Infosys Technologies Limited

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Kris Gopalakrishnan
Okay. We are open for questions.

Participant
Just a quick question here. On Infosys penetrating the healthcare market and it would be great just to get a few people's perspective on this. How is that coming along given the incumbency of folks like Cognizant, how are you playing in that market and how is that business growing over the past six months and as you have tried to invest?

S. D. Shibulal
We are having good traction in the market. I do not remember the exact numbers quarter-on-quarter but we are investing into the healthcare market. We are recruiting SMEs, Subject Matter Experts in the healthcare market and we have had good wins. So we see it as a growth area for us. For example one of the products, the iTransform, which is a product that we rolled out recently, is meant to address the CDC, I think in the standard it is called CDC-10 or something. We have created a product which will make the compliance for the healthcare industry in that standard. That is also seeing good traction. So by doing that we are getting good penetration in the market.

Bhavan Suri
I think you enjoy relationships, how do you counter that when it comes to competitive situation?

S. D. Shibulal
See, one needs to remember, in today's world, our brand is extremely strong. We are rated as number one in many, many places. We are rated as the leaders in SAP implementation space, in remote infrastructure management. We are listed on NASDAQ. No CEO or CIO will refuse a meeting from Infosys. There is no way that is going to happen which means that we will always get the door opened. Now, after the door gets opened, the conversion is our job. We have to get the deal converted. In our case, the relationship is always at multilevel. For example, Kris will have a relationship at the CEO level. Mr. Murthy will have a relationship at the chairman level and somebody else will have a relation at the CIO level. Once we get the door opened, we are able to convert more often than otherwise. Also, having the end-to-end service footprint allows us to look at various options of conversions. It is not a single service environment. So we have a very wide service footprint and that allows us to convert in any one of those areas. Lastly, we just announced that we are getting into the public service market. We have setup a subsidiary. We have looked at a CEO who will be joining the subsidiary any time now, maybe in the next couple of days. Through that also we will be addressing the healthcare spend in the U.S.

Karl Keirstead
Hi, Karl Keirstead with Kaufman Brothers. I have got a question about the sales and marketing that was one of the new disclosures you made today, your plan to hire another 100 on top of the 100 you announced a few quarters ago. So my first question on that is just the margin implication. Bala, maybe you could help me. If I assume 250 ahead, times of 100, $ 25 million and that is about 50 basis point impact on FY 11, is that about right? I presume you assumed that the ramp-up that the revenue contribution might be off table to offset a good chunk of that cost. And then strategically could you just help me understand why the big new emphasis on sales at Infosys? Up 30%, I mean, one could infer that your core business growth is slowing and hence you are investing more in sales and marketing right now. Thank you.

S. D. Shibulal
There are multiple reasons. Let me address the margin issue first. In the beginning of the year, we specifically talked about the 100 sales people because we were trying to add 100 people on a flat

basis or actually the revenue being flat or marginally down. In most situations when we add to sales, it is covered by the growth. So generally, we do not talk about the margin implication because the growth and the activity scale of the margin implication. In the beginning of the year we specifically talked about it because we were trying to add 100 people when the revenue was either flat or marginally down. There are multiple reasons to increase sales force. Number one, the economic downturn is the time when the clients are undergoing tremendous change and they are under tremendous pressure. They expect us to be near to them and it is also in our strategy to be closer to the client during this period. That will require additional bandwidth. Secondly, we are entering new geographies. We are entering China, Canada, Germany, Australia, Middle East and Latin America. That requires more investment into sales. Thirdly as Kris talked about, our revenues from the service lines other than ADM, is consistently going up. If I remember last quarter, our ADM revenue was 40% or 41%. This means that the new service lines will require Subject Matter Experts. That is the third reason. The fourth one is our client base which is Fortune 2000, we have probably 500 clients from Fortune 2000. Our Fortune 500 coverage is only about 112. So one of the things we realize through the downturn was that we should increase our client coverage and the number of clients in the Fortune 2000 space. So part of the sales investment is going towards opening new clients and opening quality clients in the Fortune 2000. Part is going towards new geographies, new places where we are entering. New service lines, for example, if you look at knowledge service, learning service, the sales investment is over-invested. Then we are entering new geographies and we are trying to sell more of the new service line. So those are the reasons.

Karl Keirstead
Thank you.

Joe Foresi
Hi, Joe Foresi from Janney Montgomery. I was wondering, first question is just on the M&A, that is picked up in BFSI sector. If we were to exclude that from the performance of the sector, let us say, quarter-over-quarter basis, what would that performance look like and how long do you expect that activity to take place going forward?

Ashok Vemuri
It is a little hard to actually differentiate, if you are looking at revenue contribution from M&A and non-M&A business. I would say that the traction levels on the M&A have gone up. These are predominantly end-to-end transactions. It starts off with the consulting phase, starts off with the design phase, process reengineering, organization change management and so on and so forth. The key thing is that all of them have specific timelines by which they have to be completed either from regulatory perspective or from just synergistically go-to-market perspective. So yes, they have a finite time period. Different clients would be in different timelines but it will be safe to say in the next four quarters or so.

Joe Foresi
Secondly, we are going to enter, probably in next couple of months, where people will ask you when budgets would get finalized and what is the visibility looks like? I guess my question would be are you expecting that earlier or are you expecting that before the end of this year? And any general sense on whether there is some pent-up demand out there for next year, where projects that are getting down this year?

Ashok Vemuri
Let me actually comment on the BFSI part of it and I hand it over to Shibu to comment on the rest of the industry. Clearly, we are seeing early conversations on the budget. Our expectations is that unlike last year, the budgets will close out in the usual timeframe that they used to in the past and

we will not have a situation where it will get dragged on endlessly till April, May and even after that there was uncertainty. So budget numbers will come in, that is the good news. What the budget numbers will be, I think the jury is out on that. Early indicators do say that it will probably be flat. The way to look at it is what is the extent of spend that will happen on offshoring and outsourcing which we believe that footprint will increase. As regards to the budget, it is a zero budget kind of a game as always has been. I do not think that there will be if you are looking for a sort of a flush that is going to happen because this year in particular, what we understand from the commentary from our clients is that there will be a carry forward.

S. D. Shibulal
So in general terms, we are expecting that the budgets will close early January-February. I do not expect. Even though BFSI may close little earlier, our general commentary indicates that it is not going to close before December. I think it will be into the first quarter of next year.

S. Gopalakrishnan
I saw some analyst report which said that this year the budgets were projected to be down by about 6% to 8%. So from that lower number, it is expected to be flat. Next year's budget is sort of similar to this year. That is what it is expected to be. So no more down, it is same or slightly higher.

George Price
Hi, George Price from Stifel Nicolaus. Just a high level question, what do you see as the biggest risk in your business overall, say over the next 12 months?

S. Gopalakrishnan
In the short-term currency fluctuation is one. Second is the change in immigration laws in the U.S. and the protectionist measures. In the short-term these are the two harassments in the next 12 months.

Moshe Katri
Yeah, thanks. This is a question for Bala. In one of the slides I think you talked about the performance of the subsidiaries. I do not know if you spend a lot of time on that. Maybe you can give us an update on what is going on in China, Mexico, Australia and maybe you can talk about the true profitability or the potential profitability of the units because obviously that is one of the levers in your overall EBIT margins down the road?

V. Balakrishnan
Well, China, we have close to 1,200 people or so. China is still making a loss. In the last quarter, they were marginally profitable. So going forward there they could be breaking even or slightly more profitable but China is still subscale. We need to have a higher scale there to be more profitable. It is a very tough market. It is not an easy market. Australia is profitable. Australia has a net margin of around 6% to 10%. They are growing faster. We have great clients there. Mexico again we just started a year or two back and still it is subscale, it has to grow. If you look at all the mature subsidiaries, all of them are profitable. The new subsidiaries will take some more time before they become profitable. But the small ones will not make big impact on the group margins

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Moshe Katri
I think Infosys Consulting is still not profitable.

V. Balakrishnan
Consulting is profitable last quarter. So consulting is becoming profitable. But again, you should not look at consulting on a standalone basis, because the businesses are done both at the parent

level and also at the subsidiary level. If you combine together, they are always profitable. What you see as a number, is a standalone number. They could be making losses, but in the last quarter, they have become profitable. And going forward, they will be breaking even or slightly more profitable.

Moshe Katri
Okay, and then the follow-up question is on the UK. The UK accounts for pretty big portions of your revenues on a relative basis. Can you give us an update on what you are seeing there from a demand perspective in terms of the 6 to 12 months outlook? And then obviously maybe talk about this in the context of some of the largest customers BT and maybe RBS as well. Thanks.

BG Srinivas
The largest client you are referring to, the percentage has come down significantly and that you are aware. Today, we see some degree of stability. It will not scale up significantly but more or less it is going to be around that or maybe there will be a marginal shrinkage going forward. The overall business environment for this client is still challenging and our take is that we are okay because we have seen in telecom sector, the continent is picking up, in France and in the Nordics, business is picking up for telecom. So it is going to get offset by growth in other geographies within Europe. On RBS, while we do not want to make comments specific to clients, but there again we are on the right side. We are working on the integration activities. There is still good business pipeline and we are very well-positioned there.

David Grossman
Hi, David Grossman from Thomas Weisel. The question is broadly to the group. Do you feel satisfied that you need to increase the number of onsite resources that you have to increase the scope of services that you provide in both the U.S. and Europe and if so, do you think you need to do that organically or is that something you think that it is more effectively done through acquisition?

S. Gopalakrishnan
We need to increase our local resources. The percentage of work done onsite will not change substantially. Today, 30% of the effort is delivered onshore and 70% of the effort is delivered offshore. And out of the 30% of the effort delivered onshore, about 5% is delivered through local resources versus 25% delivered from resources coming from India and going back. Now they are the resources who are cycled. As the services move towards more consulting, system integration, more industry expertise is required etc, naturally we see that number shifting to maybe 50% of 30%, that is 15% of the overall effort getting delivered using local resources. During the transition, there maybe some impact from a cost perspective but in steady state, there will not be any impact on margin through this transition. Because one we pay salaries similar to local resources and resources are deployed from India. Two, the services are going to be of different kind, so revenue per employee is much higher. So in a steady state environment the impact on margin is very little.

David Grossman
And the question on whether you think you could do that organically?

S. Gopalakrishnan
Both. We are looking at smaller acquisitions to jump start and accelerate these things. There are multiple reasons for doing this. I talked about the client facing activities, the client inter-face activity, for example in Germany or France. We need more people who can speak German, French, etc. We could look at acquisitions. Acquisitions are a vehicle to do these things which will accelerate the move to doing these things but we are not banking on that. We are organically also

trying to grow. Organic growth will probably take a little longer but we are doing that organically. If we get an opportunity for acquisition we will do that.

David Grossman
Right. So just to be clear though do you think it stays at 70-30 and that is shifts between the visiting employees vs the onsite resources.

S. Gopalakrishnan
It will stay there because we are also increasing services like BPO, Infrastructure Management, etc. which are offshore based. So when you take the entire company, the ratio will be similar.

S. D. Shibulal
Even today the service line wise onsite/offshore ratios are different. But in a company level it is 29% to 30% or 30 to 32%. We have always managed. So when we started ES, the onsite ratio was 65%. Today, it has come down to 45% or 42%. Service line-wise ratios are different. But we manage it at the company level. As the service matures, we are able to do more and more of the work offshore and that is how the balance is always maintained. Learning service, for example, is possibly 50% onsite right now. Today it is a new service. It got launched only in the last 18 months. It will slowly shift back.

Mark Zgutowicz
Hi, it is Mark Zgutowicz with Piper Jaffray. Just curious how you view your consulting capacity in a improving demand environment and given the obvious downstream affect. Is there a greater urge to look at acquisitions there, versus other areas?

S. Gopalakrishnan
Consulting is an area where we will be looking at acquisitions. We have a dedicated group which is focused on acquisition. This is a question which is asked a lot. But we are very clear that for us, acquisitions will have to be strategic, will have to be the right company, we do not want to acquire a poorly run company and try to fix it because we do not believe that is our strength. We want to acquire a well-run company, a company which has good relationships, good people, good IP. We also want to retain the employees. So those are some of the parameters, at the right valuation. And if we find such companies we will look at acquisition.

Mark Zgutowicz
But is your sort of view of acquisitions today versus 12 months ago changed there, as we look at environment potentially improving.

S. Gopalakrishnan
Valuation are down and so one would think that there is an opportunity for acquisition. But what we are finding is that the better run companies do not want to be acquired in this environment because they believe they are undervalued. They would rather wait. So it is not easier to do acquisitions in this environment.

Mark Zgutowicz
Thank you.

Anurag Dhanwantri
Anurag Dhanwantri from Porter Orlin. Bala, two free cash flow related questions for you. For first half, you had $ 743 million in free cash flow. Is it fair to analyze that or are there any one-offs in

that? And second on the annualized base should the free cash flows grow at the same rate as EPS.

V. Balakrishnan
Well, free cash flow will grow in proportion to revenues. So if you look at the guidance what we have given for next quarter we are talking about sequential growth of 1%. To that extent, free cash flow will also follow that. At the end of the day why free cash flow is high? One, because our margins are superior. Number two we have better working capital management. Our DSO days are 56 days. We do not have any large liability sitting in the balance sheet. So free cash flow will continue to be at the same pace as long as we are able to maintain the margins and manage the accounts receivable much better.

Anurag Dhanwantri
And going forward it should be growing in line with the EPS next year onwards?

V. Balakrishnan
Of course.

Joost Vos
My name is Joost Vos and I am with American Century Investments. As you migrate more of your pricing contracts to alternative conditions, away from time and materials what do you think the impact of that will be on your profit margins?

S. Gopalakrishnan
Of course we are not going to move completely to that model. It will be a portfolio approach. I talked about, one-third, one-third, one-third and it is really one-third of the business where this is possible, new models etc. Second, ultimately profit is something which is based on choices you make. We will look at the business mix, we will look at which clients to go after, which services to push, it will depend on how well run the business is. And in the operate mode where we own the IP and run the business, the efficiency at which we are able to run, will decide on the margin. Our goal is to aim for and target the best margin in the industry and as we transition our business, we will continue to aim for the best margin in the industry. Unless there are structural changes, one structural change for example, is the sun-setting of the STPI scheme in India. Unless there are structural changes like that, you should expect the company to sustain the position it has today, which is to be an industry leader in margins. Anything you want to add Bala?

S. D. Shibulal
Specific to the new engagement models, of course, there is some initial investments which goes into these intellectual property building. But that is already factored in and it is not material, number one. So once we have build it, it is amortized over a number of clients since there is a repeatability and amortization happens. Number two is that most often when we engage with a client we have a base-line transaction volume or base-line volume which is set. In that level we will be able to make sure that reasonable margins are met. Anything above that is on the positive side. And as Kris has operational efficiency, execution excellence and ability to extract value is definitely much higher in some of these models.

Joost Vos
A follow-up, as the business develops, it seems to me that IT is becoming a more and more important element. Does that imply that business will become less people-intensive and if that is the case what would be the impact of that on margins?

S. D. Shibulal
See that will happen only in some part of the business. In these models when you develop intellectual property, the idea is that it will become non-linear. These models are supposed to make it non-linear. But please remember that we are talking about 100,000 people base. 10% of the business even if you take 50% non-linearity, you are still not talking about the ratio changing drastically. Again, everything comes down to managing the portfolio as Kris said. It is about making those right choices. At the same time you will end up having pricing pressure in some other part of the business. You have to manage the portfolio, you have to make those right choices, not only the right clients, the right deals, right risk level, all that has to be managed. And then you aspire for maintaining your position. That is what it is all about.

Joost Vos
Just to clarify when you look at how you as a team approach are managing this portfolio over the next five years. Are you aiming to see margins to be flat or a higher or lower than there are right now?

S. Gopalakrishnan
Again, I will reiterate. Our goal is to aim for industry leadership in margins, one of the highest in the industry. What that is I cannot tell you right now. We have given you guidance for this fiscal year. We will give guidance for the next fiscal year in April. But our aim is to get one of the highest margins in the industry. We have shown in the past and Bala demonstrated that through data. We have shown that across wide variations in currency, wide variations in environment, the industry-environment, size, competition, we have sustained margins. Actually he could have actually started that data from 1993 onwards. And you will see that the company has enabled to sustain margins and able to forecast margins also quite effectively.

Jamie Friedman
I know you do not work for the RBI, but could you just give us a quick update as to what is going on with inflation in India and in the instance that the rupee were really to travel significantly higher, outside the currency hedge that you described, what are the levers that you have in place in the instance that rupee will get out of control? Thank you.

V. Balakrishnan
Well, India has got the same problem like U.S. We have a high fiscal deficit, high trade deficit. To some extent, we have good capital inflows. So the rupee is clearly a function of capital inflows in the short-term. Lot of money is coming into the country. Some $13 billion has come because of FII investment into our country. Another $8 to $10 billion came because of all the fund raisings by corporates. That kind of money in a short time-frame of six to seven months is putting lot of pressure on the currency. But if you take a slightly longer-term view, the currency can strengthen structurally only if you have a current account positive. Indian exports are still falling. Exporters still have lot of challenges and imports are still high. So India still runs at current account deficit. So there are views on both sides. There is a view that short-term rupee could appreciate further, but medium-to-long-term, unless we have a sustainable current account surplus, currency may not appreciate. So it can go either way. What we believe is that in the short-term it could appreciate. If you look at our guidance for the next two quarters we assume Rupee at 47. Today Rupee is around 46.40 or so. In the past we are able to use some of the levers to offset the currency impact. The biggest lever is going to be growth. If the growth comes in, I think currency is something we can manage. For every one percentage move in rupee-dollar rate, it could have impact of around 40 basis points on the margin. But at the same time you have to look at the cross-currency impact also because that is a meaningful part of our portfolio, if the dollar declines, probably on the cross currency front it will be positive for us. So net-net, I think currency is something manageable unless it becomes too volatile and move some 20-25% each quarter or so. And we have enough

levers and we demonstrated in the past at different currency levels. When rupee was at 51, our margin were the same. When the Rupee was at 39.50 our margin was same. We believe it is manageable unless it becomes too volatile.

S. Gopalakrishnan
See within a very short period, within a quarter, it may become challenging because of the volatility, but medium-to-long-term we have demonstrated that we are able to manage this.

Rod Bourgeois
Rod Bourgeois here. I cannot let you guys go without talking a little bit about pricing. I know you saw some incremental decline in pricing in the last quarter excluding the benefit of currency. And I know a lot of that is related to the portfolio lag effect. I recognize that most of the contract renegotiations in the U.S. happened earlier this year. Are there still renegotiations happening particularly in Europe? And how long do you think that will play out? And then as an extension of that question, as you anticipate new budgets getting set for calendar 2010 do you see any risk that there is another round of price renegotiations even in the U.S. So pricing trends in Europe and US would be very helpful?

S. D Shibulal
As far as we can see in the last quarter, majority of the pricing renegotiations are behind us. We are not seeing a second round of renegotiations from the same clients. There are one-off renegotiations which are going on and we consider that as normal part of the business, some up, some down. It is normal part of the business. You will still see a tailwind effect of the renegotiations and we are seeing that. In fact, in last quarter, our revenue productivity went down by 1.1% constant currency. So we expect to see that through the year as we talked about. The 2010 budgets, as Kris said and if you look at any report they are talking about marginally up or marginally down. So basically the budgets they have got resetted itself to somewhere around 6% to 8% down and now they are talking about marginally up. So I doubt very much at least from indications we have from our clients at this point. They do not suggest another round of renegotiations in lieu of the budget getting set. That is where we are.

Participant
On similar lines, during the presentation couple of times there was a mention of change in the revenue model to IP-based or success-based or some revenue sharing. Is that your initiation or is that industry-wise and what portion of your revenue is from that type of model, where do you think it is going?

S. D. Shibulal
That is what I was clearly trying to make a point that this is something which we are innovating into. Unfortunately the memories are so short and we are already seeing industry adopting it because when we talk to 200 clients, then it becomes industry standard sooner or later. This is exactly very similar to what we did with our outsourcing model where we created modular global sourcing. Today it is very well accepted in the industry that you do not do total outsourcing, you do model outsourcing in large deals. But it is our intellectual property. It is actually our own innovation which we have taken in the market. I am sure you will start hearing this everywhere and it will become a standard. Our revenue from this model is approximately 4% today. That is where we are. Kris said 30:30:30, but if you look at our strategies, they usually are of five to seven years' time. That is the timeframe in which it reaches maturity. Five to seven years from now, it will be considered part of our revenue. It will grow slowly. Even though we have closed something around $150 million in TCV which is over a five year period, so that is still the small amount. It will grow slowly and it will mature over a period of time.

Mark Zgutowicz
Hi, Mark Zgutowicz again with Piper. Just curious how you see wages and attrition behaving in the next upturn and if your recent decision to increase wages was to get front of that?

S. Gopalakrishnan
See we decided to give an interim revision, average in India is 8%, average outside is about 2%, because company has done well. We did not give any increase in April. That is a typical cycle we follow every April. Now regarding what happens next April will depend on are we seeing growth coming back into the industry. If growth comes back to the industry and competition for resources increases, we will also be able to gauge how our competitors react to, what we did and things like that. So I do not know at this point whether we can say that in April there is a requirement. It depends on how the industry grows. So this is kind of let us say one-off at this point.

Mark Zgutowicz
But do you see us going through the same cycle as we did in the past or the ways to prevent sort of wages getting out of control, attrition, etc.?

S. Gopalakrishnan
Yeah if the growth rate comes back to 15-20% for the industry, then yes, there will be pressure on salaries especially at experienced level, not at the entry level but at the experienced level there will be pressure on compensation. And attrition would start also going up. Our attrition has come down in this quarter.

S. D. Shibulal
Our attrition has never really crossed, we are at 10.5% last quarter LTM basis. Highest we have seen ever is 12.2% LTM basis. It will marginally go up. But please remember, as Kris said it is a balance between supply and demand. If industry growth picks up there will be lot more demand and but in the short-term there are enough people in the market. India is still producing 500,000 engineers every year. It is a balance between supply and demand. And if the supply overhang goes away and the demand really picks up, you will start seeing wage pressure and slight growth in attrition.

Kevin Merritt
Hi, it is Kevin Merritt with Citadel. About a month ago, NASSCOM put out their new numbers and hosted an event here that some of us attended and they were pretty bullish on the outlook for the next several years but one segment where they were not bullish was financial services. They felt that that was largely penetrated particularly within the western economies. I am curious if Ashok or anyone could maybe offer some thoughts if you guys agree with that or essentially disagree. Any color you could offer? Thanks.

Ashok Vemuri
Yeah I think from a financial services logo acquisition perspective, most if not all members of NASSCOM would be working with those companies but I think the level of penetration that companies have had in these firms is very, very high level. There was a lot more head room to grow. Traditionally if I look at the businesses that we are running what I was doing five years ago with these clients and what I am invited to do today, is fundamentally very, very different. But then there is still a significant amount of headroom from a service perspective, from just a value-addition perspective. Second is that there is a significant growth in the number of financial services prospects and clients in the Rest of the World, if you do not look at the U.S. and Europe. If I look at Continental Europe for example, which is not traditionally been a forte for us, now we are expanding in a very, very rapid fashion whereas the Nordic banks, because they probably are the ones who survived this downturn better than others, interest amongst French bank. So we have

interest in Continental Europe in a fairly diverse way. We are seeing a lot of traction in Latin America. We are seeing traction out of Africa. Australia has a very big banking sector where we have a significant footprint and opportunities to expand that. Japan, we are seeing the same. So Asia, we are seeing ex-Japan a lot of interest in so they are jumping on to the offshoring/outsourcing bandwagon in a manner and fashion where they have never done before across a multitude of services. And even if you look at Japanese banks for their international operations, the aggression has really picked up from where it was even a year ago. So I think it is right to say that yes, in terms of logo acquisition, it is probably saturated in the U.S. and UK markets. But there is a lot more opportunity within those logos to go after more services and I think there is a full host of financial services sector clients outside of these markets that are actually right for the picking.

S. Gopalakrishnan
See, if you look at some of the opportunities for transformation in the financial services industry, one is shifting their revenue base towards developing countries, emerging markets. They have to innovate for that. They have to innovate especially if they want to look at the banking for un-banked, definitely there is innovation there. Second, there will be a significant investment in technology because of regulatory changes. That again is an opportunity. Third, there is a blurring of models across industries now, retailers acting as banks or telecom companies acting as payment gateways and things like that. So there is banking type services required in other industry sectors. So I strongly believe that it is not end of innovation in those financial services sector. There will be significant innovation and significant innovation which leverages technology in the financial services space. I just gave you a couple of examples.

Karl Keirstead
Karl Keirstead with Kaufman Bros. One follow-up on Kevin's question about looking at the business on a vertical basis. What hurt Infosys last quarter was two verticals, manufacturing and Telcos verticals were sequentially down and brought down the overall growth rate. I am hearing from a few of you that those two verticals are showing signs of bottoming and if they show sequentially flat revenues in the December quarter, you are going to pretty easily beat your 1% guidance. So is that a message you are attempting to deliver here or are the manufacturing and telco verticals in fact not yet bottomed? Thanks.

S. D. Shibulal
I think the message is that the guidance we have given as we see it. It is a statement of facts. More than the verticals, the clients whom we have will determine how things go, right? Because we have 571 clients and those clients will determine how things will pan out in the next quarter. We have quite good visibility into those clients. When we gave the guidance we would have factored in all this factors. I really do not think we are trying to give a different message here. So our guidance factors in all the behaviors, our clients will estimate during the quarter. At the same time we are always as usual prepared for any additional upturn which we can get. So for example, last quarter, after the first month, we have definitely seen some positive signs in various areas and we have gained from that. So we are always prepared because we have enough strength in leadership, enough strength in solutions and enough strength in bench. All those factors are there and we are fully prepared to take advantage of any opportunity which will come up. But apart from all comments all the fact as we see have factored into the guidance.

S. Gopalakrishnan
Just to elaborate on that. What we do is we do a bottom of building up of our financial model. We poll every single account through the client-facing leadership team and build a bottom up model. We also know that historically we need certain visibility for the next quarter, certain visibility for the next four quarters. So it is purely based on that model and whatever the model comes up with, of

course we tweak it a little bit based on how difficult the environment is and that is what we based our guidance on. So the guidance is actually based on modeling we do.

Sandeep Mahindroo

This brings us to the end of the formal part of the proceedings. We request you to join us for lunch.

S. Gopalakrishnan

Thank you all very much. Really appreciate again. All your support and all the questions, very good questions. I just want to add that if you have questions beyond today, please connect with our investor relationship team and we are available for any discussions, comments or any questions you have. Thank you all.
