ROLTA

Rolta India Limited

Q4 – FY 08 Earnings Conference Call Transcript

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Executives:

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Mr. A.P. Singh	Joint Managing Director
Ms. Preetha Pulusani	Joint Managing Director
Mr. Ben Eazzetta	President – International Operations
Mr. Hiranya Ashar	Director-Finance & Chief Financial Officer

Analysts / Investors :

Mr. Jaspreet Chhabra	Prabhudas Lilladher
Mr. Zubier Alim	Emerging Sovereign Group
Mr. Vishal Jajoo	Centrum Broking
Mr. Madhuchanda	Kotak PMS
Mr. Prasad Deshmukh	DSP Merrill Lynch
Mr. Nitin Padmanabhan	Centrum Broking
Mr. Joost Vos	American Century Investment
Mr. Dipesh Mehta	Khandwala Securities

And 66 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 the management of 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 keypad. The duration of the call will be 60 minutes and the call will be concluded at 7:30 p.m. Indian time. Please note, this conference is recorded. I would now like to hand over the conference to Mr. Hiranya Ashar. Over to you sir.

Hiranya Ashar:

Good morning, good afternoon and good evening everyone. Thank you for joining us on this call to discuss our financial results for the quarter four and full year ended June 30, 2008. Joining me on this call are our Joint Managing Directors, Mr. A P Singh, Mr. Atul Tayal, and Ms. Preetha Pulusani. Mr. Ben Eazzetta, President of our International

Operations is also on this call. In a few moments from now, AP will present an overall view of the company's performance and then Ben will touch up on our International Operations. Following that, I will take you through the numbers and then we will start the question and answer session. I would like to draw your attention to the fact that during this call, we may make certain forward-looking statements, including those related to future financial and operating results, benefits and synergies of the company's brands and strategies, future opportunities, and the growth of market of the company's services and solutions, which may involve a number of risks and uncertainties associated with our business. Rolta disclaims any intention or obligation to update any forward-looking statements as a result of development occurring after this date. With this, I now hand over the session to AP.

A P Singh:

Thank you Hiranya. Hello everybody. Thank you for joining us on this call. I am pleased to inform you that during the year 2007-08, all three business groups GeoSpatial Information System (GIS), Engineering Design Services, and Enterprise Information and Communications Technology (EICT) have shown strong performance. Rolta's healthy growth is a result of an exceptional combination of a strong platform, cohesive strategies, and a unique business model design to serve infrastructure, government, defense, and security markets worldwide.

Let me now walk you through the highlights of each of our business segments. In GIS, the company has strengthened its leadership position in India and also as a major global services provider by winning and executing high-end projects from government, nodal agencies, and large companies in India, North America, Europe, Middle East and other geographies worldwide. The company executed major projects for digital, topographic, map production and publishing, asset management and data integration for utility and telecom companies, 3D airport approach modelling, urban and municipal planning, election information management, and economic development among various other applications. Rolta has enhanced its portfolio of solutions and services by blending the capabilities of OnPoint, Periscope and other business intelligence tools from its bank of IPRs to create what we call "Geospatial Fusion". This is a unique solutions approach that helps in rapid integration of disparate Geospatial and Nonspatial databases for real time generation of business intelligence. This enhances the ability of organizations to access, analyze, plan, allocate and monitor resources at the enterprise level. This solution will help our customers to protect their investments in technology and continue to use their legacy databases and applications by using Rolta's Service Oriented Architecture middleware. In fact, we have recently filed a patent for this technology in the US. For the Indian Defense Geospatial market, Rolta has developed and deployed sophisticated solutions to address complex problems. For example, for precise target location, UAV video integration oblique imagery analysis, high speed image compression and critical incident monitoring, hotspot identification and the planning and guidance system for the BRAHMOS cruise missile. Rolta has now become a principal member of OGC, the Open Geospatial Consortium. This gives us a leadership position in promoting platform independent and universally interoperable Geospatial Information System in the global market. Rolta's JV with Thales, Rolta Thales Limited, launched state-of-the-art solutions under transfer of technology for C4IStar Information Systems, Military Communications, Digital Soldier and Vehicle Systems which cover the entire sensor to shooter chain.

We received defense industrial licenses for the manufacture of Maritime Aerospace, Electronic Warfare, Optronics and Communications equipments and systems. RTL also signed an MOU with Thales for the offset requirements of Indian Defense.

In the engineering space, we continued to move up the value chain in plant engineering and design services. We have now added further value to our portfolio services in this segment by introducing enterprise level solutions for Engineering Procurement and Construction Company, and Owner-Operator that help them integrate data and activities during the entire life cycle of a plant. During the year, we won large orders for services and solutions from Indian Owner-Operators and EPC companies in the petroleum, refining and power segments, while on the International front, we continued to win and execute large engineering and design projects in North America, Europe and Middle East. These also included a good amount of add-on business from existing clients

Rolta's JV with the Shaw Group, Stone & Webster Rolta Limited continues to achieve high growth by executing several large global projects for refineries and petrochemical companies. This also includes a large project of Exxon Mobil in the Far East for one of their largest plants of its kind in the world. We are also now very uniquely positioned to address the nuclear power sector in India by leveraging the strengths of the Shaw Group and its strategic partner Westinghouse, both world leaders in this field

The EICT portfolio has undergone tremendous transformation and is now focussed on mission-critical applications providing significant opportunities especially in the engineering and utilities sector because we now address the integration of design, engineering and mapping with ERP. The development and integration of techonolgies acquired by the company during the year has enabled Rolta to not only strengthen its traditional business, but has also provided an added impetus to building a stronger product portfolio with some of the most modern and unique solutions and services. The company continued to grow its e-security and network management business across the world. With the addition of Oracle application and ERP practice, the EICT segment now contributes significantly to the company's business, and its share is expected to increase in the coming years.

We have followed a very carefully thought out acquisition strategy. We look for companies that would provide a synergistic mix of technologies and IPRs to propel the company up the value chain. Our acquisition of Orion, a Canadian Geospatial Technology company and TUSC, a US IT consulting company specializing in ERP applications and services based on the complete range of Oracle Technologies was in keeping with this strategy. During the year, the company significantly strengthened its managerial teams worldwide. We inducted very high caliber professionals in management positions in various geographies and vertical segments. The company established the Rolta Academy to recruit and train staff through intensive structured training, specifically tailored for its business units. The company recruited over 1500 experienced professionals at all levels in the organization. The number of Roltaites now exceeds 5000 World over. The company continues to expand its delivery centers and is in the process of completing a state-of-the-art facility in the SEEPZ SEZ in Mumbai to house an additional 3000 professionals. Rolta successfully implemented a comprehensive ERP solution to streamline its global operations and integrate acquired companies. The company received many accolades and awards during the year, for example "Geospatial Leadership Award" from Geospatial Today, a leading industry publication. At Rolta, we have always looked beyond immediate opportunities and instead have focussed on creating businesses with long-term prospects and relevance. We have built and established a unique business model, a sound-track record, a large team of empowered people with domain expertise, a bank of intellectual property, world-class infrastructure, enduring partnerships, and healthy financials. With these inherent strengths, we are well poised to take full advantage of the ever-increasing opportunities, both in India and internationally. Before I hand over to Ben, I would like to share a piece of news we just received, literally, a couple of hours ago. Standard & Poor's have selected Rolta to be among "S&P Global Challengers List" of 300 companies. These companies have a market cap of between $1 billion and $5 billion. The selected companies have shown, "the highest growth characteristics along dimensions encompassing intrinsic and extrinsic growth. These companies are expected to emerge as the challengers to the world's leading companies." Clearly, this recognition by S&P at a global scale makes us proud and is a testimonial to Rolta's excellent track record and growth potential. Thank you. Over to you Ben.

Ben Eazzetta:

Good evening and good morning everyone. Rolta's International business played an important role in the overall company growth strategy during fiscal year 2007-2008. Growth was driven, both organically and through business acquisitions completed during the year. Although most of our efforts and accomplishments in the past year have been centered around business acquisitions, our focus on growing and executing our organic business continued as well. All regions contributed to the growth during the year in our core business segments. In North America, the GIS business segments saw the most dramatic growth with key wins with strategic customers in telecommunications and utilities industries. Also, the North American EDS business established a strong business base with new technology implementation partnerships with key customer accounts primarily within the EPC arena.

In Europe, the EDS business segment also played a major role in our growth. Central to our strategy of increasing our value proposition, we are now providing full scope detail engineering services based on partner techonolgies for large, continuous process plant design projects. These wins, along with the continuing successful execution of the projects is of central importance to our overall strategic plan.

As AP mentioned, during the last fiscal year, we completed two strategic business acquisitions that were carefully selected and executed in line with our corporate strategy to continuously increase our value proposition in the business segments that we operating. Both of these acquired companies are now fully integrated into the Rolta business, both strategically and operationally. Much effort was expended in 2007-2008, both on the business development and technology product road map fronts to lay the foundation for future growth in the business segments aligned with these acquisitions. We have already begun to see the results of our efforts and fully expect that this will be a key element to our growth going forward. These businesses are now legally integrated into Rolta. TUSC has now legally integrated as "Rolta TUSC Inc." and effective July 1, 2008; Orion has been merged into Rolta Canada Limited.

We now have our business development aligned completely in North America and have begun to leverage Rolta TUSC's worldwide reputation in geographies outside the US. In order to successfully execute on both the organic and non-organic fronts in 2007-08, several key hires were made to establish the appropriate level of expertise, experience, relationships, and infrastructure. The acquisitions of Orion and TUSC added strong management, business development and technology development skills that are now being exploited across the various business segments and regions. In addition, key management positions have been added to lead the US GIS and EDS business segments as well as regional management in the Middle East and in Asia Pacific. We are also focusing heavily on building a strong internal infrastructure that will enable us to maintain efficient operations as we grow with the addition of both personnel and systems.

In summary, we have achieved our objectives in terms of strategy and growth in 2007 and 2008 and have prepared a strong foundation to build upon as we move into 2008 and 2009.

Hiranya Ashar:

Thanks Ben.

Ben Eazzetta:

Very good. Thanks Hiranya.

Hiranya Ashar:

Last quarter has been pretty good, both in terms of top line growth and operating margins. We achieved revenues of Rs.3.21 billion recording a year-on-year growth of 58.1% and quarter on quarter growth of 11.4%. I'm happy to inform you that we have exceeded our full year revenue guidance of Rs.10.6 billion and have achieved a topline of Rs.10.72 billion recording a growth of 50.7%. Our EBITDA for the quarter was Rs.1.12 billion and has grown at 40% year-on-year and 11.3% quarter-on-quarter. We have been able to sustain our EBITDA margins at 34.9% during the last quarter. Our net profit for the quarter was Rs.508 million and this is after providing around Rs.300 million of currently revaluation loss on FCCBs for mark-to-market (MTM) considering the exchange rate as on June 30, 2008. This is in accordance to the accounting standard in India and this mark-to-market provision of Rs.300 million does not entail any cash out flows. This will be reversed if FCCBs are converted. On the segmental performance, all three business groups have performed pretty well. During the last quarter GIS business has grown 27.5% year-on-year engineering at 48.5% and our EICT business at 222% because of the TUSC acquisition.

Even for the full year FY08, GIS has grown 31.2%, engineering division at 57.2% and EICT at 124.2%. On the working capital side, we have made significant progress and our DSOs have come down to 150 days as on June 30, 2008, which is very much in line with our guidance. Going forward, we see our DSOs between 120 to 130 days by end of FY09 and maybe 110 days in two or more quarters after that. Our cash position has also improved since last quarter and the cash balance as on June 30, 2008 was in excess of Rs.5 billion. Coming on to the guidance for the next year, we see our FY09 revenues to be between Rs.14.8 to Rs.15 billion signifying a growth of 38% to 40%. On the bottomline, we expect our net profits to be between Rs.3.25 to Rs.3.3 billion signifying a growth of 41-43% with EPS around Rs.20. This EPS is on the current share count 161 million. This if guided profit does not take into account any mark-to-market losses or gains, if reversed. We have a very strong order book positions of over Rs.15 million currently which has grown 81% during FY08 and out of this order book position nearly75% of it is executable over FY09. We have not seen any slowdown in the industries we serve, may it be defense, oil and gas, power or other infrastructure sectors and our overall pipeline has also grown significantly to over Rs.35 billion and that gives us a very good visibility to continue our growth momentum. With this, ladies and gentlemen, I throw open the session for question and answers.

Question and Answer Session

Moderator:

Thank you sir. Ladies and gentleman, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad 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.

Our first question comes from Mr. Jaspreet of Prabhudas Leeladas.

Jaspreet Chhabra: Hi, good evening sir. My first question is how much revenue was contributed from TUSC in this quarter?

Hiranya Ashar: TUSC contributed about $12 to 13 millionof Services revenue in this quarter, in terms of US dollars.

Jaspreet Chhabra: Okay and Hiranya have you been able to increase the margins of TUSC?

Hiranya Ashar: Absolutely. In this quarter, our margins in TUSC have improved and we will see this margin improvement going forward as and when we introduce off-shoring. This improvement was more in terms of aligning the team and the other benefits which were expected out of the acquisition and two or three quarters down the line when the off-shoring comes into picture, you will see further improvement in margins.

Jaspreet Chhabra: What would be the current operating margins?

Hiranya Ashar: The TUSC is operating currently at about 10% to 11% EBITDA and we will see that improving to 14% to 15% going forward.

Jaspreet Chhabra: Okay and Hiranya, can we have the breakup of the order book which you have given at Rs.15 billion?

Hiranya Ashar: That has already been sent to everyone in the fact sheet. If you have not received, I can resend it again.

Jaspreet Chhabra: Okay. And the current cash position is around I think 500 crores

Hiranya Ashar: Yes.

Jaspreet Chhabra: So, how do we intend to use this particular cash, I mean, looking out for any acquisitions or anything?

Atul Tayal: Yes, we are continuing to look for acquisitions, again which provide a synergetic mix of technology and IPR and we are actively on the lookout for acquisitions and hopefully should be able to complete a few pretty soon.

Jaspreet Chhabra: Okay sir, thanks a lot.

Moderator: Our next question comes from Mr. Zubir Alim of ESG.

Zubir Alim: Hi, guys congratulations on the quarter. Two questions, first thing could you elaborate a little bit in terms of the Indian nuclear deal that has been in process and how you guys can play if it goes through?

Atul Tayal: Okay, let me answer that question. It is estimated that about 40,000 megawatt of power would need to be generated through nuclear plants that will need to be set up over the next decade or so. This 40,000 megawatt roughly translates to a market size of about $80 billion at $2 billion per 1000 megawatt. Now, we see this market getting divided amongst US, the Russians, the French, but even then there is a fairly large portion that comes to the US and our partners, The Shaw Group is the leading players in US. The last big nuclear deal that got signed in China recently, they were a part of the consortium. They also own 20% of Westinghouse. They have a strategic stake there, so I believe leveraging our partnership we will be able to play pretty well in the EPC part of building these plants. On a rough scale, if you were to even look at just the engineering portion that is about 7% to 8% of that 80 billion, which in itself is a big amount, so we hope through our joint venture Stone & Webster Rolta Limited to capture substantial stake there.

Zubir Alim: And Stone and Webster do they actually build the plants, is that part of what they do?

Atul Tayal: Absolutely, so they form a part of the consortium. They do the engineering, they do equipment procurement, they work along with Westinghouse who builds nuclear reactor and as I mentioned they have a strategic stake there and they actually go out and build it.

Zubir Alim: I see.

Atul Tayal: And one more thing, in US, I think they maintain over 60 to 70% of the existing nuclear plants in US are maintained by The Shaw Group.

Zubir Alim: I see. And it's expected that if they do one business, the engineering piece will at least go through the joint venture that you have?

Atul Tayal: Oh yes, that is clear agreement.

Zubir Alim: Okay, clear agreement okay. And then could you talk a little bit about the Thales JV and what is going on there and how the timeline is sort of shaping up?

Atul Tayal: Yes, the company got incorporated in this year and we got approvals from both French and Indian Governments because a fair amount of sensitive technologies are coming in and they are getting built, so the company is set up, fair amount of marketing is being done, fair amount of products being built, they have been launched into the market space, there is a fairly large team focused on it and I believe the foundation that we have laid in this year will help us, I think, come on the score board of revenue next year and some really big revenues in the year thereafter. To give an example, we are seeing our pipeline has doubled in the past six months there and we are now looking at projects, multiple projects with each of them could be running into a few billion dollars over a 5 to 10 year period. So, very good prospects, very solid foundation laid, and I see good revenues coming in the coming years.

Zubir Alim: I see and could you explain a little bit in terms of what is it that you could do, would you actually set up manufacturing plants?

Atul Tayal: Okay I will explain that. See, in the services, they have large requirements which covers right from getting information through sensors, getting that information flowing through communication channels, decision making and ultimately it going to what you call a shooter, which could be either a tank or a soldier or anybody, so we would provide communications equipment, we would provide the sensor, the decision making tools and of course also the platform on which this whole communication will flow. So in a nutshell we will manufacture some equipment here, but our approach would fundamentally be a systems approach, so that we could build in large systems and have a fair amount of margin in that.

Zubir Alim: I see. Okay great, and then in terms of one last question I am changing subject on this, in terms of the GIS business and the opportunities, what are you seeing in the domestic front?

Atul Tayal: I believe India is the last frontier for mapping in the world. I mean, our mapping policies still got to be opened up and I see a fair amount of market opening up here. The government is realizing that for them to develop infrastructure they need Geospatial data. So slowly but surely they are opening up the Geospatial market, and as that opens I see demand both for data and solutions exploding and we are positioning ourselves very uniquely in the segment to capture that demand.

Zubir Alim: And I was hearing about some states looking for bids, are you guys participating in sort of the land parcels for the GIS setup?

Atul Tayal: See, the point is that pure conversion as a business as far as we are concerned comes in as a part of an overall high-end solution and we may do pure conversions as a part of that, but if somebody is just interested in converting some small few maps from paper to digital, that is not our business, but what is happening is that as I said there is a new Act which is coming in which is known as a the National Geospatial Data Act and what that would do is give licensing out to some major players, who would create Geo data sets for the country and we would become a player in that.

Zubir Alim: Okay, I see, alright, thank you guys, congratulations on an excellent quarter.

Hiranya Ashar: Thanks.

Moderator: Our next question comes from Mr. Vishal Jajoo of Centrum Broking

Vishal Jajoo: Yes sir, my question was with regard to the high staff cost, which rose substantially in this quarter, it was high about 141%, so I understand that we have recruited heavily considering the growth rate that we are going to witness, but then that has taken a toll considerably on the margins, so could you throw some light on that?

Hiranya Ashar: See, this is due to acquisition of TUSC where the entire three months has been consolidated, if you are comparing on a year-on-year basis. Last year we were not having these guys and this in quarter due to acquisition those guys have come in. Again this is an onsite business model, we should understand and in onsite, the margins are not comparable to our offshore business. So that has impacted margins in a short-term. However, but we have a clear strategy in place to move some work onshore, plus also leverage these areas into our existing business and move forward.

Vishal Jajoo: But with regard to your guidance, wherein we have said that we expect 330 crores of profit on a turnover of 1500 crores for the year that translates around a margin of 22%, and adjusted PAT margin I am talking about and in this quarter we had adjusted PAT margin of 15%, so vis-à-vis the rest of the three quarters, is the management confident that we will recoup further margins?

Hiranya Ashar: First of all, last quarter was our last quarter for the financial year "08, so we have four more quarters for the fiscal 09. Secondly, this 15% net margin is after adjustment of Rs.30 crores, which we have provided as a mark-to-market. So, this mark-to-market we do not expect every quarter to be so substantial and the guidance which we have given is also excluding mark-to-market. So, on an apple-to-apple comparison, our current margins are in the range of 24% and that will come down to

22% because TUSC has been consolidated in last year for five months and that will be consolidated for the entire 12 months in the current fiscal.

Vishal Jajoo: Okay, you said order position as of now is around 15 crores

Hiranya Ashar: Yes.

Vishal Jajoo: And 75% of the same is executable in FY09?

Hiranya Ashar: Yes.

Vishal Jajoo:And the guidance is again 1500 crores, so the balance 250 crores would be?

Hiranya Ashar: Should be able to win and execute new business.

Atul Tayal: I do not see any issues with that.

Vishal Jajoo: Okay and once again I would reiterate, the company is not seeing any growth in the capex plans of the company or the clients?

Atul Tayal: I am sorry; I didn't get your question.

Vishal Jajoo: We are not seeing any slowdown as far as the capex plans or the…?

Atul Tayal: Not at all, not at all in the markets that we serve, whether it is oil and gas, whether it is power, whether it is defence, whether it is security, threats are becoming more and more real, the demand of oil is growing more and more, India is starved of power so we see demand not slowing down at all.

Vishal Jajoo: Okay, thank you.

A P Singh: Thanks.

Moderator: Our next question Ms. Madhuchanda of Kotak PMS.

Madhuchanda: Sir, my question is, Hello?

Hiranya Ashar: Yes.

Madhuchanda: Yeah, in the 1500 crore order book, could you give me a breakup of the domestic and overseas?

Hiranya Ashar: Domestic order book comprises of about 55% and 45% is international.

Madhuchanda: And if you could throw some color on the sectorial breakup of the domestic as well as overseas order book?

Hiranya Ashar: See, these are some data points, which I can always share after the call. I do no think so in the interest of everyone it makes sense to share some data points on this call.

Madhuchanda: Well, it is not really a data point, as you said to some other persons, just now that there is no slowdown that everyone in experiencing, that is why we wanted to understand exactly what is the sectorial mix of your order book because of which you are not experiencing a slowdown?

Hiranya Ashar: See, as I mentioned our revenues have been predominantly Indian dominated, India contributes 55% plus of our revenues and internationally the revenues have grown because of acquisitions. The areas or the industries, which we are serving are oil and gas refining, power generation, defence, infrastructure, security, so these are some of the areas which has mission critical applications, it is not a BFSI or financial services sector, which we are addressing where you see sort of a slowdown.

Atul Tayal: And what we will also do is the data points that you need, that sheet we will E-mail to you if you can contact Hiranya separately, he will send all the data across to you.

Madhuchanda: Okay, I have got another question, you just mentioned that TUSC's margin are expected to reach about 14% over the course of next few quarters, by when do you expect this to happen and how?

Hiranya Ashar: Maybe in the next two to three quarters from now, we expect that margin to move up and the strategy for increasing margin is also to move up the value chain and introduce some off-shoring elements where the margins can go up.

Madhuchanda: And this 12 million revenue that you reported for TUSC for this quarter, was it entirely from their US operations or do they have overseas operations in this revenue also?

Hiranya Ashar: It is entirely from their US operations.

Madhuchanda: And which are the clientele they typically cater to?

Hiranya Ashar: They are also catering to many engineering clients, education, government, healthcare, so these are some of the areas, which they are focusing on. In fact, when we acquired that was one of the criteria, company which is having a least exposure in BFSI and they have less than 10% exposure in a BFSI segment.

Madhuchanda: Not just BFSI, assuming but not admitting should there be a further signs of weakness in US economy in general, what kind of growth outlook do you project for TUSC?

Atul Tayal: See what we have seen is that when we talked about some of the IPR that we talked about, for example Periscope and SOA, a lot of that is what is coming out of TUSC and we are productizing it and putting it into a lot of our solutions. So, what we see is great value that we are getting because of those products and those products will translate into value in our GIS businesses, our EDA businesses, into our defence business, so it is not just pure assumption of some slowdown in one part of the world, say in US, the point you have to also consider is that that technology is moving into all our other business segments, so that will compensate in one way or the other.

Ben Eazzetta:This is Ben Eazzetta, maybe I can make a comment on that. We have just begun to do the crop selling activities between our GIS business, our engineering business and the TUSC business. There is a significant number of accounts that we can go in and begin to offer as a tool for the Geospatial fusion solutions, which use Rolta-based software in addition to our expertise in GIS and in those vertical segments. In addition, when you begin to look at TUSC profitability, in addition to the offshore component which we are just beginning, we are also putting a strong emphasis on things like remote database management which are very high margin components. We have recently begun offering sequel RDBI services in addition to Oracle and Oracle applications. We are looking at hosting capability in addition to as we mentioned the Rolta-based software for both on point and Periscope that get built in the Geospatial solutions.

Madhuchanda: Okay, thank you, I have one last question, that is, in this 1500 crore kind of a guidance that you have given, have you included any revenue from the Thales JV?

Atul Tayal: Very minimal.

Madhuchanda: Okay.

Atul Tayal: We look to get on to the score sheet in the coming year.

Madhuchanda: Although you have answered this question to some other participant, but I was not very clear on the kind of opportunity that you see in the near terms, may be in terms of numbers in FY10?

Atul Tayal: I will give you an example of some of the, kind of potential RFPs that we are uniquely positioned in, I mean, each of these RFPs is running on to few hundred crores for the short term, that is, 2010 type of timeline, and when you start talking a five-year, ten-year timeline then they start running into thousands of crores and we are very, very uniquely positioned there. So, what you must understand is that a lot of this business is governed by projects which are coming out of the armed forces and as those projects get awarded, we hope to see some very large numbers in it.

Madhuchanda: I understand, but when do you expect some kind of movement on that front?

Atul Tayal: As I said, we hope to get on to the score sheet in the coming year and a pretty large contribution in 09-10 timeline.

Madhuchanda: Okay, thank you and all the best.

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

Prasad Deshmukh: Hi, good evening and congrats on a good set of numbers. My question is on the two JVs that you have. In Thales, you said, in your pipeline you are seeing some business which is just because you have the JV in place, could you put some number to that statement as to this much is pipeline, which is because of Thales?

Atul Tayal: Hiranya could you answer that?

Hiranya Ashar: See, in our overall pipeline of about 3500 crores, we have pipeline coming out of only RTL sort of projects close to 400 to 500 crores. So, this is a pipeline but we have to understand that the defence sale cycle is pretty long.

Atul Tayal: And this 400-500 crore is a short-term pipeline. If I was to talk to you about 10-year pipeline, it runs in to 1000, I mean, we have some projects with each of those projects can be in excess of a billion dollars.

Prasad Deshmukh: Yeah I understand that, I just wanted to have some visibility there. Other than that, in Stone & Webster, we had very strong growth coming in Stone & Webster, especially if you look at just employee numbers for the first two quarters of the FY08, later on it appears that the growth in employees is slightly tapering, is there any problem?

Atul Tayal: No, there is no problem. See what happens is that again its projects, so once you reach a certain size, you need to consolidate at that size, to be able to handle a certain capability of projects, then you move into a second, a much higher value add projects. To give you an example, at Stone & Webster's at the beginning what we were doing were vertical projects, we were given a part of a refinery or a part of a plant and doing that, now we do the whole plant. For example, for Exxon Mobil, Stone & Webster Rolta Limited is the home office for that project. So, it takes some time to consolidate and then it grows again.

Prasad Deshmukh: Okay, should we expect after two quarters of consolidation probably another strong growth?

Atul Tayal: Yes, there would be a reasonably strong growth this year. Obviously, it will not be at same percentage levels that we have seen in the past year. I think, in this year, we have grown 80% odd if I am not wrong, and hopefully if things go well in line with all our overall corporate growth, we should have more than 45% growth in SWRL also.

Prasad Deshmukh: Okay, again going back to the Thales JV, you said you have signed an MOU now, could you throw some light on what kind of terms are there in that MOU?

Atul Tayal: See, this is an enabling MOU, which authorizes all Thales companies to place orders on Rolta Thales Limited and Rolta to meet their offset requirements. To give an example, they are a part of a consortium, which is bid for the 126 medium multi role combat aircraft which is a $12 billion deal. Now, there is, I think if am not wrong, a 50% offset clause in that and they are bidding for lot more such requirements which are very large, strategic, nation-to-nation sort of things and they wanted a very clear enabling agreement, so that either Rolta or Rolta Thales Limited could be a vehicle for that offset to give an example, some of the potential products could be night vision goggles, cooled infrared handled equipment, night observation aiming sights, handheld thermal imagers, range finders, software development, airborne identification, telemetry, and I mean it is a long, long list.

Prasad Deshmukh: So, it is not necessary that the order win by Thales has to be in GIS for it to give Thales?

Atul Tayal: Not at all, not at all and please understand Rolta Thales Limited is not a GIS company, Rolta Thales Limited utilizes the GIS that Rolta has already done for defence, but it does a lot more, it does complete, for example, it does military communications, it does soldier systems, which are excluding the gun part of it, it does electronic warfare, it does electronic intelligence, so it does a lot of things.

Prasad Deshmukh: So, you also said that there could be some manufacturing in the JV, what kind of investments would we require in that just in case?

Atul Tayal: That is a project report, we are in the process of preparing in the context of what makes sense to manufacturing now and later and once that project report is clear, I think that manufacturing, these investments would become much clearer.

Prasad Deshmukh: Okay fine, you can't put any even tentative number on that?

Atul Tayal: It could be anything. See, the point that I am saying is it depends on what we are going to manufacture and that is what we are going to manufacture is going to be driven by what is going to be saleable in a shorter and a longer term basis and phases would be worked out based on that.

Prasad Deshmukh: Okay, thanks for taking the question that is it from my side.

Atul Tayal:Thank you.

Moderator: Our next question comes from Mr. Nitin Padhmanabhan of Centrum Broking.

Nitin Padhmanabhan: Hello, hi, this is with regards to Periscope and OnPoint, just trying to get a feel of how these two products are different from each other and/or how they complement each other and what the road map for this is and how we see them integrating overall with our overall business?

Preetha Pulsani: This is Preetha Pulsani and let me try to address that. OnPoint is basically a web integration product that is for Geospatial data and there is lots of Geospatial data that is available now in several government agencies and this helps bring that Geospatial information together. Periscope on the other hand is the similar kind of integration tool, but it is for non-Geospatial or MIS data, so the complementary aspect of these products and the benefit of bringing both of these products in into one solution called Geospatial fusion is to really take advantage of various databases that exist today. Periscope can actually tap into some 200 different databases that exist today and some of them are pretty obscure and some of them are very popular databases, so it goes into all of these databases, makes them all look like Oracle tables and brings in the data. So, it adds a lot of value to organizations who do not have to look at you know entire transformation of systems to take advantage of the data, so we create web based decision support systems on the front end with OnPoint and we have OnPoint and Periscope working in the back end integrating all of this data.

Nitin Padhmanabhan: Alright. So going forward both these would be combined to form a single product. Is that what you are saying?

Preetha Pulsani: Actually, these are independent products, going forward we will have solutions that bring together these products plus some services that which may improve software development services to create unique applications for different government agencies or other organizations.

Nitin Padhmanabhan: So how is it looking as of now in terms of after Periscope has come and OnPoint has been there for sometime, but how the customers really taking it up. Have they lapped up quite a bit?

Atul Tayal: Oh, yes tremendous demand. We went in and made a presentation at very senior level in government of India and when we showed what the two of them combined can do, I mean, their eyes opened. It was amazing so we seek tremendous demand and I actually see some really large RFPs coming out in the next couple of months for requirement that requires combination of both OnPoint and Periscope.

Nitin Padhmanabhan: And just one maybe small technical question where I was just trying to figure out. Periscope as a product can actually pull out data from multiple databases. Can it put it back in as well?

Ben Eazzetta: Yes it can. One of the things that just to add to what Preetha said is that you know in my view the business value of joining non-Geospatial data and being able to join it or attach it Geospatially, in other words to offer this Geospatial view is to pretty high business value even across what I would call nontraditional GIS markets. So, we need to be going to things like manufacturing retail for people to enhance their business intelligence applications Geospatially, insurance, financial, etc., that could begin to look Geospatially at things like how secure is their business, where is the business coming from, how much exposure do they have Geospatial to certain business segments in certain regions. It is a pretty powerful tool and as a result it has business value not just in emerging market like India, but also across even the more mature markets in the western world that also have a big demand and also have made a big investment in Geospatial infrastructure.

Nitin Padhmanabhan: And this is one last question. This is with regards to TUSC. I think TUSC serves a number of sectors, healthcare, education, and others as well retails as well if I am not wrong. So, how are these as of now look sort of non-core to us, but what is the plan going forward? Are those verticals sort of going to fade away overtime as we really push more to our own customers?

Ben Eazzetta: I would say absolutely not. I think we have got our own core verticals, you know, in utilities, in telecommunication, oil and gas, government GIS, but some of these other businesses are also very good verticals. I would see this as we continue to enhance our offerings by offering remote database management services for Siebel in addition to Oracle and Oracle applications offering hosting, offering specific solutions that have vertical focus that add both to Geospatial component and more of system integration or data integration component that you can be able to see us enter into some of these other business segments very strongly and with a very unique technical solution. The other thing is even in the markets that are viewed right now as being depressed such as in financial services. There is a huge demand for business intelligence. One of the biggest issues now is that they have to understand the business even more now to assure they understand our exposures. I think you are going to see us getting more and more in better position to be able to provide those business intelligence solutions and help them solve problems that even makes these segment sets. We would deem under pressure today being growth in very opportunistic for us.

Nitin Padhmanabhan: So considering the pace at which we are growing, I think the growth is solid and with that to really focus on other verticals as well, don't you think that would eat up a little management bandwidth or is there another strategy that you would follow in terms of having resellers or distributors?

Atul Tayal: As we have said that our core markets are government, infrastructure, defense, security, and have been said, we will look at segments and verticals in specific geographies opportunistically. So that's the overall strategy that we have.

Nitin Padhmanabhan: Alright, fine. Thanks a lot.

Moderator: Our next question comes from Mr. Joost Vos of American Century Investment.

Joost Vos: Gentlemen, I just had a question regarding the staffing up, 1500 new professionals seems very ambitious and it is hurting your margins in the quarter and in the year. Tell us a little bit more about the background to the decisions to staff up so much and when do you think you will be able to get back to your traditional margin levels?

Atul Tayal: The staffing up of 1500 people is actually not what has increased the staff cost that tremendously. The staff cost that has gone up is predominantly because of the acquisitions that we did and all the people in the acquisitions are based in the Western part of the world and hence those costs have got added in and consolidated into the main companies, especially during the last quarter. The 1500 people that have been added, they have been added in India as a part and parcel purely of our standard growth plan, which is very well envisaged. We forecasted that we would add these kinds of people a year ago and that was based on the kind of projections that we have in terms of the kind of business that we are executing and are going to execute. Moving forward, we see our margins as Hiranya explained coming back to the 22%, 23% in the coming year and I think that is pretty reasonable.

Joost Vos: Okay, thank you. As you say, you are moving up to the value chain; I guess that is expressed among others in billing rates and can you comment on any movement in billing rates in the various different segments?

Hiranya Ashar: Absolutely, in fact, our billing rates in the engineering division have been growing significantly. Two or three years back in engineering, our average billing rates for the off shoring was in the range of $15-16. Today, we are getting engineering off shoring billing rates close to $25-27 and in the next few quarters we will see this inching towards $30 an hour. So, as we are moving up the value chain, billing rates are also going up. And in GIS, as we are moving up into more of a solution strategy, that's also giving us higher billing rates.

Joost Vos: Can you elaborate on that?

Hiranya Ashar: On the GIS billing rates?

Joost Vos: Yeah, just a sense of expected direction?

Hiranya Ashar: The direction is towards somewhere in the range of $18-20 on an off shoring basis and on an onsite pretty close to $100-120. Currently, on an offshore, we are at about $16, on an onsite basis in GIS, we are somewhere between $65-70 an hour. So, the blend of these things will change the future directions and in GIS when we are moving up the value chain, what we are doing is more of the integration and data modeling rather than the data conversions stuff, which is generally done at $10-12 an hour.

Atul Tayal: And one more thing I would like to add here is that Geospatial business, there is a fair amount of IPR that we own and that we sell in India and that adds to the overall margin of the GIS business, but it is not really taken as a part of the billing rate.

Joost Vos: One final question. As you emphasize and I think rightly so that you are uniquely positioned in a number of areas, give me a sense of who you consider to be your competition, who do you bid against?

Atul Tayal: It depends on the particular business segment. In India, for example, when we go and provide engineering services we can bid against other engineering companies and we also work along with them to give them design automation solutions. When we do GIS again, we can bid against vis-à-vis some of the leading solution companies like ESRI or also work along with them to provide the services for their customers. We are seeing TCS sometimes come in and compete with us in the GIS business, but that is not too often. Infotech has been there where we have competed with the utility segment. The EICT again is the IT consulting business; it's the big guys that sometimes we compete with. Ben, could you given an idea about some competition that TUSC faces?

Ben Eazzetta: Yeah, I mean, I think that the primary people will bid against on larger jobs or some of the big five, Accenture and folks of that nature, but I think we are somewhat uniquely positioned because of some of our technology differentiation. Some of the things we talk about like Periscope and also RDBI offerings that we think is quite unique and also our expertise in the Oracle area. In GIS, there really is not, in my view in GIS with some of the Geospatial fusion technologies that will bring into bare, there are not a lot of people doing that type of work or they bring that type of IPR. So, in a way there is people at the GIS services, but then there is very few doing Geospatial fusion integration. In EDS, from my view, you could take individual components of what we offer and we have some competition, but as far as somebody that has knowledge in the engineering technology such as Intergraph, Aveva, Aspen Technology as well as ERP like oracle and the business intelligence capabilities of (note sure) Siebel Analytics and Oracle. There is really no one we see that has all of that put together. We think that piece is very unique.

Joost Vos: Thank you very much.

Hiranya Ashar:Thank you.

Moderator: Our last question comes from Mr. Dipesh Mehta of Khandwala Securities.

Dipesh Mehta: Most of my questions have been answered. Hiranya, what was the yield on investment during the quarter?

Hiranya Ashar: I am sorry. What was the question?

Dipesh Mehta: Yield on investment?

Hiranya Ashar: Yield for the quarter was about 8.9%.

Dipesh Mehta: Okay, thanks.

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 ladies and gentlemen for joining us on this call. If you have any further questions or queries, any data points, please feel free to contact me and I am sure we will be talking during the quarter. Thank you.

Moderator: 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.
2. Blanks in this transcript represent inaudible or incomprehensible word