



## **Rolta India Limited Q2 FY10 Results Conference Call**

### **Investor/Analyst Conference Call Transcript**

### **January 21, 2010**

#### **Executives:**

Mr. Atul Tayal	Joint Managing Director
Mr. A. P. Singh	Joint Managing Director
Mr. Ben Eazzetta	President – International Operations
Mr. Hiranya Ashar	Chief Financial Officer

#### **Analysts/Investors:**

Mr. Kunal Sangoi	Edelweiss Capital
Mr. Abhiram Eleswarupu	BNP Paribas Securities
Mr. Pratish Krishnan	Bank of America - Merrill Lynch
Mr. Vihang Naik	Motilal Oswal
Mr. Nitin Padmanabhan	Centrum Broking
Mr. Yash Gadodia	ICICI Direct
Mr. Dipesh Mehta	Khandwala Securities
Mr. Pranav Bhardwaj	Mata Securities
Mr. Nimit Shah	Harley Securities

And 53 other participants

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#### **Moderator**

Ladies and gentlemen good evening and welcome to the Rolta India Limited Q2 FY10 Results Conference Call. As a reminder all participants' lines will be in the listen-only mode. And the conference is expected to last for the duration of 60 minutes. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call please signal an operator by pressing \* and then 0 on your touch-tone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Mayank Vaswani from Citigate Dewe Rogerson. Thank you and over to you sir.

#### **Mayank Vaswani**

Thank you Melissa. Good evening to everyone 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 quarter ended December 31<sup>st</sup>, 2009. We have with us Mr. A. P. Singh – Joint Managing Director, Mr. Atul Tayal – Joint Managing Director, Mr. Ben Eazzetta – President, International Operations and Mr. Hiranya Ashar – Chief Financial Officer.

Before we begin I would like to state that some of the statements made in today's discussions may be 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 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. Documents relating to our financial performance were emailed to all of you earlier today. These documents have also been posted on our corporate website. I would now like to invite Mr. A. P Singh to provide key highlights of our performance for the quarter, over to you sir.

**A P Singh**

Thank you Mr. Vaswani. Good evening ladies and gentlemen and those who are overseas in the western hemisphere, a very good morning to you.

The company has continued on its path to transform its business from services centric to a solutions oriented model. The portfolio of offerings incorporates Rolta's own intellectual property as part of the solutions for various verticals. This approach is steadily building up a base of licensed IP that would result in ever increasing annuity as compared to the traditional services model. The company had undertaken an exercise to re-brand itself in a manner that reflects the new business model. We are making conscious efforts to be seen as a higher caliber provider of enterprise level integrated solutions. This effort is starting to bear fruit globally and Rolta is now being increasingly invited for consultation for systems integration and cross-functional solutions. The company had undertaken the development of a delivery and development center in the national capital region, this facility has now been inaugurated and will be used to showcase our solutions in that region especially to defense and government customers.

I now request Atul to give you a detailed overview of the domestic business, Ben will then give you the highlights of the international business. Finally, Hiranya will walk you through the numbers, thank you, over to you Atul.

**Atul Tayal**

Thank you A P. In the past few months we have seen the domestic markets showing encouraging signs of recovery and we believe we will continue to do well in our focus areas of defense, security, infrastructure and government. In our traditionally strong areas of GIS, defense and security and engineering design automation, we have been able to maintain our leadership position in India and our thrust in the specialized IT sector is also beginning to show promising results.

In the Enterprise GIS segment we are today seeing tremendous traction and interest in Rolta's Geospatial Fusion™ Solutions, especially in security, utilities and telecom and town planning segments. The Rolta IP based state-of-the-art earth science and solutions are also finding tremendous acceptance in the defense domain. Our leadership position in the Indian Defense, Homeland and Maritime Security markets is growing stronger by the day with our unique blend of Rolta IP based solutions and world class technologies, sourced from our JV partner Thales. The innovative combination of these has resulted in comprehensive solutions for high technology applications like Advanced Minefield Recording, Automated Change Detection, Complex Command & Control, Ruggedized Mobile Surveillance, Criminal Intelligence Data Fusion, Coastal Automatic Identification System, Naval Combat Management System, etc.

The Indian Defense sector continues to open up for private sector. The latest amendment 2009 to DPP 2008 reinforces Ministry of Defense's paradigm shift towards private participation with the introduction of a new category of buy and make Indian, which necessitates 50% of indigenous content and foreign companies

to have JVs with local partners for transfer of technology. We are very well-positioned to grow our defense business significantly because of our own IP, resulting in practically 100% global content, a very successful track record and well established JV, i.e. Rolta Thales Limited.

In the EDOS segment our EPC and owner operator customers continue to benefit from the exceptional combination of skills and expertise that we have. We are now doing the kind of work never before done in the private sector in India. For example, engineering design for a nuclear reactor system of international importance. This project demands a high level of specialized expertise in reactor safety analysis besides multi-disciplinary engineering competence and domain expertise. Rolta has been selected primarily due to its significant in-house expertise for nuclear systems and reactor safety. We continue to maintain our position as a leading provider of high value design solutions throughout the country. Rolta OneView™ unique features are now being regarded as an integral part of reliable operations by some of the largest refiners in India and the solution is being viewed as it must have by these owner operators.

Shaw Rolta Limited our 50-50 JV with the Shaw Group continues to perform well. The Shaw Group is among the world's leading EPC companies engaged in nuclear power engineering, therefore between SWRL and Rolta we have the credentials to undertake complete end-to-end projects for nuclear power and indeed for conventional power, oil and gas and petrochemical sectors too.

Our leadership position in the GIS defense and security; and EDA segments positions us as a preferred solutions provider, when it comes to even providing enterprise IT solutions to these specific markets. Our two-fold focus for strengthening our GIS and EDS offerings and going into focus large accounts with Rolta iPerspective™ and Rolta SOA Today™ as a sphere head is beginning to show results.

Overall, the scenario has been reasonably healthy in our domestic business, which continues to grow steadily. We foresee ourselves continuing to move forward and expanding in our focused areas by building on our leadership positions. Thank you for your attention and I will now handover to Ben, who will talk about Rolta's international operations.

**Ben Eazzetta**

Thank you Atul. The Rolta International business continues to see improvement in overall business conditions. The key international markets in the Middle East and Asia are robust with sizable wins and strong pipeline for near-term Geospatial Fusion opportunities. Markets in the US and Europe are improving with certain sectors such as engineering strengthening more quickly.

Our business opportunity pipeline continues to grow in anticipation of increased customer confidence in the economic recovery in their respective growth prospects. Activity levels for submission of bids and proposals have remarkably improved over previous quarters and we are now seeing phasing of projects and no longer cancellation of opportunity backlog. We remain confident that with our proactive structuring and investment actions, that were implemented in the past several quarters, have positioned us well to outperform our competition as we gain momentum with the inevitable increasing customer spending. Our objectives to this point are heavily focused on promoting top-line growth in terms of converting our healthy pipeline into firm backlog and execution of this backlog profitably.

Still, like all companies, we realize our potential is tempered by the rate of economic recovery on the larger scale. From this perspective, most economic forecasts are using terminology such as modest or guarded for the near term.

In terms of business unit performance our Geospatial Fusion strategy has continued to gain traction with notable wins in the Middle East. Rolta was selected for a major national data infrastructure project in the Middle East in Q2 and we anticipate further bookings in Q3 that will continue the strength.

In addition, we have several major Geospatial Fusion projects for economic development, elections and assets management that will become complete in full references using Q3. Well, this will allow us to more fully promote these unique solutions within our global markets and existing customer base. We continue to invest and promote our Geospatial Fusion solutions in all regions. We continue to improve in marketing and branding of these solutions. We are seeing our business pipelines increase in both size and quality, with this higher value proposition business. Again our ability to maintain our investment focus in our solution development has provided us an important positioning advantage in this area as our customer spending levels continue to improve.

Our EDOS business has been a heavy focused area in terms of our business development and solutions development in the past quarter. We have seen marked improvement in demand for unique technology services, engineering services and one-view operational and cost management solutions. Rolta was recently awarded a Technology Implementation Contract with a top EPC that was a direct result of our strategic consulting services. We have also seen continued adoption of our OneView™ solution within our existing client base. We have much to offer to our clients in terms of products, services and solutions and we are progressing to several strategic worldwide business partner relationships based on these offerings. We anticipate near term results from our business and solution development focus in the coming two quarters.

The EICT business has been most impacted by our lower customer infrastructure investment. Rolta has responded to this trend by focusing on key areas of customer investment which is most justified and required within the current environment. Rolta is seeing demand for risk management and financial solutions, business intelligence solutions, Oracle R12 strategy and upgrade services and critical application integration solutions. As a result Rolta has continued to invest and expand our capability and solutions within these areas with recent added capability within the business intelligence application space.

We remain strong in terms of capabilities and assets to meet anticipating rising demand levels in the near term. In addition, we have expanded our business development focus to promote our economically attractive and proficient offshore capabilities which supplement our core consulting expertise. Our growth in this business unit is inevitable but the rate of growth will remain tied to market recovery.

In summary the international business performance has continued to improve mirroring the much anticipated recovery. Our proactive actions to maintain investment in optimizing our cost in the past several quarter has positioned us well, to capitalize on expected economic growth. In terms of forward-looking expectations, we will remain confident in our continuous performance improvement trend. I will now turn this over to Hiranya Ashar who will review our financials.

**Hiranya Ashar**

Thank you Ben. Hello everyone. Our last quarter performance has been reasonably good and continues to be on the growth path both in terms of revenue as well as margin improvement.

Revenue for the quarter has grown sequentially by 7.2% to Rs. 3.76 billion and EBITDA for the quarter was Rs. 1.42 billion, recording a growth of 13.4% sequentially. Our EBITDA margins for the quarter were 37.9%, an improvement of

210 basis points sequentially, mainly due to increase in our solution sales and also due to cost management.

On net profits we have achieved a healthy growth of 11.9% quarter-on-quarter.

Last quarter we also repurchased \$15 million worth of our FCCBs at 15% discount taking our total FCCB buyback till date to \$53 million, where company has been able to gain approximately \$13 million. After this buyback we have about \$97 million worth of FCCBs outstanding which are due in June 2012.

Coming onto our segmental performance, EGIS has shown consistent growth. Revenue for the segment was up 9.2% quarter-on-quarter. Our EDOS revenue continue to grow and was up by 7.8% this quarter and EIGS revenues were also up by 2.7% this quarter. Our working capital cycle has also improved and DSOs are down to 134 days as on 31<sup>st</sup> December, 2009,. We expect this to improve further to about 120 days by the end of current fiscal. We maintain our FY10 guidance both on revenue and margins. We currently have a strong order book position of Rs.17.1 billion, which gives us a very good visibility of our business, not only for next two quarters, but also for the next fiscal.

With this ladies and gentlemen I throw open the session for question and answers, thank you.

**Moderator**

Thank you. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Kunal Sangoi from Edelweiss, please go ahead.

**Kunal Sangoi**

My question is with regards to the employee cost, after three quarters the headcount has increased modestly with just seven addition. Could you help us with gross adds for the quarter?

**Hiranya Ashar**

Gross adds were somewhere around 50 or 55. Attrition levels have come down drastically in last one year.

**Kunal Sangoi**

Sure, what is your outlook in terms of salary increase, when are those due and what would be the magnitude in case in Q3?

**Hiranya Ashar**

There will not be any impact in Q3 and Q4, as we give annual salary increases in July and that will be decided based on what the market is at that point of time. We always have an advantage of industry benchmark also as most of the IT industry gives a salary hike somewhere in April. I think those days of 15% to 20% wage hike have gone. Again, we are not at 0% or lower single digit also, so we think wage hikes next fiscal may be in the range of 5% to 10%.

**Kunal Sangoi**

On the engineering side we have seen a sharp uptake, order book has also grown almost 8% sequentially. Could you highlight some of the major order wins in this segment?

**A P Singh**

We normally do not talk about names because there are NDAs and situations like that.

**Hiranya Ashar**

But as Ben and Atul mentioned there are some key wins in certain regions like Middle East and also from US in the engineering sector. Even on the oil and gas side CAPEXs are again being planned and revived, so yes there are a lot of activities, backlog has improved and even in pipeline there are some large projects

- which we are currently bidding on and hopefully we should win some of those in quarter 3 and quarter 4.
- A P Singh** Overall I think there are wins in all geographies, it is not isolated to wins in India or the Middle East or the US, etc, it is all over the board so that is very encouraging.
- Kunal Sangoi** Sure, you had also mentioned that you are seeing some revival in oil and gas, and I think you have substantial revenues from oil and gas within engineering, right?
- Ben Eazzetta** Just to add a comment, I think the other thing we have started doing in the last six months or so are offering strategic consulting service and as a result of that I think we are beginning to see the fruit of that with the ongoing additional projects that are beginning to happen, the first of which happened last quarter. We anticipate that there will be more backdated onsite business as a result of a lot of strategies that we help to put in place for our customers in the engineering space.
- Moderator** Thank you Mr. Sangoi. The next question is from the line of Abhiram Eleswarapu from BNP Paribas, please go ahead.
- Abhiram Eleswarapu** Hello good evening, the number seemed to be really good in fact well ahead of our expectations. Our business seems to be tracking very well, I am trying to understand why are we not raising guidance?
- Hiranya Ashar** See on guidance, all these factors were considered at that point of time and as you are aware our projects are over 1-1.5 years. So when we started this year, we had projections of what are we going to achieve and what are we going to burn in terms of revenue, yes things are improving, we are seeing better traction as compared to what it was six months ago but whatever contracts we win right now, the major component of those contracts will be executed in FY11 and not FY10. So, I think as far as FY10 is concerned we stick to our guidance.
- A P Singh** See the recent wins are strengthening our pipeline very well, but as Hiranya says if I win an 18 months project today and by the time you start and you do your kick off meetings, the year is gone.
- Atul Tayal** Let me add one more thing, we give a range of guidance and we believe in the upper aspect, the upper level of that range is what we should be, so not the lower level of range. So, I hope that answers your question.
- Abhiram Eleswarapu** My next question is on the solutions business. Now, it does appear that you are doing very well out there but could you just simplify it for us on what exactly are you offering on solutions side, how many solutions do you have and what percentage of revenue are you generating from them?
- A P Singh** Let me try and answer this in a couple of sections. We have a couple of solution frameworks, for example Geospatial Fusion™ is a solution framework, we have built numerous solutions on top of that for various verticals, for the transportation sector, for the municipal sector, for the electric utilities, for telecom and if I am not wrong in almost in each one of them we have been able to achieve success in having sold something, it may not have been implemented yet, but we have been able to do that. So, similarly in the OneView™ segment I would say, OneView™ is again a solution framework where as of now we have succeeded in implementing it in one refinery, we have been tasked to add it to another 8 of them and there is tremendous potential with the same customer for perhaps another 20 to 40 additional locations. Even if we were not to go to a new customer through their affiliate or through their joint ventures, etc., and then if all this is applicable in oil

and gas the same framework can be adapted for the petrochemicals and for the power and for the nuclear power sector. So, that is how I would like to answer your question of how many solutions do we have, there are numerous solutions really speaking if you look at the end use.

Similarly, these are all integrated solutions, we do have point solutions in the earth sciences area, which have been implemented particularly for Indian defense in hundreds of seats and they are successfully running and earning us annuities. These are suites of software which have been successfully developed by us based on our technology as well as some technologies that we acquired from international companies. In terms of the revenues as a percentage coming from these solutions, all that I can say is that you know and we all have stated this before solutions were launched may be six or eight months ago, we won some orders but we have not implemented too many of those. So, at this time I would say that the share of solutions in the way we are talking about solutions is not all that large. The pipeline is very strong, so we would be able to make a different statement next year.

**Hiranya Ashar** And we also won some contracts where these solutions would be implemented over next six or eight months. So, even in quarter 3 and quarter 4, I see the proportion of revenue coming from these solutions increasing.

**Abhiram Eleswarapu** Right, so basically the margin gains that you had in this quarter is attributable more to the fact that you could increase revenue without increasing employees and not necessarily from solutions space?

**Atul Tayal** And also reducing cost.

**Hiranya Ashar** Yes, this quarter was a combination of both, largely attributable towards the cost management and a portion because of the solutions but as the proportion of solution revenue increase in the future quarters; we will see margin improvements.

**Abhiram Eleswarapu** And if I could squeeze in just one more question, this one is on Thales. Can you give us an update on what is happening there, I think the last time you said you are at an RFP and RFI stage in several projects?

**Atul Tayal** Yes, some of those will move forward and may be some of them may even get finalized in a short while, like March 31<sup>st</sup> which is the government year end, so we are keeping our fingers crossed. But as you also know that a lot of government tenders are not really quarter driven or day driven, they get delayed too. But what we also did was that apart from focusing on the really large multimillion projects what we have also done is we have launched some really good point solutions with shorter sales cycles and these are like mission critical communication solutions for say disaster management or in Homeland Security and we are seeing a lot of increased traction there. So I see some initial orders coming in from that kind of business and the larger projects of course then contributing in the coming year or two.

**Moderator** Thank you. The next question is from the line of Pratish Krishnan from Bank of America. Please go ahead.

**Pratish Krishnan** Hiranya if you can just elaborate a bit more in terms of the margin expansion. One is to what really went into that margin expansion and second how sustainable are these kind of margin levels.

**Hiranya Ashar** If you go back to last two years or so, our peak EBITDA margins were somewhere at around 40% and we were down from that peak because of lower utilization and

some other factors like recession. But now our margins are now back up at around 37.9% close to 38%. We have been able to manage our cost and also improve solutions revenue. So I think going forward, yes, there is a scope for further margin improvement but it will not be 200 basis points every quarter. These last two quarters we have been able to come back to the earlier level of margins. Going forward, I would say with increase in solution sales over next two years or may be three years we may see further margin improvement but yes on a quarter-on-quarter basis I think we are reaching near peak.

- Pratish Krishnan** What percentage of the revenues would be from solutions?
- Hiranya Ashar** It is somewhere between 8% to 10%, if you combine the solutions which we provide to defense as well. Not only the solutions like Geospatial Fusion™ or OneView™.
- Pratish Krishnan** As you said you will get into more solutions-based business, therefore, what kind of changes would be required from your side?
- Atul Tayal** A lot of changes but those changes have been going on over the past two years. I mean it is not a one day exercise. There is a whole branding exercise that has gone in internally for our people and externally to our customers and investors, in our latest annual report for example. In the coming sometime it will also start getting reflected on our website. But it also involves a lot of training and retraining our own people. See one thing you must understand is that our domains remain the same, our areas remain the same and also the fact that there was a solutions focus earlier but that was based on third-party technologies. So, there is a retraining required, there is reorientation required and we have gone ahead and done that in teams across the world but I do not see us changing too many people, of course we will add specific domain experts as we find them to add value to our solutions but I believe we have a good set of people who can address the solutions that we have right now.
- Pratish Krishnan** Can we assume that we have de-linked our revenue from the number of people or going forward would that be the case?
- Hiranya Ashar** Not completely but yes it is not linear anymore. If our revenues are growing by 20% to 20% plus percent that does not mean that we need 20% additional manpower. Manpower addition may be between 5% to 10%.
- Atul Tayal** And this is for the shorter term. Solutions right now, as Hiranya mentioned, is about 10 odd percent and it will continue to grow and once they reach a critical mass at around 50% plus then obviously the ballgame changes.
- Pratish Krishnan** A balance sheet question. What is the cash levels in book today and the CAPEX plan for next year?
- Hiranya Ashar** Cash is around Rs. 155 crore and CAPEX next year would be more of maintenance CAPEX, which we generally do. We do not have any specific CAPEX plans. So it will be in the range of around Rs. 200 odd crore.
- Moderator** Thank you Mr. Krishnan. The next question is from the line of Vihang Naik from Motilal Oswal. Please go ahead.
- Vihang Naik** Just wanted to get an idea about your improvement in EDOS utilization, the rates improved from 63.2% to 76.8% in the last three quarters. What has actually led to this jump and how do we see it going forward?

**Atul Tayal** This is primarily due to the earlier orders getting burnt at a faster rate and of course some of the newer services orders that are coming in. I gave you an example of the hi-tech order for nuclear reactor design that we have been selected for, although we will start burning hours on that in the coming quarters, but we have been doing some real hi-tech work on carbogenic engines for example for space agencies and those kind of specialized jobs and increased number of jobs is what has enabled us to improve utilization and thereby show the improvement you have seen.

**Vihang Naik** Just a data related question, can you give me the solutions plus subcontracting revenue percentage for this quarter?

**Hiranya Ashar** I do not have that handy and some of the data points I can always send across separately.

**Moderator** Thank you Mr. Naik. The next question is from the line of Nitin Padmanaban from Centrum Broking. Please go ahead.

**Nitin Padmanaban** This was with regard to the other expenditure which has come down by about 2%. I was just trying to figure out what were those cost cuts that have been done there and going forward will they be maintained at the same levels?

**Hiranya Ashar** There are no cost cuts as such but yes some rationalization and thinking has gone behind as to without disturbing the day-to-day activities how can we reduce our cost. And those things were done over the last two or three quarters and now we are seeing results in terms of numbers. These are into various areas such as traveling, communication links and other day-to-day expenses.

**Nitin Padmanaban** With regard to employee cost on a quarter-on-quarter basis it has come down, any specific reason?

**Hiranya Ashar** On a quarter-on-quarter basis it has come down because of some variable pays and even headcount reduction which was done over the last two or three quarters because 100% of that effect might not come in those quarters because for example if some guys are leaving, the full and final settlement would happen in those quarters and now this quarter had zero impact for employees who have gone in last few months.

**Nitin Padmanaban** If I just look at GIS, the utilization per se has come down a bit.

**Hiranya Ashar** Few basis points here and there will always be a fluctuation.

**Nitin Padmanaban** No, I am not commenting on fluctuation. What I am saying is the utilization has come down a bit, pricing is probably up 0.9%, but the growth in revenues is much higher. So I was just trying to figure out what has led to that uptick?

**Hiranya Ashar** That is the solutions.

**Nitin Padmanaban** But solutions even last quarter was between 8% to 10% right?

**Hiranya Ashar** See a few \$100,000 are coming from solutions, it will not have a significant impact on that percentage number. When we are burning our revenue which is close to \$70-80 million a quarter, a \$500,000 solution will not impact the percentage but \$500,000 when it fits directly on to our profitability it definitely improves.

**Nitin Padmanaban** So that means solution revenues have been higher this quarter. So may be overall as a percentage of total revenue, solution revenues have improved on a quarter-on-quarter basis.

**Hiranya Ashar** Yes,

**Moderator** Thank you Mr. Padmanaban. The next question is from the line of Yash Gadodia from ICICI Direct. Please go ahead.

**Yash Gadodia** You said you have maintained the EBITDA margins at 33% to 35%. You have done well over 35% in the past two quarters. So what is the rationale out there?

**Hiranya Ashar** Yes, we have done slightly over 35% in the last two quarters and as I said in the next two quarters I do not see such a substantial jump. We have basically recovered whatever we lost in two quarters of last fiscal. So the average EBITDA is still slightly above 35% and we will be able to maintain that in the next two quarters and as Atul mentioned we feel more confident of achieving the higher end of the band rather than being at the lower end of the band.

**Yash Gadodia** If you could tell us what is the debt on books?

**Hiranya Ashar** Debt is around Rs. 1,100 crores including FCCBs.

**Moderator** Thank you Ms. Gadodia. The next question is from the line of Dipesh Mehta of Khandwala Securities. Please go ahead.

**Dipesh Mehta** Couple of data points. What would be the order pipeline and the second thing about debt excluding FCCB would be how much?

**Hiranya Ashar** Pipeline is over Rs. 5,000 crore into various segments.

**Dipesh Mehta** Is it the same as what we have given in the previous quarter?

**Hiranya Ashar** It is again a near-term pipeline. If you talk about the overall pipeline it is more than Rs. 12,000 - 15,000 crore, but this is near-term pipeline where we feel more confident winning it and this should close in the next two to three quarters.

**Dipesh Mehta** And breakup of that Rs. 50 billion.

**Hiranya Ashar** Breakup of that Rs. 50 billion is around 50% to 55% in GIS, another 20% -25% in engineering and balance in IT.

**Dipesh Mehta** How much would debt excluding FCCB be?

**Hiranya Ashar** Would be around Rs. 550. Both are Rs. 550 - 550.

**Moderator** Thank you Mr. Mehta. The next question is from the line of Pranav Bhardwaj from Mata Securities. Please go ahead.

**Pranav Bhardwaj** Wanted some comments on the opportunities which we might be seeing in the GIS space due to the RAPDRP scheme, have you been able to win some more deals in this quarter?

**Atul Tayal** See RAPDRP is a very large program and GIS forms probably less than 10% of that whole program. And the deals that are won in the RAPDRP program are not being won

by the GIS companies they are being won by systems integrators; and those system integrators will then come in and select their GIS provider and that is how that is going on. Now unfortunately what has happened is over the past few RAPDRP awards that have happened they got challenged and canceled so I think the other RAPDRP projects seem to be looking at what will come out of some of those court cases and decisions before moving forward.

- Pranav Bhardwaj** And then that could take possibly the next two quarters?
- Atul Tayal** Possibly even longer.
- Moderator** Thank you. The next question is from the line of Nimit Shah from Harley Securities. Please go ahead.
- Nimit Shah** I would just like to understand whether we have hedged anything in terms of dollars as our business quite a much in US and other countries?
- Hiranya Ashar** Yes, we do have 30% to 35% business coming out of North America but we have a natural hedge. We also have costs which are local costs. So the net exposure which we have to foreign currency is just between 2% to 4% and we do not hedge that net-net component. We just keep that open. And rupee movement on either way does not impact our margins.
- Nimit Shah** What is the growth expected in next quarter in terms of revenue and volume?
- Hiranya Ashar** We generally do not give any quarterly guidance. We have given yearly guidance of 12% to 15% and to achieve that the expected growth for the next two quarters on a sequential basis would be anywhere between 5% - 8%.
- Moderator** Thank you Mr. Shah. The next question is a followup from the line of Pratish Krishnan from Bank of America. Please go ahead.
- Pratish Krishnan** Just on the cash balance, you had roughly around Rs. 200 crore of cash balance last quarter. You also mentioned that your DSOs have improved sequentially. Just to get an understanding as to why be there a fall in cash and was there any big CAPEX program during the quarter?
- Hiranya Ashar** There was some CAPEX but the biggest outflow was dividend. We paid approximately Rs. 60 plus crore of dividends in November.
- Moderator** Thank you Mr. Krishnan. The next question is a followup from the line of Abhiram Eleswarapu from BNP Paribas. Please go ahead.
- Abhiram Eleswarapu** If you could comment on the expected tax rates going forward?
- Hiranya Ashar** Tax rate for this fiscal as well as next fiscal would remain in the range of 13.5% to 14.5%. For FY12 it will all depend upon how this new direct tax code goes and if that comes into effect post 2011 our tax rate would be in the same range because peak corporate tax rate will be down from 34% to 25%. And the only benefit which will continue will be the SEZ benefit. But if that does not go through and STPI benefits also ends in 2011 our tax rate could be in the range of 18% to 20%. So I am hopeful this new direct tax code will be a law by that time and our effective tax rate should be at around 15% levels.
- Abhiram Eleswarapu** And what percent of revenue would be coming from SEZs currently?

**Hiranya Ashar** Currently it is low. Currently around 10% or below 10% is coming from SEZ but as we go forward we see almost 30% to 40% of our revenues coming from SEZ.

**Moderator** Thank you. As there are no further questions, I would like to hand the floor back to Mr. Ashar for closing comments. Please go ahead.

**Hiranya Ashar** Thank you everyone for joining us. This is Hiranya Ashar singing off.

**Atul Tayal** This is Atul Tayal saying bye, have a good day or good evening. Take care.

**A. P. Singh** Thank you ladies and gentlemen for your time, bye-bye this is AP.

**Ben Eazzetta** Thank you, this is Ben Eazzetta

**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 your lines.