

Transcript: Post Q4 FY2009 results conference call, Mastek Ltd
22nd July 2009, 4pm IST

Presentation Session

Moderator:

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

Abhinandan Singh:

Good afternoon everyone and welcome to Mastek's post results conference call. As you are aware, our financial year is July to June, so the period under review is our fourth quarter and full financial year 2008-2009. Present along with me today on this call are Mr. Sudhakar Ram, our Chairman and Managing Director, Mr. John Dowd, our President and CEO, Mr. Farid Kazani, our Group CFO and Finance Director, and Mr. Jamshed Jussawalla, our CFO. We will begin the call with brief opening remarks by Mr. Ram and then after that the floor will be open for your questions. After the call ends, in about three hours, we should have the audio replay of the call also available for you at the access numbers mentioned in the conference call invitation that was sent to you earlier. The transcript of this call should also become available in a few days, which you can access at our website www.mastek.com. Now I would like to request Mr. Sudhakar Ram, our Chairman and Managing Director, to initiate this call with his remarks.

Sudhakar Ram:

Thank you Abhinandan and good afternoon to all of you in India and good day in other parts of the world. The quarter under review ending June 2009 has been a mixed bag, as you are aware that we didn't hit the revenue guidance we had given, but the bottom line was better than expected. The main reason for this was while we did see ramp downs impacting our business in various accounts and in some cases because of rate cuts, what was unanticipated at the beginning of the quarter was the sharper than expected ramp down on the NHS program. All of you are aware, people who have been tracking Mastek, that we had expected it will ramp down over two years, which is eight quarters. I think it has happened faster because of various reasons and we expect the ramp down over five quarters. So we have taken most of the impact of the ramp down in

this quarter, which was the Q4 of 2008-2009. And there is some residual impact of it in the Q1, which is July-September 2009. So with that the project phase would pretty much be behind us and we will be in a position to actually start rebuilding and growing the business from the 2nd and 3rd quarters of this financial year.

If I look at the year under review, given the tough situation I think the performance has been reasonable. Our top line grew at about 5% in rupee terms. The bottom line did extremely well; it grew at about 12% in rupee terms ending the year at about 141 crores. I think what's important from outlook perspective is the qualitative changes that have happened during this period. I think what many analysts who have been tracking Mastek would recognize is that Mastek has been pretty quick in terms of responding to the external demand scenario and being able to adjust its resources, adjust its cost structures and manage the bottom line in a highly business-like fashion to ensure that we meet shareholder expectations. I am pretty pleased that our ability to be agile as an enterprise and respond to the external situation has improved quite dramatically this year. More important, this has not happened at the cost of strategic investments. You are all aware, we did supplement the team and brought in very senior talent in North America, in Europe, in other parts of the world. So we have strong leaders from, lets say in the insurance business, we have leaders from all the global majors in insurance, now coming on to the Mastek team, which helps us build a strong presence in this market. We have actually increased our investments in R&D in Elixir this year, that is the year that has gone by, and that has helped us meet the expectations of Capita as well as our other prospective customers in terms of the modules getting released as well as the end-to-end Elixir SOA coming to market in calendar year 2009. So, we made the investments. If I really look at it, we are much stronger as a company today both from a delivery and from the intellectual property and intellectual capital end as well as the sales marketing resource end.

So, overall I am pleased with how the company has responded to the crisis that all of us have been under and we are building a stronger company in that process. I am pretty confident that as the economy revives, which we hope will happen in the next couple of quarters, Mastek will get back on to a growth track and from all signs it looks like Q1 would be the bottom and we should start stabilizing and seeing an uptake in revenue as we go forward in this financial year. John Dowd, who has been on board since September last year but as an Advisor and helping us in

the overall operations, is now a full time employee of the company starting July, and confirmed by the board as the Group President and CEO. I would like John to give his perspectives on the outlook as we see it.

John Dowd:

Thank you Sudhakar. Hi everyone. First of all I could say that I, as you would expect, am very excited about this opportunity at Mastek and having been with the company in various roles over the past year I have worked with Sudhakar to shape the company through these challenging times and as he has indicated, we have not only worked well through that journey, but frankly we have made serious investments and deployments to strengthen our business strategy going forward. Clearly, the view is still soft as we all know, but we have some confidence that the forthcoming years will be a growth period for Mastek. We see that both from the top line as well as the bottom line. I believe we have solidified significant senior relationships within our existing partnerships. We believe that we will have new accounts going forward in our UK as well as our North American operations and we believe that there is a clear link between those pluses as well as the strategies that we have tried to establish with some great clarity over the past nine months. So my personal view is that Mastek has stabilized, in fact it has got a clear view as to where it's going to market, how it is going to market, and in many cases the people are already deployed to work towards success in that area. But at the same time, we have looked across its operations and identified areas of opportunities for greater efficiency and a bit of cost control and cost reduction and that will fuel not only our revenue growth, but our bottom line performance even ahead of our revenue growth. So, with that as a broad perspective, I would like to say that I am very excited about this opportunity and we look forward to succeeding at Mastek.

Sudhakar Ram:

Thanks John and that was pretty much the summary and the opening and I would like to invite questions now.

Question and Answer Session

Moderator:

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

First question comes from Ms. Shradha Agarwal of B&K Securities.

Shradha Agarwal: Hi sir. Good evening. What is the USD revenue number for this quarter?

Farid Kazani: It is close to around 16.5 million dollars.

Shradha Agarwal: And what would be the growth rate in constant currency terms?

Sudhakar Ram: Are you looking at just the US revenues or the...

Shradha Agarwal: I mean revenue in USD terms for the quarter.

Farid Kazani: In USD, the revenue is close to around 44 million.

Shradha Agarwal: And in constant currency, what would that number look like?

Farid Kazani: Constant currency, that number would be as compared to previous quarter, I would say, it will be almost same number because exchange rate has not moved significantly compared to the last quarter.

Shradha Agarwal: Actually, I mean, majorly your invoicing is in pound, which have moved quite significantly in this quarter versus the last. So you would have got the benefit of those movements in this quarter's revenue. So, I mean, would that constant currency number now vary too much from reported dollar number?

Farid Kazani: If you look at the constant currency, we had 46 million in terms of total revenue for the previous quarter and at the exchange rate that we ended up, we had 44, but if I had to look at the constant currency, it would be around, between 42.5 or 43 million dollars.

Shradha Agarwal: Sure sir. And one thing, if I look at the order book, it has been declining consistently. So what do we read from this declining order book, because generally your order book to 12 months sales ratio has been in the range of 45% to 50% and now it has come off quite sharply. So, what is the visibility on the revenue?

Sudhakar Ram: That is a valid concern. The order book has come down and this is largely because we suddenly had the BT impact, and that has contributed quite majorly to reduction in order book. But given the pipeline and given that the teams are working, we do see that the pipeline is building up pretty nicely in North America, it is in process in the UK

and in India and Asia-Pac again, though that's not a major part of our market, the pipeline buildup. One is optimistic overall that in some way Q1 of this financial year would be at the bottom and we would start seeing growth. Now, the order backlog itself may not see an improvement next quarter, but even if we managed to fill up to the extent of execution, then from Q2 onwards we should start seeing a positive thing there. So, the exact visibility for the full year is still not clear, but we do see that the growth will restart from Q2, Q3 onwards.

Shradha Agarwal:

Sure sir. And one thing more, if I look at the other income, it has increased quite sharply from the last quarter, so what unexceptional item has gone into that?

Farid Kazani:

The other income actually includes quite a bit of the maturity of the FMPs that were there, which were invested last year. This is the cash that we had invested in various funds not in this quarter, so obviously they have been considered in the other income figure. There has also been some amount of realization of old debts that we have been able to garner and that has helped in terms of the overall DSO level and that's also been part of the other income.

Shradha Agarwal:

Okay sir. That's it from my side. Thank you.

Moderator:

Next question comes from Mr. Madhu Babu of Systematix Shares & Stocks.

Madhu Babu:

The government vertical is down around 26% quarter-on-quarter. Is it just NHS ramp down or any other project has ramped down?

Sudhakar Ram:

Mainly it is NHS.

Madhu Babu:

Okay. Now that the government vertical it is around 30% of the revenues, what is the outlook of this vertical over the next two years?

Sudhakar Ram:

We do need to refill that in terms of other orders, because NHS, which we thought will happen through the next year has not happened, but we do expect that the insurance part will start picking up, especially on the back of Elixir deliveries to Capita and some of the Capita clients like Zurich going into production on the new platform. So what one may expect next year is that insurance will become stronger as a vertical, the government may remain steady at about 30% and but we do expect to refill some of it in terms of other partnerships and other programs in the pipeline.

- Madhu Babu:** Okay. And sir, could you talk about the Elixir opportunity in US, because still we are yet to get a client. So what is the potential client base, which we can target in US?
- Sudhakar Ram:** See, we have started getting a prospect base for two of the modules, which are released, which is EDM –Elixir Distribution Management – and now this quarter we have also released the Elixir New Business Underwriting, which is a new module. We have started getting clients interest, in fact we have major investments in exhibitions this quarter to actually launch these products and that started generating interest in the market place. So we are hoping that this year we do get our first beach head on Elixir in the financial year.
- Madhu Babu:** In the US?
- Sudhakar Ram:** In the US.
- Madhu Babu:** Okay. And sir, what is the operating margin outlook? I mean, next two quarter revenue guidance has been weak, but profit after tax guidance has been very aggressive.
- Sudhakar Ram:** We expect to get back on to EBITDA margins, this quarter you have seen EBITDA margin drop because of these other expenses and huge sales & marketing investments, but from Q1 of this fiscal, which is July, August, September, we do expect the operating margins to come back on track in the 18-18.5% range.
- Madhu Babu:** Okay sir. Thanks.
- Moderator:** Next question comes from Mr. Nimesh Mistry of MF Global.
- Nimesh Mistry:** I just had a couple of questions; one is, on the NHS side. In this quarter what would be the NHS revenues?
- Sudhakar Ram:** I think the project thing would almost come down to zero in this current quarter. Ongoing maintenance, which will remain till 2013, will continue.
- Nimesh Mistry:** And that you expect to continue in this year completely?
- Sudhakar Ram:** Yes. There will be variations, obviously, because some things will go off, some will come on, but broadly those levels are expected to continue for the full period of the contract.

- Nimesh Mistry:** Okay. And you have put some people on virtual bench. Just trying to understand, is there a time based upon the recovery what you are kind of expecting in US? Are you likely to bring more people on rolls?
- Sudhakar Ram:** We have already started doing that. In fact as we saw more demand in Elixir, we have taken people from the virtual bench and put them on to the Elixir team. So, that's an ongoing process that happens every month.
- Nimesh Mistry:** Sir, I am just trying to understand what will be the increase in employee cost in the ensuing quarters?
- Sudhakar Ram:** See, what we are attempting to do overall is to maintain the gross margins, you are aware that being a high-end solutions provider, we are already at very high-end in terms of gross margins. But we will manage our grade mix, which is the ratio of senior and junior people to a level as well as onsite offshore ratios to a level where we keep the gross margins pretty much on track. So that would be part of our strategy going forward.
- Nimesh Mistry:** Right. And in US, I just wanted to understand how many deals you have clicked on the new platform for Elixir?
- Sudhakar Ram:** Nothing as yet, we just have a pipeline.
- Nimesh Mistry:** Okay and when do you expect this pipeline to fructify?
- Sudhakar Ram:** This year, in this financial year.
- Nimesh Mistry:** In the second or third quarter you are saying?
- Sudhakar Ram:** Hopefully.
- Nimesh Mistry:** And can you dwell somewhat deeper in the environment in UK, especially in the insurance segment?
- Sudhakar Ram:** See, the UK insurance segment, there are some companies, which are doing extremely well, they are consolidating while certain other companies are obviously hit because of losses to their investment portfolio or the general business, new business growth going down. So, in fact our problem in the UK, I would say is not so much the market, as getting the product out and getting it implemented in the Capita side, because Capita has already got a pipeline of customers and if they start getting on, then getting new business in UK should not be a problem.

Nimesh Mistry: Okay. And one more thing. You also work somewhat for BT indirectly, so I just wanted to understand your stand on that account.

Sudhakar Ram: We work directly for BT and that's on the Health sector, which is the National Health Service program. But we have been a key partner for that; we have got two components, which are the fixed price, the project phase as well as the maintenance phase of the overall thing. The project phase, as I said, is ramping down as expected, because the program is launched and the time pad is actually getting implemented. So BT is fulfilling its contractual commitments to the government, the maintenance phase will continue.

Nimesh Mistry: Okay. Any further penetrations through the BT channel?

Sudhakar Ram: Nothing as of now.

Nimesh Mistry: Alright sir. Thanks a lot.

Moderator: Next question comes from Mr. Ruchit Mehta of HSBC Asset Management.

Ruchit Mehta: Just wanted a sense for Elixir itself, you have Zurich already lined up and then you have another cooperative insurance entity, but beyond these two, what is the pipeline looking like and any immediate significant wins you have had?

Sudhakar Ram: Capita has had wins and Capita has almost four or five customers in the pipeline, but they have started doing the BPO work, but it is on their existing platform and it has not yet moved to Elixir. The idea is that it will all move to Elixir over the next 24 to 36 months.

Ruchit Mehta: Any names, I mean, in some sense the accounts which the Capita has had will it necessarily flow to Mastek into the Elixir revenue or it is a decision for Capita to take whether to transition or not to elixir.

Sudhakar Ram: I think Capita has standardized on Elixir as their platform for BPO, so it is a question of timing.

Ruchit Mehta: Okay, is it possible for you to reveal any of the other four or five wins that are in pipeline that we have?

Sudhakar Ram: Capita themselves revealed it; you will find it on Capita's website.

- Ruchit Mehta:** Okay, and as far as the NHS side of it you mentioned that now you are done with the project development work and how much more is left that will get impacted in the current quarter?
- Sudhakar Ram:** The project would pretty much come down to almost nothing by current quarter, I mean, that original project work would be over.
- Ruchit Mehta:** Okay, is that what is dragging down the revenues to almost 6%, 7% quarter on quarter or apart from that any other account where you see any trouble?
- Sudhakar Ram:** If you see this quarter, we have taken a huge drop in UK and by and large it is because of NHS, I think it is 16 crores or so.
- Ruchit Mehta:** I am trying to understand in the first quarter of fiscal 2010, the quarter on quarter drop in revenues that you have guided for, is bulk of it due to the NHS ramp down or is it additionally because of some other contracts as well?
- Sudhakar Ram:** Most of it is NHS ramp down, yes.
- Ruchit Mehta:** Okay, thank you and just finally what is the tax rate outlook for fiscal 2010 considering the various changes in the extension of the STG and so on and so forth?
- Sudhakar Ram:** This year was unusual in terms of tax because we had tax credits as well as some deferred tax possibilities because of the STG acquisition. Next year would be back to normal expected tax rates, which is about 15%-16%.
- Ruchit Mehta:** Okay, thank you.
- Moderator:** Next question comes from Mr. Anubhav Kandhelwal of B&K Securities.
- Anubhav Kandhelwal:** I just wanted to know that in your opening remarks you said the revenue has declined mainly due to NHS ramp down and there were also some rate cuts?
- Sudhakar Ram:** If you remember, last quarter when we guided for Q4 the reasons were general decline on some of the accounts and in the US the rate cuts we had given on two large accounts were coming into effect in this quarter. So this was expected, it was already factored in into the guidance, so that is part of the reason why the revenue declined.
- Anubhav Kandhelwal:** Roughly how much was the quantum in percentage average rate cuts?

- Sudhakar Ram:** These are only a couple of accounts and like I said last time it is in the 5% to 10% range.
- Anubhav Kandhelwal:** Okay, and what was the one time cost you had incurred in this quarter?
- Sudhakar Ram:** As I said we had to incur more in terms of sales marketing on some key exhibitions for the launch of Elixir new business underwriting. Apart from that we had expenses on management consultancy, I mean, big five type consultants who had to manage the operational processes to get to a new price point next year or cost point next year, so there are operational efficiency measures. Some of it has already happened this year. We have seen margin improvements. I think lot more is planed next year in terms of bottom line improvement.
- Anubhav Kandhelwal:** Okay, thanks a lot, sir. That's all from my side.
- Moderator:** Next question comes from Mr. Pratik Mehta of Bajaj Allianz Life.
- Pratik Mehta:** Given the three quarters of consecutive fall in the order book, when we are talking about Q2 onwards growth returning which will probably materialize into a full year of growth both in revenue as well as bottom line, what gives you confidence? I mean, apart from whatever possible Elixir wins, which all areas wherein we are sensing some wins or some revenue ramp ups that we are likely to see or if there is something concrete that is already happening there?
- Sudhakar Ram:** Firstly, we are not taking a full year outlook right now this year. Normally even though we used to give a target for the year, this year given the uncertainties we are not taking a full year view right now, so what we are talking about is the first quarter and we see that there will be an uptake from Q2 onwards and this is based on the pipeline in hand, part of it is Elixir. We think that Insurance will start contributing more to our business and part of it is also other expansion in existing accounts as well as new deals in the new accounts, new deals in the pipeline that we see.
- Pratik Mehta:** Okay, so basically largely based on the pipeline. We are also talking about increased investment in SG&A after Elixir's promotion in US, so has that already happened or the impact of that is likely to come in next quarter?
- Sudhakar Ram:** This was the exhibition season for launches in the US, so that has already happened last quarter.

- Pratik Mehta:** Okay, so incrementally the margins would improve from here?
- Sudhakar Ram:** That's correct.
- Moderator:** Next question comes from Mr. Kunal Sangoi of Edelweiss Securities.
- Kunal Sangoi:** Yeah hi, Mr. Desikan, in the earlier question you did mentioned that on a constant currency basis revenue in dollar terms would have been 42.5 to 43 that you were referring to total income, if I am not wrong, right?
- Farid Kazani:** Yeah, that's right.
- Sudhakar Ram:** Mr. Desikan had retired, so it is Farid, not Desikan.
- Kunal Sangoi:** Sorry, okay. So just for total operational revenue how much would that be, my calculation suggests that the dollar decline would have been 10.7, is that correct?
- Farid Kazani:** On a constant currency, yes. If you look only at the revenue line, the last quarter would be 46 and the current quarter revenue is 42 and on constant currency it will be close to around 40.5, so you are right, it will be close to 10%.
- Kunal Sangoi:** Okay, all right. My second question is to Mr Ram. With regards to the order book in the release you have mentioned that part of the order book decline has been BT and the other part of decline is also because of delay in initiation of some projects and which you have not included, how significant is that portion?
- Sudhakar Ram:** When we are saying that we do see an uptake from Q2 onwards, these delays are being factored-in in this quarter's order book and that is why we say that there will be an uptake from Q2 onwards.
- Kunal Sangoi:** What I am asking is from the 387 crore of order book which was there as of last quarter and 300 crore which is as reported right now in the current quarter and you have not included some projects which have got delayed, so what is the quantum of that delayed projects if you were to give that number?
- Sudhakar Ram:** I would say, 70% approximately would be because of BT and 30% because of delayed projects.
- Kunal Sangoi:** Okay, all right got it, thanks.

- Moderator:** Next question comes from Mr. Pratish Krishnan of DSP Merrill Lynch.
- Pratish Krishnan:** This is on the NHS ramp down, I mean, you did mention that there was some acceleration in terms of the ramp down, I mean, broadly what really changed on a quarter over quarter cycle for this acceleration?
- Sudhakar Ram:** Obviously when we anticipated a ramp down over two years we were expecting some more enhancements and change request to come from NHS to BT, so the main reason is that, now that flow has stopped and so BT has actually delivered on whatever was the original contractual commitment in 2003 and that part is getting over.
- Pratish Krishnan:** I am not clear in terms of, is it something like you are supporting a certain project and now they have taken over or...
- Sudhakar Ram:** No, it is just that the flow of work from the end client has stopped on changes. See, every year we used to get a set of changes which would be bundled into two semi-annual releases. We were expecting the next set of changes for 2010 to start and that didn't start.
- Pratish Krishnan:** Okay and secondly in terms of the fresh order intake for us to compute for you based on the order book number that has declined substantially on a year on year basis and on a quarter on quarter basis, do you see this kind of increasing from Q1 onwards?
- Sudhakar Ram:** The order backlog will start increasing from Q2 onwards is our current anticipation. Obviously the order book will start coming in from Q1, but the backlog, for it to impact the backlog it has to be more than the execution for the quarter.
- Pratish Krishnan:** Sure and just last thing in terms of the margin, I mean, what would be the key reasons for the margin uptake in Q1?
- Sudhakar Ram:** Because some of these one time expenses will not be there and we will look at the execution efficiencies and the grade mix and other operational levers to keep the margin back on to an 18-1/2 level.
- Pratish Krishnan:** Okay, fine. Thanks a lot.
- Moderator:** Next question comes from Mr. Ankur Rudra of Noble Group.

- Ankur Rudra:** Hi, good evening gentlemen. Thanks for taking my question. Question really is just one point that was raised earlier in the call as well around the confidence for a recovery at the end of Q1, again it is just to may be scratch a little bit more on the surface of that, do you see a confidence outside of the Elixir pipeline as well that drives your optimism there?
- Sudhakar Ram:** Yes.
- Ankur Rudra:** Could you probably highlight, may be add a bit of color, what sort of geographies or verticals you are getting optimism on?
- Sudhakar Ram:** Basically it is because of the reinforcement of team in North America as well as in the India-Asia-Pac regions. So, there is a business pipeline outside Elixir also. For instance in the India-Asia pack markets there are deals in government, which we think we could get on to. Similarly there are some wealth management opportunities in other parts of the world, so it is based on a set of factors.
- Ankur Rudra:** So, these are still in pipeline stages, they haven't been signed yet?
- Sudhakar Ram:** Obviously if they were signed then our order backlog would have been better.
- Ankur Rudra:** Okay, so you will probably only know in the next couple of months...?
- Sudhakar Ram:** See the year is, I mean, all of you are fully aware that it is not that the world has recovered completely, there are still uncertainties, different sectors seem to be recovering at different pace, different companies are operating at different levels of recovery, so there is too much uncertainty for us to say anything very definitive on when we will get an order or when that growth will happen or things like that, then you will appreciate that the times are such, so while we would have loved to give you an annual kind of a target that we can go after, this year we find that difficult to do, but definitely quarter on quarter we will keep you updated.
- Ankur Rudra:** Fair enough and also in terms of the pricing for these contracts you are looking at in future, is the price discussion a bit more congenial compared to what you had in the last few quarters?

- Sudhakar Ram:** We have not had a price issue on our solutions business as you have said and on the services and enterprise accounts every Indian company has had price issues, so I think that kind of mix, it is not that there is further pressure on prices, but we would see a mix in terms of pricing.
- Ankur Rudra:** Right, thanks a lot.
- Moderator:** Next question comes from Mr. Neerav Dalal of Capital Market.
- Neerav Dalal:** First I wanted to know what is the solutions and the services mix of revenues.
- Sudhakar Ram:** Broadly you can assume 70:30.
- Neerav Dalal:** Right sir and I want to understand our take on the US market?
- Sudhakar Ram:** The US market is broad, but the segments that we are playing in, are based on are our own efforts on the field. We are far more positive about the US market than we were a couple of quarters back.
- Neerav Dalal:** So, will it be 50:50, or when do you expect that to happen?
- Sudhakar Ram:** It has to happen, but not in the next year, I think in the next two-three years definitely.
- Neerav Dalal:** And would it be powered by insurance vertical?
- Sudhakar Ram:** Insurance, financial services, yes.
- Neerav Dalal:** Okay, but insurance or financial services in a sense?
- Sudhakar Ram:** Difficult to predict because we have deals on both, it will be a combination obviously.
- Neerav Dalal:** And of the order book that you have, can we get a split of US and UK?
- Sudhakar Ram:** It is roughly in proportion to the revenue mix.
- Neerav Dalal:** Okay, right sir, thank you.
- Moderator:** Next question comes from Mr. Rakesh Tarway of ILFS Investment.
- Rakesh Tarway:** Hello, just wanted to know what is the reason of the sharp fall in the debtor days?

- Sudhakar Ram:** Better realizations.
- Rakesh Tarway:** It is already almost a 50 days fall in a full year time. 124 days was the last year I suppose and this year it is 76 days, I am just dividing your debtors by income
- Farid Kazani:** If you look at the balance sheet, debtors have actually moved down sharply from 300 crores last year to almost 200 crores this year. Yes, there has been a sharp drop and it is on the back of the kind of work that has been done for collecting these old debtors.
- Rakesh Tarway:** Or is it because there is a fall of revenue from NHS side, so the realization has also improved from the other businesses?
- Farid Kazani:** If you look at the revenue, the revenue is almost constant as compared to last year in rupee terms. Earlier it was 916 crore, last year it was 964 crore. Yes, if you look at the quarter revenue it is probably a little lower, but the larger part of the reason is because of the kind of work that has been done to collect these receivables.
- Rakesh Tarway:** Okay, thank you.
- Moderator:** A followup question comes from Mr. Madhu Babu of Systematix Shares & Stocks.
- Madhu Babu:** Sir, around 34% of our revenues are coming from other financial services and other IT services verticals, could you throw some light on the deal pipeline and outlook for these two verticals?
- Sudhakar Ram:** We don't share deal pipeline by vertical and so on. Clearly we have deals in the pipeline in all the areas of business that we operate in. Insurance is the leading one because most of our marketing thrust is there, but we do have deals for wealth management and other services also.
- Madhu Babu:** Okay and any opportunities for the government business in US?
- Sudhakar Ram:** We are pursuing, but nothing immediate.
- Madhu Babu:** Okay and one question on the capex for next year, sir?
- Farid Kazani:** It is going to be in the region of around 20 to 25 crore.
- Madhu Babu:** Okay, thanks.

Moderator: Next question comes from Mr. Pratik Mehta of Bajaj Allianz.

Pratik Mehta: Sir, how many number of employees are still on the virtual bench and what was the number that we started with?

Farid Kazani: Currently we have 350 employees on the virtual bench and when we started off it was in excess of 400.

Pratik Mehta: Okay, thank you.

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

Sudhakar Ram: Thanks for participating and for your active interest in Mastek. Obviously if any follow through questions are there please feel free to contact Abhinandan, Farid, any of us in terms of clarifications. Overall if I were to summarize, I think the economic outlook still looks uncertain. Things don't look as bleak today as they did let's say a couple of quarters back and to that extent it is a welcome sign. We have to see whether that translates to actual business. From our end the efforts to build up strong capability, strong IP investments in a platform have remained and we have not cut back on any of these investments through these tough times, but have managed to take other measures to keep our own profitability in line with all your expectations and in line with what the company needs to do. So overall we are maturing as a company on all fronts, we are building strong capabilities, bringing a new management team in different parts where we had gaps, so that is a thing in process. We have made substantial progress through this year, so overall I am pretty confident of the ability of Mastek to take advantage of opportunities in the high end enterprise solutions space, which is where we play. As you are aware we are a third wave player. We have the teams in place; we have the assets in place to take advantage of any opportunities which will get thrown up in this area. All of us are waiting for the economies to revive so that the real flow of opportunities start and I am sure all of you are aware of that. Thank you for the patience that you have shown in remaining engaged with Mastek and we do hope that next year would be much better in terms of our outlook and positions from where we are now.

Moderator: Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may

disconnect your lines now. Thank you and have a pleasant evening.

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