"Mphasis Limited Q4 FY16 Earnings Conference Call"

May 27, 2016

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MODERATOR: **MR. SHIV MUTOO – CDR INDIA**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Mphasis Limited Q4 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 call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this is being recorded. I would now like to hand the conference over to Mr. Shiv Mutoo from CDR India. Thank you and over to you, sir.

Shiv Mutoo: Thanks. Good afternoon, everyone, and thank you for joining on Mphasis' Q4 FY16 Results Conference Call. We have with us today Mr. Ganesh Ayyar – the CEO and Mr. V Suryanarayanan – the CFO. Before we begin, I would like to state that some of the statements in today's call maybe forward-looking in nature and may involve some risks and uncertainties. A detailed statement in this regard is available on the Q4 FY16 results announcement release that has been sent to you earlier. This conference call will be archived and the transcript should 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, Shiv. Good afternoon everyone, thanks for joining the call. I hope all of you have had the opportunity to go through our MD&A which provides details of our operational and financial performance for quarter and year ended 31st March, 2016.

Before I move onto the details of Q4 and FY16 performance, I would like to talk a bit about the successful execution of our strategy in 2016. FY2016 is clearly a milestone year for Mphasis and has been one of my best years at least in the recent past. In early part of 2016, we outlined a strategic roadmap as to how we will address the growth and profitability of the Company and on where will we be focusing to have a platform that will continue to grow in the future. I am happy to say that we have had excellent success which you will see as we discuss the specific numbers. We built a strong direct core growth engine, improved digital risk performance, exited the domestic BPO business and have now addressed the profitability issue of our ATM business in Q4. All these have started to show results and some of them will be showing results in coming financial years and beyond.

Coming to details of Q4 and full year performance. We have focused on developing our direct international business as part of our inch-wide mile-deep strategy. This has helped us to become increasingly relevant to our customers in their competitive landscape as well.

We had indicated that we will grow ahead of industry growth. Let me deep dive into different elements of Direct International, I will start with Direct Core, the largest element within Direct International. This constitutes 72% of Direct International business. Direct Core on a quarter-on-quarter basis grew 4.2% and year-on-year with quarter four as basis, grew 27.2%. When we compare FY16 and FY15, Direct Core has grown 19.5% which is clearly ahead of the market growth rate and this has spearheaded our success in FY16 and will continue to spearhead our success in coming years.

Let me now move to the second largest element of our Direct International business which is Digital Risk. Digital Risk forms about 22% of Direct International and its performance has been in line with what we had indicated earlier. On year-on-year basis revenue grew 26.9% over the Q4 performance of last year. In FY16 it grew 32.7% over FY15. In case of Digital Risk there is an element of volatility and we believe we have reduced the band of volatility. We have not completely eliminated it and we have little bit more work to do but overall, Digital Risk has performed better than what we anticipated and even Q4 has panned out to what we mentioned it will be.

Moving on to the overall Direct International business. In Direct International we have won deals with total contract value of over $300 million in FY16, this is roughly 15% more than the year before in total contract value terms. This is due to our focus in areas that are growing like digital, GRC, next generation information services and AML. They have got disproportionate share of these wins and they constitute 55% of our total contract wins in FY16. This lays a platform for us to continue to succeed in coming years as well.

Let me move on to HP business. Q4 saw revenue expansion on quarter-on-quarter basis after a long time. Year-on-year basis over Q4 2015, revenue declined 16.7% but if I look at the entire year of FY16 over FY15, it declined by 20.8%. While the decline has been in line with the trend we have witnessed so far, we are clearly seeing signs of stability. We expect the real stability to kick in sometime in second quarter of FY17 and by that time the new MSA would have become effective.

Moving on to some of the recent events, our shareholders have recently approved a resolution for entering the proposed services agreement with HPE with majority of 99.99%. Going forward, guaranteed 990 million revenue commitment over five years gives us the line of site in our engagement with HPE and this will certainly bring stability to this business. This services agreement becomes effective post close of transaction between Blackstone and HPE.

With that, let's move on to financial and operational highlights for the quarter. Our operating margin expanded to 14.3%. Our operating profit grew 8.2% quarter-on-quarter and 21.6% year-on-year over Q4 2015. Operating margins improved 110 bps quarter-on-quarter and 180 bps year-on-year over Q4 FY15. This is clearly a result of the revenue growth and various strategic initiatives that we have executed.

Our net profit got impacted by charge of certain exceptional items on account of the strategic roadmap choice around the ATM business. Excluding the charge on account of this, net profit grew 7.4% quarter-on-quarter and 4.9% year-on-year over Q4 FY15. This is exceptional charge relating to future losses covering five years of ATM business. Going forward, this will help us expand our operating margins by about 60 to 70 bps starting Q1 of FY17.

Let me now move to accretion of cash. Accretion of cash and cash equivalents was strong at Rs.2,512 million during the quarter. We now have close to INR 30 billion cash on balance sheet to be utilized judiciously on organic and inorganic opportunities.

To conclude, we are on stronger growth momentum organically, especially in Direct Core area having completed probably one of the best years we have had growing much faster than the market. The added visibility that TCV wins give, give us strong confidence about our future as well. We are looking forward to closing of the transaction with Blackstone that will open up newer opportunities for us and we feel very excited about it.

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 questions. Over to you.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Ashwin Mehta from Nomura Securities. Please go ahead.

Ashwin Mehta: Ganesh, just had one question in terms of your top client which seems to have done pretty well and this used to be previously HP if I remember correctly. So which segment does this top client belong to and when did this change happen?

Ganesh Ayyar: Let me categorize our business profile, it will give you the flavor of how we have done in 2016 and how we will do in 2017. If I look at Direct International, in our top clients we have done exceedingly well. They have contributed to our growth in quantitative and qualitative terms. We are winning in areas of GRC and overlap analytics and risk management. Our success story of Direct International has been built on our existing top clients. Second element of our direct story, which we are panning as we speak is how do we go and win new logos. We have made some progress, we have few more steps but that will clearly add greater wings to our success around Direct International, specifically Direct Core. We are winning in two ways in our larger account, one part is we are winning in newer areas which I would call as unchartered territory for the customer. Second, in traditional areas we are taking share away from our competitors. This has been our success in FY16 and this is why our Direct Core has grown 19.5% year-over-year.

Ashwin Mehta: Would you say that this momentum continues for you going into the next year and that still would drive better than industry growth that we have seen in the Direct International piece of business, ex of digital risk business.

Ganesh Ayyar: I am splitting Direct International into three parts, Direct Core is 72%, Digital Risk is roughly about 22% and remaining 6% is product portfolio. Direct Core has grown at 19.5% in FY16 over FY15 which is definitely faster than the market and the fact that we have 303 million total contract value in Direct International in new business gives us the confidence that in FY17 we will definitely grow Direct Core faster than the market. Digital Risk's market definition is different because it is not exactly in the same space as everybody else. It has done exceedingly well in FY16 and we believe that it would do fairly well in FY17. We have to focus on reducing the standard deviation of volatility, we have managed to reduce it a bit, we have little bit more work to do. So these two components cover 94% of our Direct International.

Ashwin Mehta: I had a follow-up in terms of digital risk where you had said that the project based businesses will come off, so are we done with that in terms of coming off of project based businesses and it is a defensible level from a revenue perspective for you?

Ganesh Ayyar: In project business, new projects will be won and will come to an end, I cannot change that completely and that happens even in offshore business that we have. When you have a very large contract coming to an end in a smaller business, you will see this volatility. We do not see any headwinds which will dramatically allow this business to fall off the cliff but you will see marginal volatility quarter-after-quarter, we do not anticipate significant drop on full year basis going forward if I take Q4 as a run rate.

Ashwin Mehta: One last one, in terms of HP, now your current run rate is around close to 220-odd million and what the MSA suggests is somewhere closer to 200 million. Are we looking at decline or maybe things will kind of stabilize from now on itself?

Ganesh Ayyar: Traditionally we have been declining at the rate of 21% and at similar rate, on $220 million, you are looking at $40-odd million of decline. We certainly do not anticipate $40-odd million of decline going forward, we expect some stability to happen around Q2 of FY17. I would not come to a conclusion that it will stay at $220 million but I certainly do believe that the so called tough decline days are over, at least that is my belief. What is ahead of us is stability starting Q2, there will be some marginal declines but not as steep as 21%.

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

Manik Taneja: My question was with regards to some of the investments that you talked about in terms of tapping the opportunities in the Blackstone portfolio of companies and further accelerating the growth on the Direct piece. If you could talk about some of the investments that you are making on that side. Second question was around the sales and marketing headcount. Over the past several quarters one has continued to see some declines over there, how should be thinking about this going forward?

Ganesh Ayyar: On Blackstone portfolio companies' growth, I think the investment will be happening in the go-to-market side. Right now, our focus is concluding this transaction and then simultaneously preparing the go-to-market for portfolio companies. On those fronts, nothing would dramatically impact financials at least to the best of my knowledge. Your second question is on headcount related movement, it is not materially significant, there is no deliberate design, in fact sales and marketing spend has gone up and it has gone up predominantly due to the fact that we have had a great year. When you have a good year the incentives kick in. We are not trimming our expense on sales and marketing, if that was your concern.

Manik Taneja: The other question was on Digital Risk, so in the last quarter you had said that the stable business actually is about $30 million in terms of quarterly revenue run rate and in the near term you expected some declines and we have seen some of that happening even in the quarter gone by.

How should we be thinking about it in the near term because as such your commentary for FY17 remains optimistic on the Digital Risk business? The second question, once again on the margin front, over the past few months you have changed your margin outlook from a 12% to 14% range, now to a 13% to 15% EBIT range and further benefit on margins because of the exit from ATM business. How should we be thinking about margins given the structural change that you are targeting with some of the deal wins on the Direct International side?

Ganesh Ayyar: Let me clarify that we are not exiting ATM business. We have found a different model to attend to ATM business. We have estimated the losses of next five years and taken one time hit as an exceptional cost. This will give us an expansion of operating profit to the tune of 60 to 70 basis points going forward. We are talking about next five years, so it is not just a onetime benefit, you will get benefit over next five years. Coming back to the question on EBIT band which you rightly pointed out to be 13 to 15, going forward in the first half of FY17, our band would be between 14 to 16. We are kind of lifting the band by 100 basis points. Let me move on to Digital Risk, If I were you I will take the Q4 run rate of Digital Risk and model the year around that to have a safe platform.

Moderator: Thank you. Our next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: If you look at this whole HP CSC merger and put in context the commentary of the kicker coming in Q2 in terms of stabilization of revenues, do you envisage any risk of that sort of being delayed in some form or is that overall everything pretty watertight in terms of the way it would flow?

Ganesh Ayyar: Let's contextualize this. We have large contracts with other customers, they sell their divisions, they restructure their divisions and especially if there is volume and value commitment as part of the contract, customer delivers that value and volume commitment. In this case our agreement is with HPE and they have all the prerogative to do what they have to do with their business. The contractual commitment which exists, I have no reason to believe it won't be honored and I do not anticipate any risk associated with the plan that HPE has announced for HPE as a business.

Nitin Padmanabhan: The other thing was with respect to margins, the improvement in gross margins per se, so this quarter basically the gross margins have expanded nicely and if I just look at the headcount, it looks like you have cut reasonable headcount within the BPO space. Going forward, what do you think will be the levers to really expand the gross margin from where it is today beyond the ATM business that we spoke about?

V. Suryanarayanan: Gross margin improvement which has helped in improving the operating margins, was predominantly due to better pricing in the whole portfolio. Apart from that, the headcount reduction which you see in BPO is on account of Digital Risk and you are aware that Digital Risk came lower this quarter and in line with what we had indicated earlier. In terms of levers for margin growth, our portfolio mix, where we are pushing for more revenues from infrastructure services and next gen services will enable us to improve the margins going forward.

Nitin Padmanabhan: Just one last follow-up if I may, for the whole year of FY16 how much would have the new IMS contract been as a percentage of overall TCV?

V. Suryanarayanan: I will just come back on that Nitin.

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

Sandeep Shah: Thanks for the opportunity and congrats on good execution. Regarding the HP, it looks like this is one of the lowest QoQ decline in the last 18, 19 quarters, so is it as per what we anticipated earlier and is there any one of the segments within HP channel you believe has performed well versus your expectations. What has driven this lower decline?

Ganesh Ayyar: All of us are happy that the decline has not been there in HP. We all have been waiting for this rain to come and after almost 4.5 years it has drizzled a bit but let's not announce monsoon yet. I will announce from Q2 onwards, at least that is my better prediction. I am hoping that that will be the case.

Sandeep Shah: But is it that the decline in the existing revenue within HP channel was lower or is it the growth from newer clients within the HP channel was higher, if you can give us a qualitative aspect of what has changed in the HP channel in this quarter?

Ganesh Ayyar: At this point of time my expectation is that the decline rate will stabilize and will get arrested. One source of confidence is obviously the new contract which has minimum revenue guarantee, second is looking at what is happening on existing clientele that we have. I would not read too much, it is good that in Q4 we did not see significant decline and what I am hoping to see is that starting Q2 FY17 this will bring clear stability. I cannot discuss more simply because I have to respect customer confidentiality of HPE as a customer but at least now we are beginning to talk about some rain versus complete drought that we had experienced for the last 4 to 5 years.

Sandeep Shah: The revised MSA also looks into minimum guarantee over a five year or it may look into QoQ or annual basis also?

Ganesh Ayyar: Definitely not QoQ, it would be on annual basis.

Sandeep Shah: Second, further to what Nitin asked in terms of CSC-HP enterprise transaction, even CSC has a reasonable base in India and HP will have base in India. In that scenario I think they will have a reasonable base on its own in terms of offshore locations, so will there be a more attraction for them to subcontract more revenue to a preferred vendor like Mphasis or do you believe that this transaction will lead to a major opportunity in a combined portfolio of the CSC and HP enterprise? I do agree this is maybe more a long-term question rather than, I just wanted your strategic view on the same.

Ganesh Ayyar: Right now for me to form a data driven opinion is very hard because the announcement has happened and this company does not even exist today. Anything which I do would be emotion driven point and I want to avoid emotion driven discussion. But suffice to say, the contract that we have is with HPE and having done business with them and knowing where they stand, there is every intent on all parties to fulfill the obligation. HPE is not going away, so let's not get too worked up about this contract. And ultimately, all the parties are professional enough to honor their commitment and even now we are only sharing with minimum revenue as a platform going forward and not building up, drumming up anything on top, whatever comes would be a bonus.

Sandeep Shah: And even this transaction will not lead to any change in a preferred partner status which you got through a new MSA?

Ganesh Ayyar: Our preferred partner status is with HPE and I do not see that changing as a result of this transaction.

Sandeep Shah: Ganesh, second is in terms of BFSI, from the peers we get a mixed argument. Even when we look into the results of large banks both in the US and Europe, the results are not encouraging. Does your discussion with the clients give you any kind of a caution where the spends may not come in a way which we have witnessed in FY16?

Ganesh Ayyar: I am not seeing weakness in our pipeline or our go-to-market momentum that we have built, especially in Direct Core. I am seeing change in pattern but I am not seeing slowing down. We are solving different questions than what we were solving three years ago or attending different questions than what we were attending and that is a good problem to have because it is making us far more strategic to our clients that we were before.

Sandeep Shah: And just wanted to understand why there is no dividend announcement being annual, like it is a Q4,

Ganesh Ayyar: I want to share the public disclosure made by Blackstone which is in their public offer document. Maybe I can ask Surya to read it out to you and that captures the essence. If people have any fear around dividend or whether it is going to be announced or not, hopefully that statement will clear the air.

V. Suryanarayanan: Sandeep, as you are aware we are in the midst of the transaction closure between HP and Blackstone. As part of this process they have submitted a document to SEBI as part of the open offer where they have clearly articulated possible corporate actions post close. One, of payment of special dividend and two, of buyback. So basically post close these actions will be considered by the new Board.

Sandeep Shah: And we expect the closure by Q2 of FY17?

Ganesh Ayyar: We expect it by end of July or early August as of the current outlook we have in terms of the process. Before end of September we have to hold the AGM. Board proposes and AGM endorses. So at this point of time there are no indications that we would not be able to meet that timeline. So the close would not come in the way, that’s current indication.

Sandeep Shah: And post this transaction, as it may happen by early August and the AGM is in September, even that special dividend would be for FY16 itself?

Ganesh Ayyar: If the decision can be made there then why would we want to delay it, That is the thinking.

Sandeep Shah: Second, you said 60 to 70 bps coming from ATM. Because the write-off being taken is close to around Rs.32 crores over a period of five years, so per annum it could be close to around 10 bps, is it the way we have to see or you believe that from Q1 of FY17 margin benefit would be 60 - 70 bps and what is the basis of this calculation?

Ganesh Ayyar: We have done the modeling and this will give us around 60 to 70 bps starting Q1.

Sandeep Shah: So what are the nature of this loses and is it like we are very sure and that is why based on the accounting standard we are doing it. What is the basis of booking this losses as these are future losses?

Ganesh Ayyar: This completely complies with accounting regulations and hence we are taking it. It is not done with any other intent. There are clauses or there are models within accounting principles which tells you that if we are aware of losses, we have to take it now rather than waiting for the losses to be. Because the transaction volume was much lower than what we anticipated is the primary reason, but this has been well modeled and at this point of time you can safely assume this will give us 60 to 70 basis points of improvement in margin.

Moderator: Thank you. Our next question is from the line of Yogesh Agarwal from HSBC. Please go ahead.

Yogesh Agarwal: Ganesh, just one quick question if I may. You have raised the guidance for the next six months for margins, will that be safer to assume that when the HP new arrangement kicks in the margins will almost be the same where they are today and you have factored that into the next six months' guidance?

Ganesh Ayyar: I have factored everything that we are aware of. If you look at our track record, we have come good over the last two years.

Yogesh Agarwal: So basically the HP margins, it is safer to assume remain stable where ever they are today?

Ganesh Ayyar: Whatever the margin is going to be has been modeled when I say that our range would be 14 to 16.

V. Suryanarayanan: Nitin, back to your earlier point with respect to the percentage of TCV wins for infrastructure services for FY16, 17% of the TCV wins were from infrastructure services.

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

Rahul Jain: Sir, on the revenue side, we saw further slip in this 'others' segment. We understand that this is non critical but what is the long run stand here, any stable mark which we see here? Secondly, on the Digital Risk run rate side if you see the annual or the quarterly run rate is around 40 million, not very different from where we started a couple of years back, so what is the vision in terms of a possible business momentum that can come at some point given the volatility part we are addressing to certain extent? And thirdly, what is the TCV growth on the full year basis and how one should mark the growth in Direct International based on this TCV?

Ganesh Ayyar: Digital Risk run rate is about $35 million in Q4, so as I mentioned on full year basis that is probably a good run rate to assume. Your statement that that was the rate when we acquired is not accurate because when we acquired Digital Risk was running at about 120 million per annum and if you recall at one stage it had dipped almost to 90 million when the mortgage industry got hurt very badly. We have recovered from then on. Digital Risk is more stable, less volatile but definitely more volatile than offshore business. That is my summary on Digital Risk business. You spoke about TCV wins and Direct International, in FY16 we did $303 million of TCV in Direct International, which is a growth of 15% over the previous year in TCV win terms. I expect Direct Core which is 72% of Direct International to grow faster than the market, Digital Risk as I have shared with you is 22% of the share of the pie of Direct International as we just discussed. Aspects on the 'others' business over to Surya.

V. Suryanarayanan: So Rahul, the 'others' revenue included revenue in respect of trading which we said will not take place going forward.

Rahul Jain: The revenue which we have around Rs.67 crores or let's say $10 million, should this go to zero or what are we seeing there? And during this quarter have we seen any revenue adjustment for this exceptional item or this is only at the provision level and revenue has come only to the extent which we are seeing the drop?

V. Suryanarayanan: So let me give you a little more clarity on the exception, the exception provision has been done in respect of future losses for the remaining part of the contract, for the next five years, and that is the losses. The revenues will continue to be recorded in the books going forward for the remaining part of the contract. In Q4, the revenues and cost are sitting above the line.

Ganesh Ayyar: We are not going away from the business, we have just taken exceptional item relating to future losses, the Q4 loss and revenue is above the line.

Rahul Jain: So going forward the expense and revenue would match based on the current transaction expectation that we have?

Ganesh Ayyar: You are absolutely right.

Rahul Jain: But it may further move up or down if the transaction volume changes?

Ganesh Ayyar: Yes, that is right.

Moderator: Thank you. Our next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Wanted your view on the outlook for 15 or 16 strategic accounts going into next year? Do you see any headwinds there or do you see it pretty decent in terms of pipeline? The second question was, how do you see the IMS pipeline today versus what it was same time last year, how does it look within the funnel, so is it possible that IMS as a proportion of TCV could be much higher going into next year?

Ganesh Ayyar: Our strategic accounts pipeline has no cause for concern, in fact if at all it gives us cause for confidence rather than concern as we look at it. The focus which we started last year to grow in the direct space putting IS in there, the pipeline today is stronger than what it was last year.

Nitin Padmanabhan: Just one more, the $10 million that we have recorded in the emerging market direct, one should assume that to be zero for next year or how should one look at that number?

V. Suryanarayanan: 'Direct others' where the USD 10 million is appearing is predominantly on the ATM and as I mentioned earlier the revenue would continue to get recorded in our books going forward. What we have done is only a loss provision in respect of that business.

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

Ruchi Burde: If I look at annual basis, the Company has done a good job on their Direct International business, while at the same time if I look at the client bucket in the higher client bucket side, I mean client contributing more than $10 million and clients contributing more than $20 million revenue, there is decline in that count. Could you help us understand why there is decline in this bucket?

V. Suryanarayanan: This is predominantly because of the exit of domestic BPO, we had couple of clients who were of the domestic BPO. Since we exited that business it came off that particular list.

Ruchi Burde: And there is very sharp decline in three count in this particular quarter, this is also because of the same reason?

V. Suryanarayanan: Yes.

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

Deepesh Mehta: I just need clarification on 'others', I think you partly addressed but I just want to make it clear. Other Rs.67-odd crores revenue is largely pertains to ATM and that revenue is likely to continue rather than becoming zero from next quarter onwards.

V. Suryanarayanan: Yes, you are right.

Deepesh Mehta: Only thing would be, that cost wise it would be different because some of the potential loss we have already booked as exceptional line item which lead to improvement in that business margin subsequently?

V. Suryanarayanan: Yes, you are absolutely right in that conclusion.

Deepesh Mehta: And second, I just want to get some color on billing rates. If I look application services billing rate, full year basis it increased by 5% - 6%. What do you attribute this to, whether it is mix change or if you can provide some color around that.

V. Suryanarayanan: I think it is to do also with respect to quality of TCV wins we have had and the business we have won, this attributed to the increase in billing rate.

Deepesh Mehta: So how you expect that to pan out, whether you expect mix change and quality of deal wins continue to help in terms of better realization or how one should look at it?

V. Suryanarayanan: With the focus we have in respect of the new gen services, we expect, if not improving from here but at least to be stable with respect to the billing rates.

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

Ashish Chopra: Ganesh, I just wanted to get some sense on the portfolio business opportunity from Blackstone set of companies. While the closure of the deal may still be three to four months away, you have already been investing in terms of having a team on the front end ready to kind of chase that business down. Just to get your thoughts on how do you visualize the timelines around some of these actually adding on to the revenues, do you expect that the shoots of that visible in FY17 as well, given that the team is already ready and some of the work is already being done on the ground or should we expect it to be really very gradual post the closure, how should we look into it?

Ganesh Ayyar: If I have given an impression that the team is completely ready, that is not an accurate representation. Team is getting ready. Second point is, we have not started approaching them yet because right now our focus is to ensure that the transaction completion happens. Then the third point related to whether we will see it in FY17, it has two variables, first variable is when does the transaction close; second is, what service line are we able to promote, because different service lines tend to have different sale cycles and size of the deal. So if at all we would see anything which I have not baked into my own model, if at all we see anything in FY17, in my estimate it would be towards the end of FY17 and not earlier.

Ashish Chopra: And just one last one from my side, the proportion between fixed price and time and material has really started moving only in FY16. So where is it exactly getting affected, if you could throw some light on that and how should we view this going forward?

Ganesh Ayyar: There is a concerted effort to shift and I cannot call it a trend because this you have to do deal by deal, customer by customer. One thing I can tell you is that there is a concerted effort and what it does is it also gives the flexibility and benefit to the client of using automation, hence there is a concerted effort. I mean it will only come as post facto, we cannot predict it per se.

V. Suryanarayanan: Ashish, this is also one of the levers we had talked about in the earlier quarters which would help to improve our margins.

Ganesh Ayyar: With this we will conclude the call. I want to thank you for being our partner and what you have just heard is one of the best years in recent past that Mphasis has had. Not just from results perspective but also how strong a foundation we have laid for future success. We are excited about the partnership which we enjoy with you, excited about the results that we have delivered. We are even more excited and confident about the future that awaits us collectively, so look forward to more interaction with you. Good luck and best wishes. Thank you so much.

Moderator: Thank you very much, sir. 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.