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A Majestic MRSS Company

# H2 FY2016 & FY 2015-2016 End Analyst/Investor Conference Call Transcript

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**Majestic Research Services and Solutions Limited**

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**Moderator:** Ladies and gentleman good day, well come to the MRSS India analysts conference call. As a reminder all participants lines will be in the listen only mode, there will be opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference , please signal an operator by pressing \* and then 0 on your touchtone telephone , please note that this conference is being recorded, and now hand the conference over to Mr. Raj Sharma, Chairman of MRSS India, thank you and over to you Sir.

**Raj Sharma:** Thank you, Good hot & sunny evening everybody this is Raj Sharma, Chairman of MRSS. We welcome everybody and thank you for joining us on this call; this is our maiden investor/analyst concall since we got listed on BSE SME Platform last year. Quite a few might be aware of our history and credentials, but at the same time there are new people who have been interacting with us. So I will take you back to decade and half ago in history to give you some background of the whole story is, how we started and what we do, which industry we belong to. So 15-16 years back , we started a company called Majestic MRSS headquartered out of India, which is primarily providing market research services to companies based in North America & Europe , we continue doing that for a good number of years across Asia and then we moved to Middle East ,this was traditional quantitative and qualitative service we give , we took lot of advantages of improving technologies, we were the first to build facilities in most of the countries , we were the first to do computer aided telephonic interviewing, we launch video streaming value added technologies across these continents and very soon we became go to companies where client require margin backed growth and Majestic became big brand globally.

Around 3 -4 1/2 years ago , we realized that India is becoming a big & important market for global players and even though we are based in India we really didn't have Indian facing presence so a lot of clients suggesting that we should do something in India and being Indian we also realized that we should do something in India , and that came through genesis of MRSS India ,where in we decided or we will just listen to our clients , and started MRSS India with the help of Mr. Sarang Panchal, Sarang was a kind of help whom we used to provide services when he was at Nielsen for many years and he used to head AC Nielsen Asia Pacific and nobody knows better than him to joined hands and begin with MRSS , so we had launched MRSS India which is now the leading and almost the largest developing market research company in India , which relies heavily on usage of technology for providing enriched market insights to help our clients , we offer range different kinds of services both qualitative and quantitative domain both domestically and overseas. We have our research team presence in Mumbai, Delhi and Bangalore.

MRSS INDIA is a member of numerous associations such as MRSI, DIN (Digital Insight Network - Global) AIAI, SME Chambers, IBG, and Bombay Chambers of Commerce. We are the 1'st and only company in the MR space to be listed on the exchange.

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Now let me share our financial performance, on standalone basis in H2 our revenues grew by 101% YoY and 8.93% sequentially coupled with respective 1262bps & 814bps improvement in operating margins leading to bottom-line growth of 282% YoY and 46% respectively. If you look at performance in FY 16 , our revenues have increased by 104% to Rs.11.27cr vs. Rs5.5cr in FY15 , our operating margin i.e. EBITDA has also grown to 27.82 % , vs. 19.11% in FY 15 and with an improvement of 871 basis points , PAT has shown a healthy growth of 256 % and it stood at 1.91cr vs. 0.53cr in FY15 , so during the year gone by we have reported significant improvement across financial parameters like positive operating cash flow, reduction in debtor, receivables from 309 to 200 days, improvement in interest coverage from 9.23 times to 20.81 times , improvement in Return on Capital Employed from 17.73 to 39.9%, improvement in Return on Equity from 14.47% to 28.35% , We have also achieved the highest possible rating of SE 1A from SMERA which was about few months back. So there have been interesting things, positive things happening since the time of our listing. I now request our MD, Mr. Sarang Panchal to update us operational side. MR PANCHAL, if you want you can start.

**Sarnag Panchal:** Thank you Raj, after the completion of 2 year of new government, the sentiment wheel has taken a complete turn and all across India and outside there is renewed hope and promise.

Demand scenario in our industry in encouraging but we need to continue to innovate because that is what our customers look for and without innovation it is very difficult to increase market share and margins.

Government is working on a medium-to-long term strategy to revive economic growth by boosting consumption and restarting investment cycle. We strongly believe that reform-led policies work better in the long run for the growth of our industry i.e. market research industry. The prime minister's 'Make in India' campaign clearly signals a key objective of the present government's economic policy , and MRSS India, as the only independent Indian MR company , is poised to gain immensely from the initiative.

Now RAJ touched upon last year we had lots of accolades and awards, he talked about this SMERA rating, we also rated Digital Market Research Agency of the year at the Mobile & Digital Marketing Summit, we also get the CMO Digital Innovation award, RAJ also won the Digital Entrepreneur award at the mobile digital summit and large but not the least we were ranked in top 50 most valuable consultant companies by 'Insight Success'.

Now let me share little bit about the nature of business we have been doing in the last one year. The good and the interesting part is we have been working in the sectors which are doing well and not doing well , obviously the ones which are doing well in the economy people want to capitalize and want to come with new products and services , understand more about the customers' needs etc. , and the ones who are not doing well they are smart enough to come to us to help them to figure out how to battle recession and how to increase customer

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engagement etc. and we have as a result work for all types of companies we work for GOVT companies, public limited companies , private sector companies, and we work across in the sectors, so whether its auto or reality or package goods or E-commerce or Agri we worked across all the sectors and this is a very positive sign that our digital tools and technology are accepted not in one industry but across the board.

Now the company has come out stronger in the year gone by and we look forward to meeting whatever challenges exist and also exceeding targets in the months ahead. What we are planning to do is to offer newer and newer techniques, what we call proprietary techniques, we also want to come out with syndicated products and both these will help to improve their profitability over the next couple of years.

The world of our future looks entirely different – it is a world that is being fundamentally reshaped by digital technologies, and it is my endeavour to create great value for every single client of mine. We believe that our intelligent technology will bring purposeful innovation to all present and potential customers, and the idea is that by using MRSS India solutions not only our clients will get a better understanding of their customers, consumers and the market but they can also actually able to increase their revenues, improve operating efficiency, increase customer satisfaction and therefore retain valuable customers. In fact lot of savvy companies are adopting many of our tools and techniques, because they are realizing that the customer is changing very – very rapidly.

A little bit about the promoters of the company, over the years we have laid down exceptional practices although I am saying that myself, but I think promoters have laid down excellent practices steaming from commitments to excellence, and progress through trust and transparency. As a team we are committed to take this forward, strengthening the resolve through complete corporate governance, social awareness and sustainable growth. The company has strengthened its organizational talent and systems to managing rapidly expanding business. We are not only committed to operating & financial performance but also remain on the forefront of the market research industry in terms of being transparent and following standard business practices, our market leadership and experienced management has enabled the company to take larger and larger projects going forward.

We are committed to being a leader in this market research industry, offering solutions, helping our clients to become more competitive and like I mentioned getting a better understanding as of what is going on in the respective markets, with this I would like RAJ to quickly summarize the situation.

**Raj Sharma:** Yeah. So over all we believe MRSS is moving on the right trajectory of better times , I really invite all of you to join this journey of growth and wealth creation in our endeavour to grow your company through organic and inorganic route , to add new service offerings and increase penetration. We are highly confident of sustainably growing our

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revenues and profits going forward. So with these words I would like to throw open the house for all the queries, and over to moderator for taking it forward.

**Moderator :** Thank you very much Sir , ladies and gentlemen we will now begin the Q & A session, anyone who wishes to ask a question may press \* and 1 on the phone. If you wish you remove yourself from the question queue you may press \* and 2 , participants are also requested to use only handsets while asking questions, anyone who wishes to ask the question may press \* and 1 .

**Moderator** Ladies and gentlemen we will wait for a moment while the question queue assembles.

**Moderator:** We have first question from the line of Arpit Shah of Care Portfolio Managers.

**Arpit Shah :** Good evening , I have some questions on financial , your revenue had doubled from 5 CR to 11 CR , but your direct expenses has gone up by 300% , as compared to 100% rise in the sales can you tell us what are the kind of expenses included in direct expenses head?

**Niraj Shah:** Yes, this is NIRAJ SHAH, we have got lot of full service contracts this year because of which the cost on the field research and overall survey are higher, another thing is that there are some contracts which we had received towards the end of the year, for which we had already spent on hiring the agencies, the cost of which is already included but the revenues will be booked in the H1 next year. So that is the reason you see there is large jump over there.

**Arpit Shah:** So what kind of accounting method we follow for accounting expenses and revenues?

**Niraj Shah:** This is on actual basis, expenses once we done it we book it.

**Arpit Shah:** Don't we book proportionate revenues?

**Niraj Shah:** That is on the project completion basis.

**Arpit Shah:** So you mean to say in the current year operating margin profit will be higher than the last year?

**Niraj Shah:** It should be.

**Arpit Shah:** Thank you, In case of debtors the payment term is such that 50% you take as advance and 50 % on completion but our debtors we have Rs 6cr debtors on sales of 11 Cr that amounts to seven months sales. Can you explain this?

**Niraj Shah:** Sir the 50% advance was the trend which as of now is not, mostly it's on the basis of percentage completion, once we complete certain milestones then the payment triggers in and within 90days or so as per the payment cycle we receive the payments. So that is the reason for that, but even on that front if you see we have brought down our debtors from 300 plus to 200 days.

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**Arpit Shah:** So out of these Rs 6cr debtors, how much is related to more than 1 year?

**Niraj Shah:** 90 Lacs

**Arpit Shah:** Is there any dispute going on for that amount?

**Niraj Shah:** No

**Raj Sharma:** No, none whatsoever

**Arpit Shah:** Why it's outstanding for so longer period?

**Niraj Shah:** These are long term projects which are still going on; we will be receiving on the completion of the project.

**Arpit Shah:** Normally what is the average size of the project in terms of the amount and period?

**Niraj Shah :** It's a very difficult question, as it varies we have certain large term contracts apart from many small 2-3 weeks contracts , so we can't average out the revenues and timelines.

**Arpit Shah:** What will be the number of active client as on date?

**Raj Sharma:** Actual client Niraj will give you, all the clients we have we love to call them active because we hope that they keep giving us business all the time, in fact one of the reasons for our success is because of repeat orders that we get. But to be safe at any moment of time there would be at least 20-24 active conversation or existing projects on field will be going on

All the clients are active in fact one of the reason why we are successful because we work with the same clients, there would be 20-24 active conversation and the projects which are going on.

**Arpit Shah:** Can I have total number of clients and clients added in H 1 and H 2?

**Niraj Shah:** For FY16 we had 51 clients, I don't have the half yearly break up but on YoY basis we have retained around 33% of our previous clients and we have added 33 new clients this year.

**Arpit Shah:** So normally there are repeat orders from the same clients?

**Niraj Shah:** Yes.

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**Arpit Shah:** You have done the issue of Rs 1.42cr, but issue expenses consist of Rs 43lacs that is almost 30% of the issue amount, so we got only Rs 80lacs goes into our books actually. Why such high issue expenses?

**Niraj Shah:** Sir, it's because of low size of the issue of Rs1.5cr, if you put that in percentage terms it looks higher but that general spend on any issue, Rs 40-45lacs is the minimum that would be charged. So because of Rs 1.5 Cr it comes to 30 percent.

**Arpit Shah:** If you compare the H1 and H2 sales the H2 sales had grown by only 6% as compared to H1, so I think the growth has slowed down as compared to last year when it grows s 50 % from Rs 2cr to Rs 3 Cr.

**Raj Sharma:** Are you talking about FY 15-16?

**Arpit Shah:** Yes I am talking about 15-16.

**Niraj Shah:** It has grown in H2 as compared to H 1. YoY if you see it has grown by 100% ,if you compare it with H2 of the last year over all its 100% , on ½ year basis its 9 % , the first half is around 5.5 Cr we did something similar with 6 Cr for this half .

**Arpit Shah:** But in 14-15 in the previous year H1 H2 was around 50%, it was 2-3 Cr but this year that growth has not been actually.

**Niraj Shah:** Base also you need to consider which has shifted from 2 Cr base to now 11 Cr base the percentage will definitely vary. In actual numbers we have grown by 5 Cr and not by 1 Cr as in H2 FY15.

**Arpit Shah:** How are the market conditions, what kind of revenue we are getting in 16-17?

**Raj Sharma:** Market conditions are quite favourable, in terms of the clients, situation and the industry the digital requirement is becoming bigger everywhere. We are in a beautiful time in the world and the whole environment is digitally charged , all the companies and brands have digital challenges ,so it's a very good condition for us to get lots of clients and finalizing big business and providing lots of solutions , we feel like timely organization to be able to partner with lot of interesting global companies who has solutions which we can offer in India , so if you look at North America and Europe , there are lots of technical advantages , and digital solutions for insights or data mining and for brands, which in India we don't have some of them but at the same time Indian consumer is very much like the American consumer or European consumer. So the world is becoming flat from the consumer point of view ,what our children are watching here on TV and what children in America or Europe are watching there, maybe there is some time difference 10-12hours but in terms of work, solutions companies are able to

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provide there is huge difference, there is at least 12-15 months for companies here to come up with the same solutions or offerings which are there but MRSS India is actually reducing that gap and almost offering the same services from the provider point of view. So the market conditions are very good in terms of industry verticals all of them are digitally charged if you look at cement manufacturer even they are also looking how to take advantages of the technology and how to get an insight and how to build and develop the dealers. It's a good condition in terms of revenue's we are expecting growth to be there translating into robust revenues.

**Moderator:** Mr. Arpit Shah may we please request you to return back in queue as there are several participants waiting in the queue.

**Arpit Shah:** Ok

**Moderator:** We have next question from the line of Deepak Poddar CFA of Sapphire Capital.

**Deepak Poddar CFA :** Thank you very much for the opportunity, my first question is based on your overall business model , I wanted to have some sense what kind of techniques or what kind of procedure that we follow in our market research and how much advance it is as compared to global standards?

**Raj Sharma:** Hi Deepak it's an important question, if you look at market research industry globally and if look at market research industry in India. It is very-very traditionally run , it's really not an industry which comes up in news or comes up in the topic of discussion and at the same time it's always there in the back ground, market research is always happening in all the agencies/sectors, in government enterprises/departments. Now how do you come and make changes in such a traditional industry, I think what has happened is that the whole manner in which data was being collected has changes or that is what we are trying to change. Traditionally data has been collected by asking respondents their actions and taking the responses which are called plain responses. We have moved ahead from that, we are only doing research in which the method in which you collect the data is technologically sophisticated and less prone to errors. So no longer I am going to ask you did you watch NIRMA'S ad on TV or MARUTI Zen or TATA NANO and how do you feel about that, what was your reactions? I will not ask you anything because we have moved to a platform called implicit data collection. Implicit data collection means I don't have to sit and wait for the respondent to answer and see what claims he is making are. We have technologies like eye tracking, which basically is we put a visual in front of you and you just watch the TV and we actually measure your gaze patterns, your pupil movement, how much your pupil dilated and how many times it dilated and we can say how you are feeling about the visuals or stimulus. So we don't have to ask whether you liked it or not, we can make out from these implicit data capture technologies how you are feeling about the ad/visual/stimulus that is Eye Tracking. Similarly take Neuro Tracking , we show a Doctor for the Medical Representative term, we put a Neuro Cap on the

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Doctor and let the Medical Representatives come and show/discuss them various stimuli wherein we track what is the Doctor's reaction to the stimuli. So these are all cutting-edge techniques which was not traditionally done in India and globally it's been there and India though clients want it but very few people are offering it. We have the advantage being globally tech-savvy company in a very traditional industry of market research, so future growth potential in term of growing pie and shift that is taking place in this industry is there for MRSS India. So these are some of the tools, I can go on but they all come in the broad platform of implicit data collection which is now the industry future.

**Deepak Poddar CFA:** So basically, like you select 100 people and make them watch the ad and you take the reaction of eye, is that what we do?

**Raj Sharma:** Yes that's one example and you don't even have to call 100 people. We have a client who is coming up with some TV serials to be launched, say in 3 months. They have come up with various teasers of 30-60 sec ,I don't have to call people to the facility , with the help of this technology we sent the link to 10000 people in India who watch these TV serials , they watch it on their laptops with webcam attached. There is technology which takes the eye patterns and derives the software for facial recognition and in two days we get back the results of these 10000 people, traditionally this activity which would have taken six weeks or so to go across India to collect the feedback. So we are compressing that into hours, large information into insights which are actionable. The whole industry is based on actionable insights but we are the ones who are actually executing it and are able to do it. So what you said is a good example collecting 100 people, but what we are doing is slightly doing it in a different format, in a more workable format which is required in today's world.

**Deepak Poddar CFA :** I want to understand this is kind of expenditure that clients are doing on market research, so when the times are bad we might see cut down on market research expenditure, is that a risk for our company ?

**Raj Sharma:** You know lot of people say that there are industries which are recession proof something like Pharmaceuticals industry, whatever happens customers demand will be there and might be growing. In fact market research is a unique industry which really benefits irrespective of environment. If everyone is doing very good and you point out that that is the time when people will spend on market research but when things are going bad that is the time when market research actually becomes the hero, when things are bad then people are scared to take decisions and don't rely on gut instincts. They want validation for activity they do, they will spend Rs 10 and will be worried whether they are moving in the right direction or not that is when market research becomes saviour. So when people are not willing to sign any cheque, unless and until there is some validation of what the market is saying about it. So when things are bad then market research industry thrives even then.

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**Deepak Poddar CFA:** I got that, I was going through your presentation recently so there you have said that we have vision to be most largest and profitable independent market research company like by FY18, can you throw some more light on that like what exactly is the vision and who is the largest currently in Asia and what kind of revenue they do?

**Raj Sharma:** We definitely have high ambitions and along with right team and culture we definitely want to become the leader. To answer your specific question regarding who are the top guys in this industry, there are few players like Nielsen, IPSOS and GFK who are big guys in Asia along with couple of them more. You should appreciate the fact that we are the rarest if not only company listed in this space in Asia, so the kind of information/results that we share are highly transparent. There may be some other smaller peers which may be listed on other local exchanges in other countries in Asia which I may not be aware.

**Deepak Poddar CFA:** What kind of revenue's these companies might be doing?

**Raj Sharma:** Those results were presented differently everywhere; we don't have real listed company in India to see their revenues. In marketplace we compete and work along with big ones like Nielsen and TNS and GFK.

**Deepak Poddar CFA:** So in terms of revenues what kind of vision you have, like we have grown 100% in the last year?

**Raj Sharma:** We have spoken so much about the kind of activities we are involved in, so there is going to be positive growth in revenues and we are expecting robust growth but in terms of actual figure it is difficult to pin point any particular number.

**Deepak Poddar CFA :** OK So basically the reason I was asking because your vision is going to be largest and profitable in MR by FY18 so I was wondering our 11 Cr revenues , it has to become largest in Asia we must be having target of 40-50 Cr or 100cr in FY18?

**Raj Sharma:** You are very good at Math, you do that number and then you can check later whether our numbers are matching or not, that is the vision you can make out and as I said also organic and inorganic both the routes are being targeted by us. So yes we are working to achieve that vision.

**Deepak Poddar CFA:** Ok, I understood, my final question was on receivables that you have mentioned that you have reduced receivables from 300 to 200 days. But I just want to understand in spite of our percentage of completion methodology that we follow to me still this 200 days looks very high, do we have any outlook on these receivables that we want to maintain in the near future?

**Raj Sharma:** Yes I think the problem with receivables is that it varies from industry to industry and the type of client. The government contracts will have much large number of days but government contracts are of more value. If you ask me whether I want bigger value contracts or

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lesser receivables, I will say no I want bigger value contracts. So the outlook on the receivables obviously ideally is that lesser the better, but in reality it's a trade-off between kind of contract value that you are getting. So we think it should remain around this we will try and see what can be done, in terms of the reason why it is happening is mainly because of larger contracts from some B2G vertical.

**Moderator:** Thank you ladies and gentleman that was the last question. I now hand the floor back to Mr. Raj Sharma for closing comments.

**Raj Sharma:** Thank you, there might be lot of questions but due to paucity of time we will have to end this. I would like to thank all the participants; we are always available to any questions and meetings. Thank you once again for taking up your time, I know there are lot of options for everybody's time but to choose to be part of this call is really-really very humble of you guys. Our endeavour is to grow our company through organic and inorganic route and to add newer service offerings and increase client penetration with special focus on the government sector. We are highly confident of sustainably growing our revenues and profits going forward. As I said it's a pleasure to address all of you at the macro level and at the micro level the company is showing incremental growth. So today our focus is going to be to maximize profits of all stake holders via either the organic or inorganic route and we are committed to be the leader in optimizing customers experience and we will try and be a preferred solution provider to help our client to be more competitive, and thank you for the conference call team you can close the call.

**Moderator:** Thank you very much, members of management. Ladies and gentleman on behalf of MRSS India we will conclude this conference, thank you and now you may disconnect this line.

**Raj Sharma:** Thank you.

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