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iGATE Corp. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you very much, sir. At this moment, I would like to hand over the proceedings to WebEx International moderator to conduct the Q&A session for participants connected to WebEx International. After this, we will have a question-and-answer session for participants connected to India. Thank you, and over to you, Laurie.

Operator

Thank you, Rita. We will now begin the Q&A session for participants connected to the WebEx International bridge. (Operator Instructions). Your first question comes from the line of Jon Maietta of Needham & Company.

Jon Maietta - Needham & Company

Hey. Thanks very much. The first question I had, Ram, maybe if you could help me think about the earnings contribution from the iGS business, if I wanted to think about that as a stand-alone.

Phaneesh Murthy

The earnings contribution, this is Phaneesh. Hi, Jon.

Jon Maietta - Needham & Company

Hi, Phaneesh.

Phaneesh Murthy

Good morning. I think the contribution is \$0.11 and \$0.02. \$0.11 from the Solutions business and \$0.02 from the starting business.

Jon Maietta - Needham & Company

Okay, good. That's what I had.

Phaneesh Murthy

(Technical difficulty)

Jon Maietta - Needham & Company

Okay. Then the second question I had, Phaneesh, as we look across this fiscal year, should we see gross margins in the second half of the year get back to the 37% range or potentially even above that 30% range that we had this quarter?

Phaneesh Murthy

I think our philosophy, Jon, has been that, until we reach the industry best-in-class kind of gross margins, corresponding quarters compared to the previous year, we are striving for higher gross margin. And right now, I think that's all I can say. We do know for a fact that it will dip this quarter, both in the gross and the net margin level because of the seasonality factor because of the payroll. But otherwise I think, Jon, our goal is to make sure that, compared to the previous year same quarter, our margins are higher.

Jon Maietta - Needham & Company

Okay, great. And then just the last question I had, and either Phaneesh or Hari perhaps, maybe if you could give me one or two examples as to a typical conversation that you're having with customers in the field today, given the soft economy here in the U.S., how are folks thinking about reducing expenses and potentially moving work offshore?

Phaneesh Murthy

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