Moderator: Good afternoon Ladies and Gentlemen, I am Vinod the moderator for this conference. Welcome to the JP Morgan Infosys 2nd quarter Earnings Call. For the duration of presentation all participant's line will be in listen only mode. I will be standing by for the question and answer session. I would like to hand over to Mr. Sandeep Dhingra. Thank you and over to Mr. Dhingra.

Sandeep Dhingra: Good afternoon. This is Sandeep Dhingra from JP Morgan in Bombay. On behalf of JP Morgan I welcome you all to the Infosys Conference Call. We have the management of Infosys lead by Mr. Narayana Murthy with us to talk to us about the quarter, which has been an impressive performance in difficult times. Without much further ado I hand over to the Infosys management.

N. R. Narayana Murthy: Thank you very much Sandeep. Welcome to all the people on this conference call. My name is Narayana Murthy, I am the Chairman and Chief Executive Officer of the company. I have with me Mr. Nandan Nilekani, the President and Managing Director and other Directors. All the directors are here. What we will do is first I will talk for a minute or so and then I will pass on to Mr. Nandan Nilekani to give an overview of the operations and then he will pass on the baton to Mr. Mohandas Pai to give an overview of the financial performance.

First of all, I am very happy that Infoscions have shown their hard work, commitment, and their smartness in performing reasonably well under these trying circumstances. The fact that we have grown 5.2% in revenue as well as in the bottom line over the prior quarter and the fact that we have grown by 45.7% in top line and 30% - 30.88% in the bottom line over the same quarter last year, is very heartening. And of course there are other details, which Nandan and others will give you. We are also happy that even in these trying circumstances these things have been achieved. We have added about 607 people net. And during the quarter we have had 28 new customers who have joined us, including some great names. And also, we declared a very healthy interm dividend of 150%. So, overall it has been a comfortable quarter and I am quite happy about it. Now, let me request my colleague Mr. Nilekani to go ahead and talk about the operational details.

Nandan Nilekani: This quarter we have earned a record post tax net profit of Rs. 201.6 crores under Indian GAAP and $41.3 million under US GAAP, which is highest ever for any quarter, which is comfortable scenario. Mr. Murthy also mentioned that we added 28 new clients, last quarter we added 26, so this quarter we have actually done better in terms of new client additions. And these are all very well known mature names like DGZ DekaBank, ING group, National Health Service, JDS Uniphase, Vivendi, Lear, Royal Bank of Canada and so forth. So I think the quality of client acquisition also this quarter is of a very high order. We have basically added about 833 gross new employees for the quarter including 92 lateral hires, the net additions as Mr. Murthy mentioned is about 607. We have said that for the year we expect to add about around 1500 people on a gross basis.

The other important issues are that we have given the guidance for the year – we have said for Q3 the guidance that we have given is between $134-137 million in net revenues and earning per ADS of 30-31 cents. And we have reiterated out guidance for the year between $535-545 million with earnings per share of between $1.24-1.27. We have reiterated our guidance, at the same time we have said that if there is a business impact due to the extraordinary situation arising out of tension in Afghanistan, we would, in such an event, come proactively back to the investors and other stake holders and upgrade them on any such material event. But at this point we reiterate our revenue and earnings guidance for the year and for the quarter. Mohan can you go into the numbers?

Mohandas Pai: Thank you Nandan. You had these figures with you for some time. I want to make three points. One, we have taken several cost control measures and they seem to be paying off now, they have always paid up in the past too. SG&A expenses are down sequentially by about 2.5%. Our depreciation is up this quarter because of capitalization in the prior years – now the rate of capitalization has come down, so therefore you see an income going up by 6.1%. PAT from ordinary activities has gone up by 6.1%. Our tax provision has gone up in the second quarter to 33 crores, it is gone up higher than the growth rate in the revenues on a sequential basis, because of the taxes paid primarily overseas. The second point I want to make is about the margins, in the second quarter we have seen our gross profit come down slightly to 52.79% from 53.38%, because software development expense is slightly up because of various reasons. SG&A is down, but operating profit is up at 39.83% as against 39.27%. Other income is at 2.25% but is down on a comparative basis, compared to the first half of last year, therefore, last year first half we have seen other income at 4.39%, its comedown to 2.3% in the first half of this year as also down this quarter. PAT for ordinary activities **either** 31%, so margins look very good. Now in terms of liquidity, we have added on 84 crores, the cash that we have the highest in our record, we spent about 129 crores in capital expenditure. Our A R is at 50 days, and receivables due more than 91 days is just 0.7%. So, in terms of cost control, in terms of margins, and in terms of liquidity we have done a fairly good job. Thank you Nandan.

N. R. Narayana Murthy: Now we will be happy to answer any of your questions, please go ahead.

Moderator: Farida you could please start the question answer session for the Singapore participants.

Farida: Thank you. The Q&A session is open now. Please press '*0' or '#0' to post your question and you will be placed in queue. Thank you. Sandeep I have **Anantha** with a question.

Anantha: Yeah Hi, this is Anantha Narayan from Morgan Stanley. I had two questions. The first one was on the comment that you had made earlier that 11 new clients were added post September 11, could you just run us through the decision making process that is going on right now? Is it imperative for clients who actually come to India, see your facilities before they sign on.

N. R. Narayana Murthy: My colleague Phaneesh will answer that question.

Phaneesh: Hi. I think, we did see both things happening, that is clients who were scheduled to come to India who canceled visits, but clients also signed on. If you look at the way Infosys acquired its clients, a lot of the client acquisition is proactive client acquisition, which means you end up competing with the US companies, the consulting companies and so on. So, therefore what happened is that those are not the clients for whom global delivery model is useful as a way of differentiation and how you will deliver better value, faster and so on. But they do not want to come and visit your site. The guys who want to come and visit your sites are the big, large offshore initiatives who have thought of offshore initiatives themselves, who will come here and visit 8 companies, 4 companies, or 2 companies or what ever it is. So, while there was a little bit of the delay obviously, you know you do not want to be intrusive on your clients when something so major happens. So, I think we had backed off, but we were actually quite heartened and surprised by the resilience of American business, they actually came back and they wanted to get on with the business. So, that was good news from our perspective.

Farida: Thank you. I have Mr. Anil Tewari from Goldman Sachs who has a question.

Anil: I had a couple of questions surrounding your billing rates, pricing rates and dynamics.

N. R. Narayana Murthy: Yes, please go ahead.

Anil: Yeah, I understand you are actually going to increase your billing rates or perhaps your rate will be negotiated **<audio blackout>** how you are able to do this, in an area that I think most of us were expecting you to have pricing pressure?

Phaneesh: Okay, the first thing is I would request and urge you not to read too much into quarterly fluctuations on the billing rates. I mean, it depends on the composition of business, it depends on when fixed price deliverables happen, and you know it depends on a lot of factors, depends on the mix of the business that we have got from different customers, etc. Now, on the matter of pricing pressures, I think there is no doubt about the fact that there is a fair amount of surplus capacity floating around, there is no doubt about the fact that people are willing to do what ever it takes to get the business right now.

Phaneesh: I think and we anticipate that that will continue for some time, we actually think that that will continue, what ever, until either the economy improves or there is so much of a shake out that capacity is roughly back in line with the demand. Now, you mentioned that you had predicted that we would probably come down on billing rates. Well, I am only happy that may be we were able to prove your predictions wrong, but other than that, you know I think all I want to say that pricing pressures will continue and I think don't read too much into quarterly fluctuations of such insignificant amounts.

Anil: Just to followup on that point that you were making, in terms of the new guidance that you have basically reiterated here, what sort of pricing and volume assumptions are you throwing into this?

Phaneesh: I did not get the last part of the question, it was what sort of pricing assumptions, is that what you said?

Anil: Yeah, what sort of pricing fluctuation in this environment, when you said pricing is difficult, are going into new guidance or your reiterated guidance for the full year and the next quarter.

Phaneesh: Oh actually I think you know if you look at many of the deals they are hugely competitive. If you look at, you know the reason why I am saying that there is a pricing pressure environment is, if you look last year, last year our revenue productivity went up by 30%. This year it has barely gone up, etc. So, I think these are the reasons why there is pricing pressure. I think, what we have going for us right now is that we have a pretty good brand. So, I mean, people believe that we are a risk averse partner to move towards and right now there is a little bit of a premium for that.

Anil: Okay, but in the sense that you have come up with the guidance, is it based on a move to revenue pipeline that you have visible, is it based on certain pricing and volume parameters that you foresee? I am trying to get something tangible to put behind these numbers that you have there.

Phaneesh: Yeah, our revenue numbers are based on our normal model. I mean, you know we look at the economic conditions, we look at the environment, we look at which of our customer is going through difficult times, what kind of feedback that we have got from these customers, and so on. Remember, going into a quarter it is very unlikely that you will get huge amounts of revenues from completely unknown names, because our sales cycles are 6 to 9 months. So, presumably most of this business is from people you are already in touch with. So, consequently, I mean, we think that this is a reasonable representation at the current time based on our conversation with these customers, and based on the projects that we have on hand.

N. R. Narayana Murthy: You know, we have factored all these parameters in arriving at our reiterated estimates for Q3 as well as for the year.

Anil: Okay, I have a few more, but let me just pass it on for now to others. Thank you.

Farida: Thank you, Mr. Chairman Sir. I have <Blackout>from Hong Kong.

Lady Participant: First of all I think it is a very credible and commendable performance given the difficult conditions you have had, but I think more importantly going forward I would appreciate if you could give us a feel to the business conditions you are anticipating, in particular where you see, for example, in your customer segments that do you anticipate any problems in terms of winning new businesses, where you would focus your efforts on, in terms of customer wins, in which segments. And also, I would like to get a feel of your capex, I have a feeling that your capex expenditure is at quite a high level. I would like to know how much further you intend to be spending capex on your infrastructure development going forward. Because, clearly you have a business that is very cash generative but you are also plowing in quite a bit back into your business. Can you get me a better feel of where your capex spend going forward is looking into be like and also in terms of your business going forward in the next two quarters. How you intend to be safe from the challenges in terms of the environmental changes with your customers?

Phaneesh: We will order that question in reverse order. We will start off the capex expenditure plans and what we are planning to do and then I will come back to the customer behavior question that you addressed earlier.

Mohandas Pai: We had spent about $45 million in the first half of this year. We said we are going to spend about $80 million, and we also made a statement that we will optimize our capital expenditure plans such that our cash outflows are minimized while retaining the ability to quickly ramp up. It basically means that we review our capital expenditure plans every other month to make sure that we do not spend too much ahead of requirement, at the same time, we need to build in flexibility. Yes, Phaneesh.

Phaneesh: On the client side, I think you look at broadly what's happening, the increases are coming from financial services; from manufacturing, both hi-tech and conventional manufacturing, and from TELCO services. These, if you remember, have been reasonably strong segments for Infosys even in the past. Now, in terms of TELCO, the increases are coming because of the carriers or the service providers who have to invest in technology to be able to reduce their costs, who have to invest in consulting dollars to be able to reduce from, maybe 27 billing systems to 11 billing systems, for example, which is the recent project that we did, or to be able to put in automated provisioning systems, or to be able to put in auto management systems.

These are all things which have the potential to reduce $50 to $100 million per year or in the case of the billing systems, it was actually $220 million saving per year based on some of that work that we did. So, they have to continue investing in the consulting dollars to be able to reduce the large chunks of costs on the operations side. In the banking and insurance sector, our prime strengths have always been in the life and retail banking. I think that in the last couple of quarters, we said that we have moved the emphasis into that line. So, if you look at client additions like Royal Bank and diversified banks like ING, etc., who are doing reasonably well, the bulk of the work is on the non-asset management side or the non-brokerage or investment banking side, so that segment continues to be reasonably strong. Then, the hi-tech manufacturing, I think, had got pretty much devastated and this is a kind of a strategic option that they have go through, they do not have many choices that they have to figure out models by which they can run their operations much more efficiently, and Infosys is probably one such model.

Female Participant: Okay, thank you very much.

Moderator: Thank you Mr. Chairman Sir. I have Mr. Anantha again from Morgan Stanley who has a question.

Anantha: Phaneesh, you clarified my question on customer behavior post September 11th by segregating them into 2 categories, the ones you approach proactively and the others who come to India, look at 2 or 4 vendors. Just to clarify on that, on the second category, are they still visiting India or is it a complete stop out there?

Phaneesh: We actually have had hardly any visits post September 11th. The good news of course is, but I do not know if you want it to call good news, they are asking all of us to travel, because they do not want to travel, so the decision-making at least has not completely stopped. However, in a sense the fact that they did not want to come to India, I think we ended up going to many of our customers. We have to go the extra mile to do the business anyway, right. So, I think the decision-making is continuing, may be albeit a little bit slower. We do not yet have any firm indications, whether the India visit is a mandatory part of their decision process or not. It may look like it was just the meeting of the management, and that is actually one of the reasons I think why if all of you had access to NRN Murthy's calender, or Nandan's calendar, they have all been made to earn their per diem, let's put it that way. Now, in the future, I think the visits are starting again, so now that things have kind of stabilized. We still do not know the impact of the immediate last 2 days of events, but we have scheduled visits on the cards.

Anantha: Right. My last question was in terms of the dividend pay out. Your dividend has increased tremendously from last year, as far as the interim is concerned. Is this the trend that we should expect to see for the full year too?

N. R. Narayana Murthy: We have our dividend policy as follows: We can spend up to 20% of the net profit in a given year on the total dividend, but generally, we have kept it between 10 and 12-13%, because though we have said we can go up to 20%, we felt it is a nice thing to limit up to 12-13% or so. So, I would say that based on how things move in the next 2 quarters, certainly I think we will look at what should be the final dividend percentage, but I would say that the past is an indication you are looking at that range.

Anantha: So, you are looking at the 20% range or the 12-13% range?

N. R. Narayana Murthy: No, remember, I said in the past, we have always been between 10.5% and 13%, so I think most likely that's the kind of range that we would like to be in, although nothing is definite, but that's the range. If you want to look at the data, then probably that's the range that you want to look at.

Anantha: Right, thank you.

Moderator: Thank you Mr. Chairman. I have Naveen Mittal from UK who has a question.

Naveen: Hi, congratulations on your result. The first question I have is, for the new clients, are you targeting non-English speaking areas also and does it pose any major problems for Infosys and how do you overcome these? The second is, what are your initiatives in Europe and in the UK? Are customers here are as eager to sign on and outsource development of software as they are in the US?

Phaneesh: We have not added any new non-English speaking countries in the last few months. What we have done, however, is that we have expanded our presence and we have acquired clients in these areas. For example, Germany is starting to look really good. We have acquired a couple of more customers in Japan and so on, but these were all planned activities for which we had the supply chain geared, so I don't think from that perspective, it came as a surprise or we just moved into a completely new country or whatever it is. In terms of the propensity for outsourcing, I think Europe is starting to look more and more interesting. I don't know if we can draw any trends yet, but certainly we have seen a fair amount of activity and Europe is definitely starting to look more interesting.

Naveen: Just a followup question, that even the areas which you are targeting which are non-English speaking, do you have major problems or you are able to get by those, you get better prices there?

Phaneesh: Nothing substantially different from others. This is something that we had planned for, these markets, Germany, France, etc., Japan, all markets that we had planned for quite some time, so I don't know if there is any appreciable difference in behavior that we have been able to discern from the limited data that we have.

Naveen: Thank you.

Moderator: Thank you Mr. Chairman. Kamakshi Rao from Japan has a question Sir.

N. R. Narayana Murthy: Hi, Kamakshi how are you?

Kamakshi: Fine, thank you. How are you? Congratulations on your results in these difficult times. I have a question on pricing. Could you comment on the source of the pricing pressure, the extent to which its customer driven versus competitor driven?

Phaneesh: I think it is reasonable to say in the last quarter that it has been both. When I say both, earlier it was all, the previous quarter was probably all because competitors were just going and quoting whatever they wanted and that was really the source, because if you can get a premium, a premium of a slightly lower figure is still less than what we would have liked. Now, I think it is fair to say that even a couple of customers who are doing badly need some relief from all their suppliers, and we are one of the suppliers, so I think we are seeing that. We are addressing it in multiple different ways. Basically, what they are looking for is a total cost reduction, so total cost reductions can be achieved in multiple different ways rather than just a unit rate reduction, and I think we are working with some of those innovative models.

Kamakshi: Is there any difference between existing clients and new clients in the expectations of cost reduction?

Phaneesh: Cost reduction for the IT work or total reduction from operations because of the investments and technology?

Kamakshi: Whatever you think is relevant in your negotiations, so when you speak with the existing clients versus new clients, what would be the differences in the negotiation process and at the pricing determination process?

Phaneesh: I am just trying to figure out how to frame the answer. I think broadly the new clients are signing agreements in a very down markets, so I think from that perspective, my own feeling is that new clients are expecting much larger cost reductions, now this is total cost reductions, including the cost of operations and stuff like that, so I would say broadly that the new clients I think are expecting more right now.

Kamakshi: Okay, thank you. The last part of the question is when you break out the total cost reduction between a price component and other ways you can offer that. Could you give us some color on what are the types of alternatives that you can offer to have the client achieve a non-priced related cost reduction?

Phaneesh: The investment in these technology operations effectively, so we will give you cost reductions in the operations side, right. For example, if somebody spends a few million dollars with us and because of that, the example that I gave, they are able to come down from 27 billing systems to 11 billing systems, therefore save $220 million a year, I mean that's a cost of operations reduction. For example, if provisioning a new customer or if servicing new account in a bank costs you X dollars and because of a few million dollars that they pay you that changes dramatically. Those are the kinds of costs of operations that I am talking about.

Kamakshi: Okay, thank you.

Moderator: Thank you. Before I introduce the next participant. I have an announcement to make. Before the question, those who have speaker phone, can you use the handset, due to the line clarity. Thank you. I have Sujit Sehgal from UBS Warburg who has a question.

Sujit: Good set of results. I have a few questions. I noted in your numbers that the European geography sequentially was flat. Secondly, the top 5 and top 10 customers sequentially actually declined in dollar revenue. Thirdly, the strong verticals, which showed growth were insurance and transportation and logistics. Now, can you just comment on what you are expecting from Europe and top 5 and top 10 plus the environment, what does it do to the strengths in insurance and transportation? It is sustainable on going forward?

Phaneesh: The top 5 and top 10 customers have moved within a narrower band over the last 2 or 3 quarters. Now, the reason why it is a little difficult to comment and exactly what it will end up in the next quarter and the quarter after that is, actually we have seen in the last few quarters, actually churn in the top 5 and top 10 customers also, in the sense that, some customers were not in the top 5, made it to the top 5; some customers were not in the top 10, made it and vice versa. This is dependent on the initiatives that they invest in and the initiatives that they spend more money in, and it could also depend because the telecom equipment manufacturers still remain among our top 10 customers. It could depend on what happens in the next couple of quarters with them too. So, it is a little difficult to give that prediction exactly.

N. R. Narayana Murthy: I think in any case our de-risking methodology say that we should not depend too much on one customer, however, top 5 customers varying between 25% and 30% and top 10 between whatever 40% and 50%, I think these will happen from quarter to quarter based on various factors, so we do not see that as any risk at all.

Sujit: Coming to the European thing, what are you seeing there, because if you see last 3 quarters, sequential European growth has gone from 14% to 5% to 0%. So, you seeing some strength there, while we actually hearing companies like TMG, Logica actually starting to do layoffs now?

Nandan: I think again as we have been emphasizing again and again, we need to look at a longer term trend than just a quarter to quarter, and on the region-wise revenue for the last 12 months, as compared to the previous 12 months before that, North American has reduced from 76.1% of revenue to 72.1%, and every other region has increased, for example Europe has gone up from 16.3% to 19.5%, India has gone up by 1.3% to 1.9%, and rest of the world has gone up from 6.3% to 6.5%, so if you take an LTM basis you will find there is a trend where the North American revenue has come down and every other region has gone up.

Sujit: Then what about the insurance and transportation sectors showing strength in this quarter? What are you expecting?

Phaneesh: If your question is, how risky is insurance and transportation, if that it is the question which...?

Sujit: Basically, it is because we saw the 2 verticals have been **<audio blackout>** worry there, since you have actually well in those verticals, are our worries misplaced or there are still concerns?

Phaneesh: In the insurance industry, the bulk of the work that we do in the insurance industry is in the insurance brokerage and in the life insurance industry, and both of these are reasonably stable. So, these are not much at risk. In the transportation, we actually have a fairly diversified portfolio and transportation, because we are doing work with road carriers, we are doing work with rail carriers, and we are doing air – small and big shipments, so there is no doubt in my mind at least that the air stuff might be down a little, I do not know whether it will be significant to you or not, but if the economy comes down, some of these things will probably come down. However, these are all very indirect consequences. Theoretically, if the economy goes very much more south, all segments will be hit. We are not doing any work in the airlines itself specifically, which is the ones, which have been the most devastated with what has happened recently.

Sujit: The last question I had was, I noted that you added 28 customers, the net customer addition was around 16. Can you give us a flavor of these 12 customers, what kind of means, which vertical do they belong to, the ones who are backing out or completing their projects with you?

Nandan: I think you are right. Last quarter, we grew from 273 to 277 total customers, even though we added 26 customers, so the net accretions was only 4 because there are a lot of customers, our relationships did wind up. This quarter, though we have added 28 customers, the number of customers has gone up from 277 to 293, so there have been 16 new customers, and as you see from our list, they include people in the financial services like ING Group in Holland, the Lear and Visteon both of which are automative component manufacturers, it includes the Royal Bank of Canada, which is the largest bank in Canada, which is in commercial banking area and several other clients of that nature, JDS Uniphase, Vivendi Water Systems, which is the world's largest water company, a part of Vivendi Environment, and we also have DGZ DekaBank, which is the largest investment bank in Germany. So, you can see that, qualitatively there are 28 customers, all of them are from mainline, large industries in financial services, automotive, and others.

N. R. Narayana Murthy: Sujit, I think the difference is explained by the fact that most of the dropouts are the startups and smaller customers with whom we were doing business earlier. I think that is the thing. What we really are saying is that, for example, the customers that Phaneesh has added in the last quarter, I don't think there is any startup there, am I right Phaneesh. There is no startup there, out of 28, and these are again well-known customers, stable customers, etc. So, the dropouts are generally because of the startups and earlier quarter perhaps dotcoms.

Sujit: Thanks.

Moderator: Thank you. Gentle reminder. To pose your question can you please speak directly into the handset, because we are having some line clarity problems. Thank you. I have Mr. Bhavin Shah with a question Sir.

Bhavin: I apologize if some of these have been asked, because I joined the call later. This is Bhavin from CSFB. Mr. Murthy, I think actually just about a month ago, September 10th, you asked me to will till this day to see if there is any change in guidance. We were obviously thinking of maybe potential increase. Would it be fair to say that in absence of recent events, would you have raised the guidance in other words difference we see here is primarily the impact on your business and I have some other questions?

N. R. Narayana Murthy: Bhavin, as always you come out with a zinger. Well, let us put it this way. Right at the beginning of the year, we said, we estimate to grow at 30%, we said $530-545 million and $ 1.24-1.27 per ADS. Now, even on September 10th when I met you and made the presentation, I said, look this is what, it looks like we will be in a position to meet the estimates that we have made.

N. R. Narayana Murthy: Now, in some sense if September 11th event had not happened, unless we saw any material data to say, that there will be material difference in terms, so you would not have made any estimate, but I would say what I said on September 10th would certainly hold good, that is, we will live by what we had said, we will meet our estimates, and I do not think we saw any great data in the second week of September to say that the economy will improve dramatically.

Bhavin: Again, you have increased the guidance for the rupee estimates, or Indian GAAP numbers, is there any currency-related reason or any accounting reason that we should be looking at while keeping the same guideline for the US dollars?

Mohandas Pai: Bhavin, no, except that estimates for the Indian GAAP, we have taken the rupee at Rs. 47.85, which is what it was at the end of September.

Bhavin: Okay, I see. And, Mr. Pai, the tax rate seems to be going up for the last 2 quarters, may be if you can explain the reasons behind that and where it will sort of plateau out?

Mohandas Pai: Yes, I think the tax rates should plateau out. The angle of incline is coming down, and it is basically because of increase in taxes overseas, increase in taxes in various new countries where business has ramped up.

Bhavin: Okay. A final question I have is, in US it is clearly a reduced shortage of skills as evident from surveys recently. How do you see that affecting the long-term growth prospects for the Indian software industry and your business in particular? And that is my last question, thanks.

N. R. Narayana Murthy: If you want me to comment on the long-term, I am fairly optimistic about the long-term, because we have had a 9-year bull run in the economy in the US. Yes, we have had a bust of probably a year or so, and who knows it may continue for another year, but even then, the economy has to go up, right. Generally, it is 7 and 1 year, 7 years of great this thing and then 1 year of bust or whatever it is. So, in the long term, I think there will be demand for Indian skills, the US will be short of IT skills and I think in the end, the Indian software industry will definitely grow pretty well, if you look at the long-term prospects.

Phaneesh: Hi Bhavin, this is Phaneesh. Just to add to that, I do believe actually very frankly and this is my assessment that regardless of skill shortage or otherwise, I do believe that most companies will end up doing significant amount of their work with India going forward. So, the long-term prospects, actually I think are looking very interesting, and there are few reasons why I say that. If you look at what is happening in down economies, companies have moved aggressively to try and get new partners added on who can do work in this global delivery model. We have signed deals even after September 11th where businesses were fairly keen to get back to business and stuff like that. So, I actually, believe long term is fairly positive.

N. R. Narayana Murthy: Bhavin, my view is that, at this point of time, companies which have financial strength, companies which will survive in this period, whether it is going to 2 quarters, 4 quarters, 6 quarters, 8 quarters who knows, those guys will have great future, but on the other hand, in the Indian software industry itself, there are some companies which you know better than I do, which have already gone into some trouble. If they are not able to make or generate internal profits, if they are going to losses, if they can't get financial support, they may not exist to take advantage of the good opportunity that will come, once the current situation is over. That is where we at Infosys, we believe that we have to have a little bit of money in the bank. Today, we are doing well, this quarter we have done well, next quarter we say we will do, all that is fine, but who knows, 9 months from now, there may be something serious. So, I think there is nothing like having a little bit of money in the bank and making sure that even in the worst of circumstances we will survive those days. I think that is the critical need of the day, so those companies which are financial strong, I think there will be there to make this Indian software industry much stronger. Well, are there any more questions.

Moderator: Yes, Mr. Bambani from JP Morgan, Singapore, has a question, Sir.

Nitin: My question was are you seeing any concerns among your customers when you talked to them recently on security, either in terms of their rethinking about outsourcing or in particular rethinking about outsourcing to India as a result of what happened on September 11th?

Phaneesh: We have actually been able to poll a lot of our customers after September 11th. Now, broadly speaking, I think there is no additional country risk that all our customers are seeing or feeling right now. So, I don't think they perceive India right now to be in the thick of it or to be in the middle of all this stuff. So, India is not perceived to have higher country risk. However, notwithstanding that, I would say that I think we have made our stand and our risk profile very clear to all these clients. The fact that we are 1500 miles away at least from any scene of action, the fact that we have multiple centers and all of that stuff, I think we have explained.

Phaneesh: So, I would say that the Infosys risk has actually probably, I would also add that a couple of our clients are in fact talking to us about how to split their data centers across 2 locations with one of them being ours in India. Just because they don't want to run the risk of having everything in one location anymore, not because they got affected by it, but just because they do not want to do it, in case anything else is happening, so I actually don't think that the country risk or the Infosys risk has gone up in anyway.

Nitin: That's interesting. Are you thinking more in terms of setting up a center outside India because of this?

Phaneesh: Well, we already have this center in Canada and we have expanded capacity in some sense there. We have also expanded capacity in our Boston center, and UK also we have the center, so we already have these few centers. We have other centers in the US also, as you probably know, but these are the three centers where we have expanded capacity, in case we need to move people there, but I don't know if we have any plan specifically right now to setup any more new centers.

Nitin: Thank you. My last question is, when you market to new customers, what is the potential cost saving that you tell them they will get by outsourcing to India on a total project basis?

Phaneesh: Okay, that's a little difficult to answer. Unless I know their cost structure, I don't know what is the cost savings that they will get. Cost structures vary quite dramatically from New York to Mid-West to California. Also, the pitch is not on reduction of that cost structure. The pitch is on reduction of the larger cost structure, which is the operational cost which is exists in any company, so in a sense, the idea is to spend more money on technology, but reduce operational cost and make the processes more efficient.

Nitin: Okay, thank you.

Moderator: Thank you Sir. I have Mr. Bhaskar from Alliance Capital who has a question.

Samir: Hello, this is Samir Arora. Congratulations Sir, on your fine results and for silencing all the critics. My question is not related to business, but related to the current issue of FII ownership, what is the current government policy, in terms of how much FIIs can own and do you intend to raise?

Mohandas Pai: The policy till now was that you could hold up to 49% in a company that passed a resolution in the board and the shareholders meeting. They pass the resolution. Our holding now is about 34%. The government recently announced that they will allow FII holding to go up to the limit on foreign investment. So, technically, if you go by that statement in the press, the limit on holding in Infosys could be up to 100%. That's our reading right now, but we are yet to see the circular, the notification to get into the nitty-gritties.

Samir: You know Mr. Pai, that Levers has already done that, so I assume that you are planning to do that in the next four meetings, which means, does it mean that the circular must be out or ...?

Mohandas pai: Lever has done that up to 49%. That's what the press reports say. We are already at 49%. We are at 49%. Our limit is 49%. The key thing is whether we should increase it to I think 100%, and as a company, we have always taken the stand that all investors are free to buy stock in the company in the markets.

Samir: Absolutely, go, go, go. Thank you very much Sir.

N. R. Narayana Murthy: Well, any other questions, otherwise we have another 5 minutes or so.

Moderator: Thank you Sir. Irene Yao has a question.

Irene: Thank you very much. Would the trend for you customers or clients to be a little bit more on a cost reduction focus? Has there been any changes or any indications that customers would want to go for more for a fixed-price type contract, or even a cost saving sharing basis type contract?

Phaneesh: No appreciable difference in the fixed-price contracting and we have not entered any agreements which are on shared costs as of now.

Irene: In terms of the employee net additions, it is actually significantly higher than expectation, can you tell us, I guess a bit of color as to where these people are targeted for, is that actually because of skills sets or is it a defensive sort of .....?

K. Dinesh: Actually, if you look at the additions that we had, the net additions have been 587 in this quarter, out of that about 42 people are lateral, so we are targeting them. We are targeting them in the new services that we are likely to offer, as well as in the existing services, and of course, lot of them are coming from the campuses.

Irene: Can you clarify the comment that was made earlier that Europe was looking interesting? Is this generally more of an interest to outsource or are you winning business of existing European IT service providers?

Phaneesh: I think it is looking interesting for us, in the sense that we are seeing many companies that we would have under normal circumstances rated as more conservative or more traditional willing to experiment with these models like offshore, which in some sense in Europe is still new and may be not cutting edge, but certainly a little newer, you know people tend to be little less open to those, so that's what I meant by interesting, because it is almost like, it is counter intuitive, the kind of companies who are looking at doing this work with us.

Irene: Right. All right, thank you.

Moderator: Thank you Chairman, before I hand over to Vinod, my last question from Singapore will be from Ajay Sharma, City Group.

Ajay: Congratulations on excellent results. I just wanted to know, post September 11th, did you guys experience any major cancellations or delays from existing accounts?

Phaneesh: We have had a couple of minor projects canceled, not material at all. In terms of delays, yes I do think that there were few days which were lost because many customers did not have access to facilities, infrastructure and so on, so I think there were a few days which were lost.

Ajay: Right. Secondly, on your pricing, I believe you guys will be soon sort of negotiating some of your annual contracts. Can you expect any sort of major pricing pressure on those re-negotiations or ..?

Phaneesh: There is no anniversary that these contracts happen only in October or November or January or whatever it is. Our contracts are typically anniversaried on the date of signing the contract, so it is actually a continuous process throughout the year, so it is not like all 200 or 250 contracts come up for renewal in November or December.

Ajay: Whatever is sort of coming up for re-negotiation at this stage, are you seeing any sort of major pressure on those or its pretty normal?

Phaneesh: I actually would like to say that there is no difference between contracts which are coming up for re-negotiations nor our contracts which may not come up for re-negotiation now technically, in the sense, if a client wants a price reduction, he wants a price reduction. I don't think he is going to wait for the contract and validity or whatever it is, but there is pricing pressure in the market. It is suffice to say that, I said earlier, there is a lot of surplus capacity, so there is pricing pressure in the market, and it is difficult to draw any inferences right now.

Ajay: Okay, thanks a lot.

Thank you. That ends the Q&A session from Singapore. Over to you Vinod.

Moderator: Thank you very much Farida. We will now begin the Q&A interactive session for participants connected to the India bridge. Participants who wish to ask questions, please press "* 7" on your touch tone enabled telephone keypad. To withdraw your question, please press "# 7." On pressing "* 7," participants will get a chance to present the question on a first-in-line basis. To ask a question, please press "* 7" now.

First in line, we have Mr. Aniruddha Dange from CLSA, Mumbai.

N. R. Narayana Murthy: Hi, Aniruddha.

Dange: Hello Sir, congratulations for an excellent performance. The question I had was on the business model. I would appreciate if you could give us some view of your long-term business model that we are going through. Basically, specifically on, is it now required for you to, for example, take over the assets of the company to provide end-to-end solutions or is it some kind of a balance sheet support required or is expected from clients in order for you to win new contracts, or do you see that development going forward?

N. R. Narayana Murthy: Our business model is essentially based on the following parameters, one long-term relationships, second end-to-end solutions, third leverage in the power of global delivery model, and fourth enhancing domain competencies. I think these things will continue. The only thing that is happening right now is, because of the extraordinary competition in the market place, we have to prove that we are that much smarter; that much smarter in providing better business solutions in better quality, in reducing time, that's the only thing. In other words, I don't see any major change in business model. Nandan....

Nandan: I don't think there is any such change, and as we have said and we will keep repeating it, if there is a change in our business model, that makes a material impact on the way we do business. We will let you know as soon as that happens.

Dange: Secondly, could you talk a little more on the new initiative, what has happened in the last 3 months since we had spoken on the analyst meet time, any developments or any clients in that area that you have already won?

Kris Gopalakrishnan: I cannot talk about any new client because they are really not significant enough to discuss those things. What we are doing now is identifying people who both from the sales and the delivery side who will do the conceptualization, service definition, identify the market size and things like that, how much investment we need to make in terms of time, effort, etc., etc and trying to figure out this completely. We are really looking at this 2-3 years horizon and kind of building a scenario where Infosys would be at that point, what kind of services we would require, and how do we progress towards that. What all projections we have given today is based on our current set of services and opportunities we see today, quarter on quarter, and these are long term initiatives; significant revenue and material differences will be made to the bottom line, to the top line over the, probably, the next 2-3 years.

Dange: Thank you.

Moderator: Thank you very much Sir. Our next question comes from Mr. Ashis of Credit Suisse, Mumbai.

Ashis: Hello Sir, Ashis here, congratulations for the whole team on the excellent results. Sir, usually till about 2 to 3 quarters back, we used to have 60% visibility on the coming 4 quarters, does that hold currently?

N. R. Narayana Murthy: You know, the fact that we have stood up and said that we reiterate our estimates for Q3 at $134-137 million and between $535-$545 million for Q4, I would it is some indication of the fact that we have some level of visibility, the adequate level of visibility to say that.

Ashis: Actually, I did not mean to say that, so we clearly believe that you indeed have. It was perhaps an attempt in an indirect way to ask you what you are looking at for financial year March 2003.

Nandan: I think we will look at that going forward. We are in the process of analyzing the entire information that we have and doing the planning for the next year, in fact the other issue is that some of the incidents like the Afghanistan issue, which has just happened in the last couple of days. So we need to look at the long-term impact of that. So, I think overall we will be able to give you a better guidance on that perhaps for the next quarter results.

Phaneesh: Just to add to that, typically October, November, December is really the planning and budgeting cycle for our clients. So, we do tend to get better views after that under the happy assumption that our clients have any view into their future and any certainty into their future.

Ashis: Phaneesh, I have two questions for you. You know, a client, Canada based telecom equipment player, there is a lot of talk that they are withdrawing from India and they happen to be one of our customers too. Is that correct, they are reducing engagement and will become sort of zero in some time?

Phaneesh: I have heard the same rumors about the same Canada based telecom player, but we in the recent past have not had any impact from our side, in fact I had a few meetings with the number of their senior executives very recently and I think the work that we have done has added fair amount of value to them. Not withstanding that, we don't know what can happen tomorrow, but we have also heard the rumors that other companies have already been affected, but we have been very specifically told that we are not going to be impacted right now. But we don't know how long that's going to last.

N. R. Narayana Murthy: Once again come back to the fact that we believe that the real money will lie with the end users who provide such products and services which the common man on the street will have to use whether the economy is doing well, is doing extraordinarily well or not doing very well. And that is why we have always focussed on banking, insurance, retail, distribution, etc. On the other hand, if we were to have dependent upon esoteric technology development for technology companies, I would be worried at this point in time, because that is not the priority of the people. So, I think I buttress Phaneesh's statement that this company which has taken a proactive, deliberate decision not to depend too much on technology companies, I believe that we should not have too much of concern.

Ashis: Sure Sir. One just last question Phaneesh, when you polled customers, could you tell us one, if the RFI/RFP activity live, you know if that the level it was prior to September 11, and some color on customers who are worried about India. I mean, we did our small survey itself, which I had emailed to you, but something on negative side I would like to hear.

Phaneesh: Okay couple of things, I think the RFI/RFP process is coming back. I think there is one initiative that we know specifically was put on hold in Europe for a few weeks, to analyze the situation as they called it, immediately after September 11th. They were due to make a decision by the end of September and then they called us in the middle of the September, and they said that we have put this initiative on hold for a few weeks. We don't have specific feedback on whether they consider India as more risky or not. Now broadly, I think almost all the customers that I have spoken with have indicated that they have not changed the country risk for India in their mind. However, we do know for a fact that a lot of the CIOs have been asked questions from their CEOs, CFOs, COOs kind of profiles, on a quick assessment of whether the technology stuff is at risk or not.

Phaneesh: So, from that perspective I have actually been sending, you know spending a lot of time in doing conference calls with all of them explaining what the de-risking process that we use and why we think that they are de-risked. So, they are comfortable. It looks like the executive team is also getting comfortable, but there were some concerns. But I don't think they are there right now. I think people have realized that India is kind of out of this.

Ashis: Thank you so much Phaneesh, that's all thank you.

Moderator: Thank you very much Sir. Next in line we have Mr. Amit Khurana of Birla SunLife.

Amit: Hi this is Amit here from Birla SunLife Securities, Mumbai. My question specifically is for Phaneesh. I was just wondering on the kind of client concentration trends that we have been witnessing, one quarter we kind of witnessing a strong growth from the existing clients, specially the top 5 and top 10, while the other quarter we are witnessing a kind of de-growth happening on those accounts. I was just wondering what is the kind of trend that I should draw from these trends out there.

Phaneesh: Difficult to draw the trend. Because what has happened is actually the top 5, top 10 names have also churned a little, in the sense that someone who was in top 5 has come down to top 10, and some who were in the top 10 have gone up to the top 5, and so on. So, this is really going to be depending a little of spending patterns and the kind of initiatives that we are engaged in, so for example, if there is a rationalization of a large initiatives or something like that, then we could get hit and while that customer impact may not be there much because we are a de-list organization because top customer accounts were very little percentage and so on and so forth, what may end up happening is that top 5 may come down to top 10 or lower or whatever. So, it is difficult for me to draw a trend for you.

Nandan: Just one thing, we understand that analyst from India were not able to get on to this call till 3 o'clock and we were not aware of this. We apologize for any inconvenience caused. It could be a technical reason. I don't really know the reason, I think Mr. Sandeep will have to tell us as exactly what's happening, but we are anyway continuing with the call and we would like to answer all your questions so that you get what you want. Sandeep, can you explain what exactly happened?

Sandeep Dhingra: Mr. Murthy the way it has been hooked up, we have used one bridge in Singapore and one bridge in India, and we cannot create a common queue for both. So, it had to go from one to the other. So, the choice was either you go first India and then Singapore or the other way round. So, it's just that we chose to go Singapore first and back here again. If you have some more time, I think there are about six or seven people in the queue.

N. R. Narayana Murthy: No we will answer all the questions, that is not the problem. Only thing is it came to us as a shock that those people were supposed to interact with us at 2 o'clock and they had to wait up to 3 o'clock, they are also very busy people, that's where we are somewhat concerned and our sincere apologies, but it was completely beyond our control, we couldn't do any thing about it. That's the point I wanted to make.

Sandeep Dhingra: It is just that, that's the way CyberBazaar, the whole system works, so there is very little we could…we didn't know where to stop people in between and…

Nandan: Also, some of our management team has to leave because of other commitments but some of us will be here to answer any further questions.

Sandeep Dhingra: Sure. Thank you.

Moderator: So, we will just go on to the next participant Sir?

N. R. Narayana Murthy: Please.

Moderator: Next in line we have Mr. Dhruv.

Rahul: Yeah Hi, this is Rahul Dhruv from Solomon Smith Barney, congratulations on the strong results. I just wanted to, I think a lot of my questions have been answered but, wanted to know a little bit more on the consulting engagement that the company has entered into with in the Government sector in the UK. If you could throw a little bit more light on that, what is the kind of work that you will be doing?

Kris Gopalakrishnan: It is in the health care scheme. It is for the National Health Service. It is the largest health maintenance organization, part of the UK Government.

Rahul: What I wanted to know is that since you have mentioned, it's a largest consulting engagement you have taken, just wanted to know a little bit more about it.

Kris Gopalakrishnan: We said it is the first consulting engagement in the Government sector. For us it is an opening into the Government sector, as well as a consulting assignment. That's why we talked about it.

Male Participant: Sure. In terms of the new client that you have added, I mean, a lot of good clients in the last quarter. How many of these you really think can immediately scale up to a plus-million-dollar accounts? I mean, out of the 28, or whatever the net of 16 or 18, how many can really scale up very fast?

Kris Gopalakrishnan: In terms of where they really fall in they are really the large enterprises with fairly large IT budgets and things like that. These are not a start up kind of companies. In terms of how will they scale up, it really depends on the kind of engagements we are doing with them, and what is their objective for entering into the relationship with Infosys. In some cases we are finding that they want to start the engagement but they are very slow in scaling it up, especially in this times. They want to have an alternative, they want to have an engine when as part of their vendor portfolio, but they are not ready to scale up at this point, because they themselves do not know which projects to support and which projects they don't want to support, and things like that. Generally, there is a slowdown in the ramp up for new clients and things like that. Which one will end up in one million in the next one year etc. we have to see. Generally, there is a slowdown in the ramp up.

Rahul: Okay. **<Audio blackout>** and I realize that you had around 8,600 man months of bench during this quarter, which is the highest that you have ever had. It is higher than last year, last quarter, as well as ever before. I just wanted to know why would the company have added 600 and odd people even in this environment, and what is the companies policy in terms of rationalizing the labor force?

N. R. Narayana Murthy: I think what we have done is majority of these are people that we had offered at campuses last year, and there were different batches that were suppose to join at different points of time in May, June, July, August, September, etc. Now, these are people that had joined us in the month of June onwards, however, we said, based on….that's why I said we had about 833 people. However, we said that the other people who were expected to join, we will now re-phase their joining based on our requirement, based on the market situation. But we had to take those people, and then people who have joined us, at his point in time we felt that they are already on board, we should not do anything that will not be fair to them.

Nandan: A couple of other points, you also have to remember that there is a certain cycle time between people joining, they are going to training, and being put into a project. So, obviously we have to factor that in, when we do recruitment. The other thing is that when we are looking at 30% growth, because of pricing pressure, we expect a significant part, or the entire part of that to come really from the capacity utilization. That means we will have to have 30% more man months delivered. So, I think all these things will have to be factored. We have a defined process through our operations review, man power planning, and we take a look at all this as well as future businesses and make these decisions.

Rahul: Sure, thanks. Just on the second part of my question, what would be the company's policy on rationalization of employees? I mean, would the company actually go for a procedure where they would try to reduce the bottom 3 or bottom 5% of the employees?

N. R. Narayana Murthy: Well let us put it this way that while the company at this point in time, based on the mind set that we have, would not like to resort to lay-offs. We have always been a company that has looked at performance based compensation, performance based promotion, and performance based continuation in the company. We have historically, whenever a person or a group of persons have not performed, we have sat with them, we have counseled them, we have given them opportunity to perform, and in spite of repeated opportunities f they did not come up to the expectations, we have in a very gentle and very fair manner had separations. I think, that will continue, there is no doubt at all. That is nothing to do with economy, I think, that is basically a philosophy of the company, but we had to be very fair to these people, we had to give them the opportunities to improve, and if we find that inspite of all of that they have no mindset to improve, then obviously this is not the best place for them.

Rahul: I appreciate. One last question on depreciation rates actually falling, I mean depreciation as a percentage of block actually falling during the quarter, and tax rate going up despite the fact that the on-site offshore ratio has not changed, can you just explain these two?

Mohandas Pai: Yes. As far as depreciation goes, depreciation for a quarter depends on the rate of capitalization of technologies assets going back 18-24 months, because technology assets are written off in 24 months and they have an impact. So, the depreciation rates are falling because technology asset addition has come down, is directly linked to people growth. Now as far as taxes go, we have seen the increase in the tax rate basically because of the fact that tax liability overseas has increased, as also there has been an slight increase in the profitability compared to the previous period. And we are also paying taxes in several new countries where the income is positive. I just want to make a last point here about the bench, you said the bench is highest and things like that, I got some statistics which is I think we normally put in the web, bench person months was 4269 in Q1 of fiscal 2002, its come down to 4,131. So, even though however small it is, you know we have not added to the bench person months this quarter.

Rahul: Sorry I may have got wrong figures in that case. **<Audio mix up>** …around 10 to 12 to around 14% and what I am trying to say over here is that there is no increase in offshore on-site mix. So, that means either on-site profitability has moved up considerably or there has been a significant change in the geography or taxation policy of various geographies.

Mohandas Pai: No, I think the on-site profitability has gone up. And the second is, a lot more countries where we are operating now, the income has become positive. You must remember that when we start up in a country the initial expenses could be high, when volumes built up they become profitable, and the last part of the incremental volumes will be subject to tax. That is exactly what has happened in four countries, so we too made this analysis.

Rahul: Okay. Thanks very much.

Narayana Murthy: In this context, let me make one important issue. Because of the changes in the economy in the last two three quarters, some of our customers have come back and told us, look it is very difficult to give us letters that there are no layoffs in their company. With the result, you know originally what happens is that they have to give a letter saying that they are not going to layoff anybody for 6 months or so, because when utilizing a services of a company like Infosys, then we can go and give, we need not comply with the exemption clause in the US. But because the economy is not doing well, our customers said, look it is very very difficult, because we don't know whether we are going to fire or not. Some of them have already laid off, as you know from the data. So, we took a decision that we will comply 100% with the US law. Because the customers are not ready to give letters saying hat they are not going to lay off anybody for 6 months, then we decide to fully comply with the salary levels that are required by the INS or whatever it is. That is the reason why we have added about $1.9 million of extra compensation this quarter. So, this is an important factor that I think you people have to remember that though our salary costs have gone up by a little bit, it is extremely good that here is this company which is complying 100% with these. And it is very difficult for any Indian company to simply go and ask a customer for letters, saying that they will not lay off in the next 6 months. So, that point I wanted to bring out because our salary costs have gone up a little bit that is because we have now got full insurance against this particular issue.

Nandan: Basically, we had two choices for compliance. One was to get a customer letter and have the exemption to pay $60,000, or the second was to forgo the customer letter and pay everybody $60,000 minimum. We have gone with the second route, and we believe that's a much more safer route and we think that's the way and our margins this quarter incorporates this cost of making sure that we don't have to seek the exemption.

N. R. Narayana Murthy: I think that is very important because in spite of that we have got a slightly increased operating margin, I mean, 39.8 or whatever it is, and now we have insulated ourselves from possible risk of the customer saying, no we don't want to give you letter, and then all consequent liabilities. This point in time Mr. Nilekani may will have to go for another meeting, and we did not know that we had to continue beyond 3 0'clock, so, may be we will just take one question, and then we will close.

Moderator: Sure Sir. Our next participant is Mr. Sukumar of (Kothari) Pioneer, Chennai.

Sukumar: Good afternoon. Seem to be lucky to get an opportunity. My question is regarding what would be your strategy regarding recruitment for next year? Obviously, the capacity utilization is pretty low at this point of time and the US economy still seems to be in a very bad shape. So, would you curtail your recruitment substantially for that, the utilization can improve?

Hema Ravichandar: Hi, this is Hema Ravichandar. I am responsible for Human Resources. We will be focussing heavily on lateral recruitment in the year to come. We also have gone into campuses and done, you know because of the 15 month cycle, some selective campuses we have recruited the best and the brightest. But the focus will primarily be on lateral recruitments.

Sukumar: So, is it fair to assume that you wouldn't be doing any campus recruitment next year?

Hema Ravichandar: We have already visited few selective campuses and recruited selectively. That cycle has already begun.

Sukumar: How many have you recruited though the campuses

Hema Ravichandar: Approximately about 600 people, offers have been made. Of course, there is always a offer to join conversion ratio, depending on the various campuses, depending on their higher studies plans, etc., but we have made about 600 offer for the campus 2002-2003.

Sukumar: Are there any people for whom the offers have been made so far, are yet to join and have been told to join later, would be joining in future?

K. Dinesh: If you look at the numbers, we do have some of the offers that are there, but most of it is for laterals only. And that goes on a continuous basis.

Hema Ravichandar: As we have shown, we have recruited about 700 odd people from campuses this year. There are some people who we have deferred their joining based on our business plans, approximately this translates to about 800 joins. We have re-phased their joining based on our business requirements and training plans.

N. R. Narayana Murthy: In other words, 800 people are expected to join at later dates based on the business parameters. We have not yet specified the date.

Sukumar: What about your capital expenditure plans? Are there any changes there, because the plan seems to be pretty aggressive sensing the current rate of ….

Mohandas Pai: Sukumar, if you look at our press note it says we have about 11,000 and odd seats and 10550 people. So, we are not much ahead. We have spent $45 million and we said we are going to spend $80 million. We constantly revisit our capital expenditure program to minimize cash outflows and also maintain our leverage in terms of scalability. So, we are very cautious about capital expenditure, we try to reduce as much as possible.

Sukumar: What is the fair assumption to make in terms of SG&A expenses for next financial year. Would you be able to curtail it further?

Mohandas Pai:	I think the SG&A will move in a narrow band like it has moved. We are right now at about 12.96% or so. So, may be 13-14% will be very good in the long run.
Sukumar:	Okay, thanks.
Moderator:	Thank you very much Sir.
N. R. Narayana Murthy:	Well thank you very much. We have had a good time. Take care. Bye.
Moderator:	At this moment I would like to hand over the floor back to JP Morgan, Mr. Sandeep Dhingra. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.