



**Rolta India Limited**  
**Q4 FY11 Results Conference Call**  
**Investor/Analyst Conference Call Transcript**  
**August 11, 2011**

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**Executives:**

Mr. Atul Tayal	Joint Managing Director
Mr. Ben Eazzetta	President – International Operations
Mr. A. P. Singh	Member of the Board
Ms. Preetha Pulusani	Chief Strategy Officer
Mr. Hiranya Ashar	Chief Financial Officer

**Analysts/Investors:**

Mr. Pratish Krishnan	Bank of America ML
Mr. Rahul Jain	Dolat Capital
Ms. Aishwarya K	ICICI Securities
Mr. Soumitra Chatterjee	Espirito Santo
Mr. Rohit Gajare	UTI Portfolio Management
Mr. Rajiv Ghosh	Wealth Management

And 21 other participants

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**Moderator**

Ladies and gentlemen good day and welcome to the Rolta India Ltd Q4 FY11 results conference call. As a reminder for the duration of this conference all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call please signal an operator by pressing \* and then 0 on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Mayank Vaswani from CDR India. Thank you and over to you sir.

**Mayank Vaswani**

Thank you Melissa. Good evening to participants in India and a good day to our overseas investors. Thank you for joining us on this call to discuss our financial results for the financial year ended June 30<sup>th</sup> 2011. We have with us today Mr. Atul Tayal, Joint Managing Director, Mr. Ben Eazzetta, President International Operations, Mr. A P Singh, Member of the Board, Mrs. Preetha Pulusani, Chief Strategy Officer and Mr. Hiranya Ashar, Chief Financial Officer.

Before we begin, I would like to mention that some of the statements made in today's discussions maybe forward-looking in nature 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 services and solutions. These may involve a number of risks and uncertainties. Rolta disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after this date. Documents relating to our financial performance were emailed to all of you earlier. These documents have also been posted on our corporate website.

I now invite Mr. Atul Tayal to provide key highlights of our performance. Over to you sir.

**Atul Tayal:**

Thank you. Hello everyone, at the outset I would like to convey our deep appreciation to Mr. AP Singh's invaluable contribution to Rolta for over 28 years and are also very glad that post his retirement he continues as a Rolta Board member.

We have completed an eventful year; eventful not only because of the challenges that we faced and overcome quite successfully but also because of some significant progress made by the company for continued growth and profitability in the new fiscal year. To tell you more about all this, I will talk about the progress in our domestic business. Subsequently Ben will give you a briefing on the international business. Finally Hiranya will walk you through the numbers.

We continue to maintain our leadership position and grow strongly in India in our core areas of defense, security, GIS and engineering design automation. During the year, we witnessed strong benefits due to the strategic positioning of our differentiated Rolta IP based solutions in the domestic market. In the enterprise geospatial segment, we are positioned very well in India more so due to our ability to deliver cutting edge technology solutions based on Rolta IP.

Government of India has launched major modernization programs in infrastructure, land records, utilities and town planning like the JNNURM and NLRMP and various other initiatives under the National e-governance plan. We have had significant successes in quite a few of these opportunities and also in the state government infrastructure programs like those for rural road development and water resources management. Such projects are being undertaken by the company across the length and breadth of the country from Rajasthan to Bihar to Punjab, Haryana, Maharashtra, UP, Goa and even in the far flung northeastern states. Rolta has been recognized among the world leaders in geospatial technologies, an award granted in recognition of our rich repertoire for IP at the geospatial world forum. In addition, in our quest to propagate geospatial technology at the grass-root level, we are working closely with CBSE to provide vocational courses to 11<sup>th</sup> and 12<sup>th</sup> standards across 11,000 schools.

Rolta has maintained its dominant position in India in the defense and homelands and maritime security markets. We have introduced many field proven and high-tech solutions by acquiring technologies, developing IP and building partnerships. All these have enhanced our capabilities to address a very large and strategic program of the Indian defense services. For example, we are amongst the select few companies to be invited to participate in Indian Army's huge requirement for advanced military communications systems. We are uniquely positioned to address this large requirement through our strong consortium with ECIL, the public sector units and a strategic partnership with SELEX Elsag of Italy. With a high level of Indian content, these sophisticated military communication systems will fulfill a longstanding national need of indigenous technology in this important area.

We are also very effectively addressing critical and high-value modernization programs of the Indian armed forces. These include opportunities for advanced electronic devices such as weapon sites and night vision goggles, for complex combat vehicle system such as thermal imaging fire control systems, for sophisticated command and control systems such as battlefield management, for sensitive intelligence surveillance and reconnaissance requirement such as automated change detection and the digital soldier system amongst others. These programs are to be proliferated across the Indian Army in totality.

To meet the cutting edge technology requirements of this market, we continue to build and strengthen our partnerships with world leading defense and security organizations like Rheinmetall of Germany, QiOptiq UK, Controp Israel and many more.

In the homeland and maritime security domain, we now have a very comprehensive portfolio of solutions covering up operations across the land and sea. With the acquisition of world-class technologies from the Mariner group of USA for command control, safety and security, we have now further strengthened our offerings to provide actionable situational awareness and response capabilities in maritime and city security, critical infrastructure protection and emergency operations. This has enabled us to strongly address the safe city and coastal security requirements for India's mega cities and its 7,500 km long coastline.

Rolta has also acquired the public safety and emergency response company ACLS Systems FZC. ACLS solutions are field proven Homeland Security applications for computer aided dispatch and emergency response needs. These solutions have been successfully deployed by numerous organizations for managing multiagency responders including Police, Fire Brigade and ambulance services in many parts of the world.

With such strong capabilities we are successfully placed in the large system integration programs of Homeland Security worth a few thousand crore like the police modernization programs for integrated distress call response management and the Crime and Criminal Tracking Network Systems, CCTNS which are now being implemented by all the states.

We see robust demands in our defense, security and government markets and are very well positioned to address the same. We have already been selected or are one of the few shortlisted final bidders for final consideration in some of these large programs which are at an advanced stage.

In the engineering design operations solution segment, we have rolled out our state of the art business intelligence solution Rolta OneView™, for large multi-locational, multi-product industries in the refining, petrochemical and power sectors. The solution has enabled us to fulfill the requirements of large owner operators, especially in meeting their operational excellence objectives. With the solution we now provide real time integration across operational units and various business systems including numerous operational databases and management information systems for immediate and informed decision making. The company has also received key orders for sophisticated engineering and technology services from organizations in the strategic sectors like nuclear power and space research, for example for design and engineering of a rare metals process plant and another for a similar project related to semi-cryogenic engine launch facility.

In the enterprise IT segment our portfolio now consists of top-of-the-line offerings bringing together the latest technologies in cloud computing, enterprise application integration, SOA, business intelligence and analytics. These have enabled us to

provide an even higher value proposition to our traditional markets and our advanced enterprise application integration platform iPerspective™ is gaining increasing traction in our client base.

The Federation of Indian Chambers of commerce and industry, FICCI has recognized our innovative software products and solutions that solve real-world problems of business enterprises and government agencies and especially the relevance to India's inclusive growth by awarding us with a prestigious award for excellence in Science Technology and Technological Innovation.

Our corporate strategy of building solutions around our own IP is starting to pay us rich dividends. This has resulted in increased business across all our segments and further improved our positioning enabling us to deliver higher value to our stakeholders.

Thank you for your attention and I now hand over to Ben who will talk about our international business.

**Ben Eazzetta:**

Thank you Atul. The Rolta international business continues to make progress in the fourth quarter and has completed the fiscal year with healthy full year bookings. Throughout the quarter, we continue to have several deals that support our strategic direction in mapping, Geospatial Fusion™ and OneView™. In the Middle East, we continue to play a dominant role in mapping with the final award of the Sudan National Rail Corridor mapping contract.

We also continued to progress our recent 3D mapping award and an award at the Oman supreme committee for town planning mapping for final contracts, which we anticipate closing shortly. In the Middle East region, this is also maturing rapidly post-delivery at Geospatial Fusion™ based projects in utilities, transportation in government markets, which all are underway and conclude in the near future. We believe that these projects will lay a sound foundation for repeat business with many important customers and also provide the opportunities to deliver similar solutions throughout the region.

In our North American business unit, we have seen two quarters of solid bookings especially in our EICT business with the recent award of major US airlines ERP upgrade and integration project, as well as continued extension to our GSF and OneView™ implementation in various utilities. Each of our business units continues to make solid progress towards our current business plans and long term strategic objectives.

In our EGIS business unit, our traction in terms of Geospatial Fusion™ in business intelligence solution continues to grow and we now have a significant OneView™ pipeline. In North America, we are continuing with several extensions of our initial implementations and utilities transmission, BI solutions. These extensions are allowing us to continue to grow this portfolio of solutions and prove them within our customer base. In addition, we have deployed multiple proof of concepts which feature our utility, industry mobile solution, and anticipate our first sales of this mobile solution to several well-known North American utilities within the following quarters.

These POCs are critical steps in a longer term evolution of this new software product into large lighthouse accounts. Rolta anticipates releasing version 2.1 of OneView™ mobile in late Q1 fiscal of this year. In addition to our OneView™ mobile and GSF progress, we are very pleased with the success of our cross selling strategies in the business units. We continue our success in cross selling Oracle solutions into utilities account based on the signing of a significant EPM project for a

major utility organization. We plan further solutions and financial transformations using Oracle technology EPM and DRM for utilities in the coming quarters. In addition, we recently were selected and contracted to provide an Oracle enterprise asset management project at a major European utility. This very competitive win was our first strategic utilities solution that utilized our expertise in Oracle e-business suite and Oracle spatial as well as Geospatial Fusion™ in mobile technologies as well as our presence in Europe.

In the Middle East, as previously mentioned, we have established ourselves firmly as a market leader in mapping, customer base, and are now progressing with strategies in providing mapping in GSF base solutions to utilities and government customers much in the same strategic direction as we have been executing in North America. We anticipate significant awards in the coming quarters related to government, security, public safety, utilities and transportation accounts of both North America and the Middle East regions.

In our EDOS business unit, we continue to lead with our OneView™ operations intelligence solution and have closed and executed several discovery projects. We have progressed and closed our first turnaround cost control OneView™ sale to a major US refinery in Q4. These initial solutions sales have huge significance in terms of strategy validation of our solution, referencability and momentum towards follow on sales.

In addition to our OneView™ progress, we are very pleased with the success of our cross selling strategy in the business unit. In the oil and gas vertical, we have recently won and started implementation of a major Oracle ERP upgrade project for one of our EPC customer accounts. We see a large potential through the combined capability in architectural expertise in our e-business, business intelligence, enterprise management, database management, and PQE core competencies with our vertical expertise to provide more relevant solutions to our EDOS customer base, both onshore and offshore. We feel this combination of expertise is highly differentiated and sets Rolta apart. Finally, we anticipate continuing to leverage our recent win related to the delivery of technology services for large Middle East petrochemical company into future OneView™ and BI opportunities.

Our enterprise information technology solutions business continues to be the competency glue that connects our capabilities to our vertical opportunities. The integration of the enterprise management EPM capabilities, business intelligence expertise and our Oracle based e-business and data management core competencies, dual onshore and offshore execution model has given us a foundation for developing and deploying industry specific solutions to our target customers.

To this end, we have continued to build out our expertise in the area as Rolta has recently hired new leadership for e-business practice adding significant big six experience. This team will add large account program management expertise, expertise with project sizes up to \$ 80 million, operational management of senior expertise, deeper offshore methodology expertise as well as edge product expertise in PQE and OPM. Rolta welcomes these new executives and feels, as a result, we are better positioned to participate and win larger and more strategic projects in our core customer accounts. We feel that the recent IT awards in our engineering and utilities markets are only a beginning and we see strong pipelines in some of the projects within these verticals.

Looking forward the next few quarters, our outlook remains positive. We anticipate continued traction relative to core strategies, and we are continuing to execute our OneView™ sales into our utility verticals customer base in upstream and

downstream process industry customers. We will continue to grow our e-business and managed services onshore delivery model and focused on mid-sized ERP upgrades. Further Rolta intends to take full advantage of our unique expertise between e-business, BI and EPM capabilities to provide further value to our customers in differentiation within the international markets. In general, we are pleased with our progress and look forward to report continued success in the coming quarters. I will now turn it over to Hiranya to discuss our financials.

**Hiranya Ashar:** Thanks Ben. Coming on to the financial performance, our revenues for Q4 have been at Rs. 4.77 billion, a quarter on quarter growth of 3.5% and for the fiscal 2011, revenues have grown 17.8% to Rs. 18.06 billion. Our EBITDA for Q4 was Rs. 1.93 billion, a growth of 5.6% quarter on quarter and full year EBITDA of Rs. 7.2 billion which grew at 24.8%. Coming on to the segmental performance, EGDS business, as always, has shown a consistent growth, EDOS and EITS growth has been slightly low, however we see more stability and momentum coming into our engineering and IT revenues going forward with expected projects and also roll out of some of our key solutions like OneView™ as Ben discussed. Net profit for Q4 was at Rs. 886 million, a growth of 5.4% quarter on quarter and 28% year-on-year. For the full fiscal including the exceptional item of profit on sale of investment in our JV with Shaw, net profit after tax is Rs. 4.01 billion a growth of 57%.

On the balance sheet side, we improved our DSOs by 8 days from 148 to 140 days as on the end of the fiscal and we see this improving trend going forward with our DSOs further coming down around 130 days by the end of the current fiscal. On the debt side, the Reserve Bank of India has recently relaxed conditions for re-finance of FCCB's and allowed the Indian corporates to raise foreign currency borrowings for such re-finance. This is certainly a welcome step and would not only ease the refinance process, but also reduce the re-finance cost for such FCCBs.

We currently have a strong order book position of Rs. 20.5 billion of which almost 80% is executable over FY12 and this is giving us a good visibility moving into the next fiscal and the backlog also has a higher component of solutions, which is a differentiator as compared to what we have seen in the previous years.

Coming to the guidance for the next year, we see our fiscal 12 revenue growth between 13% and 15% and our net profit growing about 15%. With this ladies and gentlemen, I throw open the session for question and answers.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with a question and answer session. The first question is from the line of Pratish Krishnan from Bank of America Merrill Lynch.

**Pratish Krishnan:** Firstly from the defense modernization scheme that Atul mentioned about, Could you elaborate in terms of how large is the defense modernization opportunity and how realistic is the opportunities for you?

**Atul Tayal:** If you are going to look at it over the medium term say about the next five to 10 years, the projects in the defense modernization program that we are looking at are in excess of Rs. 25 billion dollars. Now some of these will get realized and others will come to us. Some of the big ones are military communications, battlefield management systems and digital soldier. Each of these programs is a few billion dollars. And there is a very major paradigm shift that has happened in the Indian government, Ministry of Defense. Traditionally these were projects that were given to foreign vendors who were asked to bid and then TOT was done to a PSU. Now this has changed dramatically and they have come out with a category, which is known as make category and all such projects that we consider high tech systems are going to be announced or are announced already in the make category and this

make category is wherein they will only invite a select group of Indian vendors to bid for such projects. Fortunately, because of all the work that we have done and the standing that we have, we are one of those select few vendors who are being invited to bid for such big projects. So I believe we have a very good pipe line and I think we have a very good track record of being successful here and I don't see any reason why moving forward we can't get a reasonable share of this overall large projects that we have talked about.

**Pratish Krishnan:** What's stage would this be?

**Atul Tayal:** It depends. There are some which are at a finalization stage. To give an example for the home land security programs, the first few awards have come to us already. While some of them are at final technical short listing stage or a final price negotiation stage. While among the bigger ones, some are at a technical evaluation stage, some are at initial stage, how should I say expression of interest. So they are in different stages at different times, that the reason for a mid-term period in the next seven to 10 year for this value of Rs. 25-30 billion dollar for defence security and Maritime security projects. Basically these are projects which are at different stages, some are pretty advanced, some are moderately advanced and some are at initial stages.

**Pratish Krishnan:** Have you factored in the award that you have got into your guidance?

**Atul Tayal:** Yes the award where we have already been officially notified that we are selected are taken into our guidance, but wherever we are at the final stages, but have not yet being officially notified, that has not been looked at in our order book.

**Pratish Krishnan:** There has been a substantial jump in CapEx on a half year basis. What are the keys spends during the quarter, can you just elaborate?

**Hiranya Ashar:** One is on the CapEx side and second is on the acquisition. Now since we are acquiring assets, it goes and sits into that whole block of assets. We have done a few acquisitions and the CapEx which we have done in the fiscal 2011 has been more or less in line with the guidance which we have given or the projections which we had. Going forward, the CapEx is certainly going to come down. On the acquisition side, it's the strategy which we have been following internally, that at wherever we see some strategic fit companies which have good IPs or technologies, we look at those companies. These acquisitions are going to be small acquisitions may be between \$ 5-10 maximum \$20 million and going forward the CapEx number, including the acquisition also should be lower than what you have seen in the past or even what we have seen in FY11.

**Pratish Krishnan:** And the jump in the net fixed assets, which was almost Rs. 300 crore on a half year basis, so how much of this would be the acquisition part?

**Hiranya Ashar:** Somewhere around Rs. 200 crore.

**Pratish Krishnan:** What is the CapEx guidance for next year?

**Hiranya Ashar:** Next year CapEx should be somewhere in the region of Rs. 250 crore. We are redeveloping one of our facilities now, so even that has been factored into the CapEx number.

**Pratish Krishnan:** We were hoping for a jump in the tax rate this quarter? What is the guidance for the rest of the year?

- Hiranya Ashar** For the full year, the tax rate should be in the region of 16% to 18%. This is the first quarter for the tax purpose and that's why we factored many things into it. Even MAT credit also would be available by the end of this year, because from now even SEZ units are covered under MAT, at least as per the current regulations. No doubt industry associations are pushing the government very hard to remove MAT on SEZs. Even the Ministry of Commerce is going to have some sort of a legal opinion or a legal battle with the Ministry of Finance, where they are challenging whether Ministry of Finance is right to levy MAT on a SEZ. But we have factored all those things into our provisions right now and by end of this fiscal it should be somewhere between 16 to 18%, and if MAT goes away, it might be lower than that.
- Moderator:** The next question is from the line of Rahul Jain from Dolat Capital.
- Rahul Jain:** If you can explain in terms of how business is shaping, am trying to understand from the overall industry perspective because I think we have delivered quite well in the past. We have relatively a better positioning in the domestic market and we are doing something which is not very common, but I think our growth has lagged the kind of potential we would have delivered. So what do you think can trigger this going forward?
- Atul Tayal:** I don't think we have lagged our potential. It's just that some of these potentials take that much time to fructify especially when they relate to markets like defense and security. I believe we are very well-positioned and especially when we look at these larger opportunities that are in front of us. I think any of them, and some are running into a few billion dollar and if any one of them gets finalized in our favor can be a dramatic game changer, but again those are competitive situations and they take their own time. So that's the reason we are talking about a growth rate of 15% which is quite reasonable.
- Rahul Jain:** And is that the focus largely remaining on the set of things which we are working on because we exited in one of the very large potential areas (SWRL) which we thought, we stayed invested for quite some time and we existed, are we looking for some new avenue to trigger up things?
- Atul Tayal:** Absolutely, there are new partnerships which are on the anvil for example, Homeland and Maritime Security opportunity that we talked about. We built up a completely new Maritime Business over the past one year. We have acquired technology from Mariner. We have built up a solution and recently we had a ship coming into Mumbai just about a week to ten days ago and nobody had any idea that a ship had come in and it was beached at Juhu. So there is a huge latent demand for securing our coastal facilities. Our coast is about 7,500 kms, that in itself can be a huge market. In addition, crime and terror are a big deal in all cities. I talked about the CCTNS Program, bids outstanding there are running into a few thousand crore right now. So while we monetized our opportunities at Shaw and I think we got a pretty good deal out of that, because we thought it was a right time to monetize it and that does not mean that we haven't looked at others and not expanding into others, but we also ensure that we don't become me-too in character. We must add value and we must do things that are inherent to our core competence. We just can't go and starting selling clothes tomorrow for example. I meant that's not our business.
- Rahul Jain:** As you are saying lot of business opportunities coming because of Homeland Securities in the unsought for events happening, but is it more of a momentary, when things happen, new allocation happen for such thing or government is getting very proactive in installing things everywhere. I think it's mainly happening where the event is happening and then there is no larger plan.
- Atul Tayal:** I don't think that's true now. While it does go on in spurts, there are programs which are run by the Federal Government and there are programs which are run by the State Government. And traditionally there used to be some lumpiness with regards to these

projects, but what is happening now is that the kind of demand that is getting generated for example the government policy changes, where we have now got private sector completely involved in the defense market, the only reason is because they are just not able to get a public sector to deliver the amount of capabilities they want. It's a matter of scale, its kind of huge demand that is there. So I don't see these modernization programs stopping growth and the big difference is that the overall GDP growth is reasonably good in our country and to sustain that kind of a GDP growth and the aspiration, that is generating in the population here, we have to insure some of these programs for defense and security or even infrastructure will come in. So the lumpiness that was traditionally associated with such projects I see that far lesser now.

**Rahul Jain:** I could be completely wrong, but as a person I don't tend to see things improving on the security level, if I compare today or vis-à-vis two years back or five years back, I think any public place is as risky and as safe as it was earlier.

**Atul Tayal:** I am not debating that issue. What I am submitting is that, there is a lot of stuff that is happening, I will give you an analogy between defense and security. Defense created their core infrastructure a few decades ago, ensuring that they have the right vehicle, they have the right people, and they have the right processes. So their modernization programs are far more ahead. So if you go to the Navy, to the Air force, or to the Army, their modernization programs today are running practically at the cutting edge or our catching up with what the best in the world has to offer. Our Homeland Security, I think is at a stage where they are still building some of their core infrastructure capabilities and then they will start adding technological solutions to improve that. And I don't see any reason why it will not happen. Classical example I gave you is the CCTNS program. It has bids worth a few thousand crore outstanding there and that is just the tip of the iceberg because what that is doing is just connecting the police stations. I mean then there is data that will have to be collated, warehouse sort of that, intelligence analysis will have to be done so there is a huge amount of work.

**Moderator:** Thank you. The next question is from the line of Aishwarya K from ICICI Direct.

**Aishwarya K:** Can you please remind us of your wage cycle and what is the quantum of your wage hike?

**Hiranya Ashar:** Cycle is always our fiscal year. It starts on July 1<sup>st</sup> and the wage hike which is given this year on an average for India employees is around 12% and international employees is around 2%.

**Moderator:** Thank you. The next question is from the line Soumitra Chatterjee from Espirito Santo.

**Soumitra Chatterjee:** If you could help me out with the FCF generation that happened during the quarter?

**Hiranya Ashar:** FCF generation without considering the acquisition was somewhere around Rs. 25 Crore. This is basically the Rs. 88 Crore of net profit and then you add back Rs. 90 Crore of depreciation, so the working capital changes and the CapEx which happened in the quarter was around Rs. 90 Crore. So the FCF was around Rs. 25 crore. If you consider it after the acquisition cost or some of the other cost which we have incurred associating with the acquisitions, it will be a negative of around Rs, 60 Crore.

**Soumitra Chatterjee:** In this quarter, if I am not wrong first quarter generated Rs. 30 Crore and second it was Rs. 35 crore, third it was Rs. 40 crore and now it is Rs. 25 crore actually and according to me, the CapEx would have gone down in the third and fourth quarter. But I think it has actually been on the higher side?

- Hiranya Ashar:** In the fourth quarter, CapEx has slightly been on the higher side, because of the redevelopment of one of our facility, but it is still well within the guided range of around Rs. 300 to 325 Crore for the full year.
- Soumitra Chatterjee:** So Rs. 300 to 325 Crore was the CapEx without acquisition and on acquisitions, you have spent around Rs. 200 Crore?
- Hiranya Ashar:** A little over that.
- Soumitra Chatterjee:** So the total CapEx was around Rs. 550 Crore?
- Hiranya Ashar:** Yeah.
- Soumitra Chatterjee:** And if I take your guidance of around 15% growth next year, your revenues would be around Rs. 2,100 Crore, if I take the same margin and cash flows that you are generating as a percentage of EBITDA, free cash flows from operation should be around Rs. 575 odd Crore and if I removed the CapEx of somewhere around Rs. 300 Crore, you would be generating at most Rs. 200 to 225 Crore, which is just about Rs. 50 to 60 Crore a quarter. Wouldn't have CapEx come down more this year and your cash flow generation should have been much higher?
- Hiranya Ashar:** There are various ways to look at things. Some companies would prefer that whatever cash is generated is kept as cash deployed in liquid funds generating 7%-8%-9% of interest, if they are happy with that. Those companies have built \$2, \$3, \$4 billion of cash that they are sitting pretty on it doing nothing. Here at Rolta, we have a very clear strategy of investing and since we have in last three year invested heavily into a nonlinear model, where we are investing into products and solutions, that's where we see the return on our investments coming in future. We are not here to make 6, 7, 8% on liquid funds and cash sitting on our balance sheet. We want to invest this money into areas which is going to give us a better growth and better margins going forward. So the decision is yours. You have both the sets of companies and only time will tell the margin profile of these two different strategies going forward where the labour cost arbitrage is shrinking very quickly. You have a linear model which is having lot of other issues on attrition and so many other things and companies which are not focusing on bringing value on the table or having a nonlinear IT based model could suddenly face these challenges more no matter how big they are.
- Soumitra Chatterjee:** How much revenues you are getting from the IP led business for the full year FY11?
- Hiranya Ashar:** Currently it's about 15%, but over the next 3-5 years, we see this percentage increasing somewhere between 25 to 30% and which we are sure of. We are not a product company. When I say solutions and 30% of that coming from our IP, which is either licensing revenue or maintenance of the product and balance 70% services which are high-end services, they are not like the traditional services which we have been providing in GIS and engineering. Even though services would give us reasonably good margins, certainly there is a pressure on the service margins because of the cost going up and realizations not going as high as the costs are, but the IP revenue which directly sits on the bottom-line where we have invested everything, the ongoing cost is also factored into our P&L and then whatever we sell is just sitting on our bottom-line.
- Soumitra Chatterjee:** So this 15% IP led revenues is completely like the license fee?
- Hiranya Ashar:** Either license or maintenance.
- Soumitra Chatterjee:** And what kind of the gross margin you must be making here?

**Hiranya Ashar:** It is 90% plus since we are selling it directly. Currently, we don't have a distribution model. In case we go for a distribution model going forward, the gross margins might come down.

**Soumitra Chatterjee:** Are You building up some sort of IP led revenues for this year's guidance, so can you tell that number?

**Hiranya Ashar:** Yes it should be somewhere between 15 and 18%. I think we should be able to reach the higher end of the range when we end this fiscal, but it depends upon certain key bookings which we are expecting in quarter 1 or quarter 2.

**Soumitra Chatterjee:** And the redevelopment, can you name the center which you are redeveloping and what is the CapEx, the total CapEx you mentioned was around Rs. 250 Crore for this fiscal, what must be going into that any guidance on that?

**Hiranya Ashar:** About Rs. 100 odd Crore will be going into the redevelopment of our Rolta Center one, which is here in Mumbai.

**Soumitra Chatterjee:** That will be predominantly furniture and fittings or something on the machinery type of that or equipments also?

**Hiranya Ashar:** No when I am saying redevelopment, it means we are rebuilding our facility. It was a ground plus 1 building which we have demolished and now it will be a ground plus 7-storey.

**Moderator:** Thank you. The next question is from the line of Rohit Gajare from UTI Portfolio Management.

**Rohit Gajare:** What is the cash on the balance sheet?

**Hiranya Ashar:** Currently close to Rs. 140 Crore or \$30 million.

**Rohit Gajare:** So basically as per the reported matrices we have cash of Rs. 13 Crore and the rest would be in some form of investments or some sort of loans and advances?

**Hiranya Ashar:** No, Rs. 96 Crore is parked in liquid funds and the balance is in the cash current account.

**Rohit Gajare:** And what is the CapEx guide that you are providing for FY12?

**Hiranya Ashar:** Around Rs. 250 Crore.

**Rohit Gajare:** This is excluding any acquisition or one-off opportunities and is the routine CapEx that we look at.

**Hiranya Ashar:** That's correct.

**Rohit Gajare:** From the FCCB perspective, what is the outlook of the company? Do we want to maintain this cash and accrue cash for redemptions or do think that you can refinance it or look at something else?

**Hiranya Ashar:** Some sort of refinance would be required so we have some cash right now. We would be generating more cash between now and June 2012 when the FCCBs mature. And the balance is something which we can refinance easily. We have credit lines which are unutilized and are available today as well, but those are rupee credit lines. Now RBI has allowed dollar borrowing to refinance FCCBs and when that window opens, which is 6

months prior to maturity; you would even look at that possibility on refinancing through a cheaper cost.

- Rohit Gajare:** Any other borrowings, which are maturing in the meanwhile?
- Hiranya Ashar:** All other Borrowings are maturing from 2013 to 2018.
- Moderator:** Thank you. The next question is from the line of Rajiv Ghosh from Wealth Management.
- Rajiv Ghosh :** Is the India business growing faster or is it in terms with the company averages?
- Hiranya Ashar:** The last fiscal, India has grown faster than the international side. Again on the international side for the JV, we had revenues only for the first six months, we are not having any revenues for the last six months. So considering that, you see lower growth on the international side, but even with a good backlog in Middle East and some of these areas, we see an equivalent growth for the current fiscal which is FY12 and on the domestic side, there are some large opportunities and if these opportunities materialize, we will have much better growth in India also for the current fiscal.
- Rajiv Ghosh :** India would be 60% approximately?
- Hiranya Ashar** Currently it is 63%.
- Rajiv Ghosh :** And who will be the top 5 customers?
- Hiranya Ashar** Top customers have been the same, that is the Ministry of Defense in India and then there are many other companies. We would not be able to name those companies because of the NDAs, but we have shared details on top 5, top 10 customers in terms of percentage of total revenues.
- Rajiv Ghosh :** Anything you would like to say about the dividend payout ratio going forward?
- Hiranya Ashar:** We always maintained a healthy payout between 20 and 25%, which we would be maintaining even going forward.
- Moderator:** Thank you. The next question is a follow up from the line of Rahul Jain from Dolat Capital.
- Rahul Jain:** We are giving a 15% growth guidance in the net profit, does it assume one-time adjustment as well as the adjustment for the tax or is it expansion of margin to a certain extent?
- Hiranya Ashar:** No this is without considering the exceptional items. Though we had a Rs. 400 crore profit this year and if you remove the exceptional item, where we have Rs.100 crore profits from sale of JV, only on the operational side of our results which are without the exceptional item on that 15%.
- Rahul Jain:** And what about the increased tax rate?
- Hiranya Ashar:** Increased tax rate is there and that's factored into our model when we are giving the guidance.
- Rahul Jain:** So 400 bps expansion is absorbed.
- Hiranya Ashar:** Exactly.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the flow back to the management for closing comments. Please go ahead.

**Hiranya Ashar:** Thank you all for joining on this call. If you have any further questions, you can get in touch with me anytime or Mayank.

**Atul Tayal:** Thank you. This is Atul Tayal, have a good day, good evening, good night wherever you are.

**Ben Eazzetta:** Bye, Have a good evening.

**A. P. Singh:** Bye, this is AP.

**Moderator:** Thank you gentlemen of the management. Ladies and gentlemen on behalf of Rolta India Limited, that concludes this conference call. Thank you for joining us and you may now disconnect.