“SQS India BFSI Limited Q3 FY15 Earnings Conference Call”

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MANAGEMENT: **DR. MARTIN MÜLLER – MANAGING DIRECTOR & CEO, SQS INDIA BFSI**
MR. RENÉ GAWRON – DIRECTOR, SQS INDIA BFSI (& CFO OF SQS)
MR. N VAIDYANATHAN – CFO, SQS INDIA BFSI

MODERATOR: **MR. DIWAKAR PINGLE, MANAGING DIRECTOR, CHRISTENSEN IR**

Moderator

Welcome everyone and thank you for joining us for the Q3 FY15 ended December 31st, 2014 Earning Conference Call for SQS India BFSI. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. At this point I would like to hand the conference over to Mr. Diwakar Pingle from Christensen. Thank you and over to you Mr. Pingle.

Diwakar Pingle:

Thank you Karuna. Good afternoon, good evening and good morning to all the participants who logged onto this call. We are discussing the Q3 FY15 ended December 31st, 2014 results on the earnings call here. To take us through the results and answer your questions we have with us today Dr. Martin Müller – Managing Director & CEO, SQS India BFSI Limited; René Gawron – Director SQS India BFSI and CFO of the SQS and Mr. N Vaidyanathan – CFO of SQS India BFSI. We will be starting this call with a brief overview providing highlight of the company's performance followed by the Q&A session.

I would like to remind you that everything said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement must but be viewed in conjunction with uncertainties and the risk that we face. These uncertainties and risk are included but not limited to what we have mentioned in our prospectus filed with SEBI and subsequent annual report which you can find on our website. With that said, I would now turn the call over to Dr. Martin. Over to you Martin.

Martin Müller:

Thank you very much for the introduction Diwakar. Good afternoon to everybody listening here in the call. We are happy and we are proud that so much of you are interested in our Company and we will give now in the next 60 minutes on our quarterly result. And I think most of you have already read our press release which was published yesterday, but nevertheless I will repeat some numbers and highlight some key aspects and from that I think we'll have a good discussion base for the Q&A session.

Let's start with a broader view on our results. I would like to start with a nine month ended results comparison with the corresponding period in 2013-2014. We were able to grow the business by nearly 12% from 144 crores to 162 crores revenue. This is a good growth momentum as you would recognize that we went through an integration phase and we were able to increase the business by 12% in those nine months. Now let's look at a little bit more focused view, on a year-on-year quarterly comparison, we achieved almost 54 crores revenue in 2014 in the third quarter compared to 50.9 crores in 2013 Q3, so it is also a growth by 5.6%.

As we have pointed out also in the earlier earnings call, the key drivers of growth has been the focus regions of Europe and America and the main region which was responsible for this growth was the America and we have also seen some momentum from the Middle East and North Africa region. While our European operations was not the key driver in this period, we believe that US and Europe will continue to be our biggest focus markets primarily due to the size of the market and our presence in these markets which makes accessibility to the clients very easy both from an onsite and offshore perspective.

Those were the revenue comparisons on a nine month and a YoY basis. Moving on to QoQ basis, we clocked 54 crores in revenue compared to 56 crores in the previous sequential quarter. Here you see that there was a drop in the last three months. The drop was primarily due to some muted growth in the European region, as I have already stated that America continues to be the driver for the growth in the broader period.

Let's move on to the profitability side. There I only want to give you one comparison, we were able to achieve about 19% EBITDA compared to 22% in the previous year quarter. So there was a drop in margins but we are still in line with our overall expectations. The investments in sales,particularly also in the pre-sales team in the US and in the European region were some of the contributors of the downward movement of the margins. As a result, you would see that the EBITDA has moved down a bit.

I am coming now to the geographical segmental split. So if you look at the revenue in relative numbers it is more or less stable what we achieved in the US, if you compare the quarter Q2 to Q3 so we are there between 23% and 24%. As I already pointed out, Europe is the main region where we have to focus our attention. We have gone down from 47% to 42% in percentage terms here and it was compensated by Asia where we had a positive movement of 6%. This regional change in the split of the geographical mix also contributed to the drop in the EBITDA. So primarily a two pronged effect; investments in US and Europe to support the sales growth but increased contribution from Asia where margins are marginally lower than what we achieve in Europe and North America.

There is also one other point which is quite important if you look at the results and this is the onshore - offshore mix. So we have 55% onsite and 45% off shore mix and it is always our effort to ensure that this mix tilts towards the offshore direction over the long term.

Looking at the practice segments, Banking continues to remain strong and we had about 56% of our revenue coming from that practice in this quarter and this was offset by lower percentage in Treasury and Cards.

If we focus on our client segmentation, we believe, this is also a comment which also applies to the whole SQS Group, that we really want to focus on those clients who are able to bring us higher revenue share. This primarily means that we are looking to develop clients to higher revenue level and this also implies that our client base does not have to grow all the time to maintain consistent revenues. Our main point is that we want to find and nurture those clients which we can mine to a greater degree. This is quite important to us, especially as our business is focused on mid-sized and big sized companies and a high percentage of them are also doing vendor consultation programs and so on and therefore we need a higher piece of the testing work that they are doing. These efforts are already taking some shape as we have seen that in the last 12 months we were able to move one client from level of $3 million to $6 million business. This is quite important for us to be able to mine clients to deliver higher revenue and this effort will continue in the future.

One point, which if you only look at the numbers might sound a little bit negative is the receivable days which went up from 101 days to 111 days, but this was a quarter where we had the effect of Christmas. We have a lot of those collections come in January. If you take into account the collections in the first two weeks in January also, the debtor days will come down to 82 days. The right shifting of the collections is the key reason for the receivable days being slightly higher in this quarter.

Looking at the numbers, we had a strong Q2 and there was a small dip in the revenue numbers in Q3 but we managed the costs well enough to ensure that the quarter was a decent one. The utilization dropped by 2% from 67% to 65% which is not material in the scheme of things. Attrition rate is always a signal which gives the market and also the employees an indication what is going on here so you see the attrition rates is now at 16.9% and it went up by 1.2% points, but it is still in the range which is manageable and which is healthy for this organization in the special industry that we are in. We believe that we can stabilize the attrition levels at about 15% roughly.

These were my preliminary comments and I do not want to talk too much because I think you might have a lot of detailed questions. But before that, I would hand over to René Gawron in Germany to give us the SQS Group’s perspective.

René Gawron: Thank you Martin, just one or two sentences from my side. Generally I would like to underpin that BFSI, that is Banking Financial Services Insurances continues to be our key focus vertical in SQS Group’s strategy. We, SQS as a group including SQS India BFSI have almost 55% of our global revenues from BFSI practice and so BFSI India also plays a pivotal and a very important role as the core competency standard in that field. We are very happy that we recently gave a trading update to the market, SQS Group generated EUR268 million of revenues last year which is about $320 million depending whatever exchange rates you are using. And of that, as I said 55% is BFSI and so yes integration has worked very well, we are pleased with the corporation and the integration of the company and we are very much looking forward to the business opportunities which Martin also mentioned, which we as a group have invested in mainly with a focus on the US market and the UK market where our market share in BFSI is below the group average where we see the biggest opportunities.

So I would like to hand over probably to the Q&A session now.

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

Amar Maurya: Sir, my first question is just extending your point that you have said that we are re-jigging our portfolio and likely to concentrate on high pocket clients where we can mine going ahead and that is very well clearly indicated by the kind of client addition which we are seeing in 1 to 6 million category. So, is this also a conscious decision given that card market, treasury and card payment as a segment which is degrowing on a quarter-over-quarter basis that we cannot scale it to the level what we are having in mind?

Martin Müller: I think we are well positioned with our practices and how we have structured them because cards is also a very big market while being different from Insurance or the Banking practice. But you are absolutely right, when I talk about Banking we have seen an uptick in that segment while we cannot say the same about the other practices. But nevertheless, as we see the market especially when we address US and the Cards business, we are quite confident that this is a very good market entry domain with respect to testing work. So from the positioning and structuring point, I think there would be no change, our main challenge is to find those clients in order to make a beginning. It would be only an exception if you get big clients at first sight, but as I said we are looking for clients who have a potential of being mined for higher revenue growth later on. It does not mean that we do not do smaller projects but the focus would be on identifying clients that have the potential to develop as we start working with them.

Amar Maurya: So just extending this Martin, what we are trying to say here is that whatever repositioning which we are doing today is that those clients as we see your active clients has also come down - so are we saying that the clients which we are dropping are those clients where we cannot see the visibility of the revenue? If that is so, I mean is there further pain left from here or we are almost done in terms of culling clients etc.?

Martin Müller: Now there are a multiple reasons from quarter-to-quarter when the revenue numbers go up or down. But nevertheless I think this is a strategy we are driving here and even if we say there is a drop from Q2 to Q3 there are a lot of clients where we enhanced our business but unfortunately of course there might be or there are other clients where we had bigger drops but it is not an overall trend, it is client specific.

Amar Maurya: Fair enough, like what I am trying to understand here is Martin that since the strategy which we are going for I mean are we going to see a further drop in your active client base and that means here will be a certain drop in revenue from hereon. Is this the overall strategy from a group perspective?

René Gawron: Maybe if I can say a little bit from the global SQS Group view, as SQS Group we continuously reduce the number of clients each year, we have come down few years ago we had 650 active clients, last year we had around 400 active clients including 50 or 60 I think it is new ones from SQS India BFSI in that number. The point is, as SQS Group I rather only want to have 300-350 active clients but the right ones, the right ones which give me preferably higher single-digit million dollars a year per client or double-digit million dollars per year per client because otherwise the sales effort is in no relation to the outcome you get from this. So yes we continue to do client consolidation only to those ones where we can actually get into more long-term engagement including global delivery and rather drop few ones. We don't want to drop the revenues through this but sometimes because we want to focus and actually grow our market share into larger clients and you always need to take on a few new ones every year and see if they have the potential to develop, but if they do not you also need to disengage because otherwise it just dilutes the sales effort. Then, we also want to do a similar thing at SQS India BFSI because from my point of view they have too many clients, but you rather as Martin said gather some of the bigger ones and identify the smaller ones which have a real growth potential. But to be successful in this business it is not about having more and more clients every year, it is actually whether having bigger clients every year and adding a few ones with potential.

Amar Maurya: So René what I was trying to understand here is if we are trying to replicate the same strategy here in SQS India, there will be a some drop in revenue also because of the client rejig from hereon, I am talking about probably in three or four quarters, are we going to see this rejig and will there be some immediate drop in revenue which is also going to come because of this strategy?

René Gawron: No, not at all, this is a strategy not to drop the revenue but to make the revenue or the top line with smaller number of larger clients and always feeding in some potential clients. So it is more revenue growing the top line but from smaller number of clients having deeper relationships and higher market share in those clients.

Amar Maurya: Okay. Secondly René I just want to understand, last year I believe the BFSI contribution to the SQS parent, I mean SQS Germany was almost 45% and this year it is 55%, right?

René Gawron: It is 55%, yes.

Amar Maurya: So it is almost a growth of 1000 basis points right?

René Gawron: Yes, it is a strong growth but please keep in mind it is more, it has grown also to 55% because those numbers includes SQS India's BFSI numbers which is entirely BFSI, so it is not only organic growth there.

Amar Maurya: Okay. René just last question, probably can you help me update like how far the integration is done and when we can see the actual delivery happening from the integration probably by financial year '16 or it is going to prolong to financial year '17?

René Gawron: I think there are two aspects of this, I call it from a technical point of view the integration has worked very well and is completed whether it is financial systems or IT but also how the sales teams and from SQS India BFSI are working together and are kind of integrated or collaborated with the sales teams in Europe or North America. And so I think this first stage has happened, if you remember I always said will there be a lot of additional revenues for SQS India BFSI from the integration. I have always said that in year one there is nothing incremental, because we bought many companies, and our experience shows that it takes quite a while because customer don’t give you more market share within 12 months period because they have usually allocated all their budgets. So we are here now after one year which I think was very successful in that respect and I do expect that we will see kind of first results from this integration which will also translate into additional business which would not have been there normally in 2015 in the calendar year which has just started. But it is still not a huge amount but I think the most of the effect will be rather in 2016-2017, it always takes two to four years to really come through the process and then you can say here was another $10 million which otherwise we would have not had as a separate company. And the full effect will be seen in 2016 but I think we will see first parts of that effect happening this year, but I always said there is nothing in year one. So I am not surprised and that’s why we also try to mitigate some of the market expectations from that in the first year.

Moderator: Thank you. We have the next question from the line of Sameer Shah from Value Quest. Please go ahead.

Sameer Shah: Just one question, what was the dollar terms revenue growth, in rupee terms there was a YoY growth and QoQ de-growth. What was the same thing in dollar terms?

N Vaidyanathan: In terms of dollars for the nine months ended December 2014 compared to the nine months ended last year, it is a 12% growth and compared to December 2013 vis-à-vis December 2014 we saw a 5% growth.

Moderator: Thank you. We have the next question from the line of Eshan Agarwal from Divitas Capital. Please go ahead.

Eshan Agarwal: René I had one question, in one of the recent publications from NelsonHall SQS Top Management mentioned that SQS aims to hire around 5,000 people in India by 2017 and as of now I think the total strength of SQS India and SQS BFSI stands at 1,900 with an almost equal number in both the entities that is I think 950-950 in both the entities. And also in the interview you mentioned that you are doubling up space in Chennai, Pune and Mumbai for the same. So assuming that by 2017 we are 5,000 employees in India would it be fair for me to assume 2,500 of those employees would be in SQS BFSI because that is your focus reason going ahead?

René Gawron: Yes. First let me have confirm this plan we are having, we are planning to grow our share of business which will be executed by the entities in India way above the average of the Group and the 5,000 staff from today's 1,900 which are well correct numbers you have quoted is the way to get there. And yes, also I would say it is probably half-half, this always depends on what kind of deals you really get in, if it more BFSI it maybe more for the Chennai operation or if it is more with manufacturing clients. But yes, it is fair probably to assume that at least it should be probably 2500.

Eshan Agarwal: Okay. And again a follow- up on that, so assuming that our current strength stands at around 950 employees, if we scale up to 2,500 employees which means we are going 2.5x on employees. Is it logical for me to assume that our revenues should grow by 3x because going ahead we would be getting into automation and Managed Services where you might see non-linear growth?

René Gawron: Well, of course when we grow as a Services business, when we grow billable headcount we give this to deliver additional revenue so it is whatever you want to derive from this and your computations of course it will mean additional revenue.

Eshan Agarwal: Okay. And my last question, SQS AG acquired 2.26% in SQS BFSI in the last quarter. So are you looking to further up stake in the BFSI business in India?

René Gawron: Well, we have always said that over time we want to top up our investment in holding SQS India BFSI when the market conditions seem to be fairly priced and the reason why we only did 2.18% is we felt that the valuation is kind of correct than most recently where we had to live with the feelings of valuation was very ambitious. But yes we do this but it depends definitely on the share price, if the share price is too high we don't do it.

Moderator: Thank you. We have the next question from the line of Utkarsh Katkoria from Deutsche Asset Management. Please go ahead.

Utkarsh Katkoria: Just one question on my side on margins, so we have seen the margins decline from 22% last year at the EBITDA level to 19% this quarter, so what is the outlook and what do you think are the sustainable margins going forward once the integration starts to come through?

Martin Müller: As I have pointed out, the reasons why we went down from the 22% to 19% is that we invested in the sales people and presales in all the focused regions. But I also want to add to what René said earlier regarding enhancing our business in the forthcoming years and that means we will also have further investment on sales and our structures. Therefore I think that the range you see here for EBITDA is what we would like to maintain. So between those two numbers you see I think this is a realistic view is what is achievable here in the long run.

Utkarsh Katkoria: Sorry, so the realistic view would be between 19% and 21%, is it?

Martin Müller: Around that, yes.

Utkarsh Katkoria: Okay. Just one thing, so I am looking at the Q3 presentation and on the employee details on Page #7, the number had come down from 842 to 829, so if you could just explain that and also your outlook going forward?

Martin Müller: I already touched upon that point, as I said that there was a marginal drop in the revenues and we managed the utilization by using attrition as a lever. It is a kind of natural attrition we have, we went down from 915 to 902 employees in two years. Part of this could be attributed to be the integration efforts also where we tried to centralize all those business service or support services as much as possible. For instance, we have now a centralized marketing in the SQS, combining the SQS Group and SQS India BFSI which focuses on verticals or horizontals that they serve. Those are the main reasons for the employees going down from 915 to 902.

Utkarsh Katkoria: Right. So just one last thing, so going forward do we expect a further decline in this number?

Martin Müller: No. We are looking as René already mentioned to develop this business. We are convinced that we are in the right position, we are also convinced that we are focusing on the right regions, we have optimized our set up in the region for sales and presales, and therefore this is an indication that we want to grow and move on to the next level. Our focus is to go on this growth path which is reflected by the nine months comparison and also by the year-on-year comparison.

Moderator: Thank you. We have the next question from the line of Krunal Shah from Amideep Investments. Please go ahead.

Krunal Shah: Hi, my question is to René. Regarding the trading release by SQS Parent, there is a statement mentioning quite a few deal wins in USA, Tier-1 bank, a payment processing company, an asset management company; so would these be served by the Indian entity?

René Gawron: The ones on the Financial Services in the US, the majority is definitely served by SQS India BFSI. Yes, I think there was only one in there where a kind of a local team is required where we are currently seeing whether we need to hire people in the US or whether we could use some landed resources from Chennai on this. But generally it is always a first call on SQS India BFSI even if it is on landed resources.

Krunal Shah: Okay. And could you quantify deal size in that case?

René Gawron: No we cannot, no. The deal size is just to give you an indication because most of the clients don't want us to go into many details of this. They are all still pretty small, these are not huge kind of million dollar deals but there the key thing especially in the United States if you start business with new Financial Services institution; the key hurdle is always to get an MSA, Master Service Agreement, in place with a client, if it is without an MSA you cannot do any work for them. And they only give you an MSA if they think you can do a multi-million delivery over the next few years because otherwise they don't take the effort on their side to do it. So getting those

MSAs in place which they all are because otherwise we couldn't start working for them is a big entry barrier which we have overcome but the deals are not very big in the beginning, it's probably a few hundred thousand each but there is huge potential as these are really very well-known brand names.

Krunal Shah: Okay. My next question is regarding our client base, can you give us a list of our top 10 or top 5 clients?

Martin Müller: We do not name those clients, we only give you an indication which is our main emphasis areas and I have mentioned those practices earlier on and where we have the biggest part of the pie but we do not name clients here, sorry for that.

Krunal Shah: When we are bidding for individual deals we may face competition from the likes of the TCS and Infosys, so what is our niche compared to them?

René Gawron: Generally how we pitch is we usually as follows:. We always say testing should always be done by company that does not do the System Integration or the customizing of a software or application. So it should always be done by an independent player with a clear four eyes principle. What is the four eyes principle which we can only provide as an independent one, why is it better for the client? Because we are only focused on testing for more than 30 years and also SQS India BFSI doing this for 15 years or more, we have better practices, we have better procedures. We have repositories for test cases, we are leading in test automation, and if it is a long-term engagement also to automate tests on this because we have the metrics, we know what the effort is going to be, and we can also have strategies based on the experience how to be more efficient. Efficient always means it is going to be routine test more for the clients for the same money or it is going to be cheaper on a per item basis. So this is our key pitch. We are not just adding people to a project and it is the efficiency and actually being able to forecast to the client what the efforts required are if he wants to have a certain test coverage. We also highlight what he needs to invest and what the outcome would also be if he does not want to take the investment and what are the risks and this is very much evident by the practices and the practice people we have in Chennai, they can do those things in various segments.

Martin Müller: And also to add to words of René, our domain skills are of a high standard and this is quite important because they know that they want to make use of a testing partner, but a partner who can talk the business side of the clients and that is something very specialized that we bring to the table.

Krunal Shah: Okay. A couple of questions regarding the European region, do we hedge our Euro exposure?

N Vaidyanathan: As a matter of policy we don't do any hedging and this is in line with our Group philosophy also.

Krunal Shah: Okay. So the European region deals will be denominated in Euro or dollar?

N Vaidyanathan: Majority of it is in dollars, we also do have Euro exposure to some extent.

Krunal Shah: Okay. And regarding as in what happened yesterday the QE announced by ECB, do we see the money flowing into the banks being put into the budget for testing and do you see increase in business from that?

René Gawron: Yes, I think so.

Moderator: Thank you. We have the next question from the line of Ruchi Burde from Emkay Global Financial Services. Please go ahead.

Ruchi Burde: I wanted to ask, given the weaker economics revenue in Eurozone do we expect a softness in the revenue for SQS in Europe region to continue for a couple of quarters or relating to the last question should we expect given more quantitative easing over there a sign of rebound or revival?

René Gawron: Maybe I can take this question if you like because we also put out an outlook on this from SQS Group point of view. As SQS Group we do expect and like all the markets analyst we rather expect a kind of a weaker economic outlook just around 1% GDP growth for Central Europe which in the end also means that growth rates in IT spend and including testing, and this is about the growth rates, the growth rates will probably also be not 10% but maybe just around 5% or so for the European region. We do see higher growth potential for the UK because the economy is doing better in the UK and we see definitely much higher growth rates for North America where also the GDP growth is going to be or forecasted to be 3.7%. So yes, but that is also as SQS Group we put out that we kind of cautiously look at the macroeconomic environment especially in Continental Europe but not for the rest Of the World.

Ruchi Burde: Thank you. And it would be helpful if you could give us a percentage of revenue which BFSI India derived from UK and Europe excluding UK, if you have that number.

Martin Müller: I didn't get it, in Chennai it was quite hot to hear what you are saying.

René Gawron: What the percentage SQS India BFSI does from Continental Europe excluding UK and what it does from UK and US I think it was.

Martin Müller: Predominantly when we talk about Europe and SQS India BFSI it is predominantly the UK market. So you can say that apart from 20%, the rest is all UK market. Language plays an important role here and it is important that you speak the same language to the client and in order to bring also the German speaking countries on market here for us in Chennai we have invested in training in German lessons. So we have now 30 people here trained basically or they have basic training in German language and this is one of our focus areas to ensure that we target business from continental Europe.

Moderator: Thank you. We have the next question from the line of Amar Maurya from India Nivesh Securities. Please go ahead.

Amar Maurya: Sir one last question about can you just update me about what was the blended utilization level in the quarter?

Martin Müller: It was 65% in the last quarter compared to 67% in Q2.

Moderator: Thank you. We have the next question from the line of Eshan Agarwal from Divitas Capital. Please go ahead.

Eshan Agarwal: René, as of now in the short-term as you have mentioned our margin outlook should be somewhere in the range of 19% to 21% but as the strategy of the parent moves towards Managed Services do we see higher margins for SQS BFSI in the medium to long-term maybe about 21%, is that a reasonable assumption?

René Gawron: I would not say this is a fair assumption because there are various elements kind of working on that, on the one hand with bigger deals, bigger visibility, yes margins potentially can go up because we can drive better utilization from this. So if we have bigger deals, more long-term deals on the other hand the clients also want to get bigger volume discounts which is again bad for margins. Against that, we also work more if we have more long-term deals with things like test automation which would help us produce more of the revenue per item not only with people but also by just using tools for it. Again, this is good for margin enhancement, on the other hand if you have such deals also the clients want to get their share of the efficiency gains. So in the end it is fair to believe rather what Martin said to expect pre-tax profit margins in the range of 19% to 21% going forward. If it is doable, we try to do it, but it would be not fair to expect that.

Eshan Agarwal: Okay. And one more last question, our focus regions as you already mentioned are US and UK. So I wanted to see are we also perusing our Asia strategy aggressively because I see a good revenue growth in Asia and are we looking to trim it down because of slow margin business?

Martin Müller: Yes, good question. It is kind of dynamic, as we have seen this quarter, the drop in Europe was compensated with business from Asia. So we keep concentrating on different regions to diversify the risk but the macro outlook is to focus on US and Europe where we think it make sense to invest. But nevertheless you are absolutely right, the world is changing and we should always have an eye on regions which are coming up and grow a region if we see potential with the clients in those regions.

Moderator: Thank you. We have the next question from the line of Nandish Dalal from IIFL. Please go ahead.

Nandish Dalal: Could you just explain why there is spike in the debtor days during the quarter? And also could you just help me with the cash flow generation during the quarter and also the nine month period?

N Vaidyanathan: In terms of the debtor days which has gone up from 101 as at the end of last quarter to 111 that is because as Martin pointed out in his introductory message, some of the collections could not be materialized in view of the continuous holidays across the Western Countries. Just an update on that is we collected subsequent to the quarter end, 16 crores which represents about 28 days. So as of now the debtor days comes down to 82 to 83 days and that's the reason. In terms of the liquidity position, the total cash balance was about 603 million as at the end of last quarter and this has improved to 635 million as at end of December quarter in terms of bank balances.

Nandish Dalal: Thanks. One just last question, you said you are investing in sales, could you help me with the SG&A expenses as a percentage of revenue during the quarter and what was it one year ago?

Martin Müller: So you are interested in how much percentage of revenue we invest in sales and marketing?

Nandish Dalal: Yes, that's correct.

Martin Müller: In sales and marketing if you look at a broader view a year-to-date number in December, sales and marketing together it is around 11% of revenue.

Nandish Dalal: What was it the same time last year, could you just help me with that?

Martin Müller: 9.9%. If you can see there are two to three effects. First effect of course, as I said we invested in our sales structure and also pre-sales added in US and also we optimized our team in UK, this is one effect on that but additionally this is number which will bring down the marketing expenses with our centralized marketing.

Moderator: Thank you. We have the next question from the line of Krunal Shah from Amideep Investments. Please go ahead.

Krunal Shah: My question is regarding CAPEX plan going forward.

N Vaidyanathan: As of now we do not have any major capital expenditure planned, what we have is normal capital expenditure towards the replacement and refurbishment on upgradation of our systems. What we generally do is when we need to go in for an expansion or additional capacity, at that time we come up with a capital expansion plan.

Krunal Shah: And regarding BFSI segment, anything in terms of as in which segment in terms of Banking or Financial Service or Insurance, Cards which will you do well going forward from now or all will grow equally?

Martin Müller: It is always easy to say all. We have here emphasis on Treasury and Cards which we feel is a quite good entry especially if we look at the US market, so we are quite confident to scaling that segment up. The focus on Insurance is also there.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand over the floor back to Mr. Diwakar Pingle for his closing comments. Over to you Mr. Pingle.

Diwakar Pingle: Thanks everyone who has joined in. In case you need any extra queries and clarifications please do write to Mr. Vaidyanathan or the Investor Relations team. I request Dr. Martin to just make us closing comments here.

Martin Müller: Thank you very much Diwakar. It was interesting to hear all those questions which were raised in the last hour and so it also shows how the market is thinking about us. Just to summarize it, it has been a year since I came to Chennai in 2014 and the growth is in line with our expectation and what it means is that we have managed to do a successful work on integration of India BFSI and also the SQS Group in this period. As we pointed out in the call, we are focused on strengthening the sales organization in US and Europe which continues to be our focus region. And now we are prepared to expand our client base for further businesses development in 2015 based on the platform that we have set up now. I would like to thank you very much for attending this call and also would like to wish you a great weekend. Thank you very much!

Moderator: Thank you sir. Ladies and Gentlemen, on behalf of SQS India BFSI that concludes this conference. Thank you for joining us and now you may now disconnect your lines.