



“Newgen Software Technologies Limited
Q4 FY2020 Conference Call”

May 26, 2020



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Please note that the transcript has been edited for the purpose of clarity and accuracy.

Moderator: Ladies and gentlemen, good day and welcome to the Newgen Software Technologies Limited Q4 FY2020 Conference Call hosted by ICICI Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Deepti Mehra Chugh. Thank you and over to you Madam!

Deepti Mehra Chugh: Good evening everyone. I am Deepti Mehra Chugh – Head, IR, Newgen Software Technologies Limited and I welcome you all to the Q4 FY2020 results of the company. I hope everyone on the call is keeping safe. Connecting with me remotely today is our management: Mr. Diwakar Nigam – Chairman and Managing Director - Newgen, Mr. Varadarajan – Whole Time Director, Mr. Virender Jeet – Senior VP, Sales & Marketing and Product and Mr. Arun Kumar Gupta –Chief Financial Officer. Before we move on to the discussion, let me highlight that this call may contain certain forward-looking statements concerning Newgen’s future business prospects and profitability, which are subject to a number of risks and uncertainties, and the actual results could materially vary from the forward-looking statements. Past performance may not be indicative of future performance. The company does not undertake to make any announcements in case any of these forward-looking statements become materially incorrect or update any forward-looking statements made from time-to-time by or on behalf of the company. For further details you may refer to the investor relations section of our website. I would now hand over to Mr. Nigam for the presentation of the results.

Diwakar Nigam: Good evening everyone and thank you for joining us at our Q4 FY2020 post results conference call. I hope everyone on the call and their families are keeping safe. It has been a very difficult phase for all of us and hope that we all will come out of this situation much stronger. In this call I will try to run you through the steps that Newgen has taken to overcome the current situation, the new ways of our working, the impact on our business and opportunities we see.

First, we have always believed that Newgen as a family is one of our core values. Given these unprecedented times wellbeing of our employees and their family is of utmost importance to us. The company’s foresight, quick decision-making, business continuity processes and robust IT infrastructure ensured seamless transition to the remote working environment. In a span of days, we proactively set up a COVID action team, which



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constantly assessed and responded accordingly to the crisis. There was just in time requisition of laptops, enabling of VPNs, ensuring information security and coordination between teams. We are happy to say that over 90% of our workforce is now enabled to work remotely. In these difficult times we have seen some extraordinary dedication shown by employees and would like to take this opportunity to thank all of our employees for the same.

We now have about 560 active customers across 69 countries. Our solutions are of mission-critical nature for our long-term customers. We serve as the backbone of their operations. During this COVID19 time we ensured we fully support our customers so that they can ensure business continuity. We have been receiving appreciation from customers across the board for this extraordinary support extended by the company in these difficult times.

Now coming to the annual results, we closed the revenue of Rs.661 Crores for the year up only 6% compared to last year, which was much lower than our expectation. We witnessed growth across most geographies EMEA region grew by 17%, APAC at 10%, US at 5%. US growth is primarily based on SaaS wins and hence growth looks small, but will result in long-term sustained revenue. India however continued to face challenges and was slow in the entire second half due to economic sluggishness in NBFCs and banking. We also suffered due to consolidation in banks as you know many banks are consolidating and many of our new propositions went out of the window. As you are aware our business has heavy dependence on fourth quarter, the last quarter was further impacted by new business deferment due to restriction imposed globally starting in February 2020 leading to international evacuation, operations and subsequent lockdown. Government business also completely subsided

Overall we did 71 new logo acquisitions during the year.

Profit and margins were impacted during the year on account of slower growth in topline and continued investments in R&D and sales and marketing efforts. The company reported EBITDA of Rs.105 Crores and profit after tax of Rs.73 Crores. However, our annuity revenues continued to remain strong and comprised 56% of the revenues and witnessed a growth of 22% YOY. Of this, Cloud revenues continued to grow rapidly at 60% YOY. Most geographies are increasingly showing acceptance towards Cloud solutions. We successfully moved clients to SaaS in APAC and won new customers there as well. SaaS solutions are easy to deploy remotely and this is expected to give us substantial advantage in COVID year.



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During the year, Newgen has been positioned as “Challenger” in Gartner Magic Quadrant for Content Services Platform. It has also been positioned as a Strong Performer in the Forrester Wave - ECM Content Platforms.

Newgen make continuous investment in R&D and has strong team of 400 plus employees, which constantly focus on various research and product development initiatives. During the year it was granted four patents taking the total to 15 patent grants as of March 2020.

We have recently received approval for setting up a unit in the IT/ITeS SEZ in Noida, UP from Development Commissioner of Noida Special Economic Zone.

We continue to extend our reach globally with our direct and indirect sales network. Now we are also focusing and strengthening its SI ecosystem. SaaS sales through Sis in Fortune 2000 customers in US is thriving and we are seeing good traction in this.

While in the short-term the environmental challenges are expected to continue to lead delay in new deals signings and lengthen the sales cycles, we believe that today the relevance and requirement of our digital transformations solutions for enterprise is more than ever. All our customers are realizing this during work from home situation and planning to go for more of these solutions. These solutions are a natural fit for our strategy of remote implementation.

We are thus reinventing new ways of working by aggressively pursuing Cloud deployments across the globe. Moving forward we expect that this would yield good results. We are structuring our teams in the right way. We have been successfully executing each stage of project deployments from requirement gathering, to project planning, to implementing and production support remotely. The company has been transforming new methods of sales and marketing also including remote engagement and increasing localization effort.

Company’s new version of the product iBPS has low code capability and includes Cloud deployments that is very relevant today. Newgen has launched enhanced version of customer communication management suite that enables users to easily create, design and manage HTML, e-mail and other messaging communications.

Newgen is developing and deploying new solutions under Paycheck Protection Program of USA to help financial institutions quickly process loans under the various monetary and fiscal interventions introduced by governments globally to stabilize economic conditions. Within a span of a couple of days of announcement of the DBA PPP scheme by US government, our teams defined and conceptualize the solution, designed and built it, deployed the same on Cloud. We are receiving good traction for our new solution, which



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has now been deployed by 20 plus banks and financial institutions in US till date. We are now working on the forgiveness piece for the same. The company is prioritizing SaaS based delivery model for the solution.

We are making concerted efforts towards more efficient operations and cost optimization for cash preservation to help us maintain a healthy liquidity position during this phase.

Our R&D expenditure during the year was 9.5% of revenue and sales and marketing efforts at 21% of revenue keeping our long-term plans in mind. Our net cash from operating activities was at Rs.90 Crores during the year. Our net trade receivables as on March 31, 2020 are Rs.269 Crores, which resulted in stable net DSO of 149 days.

Coming to Q4 results, our revenues in Q4 were Rs.191 Crores, during the quarter EBITDA was at Rs.52 Crores and profit after tax at Rs.42 Crores. We have 21 new deals during the quarter. Notable deals include - large project with a leading pan-African financial institution offering banking services in 20 African countries; license agreement with key government ministry in India, four Cloud agreements in the US including a deal with a leading provider of property casualty insurance for auto, home and business; and mid-sized project with one of the largest Bahamian Bank.

Strengthening our Board, we have appointed Ms. Padmaja Krishnan as Non-Executive Independent Director of the company during the quarter.

In the end, I would like to reassure that Newgen has a resilient business model in place with large annuity revenue streams, recurring business from existing customers as well as diversification across verticals, clients and geographies. We are also working on cost optimization measures in the short term to conserve cash. We are carefully monitoring the situation and taking all necessary precautions for employees, customers, partners and vendors. We are also actively pursuing new opportunities by working around new ways of working to ensure that Newgen emerges strong from this situation.

We are now open for question and answer.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Ravi Sundaram. Please go ahead.

Ravi Sundaram:

Thank you for the opportunity. Hope you are all doing safe and congrats on excellent set of results. Sir I just had one question, the question was if we had some deferment of business in Q4 and does this deferment mean I know Q4 is a heavy quarter for us, some of this would flow in our subsequent quarters or how should we look at this Sir?

- Virender Jeet:** Thanks Ravi this is Jeet from Newgen. So we had around 10 to 15 deals, which were almost confirmed deals, which got pushed out, some of these deals are going to fall through Q1 and Q2 and we are assessing that, but there is also an element of some of these deals, which will not fall through in the near term visibility as the customers also rearrange their priorities. We think at least 50% of these are still expected to get closed in the next two quarters, but others may get delayed for a slightly longer time.
- Ravi Sundaram:** I think it is also mentioned in our previous calls that though we have a heavy Q4 historically we are slowly trying to move towards balancing it out by bringing some of the business in other quarters as well, are we progressing towards that and do we have some visibility in terms of two, three years of timeline or something like that Sir?
- Virender Jeet:** Yes, I think there are two or three ways of this happening, one is organic - as we are pushing Cloud so annuity business is expected to become a larger part of the business, we expect the seasonality to reduce and in fact over the last couple of years that has happened, we have now reached an annuity business from roughly around 40% to 56% over the last three-four years and this is growing substantially year-on-year. So with more Cloud push and larger business size in this segment, we do think that over a period of time, the seasonality will decrease. So far we were not pushing Cloud across all territories very aggressively because we are timing it with the market acceptance of the solution, but now with this COVID situation, I think customers are being more receptive about Cloud as it becomes a more viable way of conducting business, doing business as well as implementing solutions, but it will take some more time, still we have a large revenue share from license deals which introduces lopsidedness, it is a work in progress, so it may take three, four more years.
- Ravi Sundaram:** Okay thank you very much Sir that answers my question, all the very best.
- Moderator:** Thank you very much. The next question is from the line of Vikas Somani from Natwarlal Research. Please go ahead.
- Vikas Somani:** Congratulations for the good quarter. Sir my question was related to the billing rates, do we have any impact on the billing rate due to this COVID-19 situation, or are we are trying to do transitioning from the volume side?
- Virender Jeet:** Vikas if I understand your question, your question is about impact on billing rates. Our billing rates predominantly are determined in different lines of our revenue streams, so we have revenue streams predominantly, which is license, which is always negotiated and in the difficult times you can have customers negotiating order, you have ATS and AMC in

Cloud, which are pre-contracted where there is very little negotiation and then there are resource based contracts. In our resource-based contracts, see we are not a company, which really provides very large teams and has got very large horizon contract, we still have short teams, tactical teams on tactical contracts, so our push is to be able to retain our billing rates and in terms of optimizing, in terms of getting more efficiency to the customer for the same billing rates. Our business is not really getting assessed by the rate at which we are billing our resources.

Moderator: The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: Just a couple of questions in terms of are there any guidance I know it is difficult right now, is there any guidance sort of providing with regards to current year FY2021?

Virender Jeet: Riddhesh you know we do not provide guidances, the issue is this is an unprecedented situation, it is very difficult to look and predict exactly how the business scenario will unfold, but broadly as Mr. Nigam has addressed a large part of our business is completely diversified, it is completely diversified across geographies, segments and across customers with very little client concentration and our contract deal sizes with clients are not of really huge magnitude, they are still more tactical and we do very, very critical things for customers, our customers are the banks, the bank is running its core businesses - lending on this platforms, opening accounts on this platform similarly with insurance companies, so we do not see any big challenge in our continued businesses, which is annuity businesses or renewal of ATS, Cloud contracts. We do see however impact on the new deal wins - new deal wins with existing clients or new deal wins with new clients. So our ability to determine the next year growth will be dependent on how fast the market opens and how fast customers are able to pursue the new orders. So we do see that you know there is still an upside for us because this environment has also slightly escalated the pace of decision making by certain customers. As the next quarter unfolds and market opens we should be able to have better estimates about our topline.

Riddhesh Gandhi: The entire product which is helping in assisting in PPP in America, which you are saying has been adopted by about 20 client orders so is that a reasonable amount of increase in revenue?

Virender Jeet: No I think typically that is more about our ability to be relevant in the market in the most difficult times so what we did is out there we rapidly developed our product, deployed a new solution in a matter of days, made sure that we have a series of new customers who could come to the solution, our initial pricing was determined to basically make sure that

they do not have any barriers of entry because it was supporting the customers and with each of these customers we are assuming that we can build a multimillion dollar pipeline business over the next few years because some of them are substantial customers, so it may not have direct revenue relevance in one or two quarters, but surely adds up to the whole pie for future quarters.

Riddhesh Gandhi:

Yes, I got it and just on the expenses side of things you had indicated some kind of cost-cutting initiatives is there anything you can highlight with regards to the actual steps being taken and how large we expect that to be in terms of impact on our expenses Sir?

Virender Jeet:

So I think the expenses in work in progress, we have already taken some measures and some measures are organic because I think a substantial part of our expenses is international travel, I think we see a very strong reduction this year, it is not a good reduction but we have no choice, we cannot travel and the second part is about rationalization of certain performance pays and other things, which we have taken up for some quarters so I think since this year we are not aggressively reinvesting in sales and marketing growth, so we are we looking at more conservative numbers and I think we should be able to plan our expenses much better this year and get much better margins.

Riddhesh Gandhi:

Got it and the last question is on the India revenue piece of things there obviously with the current consolidation of financial institutions, etc., things are going slightly slow do you see that is an area, which remains slightly flattish or you are expecting it actually degrowth to happen in that or how should we be thinking about the India financial services?

Virender Jeet:

No, I think we always look at India market very positively at the beginning of year we have enough cases I think the only thing is because there is so much uncertainty and certain jerks in this market it really disappoints you even in the middle of the year. I think the last year if you look at the three major damages to Indian markets from our perspective - the NBFC issues, which was typically a growth driver because we used to sell to almost any new NBFC and existing NBFC as a big customer. Banking consolidation not only spoiled our cases in the banks which have got consolidated but also deferred our cases in the banks, which became the principal bank as well as slow movement in government cases where decision making completely got pushed out. I think again as I said last year also in the last quarter we have created phenomenally good cases, big trade finance cases in our PSU Banks as well as in private banks, extremely good cases in governments in different ministries. If the government is going to be slightly more aggressive with spending we should be able to still grow India so I would not rule out India. The other areas of the market in terms of international market is growing so India as a percentage of revenue may not be able to keep pace with the international market.

- Riddhesh Gandhi:** Got it and the last question with regards to your hedging policy how much of your revenues and for how long are hedged and/or there is some kind of currency benefits you get in terms of the offshore business?
- Virender Jeet:** We do not hedge generally we have a packing credit which is against export receivables, that provides a natural hedge and beyond that we do not have any hedging, so it is roughly around Rs.70-Rs.80 Crores that is through natural hedging.
- Riddhesh Gandhi:** I was asking that given the depreciation of the rupee we have seen some impact of that happening in Q4; do we have seen a larger impact happening in Q1 onwards in terms of benefits of the rupee depreciation?
- Virender Jeet:** I do not think that way, because in Q4 the currency movement towards the end of the March month was slightly higher; maybe higher than what is predicted in Q1, but I think you should also understand for us it does not matter much because it balances from the interest cost on the packing credit so eventually we try to maintain neutral currency there.
- Ritesh Gandhi:** Okay thanks that is all.
- Moderator:** Thank you. The next question is from the line of Shiv Agarwal an Individual Investor. Please go ahead.
- Shiv Agarwal:** Thanks for giving me this opportunity. I am just trying to understand if the quality of delivery to customers has been hurt due to remote working what has been the feedback from your customer so far?
- Virender Jeet:** I think this is one thing we have been doing extremely well, so far I think our quality of delivery to any customer is not hurt because we are managing very critical installations for them. Also, now as a company we are servicing customers of more than 60 countries around 560 major critical installations. Of course we are not present at every place, our people are not at the customer site, so there is a kind of remote working that prevailed in the model only what has happened right now is that it has been fully unleashed in terms of the remote working, so we have made sure all our customers and their systems are up and running, all their critical milestones releases that have gone, in fact for one of our global shared service manufacturing client there has been a global rollout of process during the month of April at peak-COVID we had a global rollout of process for more than 60 countries. What is hurt is the ability to get into new deals because the decision-making out there is more critical, it is more collaborating as well as people have to feel comfortable about investing in an area that is the impact we see.

Shiv Agarwal: Sir one more thing given that the platform is very neutral and it is possible to build a lot of solutions on top of this, so have you received a lot of enquiries from your existing customers in the sense whether have you been able to cross sell so some banking client comes and says that you are already handling this process now why do not you do another adjacent process or maybe even the legal department can be automated maybe digitize the documents and so on so have you been receiving those kind of enquiries?

Virender Jeet: Always that has been one of our growth drivers to keep on cross selling, up selling to the customers and I think if you look at this time's selling will also give an idea. In the last two months we have done work for SBA PPP lending, we have worked for forgiveness, we have worked for enrollment of students for a county, we have worked on CBILS, which is a UK lending, we are working on the Australian scheme, for India SME lending which are being pushed in the market and all these are reaching new customers. So right now financial service industry is becoming more active, rest are still recovering from shocks and wherever the industry is moving we are able to find more and more relevance out there. I am sure as the markets open we will find more traction in these initiatives.

Shiv Agarwal: The way you have built products for the banking industry on using a platform are you looking at building similar kind of product for other industries like FMCG for example they are relatively recession resistant so that might help?

Virender Jeet: So it is very difficult to understand a new industry in the time of crisis, I think we have already five different industries, which is government, it is another big area for us, insurance is another area for us, we then work on manufacturing and global shared services as one important area, similarly pharma insurances, health insurances, where we have expertise, so we are working more on those areas and then in better times we can invest into newer areas and newer verticals.

Shiv Agarwal: Just one more thing Sir regarding the PPP and the one in UK and also Australia you mentioned that you have signed up some 20 odd customers so how many of them are new and how many of them are your existing?

Virender Jeet: So far, the customer wins are only in US, we have not got any customers so far in Australia or UK, these are very small subsidiaries yet and if I am right in US out of 20 more than 50% or 60% are new customers.

Shiv Agarwal: Okay so then it gives you a lot of growth opportunities?

Virender Jeet: That you can check with Deepti, she can give you an exact number.

- Deepti Mehra Chugh:** Substantial is new customers, out there.
- Virender Jeet:** We have to acquire them on Cloud for this opportunity and then show them the power of the platform and then do the regular digital account opening, loans and many other processes in that.
- Shiv Agarwal:** Right thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Rahul Bahri from Xponentia capital. Please go ahead.
- Rahul Bahri:** Yes, thank you so much for the opportunity. Sir I just want to understand the EBITDA or the PAT this year has obviously gone down significantly and I believe one of the key reasons is the impact of COVID in the last quarter, but as you look back even quarter-on-quarter in the last three, four quarters our numbers have been lagging the previous financial year so is it the NBFC and banking so to say challenges that sector is facing, is that the single biggest reason how do you look at the bridge of let us say EBITDA from last year, which is about 20-25 odd Crores how do you look at that bridge and second question is more related to the days, which is roughly about 149 days is that something, which is unique to our business given the large dependence on the BFSI segment and do you think that can improve going forward?
- Virender Jeet:** Yes Rahul thanks for your question. So I think if you have been tracking this business this business is always positioned around the 20% growth rate and we have been doing that for many years now at least last eight to nine years, so what has happened in the first three quarters because of the weakness in India we were already running in a slower rate rather than 20% we are running at a growth rate of around 13-14% in the first nine months and at that level so there was some amount of difference and our cost is pegged at the beginning of the year, when we are planning the cost for achieving 20% growth both in investment in R&D, sales marketing as well as manpower, everything is at that growth curve. We were already at a cost growth of between 15% to 17% earlier so anything which is above that adds to our margins and anything below completely takes away our margin because we cannot do cost planning based exactly on the business, which we are doing that year, so there was some element of slowdown in the first three quarters of the year because of the India impact, but the biggest impact if you look at our Q4 business - the majority of that Q4 also it lopsided towards the last month and last 15 days of March because that is when we close most of licenses and if you look at the impact of that is this year our license revenue had gone lower than the last year licenses revenue. Any revenue addition would have directly added to our margins because that is how the numbers unfold anything beyond

15%-16% of our cost that is completely added to the margin, so all this roughly around Rs.20-Rs.40 Crores of slip, the slip is bigger than Rs.20 Crores because we are comparing it with the last year number, our predicted numbers were slightly higher than that, so I am assuming that Rs.30 Crores-Rs.35 Crores of slip was all because of Q4, but beyond that another Rs.20 Crores-Rs.25 Crores was a slowdown in the whole year because of India and on the second question of DSO I think we have been tracking this I think our DSO has been a part of our business culture and is also to do with licensed company sales globally, similar to international companies who sell lot of licenses to the new customers. Around two-and-a-half years back, we were at a DSO of around 270 days, so we had taken a target to get the average DSO to 120 days. I think we have already reached that, only the March quarter is slightly larger so the DSO number is slightly higher at the end of the March, if you look at the average during the year it had been around 120 days, which is our target, which will keep on reducing because as the annuity and subscription part of business keeps on increasing and becoming a larger pie of the revenue this will further optimize and I think over the next two, three years we can take the next target to around 100 days.

Rahul Bahri:

Okay thank you so much.

Moderator:

Thank you. The next question is from the line of Amit Agarwal. Please go ahead.

Amit Agarwal:

First of all thank you for taking my question. The first question is regarding revenue from top client so as I can see the revenue from top five clients and top 10 clients has decreased on year-on-year basis around 4% to 5% is this because we lost the four, five clients during FY2020?

Virender Jeet:

Sorry, in our presentation we did not make it clear, so basically this is not the revenue from the same clients, so last year we had got three-four large deals from certain clients, which led to higher concentration, so every year these top five clients or top ten clients also change for us, so typically our larger clients are in the range of around \$2 million of revenue and they will keep on changing, so we have not lost any client, but last year we had got some major deals in US as well as in India some three-four large deals, which made it slightly more lopsided towards the top 5 clients.

Amit Agarwal:

Understood and the second question is regarding the expenses as I can see in Q4 itself there was some improvement around 5% in employee cost and around 10% in other expenses is just because of the COVID and also what is the magnitude of improvement that we can see from these numbers here?

- Virender Jeet:** I think some were because of withdrawal of travel and other things automatically and some was because already the year was slightly slower on implementation, so we optimized manpower. There is also an amount of manpower cost that gets reduced because of the variable pay since we did not meet our target so the variable pay provisioning kicked in, which reduced the manpower cost, so that is what the impact has come in the last quarter, but it has been minor. Going further during the year depending how the business and the conditions unfold we have already defined a series of things both on the manpower cost as well as travelling cost and other cost like SG&A so we are optimizing them and as the market unfolds we should be able to really project them well, but as I said I think even with the similar lines of revenue as we did this year we expect to have better operating margins.
- Amit Agarwal:** Would it be possible for you to at least quantify Q1 and Q2?
- Virender Jeet:** I think it is difficult because we do not really do forward projections and our business is also still very small and jerky depending on licensing, but for anymore color you can talk to Deepti she can provide you that information.
- Amit Agarwal:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Rahul Agarwal from Infinity Capital. Please go ahead.
- Rahul Agarwal:** Thank you so much for the opportunity. My question is more along the lines that the previous two participants are asking on the cost structure side how much of your cost would be fixed cost and how much would be variable cost in the sense that much of your revenue would also go into the implementation as new deal wins go down that part of the revenue may disappear and we may also be forced to cut cost, when you look at your P&L how do you think margin would shape up with the revenue being impacted?
- Virender Jeet:** Yes you are right, we have an element of cost, which is roughly around still 40%-45%, which is manpower driven in terms of support and implementation that is where depending on the size of businesses and size of our implementation we have the variabilization of cost, but large portion of our cost which deal with our sales and marketing and R&D investments are predetermined, so every year we do plan both these very aggressively. This year as Mr. Nigam has communicated we are looking at really working on, also conserving cash and not going very aggressive on that, so this year for the first time we are not planning for almost 20% growth upfront in Q1. We will see how it unfolds and then plan. So there is going to be optimization in our sales and marketing cost in terms of our travel and expansion there is going to be optimization of the manpower costs depending on degree of



business we get, those will be the major heads and then there will be some amount of optimization, which is induced because of the manpower in the related SG&A cost. Like on travel there is a chance of optimizing the travel cost by around 30%, 40% depending on if the travel opens up only in Q3, Q4, so similarly on manpower front there is an element of optimization we can achieve by not hiring aggressively because we do more than 15% attrition, so this year on the hiring side if you go slow then there will be around 5-10% impact on the manpower cost because of that.

Rahul Agarwal: I understand and your overall employee costs are about 40%-45% of revenues I am assuming your sales and marketing cost and R&D costs are also in the nature of manpower costs because it will largely be people and you correct me if I am wrong so other than that the variable employee cost how much is really variable per se was my question?

Virender Jeet: I think variable employee cost is only in the implementation manpower, which is very small, if you are talking about employee cost then beyond these heads there is not much, but on the other variable costs, - marketing, travel and other things those I have already explained. In case you want some more details, you can just write down your set of questions and she can provide you better numbers to understand.

Rahul Agarwal: Sure, I will take that offline, thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Deepti Mehra Chugh: Thank you so much for attending the call. For any further queries you can connect with us, either you can mail me or can go to website. Thank you.

Virender Jeet: Thank you.

Moderator: Thank you. On behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.