Transcript

Conference Call of Rolta India Limited

Event Date / Time : 31st January 2008, 6:30 PM IST

Event Duration : 56 mins 16 secs

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Mr. Ben Eazzetta	Director & President International Operation

Analysts/Investors :

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Mr. Kunal Sangoi	Edelweiss Securities
Mr. Stephen Pope	Cantor Fitzgerald
Mr. Nitin Padmanabhan	ICICI Direct
Mr. Suveer Chainani	Macquarie Securities
Mr. Jaspreet Chabra	Prabhudas Liladher
Mr. Ruchit Mehta	HSBC
Mr. Dipan Mehta	Dipan Mehta Shares
Mr. Joost Vos	American Century Investment
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Mr. Sangam	Artha Capital
Mr. Minar Majumdar	Kotak Securities
Mr. Dipesh Mehta	Khandwala Securities

and 37 other participants

Presentation Session

Moderator: Good evening ladies and gentlemen. I'm Shirley, moderator for this conference. Welcome to the post results earnings call 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 key pad. 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 today to discuss the financial results of our company for the second quarter ended 31st December 2007. Joining me on this call are Mr. A. P. Singh, our Joint Managing Director and Mr. Ben Eazzetta, President of our International Operations. In few moments from now, AP will present a brief overview of the company's performance during the quarter. Following that I will take you through the financial highlights, after which 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 the market for 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 developments occurring after this date. With this I now hand over the session to AP.

A. P. Singh: Thank you Hiranya. Hello everybody. Thanks once again for joining us on this call. During the quarter we continued to achieve consistent growth across all our business groups, and business momentum continues to be strong. Our GIS business achieved robust growth and we won major projects for mapping and network database creation from large companies in the telecom and utility sectors, in North America as well as other geographies worldwide.

Orion, the Rolta subsidiary in Canada, has been making steady progress. The prestigious Election Information Management System went live and was hailed as a grand success by all users. Orion has also won some additional projects in new areas, such as environment management, paving the way for greater value addition.

Our joint venture Rolta Thales Limited is progressing well. The JV is already actively responding to RFIs and RFPs, in the meantime, the updation of Thales Technologies to suit the needs of the Indian Defense customers is under way. The JV recently inaugurated its Battle Lab. This is a unique capability in India for showcasing our sophisticated technologies for operational analysis and simulation of military doctrines. Our other JV Stone and Webster Rolta Limited continue to achieve a healthy growth. During the quarter, SWRL successfully commenced work on a prestigious multi-year engineering and procurement project from Exxon Mobil.

Our Engineering Design services witnessed strong traction and we won good projects from large EPC companies, owner-operators and shipyards in India, North America, Europe, and other geographies. While our Enterprise ICT business continue to grow in the network security and service management segments, Rolta completed the acquisition of TUSC, a highly reputed company with expertise in ERP, business intelligence and oracle technologies. This acquisition is expected to be accretive to share holder value in the current financial year. TUSC and Rolta enjoy synergies at numerous levels from addressing mutual clients with additional services to leveraging Rolta's offshore experience and cost efficiency. This acquisition will strengthen our engineering and GIS practices and is expected to widen market segments for the company's services. In the meantime, we also established our presence in Sydney, Australia.

In terms of building up our manpower, the Rolta Academy initiative has been very successful. The first batch completed its training and has been inducted into various business units. We received an overwhelming response for the second batch that is currently undergoing training. The disciplines covered are in Engineering, Ship Design, GIS, and EICT. With this I now hand over the session back to Hiranya who will give you the financial overview. Thank you ladies and gentlemen.

Hiranya Ashar: Thanks AP. Coming on to the financial side, in the second quarter we have achieved revenue of Rs.2.4 billion, which is equivalent to 61.3 million dollars, recording a year-on-year growth of 43.8% and quarter-on-quarter growth of 9.4%. Our net profits have also grown to Rs.602.2 million, which is equivalent to $15.2 million, signifying a year-on-year growth of 47.1% and quarter-on-quarter growth of 11.9%.

We have done pretty well in all the three business groups and they have shown consistent growth. The last quarter GIS has grown at about 34.8% year-on-year and 8.5% quarter-on-quarter. And our Engineering business continues to do extremely well, growing 64% year-on-year and 11.4% quarter-on-quarter, with Enterprise ICT growing 36% year-on-year and 7.6% quarter-on-quarter. Our gross and operating margins during this quarter have also shown improvement and our EBITDA improved by 40 basis points and our net margins also improved by 50 basis points. As you are aware, due to natural hedge on US dollar we enjoy, rupee appreciation is not having any significant impact on our margins. In fact our net dollar position in the last quarter was negative with more outflows than inflows. We have pretty strong order book backlog, over Rs.11 billion, which has grown 12% during last quarter and if you include TUSC in this backlog, it goes up to 12.5 billion rupees.

The breakup of our order book into the three segments was GIS having about 5.1 billion rupees of backlog, EDA, having 3.7 billion rupees and the Enterprise ICT about 2.1 billion rupees. This order book is executable over one and a half years and for FY08 about 4 billion rupees out of this order book is scheduled to be executed and balance 7 billion in FY09. During last call we had guided 38% growth both in terms of top line and bottom line. Considering the acquisition of TUSC, which should be consolidated for less than 5 months for FY08, we are increasing our full year guidance, the revenue guidance from 9.8 billion rupees to 10.6 billion rupees, signifying a top line growth of 49% year-on-year, and the bottom line guidance to about 2.4 billion rupees, with EPS around Rs.15 per share, considering the current share count of 160 million post bonus issue. With this, I open the session for question and answers for you. Thank you ladies and gentlemen.

Question and Answer Session

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

Our first question comes from Mr. Prasad Deshmukh of DSP Merrill Lynch.

Prasad Deshmukh: Hi, good evening, and congrats on a good set of numbers. I have two questions, one is on the Thales JV and another is on the acquisition that you have done recently. In Thales JV, you said you are responding to few RFPs and RFIs. Could you please throw some light on the nature of these RFPs and RFIs and the scope of work that you are targeting here?

A. P. Singh: These RFP, and RFIs, are obviously from the Defense sector. The scope of work is by and large C2ISTAR and C4ISTAR application areas, for which the technologies are being customized for the defence.

Prasad Deshmukh: So does that include hardware as well and how much of the component would you expect to be hardware, typical order size over there?

A. P. Singh: At this time, it's very difficult to quantify this, because it's in a RFI stage and also in some cases the RFP and I can't discuss the size, because it's really confidential at this time.

Prasad Deshmukh: Okay, and in terms of percentage of total order size, how much would be hardware, I am not asking for exact number, but normal range would be sufficient.

Hiranya Ashar: Prasad, hardware component is generally very small and these are only specialized hardware, which are required by defense, which cannot be procured from outside. It's only specialized hardware, which Thales provides. But if you want an estimate, it will not be more than 10 to 15% of the total value.

Prasad Deshmukh: Okay. Second thing about this PAT guidance that you have given for FY08, what kind of margins have you taken for the recently acquired entity?

Hiranya Ashar: For TUSC, we are assuming a profit before tax margins of about 12% to 13%, with net margins close to 10%. So that is the net margins, which we have considered for TUSC, only for these four to five months.

Prasad Deshmukh: Okay, so effectively 7% margin that we spoke of; you expect it to be taken to 10% PAT margin.

Hiranya Ashar: Absolutely. There are some measures, which we have taken. In fact, those cost control measures were considered while acquiring the entity, and we feel that these things will immediately improve margins and then we have a plan to improve margins to 14% plus over maybe next six to eight months and that improvement can be seen more in FY09.

Prasad Deshmukh: Okay. And what are these immediate cost controls?

Hiranya Ashar: Obviously, where there are promoters, their compensation is slightly higher, so the compensation of the promoters, when they are in employment, comes down. And there are certain other measures, on the cost side, on the utilization, which we have considered, and those will be effective immediately. It is not more from the off shoring point of view, off shoring you will see maybe in next three to six months time, which will improve profitability. These are some of the other factors, which will improve immediate profitability.

Prasad Deshmukh: Okay fine. Any update on the new service lines that we, ship design service line?

A. P. Singh: Yes, earlier as you remember, we were working for a ship yard in Norway; we now have a few pilots done for ship yard in France. We are talking to a ship design organization in Italy. So the interest continues to grow and we have a little more traction in terms of actual engagements for consulting and services.

Prasad Deshmukh: How much of revenue was there from this shipyard design?

Hiranya Ashar: Ship design is still a small activity. For FY08 entirely we expect about $ 3 million of revenues. Overall from the Engineering business point of view, it is still a small segment, but yes, from a small base we'll be growing substantially and we see a good traction in this business.

Prasad Deshmukh: Okay fine. Thanks a lot.

Moderator: Our next question comes from Mr. Kunal Sangoi of Edelweiss Securities.

Kunal Sangoi: Yeah, thank you. Congratulations on a good set of numbers. My question is pertaining to this Thales JV. Is it possible to disclose how much revenue did we earn from this particular JV currently?

Hiranya Ashar: Thales JV has just started. In fact there were no revenues, no costs in Thales JV. So, as far as the consolidated accounts for quarter 2 are concerned, the contribution was nil.

Kunal Sangoi: Okay. Second question is pertaining to the headcount, we have said that we have added about 300 people plus. So what is the exact headcount as of the December end?

Hiranya Ashar: See, we have added about 356 guys and the exact headcount is 4,703 as of 31st of December 2007.

Kunal Sangoi: Okay, my next question is on Stone and Webster JV, how has revenues from S&W JV have moved on the quarter-on-quarter basis?

Hiranya Ashar: Quarter-on-quarter basis it has been pretty strong in fact on year-on-year basis it has grown more than 80%, and on quarter-on-quarter basis also it has been in double digits.

Kunal Sangoi: Okay, in terms of the order book in the GIS from S&W JV would we be able to break that 5.1 billion?

Hiranya Ashar: S&W JV is only in engineering, not in GIS.

Kunal Sangoi: Sorry, yeah, so in EDA if you can break that up?

Hiranya Ashar: In EDA the order book backlog as far as the Stone and Webster JV is concerned, it's close to about 16 or 17 million dollars. If you convert that into rupees it will be somewhere close to, I would say 500 to 600 million rupees. So, out of 3.7 billion, about 500 to 600 million rupees is from Stone and Webster JV.

Kunal Sangoi: Sure, okay, last question is on the pipeline, what is the current bid pipeline that we have?

Hiranya Ashar: If we include TUSC in our pipeline, the pipeline is over 30 billion rupees, which is close to 750 million dollars.

Kunal Sangoi: Okay that's wonderful, thanks a lot and all the best.

Hiranya Ashar: Thanks.

Moderator: Our next question comes from Mr. Stephen Pope of Cantor Fitzgerald.

Stephen Pope: Hi, good evening to everybody and like the previous questioners I would like to congratulate you on your results, I would certainly expect nothing less from Rolta, that's good to see and I must admit I think that the recent share price movement to my mind is just another sort of buying opportunity, because I think we have to look at your company and look at it with a long term perspective from you as against the worrying about day to day wobbles. Anyway, what I am just concerned about is, labor cost, well over here in Europe we know that European economy is slowing, but many European companies are trying to bolster their expenditure by off shoring and I am just wondering again, we talked about this before, but are there pressures upon labor cost that you have to pay to be able to attract new people or to retain new people and I am wondering, thus, that implies is steeper cost pressures building for you in what is must be becoming a more competitive environment?

Hiranya Ashar: Yes Steve, the increase in wage cost is the biggest pressure on our margins, but fortunately in our business, the demand dynamics are so strong that we are able to pass it on to our clients in the form of increase in billing rates. If you see our Engineering business, in last two to three years our billing rates have gone up almost 8% to 10% per annum and that takes care of about 18% wage hike, which we are giving to our Engineering employees. So, to that extent we have been pretty well covered by increase in billing rates and that scenario which we see at least for next couple of years, where Engineering business should give realizations which are between 28 to 30 dollars per hour and that is still about 20% more from the current billing rates which we have.

Stephen Pope: Okay, that's good to know, 18% wage increase, they must be very happy with that, now, I was just concerned that you have made some very good acquisitions in the past, but you proved you have an outreach beyond the Indian territories, but I was just wondering, are you thinking that further acquisitions are going to have to be made to keep forward this momentum of very strong top line and also bottom line growth that your company seems to be going through?

A. P. Singh: Steve, we certainly are thinking of acquisitions from the point of view of strengthening our lines of business, we don't intend deviating from our core businesses, but if you were to say, do we have to make some, I don't think have to is really right, but we would certainly like to make them to continue to go up the value chain and as Hiranya said, to make sure that we get the price increases that we deserve. From that perspective, yes, we are looking at opportunities.

Stephen Pope: I see, when you say, go up the value chain, does that mean that we are perhaps accelerating the time when in management's view, you want to be taking the competitive story that Rolta has to the larger Indian companies who operate in what we might think of as the same space, so that you are able to really take the fight to them and make them shake up their act?

Ben Eazzetta: Yes, Steve this is Ben Eazzetta running the International business. What I would say is that we have been concentrating our acquisitions, which in my mind have kind of dual purpose, one is of course they add top line revenue and growth opportunity, but two, they really relate back to our core strength that we have in India and Rolta, so we are acquiring companies that have very strong technical capabilities, intellectual properties that we can leverage back into our core markets in India, but that we can also use our capabilities in India to allow us to expand them globally. I think TUSC is a great example of that, they are a US-based company with a lot of intellectual property, a huge amount of expertise, some of the top oracle people in the world, but are not going international and our ability to be able to take that capability back into our core Indian markets and at the same time utilize our capability of generating staffing and very high technical expertise in India to supplement and augment the staffing that TUSC has for us to grow internationally and to grow even back into the US market, is how we see these working and I think Orion was another example of that. So, these are…

Stephen Pope: Before Orion, you had to deal with Torrent to get the deal there, so I am very happy for the figures, good to hear the friendly voices once again and some new voices, congratulations, keep up the good work and looking forward to talking to you again soon.

A. P. Singh: Thank you Steve.

Moderator: Our next question comes from Mr. Nitin Padmanabhan of ICICI Direct.

Nitin Padmanabhan: Hello, hi. Amazing quarter, results were far ahead of expectations, so I was just wondering where did this really come from, does this have any component of TUSC in it, or where did it really come from?

Hiranya Ashar: It does not have any component of TUSC, because TUSC is something which was recently acquired, in fact we signed the agreement on 22nd or 23rd of January, so the consolidation as far as TUSC is concerned will be coming in Q3 and Q4 and for Q3 also not evn for the entire period, only part of that period. It does not have any inorganic growth into it, it's all organic, yeah some small portion of Orion, but that small portion was also there in quarter 1. The big drive is definitely from the Engineering business which has been growing more than 50% year over year if you see last few quarters and in this quarter in fact our GIS business has also shown a good progress whereby we have grown more than 64%.

Nitin Padmanabhan: So, as a surprise was Stone and Webster a surprise or was…

Hiranya Ashar: Stone and Webster was not at all a surprise, Stone and Webster is something, which is growing pretty well and they are hitting those numbers which they have projected, in fact they are exceeding those numbers.

Nitin Padmanabhan: Okay, just another question on TUSC actually, we were talking of, lets say, off shoring a higher component going forward, now how fast can that be done because once you have certain amount of work being done there, how fast can that be really done over a period of time?

Ben Eazzetta: Yeah, this is Ben Eazzetta, I would speak a bit about this specific business of TUSC and also some of the work that we are doing in engineering, so I think in the area, TUSC has several areas right now that, that company has not explored. For instance, in a work that could be done easily with our team in India, things like ERP report generation, testing, oracle data conversion that they have specific tools that allows them to be competitive, that work we can very quickly teach our team in India to be able to accommodate, so we believe that some of that we can do quite rapidly. The other work that's more related to functional application work and work flows, that will take us a little bit longer relative to the ERP applications infusion technology, that will take us a little bit longer to outsource, but there is quite a significant amount of opportunities in business that we can bring to our company in India, almost immediately.

Nitin Padmanabhan: So, in terms of what TUSC really brings us, where is the overall synergy actually there, is it more with the GIS side or is it more with the CA part of the business?

Ben Eazzetta: I think that there is synergy across all business lines and I will give you an example. TUSC today has a remote DBA business that's very, very strong. They have developed internal software and proprietary intellectual property that allows them to remotely manage and monitor oracle databases and they can even get information that allows them to indicate when these databases need to be properly tuned. There is a lot of demand for that in the engineering world. Today we do a lot of work with engineering companies and other operators that have very large oracle databases, multiple oracle databases in each refineries that are running a lot of the different design systems and tools that come from Intergraph and Aspen Technologies and others that we could do remote monitoring back to these clients. There are a lot of these clients that we already have existing contracts with. Similarly in the GIS world, there are even proprietary databases that are built off of oracle that could use our DBA work. Now we will probably have to do some work to get that monitoring tool to be able to manage those also, but we believe that there are significant opportunity across the whole GIS space, Engineering space, in addition both ways, both TUSC introducing us for our capabilities in CA and CA into TUSC clients, but also us introducing TUSC into our existing CA client base to do RDBA and other type of work for oracle. So, literally we are in the process right now taking both customer listing, comparing them and going out and making new calls and we are already going to conferences with both pieces of our capabilities.

Nitin Padmanabhan: So, let's say post acquisition, and if you had let's say a two to three year time frame, how large do you really see TUSC becoming for you, as an overall size? No numbers maybe if you could just give us a broad vision, or a broad idea as to what TUSC saw in the whole deal when they sort of, said that Rolta could have them. So what is it that they really saw in terms of what they could become over the next two to three years?

Ben Eazzetta: Yeah, I think it will be in excess of 100 million dollars in the next two to three years. And I feel really confident of that. I think further down the road, I mean, you have to remember that Oracle itself is the largest software company in the world, and they continue to add new software, new practices. Our intention would be to continue to add new practices right along with Oracle, continue to be the oracle experts. I think similarly, 40% of the world's databases are oracle, which is an, I don't know, an 18 billion dollar market and we can service all those databases as many as we can go find people who are interested in. So, in my mind, our limitation is only our capability to grow the business, its not going to be that the opportunity is not there.

Nitin Padmanabhan: So, just to have some perspective. Let's say, what is the rate at which TUSC was probably growing prior to this acquisition?

Ben Eazzetta: Like their history, they were growing at about a 40% cumulative average growth rate, maybe over 20 years.

A. P. Singh: 30% over the last four years.

Nitin Padmanabhan: Okay, so we are looking at really this could more than double up going forward now?

Ben Eazzetta: Yeah.

Nitin Padmanabhan: Alright. Thank you very much.

Hiranya Ashar: Thanks.

Moderator: Next question comes from Mr. Suveer Chainani of Macquarie Securities.

Suveer: Once again I guess this call is full of congratulations for really good numbers, but a tough question for Ben I guess. Given that the past growth for TUSC was around 30% when what was going on in US was going on and now you see what is going on in the US and I guess you gave us an informal or formal guidance of 30% growth going forward for the TUSC business. What's really driving this 30% because IT is not growing as much in the US at that rate so what's really driving at 30% growth in TUSC business/

Ben Eazzetta: I think it is a couple of things. One is, if you look at the remote DBA business, we believe that our remote DBA practice can basically do DBA work for large companies at probably 50% of the internal rate that they can do it themselves. We have a very efficient system to be able to do that. If a large customer needed 20 odd DBAs we believe that with our technology we can get that down to a cost roughly half of that. So the fact that there are financial difficulties in the US related to challenges in the market we believe that it would generate more opportunity for us. I think similarly, in the next 12 to 24 months Oracle is going to continue to come out with more and more fusion applications and we are directly involved in that ability to be able to implement those, so I think that we are kind of be in a really good spot relative to what Oracle's efforts are ongoing to be able to drive their new fusion applications as well as the backlog down the pipeline of business that we have identified already and this is before that we really looked at the opportunities inside the US relative to our GIS and Engineering business, that aside, we still have the opportunity to go outside of the US and right now TUSC which has a very good, strong referenceable international brand, we will now be able to take them to their clients that are international that they believe in serving in the US today. So we believe that this would be pretty competitive.

A. P. Singh: Also Suveer within the US, if you look at what TUSC is doing and the kind of clients we serve, these are all mission critical application really and if you see analysts reports, these are not likely to be shut down; these are likely to be supported by more and more people like us who can help them do them at a lower cost but continue to survive.

Suveer: Fair enough. I was looking at Oracle; they also have a product in the GIS base, Oracle Spatial and Oracle Locator and that is in the fusion product line, so I was wondering if TUSC was in that area or you see synergies build up in Oracle's GIS product.

Ben Eazzetta: Yeah there is significant amount of synergies that we believed in. TUSC group has done a lot of work developing Oracle's Spatial libraries, they have got some of their own intellectual property they have been involved. They are heavily involved in the early releases of Oracle products. So we believe that there is a nice synergy for us to be able to do work on Oracle Spatial as more and more of the GIS business goes to a more common data base architectural use on Oracle Spatial.

Suveer: That is fair enough. For Hiranya, your EICT order book was 2.1, did I hear it correct?

Hiranya Ashar: Yes.

Suveer: This includes any order book from TUSC side or this is…?

Hiranya Ashar: No, it does not include.

Suveer: All right and…

Hiranya Ashar: TUSC will be another 1.5 million rupees on top of this.

Suveer: All right, but this GIS is 5.1, 3.7 EDA and 2.1 EICT is without TUSC?

Hiranya Ashar: Yes.

Suveer: Fair enough. Thanks and all the best.

Hiranya Ashar: Thank you.

Moderator: Next question comes from Mr. Jaspreet Chabra of Prabhudas Liladher.

Jaspreet Chabra: Good evening sir. Hiranya, what would be the cash in our books as on 31st December?

Hiranya Ashar: As on 31st December after we have paid the consideration to TUSC, it was about 100 million dollars.

Jaspreet Chabra: In this quarter and the previous quarter what was the revenue contribution from Orion?

Hiranya Ashar: Orion is contributing less than $ 2 million.

Jaspreet Chabra: Less than 2 million dollars in both the quarters?

Hiranya Ashar: Yes.

Jaspreet Chabra: Okay. Our selling and marketing expenses in Q1 and Q2, it rose sequentially quite significantly, 15.5% in Q1 and 20.5% in Q2, so any specific reason for that?

Hiranya Ashar: We are building up a strong team not only in India but Internationally, and may be Ben will speak something on the team which he is building up to make sure the growth which comes in next few quarters is something significant because there are big opportunities in front of us and we need to grow our team much in advance to capture those opportunities. Ben…

Ben: Yes, we have added direct sales people for the engineering business in Europe and in the US and in the Middle East. We have added expertise and engineering in the Middle East. For engineering in GIS we have added staff in the UK and in the US and In e-solutions group, as we knew that we were going to be developing the acquisition opportunities centered around Oracle, we began to pre-hire people in places like the UK, and the Middle East and even in the Asia Pacific for us to be able to more quickly be able to take this business international. So I think those direct sales costs are directly related to our growth plans.

Jaspreet Chabra: Okay fine. That's it from my side thanks a lot.

Moderator: Next question comes from Mr. Ruchit Mehta of HSBC.

Ruchit Mehta: Good evening gentlemen and congrats again for the quarter. I just wanted to get a sense of the billing rates.

Could you give us a sense what the on-shore and off-shore rates are right now?

Hiranya Ashar: Billing rates on GIS on a blended basis is about $19 and if you talk about billing rates which we get on the off-shore business are close to about $16, $16.5 and for on-site business in GIS it is anywhere between $45 to $65 dollars an hour. When you come to our engineering business, there we have billing rates which are off-shore billing rates ranging from $18 to $25, on an average somewhere close to $24 an hour and the on-site engineering, the billing rates are anywhere between $80 to $100 an hour. Our e-solutions business is more on-site where the rates are anywhere between $110 per hour to $140. In fact we have got some new business in EICT where billing rates are more than $150 an hour.

Ruchit Mehta: Okay. I joined you a little late so can you give us an update of what's the order book as of now and the different segments.

Hiranya Ashar: The order book is about 11 billion rupees and the break up is 5.1 in GIS, about 3.7 in Engineering and 2.1 in the Enterprise ICT. This does not include TUSC so if you add TUSC on top of it, which is another 1.5, the total is more than 12.5 billion rupees.

Ruchit Mehta: TUSC would be executable over a year's time frame broadly?

Hiranya Ashar: Yes, it is about a year, slightly less than a year.

Ruchit Mehta: Okay. On your taxation front, it seems to continue to be quite low. When do you think it will inch up primarily in fiscal '10 when the STPI benefits go away?

Hiranya Ashar: The STPI benefits are available till March of 09, so till that period we see our effective tax rates somewhere between 13% and 14% and after that the effective tax rate heading up to 18% to 19%.

Ruchit Mehta: Okay. On the Stone & Webster JV what was the contribution from this quarter?

Hiranya Ashar: Stone & Webster joint venture has contributed about 2.5 million dollars which is 50% of it.

Ruchit Mehta: Okay, 50% was 2.5 million dollars?

Hiranya Ashar: Yes, it was slightly more than 2.5 million dollars.

Ruchit Mehta: Okay. In terms of the hiring for the next year and the CAPEX, are you seeing any issues in terms of getting quality manpower in place because engineering per se seems to be quite a strong growth area for many of your peers as well so do you see higher than usual competition?

A. P. Singh: I would not say there is competition, but it is still a challenge because the availability is obviously not that free today, so one needs to be choosy, picky and what we have done as you know is the Rolta Academy which helps us get sort of entry level people, they are not absolutely raw, they have one, two, three years of experience but that helps us train them in specific technologies that we use, over a three-month focused training program and that's how we are overcoming the requirements of entry level people and we continue to hire experienced people all the time. Again it is a challenge, but we have not faced a situation where we don't get people when we need them.

Ruchit Mehta: Okay, any changes to your CAPEX plans for the next couple of years?

Hiranya Ashar: No changes as such. I think on our CAPEX plans we are right there. This year you will see a CAPEX of about 3 billion rupees and may be similar CAPEX for the next one or two years.

Ruchit Mehta: Okay great and finally you mentioned your cash on bank after the payment of TUSC was about 100 million dollars?

Hiranya Ashar: Yes.

Ruchit Mehta: Okay thank you so much.

Moderator: Next question comes from Mr. Neerav of Dipan Mehta Shares.

Dipan Mehta: This is Dipan Mehta here. Congratulations on a great set of numbers. Sir, just as your vision for TUSC that you would like to see the revenue at 100 million dollars in 2 to 3 years, could you give us some kind of vision for the JVs which we have that is Stone & Webster and the Thales, because as we have considerable expectations from these JVs given the strength of the partner and the synergy effects. I am not talking of 1 year, but 2, 3 years down how big can they be in?

Hiranya Ashar: As far as Stone & Webster JV is concerned, this year we will be doing close to 18-19 million dollars. 50% of this will be consolidated in Rolta India books and that JV we see growing to more than 60-70 million dollars in the next 3 years. That is besides the big opportunities which we are seeing on the EPC side in India where nuclear power plant is something we are not considering in our projections given the political situation. But nuclear power plants have now become a global opportunity and if Stone and Webster wins projects in US or UK where they are planning to put up new nuclear power plants that will be over and above these numbers. Again as far as Thales is concerned, we have already given a number of about 500 million dollars over 5 years, starting '09, so that is the cumulative revenue which we are expecting in that joint venture, though it will be more back-ended rather than front-ended, but this is a clear path which both the Joint Venture partners have put for the growth of this Joint Ventures.

Dipan Mehta: Okay and the usual question sir in terms of the debtors days.

Hiranya Ashar: Debtors days have seen significant improvement. In fact after consolidation of TUSC, we are pretty comfortable of bringing these debtor days down much less than 150 days which we had guided earlier, so let's hope we can bring it down to 120 or 130 days.

Dipan Mehta: Sir but as on 31st December?

Hiranya Ashar: 31st of December, it was close to 160 days.

Dipan Mehta: From 30th September?

Hiranya Ashar: About 170, slightly less than 170.

Dipan Mehta: So basically 170 went to 160 over a 3-month period and then post TUSC, when we are there next time around, it would be less than 150 days and maybe 6 months down the line 120 days, is that a correct kind of a road map?

Hiranya Ashar: Absolutely. In June '08 without TUSC we had planned of about 150 days and with TUSC who has receivables of less than 90 days we see bringing our receivables down somewhere at around 130, let's see if we can bring it down to 120, and that will be a great achievement.

Dipan Mehta: Okay sir, thank you and all the best.

Hiranya Ashar: Thank you Mr. Mehta.

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

Joost Vos: Hi gentlemen, just a couple of numbers questions. Other income on the P&L, can you just tell me what that is and what the sustainability of that is?

Hiranya Ashar: The other income is the treasury income which we earn on the surplus cash which is there on the Balance Sheet. Obviously, when we acquire companies and we spend money, the treasury income is bound to come down. So it is directly related to the cash balance which we have and the yield which we get is anywhere between 6% to 6.5%.

Joost Vos: Okay and I guess in the early excitement of the call, I didn't get all the numbers in terms of guidance. Your sales guidance is up from rupees 9.8 billion to 10.6 billion, that's for the current fiscal year, is that correct?

Hiranya Ashar: Yes, that is correct.

Joost Vos: Okay, your net profit guidance came from where to where?

Hiranya Ashar: Rupees 2.35 billion to 2.4 billion.

Joost Vos: Okay, and at the EPS level that got that translated into…

Hiranya Ashar: Less than half a rupee I would say.

Joost Vos: So you are looking for 15, 1-5?

Hiranya Ashar: Yes 15, correct, post bonus.

Joost Vos: Right, and then the order pipe line of 30 billion which is a considerable amount, what's historically been kind of your success rate in pocketing business?

Hiranya Ashar: It is varied in different lines of business, but on an average it has been somewhere close to 30% to 35%.

Joost Vos: Okay and these growth rates that you are experiencing in the business overall are phenomenal and I am a "glass is half-empty" kind of a guy, so what worries me is that the degree to which you will all be able to sustain these mid high forties sales and earnings growth rates and I would like to get a sense of going forward, where you see those go?

Hiranya Ashar: As far as growth organically is concerned, we are pretty comfortable on a growth rate which is slightly more than 30% and we have a clear strategy in place to grow this business organically as well as strategically. Strategically when I say, it is through our Joint Ventures and other partnerships. When you combine all these three things together, 40% plus growth is something which is pretty sustainable, looking at the demand environment in the sectors which we are in.

A. P. Singh: And please remember that our focus continues to be on the domestic market. We don't expect the domestic market to be less than 50%. Our business from the domestic market and the growth in India is still very, very robust, so that's what we believe will sustain our overall growth.

Joost Vos: Thank you very much.

Moderator: Next question comes from Mr. Zubier Alim of Emerging Sovereign Group.

Zubier Alim: Hey guys, congratulations on the quarter. Most of my questions have been answered, but what I was hoping was if you guys could give a little bit of color in terms of any changes you are seeing in the demand environment?

Ben Eazzetta: This is Ben Eazzetta. Our businesses are a bit different. I know that there is a lot of concern about the US market right now. But we are in the field of engineering services, do work for big oil and gas companies or engineering construction contractors, with the price of oil being what it is, these guys have build mass stock for the next 3 to 5 years. So we are seeing very high demand in engineering. In GIS we had a very niche market, we have a lot of expertise in certain areas as technologies have continued to turnover, there are several large telecom companies or electrical companies that are continuing to look for services to do work. So I think we see strong demand in engineering in GIS and we had already discussed what we thought the opportunities were relative to our e-solutions business with our acquisition of TUSC. I think that we have barely penetrated into very large markets and some of these are not affected by some of the things that are going on in the financial side in the global community right not.

Zubier Alim: Excellent, all right, thanks so much guys.

Moderator: Our next question comes from Mr. Sangam of Artha Capital.

Sangam: Yeah hi. Congratulations on a nice set of numbers. My question was regarding the TUSC acquisition. Is there any one time cost that would be involved in this particular quarter, for this acquisition?

Hiranya Ashar: One time cost in the sense?

Sangam: As in, is there any other kind of write offs, or any other things that are involved in this? Because I was not able to log on to your earlier call, I mean, the TUSC call, post the acquisition, so I just wanted to confirm that.

Hiranya Ashar: No, absolutely no. There are no write offs or no one time cost, which is going to hit quarter 3. And it is business as usual and what we have acquired is a company, which has a pretty clean balance sheet.

Sangam: Okay, and based on the current order backlog that we have got, and the annuity that you usually get, is it safe to assume that almost 88% of your guidance is kind of taken care of with this?

Hiranya Ashar: Yes, sort of. Very, very close to 90% of our guidance.

Sangam: Thanks a lot and congratulations once again.

Hiranya Ashar: Thank you.

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

Minar Majumdar: Hi, good evening gentlemen. Just a few questions from my side, firstly, I would like to know, sometime back the management had given the intention that they plan to make the company a billion dollar company in the near future. So could you just throw some light on the strategies and your plans in those directions?

Hiranya Ashar: That's the vision our Chairman has, and as I mentioned earlier, there's a clear strategy, which is put in place and I won't be able to discuss those specific numbers as to how that one billion is going to be achieved, and what's going to be the breakup into different lines of business, and what is through acquisitions, through our joint ventures. The only thing I can say is that, yes, there is a clear strategy in place, and that strategy, comprises of all the three aspects, which is organic growth, inorganic growth, and growth through our joint ventures. So this is a vision, which our Chairman has.

Minar Majumdar: Okay fair enough. Another question I had was on the employee utilizations, can you throw some number on the current utilization level?

Hiranya Ashar: Yeah, the utilization levels are somewhere between 70% to 80% in the different businesses. Obviously on the offshore side, our utilization levels are close to 80%. On the onsite, the utilization levels are generally somewhere between 65% to 75%, on an average about 70%.

Minar Majumdar: Okay. Coming back to the Rolta Academy, I believe so, this quarter you deployed some 252 people from the Academy, right?

Hiranya Ashar: Yeah.

Minar Majumdar: And you still have a robust incoming, of the people, in the next quarter too. So, is it safe to assume that if the same goes through quarter-on-quarter, at least you will have some 1,000 people being deployed to the business year-on-year?

Hiranya Ashar: Absolutely. 1,000 guys only from the Academy, and then we will have direct recruits, which will come and join us. Those guys will be more into the lower or middle management. And the gross hirings will be close to or in fact more than 1,500 guys in a year.

Minar Majumdar: All right. So that is what is the vision for the next couple of years, is it?

Hiranya Ashar: Absolutely. We plan to be more than 5,000 guys by June ’08 in fact somewhere between 5,200, 5,300. And close to 7,500 by June ’09.

Minar Majumdar: Alright. And do you feel the utilization levels would be the same, if these many people are added to the company?

Hiranya Ashar: Slightly come down, just because we have now a 3 month training process in the Rolta Academy. That we will see from quarter 3 onwards, but not significantly. It’s just a spill over phase, whereby once the batch starts coming in, then there won't be any huge impact on the utilization.

Minar Majumdar: Right. So that means the demand for the business is quite robust. So I would just like to know, would that be the domestic demand or the demand from the businesses you are presently in, or more of the off shoring component coming after the acquisitions and JVs, primarily the Thales JV, the Orion acquisition, and now the TUSC. So, is that the business where these people would be primarily deployed, or is it the current business or the core business as you call it?

Hiranya Ashar: It's a combination of all the things. As you know, we are focusing on segments like infrastructure, defense, security, and all these segments are showing good traction and demand. So, from Academy, guys will come to our Engineering division, some guys will go to Stone and Webster; some guys will even go to TUSC. So the guys will go into our organic core business, also into our joint ventures, and also in some of these companies, which we have acquired.

Minar Majumdar: But, would that be a 50:50 ratio, or it would be more from the core business?

Hiranya Ashar: No, it depends. It depends upon the requirements of business, where requirement is, and depending upon the requirements there will be allocation, which will be done and again this allocation cannot be on a fixed percentage basis.

Minar Majumdar: So, can I assume that same employee can be working for the offshore component, or JV, and also do the…in a particular project, and once that's over, he can be deployed to a core GIS business as to the Indian defense demand or something.

Hiranya Ashar: Generally, we can shift employees, but that's not the model which we follow. Once the requirement is finalized, employee goes in there, either in a joint venture or in any particular division, then he stays in that division. Only at the time when training is complete, and we have to allocate people to different projects, different departments, at that point of time decision is taken and transfers are not very frequent.

Minar Majumdar: Okay, point taken. And finally, some media reports claiming that there could be an acquisition further, in the GIS space in the US, your comments on that sir?

Hiranya Ashar: We have already commented. We have already sent our reply to Stock Exchanges, denying those reports. So those reports are pure speculation.

Minar Majumdar: Alright, that's all from my side. Thanks a lot indeed.

Hiranya Ashar: Thank you.

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

Dipesh Mehta: Earlier in our conversation, you said Orion run rate would be around 10 million for a year. So…

Hiranya Ashar: Little less than 10 million was the consideration, not the run rate.

Dipesh Mehta: No, revenue multiple also, roughly one, it works out to be.

Hiranya Ashar: No, it was not one, it was…

Dipesh Mehta: What was the revenue rate for last year, Orion?

Hiranya Ashar: Orion did revenues of close to 5 million.

Dipesh Mehta: Last year?

Hiranya Ashar: Yeah.

Dipesh Mehta: Okay and what would be the attrition rate for the current quarter?

Hiranya Ashar: Attrition rate is about 10%.

Dipesh Mehta: And can you give me gross margin breakup for each segment?

Hiranya Ashar: That I can send it to you separately the normal spreadsheet, which we send across to everyone.

Dipesh Mehta: Okay, in this press release I think there is some printing errors. In financial results, if you see the percentage change YOY, QOQ, I think there is some mistake?

Hiranya Ashar: What mistake is that?

Dipesh Mehta: Percentage is wrong. 47.8 you said about…

Hiranya Ashar: That is on consolidated income and what I said is on consolidated revenues, it is the consolidated revenues, which are 2.4 billion rupees. If you consider the other income added, the consolidated income is 2.5 billion rupees and if you take…

Dipesh Mehta: No, then for the profit also, 9.2 is sequential growth. Whatever, that is something I think, that's okay. Some mistake is there, that would be I think…

Hiranya Ashar: I don't know, I don't see any mistakes.

Dipesh Mehta: Okay, maybe my, correct, some calculation error, I don't know. That's alright. Thank you.

Hiranya Ashar: Thank you.

Moderator: Now I hand over the floor to Mr. Hiranya Ashar for closing comments.

Hiranya Ashar: Thank you ladies and gentlemen for your patience and I hope we have been able to answer all your questions, queries. Please feel free to contact me if you have any further queries, questions. This is Hiranya Ashar signing off.

A. P. Singh: Thank you gentlemen and ladies. This is A. P.

Ben Eazzetta: Have a good night. This is Ben Eazzetta.

Moderator: Thank you sir. Ladies and gentlemen this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

Note: 1.This document has been edited to improve readability.