"Mphasis Limited Q3 FY16 Earnings Conference Call"

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Moderator: Good Day, Ladies and Gentlemen and welcome to Mphasis Limited Q3 FY16 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this is being recorded. I now hand the conference over to Mr. Varun Divadkar from CDR India. Thank you and over to you, sir.

Varun Divadkar: Thanks Malika. Good morning everyone and thank you for joining on Mphasis' Q3 FY16 Results Conference Call. We have with us today Mr. Ganesh Ayyar, the CEO and Mr. Suryanarayanan, the CFO. Before we begin, I would like to state that some of the statements in today's discussion maybe forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available on the Q3 FY16 results announcement release that has been sent to you earlier. This conference call would be archived and the transcript would be made available on Mphasis' corporate website www.mphasis.com. I now invite Mr. Ganesh Ayyar to begin the proceedings of the call.

Ganesh Ayyar: Thank you, Varun. Good morning everyone and thanks for joining the call. First, I would like to wish all of you a Happy New Year. Let me go on talk about our results. I hope you have had the opportunity to go through our MD&A which provides details of our operational and financial performance for third quarter of 2016.

Let me begin the discussion by talking about our key focus area which is Direct International Business. We have delivered a revenue growth of 3.1% quarter-on-quarter on a reported basis and 2.5% adjusted for rupee depreciation. We won new deals of about $61 million total contract value during the quarter in Direct International with roughly 46% of these deals coming from new generation services which include GRC, digital, next generation infrastructure services and AMF. This is a good performance on our new wins.

To give you a further perspective on Direct International Business, in nine months we have signed deals aggregating to 230 million total contract value. This is new business within Direct International space. This gives us a good line of site for our revenue growth which we are confident will be faster than the market in direct international business.

Moving on to HP business, I am happy to share with you that the MSA has been renewed for a period of three years and on financial performance the revenue declined 11% sequentially on account of client ramp downs and annual client shutdown. We continue to look at ways and means to see whether we can have a breakthrough in that segment, as of now I have no breakthrough to report.

Let me move to our overall financial and operational performance for the quarter. On a consolidated basis net revenue declined 2.6% sequentially on a reported basis. Excluding the two months of domestic BPO business revenue in Q2 FY16, the revenue decline is marginal at 0.5% on a reported basis. Our operating margin declined by 70 bps quarter-on-quarter to 13.2%

in Q3. This was on account of our annual salary increment which had an impact of 150 bps, annual client shutdown and one-time impact of Chennai floods. We believe and we practice that our employees are most important resource and it is our responsibility to ensure their welfare and safety especially in times of unprecedented calamities. We took various relief measures which had a very positive impact on our employees but in financial terms it did impact our margins, but that is the right thing to do and we are glad that we did it and we are very happy that all our employees are safe.

Let me talk a little more about margins, we have been able to negate majority of margin headwinds given the scale we have attained in Direct International Business and improved quality of revenue. On the back of strong deal wins over the last few quarters, we are confident of operating in our stated EBIT margin band of 13% to 15%. Cash flows from operations were strong at INR 2,091 million during the quarter, net of loans repaid in Q3. DSO saw an improvement of two days to 70 days.

To conclude, the initiative that we have taken over the last year and streamlined our focus and built greater predictability in the business, we are confident of growing our Direct International Business faster than market, we are focused on increasing our revenue per employee through higher proportion of automation and hyper specialization generating greater value for our shareholders.

On that note, once again I thank you for your continued interest and I would now request the moderator to open up the line for question. Over to you, moderator.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: I had a question on HP renewal, any color in terms of whether there is anything that has changed within that contract? Any worry on pricing perspective?

Ganesh Ayyar: The MSA per say is exactly the same which we had and we are renewing it based on the same terms and conditions for next three years. That is an important element because we want to have the platform on which we can build business. This does not change any factor either in our visibility or lack of visibility, decline, growth or predictability around this business. This neither amounts to negative nor a positive news in other words. It is mildly positive because if we do not have an MSA we would not even have the right to do business with HP, so to that extent it is mildly positive. MSA is the framework and then you have to get SOW to have actual deal which translates into revenues and profits and so on. We will continue to explore possibilities but for your purpose take it as business as usual, no change.

V. Suryanarayanan: Just to add, the underlying SOWs which are already in place now continue considering the fact that the MSA has been extended.

Nitin Padmanabhan: I was looking at your top client accounts. If I look at the top account it has grown by 27% year-on-year in dollar terms whereas if I look at the rest which is 2 to 5 and 6 to 10, they have been flattish and 6 to 10 has actually declined. Any color that you could give in terms of what visibility you would have within these broad client buckets with the top 10, top 20 broad visibility, anything that you are hearing from clients?

Ganesh Ayyar: Let me talk about Direct Core which does not include Digital Risk. We look at this business in three buckets, the key accounts or as we call it strategic accounts: these are existing accounts and we want to bring tremendous focus here to be successful. Then we have accounts which are existing installed base but they do not fall into the category of strategic account, which is the second bucket. And third bucket is new logos. The way we have set this up is that a new logo over a period of 18 months has to hopefully become a strategic account because no point in getting a new logo to make it non-strategic. Obviously there will be some that will become non-strategic. So new logo has to contribute anywhere between say 3% to 6% revenue because it continues to refresh, every 18 months you will take that new logo account and put it either into strategic bucket or other account bucket. Strategic accounts has been phenomenal for us this year, it is a bucket of select number of accounts, roughly about 15 and it has been phenomenal. Has it happened in every account? That is not possible. Every account has its own rhythm but on a holistic basis this has been our growth driver. We have added five new logos in the last one year which holds the potential, at least three out of those five hold the potential of becoming strategic accounts, so that is the way our go-to-market has been defined and our strategic account is doing a phenomenal job of getting into the path of relevance and growth. The new logo engine has done a fairly decent job and other account is where we have to figure out how much of investment to make in dollar terms, how to harvest those accounts and how to add value.

Nitin Padmanabhan: This quarter I noticed that the license income in dollar terms is sort of close to $2 million and keeping that in context, do you think that from a margin perspective that will bear headwind going into next quarter? And the second thing is, there is an item within the cost of revenue line called other cost which has been elevated at 11.4% of revenues for the past two quarters, any thoughts on that as well will be helpful.

Ganesh Ayyar: I will answer the question keeping objective in mind and I will seek help from Surya to answer that question. We delivered a margin of 13.2%, when you look ahead do you see a line of sight for improved margin or do you see that we will have headwinds in margin? So let me get Surya to answer that question and I will come back to the license revenue because that is a means to an end.

V. Suryanarayanan: In terms of Cost of Revenue line item, there were certain traded goods for the quarter which was bucketed under others causing this increase, this is basically sale of CDs in the domestic market.

V. Suryanarayanan: We certainly see tailwinds based on the type and quality of deals we have won. We will be in the stated bracket of 13% to 15% going forward.

Ganesh Ayyar: Let me add to what Surya said, we believe that we have put operational parameters in place and going forward our aim would be to at least hit the midpoint of 13% to 15% band sometime soon enough. As far as Wyde License is concerned, this is part of some deals that happen this quarter and another deal may happen next quarter, so there will be puts and takes. Broadly speaking, we believe that we will be clearly inching towards the midpoint of our 13% to 15% band.

Moderator: Thank you. Our next question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: Firstly, what proportion of deal wins came from the BFSI vertical for last quarter and for last nine months? And if you could help us understand the budgeting process and trends and patterns in spending of those BFSI clients compared to last year.

Ganesh Ayyar: As far as this quarter is concerned, roughly 33 million out of 61 million came from BFSI. For the last three quarters it is at around 65%. But let me tell you what is happening in BFSI segment and this is probably not just true for BFSI, it is to some extent applicable across the industry vertical. People are investing in new generation areas big time which includes automation, robotic process automation, artificial intelligence and the areas which are attracting a lot more investment is digital and GRC in BFSI especially. There is tremendous opportunity ahead for Robotic Process Automation and artificial intelligence based solution in the space of GRC, because this is a hot space and we are right in the midst of it and we believe there is tremendous opportunity for us to succeed in that area.

Gaurav Rateria: The second question is on margins, you talked about 13% to 15% band in the near-term. How should we look at margins for the next year and do you see any major tailwinds coming into margins? Can we look forward to moving it to 14% to 16% band sooner than expected as a long-term aspiration?

Ganesh Ayyar: In the long-term we are setting our eyes on 14% to 16%. I'm not here to predict it for FY17. Give us few more weeks and we will tally it and come back hopefully during Q4 results to talk about it. But 13% to 15% is clearly what we are aiming for in FY17 but can we move it up to 14% to 16%? Give us few more weeks and I will be able to share it with you.

Moderator: Thank you. Our next question is from the line of Manik Taneja from Emkay Global. Please go ahead.

Manik Taneja: Sir, my question relates to HP, while you guys have continued to allude that you will continue to strive for bringing stability on this side, my question was more with regards to the HP enterprise side. One has seen their overall business stabilize over the recent past as well as some improvement in the profitability and they have talked about right shore strategy, bringing in more low cost resources in terms of the delivery mix. Should we be assuming that we are not winning our right share of business over there and they could be expanding more with their captive facilities here in India?

Ganesh Ayyar: I would not make those assumptions yet, the question is whether we succeeded in cracking it open because it has not happened one way or the other. It is our job to crack it open. I do not have good news to report but that does not mean it is bad news. That is my candid feedback to you.

Manik Taneja: If you could give us some sense in terms of what do you think will be the levers for you to protect or improve margins from the current levels?

Ganesh Ayyar: The big lever is service line mix and everybody literally operates in three service lines which is BPO, apps and infrastructure. Two of those service lines across the industry are more profitable than the third one. What we have done is we have made investments in the last six months in having the right sales force, right offerings and pushing that very hard to grow in the direct space with the right mix of service line which makes us confident that it would give us that necessary boost to margin.

Manik Taneja: And my question was more with regards to some of these deal wins that you are seeing in your focus areas, if you could help us understand what the typical competition for you over here is and what is tilting the scale in your favor in some of these areas?

Ganesh Ayyar: Majority of times we compete with global giants and Tier-I players. Very rarely we compete with so called Tier-II players. Some of the Tier-I players are completely absent especially in the BFSI space. Maybe we are not addressing those accounts, I do not know. What makes us win is, first of all the fact is that we are smaller which brings greater intensity to our customers and flexibility and ability. Secondly, we are very specialized. We do not go after every deal, we have significant deal qualification process and focused areas. Thirdly, arguably we have best in class account planning and execution model which gives us the ability to win. Last but not least, being the right size of a company gives us the advantage that we can transform faster than the bigger players. These are some of the factors which has helped us in our wins. Do we lose deals? Yes we do lose deals and when we lose these deals we have a very stringent process of learning from it, sometimes we come to a conclusion that we should not have gone for the deal because that is not in our core so that reinforces our approach to being inch wide and a mile deep.

Manik Taneja: You have done extremely well on the financial services side over the past 1.5 to 2 years, does some of the recent macro weakness worry you going forward?

Ganesh Ayyar: Absolutely not, it does not worry us because of the example which I will give you. If you are just four feet tall and somebody wants to bring the ceiling height of a bus down from 12 feet to 10 feet, why should you worry, right. The share of the market that we have is so small that we have lot more that we can hunt. So macro does not worry us that much. I hope that I will never use it as a crux to announce our results.

Moderator: Thank you. Our next question is from the line of Sandeep Shah from CIMB. Please go ahead.

Sandeep Shah: Any update in terms of Digital Risk, how was the performance in this quarter on the revenue and what is the outlook going forward both in terms of annuity and project based revenues?

Ganesh Ayyar: That is a an area which requires more focus, I think I mentioned this last quarter that they are gravitating towards the foundational size of theirs which was around 30 million run rate. We need to win project business and more annuity business to bump up the rate. We have invested in go to market and I think for a quarter or two going forward they will remain flattish and then I see some business getting picked up. For the next couple of quarters I expect a flattish number from Digital Risk. By flattish I am referring to the foundational size of about $30 million.

Sandeep Shah: And any color in terms of project base which according to me should be close to around 9 million - 10 million performance per quarter right now?

Ganesh Ayyar: It is a very interesting business and hard to explain on this call because sometimes the sale cycle can be as short as two weeks, so very hard to predict. If there is a lawsuit it can suddenly result in a huge bump up business in the space of their definition of GRC. So stay tuned, right now in our own financial modeling we are assuming that it will be at foundational level, but it can go up.

Sandeep Shah: So is it fair to say that there is a possibility because of the project based revenue that where projects are completed, it can decline?

Ganesh Ayyar: Yes, we have completed one of the large projects and that is resulting in gravitating towards $30 million run rate in the next two quarters.

Sandeep Shah: And second, in terms of the key strategic accounts which were 15 you said, is it possible to give us the YoY growth in those accounts in the first nine months?

Ganesh Ayyar: I would not be able to disclose that level of detail because I am sure that our competition would love to have that data.

Sandeep Shah: No issue, but is the growth being widespread or it had been with few accounts?

Ganesh Ayyar: No, it has not created any concentration risk.

Sandeep Shah: And last question, we are hearing talks that the GRC spend in the BFSI segment may now be reaching to top levels and the growth hereon may not be that high in terms of IT spend. Is this kind of discussion giving you any hints with your set of clients on GRC?

Ganesh Ayyar: Actually this market is ready for significant technological disruption. Very-very ripe. That is a tremendous positive potential available to us. I am not too worried about any such talks because I do not foresee that spend on GRC per say as coming down at least for the next two years.

Moderator: Thank you. Our next question is from the line of Karan Taurani from Daulat Capital. Please go ahead.

Karan Taurani: I just wanted to ask you regarding the IMS pricing which has declined 10% QoQ, any color on that?

Ganesh Ayyar: Directly linked to our decline with HP.

Karan Taurani: IMS pricing decline was largely because of HP decline, so do you expect next quarter that the decline may not be so sharp, the HP channel decline?

Ganesh Ayyar: I do not believe it will be very sharp. On a longer term basis, in the last four years we have been declining roughly about 20% on an annual basis. Since I do not have a breakthrough to report, I cannot tell you to not model it in your numbers.

Karan Taurani: Coming to the TCV wins, you have maintained run rate of about $80 million to $90 million in the last three four quarters, this quarter was a little lower, so any reason for that?

Ganesh Ayyar: It is a little bit seasonal as well given the December quarter, the number of decisions that go down. Also, TCV wins cannot be bucketed into 90 day period. If you take the three quarter picture we have won $230 million of TCV in Direct International and if you compare it with previous full year we had done $264 million of TCV. We are clearly aiming to touch our brief $300 million mark, so I think that is a better comparison rather than saying that this quarter it was 60 and last quarter it was 90 because it is not a revenue pattern, it is win pattern if I may. And our pipeline continues to be strong.

Karan Taurani: Thanks, that is it form my side.

Moderator: Thank you. Our next question is from the line of Ashwin Mehta from Nomura Securities. Please go ahead.

Ashwin Mehta: Ganesh, just wanted to get a sense of the vertical exposure of your business in the direct piece of your business, as in, how much of your BFSI portion is direct and how much of your IEC and emerging industry's portion is direct?

Ganesh Ayyar: Let me re-hash the question so that I can answer it. Are we exposed in Direct International to BFSI, is that your question?

Ashwin Mehta: No, my question is what is the vertical exposure of your Direct Business because your IC and emerging industries are more HP centric, so how much of your exposure is to BFSI and others in direct?

Ganesh Ayyar: If I take my entire Direct International, these are not precise numbers, roughly 80% of my revenue comes from BFSI.

Ashwin Mehta: I have a follow-up on that, so your gross margin in BFSI is close to around 20% levels and your gross margins in the other two segments are in excess of 30% levels, so what explains the differential on these margins between the two segments?

Ganesh Ayyar: Digital Risk is in BFSI segment and Digital Risk is 100% onsite and that dilutes the margin, but if I separate Digital Risk, our margin profile in BFSI is extremely healthy, as healthy as similar side competitor if not more.

Ashwin Mehta: So ex of Digital Risk, can we assume that it would be similar to what your other segment gross margins are?

Ganesh Ayyar: Yes, absolutely.

Ashwin Mehta: And in terms of the deal flows that you are winning, you have indicated 65% of the deal flow is in BFSI, so are these deals kind of margin accretive from a gross margin perspective or they would be at similar kind of levels?

Ganesh Ayyar: Our long-term goal which Surya mentioned earlier is to be at 14% to 16% and if we start winning deals which are margin dilutive obviously we would not reach there. We push harder for margin accretive deals. The second point which I want to make is that some of the things that we do are basically horizontal and industry agnostic, so when you talk about infrastructure services push in the Direct International space, that is an industry agnostic. Similarly to some extent even digital can be claimed as industry agnostic unless you are talking about robotic process automation and straight through processing which has to be very specific to BFSI.

Ashwin Mehta: And from an SG&A perspective, especially on S&M, do you think the current levels of investments are sufficient as a percent of sales for you to drive the kind of growth that you are looking at in the direct channel which is ahead of the industry?

Ganesh Ayyar: I think in general it maybe 10 basis points here and there, it would not be a significant change in our sales cost profile. What we intend doing is continuing to figure out what is the return on investment we are getting and optimizing that return rather than saying that I need to pump more money without thinking because today we feel that we have reached a reasonable level and if we believe that by pumping more money it will generate greater return, we will go for it as well. At this point of time the model is probably 20 basis points here and there.

Ashwin Mehta: One last question in terms of utilization on the Apps tower, there was a sharp fall this quarter, so that could possibly be because of the furloughs and the shutdowns, so anything to read much into that?

V. Suryanarayanan: You are right, the drop in the utilization was mainly on account of furlough and the Chennai shutdown impact.

Moderator: Thank you. Our next question is from the line of Madhu Babu from Centrum Broking. Please go ahead.

Madhu Babu: Sir my question is on Digital Risk, this quarter the revenue is around $40 million, are you saying that from next quarter it will fall down to 30 million in the span of one quarter because the project based work is over?

Ganesh Ayyar: I also mentioned earlier that the deals can happen within two weeks.

Madhu Babu: So we are not expecting a drastic fall? Can we model a similar run rate or should we expect a bigger fall in the next quarter because interest rates are rising and that project based work will be impacted because of that refinancing.

Ganesh Ayyar: We are already on to the fifth week of the quarter, so we are left with only seven weeks. There will be fall, but will it land at 30 or will it land at 31 or 32, we do not know, but there will be fall.

Madhu Babu: So just prodding on this, because this was one of the biggest driver over last three quarters, so next year would you expect any softness in the transactional volume piece of the business because of the slowdown lead by the rising interest rates?

Ganesh Ayyar: I think it is incorrect to say that Digital Risk was the biggest driver, actually the biggest driver was our direct core business because if Digital Risk was the biggest driver then our margin improvement in direct is not possible and we have improved margin over the last three quarters. So yes, Digital Risk did contribute to the growth but our biggest driver of growth was actually direct core.

Madhu Babu: On other part of the deal wins on the digital side, which are the sub-segments where we are seeing good traction? Is it cloud migration or is it big data analytics, which are our areas of sub-competency?

Ganesh Ayyar: We are focused on artificial intelligence, robotic process automation, big data and straight through processing, because that is where it lends itself to specialization. Let us also not forget that outside digital the automated infrastructure services management is an up and coming field. We have clocked two wins, fairly sizable wins where we are using very modern tool set to deliver infrastructure services.

Madhu Babu: Lastly from my side, would we return to growth? After five-year pause whether FY17 will be the turnaround, because now HP channel has fallen substantially and direct channel is leading as a percentage of overall revenues. So would the FY17 be the return of growth for Mphasis?

Ganesh Ayyar: All I would say is that both of us would like to see that happening.

Moderator: Thank you. Our next question is from the line of Deepesh Mehta from SBI Cap Securities. Please go ahead.

Deepesh Mehta: I want to understand about depreciation, can you help us understand run rate for depreciation, what one should look at?

V. Suryanarayanan: You can modulate at the current levels, we will not be substantially increasing any CAPEX than the normal requirement.

Deepesh Mehta: Is there any one-off this quarter because last time we suggested around 18-odd crores, it is around 16 crores - 17 crores in this quarter.

V. Suryanarayanan: Yes, so you can take it at around 18 crores going forward.

Deepesh Mehta: So there is no one-off, it is only because of BPO domestic sale and normal run rate?

V. Suryanarayanan: Yes, you are right.

Deepesh Mehta: And second question is about the growth momentum, now that we expect relatively soft Digital Risk business in the next one or two quarters, whether it can impact our Direct International or you think other business of Direct International is sufficient enough to maintain growth momentum which we reported for last few quarters in Direct International?

Ganesh Ayyar: One to two quarters will not give you a good line of sight, if you take the next four quarters I feel extremely confident that Direct International will beat the growth rate of the market.

Moderator: Thank you. Our next question is from the line of Kunal Tayal from Bank of America. Please go ahead.

Kunal Tayal: A couple of questions on the HP channel, firstly, post the split of HP is there a change of visibility that you have on the HP non-ES business?

Ganesh Ayyar: Majority of our business comes from HPE, in fact we do literally nothing with HP Inc. So nothing has changed.

Kunal Tayal: Earlier the HP non-ES would be about give or take 10% to 15% of your overall HP revenue stream, should it be at a similar level right now?

Ganesh Ayyar: Yes, it will be at a similar level.

Kunal Tayal: And then the second part of the question was, Ganesh you were mentioning that you are trying various methods to stem the decline at HP, if you could talk about what such initiatives are? Thanks.

Ganesh Ayyar: How do I share Client specific data in a public call? I would not be able to share that because I have to respect client confidentiality. But be rest assured that we are not happy with the current state that we are in and we are meeting with various HP folks to find out ways and means to break into it. One of the earlier questions alluded to some of the possibilities based on the publicly available data, it has not lost on us as well.

Moderator: Thank you. Our next question is from the line of Rahul Jain from Systematic Shares. Please go ahead.

Rahul Jain: My question is from the top-line perspective, I think you have alluded a bit but if you could throw more color, the top account has done pretty well but the top six to 10 is coming off. Is it project related or temporary impact? How should one read it from an overall focus kind of approach?

Ganesh Ayyar: There is no systemic issue that we have in our account distribution today, so if at all you are noticing something do not take it as a trend would be my guidance.

Rahul Jain: And from the IMS revenue perspective it has been flat to down for last several quarters, so how much of this is on account of the HP factor and what should be the way forward for the service line?

Ganesh Ayyar: We are predominantly HP in IMS. We have won some deals but out of total IMS, almost 80% to 85% is HP. So HP decline would impact that line. We have invested in separate sales force to go after infrastructure services business in Direct, we have clocked two good wins in this area and they have gone live. So stay tuned and we are pushing very hard to win in that area.

Rahul Jain: Given that probably EDS was one of the largest in this segment and from a capability perspective we would be doing best of the job in this, we have not been able to leverage this despite a very strong IMS environment overall. Where do you think we have not been able to capitalize so far and how we see that happening now?

Ganesh Ayyar: That is a very perceptive question and thanks for asking. When you are not successful in the market, following the footsteps of people who have succeeded is a wrong thing to do. That is what we attempted earlier and we failed. There are very successful industry veterans who succeeded with infrastructure services and we were kind of following their footsteps if I may, without differentiated value proposition. In the last six months we have changed our approach dramatically and we are going for automated infrastructure services management rather than the traditional. It is an advantage because one can leap-frog and in some ways we have proved point because we won two very good contracts in the last six months.

Rahul Jain: And lastly on the utilization front in some of our segments especially in ITO our utilization is really very high, how do you explain this and how do you see on a sustainable basis?

V. Suryanarayanan: We were affected in the utilization on the Apps front on account of furlough. On the ITO front, we will be more or less at the similar levels going forward.

Rahul Jain: Will it change as we see this segment getting more clients outside HP?

V. Suryanarayanan: I do not think that will affect the utilization component.

Moderator: Thank you. Our next question is from the line of Sagar Lele from Motilal Oswal Securities. Please go ahead.

Sagar Lele: Just a couple of questions on Digital Risk, one is, do you see a risk to margins in this particular business given the expected reduction run rate? I asked because we had adjusted the cost structure earlier and have seen profitability improvement here till the last quarter at least.

Ganesh Ayyar: Nothing material even if the volume comes down. Maybe few bps here and there but nothing substantial impacting our overall outlook for the company.

Sagar Lele: And I believe the earn outs with respect to Digital Risk would have been done, would you be able to provide us with the total consideration here given that I am assuming some of the conditions that were earlier signed would not have been met? The expected number was 27 million when the transaction went through, so if you could just update us on that.

V. Suryanarayanan: I will give you that data point offline. The time period for the earn out is over and based on the performance, part of it was paid and part of it was restored back.

Moderator: Thank you. Our next question is from the line of Nirav Dalal from Maybank Securities. Please go ahead.

Nirav Dalal: Would it be right to assume that Digital Risk drives the GRC side of the business?

Ganesh Ayyar: It is part of GRC but it is not the entire GRC. Our direct core has GRC element and we are wining in direct core area as well in GRC space. Our GRC is not exclusively made up of Digital Risk.

Nirav Dalal: But obviously the bigger portion would be Digital Risk?

Ganesh Ayyar: Yes. You know the run rate so you can easily check.

Moderator: Thank you. There is one last question from the line of Maniya Mishra from Bearning India. Please go ahead.

Maniya Mishra: I would like to know more about the kind of deal wins that you have had and in which service lines like infrastructure applications, etc.

Ganesh Ayyar: If I look at service line, roughly about half of it is coming from applications, one-third of it is coming from infrastructure services and the remaining is BPO.

Moderator: Thank you. I now hand the conference over to Mr. Ganesh Ayyar for his closing comments.

Ganesh Ayyar: Thanks for joining the call. We are partners in the success which we are enjoying especially in the direct space and the new generation services. I appreciate your support, your line of questioning helps us to think, go back to the drawing board many a times, so I appreciate your participation. Let us stay connected and we will meet again if not earlier within three months from now.

Moderator: Thank you very much members of the management. Ladies and Gentlemen, on behalf of Mphasis Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.