crores of cash balance.

- Tushar Bhole:** All right so we have pretty good amount of cash with us and so what about our FCCB buyback or share buyback with this amount?
- V. Satish Kumar:** Yeah I will answer that in two bits Tushar. See as far as this share buyback goes we have conserved it thoroughly over the last couple of quarters when we discussed extensively at our board level and various levels and looking at the way the market is performing and times are uncertain we are not very keen of doing the share buyback at this point of time. That is as per the share buyback goes. As per as the FCCB buyback goes we are working on it I cannot comment at this particular point of time because what we need to understand was the entire bonds were with the proprietary book of Lehman and today if they do not exist so this ownership of the bond is in question and we are going to figure that out.
- Ms. Madhavi:** So we want to keep as much cash as possible in the bank you know to keep up with times rather than spending it and not having it....
- Tushar Bhole:** Okay yeah I asked this question because I mean I remember in earlier calls Satish was telling that some promoters want to increase the stake to 50% and if they have to increase their stake to 50% then either there should be some buyback or you know promoters should buy from the open market. So nothing is happening on that front and still there is a question like how would you increase your stake to 50%
- V. Satish Kumar:** Well Tushar.
- Tushar Bhole:** Not to 50% but I mean more than what you have currently.
- V. Satish Kumar:** Tushar I mean as I told you that it's the wish list we have and we are definitely working on it but obviously for us with companies interest is more than what our interests are and at this point of time we feel cash is king in this tough time and to come out of these tough times in a stronger manner I think we need to have cash in bank and obviously we are putting the companies interest in front of ours.
- Tushar Bhole:** Right yeah good. Thanks Satish.
- V. Satish Kumar:** Thanks Tushar.
- Moderator:** Thank you Mr. Bhole. The next question is from the line of Mr. Swapnil Gore of Span Capital Services. Please go ahead.
- Swapnil Gore:** What is the cost of debt?
- V. Satish Kumar:** The cost of debt roughly is around 12% if I am not wrong Shastri.
- P S Shastri:** Yeah already it is average out to 12%
- Swapnil Gore:** Okay and my second question is what is your tax rate?

- V. Satish Kumar:** The tax rate is the minimum alternative tax that we are paying. I do not know if it is the tax rate or not but I think it is around 11.5% or 12%.
- Swapnil Gore:** Okay fine thank you.
- Moderator:** Thank you Mr. Gore. The next question is from the line of Mr. Sandeep Gogia of Wizarth Advisors. Please go ahead.
- Sandeep Gogia:** Yeah hi. With this kind of cash sitting in your bank so are there any acquisitions that you guys are looking at actively at this time.
- Ms. Madhavi:** Yes we have at least four or five in the pipeline and we are looking actively at acquisitions.
- Sandeep Gogia:** What is the geography that you are looking at?
- Ms. Madhavi:** Yeah mostly US and Middle East
- V. Satish Kumar:** The geographies that we are looking at are essentially India, middle east and in the US.
- Sandeep Gogia:** Thank you.
- Moderator:** Mr. Gogia do you have any more questions.
- Sandeep Gogia:** No I am done thanks
- Moderator:** Thank you. The next question is a followup question from Mr. Tushar Bhole of Capgemini. Please go ahead.
- Tushar Bhole:** Hi Satish due you have any updates on sales plan?
- V. Satish Kumar:** On sales plan?
- Tushar Bhole:** Yeah.
- V. Satish Kumar:** We are creating our targets for next fiscal currently Tushar. See currently we are pushing for the next couple of quarter and that is something that we are working on actively and seeing how we should start this for the next 12 months we are essentially assuming this downturn will be there for the next four quarters and that's how we are planning our sales plan.
- Ms. Madhavi:** And our goal will be to keep in focus the bottom line this time which is very different on how this sort of operated in the last 10 years. We know there might be a slowdown in the same kind of new contract and things like that. So we are trying to see if we can at least maintain our bottom line and keep the bottom line growing. So our focus will be that. May be next quarter we can do some dwelling into our sales manner.

- Tushar Bhole:** Okay yeah in relation to this question like I mean I would just like to know like how much discount the customer is asking for? Okay we have a solution to move our work to offshore but upfront discount or you know something like that. Can you please share the figure?
- Ms. Madhavi:** Anywhere between 10% to 30% it varies but yeah or anywhere between 10 and 10 is the minimum that we have seen 30 is the maximum that we have seen.
- V. Satish Kumar:** You see during the last couple of quarters our T&M to fixed revenue it is going up. The other strategies that we have adapted to work this pricing pressure is to increase our fix bid wherein we are more on a fixed-bid basis to the customer rather than on T&M basis and if you were to look at last three quarters sequentially I mean this is the percentage. We have been crossing 30% in terms of our fixed price model business per data. We have grown from 25% last quarter to 31% this quarter and that is one more strategy that we are adapting to handle this pricing pressures.
- Tushar Bhole:** Okay looking at your investor's details like I can see the top client contribution has increased from 3.8 to 13%. Now this is a good news as well as a bad news in uncertain market. So I would like to know like in what area this under what services this clients falls in.
- V. Satish Kumar:** We have Telecom customer Tushar. See this has been the strategy over the last 18 months that we worked on and this kind of bearing through. At this point of time having a customer more than a13% look scary but this is the strategy that we have adopted that we will start mining some of our customers extensively and that is paid through and even if you want to look at top 10 customers it moves from 25% to 45%. You have to look at more than \$10 million customers working 6 of them. See yes I mean we are providing various services to this customer in particular and this ranges from ADM services to engineering to data analytic and host of services that we are selling to these customers.
- Tushar Bhole:** Okay. So this percentage is higher which remains like the majority of work is in US so why not shift some of the part to offshore?
- P S Shastri:** These customers have decent amount of offshore presence.
- Ms. Madhavi:** And we do realize that this is time to be very bullish and on our offshore services and we are you know in the last just four to six weeks we have had five customers visit to our, you know talking about slashing the prices, price cuts and therein positively thinking about the whole off-shoring. We are pushing that in a very aggressive manner.
- Tushar Bhole:** Okay so what would be the approximate size of this customer? When we say 10 plus I mean looking at 13.2 it should be more than 20-25 million, right?
- V. Satish Kumar:** You mean what will be coming from offshore?
- Tushar Bhole:** No, no the overall size of contract for this top client.

- V. Satish Kumar:** 25-26, it would be around 30.
- Tushar Bhole:** And out of that do you have any idea on this offshore component?
- V. Satish Kumar:** We are not sure.
- Tushar Bhole:** Alright Mr. Satish. Thanks I am done.
- Moderator:** Thank you Mr. Bhole. The next question is from the line of Mr. Akshay Jalan of Jalan Brothers Pvt. Ltd. Please go ahead.
- Akshay Jalan:** Hi guys. Hi Satish. I guess, one small confusion in my mind and I basically agree with you when you say cash is king at this point. However you know you made these two tiny acquisitions which is give and take for about \$3 million where I am talking about Effigent & SRDG that's about 15 Crores give and take and you put this market cap today about 70 to 75 Crores so I guess what I am going to ask you is you know how do you justify spending 15 Crores Rupees on making those two tiny acquisitions versus buying back 20% of your own company. I mean how do these two acquisitions, how do they create more value for anybody, for yourself, for the stake holders for everybody as opposed to buying back 20% of Prithvi at the same price? I mean I understand cash is king but you are spending this money so I just wanted to know why this versus 20% of Prithvi?
- V. Satish Kumar:** That's a good question Akshay. We did that brainstorming before when we did this acquisition. See there are a couple of things that we need to understand here Akshay. One entire FCCB's money is for this Foreign acquisitions and I don't think we can use them for anything else at this point of time except that RBI had given some buyback permissions and stuff which we are figuring out as we speak, point #1. So this money is sitting in a bank with an interest of you know we are earning about 3.5% to 4% whereas we are paying a YTM of 8% or something of thereabout. And we think this exhibition definitely adds more value than that 3.5 or 4% point #1. Point #2 if you were to look at this firm these are small acquisitions one, and two, they are in very specific areas of Apple and stuff where the growth that we are anticipating as we told then we acquired this company the run-rate was 2.5 million that we thought and the target for this is under 8 million and their current rate is 4 million. So it will add a lot of value to the organization as such and to a lot of increase are off-shoring in a very large way.
- Ms. Madhavi:** And actually all these actual contractors are off shoring rates we hardly do any onsite work but you are right, I mean we have reached some of the FCCB money can be used to buyback and if that was the case we would have loved to do that but you know we have to acquire company as another way this money just sits in bank till 2012 and we will have to pay back at that time so, might as well use the money to, and we are trying to talk to some people to see if we can .
- V. Satish Kumar:** We are trying to work on the buyback of the bonds and hence we are not being very aggressive in acquiring a lot of big firms and all that stuff. We are definitely working on the buyback.

- Akshay Jalan:** Got it and the bond are unchanged, right. They are just privately owned by Lehman or I guess Nomura at this point.
- V. Satish Kumar:** See basically they are, that need to be listed on Singapore stock exchange
- Akshay Jalan:** But there is no liquidity.
- V. Satish Kumar:** I very seriously don't know if any trade has happened.
- Akshay Jalan:** Got it. So basically what you are saying is that that money is set aside and you can't use it for anything else so you might as well use it for the acquisitions because it makes more accretive than paying the 4% and difference, that's what you are saying, right. I guess one or two other quick questions were and I don't know if this is a fair question to ask but I guess given what's happened with Satyam and everybody else, has anybody in the promoter side pledged any of their securities because there is a lot of rumor mongering on the street about this thing so I just wanted some clarity on that front.
- Satish Kumar** Yes, I mean obviously for the company's working capital limit we kind of gave up personal guarantees to the bankers as well as pledged some of our stocks, I mean details will be in public in 15 days .
- Akshay Jalan:** Okay so that's all going to be made public in 15 days. And one of the questions was in terms of you know just sitting on the cash that you have in the bank of 317 odd Crores, would it be feasible just to make that information public just you know to follow sort of suit just the way Infosys did. And the reason why I ask is your market cap is 70 Crores, right and your earning on an run-rate basis based on the numbers you provide if you get rid of the MTM on the derivatives and the FOREX losses etc, just as the run-rate basis normalizing the business give and take a 150-200 Crores bottom line and you know 2000 Crores in top line. I mean that to tells me the street doesn't believe in numbers, right nobody believes in numbers just because it's takes half times earnings on a normalized basis. It makes no sense. So would it be feasible just to give out the numbers in terms of where the cash lies just the same way as Infy or somebody else did just from a matter of good corporate governance given the environment?
- V. Satish Kumar:** Yes, again a good question. I think you are asking all good questions today. Yeah we are working on it Akshay and we actually have Board Meeting towards the end of this month where we are going to increase the amount of information that is being made available to investors and others and we should be coming out with a good scheme of things that we want to do and we will be doing.
- Akshay Jalan:** Got it. Okay I guess one last, sorry to take so much time but one last quick technical question was you know P&L you state software development expenses and I guess what exactly are those because it's a services thing I am not clear about.
- V. Satish Kumar:** You will have two components in P&L one is the software development expenses and second is the employee cost I mean according to this if you are to look at some of our expenses in the

US we have vendors for whom we work. And they have been categorized as software development expenditure so it is new accounting standard or new disclosure standard that's been given couple of quarters back and if you were to see three quarters back we wouldn't be disclosing the same as, it wouldn't be expensing in same manner we are doing it today but because there is a change in regulation as far as that is concerned and hence they have been bifurcated. The loss that you need to bifurcate employees' cost separately and if you are working through vendors which means you need to do bifurcate separately and hence you get into this.

Akshay Jalan: Got it, got it. Congratulations on good numbers you got. Thank you so much.

Moderator: Thank you Mr. Jalan. The next question is from the line of Mr. Ajay Jain of Aries Stock Trade. Please go ahead.

Ajay Jain: Good evening everyone and congratulations on the good numbers. I am looking at 9-month figures and when I go through note number 2, 3, 4 the FCCB loss is 47 Crores. The Japanese yen loss is 67 Crores and the last one is 123 Crores which is on derivatives. So it totals up to 237 Crores. And you have provided in other operating income there is a negative figure of 104 Crores. So what is this difference of 237 minus 104 which is 133 Crores?

V. Satish Kumar: Right. See if you got to look at the numbers you are receiving the absolute numbers that have been put in the note, one. Two, the numbers that you are seeing in the P&L has essentially consolidated numbers where we have a translational gain that is also coming up which has been, which will net off some of these losses that are shown in the notes.

Ajay Jain: So there is a net figure with 104 Crores is required. Now out of these 237 Crores how much is notional and how much is real?

V. Satish Kumar: See so far in terms of FOREX losses the cash that we paid out is around 19.5 Crores and the balance is notional. at this point of time Yeah the cash losses are of 19.5 Crores where we paid off cash or settle some of the contract for the last 9 months or so, 9 months or 12 months and the balance is notional.

Ajay Jain: Which means close to 218 Crores as notional?

V. Satish Kumar: Right.

Ajay Jain: Okay. Now the other thing is you have in the capital employed in the segment wise disclosure your capital employed in telecom is showing a minus figure of 66 Crores and unallocated is 122 Crores. How do you explain that?

V. Satish Kumar: This is because of some you know the debtors and some of the raw material costs has been slightly, I will come back to you very clearly but this is on a balance of amount taken onto software and balance put onto the telecom sector. It will have the impact of the receivables and the payables taken and then the amount is allocated. The unallocated is also worked out that

way after allocating the identified ones to the telecom and the software, the other ones are unallocated. I will come back to you with more detailed clear picture.

Ajay Jain: Because if my assumption is correct that we will use the telecom money for the software business and what is unallocated I don't know.

P S Shastry: And that would be a general management cost sort of a thing which will be for all the sectors. I will get back to you with more details.

V. Satish Kumar: I don't think we had a proper answer for that and so will come back to you on that. We will reply to the entire source once this call is over.

** As indicated during the call, we wish to clarify on the following:*

Item No 3 in Segmental Report on 'Capital Employed':

a. Telecom Segment - INR (6,685) Lakh:

This is represented by net worth of the segment which is negative on account of provision for foreign exchange translation of INR (6735.68) Lakh provided in accordance with Accounting standard – 11 issued by Institute of Chartered Accountants of India.

b. Unallocated capital of Rs (12,272) Lakh:

This comprises of Rs. 12,354 Lakh loss on Foreign exchange fluctuation on account of loss from derivatives

Ajay Jain: Okay thank you so much. Congratulations.

Moderator: Thank you Mr. Jain. The next question is from the line of Mr. Arjun Ramesh, an individual investor, please go ahead.

Nihar Shah: Hello sir. I just had a few more small questions. Say if all these exchange rates were to remain at where they are this current quarter and can you just give me you know how much of cash loss on the contract that you would settle you know for your FCCB and for the mark to market how much cash out flow can you expect the next quarter for FOREX losses?

V. Satish Kumar: Maybe under, these particulars Q4 we can expect under 15 to 16 Crores of whereabouts.

Nihar Shah: So this will be a 15 to 16 Crores cash outflow on these products.

V. Satish Kumar: Right.

Nihar Shah: Okay and also on the last conference call you had mentioned that the BSNL revenues you know that are remaining would come over the next two quarters. I think this quarter you have done a telecom of 37. Can you give me any update of you know how much more revenue is left to be recognized and a timeline for it?

V. Satish Kumar: There will be at least under 100, 150 Crores to be recognized.

- Nihar Shah:** Okay, and this would be coming the next quarter or would this be broken up over some certain timeline?
- V. Satish Kumar:** Maybe I mean optimistically this particular quarter otherwise this will go up to this quarter and the next quarter.
- Nihar Shah:** Okay. And my last question is you know for your debtors can you just give a breakup between the telecom and the software side?
- V. Satish Kumar:** Give me a minute. It will be a very approx number. Out of the 760 odd Crores that we have around 150 Crores will be that of the telecom product side and the balance will be from the software side.
- Nihar Shah:** My last question is you know you mentioned that your cash balance is about 317 Crores out of which 140 Crores is not from the FCCB, you know so that leaves you with about 187-190 Crores which is you know sort of the FCCB. I think you have used about you know give or take a little bit 15 Crores on acquisitions this quarter and at 50 million sort of you know it comes up to about I am guessing, about 240-250 odd Crores. Just wanted to understand you know where is the other remaining cash has been used?
- V. Satish Kumar:** Let me answer it in dollar terms. Bonds are two year old and we have used money at various point of time. See we are close to used around \$10 to \$11 million worth money out of FCCB proceed out of which we have tried 5.8 millions for provision and if we were to look at we did one acquisitions for Agadia Systems quite some time back, so that's 5.8 million and the 3.2 million has been used for doing some joint ventures and putting money capital in doing subsidiaries of the company.
- Nihar Shah:** Okay, thank you sir. That's it from my side.
- Moderator:** Thank you Mr. Shah. The next follow-up question is from the line of Mr. Sam John of Persistency Capital, please go ahead.
- Sam John:** Yeah, can you tell me what your hedge exposures are besides the USD INR and can you just break this up.
- Nihar Shah:** They are the only hedges that are currently there Sam.
- Sam John:** I thought you said some on Yen and in the past you have had some Swiss Frank to calls those out.
- V. Satish Kumar:** We got out of all those transactions. Today the only outstanding hedges that are there I mean USD INR and maybe we will have some 3 or 4 million worth USD JPY
- Sam John:** So is that as previously stated 49 million FY09, 49 million FY10 and 26 million FY11?

- V. Satish Kumar:** Yes.
- Sam John:** Yes with respect to you know disclosure and corporate governance I think it would be very helpful to have a balance sheet and the cash flow statement which closed quarterly. So if I could make that first.
- V. Satish Kumar:** We are working on it and we will insure that you know that we will take care of that. We are working on it.
- Sam John:** And with respect to the large customer if that's T-mobile and what are the receivables or if it's not T-mobile what is it?
- P S Shastry:** It is T-mobile.
- V. Satish Kumar:** It is T-mobile Sam and they are paying well I mean they are well within the agreed terms for give or take 5 or 6 days and 95 days.
- Ms. Madhavi:** 95 and 200 days.
- Sam John:** What percentage of your receivables are more than 120 days due?
- V. Satish Kumar:** I didn't get that Sam. Could you repeat that?
- Sam John:** What percentage of receivable beyond 120 days? Give me a specific answer.
- P S Shastry:** Only about 5% is there beyond 180 days that is for sure but between 120 and 180 days we will work out.
- V. Sitash Kumar:** It will be in single digit.
- P S Shastry:** It will be less than 10.
- Sam John:** Alright thank you.
- Moderator:** Thank you Mr. John. The next question is from the line of Mr. Sandeep Gogia of Wizarth Advisors. Please go ahead.
- Sandeep Gogia:** Yeah, hi. So I wanted to know that does the company have any recruitment plan going forward for the quarter?
- V. Satish Kumar:** Could you repeat that question? We couldn't hear it properly.
- Sandeep Gogia:** Does the company have a quick recruitment plan going forward? Are we looking to recruit more people in the coming quarter ?

- V. Satish Kumar:** Yes I mean we do have recruitment plans as we go forward also I mean, If we are creating a reality plan at this point of time and we should have clear cut recruitment strategy as we go forward. See our business in India is growing. Our business in Middle East is growing and we have been recruiting fairly well for this year and we are also recruiting I mean yeah present quarter we are close to 200 people and I think there will be some recruitment.
- Sandeep Gogia:** Sure, sir, in this quarter you said there was a net addition of 175 employees, is that right sir?
- V. Satish Kumar:** Yeah that's right.
- Sandeep Gogia:** That was against the projection of what number? What was the number that was projected I beginning of this quarter?
- V. Satish Kumar:** See the internal projections were close to around 120 people. We have hired more than that.
- Sandeep Gogia:** So you exceed that , right.
- V. Satish Kumar:** Right.
- Sandeep Gogia:** Okay, so are we looking at any salary cuts any let's say job cuts in the coming quarter or going forward in the current year?
- V. Satish Kumar:** We very seriously would doubt about job cuts but salary corrections we are definitely working on it. We will be in line with the market and Sam sorry about that. It was just to give that answer to Sam. Debtors beyond 120 days is around 7.4 million.
- Ms. Madhavi:** Sam, the answer to your question is the debtors is about 5% of our debtors are beyond 120 days and the absolute number is 7.4 million that is answering Sam's question and then the next question is about the employee, we too plan. We will be working out the details if we have to
- V. Satish Kumar:** If at all we have to do any --
- Ms. Madhavi:** Salary cuts and things like that but we will try our best to keep people as we don't see you know any job cuts. One thing is there might be job cuts in one sector but for example you know going back to our Apple Division is going very well but there are some other things that are not doing very well, so we might retrain people and then use and other things where we have opportunity. But we will try not to layoff people.
- Sandeep Gogia:** Okay. Other than the currency exposure that we talked about are there any extra ordinary expenses for this coming quarter?
- P S Shastry:** Coming again please.

- Sandeep Gogia:** You talked about some FOREX exposure wherein there could be some losses. As of now they are notional so other than that are they...
- P S Shastry:** Other than that there is nothing in this quarter.
- Sandeep Gogia:** Sure thanks.
- Moderator:** Thank you Mr. Gogia. Since there are no further questions I would like to hand this floor back to the management for closing comments.
- P S Shastry:** One request from my side is regarding the capital employed I just have a, while I am trying to put the actual precise numbers on this side one clarification I would like to give on this point is the capital employed where telecom shows a 66 Crores negative and unallocated 122 is represented by the net worth of telecom what is capital employed and the net worth because of the losses which have been provided for the applications till what is represented by the 66 Crores and the unallocated one specifically pertains substantially to the MTM losses which cannot be allocated to any one sector so these two represent the categories of unallocated and capital expense. Thanks.
- Moderator:** Sir would you like to make any final comments?
- Ms. Madhavi:** That will be all. You know this year is going to be a very interesting year for us, you know we have survived to down turns but this is very historic and we are in terms excited to lead this front because it will really you know test the sense in terms of Prithvi and we hope you guys all keep invested in Prithvi and watch our cash flows and growth. Thanks.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Prithvi Information Solutions Limited and Four-S Services Private Limited that concludes this conference. Thank you for using the Chorus Call Conferencing Services and you may now disconnect.