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## iGATE Corporation Q2 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Brian Kinstlinger - Sidoti & Company.

#### Brian Kinstlinger - Sidoti & Company

In your last comment you mentioned about the market and off shoring gaining traction. Is it fair to assume then you expect modest sequential revenue growth in the third quarter compared to the second?

#### Phaneesh Murthy

My sense is that I tend to look at it from a more long term perspective. My comment is that it's my estimate that 16% to 17% of IT budgets are spent in India and based on the maturity of the operations and my survey among multiple CIOs it is my assessment that they will be willing to spend up to 25% of their IT budgets in India. I do believe that even if the IT budgets were to down therefore the off shoring momentum will continue.

How much, I think we have been having more sequentially in spite of a lot of cutbacks and cancellations. We just hope that trend continues unless something catastrophic happens.

#### Brian Kinstlinger - Sidoti & Company

Based on your customer commitments is your expectation, nothing is guaranteed but do you expect to have at least higher revenues in the third quarter compared to the second?

#### Phaneesh Murthy

We don't have guidance but yes, clearly that would be our goal.

#### Brian Kinstlinger - Sidoti & Company

The rupee continues to depreciate and with the way you have leveraged I'm curious is there any reason to believe that the margins won't increase such as been the case in the last two or three years in the third quarter compared to the second.

#### Ramachandran Natesan

Rupee cost structures will certainly be well managed because of our hedging strategies. We are quite confident that at least the exchange rates will not impact adversely the margins. If anything we are

quite confident that we will only be performing better than the industry levels in so far as the impact of the exchange rates are concerned.

**Brian Kinstlinger - Sidoti & Company**

I'm now thinking big picture, we talked about where to get your operating margin to. Your peers are roughly at 20% on average and you're making great progress there. My question more is over the course of next year, year and a half, do you think you will continue to approach those margins that the industry is at?

**Ramachandran Natesan**

I think our long term goal clearly is to get to what we are calling our 40/20 structure, 40% gross margin and 20% operating margin. We don't necessarily believe that both those goals will be achieved at the same time. My sense is yes we'll continue to make margin progress through the rest of the year and we'll continue to make progress over the next year. I don't know whether it's 12 or 18 months I don't know whether its 24 to 30 months but clearly our goal is to get to that sooner rather than later the 40/20 structure.

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