

Transcript

Conference Call of Rolta India Limited

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Executives :

Mr. A. P. Singh	Joint Managing Director
Mr. Atul Tayal	Joint Managing Director
Mr. Hiranya Ashar	Director-Finance & Chief Financial Officer
Mr. Ben Eazzetta	Director & President International Operation

Analysts/Investors :

Mr. Kunal Sangoi	Edelweiss Securities
Mr. Joost Vos	American Century Investments
Mr. Prasad	DSP Merrill Lynch
Ms. Ludivine	Shanti Gestion
Mr. Ruchit Mehta	HSBC
Mr. Kunal	Dalal and Brocha
Mr. Zubier Alim	Emerging Sovereign Group
Mr. Minar	Kotak Securities
Mr. Mukesh Patel	Old Lane
Mr. Dipesh Mehta	Khandwala Securities

and 14 other participants

Presentation Session

Moderator:

Good evening ladies and gentlemen. I am Shirley, moderator for this conference. Welcome to the conference call of Rolta India Limited. We have with us today Mr. A. P. Singh, Joint managing Director of Rolta India Limited; Mr. Atul Tayal, Joint Managing Director of Rolta India Limited; Mr. Hiranya Ashar, Director Finance and CFO of Rolta India limited; and Mr. Ben Eazzetta, President of International operations, Rolta India Limited. At this moment all participants are in listen only mode. Later, we will conduct a question and answer session. At that time if you have a

question, please press * and 1 on your telephone key pad. Please note this conference is recorded. I would now like to hand over the conference to Mr. Hiranya Ashar. Over to your sir.

Hiranya Ashar:

Good morning, good afternoon and good evening every one. Thank you for joining us on this call today. I am pleased to announce that Rolta has acquired **Broech** Corporation based in Chicago. They have been doing business since 1988 as TUSC, the ultimate software consultants. TUSC is a premier US based consulting and software integration firm specializing in Oracle technologies. Joining me on this call are Mr. Atul Tayal and Mr. A P Singh, our Joint Managing Directors, and Mr. Ben Eazzetta, President of our International operations. Mr. A P Singh will present a brief overview of TUSC, I will then present the financial highlights of the transaction, and thereafter we will have a question and answer session. I would also like to draw your attention to the fact that during this call we may make forward looking statements including those related to future financial and operating results, benefits and synergies of the company's brand and strategies, future opportunities, and growth of market for company's services and solutions which may involve a number of risks and uncertainties associated with our business. Rolta disclaims any intentions or obligation to update any forward looking statements as a result of developments occurring after this date. With this I now hand over the session to A P

A P Singh:

Thank you Hiranya. Hello every one and thank you once again for joining us on this call. As Hiranya said that we are really very pleased with Rolta's acquisition of TUSC. TUSC is a highly respected and recognized name in the Oracle community. They are commonly referred to as the Oracle experts. TUSC was founded by three IT professionals with a very strong Oracle credential in 1988. For example Rich Niemiec, one of the founders was recognized as an Oracle certified master in 2001, one of the first six recognized around the world. Similarly, TUSC has won Oracle's Partner of the year award three times, the last one being the most prestigious Titan award in 2007. TUSC is one of only a handful of companies worldwide that have the highest level of partner certification for both ERP and Oracle technology. TUSC sits on various technology advisory councils of Oracle. TUSC lines of business encompass the complete range of Oracle solutions. They have a strong ERP and IT strategy consulting practice and a variety of verticals. TUSC has also developed and owns a broad range of intellectual

property. For example, one of its software products called Periscope is an advanced data mining and virtualization tool. It helps customers implement business intelligence solutions to access their enterprise data from disparate data platforms. This drastically reduces the cost of integrating and administering multiple data sources residing on different systems. Their knowledge framework is industry leading and has won various best practice awards. TUSC's real time database monitoring and proactive alert system is in use by many Fortune 500 companies across 1000+ databases. This acquisition is in line with our strategy to strengthen our core engineering and GIS offering and move up the value chain. Almost all engineering and utility customers rely on Oracle Technologies for the foundation of their mission critical enterprise solutions. Rolta has, in the past, been able to address a limited portion of services to integrate our solutions with customers' ERP architecture. With TUSC, we can now address the complete range of consulting needs of such customers. As you can see, TUSC and Rolta enjoy significant synergies. TUSC has so far operated with 100% US-centric delivery model. On the other hand Rolta has an impressive off-shore infrastructure. Our analysis shows that about 40% of the total delivery can be effectively made from an offshore center. With TUSC's RDBA track record using their own software suite, the off shoring approach can therefore be readily initiated. This would give TUSC the scalability needed to quickly expand its business with significantly improved margins. Similarly, Rolta's international presence provide an immediate and cost effective route for us to roll out TUSC services to Europe, middle East, Australia, and of course in India. This is again possible relatively quickly because TUSC already enjoys a worldwide reputation for excellence in ERP consulting and Oracle technologies. In summary, we are very pleased with the synergies that TUSC and Rolta enjoy and the opportunities that the two companies together have to grow the business rapidly and with greater margins. I would now like to request Hiranya to present financial highlights to you. Thank you.

Hiranya Ashar:

Thanks AP. Coming to the financial highlights, the consideration paid for this acquisition was about 45 million dollars and TUSC's revenue for the calendar year 2007 were over 48 million dollars and adjusted profit before tax margins were around 11%. This implies a valuation of less than 1 times trailing 12 month revenues and about 9 times of EBITDA. TUSC has been growing at more than 30% CAGR over the last four years and it has been a debt free company. At closing we have not assumed any debt. As

AP mentioned earlier, there is a significant growth for off-shoring substantial part of TUSC's business. This will not only improve profitability of TUSC but also bring a lot of value for the clients. Rolling out similar services in other geographies like UK, Canada, Middle East, and Australia will also help to achieve rapid growth and margin improvements. Because of these major initiatives we expect TUSC's margins to improve from 11% to 25% in the next two to three years. This transaction will be accretive right from the current financial year. Since we are scheduled to release our Q2 earnings on January 31st, I would request all participants to restrict their questions to this particular transaction only. We would be glad to answer all your queries and questions on the combined operations and future outlook during the earnings call next week. Thank you every one and I now open the question and answer session.

Question and Answer Session

Moderator:

Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. This Q&A session will last for 30 minutes. If you have a question, please press * and 1 on your telephone key pad and wait for your turn to ask the question. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing # key.

I request the participants to please press * and 1 for your questions.

First question comes from Mr. Kunal Sangoi from Edelweiss Securities.

Kunal:

Hi, congratulations to the management on this acquisition. My question relates to basically the broader business segment in which we made the acquisition. As I understand, earlier what we were looking for in an acquisition was in the engineering or in the GIS space. I would just like to understand from the management what has been the rationale, is it more from the perspective that since a lot of synergies existed and we got a good deal so that is why we went into enterprise segment or what has been the thinking behind this, please?

A P Singh:

As I mentioned earlier, our focus is and have always been to grow our core engineering and GIS businesses. We were able to address some aspects of the enterprise applications that the GIS and the utilities customers, for example, implement. With this we are able to address it

far more comprehensively, go up the value chain, and give a complete solution which we weren't able to do so far. So this continues to be in the same business model as we have adopted all this time. Even earlier our EICT division was supporting these two core businesses to become more valuable to our clients and this is a step in the same direction. We have not stumbled upon this just because it was a good buy or something; this was a conscious decision we were looking for a company that could help us complete round off the solutions that we offer at the enterprise level.

Ben Eazzetta:

This is Ben Eazzetta. I also wanted to add to that, that in my mind this really cements our businesses together. If you look at our engineering solutions business and our GIS business, both of those businesses use software from third parties to create assets. They basically work with asset creation tools. What this allows us to do with Oracle, it allows us to take advantage and gain expertise in the ERP system which is the asset management tool. What this means is we can begin to do the integration from the asset creation to the asset management which really pulls all these businesses together. In addition to that, nearly every one of our clients has a strong database requirement to be able to keep these databases with this critical data that they are generating working properly and this allows us not only to do the integration but also help them with the monitoring and the tuning of those databases.

Kunal:

Sure, that is helpful. So actually I think it is more from an existing client base that a lot of synergies exist. Right?

Ben Eazzetta:

I think it is a huge differentiator for us in my mind. You know there is nobody today out there that has expertise in the engineering creation tools from Intergraph and other companies or the GIS data creation tools across utilities, Government, across multiple platforms. And now we are, to my knowledge, the only company that will be able to know and understand both sides of that equation to be able to do the integration.

Kunal:

Okay. The second question is pertaining to the price paid for the acquisition. What was the rationale from the management of TUSC to sell it out for less than one time revenue?

Hiranya Ashar:

I would say we are better negotiators; we were able to take it for less. It is not they were ready to sell so....

Ben Eazzetta:

I will make a comment. This is Ben Eazzetta. I have had a lot of interaction with the founders of that team. I would

like to take it this way. I think these individuals are extremely bright and have done a wonderful thing growing their company 100% organically, from 0 to nearly 50 million dollars. And I think that they realize it in order for them to become a global company and to realize their vision of taking their strong IPR and expertise internationally that they needed a different partner that could bring them the capital that is required and also the global market access which they did not have today. They are going to become members of our executive team and we are very, very pleased to have them and their expertise in growing the business. So I think that, in my mind there is always, from their perspective I think they really wanted to become a part of Rolta and we wanted them to become part of our team and that makes a big difference and money is not the only thing.

A P Singh:

May I add a comment here. This is AP. In today's world they were 100% US centric and they understand that they need to go beyond those borders to grow and how else could they do it other than going with a company like Rolta? So this is a tremendous synergy that they saw and as Ben says a company with similar kind of passion for the kind of clients we serve was a great synergy from their perspective as well.

Ben Eazzetta:

We have a very, very similar corporate culture. They have a very strong customer focus, a high level of loyalty, and a level of work ethic which I think matches Rolta perfectly. And I think at the end of the day that is a very important aspect of bringing two companies together.

Kunal:

Okay. Thanks a lot and once again congratulations on a good acquisition.

A P Singh:

Thank you.

Hiranya Ashar:

Thank you.

Moderator:

Our next question comes from Mr. Joost Vos of American Century Investments.

Joost Vos:

Hi, I have a question regarding the mechanics of the deal. The purchase price of about 45 million dollars, how much of that is payable upfront? How will you pay for that? And talk a little bit about the escrows and earn outs and also the time line along which the existing TUSC management will continue to be part of the overall operations.

Hiranya Ashar:

Mr. Vos, the total purchase consideration is \$ 45 million which is divided into a cash portion of \$ 39 million and an

earn-out portion of about \$ 6 million. So, that is the mechanics on the split and \$ 6 million of earn out is payable over the next two years. \$ 39 million is funded out of our FCCB proceeds, so that funding was available and we have already made those remittances to the sellers.

A P Singh:

And in terms of continuation, Ben you want to take that.

Ben Eazzetta::

I mean, I don't know whether we want to talk about the details of their employment contract but they are long term. They are three years or more. We feel like we are making them an integral part of our management team, we intend to continue to operate TUSC in North America as they are today and begin to expand them globally using our other outlets around the world. So I think they are quite excited, we want them to become a solid portion of our management team. And I think we have structured the employment contract with them accordingly.

Joost Vos:

Okay. In terms integrating the operations, what are you all considering to be the most significant risks and at this point in time is there any focus on taking cost out?

Ben Eazzetta:

Yeah, I will answer that AP if that is okay. I think this is a profitable, rapidly growing, stand alone company today. So if we left it and did nothing, it would continue to grow at somewhere around the 30 or less percent cumulative average growth rate. I think what we see as the integration is taking them internationally very rapidly. I would like to believe within the next six months or actually less, they would begin to operate nearly immediately their services and capabilities in our international markets in the UK, the Middle East, India, and Australia. I mean the integration is being more upwardly growing the business. As far as costs, this is not a cost reduction play in my mind. What this is, is the outsourcing capability, so as this business continues to grow at the current growth rate, if we could begin to take advantage of our capabilities in India, this is going to become a very, very even more profitable business than it is today. AP, I don't know if you want to add anything to that.

A P Singh:

I think you covered it very well.

Ben Eazzetta:

We believe in the DBA business alone, just by being able to do follow the Sign DBA, in other words having people answer the phone in another part of the world with capabilities that we could train using a boot camp developed by our TUSC personnel, is an ability for us to significantly and may be anywhere from 25% to 40% in that business alone can be outsourced, so this I think can

grow the business extremely efficiently. And right now they are serving a 1,000+ databases; there are tens and hundreds of thousands of databases out there that we can penetrate. Our existing client base alone uses significant numbers of these databases.

A P Singh:

At the moment, 1000 databases are being remotely managed by TUSC and we believe 40% of that activity can be off shored right away.

Ben Eazzetta:

And you have to remember that right now Oracle commands nearly 40% of the global database market, maybe just under that. And then with our Periscope tool, we can actually access the majority of the rest. If you look at the more than 100 databases if we can access with that tool, some of the big ones are DB2, MS Access, Task, SAP, and 99 others or 95 others, then we could also build similar interfaces to proprietary databases for particular military applications etc.

Joost Vos:

Thank you. If I am half as passionate about all this as you appear to be, then things will turn out to be alright.

A P Singh:

Yeah, you are right.

Ben Eazzetta:

We are pretty excited.

Joost Vos:

Thank you.

Moderator:

Our next question comes from Mr. Prasad of DSP Merrill Lynch.

Prasad:

Good evening. The question is slightly futuristic; in the sense what kind of growth rate would one look at say in such kind of acquisition in the next couple of years?

Hiranya Ashar:

Prasad, as we mentioned earlier this company has grown 30% over the last four years and we believe even from these levels we can grow at around the same levels for the next couple of years and we can exceed that growth by rolling our services into many other geographies and doing many other things like off shoring, and creating more value for the client.

Prasad:

Okay. And currently, can you give us some color on how many of your clients in India and non-US clients outside India work on Oracle in terms of a rough percentage? And what kind of a business size are you targeting there?

A P Singh:

I would venture to guess that better than 80% rely on Oracle for their enterprise architecture.

- Prasad:** Okay, this is non-US countries including India?
- Ben Eazzetta:** I was going to say that at that same number internationally.
- Prasad:** Sorry, I missed that statement actually.
- A P Singh:** Ben said that he agrees with that number for the international clientele as well.
- Prasad:** Any cash on the balance sheet of the company taken over?
- Hiranya Ashar:** Yes, there was a cash of about \$ 2.5 million at closing.
- Prasad:** Okay. And final question, does this mean that in the near future, say next one year, we will have large portion of our revenue coming from the US. And so probably the hedge that we had that any appreciation in rupee doesn't impact the margins much that will go away now, because about 45 million coming from US or is there any way you are going to tackle it?
- Hiranya Ashar:** See, the exposure currently is only to the extent of net inflows, it is not a 100% exposure. TUSC still is a 100% on-site business currently.
- Prasad:** Off shore in the next six months you said.
- Hiranya Ashar:** Off shore in the next six to eight months or a year or so. But exposure is again to the extent of the net which is going to come here. Again the domestic markets are also growing to an extent where the net exposure, the hedge which was there for the US dollar which we feel will still be available and US is still not a majority of the market. Even if you consider this acquisition more than 50% of our revenues are still going to come from the Indian market which will make sure that there is no significant exposure to US dollar or the currency risk.
- A P Singh:** I would like to add... sorry, do you want to say something Atul?
- Atul Tayal:** Yeah, the point I wanted to mention was that we see our India businesses growing very, very strongly and that is reflected also in the overall economy that is growing. So there is no doubt that we are adding businesses and revenues internationally and with these in the US, but we see a tremendous amount of growth continuing in our India businesses and a lot of this going into our India clients also what we are getting from TUSC. So the majority of our revenues will continue to come from India.

A P Singh:

I would like to add a comment.

Ben Eazzetta:

I would like to add a comment too. So I think that even inside the US that this market is fairly insulated from a lot of the things that are going on now, because these applications are so mission critical. In addition to that, I think we have a strong potential to grow this business outside of the US because they are not focused on it, they have a very, very strong global reputation. So I think there is a great opportunity for us to establish strong business practices around the offerings that TUSC has today in our UK, middle East, Australian and other Asian markets. Now that we are not seeing some of the dollar effects that we are discussing today.

Prasad:

Okay, and the last question from my side, whom would you be competing against whenever you are trying to take this Oracle business from you clients? Who would be the typical competition say in India as well as outside?

A P Singh:

See if you remember what Ben said earlier, we don't know of another company which combines the domain expertise that we have in the engineering and the utilities and the GIS and the ERP and the enterprise architecture that we now combine through the TUSC acquisition and therefore I think we are pretty uniquely placed. If you talk of little pockets of business if somebody can compete with us only on the database aspect, yes there would be players who do that. But if somebody were to address the complete engineering enterprise solutions, not many can address that frankly speaking.

Prasad:

Just to rephrase the question, who are the incumbents in the clients that you are targeting this business in?

Ben Eazzetta:

Many of these clients have their own internal IT shops today that are working to manage a lot of the DBA products, you know the Oracle. And so I think in some cases there are internal IT shops. Most of these folks in our experience don't do this very well and are always looking at ways of taking out, give that to somebody who has expertise. As far as database tuning in those types of areas, there are very few companies who can do that and I think now we getting into Oracle applications, causes other IT vendors that can do generic ERP implementation. When you begin to look its ERP side of the integration of this and with the asset creation tools, specifically in GIS, Government, transportation, engineering, engineering construction companies, there is just nobody today that understands both of those businesses.

Prasad: No, point taken that we understand the verticals well and all. The question here is are we going to directly compete with companies like say Infosys, TCS, Wipro, or is there that clients absolutely have their own internal IT departments and that is what we are going to target?

Atul Tayal: Let me address that question. Currently I don't think any of TUSC clients have Infosys, Wipro, or TCS; TUSC has not faced that competition and neither have we. I don't see us going and competing with an Infosys, TCS, or Wipro with the kind of businesses we do and in the kind of markets we want to address. As AP also said, there may be certain isolated instances, for example, when we do pure DBA and you have one of the leading consulting companies pitching in for that business, we may end up competing say with Cap Gemini or Deloitte for those specific businesses that are there. But on an overall basis, I think we have a pretty unique offering.

Prasad: Okay, fine. Thanks a lot.

Moderator: Our next question comes from Ms. Ludivine of Shanti Gestion.

Ludivine: Hello, I am Ludivine from Shanti Gestion I wanted to know how much represents the product segment among the total sales for TUSC. The process which are really services and the process could be products, can you elaborate on that?

A P Singh: I am sorry, what is the question?

Ludivine: The questions is, TUSC apparently is much more a services oriented company and you mentioned in your communication that TUSC is also having a product. So my question is how much represents this product segment amongst the total sales for TUSC?

Atul Tayal: TUSC typically bundles its products with its services and most of its revenues that you see which TUSC generates on its own self are bundled as services and products have been typically given away as a part of the services implementation. And going forward we see ourselves creating modules of these software products and taking them out into the market and putting specific revenue on them. But what we can say right now is that the TUSC product IPR is all bundled into their services revenue.

Ludivine: Okay, so there is not really a distinction between products, software, and services?

- Atul Tayal:** Currently it is all bundled into one.
- Ludivine:** Okay, and in the future?
- Atul Tayal:** Oh yes! In the future we expect to productize a lot of their software; for example, the Periscope product we have done. I believe it is in use in a fair amount of large corporate the world over, and we have a series of meeting that have been planned in the course of the first week of February wherein all these strategies will be put in place.
- Ludivine:** So, it is apart from the off shoring you can do enhancing the software or the products among the total sales are the main explanation for the planning to increase the margin in the future?
- Atul Tayal:** Absolutely. Margins will increase because of these reasons and also because of the scaling up of the operations which will happen because we will take all these offerings into a much larger customer base.
- A P Singh:** And of course, off shoring of the services.
- Ludivine:** Okay. And so far what is the order book for TUSC? I mean it is based in the US and the ambience right now is not so good even for services companies. So, if you can just tell us about what is the ambience, especially for TUSC in the US with their US clients?
- Ben Eazzetta:** Right now the pipeline for North America is about \$ 125 million. This is very heavily front end loaded over the first six to nine months of this year. And I believe that is a very, very strong pipeline for this company. It is one of the reasons that we have a strong interest in that.
- Ludivine:** Okay. You mentioned it is 120 million dollars?
- Ben Eazzetta:** 125 million dollars of pipeline, potential business.
- Ludivine:** Okay. But usually execution is around or visibility is around, say for four or five months, something like that?
- Ben Eazzetta:** Yes, if you look at the 2008 pipeline only, which is whatever that is – 11 months, it is a \$100 million. And then if you look at it the first nine months or eight months, I would say that it is in the 75 to 80 million. It is very heavily front end loaded, because the sales cycle for this company is six to nine months. In my view that is a very, very strong pipeline, especially when you have it rolled in opportunities

internationally or cross sales opportunities between our company and theirs.

Hiranya Ashar:

And Ludivine besides this pipeline there is already a backlog of close to 40 million dollars which is to be executed over the next few months which will ensure there is a good visibility of business which is locked in and also a strong pipeline which will ensure flow of orders and the growth over the next few quarters.

Ludivine:

Okay, I just complement your questions on the earn-out, now all this earn-out mechanism is really based, you will pay this in the next three years, you said something like that? And it is based on what kind of performance for the company for TUSC?

Hiranya Ashar:

We cannot disclose those numbers, some of the internal targets which have been fixed between the company and the sellers. But the very fact of they agreeing to earn-out is they are having a lot of confidence on their business, to grow that business and achieve those targets which have been fixed.

Ludivine:

Okay, thank you.

Moderator:

Our next question comes from Mr. Ruchit Mehta of HSBC.

Ruchit Mehta:

Hi, good evening guys. Just a quick question, did you mention something of the product side of the business; could you just repeat that please?

Atul Tayal:

What I mentioned about the product business also, they have a lot of intellectual property which has been productized to some extent and one of the examples that we gave was the product by the name of Periscope which is in use in fairly large number of corporate and another one which does real time data monitoring and alerting tool which is in use in a lot of Fortune 500 companies too.

Ben Eazzetta:

I want to add to that.

Atul Tayal:

Revenue for these broad products right now has been bundled as a part of their services and the consulting businesses. And going forward we expect to productize and license and be able to get a fair amount of revenue from these products on a stand-alone basis itself.

Ruchit Mehta:

So, right now it is not sold separately as a product with AMCs or licensees or anything like that?

Atul Tayal:

Right now it is bundled as a part of the services.

- Ben Eazzetta:** I want to add a comment. They have a series of products probably five or six products that in my mind are very differentiated and well-built that has very strong opportunities to be sold as stand-alone products. As an example, when you talk about Periscope and the capabilities of this product, for an engineering company that may have disparate databases or proprietary database that they want to tie in to and you look at being able to get that information out of these databases into products like hyperian that allow you to do business intelligence, these are really valuable. And they never sold these separately. They have only done them as a product. In addition to that there were more monitoring tools itself to be sold to at least the companies that even if they did not want us to do the remote monitoring, they could use a very strong tool that not only will allow them to do remote database monitoring, but also allows them to get indications as to whether the databases require tuning. I think these are quite unique tools. There is a series of others plus a very sophisticated capability to understand Oracle's whole technology stack including their service oriented architecture products in fusion direction and web development that in my mind opens up a great number of opportunities for us to do additional software development.
- Ruchit Mehta:** Okay. From which quarter will you start consolidating the numbers of this company?
- Hiranya Ashar:** From the current quarter. Obviously it will not be for the entire quarter. It will be for about two months or so.
- Ruchit Mehta:** Okay. For Q2 fiscal 2008, you will consolidate for two quarters?
- Hiranya Ashar:** Not Q2, it will be Q3.
- Ruchit Mehta:** Q3, okay. It will be Q3 onwards. Okay. And how many of your customers actually are on the Oracle platform and in the sense you see the cross selling opportunities?
- Atul Tayal:** As we mentioned earlier, we see almost 80% of our customer base using Oracle products.
- Ruchit Mehta:** And this company had around 11% PBT you said?
- Hiranya Ashar:** Yes, PBT, there is no much difference between PBT and EBITDA. There is no interest at all and depreciation is insignificant.
- Ruchit Mehta:** And it pays full tax in the US of 40%.

- Hiranya Ashar:** Not exactly full tax, yes they have some state and federal taxes. And we will be able to take the benefits of taxes going forward because of some of the accumulated losses which are there in our US subsidiary, so going forward we don't see it as a full tax. Yes, some state taxes will be there, but not at federal level.
- Ruchit Mehta:** How many employees does it have?
- Atul Tayal:** It has a consultant base of over 160 consultants.
- Ruchit Mehta:** You are not taking over any liabilities in the form of pensions or anything like that or any unfunded pension liability?
- Hiranya Ashar:** No, the liabilities which are already provided in the balance sheet that is something which has been taken over. Not anything else.
- Ruchit Mehta:** Okay fine, thanks.
- Hiranya Ashar:** Thank you.
- Moderator:** Our next question comes from Mr. Kunal of Dalal and Brocha.
- Kunal:** I just missed out on the margins, if you could let me know the EBITA and the PAT margins please?
- Hiranya Ashar:** Last year the PBT or the EBITA margins were around 11% and the net margins were about 7%+, for 2007. And we expect these margins to improve from 11% levels to about 25% on EBITDA in the next two to three years.
- Kunal:** Thank you very much and congratulations.
- Hiranya Ashar:** Thank you.
- Moderator:** Our next question comes from Mr. Zubir of ESG.
- Zubir:** Hi guys. Could you talk a little bit about the recurring revenues you see in this business and the stickiness of it?
- Ben Eazzetta:** Right now, they have a remote database monitoring services offering that essentially has a very, very high renewal rate in the mid 80s and this is a very interesting piece of offering for us because as we mentioned, nearly all of our clients would have a need for similar services related to their Oracle database. And that is one component. I think that they also, about 50% of their

revenues are repeat business from customer that we found that to be very, very telling as far as both their capabilities but also their referenceability within the market.

Zubir: And how does the margin vary between the repeat business and new business?

Ben Eazzetta: I don't know if we dug into that level of detail with that, I can say that a good chunk of their repeat business is remote database which is very strong business offering and one that, in my mind, those businesses really do better as they scale and I think that is where we believe that we can bring to the parties to take a reasonably good business today and scale it up significantly.

Zubir: Okay, great. Thanks guys.

Moderator: Our next question comes from Mr. Minar of Kotak Securities.

Minar: Hi to the management. Congratulations on the acquisition. I would like to go on the first question primarily pertaining from the client's perspective, what I understand from what the synergy it creates for me as a client, if I have an Oracle database and I take GIS or engineering services from Rolta, this acquisition will help me integrate the same. Correct me if I am wrong?

A. P. Singh: That is right. Take a utilities customer for example. They have the utilities a set portion of the work that we have been doing. They also have a CRM portion, they have a billing portion. They have business intelligence requirements. Now all these things can be integrated by us through the TUSC skills that we have acquired as a complete solution which we were not able to do earlier. So this is how the utility solutions becomes a complete solution for the customer as compared to what we were doing earlier.

Atul Tayal: Even in the engineering segment this applies very significantly, because when an owner operator is setting a new plant, let us say in the oil sector, from design data they are generating what you call material take offs and they are generating a fair amount of bill of materials. And the ability now that we have of being able to integrate not only the design data but also their ERP data as they say which is an inherent part of that whole operational process puts us in a very unique position.

Minar: So how have the clients been doing this...?

- Atul Tayal:** Oh! It has been a challenge for most clients till now.
- Minar:** I believe so you mentioned a few of the names like Cap Gemini and Deloitte which presently provides such services.
- Atul Tayal:** I talked about those two companies in the context of some...if we are doing only pure DBA sort of work, they may have competed with TUSC in that kind of business. But, we also mentioned that when we are talking a complete mix of putting the design data, the engineering, the GIS and the whole ERP and database skill together, we believe we are one of the unique companies in the world to be able to do that.
- Minar:** Right. So the integration and the database part is currently being done by the likes of Cap Gemini and Deloitte?
- Atul Tayal:** One part, yes. Or it may be done internally by their own IT staff too.
- A. P. Singh:** Or other, may be sometimes a regional player.
- Minar:** Okay, alright. So, currently would the existing clients who use your GIS and engineering solutions would be the target market for you for integrating the TUSC products?
- Atul Tayal:** Would be one of our strong target markets, yes.
- Minar:** So, can you give me any quantified figure, what could be the market size for may be in the couple of years for you from the existing clients that use GIS and engineering solutions?
- Atul Tayal:** We have, just as I mentioned, completed the acquisition today and we have a series of meeting that we have planned in the first week of February in which we will sit and strategize in detail. And as far as forward looking statement is concerned, that has also been given that we see us being able to meet or exceed the historical 30% CAGR that has been maintained by the company.
- Minar:** Okay. But typically you see for example if a client uses your GIS solutions worth around 10 million USD, what could be the portion that this spend may be in the integration part of their Oracle ERP to their GIS solutions?
- Atul Tayal:** It depends. It is like saying that somebody buys a car and how much they spend for petrol. It all depends on their usage. I mean it is very difficult to quantify in a very generic way.

- Minar:** Okay, that's all from my side thanks a lot and all the best for the future.
- Atul Tayal:** Thank you.
- Moderator:** Our next question comes from Mr. Srinivas of e-Value Serve.
- Srinivas:** Hi, congratulations on your acquisition. My first question is on market shares. You spoke of Cap Gemini and Deloitte operating in the integration space.
- Atul Tayal:** I am sorry, we did not say that. The point we mentioned was there was a specific question on competition and we said that in one of the context of remote DBA Cap Gemini or such companies or Deloitte type companies TUSC has seen competition from in a very specific segment. In the integration context that we talked about of engineering and ERP and the database and this whole package together, we said that we believe we are one of the unique ones.
- Srinivas:** So considering that you are one of the unique ones in this segment, could you give me some numbers on the market share in this particular segment presently and going further?
- Atul Tayal:** Market share for what? As we have said that moving forward we are expecting to grow the company at CAGR that they have historically achieved or exceed that and bigger strategies we will have to sit down with them and work out which we are planning to do in the first week of February.
- Srinivas:** Okay. And my second question is on off shoring. You said 40% of the database could be off shored immediately, right?
- Atul Tayal:** We believe that over the course of the next few quarters we could...
- Srinivas:** Right. Overall, what could be the off shoring component other than the databases in the next probably six months or to one year of the entire business at TUSC?
- Atul Tayal:** As we said, almost 40%.
- Srinivas:** So that constitutes the database side.
- Atul Tayal:** No, the overall business.

- Srinivas:** Okay. My third question will be on employees. You have presently 160 employees in the US, right?
- Atul Tayal:** We said we have 160 consultants on the staff.
- Srinivas:** Right, 160 consultants. So do you see this growing in the next six months and what is the growth rate as far as employees are concerned?
- Atul Tayal:** What we see growing is we see that business growing and we see that business scaling up and we see a lot of growth and people coming into India and into our operation here to continue to support that off shoring angle that we have talked about.
- AP Singh** And there would be growth in our other geographies.
- Ben Eazzetta:** I was going to make a comment that these guys are truly experts in their field and one of the things that they bring to the table is for us to be able to develop internal training capabilities in boot camps for our own people and on-site training related to TUSC that I think will give us some unparalleled level of expertise in India that would be very deep...you cannot hire that type of expertise. And I think that's what we hope that we can bring and really differentiate ourselves.
- Srinivas:** Okay thanks. My questions are answered. Congratulations on the acquisition.
- Moderator:** Our next question comes from Mr. Mukesh Patel of Old Lane.
- Mukesh Patel:** It's okay. My question has been answered. Thank you.
- Hiranya Ashar:** Thank you Mukesh.
- Moderator:** The last question comes from Mr. Dipesh Mehta of Khandwala Securities.
- Dipesh Mehta:** Rolta has any business relation with TUSC prior to the transaction?
- Hiranya Ashar** No.
- Dipesh Mehta:** And you said about potential pipeline of around \$ 125 million, so what would be the converse generic
- Atul Tayal** As we have said that we see revenues growing at more than the historical growth rate of 30%, so you could look at it in that context itself.

Dipesh Mehta: Okay, and the third question will be, how many number of active clients TUSC has?

Atul Tayal Over the last... I think TUSC has been in business for almost 20 years and they have a good satisfied list of over 2000 clients. Ben, would you like to answer what is the active client list over the past one year? If I am not wrong it's over a 100 odd new projects or something like that?

Ben Eazzetta: That is about correct and they have literally thousands of clients that have done business with them and a strong referenceability. A lot of their clients in the US are global 2000 companies that have used their services. They have a very strong and robust list of clients. Many of them are repeat clients. They are highly, highly referenceable which we thought was critical for us to expand it to the international markets. The other thing is that many of the clients that they have are already international clients. Companies like Barrett Gold, they have about 27 operating mines, and are the largest gold producer in the world, Nokia, several others that where today they are limiting their efforts just into North America, we will be able to service these companies globally now.

Dipesh Mehta: And what would be the average deal size or engagement size?

Hiranya Ashar: Ben, would you like to answer this?

Ben Eazzetta: I am sorry, I don't know if I understood the question.

Dipesh Mehta: Suppose TUSC has 100 clients, so on an average how much will each client be billed?

Ben Eazzetta: I think the projects range from...some of the larger clients are close to 10 million dollars and some of the smaller ones that are doing individual database, remote database monitoring are in the tens of thousands of dollars.

Atul Tayal: So you could say that half a million is...

Ben Eazzetta: I think that it is probably between 300,000 and 500,000 dollars today. I would expect it because of Rolta's capability to edge that and to be able to manage risks that the deal size will increase pretty dramatically over the next few years.

Dipesh Mehta: Okay, and for Mr. Hiranya, what will be the cash position after the transaction?

- Hiranya Ashar:** Cash position, we will be left with about \$100 million cash on books.
- Dipesh Mehta:** Okay. Thank you.
- Hiranya Ashar:** Thank you.
- Moderator:** There are no further questions. Now I hand over the floor to Mr. Hiranya Ashar for closing comments.
- Hiranya Ashar:** Thank you every one for joining us on this call. We are scheduled to release our earnings on the 31st of January and we also have a conference call on that day, so looking forward to speaking to you next week. Thanks.
- Atul Tayal:** Thank you. Have a good day or a good evening.
- A P Singh:** Thank you gentlemen
- Ben Eazzetta:** Thank you again.
- Moderator:** Thank you sir. Ladies and gentlemen this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

Note:

1.This document has been edited to improve readability.