



**NUCLEUS
SOFTWARE**

Q4 Earnings Conference Call

April 26, 2005

MANAGEMENT MEMBERS OF NUCLEUS

- Mr. Vishnu R Dusad - Managing Director
- Mr. P. K. Sanghi - Chief Financial Officer
- Mr. Niraj Vedwa - Global Sales and Marketing Head

CONFERENCE CALL PARTICIPANTS

- Mr. Dhiraj Sachdev - Ask Raymond James & Associates Private Limited
- Mr. Ramesh Damani - Ramesh Damani Finance Pvt. Ltd.
- Mr. Hitesh Shah - ABN Amro Asia Equities (India) Ltd.
- Mr. Deven Sangoi - Birla Sun Life Asset Management Company Limited.
- Mr. Kevin D'Silva - Imperial Investment Advisors Pvt. Ltd.
- Mr. NGN Puranik - Enam Financial Consultants Pvt. Ltd.

Nucleus Software Exports Limited

Q4 Earnings Conference Call April 26, 2005

Moderator

Good afternoon ladies and gentlemen. I am Rohini, the moderator for this conference. Welcome to the Nucleus Software Exports Limited Q&A conference call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to hand over to Ms. Swati Badal of Nucleus Software Exports Limited. Thank you and over to Ms. Badal.

Swati

Thank you Rohini. Good afternoon ladies and gentlemen. I am Swati Badal and I am member of Investor Relations Team. We are thankful to you all to join us today to discuss the financials of the quarter and year-ended March 31, 2005. Today, we have our Managing Director, Mr. Vishnu R. Dusad; our Chief Financial Officer, Mr. P. K. Sanghi; and Global Sales Marketing Head, Mr. Niraj Vedwa to answer all your queries. We will commence with brief comments on the performance of the company during the quarter and year ended March 31, 2005. Post this, we are open to questions. Before I hand over to Mr. Vishnu R. Dusad, I would remind you that all forward-looking statements involve risk and uncertainties and should not be interpreted on standalone basis but on the basis of the current and past performance of the company. I would now hand over to Vishnu, Managing Director of Nucleus Software Exports Limited.

Vishnu R. Dusad

Thank you Swati. I thank all of you gentlemen for taking time out to be with us today on this call. We are happy to announce increase in consolidated revenue from software products and services to Rs. 103 crores as against Rs. 80 crores last year, an increase of 28.78%. Net profit for the year is Rs. 20.75 crores as against Rs. 9.73 crores in the previous year, an increase of 113.34%. EPS on expanded capital after 1:1 bonus issue in August 2004 is Rs. 12.90 for the year against adjusted EPS of Rs. 6.12 for the previous year, which is a growth of 110.78%.

This has been a benchmark year for us. We have crossed Rs. 100 crores revenue for the first time.

We have moved into our own software development center and corporate office in Noida, which is spread over five acres. Some of you have visited us here and it has been a longstanding desire of all Nucleites to have their own facility. The facility was formally inaugurated by Mr. Masamoto Yashiro, Chairman and CEO of Shinsei Bank, Japan, who are one of our biggest customers, and we are proud to be associated with this historic turnaround of the failed Japanese bank called LTCB. We have been involved with them from day one. The campus can accommodate two more buildings of the same size of current facility and we can ramp up rapidly at this location.

We have also signed up a global license for our lending product, FinnOne with the largest automotive finance company in the world for a multiple country roll out which includes 37 countries and excludes USA and Canada.

As a company, we do not believe in giving revenue and profitability guidance. I would rather stress on our product range, the customer acceptance, and customer base, and exciting opportunities in the banking space where we have domain expertise.

In financial year 2005, 25.6% of revenues have come from products and product-related services. This has fallen from a percentage of 33.19% in the previous year and it will be our effort to take this percentage back to 35% of the total revenue in the forthcoming year. We have booked some significant product orders in 2005 and revenue streams have started in Q4. I would like to mention that 90% of our revenue in financial year 2005 has come from existing customers. We continue to be strong in project domain with repeat business from our large customers in Japan and Singapore. This business has shown a substantial increase in both absolute and percentage terms and forms 66.5% of revenue in financial year 2005.

Now, I would like to hand over to my colleague, P. K. Sanghi, who is our Chief Financial Officer. Over to you, Pramod.

Pramod

Thank you Vishnu.

This is Pramod here. Welcome everybody. Our operating margins in Q4 have risen to 35% from 27% in Q3 and are 26% for the whole year. The increase in margins over last quarter has come as product-related revenues have increased from Rs. 683 lakhs in Q 3 to Rs. 1,116 lakhs in Q4. Revenue from other streams of business, i.e., projects and services, has largely remained constant between Q3 and Q4. I may mention that the product revenues for Q4 are approximately 36% of the total revenue for the quarter Q4, and this is a level we are looking at maintaining them at the minimum in the forthcoming year. In terms of receivables, we are running days of sales receivables at 55 days as of 31st March. We were at about 45 in December and we were at 60 in March '04. We expect to run between 45 to 55 days of receivables, which we consider is well within industry norms. In terms of capex in 2005, we spent about Rs. 12 crores, largely on the buildings, and as of now we are projecting our capex of between Rs. 5 to 6 crores for financial year 2006, which will include a recreation and cafeteria block in our facility, which is estimated currently to cost about Rs. 3 to 3.5 crores, and also include technology assets which we keep on adding during the year.

The operating cash flow has been strong and liquid funds have gone up to Rs. 61.67 crores from Rs. 43.40 crores as on March 31, 2004. We have setup a new subsidiary by the name of Virstra i-Technology Services Limited in May 2004 in India. This is a 100% owned subsidiary with a paid-up capital of Rs. 1 crore. This subsidiary has setup an offshore development center in Pune and started operations immediately in June 2004. It currently has about 80 people.

I will now hand over to Niraj, our Global Sales and Marketing Head, who would talk to you about our products and so on.

Niraj

Thank you Pramod, and good afternoon gentlemen. Just a brief summary. The year has been good as far as products are concerned and we have had 16 new product orders coming from 12 new customers across the world. This would see more than 31 modules of our product range to be implemented in over 45 countries worldwide over the next couple of quarters. We also had a distinction of being adjudged the 10th highest selling back office banking software in the world by IBS Publishing, London, and this is the second time we have made it to the list. In the year 2002, we were ranked #15, so we have moved up 5 notches to go to #10. During the year, we covered more than 20 countries through partners. We had 12 partners with us. During this year, we are planning to add on additional 8 partners to help us cover both sales and support functions in the new geographies that we are looking at.

The product strategy that we have been talking has contributed this year. 43% of new orders have come from the product business, which is a very encouraging sign, and as Pramod mentioned that we would try and maintain the level of 36% as the contribution coming from the product business in the coming quarters, and we are quite confident on that because 43% of the business for the year in terms of booking has come from product orders.

Now, I would also like to highlight that during the year our relationship with the technology partners, worldwide technology partners like Oracle, Sun, IBM, and HP has reached the highest level. We are one of the very few partners or ISVs, independent software vendors from India who have been given this distinction and we are now in marketing alliances with all these partners that I mentioned, IBM, Oracle, Sun, and HP, which will help us actually marketing our products through their channel.

Having said that, we are optimistic on the product business. Three new products were launched during the year, BankONet, internet banking product for both retail and corporate customers. We launched a new version of the loan origination system, which is called CAS, the Customer Acquisition System, which would help banks do cross selling among different products, like loans, mortgages, as well as credit cards. And the third product that we launched during the year was the Fraud Management System.

A new division of within Nucleus was created in the product management group, which is at the..., the main focus being to enhance the product and to have the competitive edge. With this I would like to end a short summary on the sales and hand it over back to Swati for her comments and for her to take it forward.

Swati

Thank you Niraj. Now we are open for the question and answer session.

Moderator

Thanks you very much mam. We will now begin the Q&A interactive session. Participants who wish to ask question, please press *1 on your telephone keypad. On pressing *1, participants will

get a chance to present their question on a first-in-line basis. To ask a question, please press *1 now.

To ask a question, please press *1 now. First in line, we have Mr. Dhiraj Sachdev from ASK Raymond James.

Dhiraj Sachdev

Hi, everybody. I just wanted to know the breakup of the product revenue into different components, like licensing revenues, maintenance and customization, AMC, sorry.. and customization and services related to product, if you can give me the break up out of the total revenues of 26.5 crores, that would be wonderful.

Pramod

Dhiraj, we have talked about this earlier, but you know, specific product license revenue breakup we do not release as a business decision. What I can probably tell you is that you know in terms of margin, which will probably give a better understanding of our business. The product related services and the projects which we do, operate at similar operating margin.

Dhiraj Sachdev

But that will not help me in understanding how the licensing revenues are moving over a period of time, at least everything, which are related to the products in terms of revenues is linked to the licensing revenues booked during a period. So I would like to know what is the trend in terms of licensing revenue booking in the last year vis-a-vis current year?

Pramod

From GMAC as you are aware the license booking figures are substantially higher than the fee which we are booking, off course the revenue which has flowed in has started coming in only in the last quarter for most of the larger product orders.

Dhiraj Sachdev

And is it likely to continue over the next three or four quarters from GMAC?

Pramod

GMAC would continue over the next fifteen quarters.

Dhiraj Sachdev

Okay. In case you are not able to give me absolute figure, if I can understand on a percentage basis in your product business, what portion will be accounted by the licensing revenues. What

percentage will be in the form of customization, and what percentage right now is occupied by AMC?

Pramod

See, typically a product order you know would have a 40% license and 60% services component.

Dhiraj Sachdev

Okay.

Pramod

Now, if you look at this, then out of, on an average if you take 35% revenue incoming from products, you could say that 15% of revenue would come from licensing, but it could vary, and it would be peculiar order to order as such.

Dhiraj Sachdev

Is the AMC substantial at this point of time.

Pramod

AMC revenue is currently, we can give that figure, AMC revenues are approximately 4 to 4.5 crores per annum.

Dhiraj Sachdev

4 to 4.5 crores. Fine. Thank you very much.

Moderator

Thank you very much sir. Participants who wish to ask questions please press *1 now. Next in line we have Mr. Ramesh Damani from Ramesh Damani Finance.

Ramesh Damani

Hello, good afternoon everyone, Vishnu can you hear me?

Vishnu R. Dusad

Yes of course Ramesh, how are you?

Ramesh Damani

Good, good sir, thank you, congratulation on a blow out quarter. I am very pleased with the results. I just wanted to understand your scale up in the GMAC business, is it going to be equal over the next fifteen quarters or there is some bumps or troughs in the business?

Vishnu R. Dusad

The way I am visualizing it, as of now, it should be equal across the next fifteen quarters, and of course we are looking at..., this is as far as the existing order is concerned, and then we are looking at obviously some more business that would start flowing in next few quarters.

Ramesh Damani

This additional business is in Europe or is it American or Asian business you are looking at?

Vishnu R. Dusad

This is again right across Europe, Asia, Latin.... So right across.

Ramesh Damani

And there has been lot of speculation that ultimately GM will tender out an order for North America also, is that your sense in 06 they will be looking to convert North America?

Vishnu R. Dusad

See, We have been interacting with them closely on this. As of now they say that their systems are running fine in North America, you know, they have an advantage that it is a single regulatory environment and single cultural environment, so one system serves the need. However, we are, that is our ultimate aim, and we do hope that some day we will be able to achieve that.

Ramesh Damani

Okay, and also the kind of margin you displayed this quarter are they sustainable over the next four quarters say?

Vishnu R. Dusad

We will try and do that.

Ramesh Damani

One more suggestion, I think your pay ratio is around 20%, I think given amount of cash that you have now in the balance sheet may be you should consider increasing that.

Vishnu R. Dusad

Certainly we will. Thank you very much for the suggestion, we will keep that in mind and may be consider some whatever interim or whatever.

Ramesh Damani

Great. Thanks for the good quarter and good luck for the next quarter.

Vishnu R. Dusad

Thank you, thank you very much.

Moderator

Thank you very much sir, Next in line we have Mr. Hitesh Shah from ABN Amro.

Hitesh Shah

Hello.

Vishnu R. Dusad

Hello Hitesh.

Hitesh Shah

Yes. Congratulations on a good set of numbers for this quarter, just, I think I missed out some part in the conference call you mentioned that, 60% of the new bookings were in the product business, is that right?

Niraj

This is Niraj here. What I mentioned was that out of the total booking for the year, you know, orders that we book during the year, 43% of the booking came from the product business, and which was also the highest contributor for us.

Hitesh Shah

Right. This includes the GMAC project that you won.

Niraj

Yes.

Hitesh Shah

Right. Also the GMAC revenue would be spread over 16 quarters, so is that, last quarter was the first quarter for the GMAC project, I just wanted to know that if this project was fully ramped up or it would take few more quarters to get fully ramped up?

Pramod

This is Pramod here. The project was fully ramped up. See there is a contract with GMAC, which defines minimal level of contract value as such, to that extent it has been ramped up. We hope that ramp up could increase as the work increases during the implementation in various countries.

Hitesh Shah

Hello. I think I could not listen last few words. Hello.

Pramod

Yes, what I said was that whatever the basic requirements of GMAC are as per the existing contract, we have already ramped up for those, and those revenues would get spread over the next 15 quarters apart from the first quarter, which has already happened.

Hitesh Shah

Okay. Other thing I wanted to know was, there was, margins for this quarter had increased over the last few quarters. I wanted to understand what were the levers that made the margin to go up and are they sustainable at the current level or there are any further levers, which can take margin even higher than the current levels?

Pramod

Hitesh, as I mentioned earlier that product and product related revenues in this quarter have increased from about 6.8 crores to about 11.2 crores, and as the margins in the product related business are higher, it has resulted in an overall increase in margins. With the current segment positioning of the products and projects, we would expect to maintain these margins. Of course we effect our annual salary increases in July, which on an absolute basis if I take, 15% increase would knock off about 4 points, which we expect to make-up from product business.

Hitesh Shah

Right. So mean to say that the margins are likely to be sustained at the current levels.

Vishnu R. Dusad

Yes, that is our expectation.

Hitesh Shah

Yes, apart from that I also see that there is an geographic shift move towards more of revenue coming from Europe and Far East though Europe accounts for very small proportion, I just wanted to understand if the billing rates in Europe and Far East are higher than India and South East Asia.

Vishnu R. Dusad

Yes they are Hitesh.

Hitesh Shah

So even this has contributed to the increase in the margin, is that right?

Vishnu R. Dusad

Yes, of course.

Hitesh Shah

Okay, thank you and congratulation once again on a very good set of numbers for this quarter.

Vishnu R. Dusad

Thank you, thank you very much.

Moderator

Thank you very much sir. Next in line we have Mr. Deven Sangoi from Birla Sunlife.

Deven Sangoi

Good afternoon and congratulations on a very good set of results. My question is towards, in your footnote of the result you mentioned that you have changed the accounting method for recognizing the license fee. So the order of GMAC you are likely to distribute over next fifteen quarters in an equal installments.

Pramod

Deven, if you look at any kind of accounting for licenses and related business under US GAAP to fair value each component it is considered more advisable to bundle them together and do it on a completion basis, right. Now, we do not expect it to be equal in each quarter because the work completion could vary across the various implementations as such, but yes, it would get down over the next 15 quarters.

Deven Sangoi

Sure. That means either you have visibility of the business which you are spreading over fifteen quarters..?

Pramod

Yes, obviously, we have very clear visibility of the GMAC order over 15 quarters.

Deven Sangoi

Sure. And that is why you do not want it to be smoothening the revenues by changing the accounting policy?

Pramod

No, I think, when you look at larger contracts, I mean, we have seen that and we have realized that, licenses you really cannot segregate to that extent....

Deven Sangoi

Okay. My second question is that this is a license thing. What about the implementation business, what is your normal ratio between license and implementation. If you have one rupee of license sales, what will be your implementation revenues?

Pramod

I have already mentioned that if we have one rupee of license, we will get about 1.5 rupees of customization and implementation.

Deven Sangoi

Okay. In terms of the overall business mix, which are other products or which are the other customers where you can, you are trying to sell your loan application-processing product besides GMAC?

Niraj

This is Niraj here, just to highlight what I mentioned before, that during the year we got contracts from 12 customers for our products which would mean that 31 product modules will be implemented in over 45 countries, now these are all across the region, I mean, from Indonesia we signed one of the largest banks. We have also signed one of the largest in Middle East, which would see our products being implemented, three of our products actually, loan origination, lending, and collections that will be implemented in over 20 countries. It is a worldwide implementation something like what we had for GMAC. And similarly, in India we have signed some contracts with the top two to three largest banks, and you know, which would see our products being implemented in the next couple of quarters.

Deven Sangoi

And do you disclose your order book. I would like to know if you can disclose the order book, how is it different from last year to this year?

Niraj

In terms of the new booking we have had a more than 100% growth in the...

Deven Sangoi

I would like to know the amount if you can disclose, I just.., or order backlog you have?

Niraj

During the year, the new orders that we picked as I said was 100% growth. The previous year we had 90 crores of order, this year we have booked about 185 crores of new business. Residual business that we have, which is the orders in hand, which we executed is more than 100 crores as of now.

Deven Sangoi

Okay, so what is your order backlog, is 85 crores or it will be 185 crores?

Niraj

100 crore plus.

Deven Sangoi

100 crores plus is your backlog.

Niraj

We do not release exact figures.

Deven Sangoi

Okay, as you mentioned, in terms of the pipeline where you bid, have you started bidding for the global implementation or what is the pipeline in terms of global implementation where you have bided and how do you see that looking forth?

Niraj

Just to also again add on that, during the year we have of course substantially increased our coverage through partners throughout the world and also directly bid for, in more than 70 places

we have bid for our products basically, which is again more than 100% growth from the previous year. And these are all global coverage, and they are in fact some of the largest automotive companies worldwide, something like you know GMAC, which is the largest automotive company. Like that there are many other automotive financial companies in Europe as well as other parts of the world who are looking at, you know, replacing their old legacy systems, and obviously they are looking at us very seriously post the GMAC deal. We are talking to all these...

Deven Sangoi

So what will be the pipeline where you have bidded and what is the probability up till now in terms of success ratio?

Niraj

In terms of success ratio, it is very difficult to say what is the success....?

Deven Sangoi

That has been the past track record or yours?

Niraj

I mean, past track record has been 50% of the cases that we are bidding now, we are winning. Even if we can maintain that and increase our coverage I think that we would be able to do a good job there.

Deven Sangoi

Thank you very much.

Vishnu R. Dusad

Thank you.

Moderator

Thank you very much sir. Participants who wish to ask questions, please press *1 now. Next in line, we have Mr. Kevin D'Silva from Imperial.

Kevin D'Silva

Sir, if you could give us the contribution of EBITDA from products and services.

Pramod

Yes Kevin, the product business has a margin of about 34% for the year.

Kevin D'Silva

EBITDA level.

Pramod

Yes.

Kevin D'Silva

Okay, and services?

Pramod

Projects would have 25%, and services which is the last element in our segment which is much smaller is about, I would say about 10%.

Kevin D'Silva

Okay. Also if you could explain a little more on the withholding tax issue, how does it work and do you actually pay a percentage of revenues and is that adjusted against the profits that you pay on income tax in Japan.

Pramod

From Japan onshore and offsite services are currently subject to a 20% withholding tax, if they are out of India.

Kevin D'Silva

On revenues?

Pramod

On revenues as such.

Kevin D'Silva

Okay, and this is a fixed number, it does not change from project to project or type of work done.

Pramod

No it does not change; the rate is fixed as such. Unfortunately, as we do not get any credit in taxes here because our income from Japan is tax free.

Kevin D'Silva

Okay. So you pay a flat 20% of Japanese revenues as withholding tax.

Pramod

Not all of it, but some of it is rendered through our Singapore subsidiary also. So, that does not have the withholding tax.

Kevin D'Silva

Okay, and do you think this equation is going to change going ahead?

Pramod

See the government of India has been in discussions with the government of Japan for number of years on this withholding tax issue, especially on the offshore kind of work which is done, because in most other treaties, the onsite revenue tends to get withholding component, because that income is considered to arise in that country, but offshore is not taxed except in the case of Japan. Let us hope that the Japanese Prime Minister's visit we have some movement on that.

Kevin D'Silva

Okay, thank you.

Pramod

Thank you.

Moderator

Thank you very much sir. Next in line we have Mr. Puranik from Enam

Puranik

Hi Vishnu, congrats on a wonderful quarter.

Vishnu R. Dusad

Thank you very much. How are you sir.

Puranik

Oh fine. You have done better than what we expected.

Vishnu R. Dusad

Thank you, thank you very much.

Puranik

Keep this up for the next 8, 10 and 20 quarters like this.

Vishnu R. Dusad

You have our commitment that we would.

Puranik

You know, in the stock market we measure companies based on their longevity of business, you know, the quality of life, quality of earnings. I think you are getting into a high quality mode because I heard a lot about what you talked about your GMAC business and also about certain things like the order book positions you mentioned. It is nice if you can for the benefit of everyone take us through the opportunity space in the GMAC environment and similar environment you talked about, and also the mix of order book you have in terms of product, services, GMAC, and the rest of the world.

Vishnu R. Dusad

Yes, certainly. When it comes to, you know, opportunity space at GMAC, what we have now, the order that we have signed up is essentially catering to their retail business. And even within that, we are right now catering to loan management and the collections piece. There is an opportunity on the loan origination side. Our first implementation for loan origination is happening in China and then looking at that implementation GMAC would decide about how this loan origination module, whether that should also get implemented along with the other two modules that they have signed up for. Then they have dealer management system, which obviously would come for overhaul. There is a Basel II related opportunity. Then obviously there are lot of regulatory reporting... These are the kind of opportunities, which would be there in any automobile finance company, and so are they in GMAC, and you know, with our very strong positioning within the customer mind, we do hope that we would be able to leverage this going forward.

Puranik

Do you see a 50 million dollar kind of opportunity coming out of GMAC in the next three years?

Vishnu R. Dusad

I would not like to comment on the number, but you know this itself has been very encouraging, you know, global size organization with 180 plus billion dollar turnover, putting its faith on a 20 million dollar company for substantial size of business, so once they get confidence at the next level, business for us has always grown in that manner, so once they get confidence at the next level, I am very confident that it will move forward. And talking about the break up between product orders and the services business as of today out of these 103 crores, 60 crores worth is product business, products and related business, and balance 43 is related to our services business.

Also, I would like to highlight this other important order that we have bagged during the year, which is Arab Bank. Arab Bank is one of the most respected banks in the Middle East and we had earlier implemented one of our solutions at their Saudi Arabian subsidiary which is called Arab National Bank, and based on that they have also you know placed order with us. For 20 country roll out, and that again we hope would have a ripple affect in those respective geographies.

Puranik

So this is, probably the second largest roll out you have done for Arab Bank, for any customer of yours?

Vishnu R. Dusad

That is right. In terms of geographical split, this would be, you know, based on our intellectual property, otherwise customer own the intellectual property..., when it comes to customer's own intellectual property, we have done a roll out of one of our solutions which was developed by us in 60 plus countries.

Puranik

Oh, I see.

Vishnu R. Dusad

Yes, that is for one of our bigger customer.

Puranik

This is what about 5-6 million dollar order, or more? Should be more.

Vishnu R. Dusad

I mean, you know, we would not like to specifically comment on the numbers on this particular aspect.

Puranik

And you also talked about this, your working with the ISVs for selling your product, IBM, Oracle, and Sun. What kind of opportunities you see and what kind of product you sell with them?

Vishnu R. Dusad

Okay, what has happened is, thanks to this GMAC order, we have been able to create different positioning in the minds of these, you know, global players like IBM, Oracle, Sun, and so on. They have started looking at us from a slightly different perspective. Earlier they would insist that our application should run 100% complaint to their platforms, but now that insistence has reduced, and looking at that major level acceptance, they also want to leverage our products into their own

customers. For example, IBM, it has certainly tens of thousands of sales people all over the world who run into, who work with banks, so they would leverage that network, you know, those respective customer relationships in hundreds of countries to take some very good quality products, and from that perspective very senior people in these organizations have started spending hours looking at our products and that also encourages us substantially. Incidentally, our product was also listed on World Bank website as a micro finance solution as one of the approved micro finance solutions very recently.

Puranik

Interesting, so this channel will over long term can bring in about 10 to 20% of revenue or more.

Vishnu R. Dusad

Yes, we do expect that kind of contribution from these channels, and you know, obviously all our products are listed on their websites, and so their customers when they are logging into you know IBM website or a Sun website or an Oracle website they get to see our product, and not as one of the thousands of products, but amongst top ten, top 50 products.

Puranik

Good. Thanks Vishnu. Wish you all the very best for your next several quarters four, eight, and ten quarters, and wish to hear great things from you.

Vishnu R. Dusad

Thank you very much. We need all your good wishes.

Moderator

Thank you very much sir. Participants who wish to ask question, please press *1 now. We have a follow-up question from Mr. Dhiraj Sachdev from ASK Raymond Jeans.

Dhiraj Sachdev

Yes my apologies. I missed out on the margins. You said you would like to maintain the margins at the Q4 level or the yearly level, and going forward what could be the effective tax rate one can assume?

Pramod

We would like to maintain margins at the Q4 levels. And see, we do not pay till March 2009 of course there is no tax on export income for us, which is overseas software income. There is some taxation on domestic income, which any case is a small portion.

Dhiraj Sachdev

Okay.

Dhiraj Sachdev

Fine, so one can assume around 20% level.

Pramod

20% taxes?

Dhiraj Sachdev

Yes.

Pramod

No, nothing of that sort.

See even look at the withholding taxes as well as the tax we have taken for the year, it is about you know five crores on a turnover of 103 crores, so could assume that this would remain at about 6 to 7%.

Dhiraj Sachdev

6 to 7%. Thanks sir, congratulations once again.

Vishnu R. Dusad

Thank you very much.

Moderator

Thank you very much sir. Participants who wish to ask questions, please press *1 now. To ask a question, please press *1 now. At this moment, there are no further questions from participants. I would like to hand over the floor back to Ms. Swati Badal of Nucleus Software for final remarks.

Swati Badal

Thank you, we really appreciate your participation, and I would like to forward to Mr. Vishnu R. Dusad for his comments.

Vishnu R. Dusad

I would like to take this opportunity gentleman for, you know, your keen interest in our, what we are attempting to do, and we would continue to need your guidance, your inputs, suggestions, please

absolutely feel free to, just the way Mr. Damani was very candid in suggesting that we should have higher pay out. Please do feel free to give all your extremely valuable inputs. Our understanding is that you gentlemen understand the industry much better than we people who are operating, and we could always benefit from your input. So I would like to take this opportunity once again to thank you very much for your interest, your time, and looking forward to be in touch with you.

Moderator

Ladies and gentlemen, thank you for choosing Webex conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.
