

## Rolta India Limited

### Q4FY09 Earnings Conference Call Transcript

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#### Executives:

Mr. Atul Tayal	Joint Managing Director
Mr. A. P. Singh	Joint Managing Director
Mr. Ben Eazzetta	President – International Operations
Mr. Hiranya Ashar	Chief Financial Officer

#### Analysts/Investors:

Ms. Lori Woodland	Ferox Capital Management
Mr. Nitin Padmanabhan	Centrum Broking
Mr. Yash Gadodia	ICICI Direct
Mr. Pratish Krishnan	Bank of America - Merrill Lynch
Mr. Kunal Sangoi	Edelweiss Capital
Mr. Minar Majumdar	Kotak Securities
Mr. Abhiram Eleswarupu	BNP Paribas Securities
Mr. Ankur Rudra	Noble Global Partners
Mr. Tejas Sheth	Darashaw & Co.
Ms. Madhuchanda Dey	Kotak Securities
Mr. Dipesh Mehta	Khandwala Securities

And 59 other participants

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#### Moderator

Ladies and gentlemen good evening and welcome to the Rolta India Limited's Q4FY2009 results conference call. As a reminder for the duration of this conference all participants' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call please signal an operator by pressing \* and then 0 on your touch-tone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Mayank Vaswani of Citigate Dewe Rogerson. Thank you and over to you sir.

#### Mayank Vaswani

Thank you Melissa. Good evening to everyone in India and a good day to our overseas investors. Thank you for joining us on this call to discuss our financial results for the quarter and financial year ended June 30<sup>th</sup> 2009. We have with us Mr. A. P. Singh, Joint Managing Director, Mr. Atul Tayal, Joint Managing Director, Mr. Ben Eazzetta, President - International Operations and Mr. Hiranya Ashar, Chief Financial Officer. Before we begin I would like to state that some of the statements made in today's discussions may be forward looking in nature Rolta disclaims any intension or obligation to update any forward looking statements as a result of developments occurring after this date. Please note that due to time constraints we will conclude this call at 07:00 PM. Documents relating to our financial performance were emailed to all of you earlier today. These documents have also been posted on our corporate website. I would now like to invite Mr. A. P. Singh to provide key highlights of our performance.

**A. P. Singh**

Hello everyone, this is AP. I will start with an overview of the operations and after me, Atul and Ben will then present the company's progress in various segments and geographies in some more depth.

A couple of years ago, the company initiated the transformation of its business from services centric to a solutions oriented model. Rolta consciously developed and acquired extensive intellectual property that has enabled the company to launch innovative solutions in each of its lines of business. In the GIS segment, the company has developed a unique architecture that we call Rolta Geospatial Fusion™. This new paradigm enables fusion of various disparate geospatial and non-spatial databases and software applications to serve as the foundation for building solutions for various vertical segments for insightful decision making. The company has received very encouraging response from the markets in India and overseas for Rolta Geospatial Fusion™. The company continues to maintain its leadership in the Indian Defense Geospatial market, defense and homeland security sectors are now receiving tremendous attention and correspondingly high budget allocations. As in the case of GIS, Rolta has leveraged its IT and domain expertise to develop unique solutions for the owner operator in the engineering segment. The company launched Rolta OneView™ a solution that integrates business intelligence tools with enterprise level engineering databases and applications using Rolta's Fusion Middleware. Rolta OneView™ provides insights into critical plant operations parameters that enables plant management to make decisions that save them millions of dollars. The company is working to expand this exceptional solution to encompass other vertical segments such as power and chemicals.

In the Engineering Services Business, we are continuously adding higher value services. For example Rolta is now working on design and engineering projects in the nuclear power and space technology sectors, the company recently won a prestigious project in the space technology segment for participating in sophisticated engineering design. The company is also engaged in detailed engineering for a chemical plant, the largest of its kind in the world. The company's JV with the Shaw Group, Shaw-Rolta Limited is progressing well and the company is positioned to take advantage of opportunities opening up in the Indian nuclear power sector by leveraging the strengths of its JV partner the Shaw Group Inc., a world leader in this field.

In the EICT segment Rolta has made tremendous progress in developing patented uniquely agile approaches to implementing service oriented architecture commonly referred to as SOA for large enterprises. Ben will talk more about this business. I now request Atul to talk about the domestic and defense business. Thank you.

**Atul Tayal**

Thank you AP. This is Atul Tayal and I am going to talk about our defense GIS, IT and EDS businesses in India and our joint venture companies Rolta Thales Limited and Shaw-Rolta Limited.

With the elections behind us and a stable mandate for five years, we expect the Indian economy to continue with its robust growth. Although in the immediate shorter term we do see challenges, for instance, a slow recovery of the global economy and its impact on local industries and the budget is getting passed only now, therefore, government departments will have a truncated spending period. However, to reiterate we see the benefits of a stable government resulting in solid overall growth and going forward we are very positive.

Starting with our defense and RTL business we are very strongly placed with almost 95% of the defense geospatial market in India. Over the past year we have executed large and complex C2 and ISR projects based on cutting edge Rolta IP

that are also in the process for upgrading our large installed base with solutions based on this IP.

Our JV with Thales, France, Rolta Thales Limited is progressing well with ongoing transfer of technology that has introduced customized C4ISTAR military solutions. The combination of these unique solutions, are large installed base and licenses to manufacture military equipment addressing the complete sensor to shooter chain has positioned us exceptionally to successfully participate in multi billion dollar programs like for battlefield management systems, tactical communication systems etc. Additionally, by integrating our cutting edge IP and advanced technologies from Thales we have architected and introduced exceptional solutions from the Homeland and Maritime Safety & Security segment.

India is one of the last frontiers for digital mapping and our domestic GIS business benefits from the vast opportunities emerging in our country for digital map data creation, photogrammetry and imaging especially in segments like agriculture, land records, natural resources, space, etc.

Our unique Geospatial Fusion Solutions has gained tremendous traction and we have received very encouraging results by positioning tailor-made systems for electric utilities, telecom companies, town planning agencies, municipal corporations, etc.

In IT we have a full service enterprise level offering right from data security up to business intelligence.

Our focus in India is twofold, first is to strengthen our GIS and EDS offerings and second to focus on specific large opportunities where we have existing strengths and can use our unique technology, i.e. Rolta iPerspective™ as a sphere head. We have got extremely encouraging responses from large organizations in sectors like defense, education, sci-fi technology for providing decision support systems built around this technology. We have an exceptional combination of skills and expertise on the EDS domain and are now doing the kind of work rarely undertaken in the Indian private sector earlier. For example we are providing critical services to design next generation rocket engines for space agencies and are very well placed to undertake the design of thermo nuclear reactors.

We have also launched Rolta OneView™ in India by leveraging the strengths of our implementations at one of the largest oil companies in the world and are very well positioned to address the needs of excellence in operations for large owner operators in both public and private sector. Also by combining our skills and expertise in engineering and plant operations with those in Maritime Safety & Security, we are bringing an unbeatable value proposition for securing the coastal and offshore assets of large oil & gas companies.

As mentioned by AP, Shaw-Rolta Limited has been performing and doing well. And with the recent visit of the US Secretary of State to India we see much stronger opportunities emerging in the nuclear sector.

To summarize we have a robust organization, a very successful track record, exceptional offerings and strong account management, therefore, I believe we are very well placed to achieve our goals for this year. I now hand you over to Ben.

**Ben Eazzetta**

Good evening this is Ben Eazzetta. Within the fiscal year 2008/09 the international business has achieved many milestones consistent with the efforts to strengthen Rolta's overall business and plan to move up the value chain. Many of these efforts have resulted in release of new products and solutions in Q4 of this fiscal year.

These efforts have been focused on the development and release of Geospatial Fusion Solutions for the economic development, utilities and transportation industries as well as cross industry solutions for capital asset request management. These Geospatial Fusion Solutions use a combination of our award winning Rolta OnPoint™ Technology our new Rolta iPerspective™ product as well as our unique industry expertise.

We are glad to report that we have had success in the sales of Geospatial Fusion Solutions in Middle East region as well as in North America and are now introducing these solutions into our European operations. Some prestigious projects include the sale in Q4 of our Capital Asset Management Solution in Qatar, Transportation Solution in Dubai and Economic Development Solution in Ontario, Canada. We anticipate continued focus on marketing and sales of these initiatives throughout fiscal year 2010. In addition to the development and release of Geospatial Fusion Solutions Rolta has also recently announced the release of our first commercial version of iPerspective product and two new solutions offering which use this product. SOA Today™ for rapid SOA services development in our strategic SOA consulting services which provides Rolta methodology that allows companies to evaluate their integration requirements within a SOA framework. Rolta has closed initial sales of these products and solutions including a customer that will process nearly 92 million transactions per year using our technology within just one telecom account of the many that he has. We are developing a solution that bring added value to our existing Oracle service offerings within Fusion Oracle applications in our SOA practices further leveraging the iPerspective product in it's unique differentiation. Rolta anticipates continued traction within the new fiscal year with these products and solutions.

Finally, Rolta OneView™ Solution for operational reliability continues to gain traction within our customer base and is now being deployed internationally within a large owner operator. Usage within this owner has increased to five refineries, the company is actively engaged to evaluate and deploy Rolta technology Rolta OneView™ at the customer's affiliates and JVs globally. Rolta is also actively pursuing customers for this solution in the oil & gas downstream and upstream markets as well as petrochemical and power generation throughout the world. Rolta has added significant expertise within the organization to support new industry focus solutions. Expertise has been added to support oil & gas, utilities, communications, economic development, transportation and finance and insurance. These subject matter experts would be deployed globally to support sales and delivery of these solutions.

Although the global economic situation has impacted the US and European businesses in Q3 and Q4 the company anticipates a steady recovery on the strength of our new solutions offerings, added expertise and an anticipated improving economic environment. Rolta also anticipates an improved utilization along with continued sales of high valued software and solutions, will continue to improve margins across the business segments globally. I will now turn the call over to Hiranya for Rolta financials.

#### **Hiranya Ashar**

Thanks Ben. Hello everyone and thank you for joining us on this call. On the financial numbers, I am pleased to inform you that we have been able to achieve our revised full year guidance, both on top-line as well as bottom-line. Revenues for the quarter have been flat at Rs. 3.32 billion and for the fiscal 2009 our revenues have grown 28% to Rs.13.73 billion. Our EBIDTA for the quarter was Rs.1.12 billion recording a growth of 5.6% and full year EBIDTA stood at Rs.4.64 billion growing 18.9%. Our EBIDTA margins for the quarter improved by 170 basis points mainly due to higher utilization.

Coming onto the segmental performance, GIS as always has shown consistent growth. GIS revenues were up 2.1% quarter-on-quarter and were up 16.8% for the fiscal 2009. Our engineering revenues were down 4.3% quarter-on-quarter and have grown 12.6% for the fiscal 2009. However we see more stability coming in to our engineering revenues going forward due to healthy bookings in last quarter and also with the current backlog. EICT revenues were up 1.5% quarter-on-quarter and have grown 86.5% for the fiscal 2009 which includes acquisitions as well.

As most of you would be aware we launched a tender offer for repurchase of our FCCBs in the month of June 2009. And we were able to buyback bonds worth \$38.31 million of face-value at a 25% discount to the accreted value. This resulted into a gain of close to \$11 million that is Rs. 512 million of which 250 million is part of other income in Quarter 4 and balance is credited to reserves. The principal amount outstanding post buyback for FCCB is \$111.69 million.

Last quarter was extremely challenging on the working capital side as the Indian Government Departments and Ministry exhausted available funds which were passed in the interim budget and that was by end of May, most of the collections which were due in month of June have been pushed to August, when the government treasury will release funds after the approval of the revised new budget which came in July. Our DSOs have moved up a bit to 154 days as on June 30<sup>th</sup>, 2009 however this is a one off event. With most of the delayed collections expected in August and September we see our DSOs is coming down to 135 days by September 2009 and between 120 to 130 days by end of fiscal 2010.

Coming on to the guidance for the next year we see our fiscal 2010 revenues to be between Rs.15.3 to Rs.15.7 billion signifying a growth of 12% to 15%. We expect our EBITDA margins for FY2010 in the range of 33% to 35%. We currently have a strong order book position of Rs.16 billion of which nearly 75% is executable over FY2010 which gives us a good visibility moving into the current fiscal. With this ladies and gentleman, I throw open the session for question and answers. Thank you for your patience.

- Moderator** Thank you sir. Ladies and gentleman we will now begin with question and answer session. The first question is from the line of Lori Woodland from Ferox Capital Management. Please go ahead.
- Lori Woodland** Hello, could you please advise on the total amount of debt outstanding and the amount of cash now that you have finished the tender offer?
- Hiranya Ashar** Total debt outstanding is Rs. 400 Crores excluding the FCCBs and if you include FCCBs it will be close to 1,000 Crores. So in terms of US Dollars it is about \$80 million plus \$111 million which is close to \$190 million.
- Lori Woodland** Okay. And the amount of cash please?
- Hiranya Ashar** The amount of cash is 172 Crores which is close to I would say \$40 million slightly less than 40 million.
- Lori Woodland** Okay. Thank you very much.
- Moderator** Thank you Ms. Woodland. The next question is from the line of Nitin Padmanabhan from Centrum Broking. Please go ahead.
- Nitin Padmanabhan** Hi, great guidance for the year. If you look at the order book growth I think it has been pretty robust for this quarter. And I think you can see across GIS, EDS and

EICT so is there any trend with the specific geography or anything that you are seeing here or if you could break it maybe sectorally there as to where we are getting that from?

**Atul Tayal**

Actually what you observed is very right, what is happening is that these solutions that we have introduced into the market, we are getting traction across the world. And frankly in the last 20 days of June and the first couple of weeks of July we have seen a lot more orders coming in internationally, than we saw, for example, in the whole of last quarter. So what we have seen is that as we have introduced these products and they have been accepted and some of the international markets has started recovering, we have started seeing orders coming in much more now than we were seeing few months ago.

**Nitin Padmanabhan**

And so in terms of the guidance of 12% to 15% I am sure it was pretty surprising that towards the end of June you had a lot of order uptake but is that what are you seeing with the clients, is it that this is sustainable and is this likely to grow more, is there an upside risk to the guidance?

**Atul Tayal**

For the year we will stick to what Hiranya has said, but we definitely do see an upside moving forward beyond the year because what we have seen is that, we grew reasonably well in the first two quarters. The third quarter we took a dip, and in the first month, month and half of the 4<sup>th</sup> Quarter there was dip, but then it stabilized towards the end of the quarter and now we are seeing slow recovery coming in. And we see that moving forward in this year we would like to still say 12% to 15% as Hiranya said. But moving forward beyond this year those numbers could be much larger because a lot more orders coming in.

**Nitin Padmanabhan**

Sure. Sir does refining still contribute 21% of the EDA business or has it come down pretty sharply?

**Hiranya Ashar**

It was never 21%, EDA business overall is somewhere around 29%. And if you break it up into oil and gas and power, oil and gas would be somewhere close to 16% to 17%.

**Nitin Padmanabhan**

Alright. And the total debt that we have at 1,000 Crores, by when do we expect to repay apart from the FCCBs the 400 Crores excluding the FCCBs, when do they come up for repayment?

**Hiranya Ashar**

Maturity is pretty long, in fact, nothing is due until 2012. And the repayment schedule is over five to six years starting 2012 or 2013.

**Nitin Padmanabhan**

Sure, thank you.

**Moderator**

Thank you Mr. Padmanabhan. The next question is from the line of Yash Gadodia from ICICI Direct. Please go ahead.

**Yash Gadodia**

We have seen employee rationalization over the past two quarters. So when you say that the guidance is for 12% to 15% are you looking at volume growth, are you looking at more efficiency in terms of utilization or are you seeing uptake in pricing what is it?

**Atul Tayal**

What we are seeing is a lot more business in our solutions that we have launched. And they are developed and being developed specifically for specialized industries. So with these vertical solutions we see that growth coming in and we do not see the need to add very large number of people so this is what we need to add our

specific subject matter experts which we have added and we will continue to add as we expand these solutions into more verticals.

**Yash Gadodia**

And in terms of your guidance, the PAT guidance is also 12% to 15%?

**Hiranya Ashar**

No PAT there are many moving items, the AS11 effect on FOREX so how currency moves that has an impact, how the interest rates scenario is in FY2010 is developing. So there are many moving items in PAT. And it will be very difficult to give a range as to what exactly the PAT would be. For example this year we had FCCB buyback and a gain coming out of FCCB buyback, we do not know whether we can do any FCCB buyback within this current fiscal or what would be the quantum of FCCB buyback. So there are many moving items in PAT but on an operating level I think a very clear guidance has been given in terms of the range, margins which we expect and below that. I would say the PAT guidance will not be very different from the top-line and the operating level guidance.

**Yash Gadodia**

Thanks sir.

**Moderator**

Thank you. The next question is from the line of Pratish Krishnan from DSP Merrill Lynch. Please go ahead.

**Pratish Krishnan**

This is from your order book I mean we have seen a sharp growth in order book in the EDS segment, if you can just specify in terms of which particular sub-segment did you see an uptake in order book?

**Hiranya Ashar**

It was in all of the segments, I would say in engineering we have booked a large order from one of the large Middle Eastern company that is in the Oil & Gas, even in power sector we had couple of deals where we are designing power plants for a couple of companies in India as AP mentioned, we also have an engineering order for rocket design. And similarly in GIS we were having large contracts from utility companies in India that was the first geospatial fusion contracts which we have. We have Middle Eastern projects and African projects on the geospatial fusion for managing their land based and maybe Ben you can talk about some of those Middle Eastern projects on GIS.

**Ben Eazzetta**

Yeah we won several projects that are related to mapping in addition to capital asset management and parcel management. So we have solutions that we have developed for each of those for several customers in the Middle East in those areas. In addition to that we have had several transportation solutions that we have also sold into the Middle East as well as some other solutions in North America that we sold.

**Pratish Krishnan**

To get an understanding in terms of the order book that you have won, I mean in terms of visibility, in terms of ramp-up in this order book, when should one expect that?

**Atul Tayal**

I see our engineering order book already increasing to give you an example, see our focus as we have talked about in our previous calls and even earlier in this call as we move towards the solution side and with the introduction of Rolta OneView™, we are already seeing a lot more traction with the owner operators for this kind of our Rolta IP based solution. But apart from that we are seeing orders for specialized services. For example we just mentioned about designing rocket engines that is I mean probably the first time a private sector company in India is doing that kind of work. Another one where we are very well placed is to score the breeder module of a thermonuclear reactor. So I do see an uptake in the engineering business, I do not see that as something which will drag us.

- Pratish Krishnan** No, sure again, my question was more in terms of the implementation for this, I mean should one expect the orders that you have won, I mean those could be implemented or ...
- Atul Tayal** About 75% of our order book as mentioned by Hiranya should be done this year. And that gives us a good visibility on our revenues and guidance that we are giving you.
- Pratish Krishnan** Okay. And yeah just and this finally in terms of Thales JV, I mean if you can just give some comments on sort of where is the JV in terms for RFP for pilots?
- Atul Tayal** Quite ahead actually we have submitted a lot of RFPs we have done a lot of pilots and are very well positioned in some very large programs and also some, of the faster moving items. Actually what has happened is in the Thales JV apart from addressing the large big daddy programs of the Army which can take a few years, we have also focused the JV on to the Homeland Security market which is sort of picking up quite a bit after the sad events of 26/11. And Thales has some great technology, to give an example - TETRA is a communications technology which is a mission critical technology and most police departments, most municipal corporations or anybody who needs reliable communications almost fail safe communications, is looking for that kind of system in the country. And we expect that kind of infrastructure to grow to something like \$90 to \$100 million per year in the coming couple of years. And Thales is very unique in that. So we are bringing that technology in and introducing that and we are seeing lot of RFPs there. So what I see is that I really do hope in this year some of those RFPs will bear fruit and Thales JV will start with its revenues this year. And in the coming few years I think that JV will add a lot to the bottom-line of Rolta India.
- Pratish Krishnan** Sure. And yeah just a clarification, is that a part of your guidance really in terms of the revenue side?
- Atul Tayal** Yes whatever we will get into the Thales JV this year is a part of a guidance, but those are very small numbers, I mean they will really not have big impact on the Rs.1,600 Crores that have been guided.
- Pratish Krishnan** Sure, thanks a lot.
- Moderator** Thank you Mr. Krishnan. The next question is from the line of Kunal Sangoi from Edelweiss Capital. Please go ahead.
- Kunal Sangoi** My question is with regards to this quarter we have seen lot of emphasis on Rolta Solutions and with this Rolta Solutions and Products being accepted by customers. So in that case going into FY2010, how should we look at margins because I am sure from a margin perspective these solutions are more lucrative and would provide almost substantially higher margins from the current level. So in FY2010, would it be of a significant scale that it should be able to move the needle in terms of the overall company average margins?
- Hiranya Ashar** Yes to some extent but not completely, because these are newer solutions so we have got some initial breakthrough for these solutions but at the same time we are also investing into R&D development of these solutions. On services side our margins are sort of stable and whatever uptake we are seeing in margins as I mentioned next year we are seeing EBITDA margins between 33 and 35 which is higher than the current fiscal. And the higher margins are coming only due to the product sale or the solutions which are coming in, but still if you see the overall revenues the product component or the solution component is sort of somewhere between I would say 10% to 15%. And once that increases somewhere around

20% to 25% at that point of time we will actually see the real margin leverage coming in.

**Kunal Sangoi**

Sure, okay. So that is why we are going into FY2011 and not FY2010 at this point?

**Hiranya Ashar**

Absolutely.

**Kunal Sangoi**

Sure, okay. My second question is with regards the press release emphasizes that you know company is working towards to it selling and delivery strategies, could you throw some more light on what have been the initiatives in terms of changing on the selling side and the delivery side?

**Ben Eazzetta**

Yeah this is Ben Eazzetta I can start with a little bit of the efforts that we have been doing in the international business. We started quite some times ago identifying the solutions that we felt would work well in the current market environment. If you notice the solutions that I mentioned economic development which obviously is important in the current economy. Also we have solutions that we have developed for departments of transportation and utilities, these are both key sectors that are affected by the stimulus package in the US, both for departments of transportation and also SmartGrid Initiatives. Further the area of capital asset management is something that we felt across all the industries whether it was utilities and DOTs that maybe seeing investments that are coming from stimulus or additional oil and gas investments that we believed or infrastructure investments that we believed would continue in the Middle East .We thought these solutions were very much well positioned ourselves in market segments that we are going to be growing. We have developed new collaterals, we have trained our sales team, we brought on expertise in each of those different areas as well as in finance and insurance and we are now beginning to go out in market in those segments. And so for the international business we have done quite a bit to be very focused on that. And I will let Atul discuss a few more initiatives in India.

**Atul Tayal**

Kunal, we have done something very similar in India. To give you an example let us talk about our defense business. Earlier it was built primarily around a geospatial focus and most of the people both on domain technical sale side were the remote sensing type and selling the geospatial type of business. Over the past year or year and half we have added domain expertise across, I mean, we have now added more than 60 to 65 people who are specially focused only on the defense context and they range from Lieutenant Generals who have commanded cores, commanded army's and across the segment of Army. For example, the armored core, infantry, the communications so that we get a lot of domain from them and in addition to getting the domain from them which helps us build solutions they are the best people to go and present it, because they talk their language. And talking bits and bytes to decisions makers does not make sense. What we found is that if we have to talk to the Army we have to tell them how they can defend the nation better or how they can win the war better and how we can be a force multiplier to them, that works. Similarly in oil and gas and I mean if you go talk bits and bytes it doesn't work. We have added domain experts who worked in refineries who go and talk about how they can improve the functioning of a plant, how shutdowns can be much less, how time between shutdowns can be much greater, those kind of things. And that kind of training is going on across the sales team so that they get far more tuned to talking this language and positioning Rolta in this fashion.

**Kunal Sangoi**

Okay, sure. So even after the June quarter in terms of the pipeline you think you know going into July and August you seem to be more confident about the orders that are coming through?

- Atul Tayal** Oh yes. June onwards I think we are more confident. We have seen an uptake from June and July has been reasonably good and I see August September also being reasonably good.
- Kunal Sangoi** Sure, okay, thanks. And Hiranya couple of questions on the financial side, on depreciation we have seen substantial increase to 58 Crores from 50 Crores so that is particularly because of the SEEPZ facility coming in that we charging depreciation on that, right?
- Hiranya Ashar** Absolutely the new facilities started 1<sup>st</sup> of April, so for the entire three months we had the additional depreciation.
- Kunal Sangoi** Okay. So the same run-rate should continue going into FY2010, right?
- Hiranya Ashar** Absolutely.
- Kunal Sangoi** Okay. And with regards to the tax rate for FY2010 what levels you expect the tax to be?
- Hiranya Ashar** Tax level, we expect somewhere between I would say 13, 13.5 maybe going to 14. I am not going more on to the 14 side because for SEZ now we have 100% deductions. I think, the formula for calculating tax benefit for SEZ has also been amended. So these are some of the positives which have come in, and SEZ facility also started 1<sup>st</sup> of April so we will be able to take advantage for the entire year. So with that I think for FY2010, I am more comfortable somewhere between 13 and 13.5 and the worst situation can be 14.
- Kunal Sangoi** Okay, thank you and all the best.
- Moderator** Thank you Mr. Sangoi. The next question is from the line of Minar Majumdar of Kotak Securities. Please go ahead.
- Minar Majumdar** My question is on the engineering design segment, can you just clarify how much of the revenues are in foreign currencies in here?
- Hiranya Ashar** Foreign currency revenues are somewhere around 25% to 28%. This is a more domestic business where we have engineering companies plus many other companies who give us engineering design jobs as well as revenue for selling tools. On the joint venture side that is almost 90% international.
- Minar Majumdar** Okay, the reason why I ask this is because I see a bit of de-growth in this business year-on-year or even quarter-on-quarter. So is it because of the Rupee fluctuation or is there an actual slowdown and in the engineering contracts being awarded to the company?
- Atul Tayal** Obviously. Most of our GIS Defense business in India has been focused towards the government. And most of our engineering business in India has been focused towards the private sector. And with the global slowdown hitting across the world it has impacted the private sector in India. And lot of our customers in India for engineering have been Indian subsidiaries of multinationals like Jacobs, Technip things like that, obviously the uptake everywhere around the world has been low so it has been lower here too. However with the launch of OneView™ and some signs of recovery that we have seen over the past month to month and half, we do see a stable sort of an environment, going forward in the engineering segment.

- Minar Majumdar** Can you just help me with the order book breakup because I do not have that information with me.
- Hiranya Ashar** That is overall is 16.1 billion, 7.8 is GIS and 4.6 is engineering, 3.7 EICT.
- Minar Majumdar** Alright because the same order book say earlier or maybe a year ago or somewhere around 400 Crores, we have saw an uptake in the order book in the engineering side to 500 and then there was slowdown in the third quarter. And even now we will see a bit of a lower order book so you expect this order book to pick up in the next few quarters?
- Hiranya Ashar** Yes that's what we are expecting. There are new segments which we are now addressing like the petrochemical plant. We are currently designing for a large chemical plant in the Middle East for one of the EPCs, the rocket industry is something new and we are also addressing the nuclear power and conventional power sectors as well which are going to grow much faster. So these are the industries which we see giving more business. Oil & gas no doubt has slowed down a bit because of the CAPEX and the overall demand coming down but there are other sectors which can cover up a bit.
- Minar Majumdar** And is this primarily the reason why the margins had been declining in this particular segment so does it mean that if we see the uptake coming back in the next few quarters we can see the margins going back to those early 40s level ?
- Hiranya Ashar** It won't be immediate because there were price reductions in the last quarter. The margins would come up only when we see OneView™ solution, that revenue coming up in our engineering segment. Otherwise on the services side we should be able to sustain our margins at these levels going forward and the further improvement in the entire sector would come only after we see OneView™ revenues coming in.
- Minar Majumdar** Alright. And secondly my question is on the employee cost we have seen a dip quarter-on-quarter so is that because of the employee rationalization program that we..?
- Atul Tayal** Absolutely. What we have done is that at end of the year we also do an appraisal of all our employees and the people who we find are not stepping up to the mark and keeping pace. Those non-performers are the ones who have been asked to go
- Minar Majumdar** Alright so what would be your employee strength at the end of the quarter?
- Hiranya Ashar** That would be 4,980.
- Minar Majumdar** Okay. And what would be the utilization levels here?
- Hiranya Ashar** These are data points which I can always send it across, email to you.
- Minar Majumdar** Fair enough so I will take that offline.
- Hiranya Ashar** For the interest of all the participants I think this is something which we can share offline.
- Minar Majumdar** Not a problem that is indeed helpful, thank you.
- Moderator** Thank you Mr. Majumdar. The next question is from the line of Abhiram Eleswarapu of BNP Paribas. Please go ahead.

- Abhiram Eleswarapu** Can I just ask you how much of your other operating expenses and depreciation have the AS11 impact and how much of that would be from AS11?
- Hiranya Ashar** See the overall impact of AS11 is around 8 to 10 Crores a quarter, last quarter it was around 11 Crores, this quarter it has come down to around 9 Crores because the currency last quarter was somewhere around 51 that has come down to 48. So even going forward on a quarterly basis we see impact anywhere between I would say 7 to 11 Crores depending upon where the currency is.
- Abhiram Eleswarapu** And Hiranya, did you raise any new debt this quarter or was it the same as last quarter?
- Hiranya Ashar** Yes we did, we partly funded our FCCB buyback by raising new debt.
- Abhiram Eleswarapu** Okay. Thank you very much.
- Moderator** Thank you. The next question is from the line of Ankur Rudra from Noble Group. Please go ahead.
- Ankur Rudra** To begin with on the demand side you seem to have given a cautiously optimistic guidance for the year, could you maybe highlight which segments you feel most optimistic about versus most cautious about?
- A. P. Singh** I think we are cautiously optimistic about the GIS, the defense, the engineering and the IT, if you were to ask me to rank them, it would be a little difficult because we have come up with really good solutions over the past one year in each one of them and I see us having some real differentiators and a winner in our all segments. So I believe we are strongly placed to move ahead cautiously but optimistically in all of the four.
- Ankur Rudra** I am just trying to discuss this leaper on the guidance, could we see some sort of a seasonality to achieve this guidance in terms of this, see you will probably get a bigger part of the revenues in the second half of the fiscal year versus the first half, as you see the recovery coming through?
- Hiranya Ashar** Absolutely, I think in Quarter 1, Quarter 2 you would not see the ramp-up in revenues very much but yes Quarter 3 and 4 that would grow much faster than the Quarter 1 and Quarter 2?
- Ankur Rudra** And Hiranya to an extent that would depend on winning a few more orders I mean as you are optimistic about in the pipeline right now?
- Hiranya Ashar** That is the combination of two things you know we have our order book also and we have a visibility which is pretty close to I would say 76% to 77% so we have a 77% visibility, plus there are new orders which we need to book which are in pipeline which are I would say in a pretty advanced stage and once we book that those revenues would come in, in maybe Q3 and Q4 which will give some spike up.
- Ankur Rudra** Okay. Just in terms of the billing rates of the quarter, I noticed GIS has shown an uptake maybe you can comment on what helped that and secondly could you also expect some similar reversing of the price reduction on the other service lines?
- Atul Tayal** See let me explain that, we have not seen any uptake vis-à-vis pure service rates. Actually what we have seen is that because our order mix is changing and we are getting more and more solutions into that order mix, which are based on Rolta IP

that is why it appears that the rate per sale is going up, but the services rate is really not going up. What is going up the margin is going up because of the Rolta IP, Rolta Solutions that we are now pushing into those markets and we are succeeding in those markets.

**Ankur Rudra**

So then essentially as you see more solutions business pickup in EDS or EICT would we see that number picking up?

**Atul Tayal**

In the coming quarters that will have an impact to some extent, but as Hiranya mentioned earlier we will start seeing, see we have both businesses, we have a fair amount of services business that we already have and we already have orders booked on that. And which are at more or less fixed prices. So those would continue and we would get a lot of newer orders on our solutions and we would continue to spend a fair amount on R&D and development of our solutions, so the point is that this year I do not think you will see that much of an uptake in margin, but FY2011 onwards definitely with the solutions gaining much more acceptance and becoming a much larger portion of our revenue the margin uptake should be much larger.

**Ankur Rudra**

Fair enough. And you made a comment earlier in the call about you see EDS stabilizing in the coming quarters. Just trying to reconcile that with the personal reductions especially in EDA, because I see the revenues they fell sequentially 4% whereas personnel fell about 15% and you have seen an uptake in order book, just how is the thinking going on that side?

**Atul Tayal**

See the question is again get out of the low end work, focus on the higher end for example rocket design or thermo nuclear reactor design where the billing rates are much higher and also focus on the solution which is the Rolta OneView™. And so once you do this you do not need that many number of people but you do need specialists and once you start amortizing these costs that is when the margin start going up.

**Ankur Rudra**

Yeah just maybe some financial questions Hiranya, quickly. Hiranya could you tell me what the CAPEX for the quarter was and what is the plan for FY2010/2011?

**Hiranya Ashar**

The quarter CAPEX was somewhere around 72 Crores. And for the next year we see CAPEX of somewhere around 300 Crores the largest CAPEX in FY2010 is the new facilities coming up at Gurgaon.

**Ankur Rudra**

Okay. So the one in Calcutta has been, not in plan for next year is it?

**Hiranya Ashar**

No not currently.

**Ankur Rudra**

Then Gurgaon would be around 100 Crores of this 300 Crores ...?

**Hiranya Ashar**

About Rs 150 Crores.

**Ankur Rudra**

And just again quickly on if you could just breakup the components of other income for Q4 and FY2009?

**Hiranya Ashar**

For Q4 it is about 7 to 8 Crores in terms of treasury which is interest and dividend and rest is foreign exchange gain and some upward refunds and these sort of things. 25 Crores is the major item on FCCB buyback gain so that is for Quarter 4. And for FY2009 it is the similar thing where interest and dividend component is close to 30 odd Crores, 25 Crores coming from the FCCB buyback and then there

are some miscellaneous items on FX gains / losses which total up to the overall other income.

**Ankur Rudra**

Alright, thanks for that and best of luck for the rest of the quarter.

**Moderator**

Thank you Mr. Rudra. The next question is from the line of Tejas Sheth from Darshaw and company. Please go ahead

**Tejas Sheth**

My question pertains to this Thales JV how much capital have we employed in this JV till date?

**Atul Tayal**

One question is what is the share capital of the company, share capital of the company is 5 Crores. However that is a very small portion of actually the resources that have been employed to bring and take the JV forward. What has been done is that both the parent companies Thales and Rolta have put in a lot of their own resources free of cost into the JV. And those if you were to start costing would go into much, much larger number.

**Tejas Sheth**

So is it that the knowledge capital is brought by Thales and the physical capital has been brought by us?

**Atul Tayal**

Actually, the basic technology capital to a large extent is brought in by Thales, it is brought in free of cost. All the market knowledge capital is brought in by us that is also brought in free of cost. All the customization capital, the local standard capital is brought in by us that is all brought in free of cost. Then all the local infrastructure capital is brought in by Rolta which has also been brought in free of cost. So if you start adding all of those things together then the capital becomes much more.

**Tejas Sheth**

Okay. So in a way even this Gurgaon facility where we are spending 150 Crores there would not be any contribution from the Thales end because this will be purely for that JV, right

**Atul Tayal**

No not at all, this will have a component wherein we will showcase a battle lab and our solutions there, but this facility will become the headquarters for our northern region. It will have all our sales and support offices there, it will also have a delivery center there and the JV operations is just a small part of it.

**Tejas Sheth**

Sir where can we see a substantial return on this capital employed from this JV because ....?

**Atul Tayal**

Substantial return that we will see is in the coming years when we see the JV starting to get revenue from the really large projects which the defense is moving forward on and the JV is pretty well positioned on them because not only it is you know first off the block. I think lot more JVs and partnerships have been announced, this JV has been incorporated two years ago and has spent through both its parents a lot of resources in not only developing the markets but developing solutions which are very focused towards the market. And I think we should be on the revenue mode this year and next year onwards I do think that the JV should start bringing in return to both the shareholders that have invested in it.

**Tejas Sheth**

Okay. Just one question on the EDS side, are we out of the woods on this, how is the pipeline looking and how is the customer response on this?

**Atul Tayal**

I think so, I think we have seen some good responses over the past couple of months and we have some large orders which have come in last quarter. And we do see increasing traction which we have seen in June, we have seen in July and

not only domestically but internationally too. So I do think we are at a, how should I say, stable situation as far as EDS is concerned, I do not expect us to move up dramatically there but I do expect us to be stable there. I expect the dramatic moving up coming in once the Rolta OneView™ Solution starts getting deployed at many more customers across the world and I see that happening I think FY2011 onwards.

**Tejas Sheth**

Okay sir that is it from my end thank you and all the best.

**Moderator**

Thank you Mr. Sheth. The next question is from the line of Madhuchanda Dey from Kotak Securities. Please go ahead.

**Madhuchanda Dey**

Yeah my question pertains to the Shaw JV sometime back you had mentioned that once the nuclear treaty is signed that would really open up doors for getting more orders globally from this JV. So just wanted an update if at all anything has moved on the ground?

**Atul Tayal**

Oh yes. See what we talked about was that with the nuclear agreement being signed, we would have a lot more opportunity in India because India has announced setting up power plants of about 80,000 megawatts based on nuclear power. And Shaw and Westinghouse together are doing a lot of nuclear business worldwide for example the last power projects based on nuclear technology awarded in China and US have gone to this combination. What we see moving forward is that the elections in both US and India I think slowed down the process of dotting the I's and crossing the T's of all the agreements that needed to be done before technology can come in into India from US. I think that process should get completed very shortly. When the Secretary of State Madam Clinton was here, she signed the end user management bilateral treaty which should help also a lot. And our PM did promise her that the next batch of 10,000 megawatt of orders should be going into US companies and if it does go there and I do believe then we will have a strong chance of winning some of them and being a part of that story.

**Madhuchanda Dey**

But as of now is Rolta executing any global orders of Shaw from its India facility on this site?

**Atul Tayal**

The Shaw-Rolta Limited the JV is executing almost 90% of all its revenues are coming out of the orders that it is executing for Shaw, but they are not nuclear. No nuclear project for Shaw but very strongly placed to execute other nuclear projects I mean for example we are doing a lot of work for NPCIL in India, already. And it is very strongly placed to do thermo nuclear work, I cannot take the name of the client because of an NDA but we are T1L1.

**Madhuchanda Dey**

Okay and I just have a housekeeping question, if you could give us a sectoral color of the orders that came into company this quarter since you know the order inflow has started reviving that was given investors a lot of comfort.

**Hiranya Ashar**

The sectoral breakup as we received some orders from power sector in India....

**Madhuchanda Dey**

If you could just give some numbers that would be helpful.

**Hiranya Ashar**

I do not have those numbers currently....

**Madhuchanda Dey**

Even in terms of percentage it would be helpful.

**Hiranya Ashar**

Percentage I would say the government mapping projects they were the largest in this quarter so I would say close to 15% or 20% of the bookings this quarter was

from the government mapping projects in Middle East and Africa so these were the large ones. And when you talk about power we had maybe close to 10% or 12%, we had a large utility mapping project also from India and that involves Geospatial Fusion™ technologies we had even oil & gas and a Middle Eastern project in this quarter with the work commenced maybe in a month or so. Yeah even the space agency but in terms of percentage it will not be a very large thing. And even some of the other sectors where we have been working on the EICT, it is in so many segments so very difficult to put a segmental number on it.

- Madhuchanda Dey** Sir what was the total quantum of EICT if you could specify that, in the total order book...?
- Hiranya Ashar** EICT from overall order was about 20% so if we have 400 Crores of order inflow 20% of that was EICT.
- Madhuchanda Dey** And the rest was almost equally divided between GIS and EDS right?
- Hiranya Ashar** Yeah it was a large component you know.
- Madhuchanda Dey** GIS was significantly higher than EDS right.
- Hiranya Ashar** Absolutely.
- Madhuchanda Dey** Okay thanks and all the best for the coming year.
- Hiranya Ashar** Thank you.
- Moderator** Thank you Ms. Dey. Ladies and gentlemen due to time constraints we will be taking one last question from the line of Dipesh Mehta from Khandwala Securities. Please go ahead.
- Dipesh Mehta** Sir recently Karnataka Industrial Area Development Board came out with some GIS mapping project I wanted to know whether Rolta would like to participate in that project or not? If yes then can you share some detail about that project. And the second question is for Hiranya can you run through the margin movement during the quarter Q4?
- Atul Tayal** Karnataka Industrial, we would be looking at various projects our teams would be addressing, we have a office in Bangalore which would be I guess actively pursuing opportunities and this maybe one of them at my level I am not completely in the picture...
- Hiranya Ashar** And but if it has not come to Atul's level definitely this might not be significant...
- Atul Tayal** So I do not know if it is an RFP that has been released, I do not know it still at pre-RFP stage or it may have come to me in a different way, for example we are doing a lot of work with the city development board, authority of Bangalore and things like that so maybe it has come to me in a different name. So I really cannot comment on that one specific project unless I know a lot more details on that.
- Dipesh Mehta** Not a problem, can Hiranya run through the margin movement because around 150 plus basis points we have seen the improvement?

- Hiranya Ashar** As I said there are two components you know one is the IP component and second is utilization. Utilization in this quarter was up as compared to the last quarter, these are the major two items driving the margin upwards.
- Dipesh Mehta** Okay, thanks.
- Hiranya Ashar** Thank you.
- Moderator** Thank you Mr. Mehta. I would now like to hand the floor back to the management for closing comments. Please go ahead sir.
- Hiranya Ashar** Thank you guys for joining us on this call and if you have any further questions or queries we are always there and you can contact me or anyone from Citigate, this is Hiranya Ashar signing off have a nice evening, have a nice day, bye
- A. P. Singh** Thank you ladies and gentlemen, this is AP thanking you for joining us.
- Atul Tayal** Thank you ladies and gentlemen this is Atul Tayal saying bye and have a great day or a great night wherever you are at the world.
- Ben Azzetta** Good evening this is Ben Azzetta.
- Moderator** Thank you gentlemen of the management. Ladies and Gentlemen on behalf of Rolta India Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.