



Rolta India Limited

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Presentation Operator

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

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 * (star) and 1 (one).

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 today to discuss our second quarter results of our company for FY 07. Joining me on this call is our Joint Managing Director Mr. Atul Tayal, who will present a brief overview of the company's performance in the quarter. Following that I will take you through the financial highlights after which we will start 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. So with this, I hand over the session to Mr. Tayal.

Atul Tayal :

Thank you Hiranya, hello everyone and thank you for joining us on the call. In this quarter, we have maintained our year on year and sequential growth momentum. Our consolidated revenue of Rs. 1.68 billion for the quarter has grown 28.1 % year on year and 8.7 % sequentially. Consolidated profit after tax of Rs. 409.39 million for the quarter has grown by 30.5 % year on year and by 9.7 % quarter on quarter. All our three business groups i.e. Geo-spatial/GIS, Engineering Design and e-Solutions have recorded good performance and our joint ventures with Stone & Webster and Thales are also progressing well.

During the last quarter, we have bid for various tenders and RFPs, few of which have been awarded in the quarter and many to be awarded during the subsequent quarters. Currently we have very strong order book position of Rs. 6.9 billion, which translates to approximately US \$ 157 million as on 31st December 2006. We also have a healthy near-term pipeline of more than Rs. 12 billion which is approximately US \$ 270 million and we believe this growth momentum will accelerate.

In the Geo-spatial division, we have won major orders for GIS based asset management in the infrastructure domain from Seaports and Airports in India. Internationally, the company has won large projects involving corridor mapping for municipalities and railroads, asset mapping for telecom and electric companies and high end Photogrammetry /LIDAR including 3D city mapping in the Middle East, Europe and US. Having executed several complex web-enabled geo-spatial data projects in both the domestic and international markets and with expertise in multiple technologies and extensive domain knowledge, we are uniquely positioned to address the potentially huge demand for geo-spatial projects especially on account of requirements emerging from the infrastructural development in India.

The joint venture with Thales is progressing well and we are in the final process of incorporating the joint venture company. We believe that the JV company would be operational during the current quarter and shall contribute to revenues from next fiscal onwards.

In the Engineering Design business, strong demand in both process and power sectors has been a major growth driver. We have executed large projects for petrochemical companies and refineries in India and overseas and several large projects for plant Information management for customers in US, Europe and Middle East. During the quarter, we won a break-through order for providing high-end technology and engineering design services from one of the top companies in US, which practically started the offshoring boom in India. With years of domain experience we are uniquely positioned to capitalize the outsourcing demand for high-end technology and engineering design services from large organisations across the globe. With Indo-US nuclear treaty now also in the final stages, we are strengthening our organization and building capabilities to address this huge emerging opportunity.

We have also made reasonable progress in the segment of Ship Design. Currently, we are executing orders from two leading shipyards in India and discussions are in progress with other shipyards in India and overseas to provide ship design services.

The joint venture company Stone & Webster Rolta Limited (SWRL), has been growing rapidly and has executed projects from petrochemical companies and large refineries during this quarter. In addition the JV is providing engineering design services for global projects of Stone & Webster. We plan to ramp up the employee count to 350 by end of June 07 and to 550 people by end of June 08. During the quarter, the joint venture has declared maiden dividend of 180 % to both the joint venture partners.

Our eSolutions business group continues to record robust growth. Our partnership with CA has become stronger and we see increased traction in this business. As a part of our new initiatives, we have diversified our service portfolio to provide services in release 11 of Unicenter and also in implementation of Clarity, a specialised software from Computer Associates. We are also in advanced stage of discussions with other leading IT Services companies for providing similar services to their customers across the globe.

On the HR front we have inducted more than 400 technical professionals during the quarter in various disciplines and our current head count is over 3400 in Rolta and over 250 in SWRL. We plan to ramp up of our total head count to 5000 in the next 15 months. The attrition during the quarter has been in the higher single digit and we continue to attract top engineering talent from the Industry to ramp up our strength.

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. Our results were sent to you by e-mail and have also been posted on the web and I am sure most of you would have got an opportunity to go through the numbers. I will now share some highlights of the results.

We achieved consolidated revenue of Rs. 1.68 billion in this quarter, equivalent to USD 37.97 million, which is up 28.1 % y-o-y and 8.7 % q-o-q. We have also achieved a consolidated profit after tax of Rs. 409.39 million, equivalent to USD 9.25 million, which is up 30.5% y-o-y and 9.7 % q-o-q. Our EPS for the quarter has improved to Rs. 5.12.

Revenue growth was on account of increased business from the existing clients and also from new clients, which we have added. Out of the 8.7 % q-o-q growth, 6.3 % was from the existing clients and 2.4 % from the new clients.

Our revenue split between the three business groups was 58 %, 30 % and 12 % for GIS, EDA and e-Solutions respectively, representing y-o-y growth of 19.1 % for GIS, 36.9 % for EDA and a healthy 60.3 % for eSolutions.

Manpower cost for this quarter increased 39.1 % y-o-y, basically due to the wage increase and employee ramp up. Despite this our profitability remains very strong with EBIDTA and EBIT margins at 40.2 % and 26.0 % respectively in this quarter as compared to 39.3 % and 25.2 % respectively in the previous quarter.

The increase in EBIDTA margins from 39.3 % to 40.20 % was on account of increase in blended billing rates and increase in productivity.

Our net margins also improved to 24.4 % as compared to 23.9 % in corresponding quarter last year.

Our Joint venture company SWRL has also shown robust growth in this quarter. The revenues for the JV company were USD 2.08 million (Rs. 90 million) in this quarter, 50 % of which are consolidated in our books.

We have a very strong order book with orders totaling to Rs. 6.91 billion (USD 156.09 mn). The division wise break-up of order book position is GIS - Rs. 3.51 billion (USD 79.29 mn), EDA - Rs. 1.66 billion (USD 37.27 mn), eSolutions -Rs. 1.74 billion (USD 39.53 mn).

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 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. Alan Hellowel, from Lehman Brothers, please proceed, Sir.

Alan Hellowel : Good evening gentlemen and congratulations on another strong quarter. I have three questions, just trying to get a little more clarity on margin trend amongst 3 major business lines. I thought, may be you can characterize the margin trend of the past quarter and what you expect going forward ?

Atul Tayal : I can generally talk about the margins, and these have improved across all the three businesses, Alan. But I do not have specific numbers in the context right now of exactly what percentage points have gone up in each business but I guess we could give you right now the overall margins that have improved, because of increase in productivity and increase in blended billing rates. This has happened across the three business groups e.g. in engineering business the margin increase is little higher, in GIS business it is also there but not as much as in engineering and IT has been consistently reasonably high.

Alan Hellowel : Did you basically say that all three businesses quarter on quarter enjoyed a margin increase ?

Atul Tayal : Yes.

Hiranya Ashar : Yes.

Alan : Ok.

Atul Tayal : To give you an example, when Hiranya talked about EBIDTA increasing from 39.3 % to 40.0 %, that is fundamentally because of increase in blended billing rates which is about 0.28 % and the balance was, fixed price projects that we are doing,

increasing our productivity because of improved automation and improved systems and processes and that was about 0.64 %.

Alan Hellowel : Got it. Can you talk about the contract sizes, any kind of average contract size is contracting or static or growing, any particular colour what they look like going forward ?

Atul Tayal : I see contract sizes increasing, our pipeline is growing and I see much bigger opportunities coming to us. To give you an example, a couple of years ago, the average size was about a million dollars for us, now it is about close to two. And moving forward I see that improving much more. There are some potentially huge opportunities, which can really change the whole face of the company.

Alan Hellowel : Right, Coming back to the start that I know that in the past, even during your GDR roadshow overseas or you had referred to the potential M&A transaction as means of growth. If I look at the Company, I look at the GIS related areas and I think a lot of those growth factors could have been leveraged as the part of the growth in the joint venture with THALES, on the EDA side S&W joint venture delivering tremendous organic growth and the e-services / security side clearly, CA seems to be the gift that keeps on giving. Why would you look towards M&A anytime soon when what I am talking about half a billion dollars from this JV and any other thing, I mean what have you thought there is any utility M&A and if so, how would you describe this?

Atul Tayal : There is a lot of advantage that we are seeing in M&A specially in the context of acquisitions. We are in advance talks for an acquisition in the Geospatial domain. I am under NDA and cannot talk too much about it. The reason for the acquisition is, moving up the value chain, acquiring new technology, acquiring customer base and that kind of an acquisition will take us in to a different league altogether. Similarly, in the infrastructure domain, we would like to expand in the coming few quarters and that's M&A that we would actively look forward, whether in the context of a JV or in the context of an appropriate acquisition and that would help us leverage both our pure Engineering and Geospatial domain and actually get in to the pure infrastructure development domain in the country. So there are some good fits that we see that will help us move into complimentary businesses to our core businesses by adopting the M&A route.

Alan Hellowel : Got it, right. Then a question more for Hiranya. Can you talk about working capital trend in the latest quarter and what your goals are, over the next couple of quarters DSO etc. ?

Hiranya Ashar : The working capital cycle has improved from the stage where it was in June 06. Our receivables have come down to less than seven months and we have a target of receivables somewhere between 6 to 6 ½ months by end of this fiscal year June 07. So we are on track for that and I am sure that the increased business which is coming from the international side as well as from the private sectors, we should be able to bring down our receivables cycles to around 6 to 6 ½ months.

Alan Hellowel : One other last question, When I think of a Company you guys are looking at, very substantial opportunities and even if you achieve a fraction of opportunities, whether its Thales- JV or India's planned emphasis on nuclear energy, I think of a Company that if the revenue shoot up a little bit and you still building aggressively a very large team, you could see similar lumpiness in EPS quarter to quarter. Is that something we should be just preparing ourselves for that there could be some significant lumpiness and we should be looking at the company on year to year basis or am I wrong in thinking that there is risk of lumpiness?

Atul Tayal : Alan, I don't see that lumpiness this year and even in the next year, four or five years down the line may be, but by that time what would happen is that, the pipeline would be so strong that one project would come to balance the other and hopefully that lumpiness would not be there to that extent. The second part is that even if the kind of business we are in or even if you are talking large big orders they don't get executed like simple product orders in 2 - 3 months. They get executed over a period of year or two, so in that context that lumpiness is also more balanced. So I don't see lumpiness as a major issue in the near term.

Alan Hellowel : OK, I am sorry, I promise this is my last question, just going backing, a very impressive, Thales JV. Can you give us any more colour I mean, once again a lot of us taking half a billion dollars of cumulative revenue over 3 - 4 year period. Can you give us any more possible points about when the revenue flow begins and assuming it comes mostly initially from outsourcing from Thales itself. Can You start telling us and giving little more colour and quarter by quarter ?

Atul Tayal : The current situation is that we are under final regulatory approvals and we hope to incorporate the company and make it operational this quarter. We have already hired the initial core group of people and they have started training, I think next week onwards there is a big bunch of guys going to Thales, France for the initial training for technology transfer and that kind of stuff. So I don't expect any business coming in during this fiscal at all. This fiscal I am looking at Thales JV as just setting it up and getting it going and taking it forward. Right now I have RFPs from the customers, who really depend on us, in the next couple of months which are multi -million dollars RFPs, in which the JV would fit in really beautifully and I see a fairly reasonable amount of business starting to come in year one. Of course the Thales philosophy of being multi domestic is that wherever they have a JV, that JV then becomes a hub and the expertise for that particular area for its international operations should also contribute to the JV's revenues. Right now it would be premature for me to start spelling out the pipeline and the potential targets.

Alan Hellowel : Yes but in summary, you still feel 500 million in 5 years is still a doable thing ?

Atul Tayal : I completely believe that.

Alan Hellawel : Thank you very much and congratulations again guys.

Atul Tayal : Thank you.

Hiranya Ashar : Thanks.

Operator : Thank you Mr. Alan for your question. Next in queue is Mr. Stephen Pope from Cantor fitzerald.

Stephen Pope : Hello everybody, I hope you all are well. Congratulations on the results, I am so pleased that you have given me extra work to do. You are now priced past the price target, I have to do some rethinking as to where you are going now. These results coming as a pretty shock to me, as I am very pleased to see that. What I am concerned about is, you mentioned that the types of contracts coming through now are perhaps longer, little bit more detailed in terms of what is required and also the size and the value is increasing. Does that also imply that the actual time to completion or time to sequence of milestone payments coming through, have got to expand accordingly ?

Atul Tayal : No, I think, I should have been a little clear. Historically Steve, our contracts have been typically 1 to 3 years. Even when we went for the GDR issue, we were clear that's the normal time line it takes for us to execute the service contracts. So I don't see this time line increasing beyond this, of course the sizes are increasing and because of that increase in size we are growing. So the timeline we see remaining reasonably similar to what they were earlier, but I see the contract value increasing and sometimes when the contract value is much higher, the time line in that particular context may be a little longer.

Stephen Pope : Ok, I understand the productivity is improving over time because of the technology gets better and the work force you have in the company is of very high caliber, I saw that myself. But I was just wondering if the actual demands on contracts is rising and I am sure that the competition for well equipped staff is too growing quite highly in India, how easy it is for Rolta to be able to attract the right caliber staff that you may need to build and grow the Company

Atul Tayal : That is a very important question. Hiring and retaining top talent is a number one priority of the management and let me assure you it's a challenge world over. But because of the fact we have been in this business for over 20 years, we have adopted fairly innovative practices and methods and are able to attract and retain talent. That's why our retention numbers are amongst the highest in the country in IT Companies. That is because of a variety of factors, its because of compensation, because of the work environment, because of growth, because of the technology they are exposed to, the kind of work they do, so lots of factors combined together enable us to retain and hire good people. One more initiative, that we are doing now is that we are setting up our own academy in which we will train close to 700 people every year, who will be provided very specialised training on our businesses and once they pass the training they would be absorbed completely in-house. So we keep taking fair amount of innovative steps to

ensure that we are able to continue to scale up to meet the revenue growth that we are expecting.

Stephen Pope : How Many people you are training each year there ?

Atul Tayal : In the Academy we expect to train close to 700 people every year.

Stephen Pope : Thank you, I appreciate that development. I was also just wondering that your success story must encourage the new entrants who come to competition. Are you finding the type of business you are pursuing now is more moving up the sky, the higher values against the lower value ?

Atul Tayal : Absolutely all the times. Unless we do that, the margins go down they shrink because the competition moves up. You are absolutely correct and this is something we do very vigorously and as a constant target we move up the value chain in providing services and providing product solutions to our clients and continuously move our people also up the value chain. This is something we do all the time.

Stephen Pope : OK, that's good enough for me now. Congratulations on the best set of results for the past quarter.

Atul Tayal : Thank you.

Operator : Thank you Mr. Stephen, Next question is from Mr. Hitesh Zaveri of Edelweiss.

Hitesh : Congrats on the good set of numbers. My question is about the order book that you mentioned in your opening remarks I heard two numbers, one is about USD 157 million and one number called near term pipeline described as USD 270 million. Could you share with us what is the difference between the two and how do they look in the context to year on year and quarter on quarter.

Atul Tayal : See USD 157 millions is orders that are in hand, contracts, purchase orders signed. USD 270 million are orders that we are pursuing in the near term, I mean in the next 2 to 3 quarters that we expect these orders to finalise. Of course some of them will not and some of them we will lose, so we hope to win a fair amount of them. This pipeline is what I mean projects which we are reasonably confident will get finalized and reasonably confident that we will get.

Hitesh : Sure and how would it, so first of all I am sure it does not, let me clarify one more time, in a manner speaking USD 157 and USD 270 million, there is no connection and USD 157 million is not a subset of USD 270 million anyway right ?

Atul Tayal : No.

Hiranya Ashar : No

Hitesh : Sure, how does it look in the historical context, if you go back you know 12 months ago or 6 months ago. What was the order book you had and if you could give us some colour on similar pipeline number a year ago and within that what was your success ratio ?

Hiranya Ashar : In June'06 we had order book position around Rs. 450 to 480 crores which was USD 100 million and in June'05 the similar order book position was somewhere around Rs. 380 crores which is around USD 75-80 million. The pipeline has grown from around Rs. 5 billion (Rs. 500 crores) to Rs. 12 billion which is Rs. 1200 crores currently.

Hitesh : It sounds like significant increase !

Atul Tayal : Absolutely and the reason for that is, you need a certain momentum to come to a certain platform and we have reached that platform for prospects and clients to be that much more comfortable. Therefore we see much increased traction and a higher pipeline and that's what gives us the confidence for the kind of growth that we envisage within the company

Hitesh : Sure, that's helpful. What kind of execution challenges do you foresee over the next 6 to 12 months ?

Atul Tayal : The pipeline that we have, we are pretty comfortable about executing it. The challenges are the normal business challenges, you need to hire the right people, you need to ensure that they are provided the right tools, you need to constantly ensure you move up the value chain, build better processes, you know the standard business challenges that you have in running a business on a day to day basis. But I don't see any major issue executing the orders that we have.

Hitesh : Sure, I just noticed that the head count increase over the last 12 months on a year and year basis looks like 38 to 40%. I was just wondering whether that is going to be accelerated in the second half of the year?

Atul Tayal : I expect that, in the coming 15 months we expect to hire another 1500 odd people.

Hitesh : The pipeline that you have USD 270 million that you have bid for. Could you share with us what is the billing rate difference if at all, compared to the order executed for the last 6 months or for the last 12 months and as compared to that what is the pipeline bid for it and what rates ?

Atul Tayal : Typically you can look at on a blended basis a 5 to 7% increase. But in some businesses it is more for example in Engineering it is more and the reason is the kind of demand that we see. In Geospatial it is not as much, so on the overall blended basis it is about 5 to 7%.

Hitesh : Thank you, I appreciate it and would have more questions later on , in case I have an opportunity.

Atul Tayal : You are most welcome.

Operator : Thank you Mr. Zaveri for your questions. Next in line is Me. Dipan Mehta, an individual broker.

Dipan Mehta : Just want to enquire what is the reason for receivables reaching 6 months ?

Hiranya Ashar : See our business is little bit of a different nature, it is a project based business. We take up turnkey projects and execution of those projects are over 1 year or sometimes over 2 years. These projects are generally fixed price projects whereby there are retentions which are kept by clients for each and every milestone which we bill, so if we are billing 100 what we receive may be 80 or 85 and 15 or 20% of the billings are retained by the client which is paid only at the end of the project, or sometimes at the end of the warranty period which is one year from the end of the project. So accumulations from these retentions increase our receivable cycle. That is one of the reason. Another reason for our receivable cycle is the business with the Government in India because in GIS, the Indian business is predominantly with the government agencies whereby the payment cycles are bit extended. The payment cycle in government is generally between 6 to 8 months, so these two are the major reasons for our receivable cycle being around 7 months. We have been very consciously tracking our receivables and with the increase in International business as well as the Engineering business which is generally with the private parties, the receivables cycle has been coming down in last 2 to 3 years and in future we see our receivables cycle somewhere around 6 months or may be little less than 6 months.

Dipan Mehta : What is our provisioning policy when it comes to receivables ?

Hiranya Ashar : The receivables for more than one year are only on two accounts, number one is the receivables which are from the government and we have worked with these government agencies over so many years and we have never had an instance whereby we had to write off any debt. It is quite possible that the government receivables may come after a year or may be a portion of those receivables come after a year when all the checks are done and the deliveries are approved. So government is something, which we cannot make any provision and they are most creditworthy clients, which we have. Second receivables are those receivables which are retentions where the projects are for more than one year and those receivables are on account of the ongoing projects and at the end of the projects we are going to receive those money. So for those receivables there is no provision which is required but overall we deal mostly with companies who are big organisations and we have never faced the instance of any bad debts in past. So because of all these reasons the receivables have generally not created any issues or the bad debts.

Dipan Mehta : Can you give me a geographical distribution of the revenues, please ?

Hiranya Ashar : It is around 60-62 % in India and around 40% overseas.

Dipan Mehta : And the Governments industries are entirely government 62%?

Hiranya Ashar : It is not entirely 60% Government, around 80-85% is of GIS business in India is with government agencies or PSUs, so over all, you can say around 35 to 38% of our business is with government agencies.

Atul Tayal : And those are the Indian Government agencies, you could also put some government overseas e.g. we do work with municipalities in the Middle East or in US or Europe, so overall you can put about 50% of our total business currently.

Dipan Mehta : The GIS contributed what percentage of the revenue?

Hiranya Ashar : 58% of our revenue, Engineering Design 30% and e-Solutions 12%

Dipan Mehta : Ok, shall come back later

Hiranya Ashar : Thank you.

Operator : Thank you Mr. Mehta for your question. Next in line is Mr. Akash Gopawar from Arihant Capital.

Akash : Congratulations, Sir. Good set of numbers. A little more clarification on our order book as you have mentioned that 6.9 billion order book, so this order book is for what time it is executed?

Hiranya Ashar : The GIS portion is executable over 1 ½ to 2 years. The Engineering portion of the order book is executable over one year and the e-solutions is executable over 2 to 2 ½ years.

Akash : Ship designs services, whether it is a part of SWRL or is it any case benefiting from SWRL JV?

Atul Tayal : Ship design is pure Rolta India activity and there is no role of SWRL currently in the ship design activity. But it may in future benefit from the Thales joint venture because Thales is a big player in the Naval Ship Design Arena world over.

Akash : One more thing, the company majorly operates in three SBUs as GIS EDA and e-Solutions but while we prepare our results, it gives only two segments CAD/CAM/GIS and e-Solutions, can you specify any reasons ?

Hiranya Ashar : In a certain contracts whereby there is a GIS component as well as Engineering component and it's a combined contract, a fixed price contract whereby the values for GIS and Engineering are not clearly bifurcated. We have our internal bifurcation, but for the accounting purpose we don't have anything whereby we can

bifurcate into those two segments because of that overlap it is two segments, one is the CAD/CAM/GIS which is the combination of basically Engineering and IT, it is an Engineering business and the e-solution is pure IT business.

Akash : One more question, for our Ship designs Services, what kind of revenue we are doing at that front?

Atul Tayal : We made a small beginning this year, I would say, our order book there would be between half a million to a million dollars and we hope to grow that reasonably in the coming few quarters.

Akash : What kind of operating profit margin we are enjoying in this front?

Hiranya Ashar : In ship design services, the EBITDA margins are around 38%.

Akash : Thank you, Sir.

Operator : Thank you Mr. Gopawar for your questions. Next in line is Mr. Dipesh from Khandwala.

Dipesh : Congratulations on good set of numbers. I just have few questions on some orders we received during the quarter, as you received major order for GIS, Airports and Seaports. Can you give some detail about the orders and in EDA side, we have made foray into Nuclear Powers sector by executing Engineering Design Services. Can you throw some light on that sector also?

Atul Tayal : I can talk to you about the kind of work we are doing, but I am under Non Disclosure Agreements for specifics.

Dipesh : I am not asking for specific amount, only the kind of work we are doing for those clients.

Atul Tayal : Ok, for the Seaports and Airports its asset mapping. It's creating a Geospatial data model, so that the operational efficiency of the seaport and the airport increases and they are able to make much better use of their assets that are on the ground. As far as the nuclear one is concerned, it is focused initially more on the instrumentation and electrical aspects of a nuclear plant and we are doing some work in that.

Dipesh : In Indian market or ?

Atul Tayal : If I tell you the market, then you will be able to arrive at the clients very easily

Dipesh : No, but my basic purpose for asking this question is

Atul Tayal : Ok, These are in Indian markets, that's all I can tell you.

Dipesh : Ok, the second question is, you have made employee benefit for AS-15 which is effective from April, so what will be the amount for earlier quarter ?

Hiranya Ashar : Yes the amount is insignificant, it is less than a crore of rupees, for the half year it was around 60 lakhs (Rs. 6 million), which we have provided for the new accounting standard.

Dipesh : SWRL declared 180 % dividend, so how much percentage of other income is from this income or other interest income or foreign exchange income. Can you just give me the break up?

Hiranya Ashar : It is only Rs. 90 lakhs which we have received from Stone & Webster as dividend which forms part of other income.

Dipesh : Any forex gain or loss during the quarter ?

Hiranya Ashar : There was some forex loss which was there.

Dipesh : Can you give me the amount of the Forex loss ?

Hiranya Ashar : It is built into the Sales number and as you know the rupee has appreciated, so the forex loss which is there which is built in to our sales number.

Dipesh : The cash position at the end of the quarter ?

Hiranya Ashar : Its around US \$ 32 million US

Dipesh : Ok, Thanks.

Operator : Thank you Mr. Dipesh. Next in line is Mr. Kunal from Edelweiss Securities.

Kunal : Hi, Congratulations on good quarter. Just one clarification on a forex that you just mentioned that in forex because of rupee appreciation, the amount has been adjusted in the revenue amount. Do we have any forward hedges taken at this point in time and if yes, what is the quantum and at what rate ?

Hiranya Ashar : See we have a natural hedge in most of the forex transactions, the forex inflow, which is coming from our international billings as well as for some forex outgoings, the payments, which we are making to our partners. So to that extent, we are well covered and whatever exposure we have over and above the natural offset, we do hedging for those transactions.

Kunal : OK, so we do not take any forward hedges or forward contracts ?

Hiranya Ashar : We take but only for the additional portion. Till the time we have a natural hedge on the inflows as well as outflows, we don't.

Kunal : Ok and my second question is relating to Depreciation. First half we have depreciation charge of Rs. 46 crores. How do you see the second half. Because I believe that we have some capex plans and the 2nd building we are getting into, so how much do you think would the depreciation charge for the second half ?

Hiranya Ashar : Yes, we have capex plans and as per those plans, those assets are ready and will be operational in the next couple of quarters. We can see a depreciation charge somewhere between Rs. 48 to 50 crores in the next two quarters combined.

Kunal : Ok, last question is pertaining to the tax rate. How do you see the tax rate going forward ? Right now I think this quarter we had 11.5% of tax rate, so in 2nd half FY07 as well as FY08, what do you think would be the fair tax rate that we should take in our models.

Hiranya Ashar : The effective tax rate will always remain between 10 to 12% and because of the STPI benefits which are available to us, we don't see effective tax rate going above 12% in the next couple of quarters as well as in FY08.

Kunal : Ok, that's all from my side, thanks a lot and good luck.

Hiranya Ashar : Thank you.

Operator : Thank you Mr. Sangoi, Next in line is Mr. Alan Hellowel from Lehman Brothers.

Alan Hellowel : Just a couple of other questions. Generally speaking as you look across the three major business lines, trying to get a better sense of your competitive intensity. My own sense is that in domestic GIS in India, ESRI vendors use that platform are making more approach these days. Would I be correct in assuming that if we look at the competitive conditions around your three business lines, the trend competitors are levels below, increase more significantly for GIS and if I would ask you to rank the three areas in terms of competitive smooth selling and those business lines that are going to see much more intense competition next calendar year. How would you rank them ?

Atul Tayal : Alan, ESRI has been in India for past 20 years and we have been competing with them for 20 years for the local business. And we work along with them when we do projects with them for international business. So it's a competitive situation locally while it's a complimentary situation when we work internationally. Similarly in the Engineering business we have Aveva as a solutions business present here locally for a long time and as far as our plant information management or engineering services are concerned, we had all the leading companies present at all the time. So the point I am saying is that we have had competition from day one, we have not yet crossed a quarter or yet done a deal in which we have not faced intensive competition. Now going forward

competition is a way of life and the way we win against competition is that we build expertise in our own organization and strengthen our own IPRs, create our own processes which enable us to bid at a more competitive price, strengthen our own account management and that's the way it will be. I see our competitive situation remaining pretty good, given the fact that we have this competition for the past two decades and we have been able to successfully negotiate that all this time.

Alan Hellawel : Ok, I guess my brief survey has just been that GIS is going continuously to get more competitive. You do not see that from an analyst prospective like myself that they are having any kind of noticeable impact to any departure in the profitability in what you are doing, going forward ?

Atul Tayal : No, and the reason I don't see that, is because I have had that competition all the time for us.

A.P. Singh : Alan this is AP. Let me add a comment on that, it is also because the way we position our offerings in the market place. We are not merely a vendor of the software platform, which is what ESRI is by itself. We offer a complete solution, which is unlike, I would say, almost any other vendor in India. So that is one of the reasons, that the competition sort of fizzles out, given the nature of the Indian market place where the customer is looking for a solution and why shouldn't a customer look for a solution. In fact we encourage our customers to demand a solution and once they demand a solution the competition falls by the wayside.

Alan : Thank you very much , gentlemen.

Operator : Thank you Mr. Alan, Next in line is Mr. Dipan Mehta, individual broker.

Dipan Mehta : Just want to understand the tax rate. How is it that 11 to 12% given that 60-62% is domestic business and therefore not eligible for export benefit which other software exports are eligible for ?

Hiranya Ashar : 60-62% is our revenues but it is not necessary that the bottom lines are also in the same proportion. Many a time our profitability on the overseas business is more than the domestic business and also the other income component which is there, is generally tax free. So considering those aspects, if you put a calculation, the effective tax rate will be 11 - 12 %.

Dipan Mehta : why would the other income be tax-free ?

Hiranya Ashar : Because that's the dividend income on the mutual funds, which we have invested the money into and all those incomes are tax free.

Dipan Mehta : Ok Do you get depreciation benefit as well, what you book versus what is eligible ?

Hiranya Ashar : That is built into the deferred tax charge.

Dipan Mehta : Ok, We have 3400 personnel, how many of these are engineering graduates and how many are non engineers ?

Atul Tayal : What you call pure engineering in India in the context of BE, B. Tech, that would account for 60% to 65% of our people. Then if you were to add M. Techs and PHDs, that would be another 5% to 10%. So the overall pure engineering would go to about 70% to 75% and you would look at about 10% engineers equivalent which are three years engineering diploma after high school. So almost majority of the people are engineers.

Dipan Mehta : Fixed price v/s time and material ?

Atul Tayal : Largely Fixed Price.

Operator : Thank you Mr. Mehta for your questions. Ladies and Gentlemen, for any further question, please press star and one now. Our next question comes from Mr. Nitin Jain of Recherche Services

Nitin Jain : Hi, everyone. Congratulations on good set of numbers. I just wanted to know something more about order book. Can you please elaborate on your 6.9 billion order book.

Hiranya Ashar : I have already given a breakup of the 6.9 billion order book in to our three divisions, what additional information do you want ?

Nitin Jain : Actually I missed that.

Hiranya Ashar : Ok so the break up of 6.9 billion between our three divisions is 3.5 billion for the GIS 1.66 billion for EDA and 1.74 billion for e-Solutions.

Nitin Jain : The years will be one and a half for GIS, engineering would be 1 year and the e-Solutions would be 2 to 2 ½ years ?

Hiranya Ashar : Yes

Nitin Jain : Could you be able to give me any kind of EBIDTA margins in this segment for this quarter ?

Hiranya Ashar : The EBIDTA margins for GIS are around 42%, for EDA around 40% and 32% for the eSolutions.

Operator : Thank you Mr. Jain for your questions. Next in queue is Mr. Dipesh of Khandwala.

Dipesh Mehta : I just want to get status on UK operations because we plan to ramp up to 500 staff, what is the current status ?

Atul Tayal : We have a subsidiary in UK, which is doing reasonably well. It is incorporated there and it's the headquarters of our European Operations

Dipesh Mehta : Ok, so what would be the Employee strength there ?

Hiranya Ashar : Currently we have around 155 guys out there.

Dipesh Mehta : Ok, What would be our initial investment in their subsidiary ?

Hiranya Ashar : That was around a million dollars.

Atul Tayal : And that was quite sometime ago, we incorporated the subsidiary in 2002

Dipesh Mehta : What is the business momentum we are expecting from European market ?

Atul Tayal : Reasonably good. I see US, Europe and Middle East all giving us accelerated growth.

Dipesh Mehta : If you have to compare our three international markets, US, Europe and Middle East, which market we are expecting to grow faster than the other two ?

Atul Tayal : The sizes are different but if you want to look at pure percentage terms Middle East is expected to grow pretty strong in the next few quarters. US is very healthy but it is the largest component and we expect it to continue to increase its growth rate in the next few quarters and Europe of course is doing better. But Middle East is the smaller base, therefore their percentage is higher, so I would put Middle East percentage wise growing fastest, then I would put US and then I would put Europe.

Dipesh : So we are expecting slower growth rate in European Market ?

Atul Tayal : I am not saying we are expecting slower growth, I am saying that it commensurate with our plan, its just that it's a bigger base there than Middle East. US of course, because we have been there much longer and we have much stronger presence we expect to grow and it is also the largest market that's why we are growing much faster there.

Dipesh : Do we have any tie-up with any Computer Associates for European market ?

Atul Tayal : Yes, there is a definitive agreement for Europe, Middle East, Africa, the EMEA segment.

Dipesh : What would be the contribution of revenue from European market ?

Hiranya Ashar : European and Middle East Market combined give us a 14% of our total revenues.

Operator : Thank you Mr. Dipesh, We have our next question from Mr. Paul Hill from PMH Capital.

Paul Hill : Hi Guys, terrific set of results, well done. Just wanted to have some clarification on the cash position. You mentioned that in the end of quarter one we had around US 30 million. Just what the current level is of cash and how do you see that organically developing over the next 12 months ?

Hiranya Ashar : We have currently US 32 million cash in our books and that is developed from the earlier levels from our internal accruals. The balance of GDR proceeds out of this US 32 million is now a very small amount which is around US 10 -12 million and the balance US 20 million is out of our internal accruals over last 3 - 4 quarters. That position is growing very well, but we also have to incur Capex for our growth plans. So we see this position around the same levels, if there are no other investments done for the inorganic growth, in June'07.

Paul Hill : Thank you very much.

Hiranya Ashar : Thank you.

Operator : Thank you Mr. Hill for your questions. Ladies and Gentlemen, for any question, you are requested to press star and one now. Our next question comes from Mr. Meeshal Mehta of Enam Securities.

Mr. Meeshal Mehta from Enam Securities

Meeshal Mehta : Congratulations on good set of numbers. Could you just outline your Capex plans going forward for the next year or year and a half ?

Hiranya Ashar : Sure, this year we have planned our Capex somewhere between 1.5 to 1.6 billion rupees and for the next year also for FY08 it will be around that levels. These Capex plans are basically for the infrastructure, which we have to grow for our development and delivery centers in Bombay and also for the international expansions.

Meeshal Mehta : So this takes care of overall capex.

Hiranya Ashar : Overall capex, yes.

Meeshal Mehta : Thank you very much.

Hiranya Ashar : Thank you.

Operator : Thank you Mr. Mehta. Our next question comes from Mr. Nitin Jain of Recherche Services.

Nitin Jain : I just want to know something more about the Capex Plan, just now you said that it would be somewhere around 1.5 to 1.6 billion INR for FY07 and the same would be for FY08. This includes the domestic and international both capex ?

Hiranya Ashar : Domestic and international both capex.

Nitin Jain : And how are you actually looking to fund it, with your internal accruals or you are looking for outside ?

Hiranya Ashar : As per the plans we should be able to fund both these capex out of our internal accruals. Out of the 1.5 to 1.6 billion worth of capex, we have already spent around 800 to 900 million INR in the first two quarters which we have funded out of our internal accruals and the further expenditure as per our plans should be met out of our internal accruals.

Nitin Jain : Thanks a lot.

Hiranya Ashar : Thank you.

Operator : Thank you Mr. Jain for your question. Next in line is Mr. Dipan Mehta.

Dipan Mehta : Just want to understand that the 79.92 crores equity is the fully liquidated equity. There are no options or FCCBs, convertibles anything of that sort ?

Hiranya Ashar : No convertibles, no FCCBs.

Dipan Mehta : As you mentioned, most of these orders which are coming from Government. I am sure they are through the bidding process or otherwise also, who are other competitors who are there in these bids along with you ?

Atul Tayal : In the domestic business when we bid for example in the GIS business, the name mentioned has been ESRI and their local operations or one of their dealers or one of their distributors is a bidder, but typically in the larger projects they bid themselves. For the Engineering solution segment, our competition is typically Aveva who is a provider of the similar solutions. When we go internationally for our mapping services, Geospatial services, competition is with people like big mapping companies like Hansa-luft-build, Fugro etc.. In the Engineering domain for e.g. SWRL competes with all the important EPCs in the country and in the eSecurity domain we have specialist players like Netguru, who we compete with.

Dipan Mehta : Basically its now the Indian Software players, who are the major competition and ESRI is the international..

Atul Tayal : As of now there is no Indian Company, which really has that solid IPR on a core GIS engine. So the two big players in the world are Intergraph and ESRI, we partner with the Intergraph and provide their solutions domestically, we also partner with ESRI for Services in the international arena. But in the Indian context as AP explained earlier, we provide a complete solution including Geospatial data modeling as well as the full customization and that helps us win.

Dipan Mehta : Thank you.

Operator : Thank you Mr. Mehta for your question. Next in queue is Mr. Dipesh from Khandwala.

Dipesh : We are looking at acquisition in GIS field, our cash position is around US 32 million, any plan for further raising the funds or the cash amount is sufficient for the acquisition ?

Atul Tayal : I am sorry, I cannot comment on that. I would end up giving too much information, I am under NDA, I cannot comment on the size of the acquisition right now. I have given over all figures earlier but based on the size, we will decide how we will need to get it funded but as of now it seems to be comfortable.

Dipesh : Any equity dilution, we are expecting ?

Atul Tayal : No, we are not expecting to dilute any further equity as of now for our current needs.

Dipesh : Ok, thank you.

Operator : Thank you Mr. Dipesh. Ladies and Gentlemen, for any further question, you are requested to press star and one on your push button now. Participants wish to ask any further question may please star and one now.

Operator :As there is no more questions, I would now like to hand over the conference to Mr. Hiranya Ashar.

Hiranya Ashar : Thank you everyone for joining on this call. We believe we have been able to answer all your questions. If you have any further queries or questions, you can revert back to me on my email. Thank you very much. Good bye.

Atul Tayal : Thank you very much, Happy New Year to all of you.

A.P. Singh : Gentlemen, thanks a lot.

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