

Q1 2011 Earnings Call - Infinite Computer

Date: 3-08-2010

Moderator

Ladies and gentlemen, good morning and welcome to the Infinite Computer's Q1 FY11 Earnings Conference Call hosted by Avendus Securities Private Limited. As a reminder for the duration of this conference, all participants' lines are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. [Moderator Instructions]. At this time I would like to hand the conference over to Mr. Jaspreet Chhabra of Avendus Securities. Thank you, and over to you, sir.

Jaspreet Chhabra

Thank you, Farah and good morning to everyone. On behalf of Avendus Securities I welcome you all to the Q1 FY11 earnings call of Infinite Computer Solutions. Present with me on this call is Mr. Upinder Zutshi, Managing Director and CEO; Mr. Neeraj Tewari, President and COO; and Sanjeev Gulati, Senior Vice President, Finance. With this introduction, let me hand over the floor to Mr. Zutshi. Over to you, sir.

Upinder Zutshi, Managing Director

Thank you, Jaspreet and good morning to all of you. We welcome you to this call, our Q1 earnings call for FY11. The way I'll structure it, I will give a very brief presentation on the results. And after that we will open up the floor for questions and we will be very happy to answer any question that you may have.

It's been a fairly good quarter and we have seen growth across all major parameters. Our revenue has grown, operating margin as well as profit after-tax. Tax have grown quite significantly. The growth has been across all our major clients, existing old clients as well as some of the newer clients that we acquired in the last couple of quarters, as well as across all verticals.

In terms of revenue, we did a revenue of 197.38 crores, which is equal to about USD 43.22 million for this quarter. Translating onto our year-on-year growth of about 37.6% in dollar terms. The revenue grew from 31.4 million to 43.2 million in Q1 FY11. In terms of INR, the growth has been on a year-on-year basis about 29.3%. Revenue growing from 152 crores to about 197 crores. On a Q-on-Q basis in terms of -- in dollar terms the growth has been about 5.92%.

Revenue growing from 40.8 million to about 43.2 million in this quarter. Whereas in INR terms on a Q-on-Q basis the growth has been about 5.42%.

The average conversion rate actually used in Q1 is about 45.67 to a \$1. While as in Q4 the rate was INR 45.92, so those are the two rates that have been used for translating the revenue into dollar terms.

As far as the operating margin is concerned, we have done about 35.45 crores in this quarter, equivalent about USD 7.76 million. From a growth perspective on a year-on-year growth, the translation is about a growth of 38.6% in USD terms, the margin growing from \$5.6 million that was Q1 FY10 to \$7.76 million in Q1 FY11.

In terms of rupee, the margin grew from 27.41 crores to 35.45 crores; translating to a growth rate of about 29.4%. As far as Q-on-Q growth is concerned, in dollar terms, we grew at 21.3%. Our operating margin in Q4 was 6.4 million, while as in Q1 is 7.76 billion. In terms of rupee, the growth was about 20%, the margin going up from 29.57 crores in Q4 to 35.45 crores in Q1.

Coming to PAT, we did a profit after-tax of about INR 24.35 crores, translate in terms of USD it's about \$5.33 million. On a year-on-year basis, in terms of dollar, the growth has been 30%, PAT growing from 4.1 million in Q1 F '10 to 5.33 million in Q1 F '11. While as in terms of Indian rupee, the growth has been 21.7%, the PAT growing from 20 crores to 24.35 crores. On a Q-on-Q basis growth has been 11.06% in terms of dollars and 10.6% in INR terms.

Our EPS, shown a EPS of 5.54 for this quarter, which is up from 5.23 on a year-on-year basis, from 5.23 it has gone up to 5.54. So,

growth of about 5.84% on Y-o-Y. While as on Q-on-Q, EPS has gone up from 5.2 in Q4 to 5.54 in Q1, so growth of about 6.44%.

One of the key highlights of this quarter has been A: all over existing clients have grown, but significantly in addition to that we were able to add four new clients in this quarter out of that three have been quite key and strategic clients. And our -- we believe that over the period of next one or two years, they could potentially become very large client of ours.

We've signed an MSA with one of the leading supplier of network monitoring solutions company; it's a subsidiary of U.S. corporation, it's about 13 billion in revenue.

We also signed an MSA as a long-term partner with a \$3 billion corporation that provides software and services for communication, media and entertainment industry. Our role typically would be to use our competency specifically in the OSS, BSS and CRM space to support the client in the R&D division.

Another MSA that we signed was again with a communication provider and a telephone exchange company in the U.S., it has revenue of about \$16.5 billion. And currently under that MSA, we are currently engaged in a migration project.

The other MSA that we signed this quarter was again with a U.S. based utility provider. And this organization provides, is a provider of equipment and software for smart grid communication network. So those were the four major MSAs or new clients that we acquired in this quarter.

In addition to that all our key strategic clients continued to grow in this quarter. Our top client marginally decreased by 3.6% and the reason for that decrease has largely been because the growth has been offshore driven rather than on-site.

Our top ten clients grew by 5.1% in Q1. Our top client contributed about 38.7% of our revenue, which is down from what it contributed in Q4, and our top ten clients contributed about 92% of our revenue which is more or less the same as it was in Q4.

As of today we have now 55 active clients out of which one and a half million plus, on a TM basis, we have 13, 1 million plus energy business clients and out of those 13 we have three clients that are 20 million plus and five that are \$5 million plus.

In terms of the headcount, the global headcount increased to 3,743 employees, translates to our net addition of 425 employees/contractors for this quarter.

Our global attrition rate and in the attrition rate we exclude any involuntary attrition or contractors, so, global attrition rate stands at 6.41%. And quite interestingly, the India standalone, just the India staff, India standalone attrition stands at 5.76%.

In terms of revenue analysis, telecom continues to be the dominant vertical for us; the contribution that came from the telecom division was 62.1% in Q1. The R&D and IP leveraged revenue has gone up to 18.9% in this quarter against 18.2% in Q4. RIM revenue has also marginally gone up to 8.2% against 8% in Q4.

Our offshore revenue in Q1 has come down to 27.8% from 31.2% in Q4. And the reason for that largely has been some of the major growth that we have seen in quarter one from the clients that we acquired in Q4, has largely been in the U.S. and that work has been -- it is being executed in the U.S., and contributes towards the on-site part of the revenue.

Some of the financial highlights in terms of cash and cash equivalents. At end of Q1 FY11, it decreased to INR 108 crores from INR 131 crores in Q4, FY10 and that's largely due to the investments that we had to make and close the deal that we signed in Q4 for messaging platform.

The DSO continues to be an area of concern, it's fairly high even today it's about 116 days. And as I had mentioned on the last call, our efforts are on to bring it down to a target date which we have set for ourselves that's about 75 days.

Our effective tax rate for this quarter has been 24%. Cash per share stands at Rs. 24.55, as far as hedging policy is concerned, the foreign exchange is concerned, we have range forward contracts worth 30.4 million as of June 30th. As on date the forward exchange contracts are for USD 28.45 million out of which we have about 18.4 million for the next four quarters.

Net worth of the company increased to INR 356.67 crores against 326 crores in Q4, FY10.

In view of the strong performance in Q1, we continue to maintain the guidance that we had given for this fiscal year, which is in terms of revenue, we are guiding about 855 to 877 crores, equivalent to about 190 to \$195 million. It translates on a year-on-year growth of about 35 to 38% in USD terms. And also in terms of PAT guidance, we continue to stay with our earlier guidance that is 99 to 104 crores, equivalent to 22 to \$23 million, again a growth of about 32 to 37% in USD terms.

So, that was very a brief presentation on the performance of the quarter. And now I and my colleagues will be very happy to answer any questions that you may have. Thank you.

Over to Jaspreet.

Jaspreet Chhabra

Farah, we can start the Q&A session.

Questions And Answers

Moderator

Thank you very much. Ladies and gentlemen, we will now begin with the question-and-answer session. [Moderator Instructions]. Our first question comes from the line of Harit Shah from Karvy Stock Broking. Please go ahead.

Harit Shah

Yeah, thanks for the opportunity. Congratulations on a good quarter by and large, but sir just wanted to get a query as far as your margins are concerned it appears that while your gross margin may have fallen by about 450-460 basis points, your EBITDA margins have actually expanded and I think that has been primarily on account of decrease in SG&A. So sir, do you feel this is a sustainable situation going forward, consciously reduce SG&A and how do you feel about the margin factor going forward?

Upinder Zutshi, Managing Director

As far as margin is concerned, the margin expansion is really taking place as a result of multiple practice. And some of them include one of them includes SG&A leveraging and rationalization, but more important is that it largely comes from the change in the business mix, where the contribution of the businesses that have high margin businesses, in R&D and IP leveraged space as well as in remote infrastructure management and offshore vis-à-vis on-site.

A combination of all that transformation is really responsible for the increase in margin that we have seen over the last few quarters as well as this quarter, and quarters and years going forward. So just to answer your question, it's not just SG&A rationalization, it's a combination of increased contribution from high margin businesses to our portfolio of revenue.

Harit Shah

Sir, just to clarify, have you given out salary hikes in the previous quarter and if you have so what is the quantum?

Upinder Zutshi, Managing Director

Yes, we have given the salary hike, the average salary hike across the board has been little over 15%. And that salary hike is effective from 1st of April.

Harit Shah

Right sir. Just can you give a brief update on the Motorola deal if you will?

Upinder Zutshi, Managing Director

All right. Neeraj would you like to give a quick update on the status of that relationship and the deal?

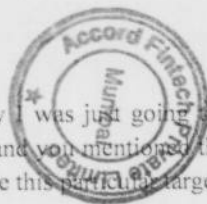
Neeraj Tewari, President

Sure. If you look at the last quarter, we clearly continue to strengthen our -- we progressed on a lot of fronts, first of all just considering relationship with Motorola. We have gone from not knowing each other much to now really understanding each other and working with each other very, very effectively. So that's a very, very positive sign.

In terms of the current pipeline and the current visibility, we continue to expand on what we saw earlier, our performance this quarter was slightly ahead of what we had expected. And in terms of the pipeline that we see now working with Motorola and IBM customers that looks quite healthy and we remain very bullish about what we expect in the next six to 18 months.

Harit Shah

All right. Then I just have one final question from my side, basically I was just going through an extra presentation, in that, I mean obviously your debtor days are at fairly high levels of about 116. So, and you mentioned the target of bringing it down to around 75, so that is a fairly steep improvement. So sir, how do you propose to achieve this particular target of yours?



Upinder Zutshi, Managing Director

See, to understand the reason for such an increase is there are multiple factors involved in it, one is the basic terms of payment that we have signed with some of the earlier clients has been quite steep within about 45 to 60 days. That, the new clients that we are signing so, we are trying to have the net payment terms 30 days, if not 30 not more than 45.

Two, there have been, there are certain inefficiencies in the system from, both from our side as well as from our client side; inefficiency is in terms of finalization of billing for some of our client because, if you look at the billing in terms of revenue share, IP leveraged, remote infrastructure, fixed SLA based, they are slightly complex invoicing and complex billing. It's not straightforward time immaterial what you have billing this on headcount and time sheets.

So, it takes a time before the bill is actually, the invoice is finalized approved by the client and then submitted and then our payment terms start kicking in from that day.

So, we are trying to reduce that period between the end of the month or end of the period and by the time, we actually submit the invoice to the client.

And third aspect is really, keep following up with the client and to try to get the money on time or within the stipulated terms of payment that are mentioned in the contract. So if you see I do agree it's a very steep target that we have taken up for ourselves and we are trying and hopeful that we should be able to achieve that over the next three, four quarters.

Harit Shah

All right thanks sir, that's quite helpful. And then one small question if I may, your billing rates offshore has fallen quite a bit this particular quarter. So, what is the basic outlook for, on this front going forward towards the rest of this fiscal year?

Upinder Zutshi, Managing Director

The reason for the fall of \$2 in offshore rate is the contribution of last quarter as perhaps you are aware we also signed a technical service desk contract, which is setting up service desk for providing L1, L2, L3 support. So that is the bill rates for that contract are fairly low vis-à-vis our average offshore bill rate. So, as a result of that the average, overall average offshore rate has come down from 21 to \$19 an hour.

However, having said that as we move forward, so we, all new projects or current projects we'll be maintaining all the similarly -- at similar bill rates. And in certain businesses the bill rate really becomes relevant because most of that revenue comes from a fixed bid basis like what we do with in the RIM or with the government with state of Uttarakhand. Most of that revenue share business that we have. So, most of that business is really not directly related to the offshore bill rate because these are on a fixed bid basis or on a revenue share basis which is a non-linear model.

Harit Shah

Okay. Thank you, sir. That's it from my side, yeah.

Moderator

Thank you. The next question comes from the line of Neerav Dalal from Capital Market. Please go ahead.

Neerav Dalal

Good morning, sir. Last quarter, there was a feel that Verizon has a deal, the bidding is going for the deal of 600 million. I just wanted an update, if there is any news on that?

Upinder Zutshi, Managing Director

Neeraj, may I request you to respond to that question please.

Neeraj Tewari, President

Yes. Thank you for asking this question. Yeah, so as far as we know right now the details of that transaction are still with Verizon. There has been no progress, so as and when Verizon does decide to make progress on that transaction, we will update you, all I can say is that our relationship with Verizon stays extremely healthy. And we continue to be very bullish about our relationship with them.

Neerav Dalal

Okay, right sir. And second thing is for the fall in the top line you've said that there is more of offshoring, but actually your offshoring is down this quarter. So it doesn't match. So if you could give, clarify further on that?

Upinder Zutshi, Managing Director

Offshoring as an overall percent, it is down because of contribution from other clients.

Neerav Dalal

Right.

Upinder Zutshi, Managing Director

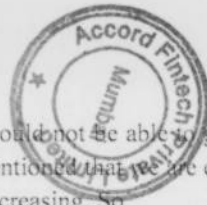
And, more important specifically, Motorola, which is largely, which is entirely on-site in the U.S.

Neerav Dalal

Okay. Could we get the contribution of the Motorola deals for the quarter or?

Upinder Zutshi, Managing Director

That I would think that that's clients confidential, we would not be able to give the exact but we have given for example, we have given the guidance when we initially last quarter, when we mentioned that we are expecting 20 million plus revenue for this year. So, obviously, from that you could derive that. So, it's been certainly increasing. So



as a result of that, the offshore percentage has come down.

Neerav Dalal

Okay. Sir, and finally, what would be the absolute SG&A that you are looking at, is down to 60 crores for the quarter. So, where do you see it still going down or it may go up from this in absolute term?

Upinder Zutshi, Managing Director

Yes, Sanjeev would you like to answer that question please?

Sanjeev Gulati, Senior Vice President, Finance

Yeah, presently SG&A is about USD 3.95 million.

Neerav Dalal

Okay.

Sanjeev Gulati, Senior Vice President, Finance

And going forward, this amount is going to slightly increase in the next second, third and fourth quarter because there is going to be ramp up in our iYogi business. So, this will marginally increase going forward to the next three quarters. Though the increase will be much less

than the increase in our revenue.

Neerav Dalal

Okay, okay. Thank you.

Moderator

Thank you. [Moderator Instructions]. Our next question comes from line of Amit Agarwal from SPA Securities. Please go ahead.

Analyst

Hi, sir, congratulations on a good quarter. My one question is, what was the status of the APDRP project?

Upinder Zutshi, Managing Director

We have as I said, we are currently executing the Uttaranchal state.

Analyst

Okay.

Upinder Zutshi, Managing Director

We have signed that state we have got. And it is progressing as per the project plan. So, some of the earlier milestones that we have do in this quarter I think we are fairly pretty much on track. So, it is in the execution phase now, where we were involved in the design of the system, design of the networks creating requirement documents. So, fair to say, it is on track as per the project plan that we had submitted to complete the projects over 18 months.



Analyst

Okay. One book keeping question, sir, what could be the rate of the forward contracts that we have for the next four quarters?

Upinder Zutshi, Managing Director

Sanjeev, would you like to?

Sanjeev Gulati, Senior Vice President, Finance

The average rate for all our contracts as of now is Rs. 47 plus slightly.

Analyst

Rs. 47 plus. Thank you, thanks.

Moderator

Thank you. [Moderator Instructions]. Our next question comes from the line of Rajiv Ghosh from Wealth Management. Please go ahead.

Rajiv Ghosh

Good afternoon, sir. Sir, I wanted to know that year-on-year, the EBIT margins have fallen considerably from around 16.8% to 14.8%. The EBITDA margins were higher because of the other income. Can you explain that?

Upinder Zutshi, Managing Director

Sorry, please, could you repeat the question please?

Rajiv Ghosh

Sir, year-on-year the EBIT margins, before interest and taxes is for other income has fallen considerably from 16.8% to 14.6%.



Upinder Zutshi, Managing Director

Right.

Rajiv Ghosh

And the EBITDA margin has stabilized because of other income. So, can you explain that?

Upinder Zutshi, Managing Director

See if you look at our last quarter that was Q4. In Q4 the EBIT margin was 14.51%.

Rajiv Ghosh

Correct.

Upinder Zutshi, Managing Director

While as in Q1 it has gone up to 16.48%. So, both the EBITDA margin as well as the EBIT margin on a quarter-on-quarter basis have gone up. The EBITDA for in Q4 was 15.79%, while as in Q1 it has gone up to 17.96%.

Rajiv Ghosh

Okay. But the year-on-year numbers are bit lower, that's why I'm asking.

Upinder Zutshi, Managing Director

In year-on-year you are talking about last FY10?

Rajiv Ghosh

FY10, first quarter and FY11 first quarter, yes sir.

Upinder Zutshi, Managing Director

Just could you give me a minute please?

Rajiv Ghosh

Yeah.

Upinder Zutshi, Managing Director

Yeah, in terms of, sorry I cannot able to -- see in terms of EBITDA if you look at Q1 for FY10, it was 17.95% whereas its about 17.96% in Q1 FY11. PAT has gone down a little bit it was 13.1% in Q1 last year to 12.34% in this quarter and that's largely because of slightly increased depreciation and as well as increased tax rate that we are incurring in this quarter and in this financial year.

Rajiv Ghosh

Sir, I'll just read through the numbers, I mean you have done EBIT of 28.9 crores this quarter on a top line of 193 crores, and last year the same period you have done a EBIT of 25.6 crores on a top line of 152 crores, that's what I mean there is a dip, I mean is there -- is this the trend going forward or will the margins be stabilizing?



Upinder Zutshi, Managing Director

So the margins would be, move forward the margins would be -- not only be stabilizing but actually growing on a quarter-on-quarter basis. So I'm still trying to get that EBIT number for last year Q1. But the numbers that I have in front of me both EBITDA as well as PAT.

Rajiv Ghosh

Okay, just referring to the financials that you have sent. Sir, other question is that what kind of, you have increased the headcount quite considerably last two quarters.

Upinder Zutshi, Managing Director

Right.

Rajiv Ghosh

So is this sustainable?

Upinder Zutshi, Managing Director

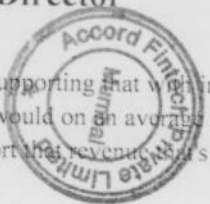
I mean increase of headcount is essentially related to the increase in revenue.

Rajiv Ghosh

Okay.

Upinder Zutshi, Managing Director

So as our revenue is growing so we are supporting that with increased headcount. So we will continue to seek similar kind of growth over the next two or three quarters where we would on an average add 500 plus per quarter. I mean that is really based on the revenue ramp up that we already have in hand. So to support that revenue, that's the kind of headcount ramp up we're looking at on an average about 500 per quarter.



Rajiv Ghosh

Thank you, sir.

Upinder Zutshi, Managing Director

Out of that if we will see as of now, we would have already in the last one month, in the month of July or so for this quarter, we would have already added about 150 plus, 150 to 200 net increase in headcount in the period till now from end of June till now.

Rajiv Ghosh

Okay sir. Thank you.

Moderator

Thank you. Our next question is a follow-up from the line of Neerav Dalal from Capital Market. Please go ahead.

Neerav Dalal

Sir, what was the ForEx gain or loss for the quarter?

Upinder Zutshi, Managing Director

Sanjeev, could you please?

Sanjeev Gulati, Senior Vice President, Finance

Yeah, the ForEx gain for the quarter is about 500k.

Neerav Dalal

Okay, okay. Thanks a lot.

Moderator

Thank you. [Moderator Instructions]. Our next question comes from the line of Yash Gadodia from Sunidhi Securities. Please go ahead.

Yash Gadodia

Yeah, hi, good quarter. In your assessment at the end of quarter four and now the end of quarter one has the performance been above your expectations or inline with your expectations?

Upinder Zutshi, Managing Director

The performance of Q1 it's been slightly above expectations, initially when we had planned for the year it was slightly higher than our original plan.

Yash Gadodia

Sir, then why you are still maintaining your full year revenue and bottom line guidance when you're saying that the outlook is kind of improved since what it was in quarter four?

Upinder Zutshi, Managing Director

Right.

Yash Gadodia

So...

Upinder Zutshi, Managing Director

I mean, it is, as I mentioned that it has, it's definitely slightly higher than our initial plan but I wouldn't say that it's significantly higher to make a change the guidance for the year.

Yash Gadodia

No, but then, sir, you are also saying that the outlook for the full year is improved. I am not too sure quantitatively but at least qualitatively of what we hear in, and at least -- have increased their guidance. So I just wanted to get some understanding.

Upinder Zutshi, Managing Director

Hopefully, it will be true but I think as of now, we would like to stay with that guidance.

Yash Gadodia

Okay.

Upinder Zutshi, Managing Director

As we progress and we see how the next quarter is going to be, then perhaps we may take a look at that. But as of now, we are reasonably confident that the guidance that we have given at the start of the year, we should be able to achieve that.

Yash Gadodia

Just on the taxes, what you're expecting tax rates to be for say next year and the year after say FY11 and FY12?

Upinder Zutshi, Managing Director

See in terms of if you look at our tax structure of the organization, we have multiple different units with different tax structures.

Yash Gadodia

Right.

Upinder Zutshi, Managing Director

We have the U.S. and UK and APAC subsidiaries that are at full tax towards 38%. As far as India is concerned, we have three different entities in terms of -- from a taxation perspective. We have two SEZs in Gurgaon and Chennai. We have an STPI in Bangalore that has crossed the 10 year window. We also have another STPI in Bangalore that is still within the 10 year window and has a tax advantage at least on this big chunk. So as a result, as a combination of that, we are looking at average overall tax structure or tax space of about 54%, which is what we had had also.

Yash Gadodia

Okay.

Upinder Zutshi, Managing Director

Unless I think substantially as to -- we'd be looking at that kind of that -- as of, as all new businesses that we are now getting, new clients for new businesses we're getting being executed in India, we're trying to do that out of SEZ facilities that we have, now or we'll be setting up going forward.

Yash Gadodia

All right. Thanks, sir.

Upinder Zutshi, Managing Director

But on an average, 24% is what we're planning for.

Yash Gadodia

All right. Thank you.

Upinder Zutshi, Managing Director

Thank you very much.

Moderator

Thank you. [Moderator Instructions]. As there are no further questions I would like to hand...

Jaspreet Chhabra

I have one follow-up question.

Moderator

Sure sir. Please go ahead.

Jaspreet Chhabra

Sir, what was the gross addition or net addition during quarter, it was something at 425, what was gross number in terms of employee addition?

Upinder Zutshi, Managing Director

Gross number, Sanjeev would you like to answer that question?

It was about 600, I think we lost about 100 people but Sanjeev is taking out the exact data, it is about 600 plus, 620 or so was the gross addition.



Jaspreet Chhabra

Okay. And if I get it correctly, you said you have a target of around adding 500 people per quarter for the rest of the three quarters. I'm right in that?

Upinder Zutshi, Managing Director

That's correct.

Jaspreet Chhabra

Okay.

Upinder Zutshi, Managing Director

We were looking at as when we made the plan for the year. So we were looking at, we ended the year at about a little less than 3,000. So, we are looking at adding at that point in time anywhere from 15 to 1,800 employees for the year.

Jaspreet Chhabra

Okay.

Upinder Zutshi, Managing Director

So broadly speaking, we are on track as far as that is concerned, may be a little, little ahead of the tracks.

Jaspreet Chhabra

Okay, fine. Sir, the other point is, when I look at your revenue contribution from fixed price projects, so for the past three quarters it has been consistently coming down from close to 32% to around 35% in this quarter. So, anything to

de-ramp at this--?

Upinder Zutshi, Managing Director

No, it is basically the kind of business that we do. I mean, we'll see quarter-on-quarter variation for that, on that. See as the revenue from different clients kick in. And in this quarter you'll see that there has been an increase in revenue share and that's largely result of the contribution from the Motorola business.

Next quarter when we move forward and when we start billing for the government project, which is fixed bid, or the remote infrastructure project that's also fixed bid. So we will and we will see an increase, that increase in fixed bid as well as increase in revenue shares because the Motorola's contribution continue to peak in. So it will vary on a quarter-on-quarter basis because it would depend on the kind of billing that we do in that quarter.



Jaspreet Chhabra

Okay, fine.

Upinder Zutshi, Managing Director

Our goal, long-term goal is to move towards a structure or a engagement model where one-third of our revenue stream comes from each of these engagement models. Which is essentially fixed bid, will be 33% revenue share 33% and -- of 33% that's what we are moving toward over the next two or three years.

Jaspreet Chhabra

Okay, fine sir. Thanks a lot.

Moderator

Thank you, Mr. Chhabra. Our next question is the follow-up from the line of Rajiv Ghosh from Wealth Management. Please go ahead.

Rajiv Ghosh

Sir, can you share about what kind of revenue are you expecting from Motorola deal will be around \$20 million for the year?

Upinder Zutshi, Managing Director

What we had initially guided the start of the year, when we signed the contract that we have signed, the term sheet that we have signed based on the forecast and the visibility that we have, we believe that it will be around a little over 20 million for this year.

However, having said that I would just like to add a note of caution, because significant part of that revenue is really based on the license sale, or, the transaction volume and that can vary on a quarter-on-quarter basis, because it's not something that every month or every quarter, you have so many people working and you know how much you're able to bill. So, that is the consideration that we have to keep in mind.

But having said that based on what we with, what we know as of today as well as what we knew, when we started that, we are fairly confident that that's what we will end up at the end of the year.

Rajiv Ghosh

Okay. Another question, what was the gain for the quarter?

Upinder Zutshi, Managing Director

It was about 500k.

Rajiv Ghosh

Okay. Thank you.

Moderator

Thank you. [Moderator Instructions]. As there are no further questions at this time, I would like to hand the floor to Mr. Upinder Zutshi for closing comments.

Upinder Zutshi, Managing Director

Thank you very much for coming on the call. It's always a pleasure, and we look forward to talking to you again next quarter. Thank you very much for your time.

Moderator

Thank you very much sir. Ladies and gentlemen on behalf of Avendus Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

