HCL Infosystems Quarterly Investor Conference Call

Q1 Earnings Conference Call

October 23rd, 2015

Speakers : **Mr. Premkumar Seshadri, Executive Vice Chairman and Managing Director, HCL Infosystems**

Mr. S G Murali, Group Chief Financial Officer, HCL Infosystems Ltd

Mr. Bimal Das, Joint President Enterprise Products, Distribution Business, HCL Infosystems Ltd

Ms. Kannika Sagar, Chief People Officer, HCL Infosystems Ltd

Moderator: Good day, Ladies and Gentleman. Welcome to HCL Infosystems first quarter 2016 audio conference call. We will start with the presentation and then follow up with a question and answer session. We would like to begin with mandatory disclaimer. This call may contain forward-looking information including statements concerning our outlook for the future as well as some of the other statements of belief, future plans and strategies. These forward looking statements and information are subject to risk and uncertainties that they entail. We have on the call with us Mr. Premkumar Seshadri, Executive Vice Chairman and Managing Director, HCL Infosystems, Mr. S G Murali, Group Chief Financial Officer, HCL Infosystems Ltd, Mr. Bimal Das, Joint President, Enterprise Distribution Business, HCL Infosystems Ltd, Ms. Kannika Sagar, Chief People Officer, HCL Infosystems Ltd. Now I will hand over the call to Mr. Premkumar. Over to you, sir.

Premkumar Seshadri: Welcome to our Q1 call and trust you all had a very great Dussehra. In terms of our Q1 results, it was a satisfying quarter despite some headwinds. So let me touch upon the core elements in terms of the headwinds first. In the quarter that went by we were faced with a product rationalization phase in one of the core businesses in the Telecom space. This had an impact in the context of volumes as well as in the context of certain margin compression because of the product profile. This was a very key headwind and as you would see in slide number 3, where I talk about it in the consumer distribution side, we are looking at this to be an ongoing product rationalization of the principal and would actually take another quarter before it smoothens and we get down to a more predictable and appropriate margin regime. On the SI side we had another headwind this quarter, wherein we were faced with the wrong side of the wind in the context of having a project mix which is aligned to timelines. As you would have seen in multiple quarters in the past, you have a good quarter where you achieve your deliverables and also in the context of which projects are coming up for a set of recognition in the quarter. In the quarter that went by, I think that there is some kind of a cyclicality that is built into our SI business. So, we were faced with both of this in the same quarter, hence what you see is a compression in the overall revenue from 1686 crores to 1471 crores. However, on a year-on-year basis, the positives which were there was the continued growth of the Enterprise business and we look at almost a 68% year-on-year growth. I have with me Bimal as we go further in the call, we could look at what was the specificity around the quarter-on-quarter. We had a very good June quarter in the Enterprise distribution, but the positive side is that the pipeline continues to be growing and growing well. As far as the services businesses are concerned, not only on a Q-on-Q basis, but also on a year-on-year basis, we continue to be looking at the right kind of a growth trajectory. The pipeline for both the Enterprise services as well as the consumer services continues to be in good traction. The satisfying part was that both the product Enterprise distribution and the services businesses, the overall traction in the marketplace and the pipeline going forward, essentially seems to be building up to be a very healthy phase. The loss PBT from a Q1 perspective is at 48.5 crores, which was 39.7 in the last quarter. We are happy to state that there has been a broader sense of organization build that has happened in this quarter, some of which is seen in the kind of awards that we have won. Importantly, this quarter was also the starting point of two key initiatives from a talent perspective within the organization and that is the reason why we have Ms. Kannika Sagar from an HR perspective who would give a sense of color in the context of the kind of transformation that is ongoing within HCL. This was an important point which we have not touched upon in the last few quarters and therefore it is important for us to understand how the people strategy in the broader sense would support in the business transformation exercise that is ongoing. In this area, we would be the first of the size anywhere globally to have launched a personalized unit level weekly self evaluation process, which will be the first of its kind, which over a period of time would replace what we have traditionally known as annual appraisal systems. This is built around a few premises in terms of what we want to achieve, greater ownership to the performance. So the performance, ownership and utilizing our employees to full potential is very critical. The second key aspect from an HR perspective is a very noteworthy achievement in the last quarter and has been an overall qualitative change in our talent strategy especially in terms of recruiting high profile and high potential candidates and the response that the team has really received from the best of the institutes of management has been extremely heartening. This is the key change that you would see in the coming quarters with respect to the mix of people that would be involved in this transformation exercise as we gain momentum. I would now handover to Mr. S G Murali who would walk you through Q1 FY16 P&L snapshot, starting with slide no. 4. Over to you Murali.

S G Murali: Thanks Prem. Good morning to all of you. On the revenue front we are at Rs. 1471 crores versus Rs. 1686 crores in Q4. In comparison to the last quarter, the revenue came down by about Rs. 215 crores. The revenue for the Consumer distribution business has fallen by Rs. 78 crores. The revenue for Enterprise distribution business has fallen by Rs. 38 crores and the System Integration business is lower by roughly Rs. 85 crores. For the consumer distribution the ongoing product rationalization at the principal's end has contributed to lower revenue; and on the Enterprise distribution, the overall the market has been growing slowly during the last quarter. We are also going through a phase of stabilization which has resulted in the revenue being slightly lower than the last quarter by about Rs. 38 crores. In SI, the revenues are largely linked to the projects that get executed during each quarter. During the last quarter we had a significant project which got executed and hence the revenue was higher, at about Rs. 238 crores. This quarter we are at Rs. 153 crores for the SI business. There has been movement in profit before provision for doubtful debts, write-offs and impairments. In comparison to the last quarter where we were at a profit of Rs. 19.9 crores, this quarter we are at a loss of Rs. 9 crores. This largely attributable to the SI business where there is a movement of about Rs. 16 crores which has been on account of the higher revenue and the associated profits of the higher revenue for the project which got executed in the last quarter. In the consumer distribution, we are continuing to face the margin pressure coupled with the lower revenues which has contributed to a lower profit before provision for doubtful debts, write-offs and impairments in that business. At a PBT level, again, there has been an impairment provision of Rs. 5 crores, due to some of the receivables which are actually not moving fast. This is something which is work in progress, conservatively we have taken a provision for this in the distribution business, and overall when we look at the profit before interest and tax, in the last quarter we were at a negative of 5.3. This quarter we are at negative of16.8. The interest cost is lower than the last quarter at 31.6, and PBT we are at negative 48.5 vs. negative 39.7 in the last quarter.

Moving on to the slide for Enterprise distribution the revenue for the quarter is Rs. 202 crores versus Rs. 240 crores in the last quarter. You would see that between Q1 and Q4 of last year, the revenue actually doubled and we went through a significant ramp up during almost March and right through the quarter 4 of last year. Right now the business is going through a stabilization phase, coupled with it was a slower quarter for the industry itself which has resulted in a marginal drop in revenue. Given the vast expansion that we have done with the channel where 55% of the revenue which accrues through the channels, we were in a direct selling mode for most of last year and from the last two quarters we have been selling more through the channels resulting in an increased revenue in the Enterprise distribution business coupled with the portfolio expansion which is going on with the OEMs. I think we are poised for a very good growth going forward. In the office automation business, we will be targeting a multi brand strategy starting next quarter; discussions are on with the OEMs on the office automation business for the new strategy which is in place. Moving on to slide 6, in the consumer distribution the revenue for the quarter is Rs. 873 crores. Windows phone continues to have a growth momentum. We have had 38% of the sales compared to 29% of the sales in the last quarter. Microfinance channel has also been contributing to the overall growth in the rural segment. Overall the revenue has dropped by about 8%. Like Prem had mentioned earlier, the continuing product rationalization by the principal and the margin pressure have contributed to the drop in revenue and margins compared to the last quarter. We have started online sales only in the last quarter. We are seeing a slower uptake of our online channel at this point of time which has impacted the revenue for the quarter. On the non-Telecom business we are still in the process of strengthening our go to market, the tie-ups are still maturing and hence the growth has been slower. We had exited the memory card segment due to low margins and intense competition in the segment which has partially resulted in a drop in the non-telecom consumer business revenues. Otherwise this is an area where we need to continue to optimize on our portfolio and expand our online presence to gain entry with the large OEMs.

Moving on to slide 7, the overall revenue for the distribution business is at Rs. 1075 crores and the profit before interest and tax is at Rs. 5.9 crores for the quarter.

Moving on to slide 8, services continues to grow. Last quarter the revenue for Enterprise services business was Rs. 209 crores. This quarter the revenue for Enterprise Services business was at Rs. 211 crores. The revenue for the consumer services in this quarter was Rs. 40 crores compared to Rs. 45 crores in the last quarter. We have seen a 22% year-on-year growth in Enterprise services. We are seeing a continuing momentum in the new order booking and also in the pipeline growth. We continue to focus on investments in the service delivery capability and in the emerging technologies which will be our USP for future revenue growth in the services business.

In consumer services, we achieved 18% year-on-year growth. Expansion of service center network for some of the OEMs have been actually completed in the last quarter. We had couple of OEMs with whom we used to do the servicing for their exclusive centers. But now in the last quarter we have actually signed up couple of more major OEMs. Partly this will offset the disengagement with one of the repair factory where we had a tie-up with an OEM but the contract has not been renewed. However, that will largely get compensated from the newer tie-ups which we have just completed in the last quarter. The revenue should stabilize and moving forward we have also now signed up with one of the e-commerce players, an insurance company for a new extended warranty product, the revenues of which will start accruing from the end of this quarter. Overall I would say that the consumer services is stable and poised for good growth.

Moving on to slide 10, the total revenue for the quarter is Rs. 251 crores compared to Rs.254 crores of the last quarter, and at a PBT level, we are at a negative 2.3, in comparison to negative 4.3 in the last quarter.

Moving on to Slide 11, in the System Integration Business our revenue for the quarter was at Rs. 153 crores. This is largely dependent on the projects that got executed during each quarter. Last quarter a significant component of one of our large project got executed. Hence the revenue was higher at Rs. 238 crore. We are now moving from a build phase to more of a maintenance phase. Most of the projects are entering the last phase of completion. As we go forward, the fluctuations sometimes in the revenues as well as in the margins will stabilize, as most of the billed phase should get completed between now and the next 18 months. The Aadhaar enrolments have increased to cover 92 crore citizens versus 87.5 crores last quarter end. We have seen good sign offs in some of the key projects. However, we continue to face some pressure on collections. There is a lot of work which is being done and we should be able to realize the receivables for the projects that got completed in the last couple of quarters in the coming quarter. This is broadly where we are, and I will hand over back to Prem for questions.

Premkumar Seshadri: Thank you Murali. I would now request the coordinator to open the floor for Q&A session.

Srivatsan: Hi Prem, this is Srivathsan from Spark. I wanted to get your thoughts on a couple of areas. The services business has been scaling up pretty nicely but we are not seeing any signs of profitability play out. Where do you think is the challenge? Is it that, so much of cost has been invested to build scale that these are actually pretty decent gross margin businesses that we are not seeing it at EBIT level mainly because of scale issues? Do you see a decent scale of profitability at operating level? What gross margins these businesses would be?

Premkumar Seshadri: Thanks Srivathsan, I think the context around the services business offers growth both in terms of broad volume and revenue. It is a business which will keep looking at gross margins expansion as we build scale. In the services business there is a co-relation between scale and margin which is reasonably at a high level. Fundamentally in this business the investments that we have made in the last 2 or 3 quarters continue to be of a high nature. The nature of the services business from being a completely break fix kind of on the ground engineer field support organization, is migrating itself largely to the new age services, which are getting launched. This required a significant amount of talent infusion with different type of people. It also required significant amount of retraining of our own people and also bringing in the appropriate systems and processes to make sure that we build this up for scale. So if you look at the platform that is getting built both on the context of capex associated and our newer facility to build a NOC and remote resolution center. All of these investments are essentially consuming quite a bit of margin. From a business point of view and at a broad level of guidance from an industry perspective in India, we would be clearly over the next few quarters outlier in terms of the margins. The broader margins in this space is anywhere around 24-26%, and we are definitely looking at 100 basis points higher as we stabilize.

Srivatsan: Prem, hope I have understood you correctly. You are saying that you may scale of Rs. 1500 crores of revenue from the services business. You could see high teens or even higher margins at operating level?

Premkumar Seshadri: Well, I would say it may not have to go to Rs. 1500 crores. When We may cross the 1000 crore barrier from a run rate basis, I think we should be seeing margin in those teens.

Srivatsan: This is mainly on the Enterprise side that you are effectively talking about, right?

Premkumar Seshadri: It is on the Enterprise side, and also in the context of the consumer side. We are rejigging the model to be significantly variabilized in terms of our cost structure which requires a certain methodology, certain systems, the way we look at our repair factories and consolidation of some of them. All of these exercises were happening in the last few quarters. So by variabilization on the consumer services we would be seeing that difference in both of these businesses.

Srivatsan: Ok great. The second piece was on the provisions that we have been having consistently across businesses, be it services or learning. In learning, the provision numbers is running at 50% of the revenue. Is it the sales booked coming in to provisions because the numbers are pretty high even on the services business.

Premkumar Seshadri: I think there are two parts to it. Fundamentally you are right in the context of these provisions being done from the past, and secondly controlling what is happening today and ensuring that we don't have it in the context of any of our recent transactions. And in the learning business itself we have as you would know, moved completely away from the LRR based leasing business into a complete procure content basis. So from a percentage point of view, it is not right to view from ratio perspective as fundamentally the revenue that we are accruing today would be revenue without any of those higher assets and values. It is pure content which is being purchased by customers. So there are two elements to it which I would like Murali to add further color on this so that you get a clearer perspective on this.

S G Murali: Yes, thanks Prem. The provision if you see quarter-on-quarter, two of the areas where we had seen significant provisions was the PC and mobility business where it was on a wind down phase. And, as we explained during the last quarter we are through with the PC mobility wind down. There is a small facility which is just being wound down and the inventory is closed and the BR is completely recovered and whatever is not recovered we have made adequate provisions for it. The second one was on the SI. The nature of the contract of SI is such that wherever there is a LD deduction most of the customers deduct money when they dispute either the SLA delivery or some of the performance parameters. We go through a long process of convincing the customers to explain why we are right and subsequently these LDs are partially or fully recovered. And in the interim what we need to do is where we have an LD we make an associated provision so that at least we don't have a surprise later. If you see in the SI business, in comparison to the last couple of quarters, during this quarter, the provision has been, significantly low. In the Learning business we have a LRR of roughly about Rs. 89 crores, from a large number of schools from whom we have to collect this money. And in a business of this size to collect this money, we have to make a provision where we see some delinquency from some of the customers. Some of these are still recoverable and this is a norm that we have adopted. The norm is that if we don't get the money from a customer for three quarters in Learning then we provide for his entire outstanding and continue to work with the customer either to collect or to go for the recovery from the customers. So, learning, you cannot directly compare to the services revenue. The Rs. 7 crores revenue is a quarter-on-quarter services revenue. The Rs. 3.9 crores which you see is the services and content revenue and the Rs. 3.9 crores is largely attributable or entirely attributable to the past LRR customers, which is recoverable between 18 to 21 months from now. Coming to the services business, Rs. 3.4 crores, which we see is an LD with customers which we have to conservatively provide. Given the size of this business, Rs. 250 crores, 3.4 crore which is a provision, is a reasonable provision that we can expect in the business of this size, considering the large number of customers that we have in this. When the ticket size of the transaction becomes bigger and we move into larger and larger corporates, we see that this provision percentage will come down over a period of time. So I would say that at this point of time, this is largely reflective of the current customer profile and this should over a period start stabilizing. In distribution business as explained we have seen some delays with some of the customers, largely in the public sector we have conservatively taken a provision. We are continuing to work with these customers to make sure that these are recovered. Overall the provision what we are seeing 14.3 on a revenue of 1471 is about 1%. Given the scale and the large number of customers and partners that we have to deal in this business, 1% of total revenue of Rs. 1471 crores, is what we reasonably expect. Except for project related receivables, where we may have some LDs for which we may have to make provision from time to time, and continue to work and collect and reverse these provisions over a period of time.

Srivatsan: Thanks Murali for the detailed response. I have couple of more questions. The next one is on the SI business. What is the order book outstanding as of September quarter? How much proportion of this is services post the projects go live?

S G Murali: Roughly about Rs. 1350 crores is the total order book that we have at this point of time. Rs. 700 crores out of this is the AMC, which is spread over a period of 5-7 years. Out of the balance of Rs. 650 crores, 40% would be delivered starting now till next year June, 25% would be delivered between June and March of the subsequent year and the balance would be delivered within the next 6 months post March, that is by September 2017. Hence in the build phase the order book is largely 70%, 80% and 85% for most of the projects. In fact some of the projects we are at 95% plus. The entire project order pipeline at this point of time would get executed between 2-2.5 years maximum.

Srivatsan: Okay, thank you sir, I will come back later.

S G Murali: Yes

Moderator: Shall we take the next question?

Premkumar Seshadri: Go ahead.

Hardik Jain: Good morning sir, this is Hardik Jain from Whitestone Financial Advisors. As I understand, we can charge on the transaction for the Aadhaar authentication. Hence I wanted to understand, if we will be able to charge on the transaction basis for the government's schemes authentication?

Premkumar Seshadri: I wouldn't comment specifically on our Aadhaar engagement. We won't be able to disclose as our contract does not allow us to do so, but in the context of our role as the master service provider, it is essentially in the context of managing the entire network and the authentication and making sure that the cards are delivered. I won't get into the specifics of what the other contract related benefits are in terms of upsides, change request and more. Hence I wouldn't be able to get into the details of the contract. But I could definitely share that as the master service provider our focus is largely on building the entire infrastructure and ensuring that the infrastructure associated with that is working.

Hardik Jain: Okay, Sir as you mentioned earlier that in the services business, it was of break-fix nature and now it is transforming into a more modern service orientation and that's why more investment is needed in training. Can you just elaborate on this or give an example on how the business is transforming?

Premkumar Seshadri: The transformation is happening in three parts. The first level of transformation that has been happening over the last one year is that we have moved away our 90-95% dependency on government and public sector to reduce this by almost half today. The reason is essentially in terms of the acceptance of value added services which is essentially the primary reason why we have moved over the last 18 months from somewhere at a gross margin level at about 8-9% to almost about north of 20% today. That is largely one level of transformation at the client mix. The second level of transformation is at the offering mix. From essentially going completely break-fix, which was the only thing that we were doing last year to now having a very robust break-fix environment which is perhaps the best.. This we need to also look from the context of managed services wherein significant part of the contracts have moved on to complete infrastructure managed services. So in the IMS domestic areas where the investments like NOC and a remote resolution center becomes relevant. The second aspect of it is not just confining to manage services. The service requirements of clients today are going beyond IT infrastructure, so there is a need to look at it in the context of Internet of Things. Our investments in the Internet of Things, both in the context of

R&D and in the context of capability building can definitely be positioned as a pioneer in this space. And if you read the NASCOM report, India would be the largest IOT market in the world. So in our context our march is towards preparation of this and also the pilots that we are doing today. These pilots are actually proof of concept for customers but also build up capability for us which do consume a lot of resources at a cogs level and which impacts your gross margins today. But once we build this capability, the replicability of these services would be large, and incidentally they are global in nature. Secondly, other than IOT, the entire focus is around the migration to Cloud in multiple forms. You are migrating data, infrastructure and applications. So we are now actually in many areas have built up the competency across all these three platforms. We will continue to invest over the next few quarters in this space and you would see that the scale up that will finally happen in these spaces would begin parallelly along with present pipeline. Our present pipeline 6 months back from now was 90% of traditional service like break-fix. Today almost 70% of the pipeline is on emerging services.

Hardik Jain: And my last question is on distribution businesses which is mainly impacted due to product rationalization as you mentioned. If you can provide us information on what kind of product rationalization is there and by what time this rationalization will get over?

Premkumar Seshadri: I would like to inform you that from now onwards the focus would be essentially around Windows 10 and Windows 10 based products. Greater and greater amount of the products are migrating into the Win10 environment and the Win10 ecosystem. The recent launches by the company, which was launched in the last fortnight or so. They are all looking at the higher end of the market spectrum. So the migration that is really happening is more on the middle and higher levels of the marketplace which obviously looks at some rationalization at the lower levels which are the volume products. So when you see some of those coincidentally the volume products are also the high margin products. So when you look at rationalization of some of the lower end products, you are seeing the compression that is really happening in that space. But as we stabilize the product mix we want to be very clear in terms of our guidance saying that this rationalization process which started with the principal taking a big charge on to their balance sheet in the beginning of this quarter. I think that was the starting point of the rationalization and I would believe that it would continue for a quarter more before the newer products become the primary products and you are able to start seeing the ecosystem around this. Because in the Telecom business the large part is the ecosystem that is getting built around it and we should start seeing the benefits of it. To us it is in the medium term. In the short term a little bit of a headwind, but in the medium term I would consider it to be business as usual, and in the long term I would consider this to be actually a tailwind.

Hardik Jain: Okay, thanks a lot, sir.

Moderator: We will take the next question. Please go ahead.

Ritesh: Yes, hi, this is Ritesh from Lucky Investment Managers.

Premkumar Seshadri: Yes please, Ritesh.

Ritesh: I just wanted to reconcile, if you look at your P&L and your cash flow number, how different it would be and to what extent the PBIT loss in hardware production is a function of provision or write off or any of those nature that's one question?

Premkumar Seshadri: Ritesh, I didn't quite understand the question. Could you just repeat it?

Ritesh: I said if you look at your P&L, Profit and Loss statement on consolidated basis, what would be the cash conversion in that P&L statement?

Premkumar Seshadri: Okay.

Ritesh: Okay, and second, it's been 6 quarters since we had this whole strategy of slowly winding down the hardware production in which there is the SI business. What is the lag and how do you see it?

Premkumar Seshadri: As far as the PC hardware wind down part I think we are almost done with it. I could confirm that the wind down process is done. We had stated in the last quarter meeting that we are at the tail end and today I think the tail is also gone.

S G Murali: We can also state that there is one factory which is just kept operational where we have to take a call in terms of shutting it down. But there is a small overhead associated with it which is very negligible. Otherwise there is nothing in the PC mobility business at this point in time.

Premkumar Seshadri: Yeah, I think contractually there are certain things that we need to retain, so there is one factory which is being retained. But we are looking at some interesting opportunities that have come up our way in terms of contract manufacture that happens out there, but that's more in the context of it, but that overhead is just being carried on, so there is no legacy write off which is sitting there in the PC business.

S G Murali: If you see the Rs. 2 crore per quarter is the overheads associated with one of the factories which is in the process of shut down which we have to decide. The factory premises which is there has no operations there. But we need to continue to maintain that factory, that's it.

Ritesh: How about the SI business wind down?

Premkumar Seshadri: No, SI business is not a wind down business. I don't know where you got that impression. SI is an interesting business, the organization has built and incubated significant competency building across authenticity, identity management, across significant network and so on. So if you had an impression that's a wind down business, it is not.

S G Murali: Except that we decided to go slow on the new projects, complete our existing projects.

Premkumar Seshadri: Our emphasis on the newer projects is lesser compared to our emphasis on execution of the newer projects. It is by no means a wind down business.

Ritesh: What about the cash conversion?

S G Murali: Basically the cash conversion you are saying – is that the large part of the receivables from the SI project, they are all milestone dependent as and when the projects get completed. We said the projects are at 70%, 80%, 90% completion and the collections will happen for these receivables as the projects get completed and get accepted by the customer.

Ritesh: What should be a possible best guess in terms of completion and collection?

S G Murali: I have very clearly explained to you that the completion should happen between now and I also gave you the percentage of what will get completed in the next 1 year, 2 year and another 6 months beyond that. The collections will normally lag the completion. Once it gets completed, it takes between 3-6 months for the customer to give the sign offs, accept it and release the payments.

Ritesh: Two years from now is when it totally gets completed?

Premkumar Seshadri: What Murali had just stated is that out of the Rs. 650 crores of outstanding build contracts which are there, you would have about 40% of them nearing completion by June of 2016, and maybe in another 6 months from there, maybe another 30%, and the balance tail residual which will extend right to 2017.

S G Murali: It takes about 2 years by which time projects will get completed.

Ritesh: Does the balance part have scope for profitability?

Premkumar Seshadri: I would not be able to comment very specifically on to the various components of this. Our objective would be to continuously push on execution and lower costs, and whatever we are trying to do we will continue to do.

Ritesh: My last question is, what are these receivables in the balance sheet on this part of the business?

Premkumar Seshadri: We will get to the next question and we will basically answer this by the end of the call.

Moderator: Shall we take the next question, sir?

Prem: Yes, please.

Moderator: We will take the next question. Please go ahead.

Abhay Jain: My name is Abhay Jain from Salem. The question is – there is wound down of hardware business as you mentioned. How much of working capital will it reduce?

Premkumar Seshadri: No, it has already been wound down. It is already closed, there is no further working capital benefit or cost associated with that.

Abhay Jain: And a similar question - Rs.1000 crores to Rs. 1200 crores is the PSU payments expected, how much of it is collected till now?

S G Murali: The collection happens every quarter. Last quarter we collected about Rs. 200 crores. We also billed close to about Rs. 243 crores during the quarter. So the collection happens every quarter. There is past billing being collected and there is a billing happening during the quarter as well.

Abhay Jain: When is this expected to end?

Premkumar Seshadri: That's what we explained now, we looked at the outstanding build project at about Rs. 650 crores, out of which we said that about 40% of them will happen by June of 2016, and another 25-30% in the 6 months thereafter and a year from there the balance tail end of the project.

Abhay Jain: Okay, one final question - when the balance sheet is expected to show net profit in this term?

Premkumar Seshadri: I can't give you a guidance on that, but I can only say that we are working towards it.

Abhay Jain: Okay, we are working towards it positively.

Premkumar Seshadri: Yes.

Abhay Jain: Thank you very much.

Premkumar Seshadri: We have the answer regarding the overall debt in the SI business.

S G Murali: Of the overall receivables we have about Rs. 855 crores which is contract work in progress. We have about Rs. 150 crores which is unbilled receivables, which gets billed on the milestones. We have about Rs. 70 crores which is BR billed and pending collection, Rs. 350 crores which is BR which is pending collection. The total is roughly about Rs. 1400 crores.

Ritesh: Fantastic. That was a very specific question I wanted an answer for. I'm really glad. Thank you.

Moderator: We will take the next question. Please go ahead.

Jaffrey: Hi sir, my name is Jaffrey, I'm from Ramesh Damani Finance. I have a couple of questions. On the last call you mentioned that there are significant capabilities working with the government and in the projects in the sense communication and UIDAI. Are you seeing any other traction with the capabilities in this business?

Premkumar Seshadri: Yes, I mean I think the way I would like to understand this business is that it was entirely an incubation business on some leading edge capability which is impossible to acquire in any other way other than experiencing it. So if you look at it in the context of what we are doing in Aadhaar or what we are doing with some of the defense projects or the Telecom projects, every one of those projects are completely leading edge. In fact I would go to the extent of saying it is even leading edge plus. This kind of a capability is not available anywhere at a service provider level. So we look at it as a complete incubation of these competencies and it is an investment that we have really made over the last 5 years. Today we are at one level at the fag end of this, at the second level these are the competencies that are really seeing significant traction not just in the country but even outside as we go along. But our focus today and which was a conscious focus that we did about 6 months to 9 months ago, almost a year ago, we actually put the whole plan to state that let us build on these competencies, convert them into reusable components, and convert them into much more replicatable capability and not take on any incremental additional businesses. We have now reached a point where I think there is a good traction which we could actually start participating in and that is something that we have started in a very measured way to make sure that the level of cash burn in these projects are not along the lines of what happened in the past but are more relevant and where we are completely asset-light in the way we look at it. So we have worked some very interesting strategies and we are involved in some projects already which perhaps are coming to us because of this capability.

Jaffrey: To get a sense of size sir, would it be safe to say that over the next few years, these would become fairly large engagements?

Premkumar Seshadri: Well, these could really become good engagements; I wouldn't comment on the size of the engagement but I would really say that they would be very good engagements and definitely profitable engagements.

Jaffrey: Alright sir. Sir, the other question is relating to Aadhaar. The services contract is for how many years and when does that begin?

Premkumar Seshadri: We are now in the 28th month, so we had a complete 7-year project, which began 3 years ago.

Jaffrey: Alright, and sir, what is the probability of this contract being extended after 7 years?

Premkumar Seshadri: Well, I wouldn't comment on that at this point of time. We have another 4 years to go.

Jaffrey: Alright sir. Sir, in the past the company has mentioned in the conference call available in the public domain that there is an Aadhaar transaction linked payment and that there is a per unit payment that the company will receive. So I am curious to understand why we are not looking to dwell further in that right now, because in the public domain the company has mentioned this in the past

Premkumar Seshadri: No, I would really not be able to comment on contractual parts of this engagement and I am not sure what you are referring to.

Jaffrey: I can point your reference to the September 2014 conference call and the October 2014 conference call, both of whose transcripts are available in your website where management has categorically stated that there is a transaction link payment through Aadhaar and that you will get a per unit payment as well. So what I am trying to understand is has that changed or should we go by the guidance which you gave.

Premkumar Seshadri: No, I think we should understand the context of those statements. We still are into some other businesses which are linked to transaction fees, which is the financial inclusion business of ours, which is very clearly linked to transaction fees and so on, where we are looking at rural financial inclusion initiatives and so on, which are dependent on them in terms of identity as Aadhaar. But the focus is largely the financial inclusion side. Any case, we will study that and maybe come back if there is any clarification.

Jaffrey: Follow up question on that, so there are other engagements, something like a financial inclusion which would be transaction based, which has Aadhaar as a back end. Is that what you are trying to say?

Premkumar Seshadri: No, I'm not saying Aadhaar as a back end. I said that any financial inclusion has to have a defined identity, the identity could be from Aadhaar. But that doesn't mean that it is an Aadhaar linked payment. What we are basically saying is that the financial inclusion work that we do is linked with transaction piece.

Jaffrey: Let me have a follow up on that sir. Given that Aadhaar has reached a tipping point, there are almost 100 crore people in the scheme. Are you seeing that the private sector is trying to make applications around your ability to authenticate and identify customers?

Premkumar Seshadri: In the context of anybody who needs identity, I believe that there is this opportunity for them, for any corporate to look at identity and if they want to adopt it, I guess this is for us the easiest technology for them to implement. So I would definitely state that there are definitive enquiries that we have from the corporate sector which look at identity management as a solution and we do believe that our capability around identity management is by far second to none.

Jaffrey: Agreed sir. Two quick questions. If we want to model your revenues, we want to understand if you have got a good transaction revenue for Aadhaar or not? I mean you have been doing Aadhaar before that, and as it is in the public domain, why can't the information be shared? All we are asking is if it is a significant component or not?

Premkumar Seshadri: I would not be able to comment on it very specifically, but from your model point of view I think whatever is required for you to build your model is being shared with you.

Jaffrey: Okay. My next question is that do you also see a benefit of Aadhaar in terms of people maintaining data on the Cloud and you helping them maintain it and do analytics on their behalf?

Premkumar Seshadri: I told you, very specifically, about the capability around identity management. I was not talking about Aadhaar here. I meant that the capability that we have around identity management is second to none. The propositions that we have built around this for various kinds of corporate sector requirements such as analytics by identity management by itself even in the context of Internet of Things. In every one of these areas there is a clear amount of identity requirement and I think we are well equipped to participate and actually provide a leading edge solution there.

Jaffrey: Great. I respectfully ask you regarding Aadhaar based transaction revenues and please get back to us because that is what has been communicated, we are building models based on that. So if you would just look at that and then maybe rethink what you can disclose to us or not, that's all.

Premkumar Seshadri: Sure, we will come back to you.

Moderator: We will take the next question. Please go ahead.

Gala: This is Gala from Panav Advisors. Just had a couple of questions. Number one, we said that the order book position in System Integration is Rs. 1300 crore, out of which Rs. 700 crore pertains to this UIDAI project.

Premkumar Seshadri: No, it refers to all projects which are in various stages of execution.

Gala: I want to understand that that you mentioned Rs. 600 crore worth of projects and you gave the percentage bifurcation. How they are going to be executed now?

S G Murali: See Rs. 1350 crore is the total project order book, which is yet to be executed, out of which roughly about Rs. 700 crore is in the build phase and Rs. 650 crore is the AMC, maintain phase. As and when a project gets completed, it starts moving into the AMC phase that is maintenance phase. Now roughly 40% of the billed phase should get completed in the next 9-12 months, another 25% should get completed in the next 6 months, and the balance should get completed another six months later. So I think between 2 to 2.5 years, all these projects which is worth Rs. 700 crore should get completed. Aadhaar is part of the Rs. 700 crore, along with many other projects.

Premkumar Seshadri: Aadhaar is both part of the Rs. 700 crore and the Rs. 1350 crore.

Gala: Okay, both put together. That was one. The second thing is we said that we have made considerable investment in distribution and services to deliver some cutting edge services. How much investment have we already made towards those initiatives and how much more is likely to be made in the coming one or two years?

Premkumar Seshadri: In the context of the investment made in the past, the last 3 quarters of whatever P&L gaps that you saw from a profitability point of view, you should consider those to be very clearly largely attributable to the investments.

Gala: Okay, will that be at the operating level?

Premkumar Seshadri: Yeah, it will be at the operating level. And going forward, I think these are inbuilt into our business plan. The business will be able to absorb some of these costs as we go along. But we will continue to make investments over the next 2-3 quarters in a way which perhaps is setting us up for scale as we go along.

Gala: Okay. Can you just give some broad number as to what kind of investments we are looking at?

Premkumar Seshadri: No, I would not give you guidance on that as it would be inappropriate. The reason is that I would like to disclose lesser to you at this point. My concern is essentially that many of the POCs that we are doing are very cutting edge, newer solutions. So the length of the POC could get altered, it could either get compressed or extended. Some of these will have to go through some iterations. So looking at some of the centers of excellence that we are building, both for services as well as for distribution, I think it is important that we don't fix it up with any specific numbers as a guidance.

Gala: No, I don't want specifically for a year or so. What I mean to say is, if you take a cluster of say next 2-3 years, to reach a stage where you are able to scale up each and every business, and earn a healthy operating margin, what kind of investments broad investments you have in mind?

Premkumar Seshadri: See, I don't think I will be able to actually quantify a number and tell you. I can't tell you that x number of crores is my investment over the next 9 months or 12 months, because there are two parts to it. The first is in terms of the variability that is there associated with that and the second is this period itself. Even beyond that, we can't be in a leading edge services business without continuously investing.

Gala: I perfectly agree with you.

Premkumar Seshadri: At some point of time, when you tip the point to about Rs. 1200 - 1500 crore kind of services revenue, these investments will become part of operational costs.

Gala: Absolutely. My next question pertains to our capital employed of Rs. 2460 crore, of which nearly 50% is shown as unallocated. What does that represent?

Premkumar Seshadri: This would mainly comprise of our assets which are not allocable to a specific segment, such as liquid assets which are in form of investments with mutual funds, etc.

Gala: That you have separately shown as about Rs. 200 crore. I am talking about the Rs. 1000 crore figure.

Premkumar Seshadri: Yes, then there is one major item for lease rent recoverable. A part of that relates to our Learning business and a part to our Solutions Company. As per accounting disclosures, this is not allocable to a particular segment as this is considered as a financing activity. So they lie unallocated, which is about Rs. 260 crore. Then there are about Rs. 100 crore of Income Tax related assets, which are at the corporate level, and more than Rs. 630 crore as goodwill, which is on books.

Gala: Okay, goodwill on consolidation.

Premkumar Seshadri: Yes. So these are the key items. There are some minor items as well such as fixed assets which are common corporate fixed assets. , but large items I have shared with you.

Gala: Okay, I understand. Just one more question – we said that we have started this online initiative on the consumer distribution side. I wanted to know that is it exclusive to us for Microsoft products or whether Microsoft is at liberty to get into the e-commerce channels with other e-commerce providers?

Premkumar Seshadri: As far as India is concerned, we are exclusive to this principal.

Gala: Oh, exclusive for e-commerce.

Premkumar Seshadri: Yes. Exclusively for e-commerce and the rest of the market.

Gala: Okay. Which are the other markets?

Premkumar Seshadri: Defined markets in India.

Gala: Which are the other markets apart from India?

Premkumar Seshadri: India markets, I said.

Gala: Okay. While you don't want to give any guidance, do you see us likely to have a net positive position by end of the year, sir?

Premkumar Seshadri: No, I wouldn't comment on that. It would be forward looking. I can't state that.

Gala: Okay, but you said that you are working towards it.

Premkumar Seshadri: No, we are working towards reaching that point as fast as we can.

Gala: Okay. Thank you very much and wish you all the best.

Moderator: We will take the next question. We still have four more questions queued up. I request the participants to wait for your turn please.

Premkumar Seshadri: Please go ahead. We will take the next question.

Gala: I just wanted a broad sense on the enterprise distribution side where currently we have this Rs. 240 crore type of run rate, which is Rs. 80 crore per month, coming from a number of different items, like data center, network and security, office automation, end user computing, digital conversion, etc. Now, looking at the initiatives which we are taking, how soon and how much can we ramp up this particular aspect?

Premkumar Seshadri: Okay, Gala. I am giving it to Bimal Das from Enterprise distribution to talk about

Bimal Das: Good Morning. In Enterprise distribution, like you know, we started this journey 4 quarters back. So even though we have a negative growth quarter-on-quarter, we had 68% year-on-year growth, and a good pipeline in the last quarter. The closure has taken some time primarily because of the deferment of some large Government projects in which we were engaged. The other thing is that we have also created a good pipeline with OEMs which will give some results in future. Right now the pipeline is looking good. We have a good channel base now with more than 700 system integrators now engaged and almost 2500 partners registered with us. So we have a good ecosystem created for giving channel finance and other ecosystem which will help us to increase the business.

Gala: What would be the optimum size of run rate you would like to achieve over a period of next couple of quarters?

Premkumar Seshadri: Well again, any number there would be a guidance. But what we are basically looking at is that each of these businesses get into a certain level of stabilization. You can notice a difference between Q4 of last year and Q1 of this year. I call this the normalization period. Our expectations as an organization is to give you a specific answer around the April May June quarter. We should be able to tell you what would be the normalization number that we are looking at, but we are working towards it.

Gala: My another question pertains to how do we correlate the Enterprise distribution and Enterprise services once they will be nested in different companies, as a result of our plan?

Premkumar Seshadri: Well, there is a focused synergy in the organization which is leveraging both the go to market side and the activations associated with sale of new products. We have existing relationships with clients for services. At some point in time, the client is looking at a technology refresh in the services of the infrastructure maintained by us. This technology refresh is of interest to the Enterprise Distribution business. So the synergy impact takes care of that and once we are getting down into a new equipment for that company, there are a bunch of services, from commissioning to migration and others, which come straightaway.

Gala: Okay, so that becomes part of the Enterprise Services. As far as contracts are concerned from any particular client, how would you bifurcate the revenue between, say Enterprise Distribution and Enterprise Services?

Premkumar Seshadri: There are very clear, independent quotes. Clients also require independent proposals. It's not about you marking it up altogether, it is normally good industry practice to essentially look at this as clear separation, in terms of product or service, as the case may be. Product separation in case it is a service contract, which has a product. Service separation in case it is a product contract which has a service.

Gala: Okay, my next question is regarding HCL Care. What is the level of operation and how soon do you think we can ramp it up?

Premkumar Seshadri: Well, ramping up is divided into two parts – the first essentially is about are we becoming a market leader? At the run rate that we are on, anybody next to us is less than half. So we have achieved the first part. For example, today there is at least one product category, where there is not a single brand which is not with us. So, the next step of ramp up making sure that we have replicability, we get into a level of cost efficiency and also in the context of looking at value added services sitting on top of it. So our focus in the last quarter and in the coming quarter is to look at value added services. We are looking at extended warranty through insurance which is what I would call surround strategy around the same requirement. We are doing that now and slowly stabilizing close to about 8-12 new relationships that have come up over the last 6 months, which we are now trying to look at scaling up/ramping up across the country and also opening up newer service lines as we go along. So I think we are on that business. We are on a good capability point of view and a good ramp up mode which you will see as we go along. We have done about Rs. 40-odd crores in the last quarter. I think that's very clear in some of the cases I would say is almost close to the annual revenue of the number 2 competitor.

Gala: Was the repair factory dis-engagement by an OEM being compensated by a recent key large customer related to Samsung?

Premkumar Seshadri: I would not comment on this. The company looks at a different strategy for a particular year and goes on, but I wouldn't name any specific company for this.

Gala: Okay, because you know Samsung has not been doing that well because of competition from Microsoft and Apple. Yesterday they reported that they are going to curtail their manpower and other costs by about 5% in India. So do you think that our business can be impacted going ahead because of this?

Premkumar Seshadri: I am not commenting on Samsung's performance or its manpower issues. My focus is essentially on the handsets which require repair. For most of the brands, we are the primary source of such service. If there is a shift in market share between them, my belief is that it should not impact us because it goes from brand A to brand B or to brand C. It has nothing to do with the brand names that you mentioned. I am giving you a generic industry statement.

Gala: Okay. Thank you very much.

Premkumar Seshadri: My request is that if we can keep the next few questions brief as we are running short of time. We have another 10 to 15 minutes to finish this. If the question has already been asked I would request you to take a follow up on that independently and we are happy to answer you. So keep it to the point and if it is a new question I would greatly appreciate it.

Sanisha: Hello Prem

Premkumar Seshadri: Yes.

Sanisha: Hi, my name is Sanisha, I'm from Mumbai and a chartered accountant. I have three questions. First question would be if you could give me the business wise breakup of the order value.

Premkumar Seshadri: No, we cannot share that. We can only tell you about the system integration business because that was the disclosure that we started many quarters ago. What is the opening balance for the other businesses we won't be able to give you that information.

Sanisha: Okay. My second question is, have there been any significant client additions in the last 3 to 4 months? Could you give me the break up business wise?

Premkumar Seshadri: I think there has been significant new client additions, both in the Enterprise Distribution and Enterprise Services.

Sanisha: Okay, but can you specify the names of those big clients?

Premkumar Seshadri: Client confidentiality prohibits us to share client names with you.

Sanisha: Alright. My third question is regarding the e-commerce business where significant growth is happening. What nature of services are you expecting and what scalability do you see going forward?

Premkumar Seshadri: Well, the overall capability to look at end-to-end of the entire supply chain fulfillment area, that is required for e-commerce company, other than two aspects which we do not play in, which is we don't have a front-end store, which is what the brands doing it, are doing. And two, we are not building on that brand in terms of building more product categories inside it. So, the rest of the entire back-end logistics in terms of including reverse logistics, returns and things like management, I think we have the entire end-to-end capability.

Sanisha: Alright. My last question is, I heard you are closing down the hardware business? So, there I see a significant capital employed which is roughly around 20-25% of the total capital employed. So, if you say that you are closing down this business that particular 595 crores capital employed gets free by when? Would it be utilized on return on the debt or it would be placed in other growing businesses?

Premkumar Seshadri: No, I think you heard us wrong. We are not closing down the hardware distribution. We have closed on the hardware manufacturing side, and there is no capital employed other than the one factory that we talked about, which is still on and which has an overhead built into it. We are looking at some other options there going forward. But fundamentally, other than that, there is no capital employed for hardware manufacturing.

Sanisha: So you mean to say, nothing as such be free from the capital employed that can be used elsewhere?

Premkumar Seshadri: Not for hardware manufacturing.

Sanisha: Okay. Thank you so much for answering the questions.

Premkumar Seshadri: Thank you.

Moderator: Shall we take the next question, sir?

Premkumar Seshadri: Please, go ahead.

Parimal Mithani: Good morning sir. My name is Parimal Mithani. This is with reference to your conference call dated 1st September. On page 23, the management has mentioned that the contract with UIDAI are as per unit. Per unit rate is defined for various types of services. Do you stand by that statement or no?

Premkumar Seshadri: I think there is a need to clarify this. I think it is a generic industry model engagement of multiple types of engagement. So there is an engagement related to project, related to the additional services that come on top of it from a managed services point of view and then there is a transaction related service which has, perhaps been mentioned in the past. It is a context of what can be done. It is the art of the possible.

Parimal Mithani: Can you explain that further?

Premkumar Seshadri: I think, we will clarify it independently, but I think I will not be able to talk to you specifically with respect to a contract. It is a very industry specific statement, nothing to do with the contract in hand.

Parimal Mithani: So, as mentioned, do you stand by the statement which the management has made in the concall dated 1st September?

Premkumar Seshadri: As I told you earlier in the call, I'll examine and come back to you, because one has to go through it and come back to you with a clarification.

Parimal Mithani: Okay sir. Secondly, can you throw some light on what is the scope of your Financial Inclusion line of business and what areas does it cover?

Premkumar Seshadri: So, we are basically looking at enrolment, authentication, and bringing the unbanked into the banked world. That is the primary nature (of the scope). From the technology side, a smartcard, over a period of time would be migrating into a smart phone. So, this is the first level of work in terms of getting authentication working through the BCAs and so on. There is a transaction fee involved here, which is associated with the transaction that the individual does with the bank, going forward.

Parimal Mithani: So is this through a RuPay card?

Premkumar Seshadri: We have migrated our technology to support RuPay card also.

Parimal Mithani: Can you explain how does this transaction evolve if you include this into it?

Premkumar Seshadri: Let's look at it as a smartcard application. So, when we are authenticating, first of all find out the person in the relevant village, get to him, make sure that we bring him into the banking world, by giving him a smartcard and opening an account for him through one of the rural banks. Once it is done, the person now has a card through which the person can shop, can get money inside it and can actually use this card to pay. So transactions are done by that individual, we would get a small percentage as transaction fee on that. So the transaction fee topic that we are talking about, is in the context of financial inclusion.

Parimal Mithani: Okay. I've read a statement from the National Payment Corporation (NCPI), which handles the RuPay card in India. Basically Visa and MasterCard charges you, if you want to use their terminals. They charge 3.25 per transaction versus the NCPI, which charges us around Rs 25 to 250 for this payment gateway, which is there. So, have we tied up with the NCPI for this?

Premkumar Seshadri: No, we are working as a sub-contractor to the relevant bank. Hence the transaction between NCPI or any of the other part is with the bank, not with us.

Parimal Mithani: So who is the party who will be paying? The banks will be paying to us for this, right?

Premkumar Seshadri: That's right. We get a share of what the bank gets, the bank shares with us.

Parimal Mithani: Is it safe to assume, if tomorrow, for a mobile authentication, a person comes to you for a new sim card, he will get for the authentication as well as for the transaction that happens through that card?

Premkumar Seshadri: Not for sim card. We are talking about financial inclusion products. The moment the person is either on the smart phone with me or on my smartcard, then I would get a transaction fee, not on a regular sim.

Parimal Mithani: But in your last concall you mentioned that Aadhaar has become open for various new services, so this has come from that?

Premkumar Seshadri: That was a broad industry statement. Now the Supreme Court has given Aadhaar further legs with few more capabilities. But that has got nothing to do with us. I am just giving you an industry statement and the fact that the work that we are doing is now extending beyond the original scope.

Parimal Mithani: And sir, what is the nature of this transaction? Will it be per unit or will it be like you mentioned with the villager earlier?

Premkumar Seshadri: No, he could buy something from a shop, or be paying some bills. The person could be using it to get any direct benefits into that card, and he is using that money in some form. All of this is a transaction. Fundamentally just like a Visa or a Master, there is a transaction on the card, for which they get some money. Likewise, when there is a transaction on this card, we get to get some money.

Parimal Mithani: Okay Sir, thank you.

Premkumar Seshadri: I want to clarify that this is pertaining to the financial inclusion business line.

Parimal Mithani: If you do not mind, can you go back to your earlier Aadhaar statement which you mentioned in your concall of September?

Premkumar Seshadri: We will have to study it and come back, but as I told you, the statement is basically at a broad level of the kind of engagement that are there in a project, it is a broader industry statement, not a specific contractual statement.

Parimal Mithani: Okay, sir.

Moderator: Shall we take the next question?

Premkumar Seshadri: Yes please.

Male Participant: Sir, I had one question regarding authentication, you mentioned somewhere on the website that we had the capability of doing over 1 trillion biometric authentications a day. What would the number be right now for us?

Premkumar Seshadri: I am not giving you any number lest it gets misquoted. Fundamentally, what I am trying to say is that, for every authentication that one goes through to get a card, it has to be compared with, 925 million cards which have already been issued till date, to identify whether it is unique. That's what we are saying. So if you look at it, it is a significant amount of de-duplication and authentication that gets done. From an infrastructure point of view the network is doing it across, there is so much of storage that is required to do this calibration.

Male Participant: Right ok sir, thanks a lot.

Moderator: Shall we take the next question?

Premkumar Seshadri: Can this be the last?

Moderator: Sure sir, this would be the last question of the day.

Premkumar Seshadri: If there are any more questions, please get in touch with the Investor Relations (IR) cell and we would be very happy to answer all your questions. We have a time constraint. We have already extended it. I will take this last question.

Hardik Jain: Hi Sir, good morning. This is Hardik Jain again. So as I understand, you said you have capabilities of authentication and enrolment. So suppose if I have a business where I have to do KYC of my clients, then can I access your database. And if I take the fingerprint of the client and then I get the details of the client and do the KYC of the client, can I access your database and enter into agreement with HCL?

Premkumar Seshadri: There is no database which is called the HCL database. There is no such database that we own. Capability that we own is, if there is whatever database and if there is someone who has access to that database, the way it is done and the process and the analytics associated with it, is where we can come and play a role.

Hardik Jain: Okay.

Premkumar Seshadri: Hence, there has to be a database who is giving you the permission and there has to be a requirement for someone to give the other data to say whether this database is aligned to this. The role that we play is in terms of saying that we have access to two databases, we could do the service for you by setting up the infrastructure that is required for you to do it and manage that infrastructure.

Hardik Jain: Okay, thank you sir.

Premkumar Seshadri: Okay, thank you very much, I guess this is the last question.

Moderator: Sir we had two more questions queued up. Since you have notified me to not take any more questions, I am not accepting it.

Premkumar Seshadri: I think I am sorry for those two questions. We have to get into another meeting, hence the team here has to exit this call. Thank you very much for your continued interest in the company and look forward to seeing you in the next quarter. Once more, for those whose questions have not been answered, please write to sumeet.ahluwalia@hcl.com. We will make sure that you get the response that you need. Thank you.