



Rolta India Limited

Q3 - FY 07 Earnings Conference Call Transcript

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Executives:

Mr. Atul Tayal	Joint Managing Director
Mr. A.P. Singh	Joint Managing Director
Mr. Hiranya Ashar	Director-Finance & Chief Financial Officer

Analysts / Investors :

Richard Parower	J. & W. Seligman & Co.
Pawan Sachdeva	Sansar Capital
Shashank	Dawnay Day AV
Hitesh Zaveri	Edelweiss Securities
Kunal Sangoi	Edelweiss Securities
Nitin Padmanabhan	ICICI Brokerage Services
Nitin Jain	IDBI Capital
Nayan Mehta	Techno Shares and Stocks
Dipesh Mehta	Khandwala Securities

and 67 other participants.

Presentation

Operator

Good Evening Ladies and Gentlemen, Thank you for standing by. We welcome you to the post results conference call of Rolta India Ltd. We have with us today Mr. A.P. Singh, Joint Managing Director, Mr. Hiranya Ashar, Director-Finance & Chief Financial Officer, and Mr. Atul Tayal, Joint Managing Director from Rolta India Ltd.

At this moment, all participants are in a listen only mode. Later we will conduct a question and answer session. At that time if you have a question, please press * (star) and 1 (one).

Participants are requested to note that duration of this call will be 60 minutes and will get over latest by 07:30 pm.

I would now like to turn the conference over to Mr. Hiranya Ashar, Please go ahead Sir,

Hiranya Ashar :

Good morning, good afternoon and good evening every one. Thank you for joining us on this call today to discuss the third quarter results of our company for FY 07. Joining me on

this call are our Joint Managing Director Mr. A.P. Singh, who has recently moved back from our US subsidiary and Mr. Atul Tayal, Joint Managing Director, who will present a brief overview of the company's performance in the quarter. Following that I will take you through the financial highlights and then we can have the questions & answers session.

I would also like to draw your attention to the fact that during this call we may make certain forward looking statements regarding our future growth prospects, which may involve a number of risks and uncertainties associated with our business. With this, I now handover the call to Mr. Tayal.

Atul Tayal :

Thank you Hiranya, hello everyone and thank you for joining us on the call.

In this quarter, we are pleased with our accelerated growth and strong performance in all our business groups across geographies. Our consolidated revenue of Rs. 1.86 billion for the quarter has grown 30.8 % year on year and 10.4 % sequentially. Consolidated profit after tax rose to Rs. 455.4 million for the quarter, which means a growth of 37.9 % year on year and 11.2 % quarter on quarter.

We continue to improve our backlog and it is currently at Rs. 7.5 billion, which corresponds to about 173 million US \$ as on 31st March 2007. We also have a very healthy pipeline of more than Rs. 15 billion, which equals to approximately 345 million US \$. We expect this growth momentum to continue and accelerate in the coming quarters.

We have put in place a strong leadership team and are adding top-class talent across our organization. All our operations have been extensively strengthened, to ensure that they can deliver better results by working even more homogenously. Some of the highlights are :

Mr. Ben Eazzetta has been appointed as the President of our International Operations. Prior to joining us, he was President of Intergraph's Security, Government and Infrastructure division, the GIS division of Intergraph. Prior to his taking over as President of SG&I, he was the COO of Intergraph's power, process and marine division and he brings rich experience to Rolta.

To ensure that we are able to execute customer projects, in line with our planned growth, our delivery centers assume even stronger significance and to provide the right leadership in this area, Mr. A.P. Singh, has moved to Mumbai as Joint Managing Director. A.P. has been with our company for almost 25 years and his expertise and experience will ensure smooth delivery of our services globally.

Both Ben and AP have also been inducted to the Board of Directors of Rolta India and we look forward to working with them.

Now coming to our specific businesses.

In GIS, we continue to move up the value chain by providing high-end consulting, web enabling of GIS data and system integration. Rolta has executed several projects in domestic and international market for high-end GIS services on varied platforms by leveraging its expertise in multiple technologies and extensive domain knowledge. For example, we recently won large projects for network database creation and mapping for network management from large integrated electricity generation and distribution companies in Europe. Similarly we have also won a project from a large telecommunication company in the Middle East.

We are also pleased to inform you that we have been accepted as a Principal Member of the OGC, The Open Geospatial Consortium. This is a prestigious appointment on an international body comprising of government agencies, research organizations, universities and leading international GIS companies participating in a consensus process to develop publicly available OpenGIS specifications. Ben Eazzetta will represent Rolta on the OGC Board.

Our joint venture with Thales is progressing well. I am happy to inform you that we have received relevant French and Indian Government approvals and we expect the joint venture company to be incorporated in the coming few weeks. Initial operations have also commenced within Rolta. A core team has been formed and transfer of technology from Thales has also begun. We have also started with training and market development activities.

In the Engineering Design business, we have won several large projects from both owner-operators and EPC companies in India and overseas including a large order from an Indian owner-operator. The company is moving up the value chain for example we are now the preferred provider of high-end technology services for one of the largest companies in North America. With multi disciplinary project experience and domain expertise in the refinery, petrochemical and power sectors, the company is uniquely positioned to address the emerging huge demand in India and overseas.

In the Ship Design Services, we have expanded from domestic projects and have achieved significant progress in international markets and won orders from two renowned international shipyards in Europe. We see significant potential for offshoring ship design services in coming years.

Coming to our joint venture with Stone & Webster, during the quarter SWRL has executed several large projects from petrochemical companies and large refineries apart from providing engineering design services for global projects of Stone & Webster. The JV is gearing up to capture the huge growth opportunities from nuclear power, refineries and petrochemical companies i.e. opening up in India. We plan to ramp up the employee count to 350 by end of June 07 and to 1000 people by end of June 08.



Our eSolutions business group has also maintained its growth momentum. We continue to execute several large projects for CA's largest customers.

In our new initiative of Gaming Services, we have made a recent breakthrough in providing game development services in Europe & US and have received a maiden order from a game company in Europe. These services include in-game character animation, modeling and texturing of characters & objects for various gaming projects.

As we are growing rapidly, there is a need to strengthen our processes. Accordingly, all the procedures are being extensively re-looked at and are being streamlined, which includes implementation of the complete Oracle ERP suite across Rolta by KPMG.

During this quarter more than 200 technical professionals have been inducted in various disciplines and our current head count is over 3800 including JVs. With our innovative HR policies and employee motivation measures, the attrition during the quarter has been maintained in the higher single digit. We plan to ramp up our total head count to 5000 in the next 12 months.

Thank you everyone and with this I now handover to Hiranya, who will give you an insight on the financials of the Company.

Hiranya Ashar :

Thank you Mr. Tayal. I am sure you would have received our 3rd quarter results sent to you by e-mail. I will now share some highlights of the results.

We achieved consolidated revenue of Rs. 1.86 billion in the quarter, equivalent to 42.7 million US \$, which is up 30.8 % y-o-y and up 10.4 % q-o-q. Consolidated net profit rose to Rs. 455.4 million, equivalent to 10.5 million US \$, which is up 37.9% y-o-y and up 11.2 % q-o-q. Our EPS for the quarter has also grown to Rs. 5.7

Revenue growth was on account of increased business from existing and new clients. Out of the 10.4 % q-o-q growth, 7.2 % was from the existing clients and 3.2 % from the new clients.

Our revenue split between the three business groups was 57.5 %, 30.3 % and 12.2 % for GIS, EDA and e-Solutions respectively, representing y-o-y growth of 26.4 % for GIS, 31.1 % for EDA and 55.0 % for eSolutions.

Our profitability has improved with EBIDTA and EBIT margins at 42.1 % and 27.1 % respectively in this quarter as compared to 40.2 % and 26.0 % respectively in the previous quarter.

Our net margins also improved to 24.5 % as compared to 23.3 % in corresponding quarter last year.

The revenues for our Joint venture company SWRL were about 2.1 mn US \$ in this quarter, 50 % of which have been consolidated in our books.

Our backlog has grown to Rs. 7.5 billion (173 mn US \$) and we have a very healthy pipeline of Rs. 15 billion.

Rupee has been appreciating against US\$. However this does not have a significant impact on our company and our margins. Since our domestic and international business mix is 60:40, the inflow on account of foreign exchange revenues is offset by outflow on account of payments in US \$. Hence the Rupee appreciation has no significant impact on our profitability.

With this I open the session for Questions & Answers. Thank you everyone.

Operator : Ladies and Gentlemen, we will now begin the live question & answer session. If you have a question please press * (star) and 1 (one) on your push button phone and await your turn to ask your question when guided by the facilitator. If your question has been answered before your turn and you wish to withdraw your question, you may do so by pressing the # key.

Our first question comes from Mr. Richard Parower, from Seligman, Mr. Parower, please go ahead.

Richard Parower : Good evening Gentlemen, Can you talk a little bit about what your margin goes on moving forward from here I think at one point you had mentioned that the margin will be flat versus fiscal 2006 year. Is it going to be tougher to do that in fiscal 2007 for getting the better growth. What are you thinking about going forward from here ?

Hiranya Ashar : The biggest pressure on our margin is definitely the wage cost, which is rising around 15-17%, but we are also moving up the value chain, whereby the realization per hour is also improving and with the increase in productivity we see our margins stabilizing at the current levels which is around 40% on EBITDA, around 27% on EBIT and somewhere between 24 to 25% on Net.

Richard Parower : The comment was made during the commentary that growth is going to stay about same levels here, say 30% growth y-o-y ?

Atul Tayal : What we have said is that we will meet or exceed, what we have been growing at and that's been about 30% and with the kind of opportunities that we have in front of us, our guidance is that we will be able to meet and exceed this number of 30%.

Operator : Thank you Mr. Parower. Next question is from Mr. Pawan Sachdeva from Sansar Capital, Mr. Sachdeva, please go ahead.

Pawan Sachdeva : Congratulations on good set of numbers, my question is q-o-q standalone numbers, the expenditure has fallen down, I don't have the detailed breakup of that, Hiranya any comment on that ?

Hiranya Ashar : It is only the other expenditure which is down and that was because of some of the expenditure, which we incurred last quarter, basically for the advertising and marketing campaign for our Thales joint venture announcement and there were some large conferences, which we attended in last quarters. Those expenditures are not there in this quarter, that's why the other expenditure is lower than the earlier quarter. It is not a significant number and we see our other expenditure somewhere around 8 to 9% going forward.

Pawan Sachdeva : Ok and any particular guidance for tax rate and that remains absolute somewhat stable at 5 to 5.5 crores.

Hiranya Ashar : For taxation upto 31st of March, MAT is not applicable. The new provisions which came for the Minimum Alternate Tax are with effect from 1st of April 2007. Our effective tax rate has been in the range of 11 to 12% and with the introduction of MAT, we don't see that changing significantly that should remain somewhere between 12 to 13% till end of 2009.

Pawan Sachdeva : Thank you and wish you all the very best.

Operator : Thank you Mr. Sachdeva. Next question is from Mr. Nitin Padmanabhan from ICICI Brokerage Services, Mr. Padmanabhan please go ahead.

Nitin Padmanabhan : I just wanted to know, we are talking of moving higher up on value chain and that should ideally drive pricing right, so what is the kind of pricing trends which we are likely to see going forward ?

Hiranya Ashar : We have constantly moved up the value chain and if you see our realization in both the businesses, in GIS as well as the Engineering that has moved up. In Engineering specially we are seeing pricing which is about 25 \$ an hour and it is reaching near 30 \$ an hour. On a blended basis, we are billing somewhere between 22 to 22.5 \$ which is much higher than what you were billing may be 3 years back, whereby the average billing in Engineering was somewhere around 17 to 18 \$ an hour.

Nitin Padmanabhan : Another thing was with respect to the gaming and the Shipping business, both these put together, from what I understand gaming right now, its not an end to end that we are doing right, but doing a part of it for the overall project that's done by may be a company in Europe. So going forward, what is that we have in mind, for let's say gaming, is it that going forward, will slowly move up and trying do an end to end thing or is this what we are looking at ?

Atul Tayal : See in gaming, our focus is that there are some really large players in this market, like companies which are a few billion dollars in revenues and up to 20 billion

dollars in market cap. Most of the game development that's been happening by these companies has been in developed markets or in some specific Asia Pacific Countries. From India, gaming has not really been that much of a focus, so our strategy moving forward right now is that we are in discussions with quite a few of these large players and we want to get into a strategic partnership with them and based on that, set up an operation, which will serve their operation. We don't want to go direct to the end user customer right now. In times to come India itself will become a large market and at that point of time we can see how we are addressing the market. The strategy moving forward is getting into large partnerships, into partnerships with large players.

Nitin Padmanabhan : So right now we are looking at probably tying up with larger player going forward ?

Atul Tayal : Absolutely, one more aspect is that we are into serious gaming business and one offshoot of that is also war gaming and idea is that to capitalize on our large defense business.

Nitin Padmanabhan : Could you name a few of these large gaming companies ?

Atul Tayal : Sorry that we are under non disclosure

Nitin Padmanabhan : Not the one you serve, may be some large players ?

Atul Tayal : That's publicly available data, if you go on to google and you will be able to get the details.

Nitin Padmanabhan : Another question was about 200 people that we inducted this time, like how many of them are from the new training institute that we have ?

Atul Tayal : None of them as yet. The training institute will actually get launched on the 1st of July. These people are normal hires that continue to happen. The first batch should probably come out four months after the training institute is launched.

Nitin Padmanabhan : Going forward is it that, once we start having significant number coming out, let's say, the training institute to Rolta. We should see our employee cost going down a bit for new recruits atleast ?

Atul Tayal : I don't see that happen, Its like a pyramid, at the bottom you have people who are lesser experienced, then higher experienced so on and so forth. So from the Academy what we would get is, people with less experience, may be either they are freshers or just with 1 or 2 years of experience they would be inducted into the company. From the industry we would still continue to add people into the middle and top management or even higher junior management. So I don't see that Academy ensuring the wage cost going down. Wage cost is surely going up and I don't see any lack of pressure on that, but the key is that Academy would be able to fulfill some of our demands of people as we are growing fast.

Nitin Padmanabhan : So what you are saying is pyramid would not broaden ?

Atul Tayal : Pyramid would broaden during expansion but the wage costs would continue to rise across all levels.

Operator : Thank you Mr. Padmanabhan. Next question is from Mr. Shashank from Dawnay Day, Mr. Shashank, please go ahead.

Shashank : If you could throw some more light on the gaming initiative, that we are talking about in terms of what is the total market size that we are addressing and which are the other competitors say in India and are we talking about online games or is it more of Xbox kind of gaming or how is it going to be ?

Atul Tayal : This market is about 40 million dollars today. It's a huge big market. Competitors are as I see right now more in the South East Asian Countries and not very many companies in India right now are operating in this domain.

Shashank : What kind of margins are we foreseeing in this business ?

Atul Tayal : Reasonable good margins, I don't see us operating at any levels, which are lower than the blended rates that Hiranya talked about.

Shashank : We are talking about 40% of EBITDA margins and 25 or 27% PAT margins

Atul Tayal : Yes, you could think of that. Obviously these margins would take some time to come because there are some investments, that we made upfront and the margins would take a little more time to settle in. The rates would be similar to what we have talked about.

Shashank : Tell us a little more about the delivery, is it going to be online ?

Atul Tayal : Actually its both markets that one serves. Again the idea is that we will not sell into the Xbox or the PlayStation consumer market ourselves. Our endeavour is to partner with somebody who is a big game developer themselves and who addresses those segments themselves. So one aspect is of course is going through them and online of course would happen, but right now the concern is that anything going out of India, bandwidth cost becomes an issue. But that will get sorted out in times to come

Shashank : Fantasy sports has become very famous in USA, would those formats would also be included in your kind of gaming ?

Atul Tayal : I think that kind of technical depth, you would be able to get when you come and see us. We would be able to get you lot more technical depth at that point of time.

Shashank : Are you doing it from Bombay or is it out of Bombay?

Atul Tayal : Yes, the development center is based in Bombay and sales offices are round the world.

Operator : Thank you Mr. Shashank, next question is from Mr. Kunal Sangoi from Edelweiss Securities, Mr. Sangoi, please go ahead.

Kunal Sangoi : Congratulations to the Management Team on a wonderful quarter. My question pertains to the deal in which we have won in the GIS, in which you have mentioned that we have won from the electricity generation and distribution companies in Europe as well as a telecommunication company in Middle East. Could you give us some sense as to what would be the time period and what was the size of the deal and what is the time period, which would be executed ?

Atul Tayal : The deal size is about 5 million dollars and executed over 9 to 18 months, various milestones.

Hitesh Zaveri : The Company had probably the higher end of its margin range that we have seen in the recent period. Do you see them settling here or what kind of movement do you see over the next 3-4 quarters and secondly what was mentioned on the call earlier that you were experiencing a strong pricing trends. If you could throw some light on what kind of pricing are you getting on recent contracts that would also be helpful ?

Hiranya Ashar : Certainly we see the margins stabilizing at these levels around 40% on EBIDTA, around 27 to 27.5% on EBIT and 24.5 on the Net margins. As we are moving ahead, the operational efficiencies can improve our net margins to about 25%, but going beyond will be little difficult because of the wage and the other pressures which we have on our margins. On the billing rates, we have seen reasonably good trend in our billing rates which have improved from around 15 dollars an hour to the offshore rates which are currently in the range of 24 to 25 dollars an hour and with the additional business which can come out of the high-end engineering as well as the Ship design services, we see these rates reaching somewhere around 30 dollars an hour in the next few quarters.

Hitesh Zaveri : Nuclear Projects that are supposed to begin at the beginning of 2008 commence at least at the ground level. There has been recently some news about the hardening of posture from US administration about the deal that was planned with India with regard to them providing fuel. Now in case there is some new hindrance that comes up, do you think there could be some change in the business plan of Stone & Webster and Rolta JV or some comments on that would be helpful ?

Atul Tayal : First as far as the hardening of the posture is concerned I think that, I personally look at as final negotiating stances that are being taken. I think the deal is pretty important to both sides. Now coming to, if it takes more time, what we need to understand is that in all our projections that we have done and all our business planning, we have not taken nuclear business into that projections and business planning. Each of those projects that come, can change the whole revenue picture. So even if it gets delayed

does not affect the projections, that have been made internally or the guidance that has been given.

Operator : Thank you Mr. Sangoi, next question is from Mr. Nitin Jain from IDBI Capital, Mr. Jain, please go ahead.

Nitin Jain : Good evening and congratulations on good set of numbers. Can you give me a brief on the blended billing rates on GIS, EDA and e-solution segment for this quarter ?

Hiranya Ashar : Sure – The blended billing rates in GIS was around 19 dollars an hour, in engineering business around 24 dollars an hour and in e-Solution business was around 87 dollars an hour.

Nitin Jain : So, it got reduced from the previous quarter. Previous sector GIS sector blended billing rate was around 20 dollars and EDA was around 24 and eSolutions was around 85 dollars ?

Hiranya Ashar : See it depends upon the onsite and offshore mix. The offshore billing rates are lower than the blended billing rate and whenever there is a higher offshore component into the billing rates, those billing rates on a blended basis are a little lower, but the offshore billing rates have in fact gone up, it is only the mix between the offshore and onsite is changing the blend.

Nitin Jain : Can You just me the offshore billing rates ?

Hiranya Ashar : The offshore billing rate for GIS business is somewhere around 16 to 17 dollars an hour for the engineering business is around 22 dollars an hour and in eSolutions it is around 35 dollars, but in eSolutions it is very less offshore work which is done. Generally it is onsite, whereby our billing rates are somewhere between 100 to 110 dollars an hour.

Nitin Jain : And your order book vertical wise if you can give it to me ?

Hiranya Ashar : Our order book overall is around 7.522 billion rupees which is divided into GIS which is 3.677 billion, EDA is 2.024 billion and e-solutions is 1.821 billion

Nitin Jain : GIS is executable in ?

Hiranya Ashar : Around 2 years, Engineering is executable in 1 year to 15 months and eSolutions is executable in 1 – 1.5 years.

Nitin Jain : And the Pipeline ?

Hiranya Ashar : Pipeline, we currently have around more than 1500 crores, which is 15 billion rupees.

Nitin Jain : Can you give me the breakup of that ?

Hiranya Ashar : I will forward this to you.

Nitin Jain : And Thales JV, you just told me that it's going to take place in the next quarter, how much revenues we can assume this quarter ?

Atul Tayal : No, this quarter the company is going to get incorporated, so please don't assume any revenues.

Nitin Jain : OK, for next financial we can expect that ?

Atul Tayal : What we have told is that for 5 years, we will do revenues close to 500 million cumulative and we are sticking to that.

Nitin Jain : And any revenue numbers for FY08 specifically for Thales JV ?

Atul Tayal : I am sorry, we are in the process of building the operation plan that we would do internally in the coming quarter.

Nitin Jain : Can you just give me some picture on debtor days ?

Hiranya Ashar : Debtor days have come down. It is little more than 6 months right now and we see that coming down to 6 months by end of this fiscal.

Nitin Jain : Debtor days specially from the Government business, means the payment you are getting from the Government ?

Hiranya Ashar : Government is somewhere around 8 to 9 months but as the government business as a percentage of overall sales is coming down, the impact of that on our overall debtors is also coming down. Other Parties, we have debtors around 60 days, 90 days and maximum is 120 days.

Nitin Jain : Your cash position ?

Hiranya Ashar : We have around 27 million US dollars cash on books as on 31st of March 2007.

Nitin Jain : Can you just give the EBITDA margins, the net margins for your 3 segments ?

Hiranya Ashar : I can send you the entire grid, which will give you all the details.

Nitin Jain : About Capex plan ?

Hiranya Ashar : Capex this year will be somewhere in the range of 1.65 to 1.7 billion rupees. For the next year, we are planning Capex in the range of 1.5 to 1.7 billion rupees.

Operator : Thank you Mr. Jain, next question is from Mr. Nayan Mehta from Techno Shares & Stocks, Mr. Mehta, please go ahead.

Nayan Mehta : I would like to congratulate the management team for achieving good results. My question pertains to acquisition, if you could throw some light on when is the acquisition about to happen and in which market are you looking at ?

Atul Tayal : As said earlier, we are looking at acquisition in the areas which are complimentary to our business, Geospatial space, the engineering space and the specialized IT space and our focus there is that we want to get into an acquisition where it will add value in the context of technology to us, help us move up the value chain and deliver better value to our customers.

Nayan Mehta : What could be the minimum size, you would be looking at ?

Atul Tayal : Size would vary, it would depend on the opportunity, it could be from a few million dollars up to 30-50 million dollars, but it would have to be something that we can digest and also as I have said earlier, it should add value to our business.

Nayan Mehta : I believe there is no debt on the books as of 31st March. Is it true that there is no debt ?

Hiranya Ashar : There is no debt.

Nayan Mehta : Secondly, that means that acquisition either can be funded internally or the cash that you are holding or there could be a mix in case the acquisition is large ?

Atul Tayal : It could also be some other options and we would evaluate those options when we come to that stage.

Operator : Thank you Mr. Mehta, next question is from Mr. Nitin Jain from IDBI Capital, Mr. Jain, please go ahead.

Nitin Jain : You have won a large project in GIS Segment, you mentioned it could be around 5 million deal and the duration would be 9 to 18 months. Can you just give the brief like that on EDA and eSolutions ?

Hiranya Ashar : There are many contracts which we have won in this quarter and those contracts are ranging between 500,000 dollars to 2 million and I cannot give details of the individual contracts at this stage and as mentioned, it is covered in our backlog, which is executable over the period which I have mentioned.

Nitin Jain : OK, any kind of overall deal size, I am not talking about the project wise ?

Hiranya Ashar : Generally our deal size is between 1 to 2 million USD, but now we are seeing high ticket deals coming in and there is a pipeline in which there are deals which are ranging from 5 to 10 million US and certain deals which are 10 million Plus.

Nitin Jain : The maiden order that you have received for eSolutions division ?

Hiranya Ashar : That is for our gaming division. It is a very small order, basically a breakthrough, which we have done in our new initiative, the value of the order is not very significant.

Nitin Jain : Ok, is it less than 1 million ?

Hiranya Ashar : Yes.

Operator : Thank you Mr. Jain, next question is from Mr. Dipesh Mehta from Khandwala Securities, Mr. Mehta, please go ahead.

Dipesh : Congratulations on good set of numbers. During the quarter we have added around 200 employees in our marketing team, so that is catering to new services or we are looking at broadening our market reach ?

Hiranya Ashar : We are definitely looking at the broadening the market reach both in domestic as well as international. So it is not all 200 guys, which are in marketing but there are some guys who have been added in our marketing team. Predominantly, the guys have been inducted into our delivery centers.

Dipesh : Can I have the breakup of sales team ?

Hiranya Ashar : The overall Sales and Marketing team right now we have is around 570 guys, which is around addition of 20 guys as compared to last quarter. That is over all India and international all combined and not only sales and marketing, it includes support functions like HR, Admin etc.

Dipesh : Can I have breakup of other income, foreign exchange gain or loss during the quarter ?

Hiranya Ashar : Foreign Exchange loss was less than 1 crore, which is reflecting in our other income. Our other income was less than the earlier quarter.

Dipesh : One more breakup I require our PBITDA margin of segment-wise. If we see GIS segment it improved significantly and in e-solution, it declined, any specific reason for that ?

Hiranya Ashar : In e-Solutions the margin depends upon the utilization and in this quarter the utilization was little less than the earlier quarters. We have also sent guys on the onsite assignments from India and once those guys go in, they don't become

productive on the very first day. So utilization would improve as those guys are getting trained when they are going on their projects.

Dipesh : Ok and for GIS ?

Hiranya Ashar : In GIS the productivity has improved and we have moved into some of the higher value projects and that is helping us.

Dipesh : The net margins would be sustainable for GIS business ?

Hiranya Ashar : GIS business, yes, not the levels during the quarter, but yes, level around 25% is sustainable.

Dipesh : The EBITDA margin around 43 sustainable ?

Hiranya Ashar : 42 – 43, yes.

Dipesh : And e-solution is only because of onsite ?

Hiranya Ashar : Lower utilization

Dipesh : But in absolute term also, it seems to be lower than the previous quarter ?

Hiranya Ashar : See once the utilization goes down, then definitely the profitability is going to come down, because it has a fixed cost of people out there.

Dipesh : Ok nothing specific like billing rate or new contract rates ?

Hiranya Ashar : The billing rates never come down, we have fixed rate with CA and other guys so the billings rates are in the range of 100 to 110 dollars an hour.

Dipesh : Is there any relation between investment in gaming services and this decline in margin ?

Hiranya Ashar : No, not much.

Operator : Thank you Mr. Mehta, next question is from Mr. Nitin Padmanabhan from ICICI Brokerage Services, Mr. Padmanabhan, please go ahead.

Nitin Padmanabhan : If we look at gaming and shipping business put together, right now it is pretty small, right. Going forward, what is that we have in mind, how large are the businesses likely to be say 3 to 5 years down the line, because everything else would be growing significantly faster ?

Atul Tayal : Yes, what we have looked at is that gaming per se as I mentioned earlier, is about 40 million dollar in the market and that is a huge opportunity in front of us. While

we talk of shipping, the shipping industry is also booming world over and they are looking to enhance capacities for engineering and designing specially in countries like India. We currently have enquiries where people are looking at over 100 people commitment for a few year onwards and rates in both these businesses are better than what we are currently getting in our engineering and IT businesses. So we see a significant volume and value coming out, going forward.

Nitin Padmanabhan : So, both these businesses are likely to be strong margin drivers going forward ?

Atul Tayal : They would contribute to margin, but they are not going to be drivers, as there are various businesses that are going to be contributing, so these businesses also contribute to the margin and revenue.

Nitin Padmanabhan : Do you have any internal targets as to how big, these businesses you would like them to be, may be over 5 to 6 years time frame ?

Atul Tayal : Yes we do but I am sorry, I cannot share those.

Nitin Padmanabhan : Is it possible that at some point of time, you will put it in to a separate business unit or something ?

Atul Tayal : As they develop, how our model is that when a new business is incubated, it gets incubated in a certain area and as it develops and expands, it will move into the delivery center or evolve at its own independent business group.

Nitin Padmanabhan : Thales, I think may be this quarter, will have the company incorporated ?

Atul Tayal : I think so.

Nitin Padmanabhan : So, are we ahead of schedule ?

Atul Tayal : On schedule.

Nitin Padmanabhan : So, we are looking at some time, lets say by December '08, that it should start atleast clicking revenues ?

Atul Tayal : In the coming year we should be doing some revenue, Our financial year is July onwards and in the first year there should be some reasonable revenue.

Operator : Thank you Mr. Padmanabhan. Ladies and Gentlemen for any further question you are requested to press * (star) and 1 (one). Please press * (star) and 1 (one) to ask a question.



As there are no more questions, I would like to handover the conference to Mr. Hiranya Ashar.

Hiranya Ashar : Thank you everyone for joining us on this call. We hope, we have been able to answer all your queries. If you have anything specific, please get back to me on email and we will send you the details required.

Atul Tayal : Thank you.

A.P. Singh : Thank you Gentlemen.

Operator : Ladies and Gentlemen this concludes the conference for today.