Hexaware Technologies Limited
Quarter Four Earnings Conference Call, Financial Year 2008
February 16, 2009

Moderator: Good afternoon ladies and gentlemen. I am Manjula, the moderator for this conference. Welcome to Hexaware conference call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would like to hand over to Ms. Latika Gidwani. Thank you and over to you ma'am.

Ms. Latika Gidwani: Thanks Manjula. Good afternoon to all of you. We are here today to discuss the results for Q4 and the year ending 2008. With us, we have Mr. Atul Nishar, Executive Chairman; Mr. Chandrasekar, Vice Chairman and CEO; Mr. Prateek Agarwal, CFO; Mr. Ramanan, Head, Global Delivery; and Mr. Deependra Chumble, CPO. I will just begin with the safe harbor. Certain statements on this conference call concerning our future growth prospects are forward looking statements which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include but are not limited to risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services including those sectors which may affect our cost advantage, wage increases, our ability to attract and retain attract and retain highly skilled professionals, time and cost overruns on fixed price, fixed timeframe contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which Hexaware has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. With this, I hand over to Mr. Atul Nishar.

Mr. Atul Nishar: Good afternoon ladies and gentlemen. Firstly, let me thank you all for joining the call that too on the day when vote-on-account has been discussed and the finance minister has been addressing media and the people. This particular quarter was a good quarter which was Q4 for us where we have reported 61.9 million dollar revenue and if we compare on a constant currency basis, that would have amounted to 64.4 million dollars. What is even more important is that our operating margin has improved by 460 basis points to 15.7% and that only reflects the success of number of steps that we have taken in terms of operational efficiency improvement and also improvement of utilization. At the same time, I must make it very clear that the year going forward, particularly next few quarters are going to be tough and the macroeconomic conditions have deteriorated quite a lot and even more so in last one or two months and that will reflect in our performance as well, but at the same time while the short term is going to be trying for us, I am very confident that in view of the client relationships that we have, both the depth of the relationship and the quality of clients that we have, the management team caliber as well as the talent pool that we have, I am pretty confident that barring this short period the duration of which I am unable to define very clearly, we would once again start growing on a healthy pace. So, now I would request P. R. Chandrasekar, our CEO and Vice Chairman to walk you through the quarterly results.

Mr. P. R. Chandrasekar: Thank you very much Atul. Good evening ladies and gentlemen. Thank you for joining us for today's call. As Atul mentioned, when I look at our quarter four results, there are a lot of positives that are worth highlighting. For starters, we met our revenue guidance in US dollars 61.9 million and given the market conditions and the difficult environment, I feel that that is a creditable achievement. If we restate these numbers, as Atul mentioned, it would be worth 64.4 million in constant currency. It is important to highlight that the Euro has depreciated by about 11% and the GBP has depreciated by close to 17% on a sequential quarter-on-quarter basis. From a profitability standpoint, I am glad to note that some of the measures that we had implemented over the last six months or so are beginning to pay off and our operating margins have improved by about 460 basis points to 15.7% and this improvement is on the back of a series of actions we have taken by the management of this company including improvement in our offshore utilizations as well as a number of other cost rationalization initiatives. Of course, we were also aided by the US dollar appreciation against the INR. Coming to the business, we added 12 new clients this quarter across the world and two of these customers belong to the Fortune Global 500 list. We expect these clients ramp-up and deliver growth in the forthcoming quarters in 2009. At the end of the year, we had 68 clients in the Fortune Global 500 list on our roster. The strength of our client relationships and the quality of our client accounts continued to be satisfying. The pipeline holds a lot of promise particularly in all three regions, North America, East Europe, as well as APac; however, the reality is that deal closures are slower and sales cycles are longer than they used to be. The recessionary climate has clearly forced some of the clients to adopt a somewhat more circumspect approach and this has resulted in a slower addition to our order book. On the organization side, we continue on the path that we launched three or four months ago with regards to our new organizational structure which is along vertical, horizontal lines. We have added two global vertical heads, one to manage our banking and financial services business, the other to look after our emerging vertical business with particular focus on healthcare and manufacturing and in order to improve on our internal systems and processes, we have also added a CIO to our leadership team. I am convinced that this organization structure, once it starts blending together and synergizing with each other will deliver results as the environment begins to look up. From a subsidiary perspective, FocusFrame, our organization that we bought to lead us into the testing consulting space has been merged with Hexaware and the integration is well on track. RiskTech, the JV in the risk area has reported very strong revenues in the second half of the year. However, as all of us are completely aware, the world as we knew it changed in last quarter and a little bit in December as well and the changes have been very dramatic and very sudden and has been both global as well as very, very wide ranging in their scope and it is evident that this change is going to impact all sectors of the economy including the IT sector. Given this factor, as we look into 2009 as an organization, we are continuing our approach on two fronts. One is from a more tactical and immediate standpoint, continuing to implement the many actions that we had taken to improve efficiencies, keep our costs under control, institutionalizing approaches to drive more revenue with the objective of maintaining our revenue as well as our operating margins. The second one is really to more about laying the foundation for profitable growth and a sustainable profitable growth going into the future. This includes verticalization, strengthening our competencies and adding some IP and unique capabilities to the table so we can provide more value to customers. We are convinced that this two-pronged approached will not only keep us humming as this marketplace remains difficult but also sets us up for a strong future once the economy rebounds. I shall now hand it over to Prateek, our CFO to discuss the financial highlights in quarter four 2008.

Mr. Prateek Agarwal: Thank you Sekar. Hello everybody. Sekar has spoken about the revenues already. I will take you through the key components of the variance analysis. Starting with the revenues, we had two big impacts in Q4 versus Q3. One was on account of the cross currency volatility which is basically the depreciation of the Euro and British pound where we had an impact of about 2.5 million dollars quarter on quarter. As we said earlier, pound has depreciated by about 17% to 18% and Euro by about 11.5%. So, that has impacted us by 2.5 million. The other big impact has been given the holiday season both offshore and onsite, that has impacted us by another 2.5 million dollars which was, of course, factored into the guidance that we gave as well which we had talked about last quarter. Setting aside this 5 million dollars, the business volumes have actually generated incremental revenue worth about 0.6 million dollars which is about 1% Q-on-Q. Going on to the operating margins, we have reported a healthy increase of 460 basis points compared to the EBIT of Q3 2008. Again going through the variance analysis, the breakup is in three parts. I will first cover the positive figures for this quarter. Basically the impact of utilization and the productivity increase has resulted in 315 basis points improvement on the back of 790 basis points improvement in the utilization metric. The second improvement in the cost initiatives on the SG&A front has resulted in a margin improvement of another 255 basis points. There are a couple of negatives. So, in terms of drop in revenues due to the lower number of working days in the holiday season, that has set us back by about 405 basis points and as far as depreciation is concerned, due to additional capitalization, we have had a small impact of about 20 basis points. So, if you take these four factors, about 150 basis points have been added to the margin which is the net effect of these four factors. Over and above that, we have impact of foreign exchange, so the GBP and Euro depreciation which costed us 2.5 million on the revenue line has generated a 60 basis points fall in the operating margin as well. However, on the other side, INR USD, the rupee has also depreciated against the US dollar which has given us 365 basis points improvement in the margin. So, the net effect of both these currency fallouts is a net impact of about 305 basis points. For the records, INR has depreciated by about 11% from Q3 to Q4. Going on to the metrics, our billing rate in Q4 has come down basically on account of the depreciation of pound and Euro. The pound and Euro has impacted us by about 3.5 percentage points Q on Q and there is a leftover impact of about another 0.5 percentage point in the offshore hit. At constant currency terms, therefore, based on Q3 actual exchange rates, the billing rates are only marginal lower. Covering the forex hedge books, the overhang has been considerably reduced. Though we have an overall hedge position of 171 million, the cover at about rupees 40 to the dollar, that has come down to about 140 million. So, the balance 31 million is at better exchange rates. This has spread across the next seven quarters and therefore September 2010 is the last maturity of this cover that I am talking about. In this quarter, we have declared hedges worth US dollar 13.5 million as ineffective and this has resulted in a hit of US dollar 2.3 million in our P&L. Adjusted for this ineffective hedge outflow, Q4 PAT margin, profit after tax would have been higher at actually 9.3%. Coming to the other notable metric in the table, our DSO is an all time low of 63 days and as you can see, it has significantly dropped versus the 78 in the same quarter last year and the progress has been improving quarter on quarter. And finally, coming to the Q1 revenue guidance, we have given the guidance based on the exchange rates that are mentioned in the press release which are just a little lower than what the Q4 actual average rates were. With this, I leave the floor open for questions. Thank you for your attention and over to you moderator.

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions no a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now. Participants who wish to ask questions may kindly press * followed by 1 on your telephone keypad. First in line, we have Mr. Pratish Krishnan from DSP Merrill Lynch. Please go ahead sir.

Mr. Pratish Krishnan: Yeah, hi, thanks. One is from your guidance for the first quarter, what would be your guidance based on constant currency rates?

Mr. Prateek Agarwal: Pratish, the guidance for the quarter is 51 to 53 million dollars.

Mr. Pratish Krishnan: Yeah.

Mr. Prateek Agarwal: And in constant currency versus last quarter, it will be basically half a million drop kind of a thing. So, it is 51.5 – 53.5 on a comparable basis.

Mr. Pratish Krishnan: Okay. And secondly in terms of the order book for the particular book, sir I didn't see this figure in this press release, could you just comment in terms of what was the order book, order intake for this quarter?

Mr. Prateek Agarwal: The order book Pratish is the same or similar in nature what we have given earlier, but we are in the process of relooking the process by which we collect that data…

Mr. Pratish Krishnan: Okay.

Mr. Prateek Agarwal: …because we are not fully satisfied with that number because it probably doesn't reflect reality.

Mr. Pratish Krishnan: Okay. And the order intake number, I mean the order intake for the particular quarter.

Mr. Prateek Agarwal: Sorry, that is the number which we are not talking about because we are relooking the process.

Mr. Pratish Krishnan: Okay. And, you know, finally just in terms of, you know, the utilization levels…

Mr. P. R.

Chandrasekar: No, having said that…

Mr. Pratish Krishnan: Yeah.

Mr. P. R. Chandrasekar: as Prateek mentioned, there is nothing untoward in terms of the order book as we previously used to disclose in the last quarter.

Mr. Pratish Krishnan: Okay.

Mr. P. R. Chandrasekar: It is just that we feel that it does not give you a true reflection of what the state of affairs is and what the future business is likely to be, but it is not materially different from what was there in earlier quarters.

Mr. Pratish Krishnan: Sure. And, you know, finally in terms of the utilization levels, it has clearly improved this quarter, I mean how much scope do you find, you know, in terms of taking it further up because it already seems at the peak, you know, levels as compared to Hexaware's history?

Mr. P. R. Chandrasekar: Good question Pratish. Reality is from theoretically there are clearly opportunities for us to improve our utilization even further. To some extent, it will also obviously depend on the revenue line…

Mr. Pratish Krishnan: Yeah.

Mr. P. R. Chandrasekar: …and if the revenue line drops, there is a certain pressure that does build on our utilization. Our intent is to keep…try and keep our utilization going into 2009 somewhere in the 75% odd range and in one or two quarters where we are under pressure on revenues, we will face some pressure on utilization, but clearly we want to be in the 75 plus percentage range.

Mr. Pratish Krishnan: Okay. And any views on recruitment for the Q1 or maybe for the full year?

Mr. R. V. Ramanan: Recruitment for Q1 will be primarily based on demand. We are not going certainly after recruitment. We are going to be, you know, primarily based on demand.

Mr. Pratish

Krishnan: Okay, okay. And just one last question, just in terms of the forex, you know, the mark to market losses sitting on the balance sheet, I mean how much of that would, you know, practically flow through your P&L if the currencies were to remain at these levels.

Mr. Prateek Agarwal: Pratish, if you see the balance sheet, we have actually broken out that line this time.

Mr. Pratish Krishnan: Yeah.

Mr. Prateek Agarwal: So, as you can see, for the quarter, it is 123 crores in the results, just below the results, right.

Mr. Pratish Krishnan: Yeah.

Mr. Prateek Agarwal: So, if the exchange rate was to continue at the balance sheet closing date rate of about 48.7, this would be the amount which would flow down into the P&L over the next seven quarters.

Mr. Pratish Krishnan: Okay, okay.

Mr. Prateek Agarwal: However, we do not expect the rate to remain this.

Mr. Pratish Krishnan: Sure. Fine, thanks, thanks a lot.

Mr. Prateek Agarwal: And this is over the next seven quarters…

Mr. Pratish Krishnan: Fine.

Mr. Prateek Agarwal: …like I said earlier.

Mr. Pratish Krishnan: Okay, yeah, that's it from me.

Mr. Prateek Agarwal: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Nihar Shah from Enam Holdings. Please go ahead.

Mr. Nihar Shah: Hello sir. Just a quick question, your guidance for next quarter, you know, sort of is a big downturn from what you performed this quarter, from 61 million to about 53 million, can we just understand, you know, why is it such a big drop of about 10% plus, 14% I think.

Mr. P. R.

Chandrasekar: Nihar, this is Sekar. The drop is significant. The drop is not a result of any loss of customers or any serious development with regards to any geography or any vertical.

Mr. Nihar Shah: Okay.

Mr. P. R. Chandrasekar: There have been a couple of customers where two largest engagements that we were working on did come to a closure in quarter four which we will not…those projects will not continue in quarter one. So, that does have some impact, but that does not explain the complete drop that we are witnessing. The larger drop is explained by frankly a general slowdown in the overall marketplace which in turn is resulting in some cost cutting measures at a series of clients. It is not isolated to one client or one industry, but we are literally talking about three, four, five people and literally every…and some large number of customers…

Mr. Nihar Shah: Okay.

Mr. P. R. Chandrasekar: …who will come off projects and whereas in the past, they would typically move into another project within a week or 10 days, that process is taking longer, that explains that drop.

Mr. Nihar Shah: Okay.

Mr. P. R. Chandrasekar: Equally important, a number of pursuits that we have engaged in because the pipeline is fairly robust…

Mr. Nihar Shah: Okay.

Mr. P. R. Chandrasekar: …in terms of the number of deals and opportunities that we are actively pursuing, both in terms of high probability opportunities as well as not so high probability opportunities, but the sales cycle and the closure of those has got extended, so unfortunately what we are seeing in quarter one is that a number of these small slowdowns, two-three people coming off projects here and there has hit us on a cumulative basis and we are fairly optimistic that this trend is…and he same time, it also makes it kind of hard to predict…

Mr. Nihar Shah: Okay.

Mr. P. R. Chandrasekar: …because it is so fragmented in nature, so that really is the explanation as to why this has happened.

Mr. Nihar Shah: Okay. So, what I am getting is that, you know, it is not really pressure from your top 10 or maybe top 15 customers, but, you know, the smaller engagements that you all are working on currently, would that be a fair assessment?

Mr. P. R. Chandrasekar: Yes and no. We are getting…there is a minor reduction ranging from anywhere from 10,000 dollars to say 100,000 to 200,000 dollars across a range of customers and this could include some of our top 25 customers as well.

Mr. Nihar Shah: Okay.

Mr. P. R. Chandrasekar: But there it is not a…it is not like we have lost any of them or any major projects have got cancelled, it is just…as you are aware that any engagement with clients over some 2-3 million involves multiple projects that you engage in and a bunch of people engage in a whole bunch of other things.

Mr. Nihar Shah: Right.

Mr. P. R. Chandrasekar: And it is just everything has kind of hit us in one shot.

Mr. Nihar Shah: Okay. Maybe, you know, just maybe I am just going into the detail a little bit more, but just wanted to get an understanding, you know, this pressure that you are feeling, is it coming more on the volume side or on the pricing side and, you know, what is the company trying to do about it going forward over the next maybe three or four quarters, you know, what is going to be the strategy to deal with this downturn?

Mr. P. R. Chandrasekar: The pressure is on both sides, yeah.

Mr. Nihar Shah: Okay.

Mr. P. R. Chandrasekar: Clearly, there is some volume pressure in the sense that newer projects are harder to come by and all customers, regardless of industry and geography, are watching their cost rates closely.

Mr. Nihar Shah: Okay.

Mr. P. R. Chandrasekar: At the same time though, there are some pressures on pricing. It has not materially affected us so far in any of our major clients.

Mr. Nihar Shah: Okay.

Mr. P. R. Chandrasekar: But clearly there is a lot more discussion in the last few weeks with several customers who are pushing for pricing concessions and some of the new opportunities we are chasing…

Mr. Nihar Shah: Right.

Mr. P. R. Chandrasekar: …historically which would typically come at 3% to 5% higher pricing…

Mr. Nihar Shah: Okay.

Mr. P. R. Chandrasekar: …that is not…we are not really seeing that. There is pressure on pricing as well. But so far, it has not really affected our bill rates.

Mr. Nihar Shah: Okay. That's it from my side, thank you so much.

Mr. P. R. Chandrasekar: Thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions may kindly press * followed by 1 on your telephone keypad. Next in line, we have Mr. Kunal Sangoi from Edelweiss Securities. Please go ahead.

Mr. Kunal Sangoi: Yeah, thank you. Sekar, my question is with respect to this enterprise application services, now given that, you know, we have a higher exposure, almost 30% of our business coming from that particular domain, how do you see the demand environment in that because it will be more of a project based, you know, the revenues would be more of project based rather than long-term contracts. If you can give some, you know, details on that.

Mr. P. R. Chandrasekar: Kunal, clearly enterprise solutions has been and remains a cornerstone of our capabilities and our ability to both penetrate customers and grow those. I remain actually still very optimistic about the potential opportunities in those areas, whether it be PeopleSoft or in the growing practice we are building in SAP. Having said that, unfortunately the couple of project closures I have talked about as well as given the size of our relative exposure in enterprise solution, as you said it represented close to 30% of our business till last quarter clearly means that it has gotten affected as well. So, while it has happened, I still see it remaining a substantial portion of our business. If anything, with the addition of SAP, we have recently hired a person to head our SAP practice, we are building more IP and other capabilities in that area. So, I actually hope…and we are strengthening our Oracle Fusion and Oracle team as well, so I actually think enterprise solution will remain a strong component of our business going forward.

Mr. Kunal Sangoi: Sir, but would you see also…see because, you know, almost 63% of our, you know, revenue is based onsite, there would be a greater chance for, you know, drop in revenues, particular from onsite-related enterprise package implementation particularly, so is that something that is mainly getting factored in the next quarter guidance?

Mr. P. R. Chandrasekar: See, next quarter guidance is based on some things that we know now, right, based on that we are seeing some slowdown as I explained in much…in quite detail earlier…

Mr. Kunal Sangoi: Yes sir.

Mr. P. R. Chandrasekar: …and a small part of that is enterprise solution. In terms of, in fact, enterprise solution does explain the higher onsite component that we have. Many of these engagements, particularly in the initial and in the implementation phase, require more onsite content.

Mr. Kunal Sangoi: Sir.

Mr. P. R. Chandrasekar: And some slowdown there will affect our overall revenue rate.

Mr. Kunal Sangoi: Okay.

Mr. Prateek Agarwal: However, Kunal, I must also add that a significant part of our enterprise application services is also support and maintenance. So, it is not that there is a disproportionate implementation or global rollout kind of work that we do.

Mr. Kunal Sangoi: Okay. How much of…basically how much percentage would that be, if you can quantify that?

Mr. P. R. Chandrasekar: It is roughly 50-50.

Mr. Kunal Sangoi: 50-50, okay, thank you. My second question is with regards to the, you know, direct cost. I think, you know, despite our headcount reducing by almost 300 people, our cost have more or less remained stable or, in fact, just margin increase of 1.6%. Is that attributable to senior management recruits?

Mr. Prateek Agarwal: No, direct costs don't include senior management recruits anyway.

Mr. Kunal Sangoi: Okay.

Mr. Prateek Agarwal: The number there is basically all the billable people including all the delivery heads as well. So, the new vertical heads that have got added is more in the SG&A line.

Mr. Kunal Sangoi: Okay. Then, in fact, then the increase or maybe the headcount reduction has happened during the end of the quarter, would that be a fair assumption?

Mr. R. V. Ramanan: No, the headcount reduction has happened evenly. The increase could be due to some of the, you know, short-term projects where people had to travel onsite. So, the overall headcount saw a marginal increase.

Mr. Kunal Sangoi: Okay, okay. And lastly Prateek if you can actually, you know, give us the delivery schedule of your hedges, that would be helpful.

Mr. Prateek Agarwal: It is roughly about…you can take it to be roughly about 25 million from quarter two to quarter three of next year, so that six quarters x 25 average, that gives you about 150.

Mr. Kunal Sangoi: Right, okay.

Mr. Prateek Agarwal: The balance is in the current quarter kind of a thing.

Mr. Kunal Sangoi: Okay, okay. Thank you and good luck.

Mr. Prateek Agarwal: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Jaspreet Chhabra from Prabhudas Lilladher. Please go ahead.

Mr. Jaspreet Chhabra: Good evening sir. Sir, you said that if the currency stays at the current level, how much of the loss sitting in the balance sheet would be flown into P&L, I just missed that sentence of yours.

Mr. Prateek Agarwal: Yeah, like I said earlier it is about…the total mark to market on the balance sheet is about 123 crores.

Mr. Jaspreet Chhabra: Yeah.

Mr. Prateek Agarwal: Roughly it would be 50-50 in 2009 and 2010.

Mr. Jaspreet Chhabra: Okay.

Mr. Prateek Agarwal: If the currency remains at the same level.

Mr. Jaspreet Chhabra: Okay.

Mr. Prateek Agarwal: Which we don't believe it would.

Mr. Jaspreet Chhabra: Okay. Sir, we have huge cash balance is our books to the tune of 280-285 crores.

Mr. Prateek Agarwal: Yeah.

Mr. Jaspreet Chhabra: So, how do we intend to use it, I mean do we intend to do some buyback offers or any special dividend to shareholders or for some M&As?

Mr. Prateek Agarwal: Jaspreet, as you would have seen in the release, we have, I mean the Board has recommended a 25% final dividend bringing the total to 50%.

Mr. Jaspreet Chhabra: Okay.

Mr. Prateek Agarwal: So, we are not planning any special dividend or anything like that.

Mr. Jaspreet Chhabra: Okay.

Mr. Prateek Agarwal: Neither are we planning any buyback offer kind of a thing at least in the immediate future.

Mr. Jaspreet Chhabra: Okay. Sir, what would be our yield on the investments?

Mr. Prateek Agarwal: As of now, it is about 7% to 8% on an annualized basis.

Mr. Jaspreet Chhabra: Okay, fine. Thanks a lot.

Mr. Prateek Agarwal: Welcome. Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Dipesh Mehta from Khandwala Securities. Please go ahead.

Mr. Dipesh Mehta: You had around 12 clients during the quarter..

Mr. Prateek Agarwal: Sorry..

Mr. Dipesh Mehta: 12 clients.hello..

Mr. P. R. Chandrasekar: Okay, there was a little bit of a disturbance here, can you ask us the question again.

Mr. Dipesh Mehta: Yeah, we have added around 12 clients during the quarter, so can you throw some light on details about those clients and how much scope would be there for growing our business. And second question in the last four quarters, we have added around 40 clients, still our USD 1 million plus clients remain more or less same at around 56. So, can you explain that more sir? Thanks.

Mr. P. R. Chandrasekar: See, the customers do take time to ramp up and this does…as far as the 12 customers are concerned, they come from multiple geographies, Apac, Europe, as well as North America, multiple, at least two verticals, both emerging verticals as well as in the BFS space. Two of them are in the Fortune 500 list. The others are also good names to get. The growth clearly in at least three or four of them, the way we have entered those accounts promises that there could be some good potential of growing these accounts in the future. Having said that, there are some accounts that take time to ramp up and some frankly are arrowheads that we enter into and our ability to then grow it further gets a little limited, but overall this is I think a good sign that we have opened 12 accounts and they will give us opportunities to grow tomorrow.

Moderator: Mr. Dipesh, are you done with your question?

Mr. Dipesh Mehta: Yeah, yeah, thanks.

Moderator: Thank you very much. I repeat again, participants who wish to ask questions may kindly press * followed by 1 on your telephone keypad. Next in line, we have Mr. Akhil Dhawan from Lotus Investment Group. Please go ahead.

Mr. Akhil Dhawan: Just a quick question on your…on what the expected level of profitability would be in Q1 and, you know, even if you can't be specific, could you be a little directional in terms of where it would be from here?

Mr. Atul Nishar: Akhil, I think you can…while we don't give profit guidance, but since the revenue is declining, you can safely assume that the margins can also go down.

Mr. Akhil Dhawan: Okay. I understand you can't…can you help us sort of think about what that is, how much that could be?

Mr. Atul Nishar: Prateek, you want to add anything?

Mr. Prateek Agarwal: Like Atul said, we don't give guidance on the profitability and he has already given the direction, I would not want to venture any specific number.

Mr. Akhil Dhawan: Fair enough. Thanks.

Mr. Atul Nishar: But again as I said, since it is negative, we want to make this clear that since the revenue is falling by a fair percentage, you know, it has to have negative impact on all margins.

Mr. Akhil Dhawan: No, that's clearly understandable.

Mr. Atul Nishar: No, I mean fair extent because immediately, you know, one cannot realign in a manner that one can cut cost, not to that extent.

Mr. Akhil Dhawan: Okay, fair enough. And any CAPEX guidance for next year?

Mr. Atul Nishar: CAPEX for?

Mr. Akhil Dhawan: Next year CAPEX guidance.

Mr. Atul Nishar: Yeah, CAPEX, I think the CAPEX could be anywhere between 10 and 12 million dollars.

Mr. Akhil Dhawan: Good. Thank you.

Mr. Atul Nishar: In the calendar year 2009.

Mr. Akhil Dhawan: Thank you.

Moderator: Thank you very much sir. At this moment, I would like to hand over the floor back to Mr. Atul Nishar for final remarks.

Mr. Atul Nishar: I just want to thank all of you to have joined this call and for your continued support to Hexaware. Thank you very much.

Moderator: Thank you very much sir. Ladies and gentlemen, thank you for choosing WebEx's conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.