

# Rolta India Limited

## Q1 - FY 08 Earnings Conference Call Transcript

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### Executives:

Mr. Atul Tayal	Joint Managing Director
Mr. A.P. Singh	Joint Managing Director
Mr. Hiranya Ashar	Director-Finance & Chief Financial Officer

### Analysts / Investors :

Mr. Prasad Deshmukh	DSP Merrill Lynch
Mr. Joost Vos	American Century Investments
Mr. Nicholas Allan	Boyer Allan Investment
Mr. Dipan Mehta	Dipan Mehta Share & Stocks
Mr. Ruchit Mehta	HSBC
Mr. Kunal Sangoi	Edelweiss Securities
Mr. Nitin Padmanabhan	ICICIDirect.com
Mr. Suveer Chainani	Macquarie Securities
Mr. Nitin Jain	IDBI Capital
Mr. Apurva Shah	Prabhudas Lilladher
Mr. Dipesh Mehta	Khandwala Securities
Mr. Sumeet Budhraj	First Global Securities
Ms. Lori Woodland	Ferox Capital
Mr. Shaumo Sudhakan	Lotus Partners

and 46 other participants.

### Presentation

**Moderator :** Good evening ladies and gentlemen. I am Leela, 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 keypad. Please note this conference is recorded. I would now like to hand over the conference to Mr. V. K. Khanna.

**V.K. Khanna :** Good morning, good afternoon or good evening every one. I am V.K. Khanna, from the investor relations team. We thank you all for joining us today to discuss the financial results of our company for the first quarter ended 30<sup>th</sup> September 2007. Joining us on this call are Mr. Atul Tayal and Mr. A.P. Singh, our Joint Managing Directors and Mr. Hiranya Ashar, Director-Finance & Chief financial Officer. In few moments from now, Mr. Atul Tayal will present a brief overview of the company's performance

during the last quarter. Following that Mr. Hiranya Ashar will take you through the financial highlights after which we will start the questions & answers 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 Mr. Atul Tayal.

**Atul Tayal :** Thanks V. K. Hello everyone and thank you for joining us on this call. We have 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 and other geographies worldwide.

With the acquisition of Orion Technology, we have significantly enhanced our capabilities to provide innovative solutions and services to seamlessly integrate disparate databases with geospatial information across the web. The company is deploying this technology for exploiting the power of GIS in areas beyond the traditional applications, such as for elections, information management, and economic development.

Our joint venture Rolta Thales Limited has been established and is progressing well. The JV has launched its state-of-the-art C4ISTAR solutions to extremely encouraging response. The solutions have been developed on the basis of ongoing technology transfer from Thales and are tailor-made for the Indian Defense forces. While developing the solutions, special care has been taken to protect the investments already made by Indian Defense forces by ensuring integration with their existing systems and technology, which has earlier been provided by Rolta.

Our Engineering Design services witnessed strong traction and we won good projects from large EPC companies, owner-operators, and shipyards in India, Europe, and other geographies world over.

Stone and Webster Rolta Limited continue to achieve healthy growth. This growth is a result of high value being brought to various projects by the JV due to its world-class infrastructure, highly qualified technical expertise, and

best practices. SWRL is executing several large projects from petrochemical companies, and refineries, and has recently been awarded an extremely prestigious contract for Engineering and Procurement services to be performed for a major Olefins Project in Singapore.

We have renamed our e-solutions business group to Enterprise Information and Communications Technology (Enterprise ICT) business group, as over time we have considerably expanded the portfolio of services that we are providing to our focused markets in the segment. This business group executed several large projects in partnership with CA for their customers across Europe, North America and Middle East. We have also developed in the last quarter, several cutting-edge software tools and solutions for our internal use that are improving productivity and we are also licensing some of these to our clients.

As a part of our expansion plans and to meet the growing demands of services worldwide, we are enlarging our pool of technical staff by inducting fresh and experienced professionals. We impart extensive training on state-of-the-art technology, software tools and domain skills to all our employees before they are assigned on specific customer projects. We have established in-house the Rolta Training Academy to execute this program in a very formal and structured manner. The Academy is equipped with cutting-edge technology, software tools, and a large dedicated faculty. The Academy will provide specialized training to over 1000 professionals every year in GIS, Engineering Design, and IT technologies, and impart specific skills on our business practices to the employees of the company. We have received an overwhelming response and over 250 professionals in GIS, Engineering, and IT have been enrolled for the first batch. We have devised a unique cashless program designed to retain employees that makes it a win-win proposition for both the organization and the employee.

With this, I now hand over the session to Hiranya who will give you the financial overview.

**Hiranya Ashar :** Thank you Mr. Tayal.

In the first quarter, we have achieved revenue of Rs. 2.2 billion, which is equivalent to US\$ 55.5 million, recording a Y-o-Y growth of 43.0% and Q-o-Q growth of 8.8%. Our Net Profits have also grown to Rs. 538.3 million, which is equivalent to US \$ 13.5 million, signifying a Y-o-Y growth of 44.2 % and Q-o-Q growth of 10.2 %.

On the occasion of our 25<sup>th</sup> year of operations, the Company has announced a Bonus issue of one equity share for each equity share held by the current shareholders.

All the three business groups have shown consistent growth. In the last quarter GIS has grown 35.3 % Y-o-Y and 7.7 % Q-o-Q, our Engineering Design business has grown almost 58.0 % Y-o-Y and 12.0 % Q-o-Q and Enterprise ICT business has grown 42 % Y-o-Y and 5.5 % Q-o-Q.

Our gross and operating margins during this quarter were down slightly, which was mainly due to annual wage hike during the quarter. The wage increments ranged from as low as 10 % to as high as 60 % with an average wage hike of around 17%. Our EBITDA margin had an impact of about 1.4 % due to this, however with new contracts coming in at higher billing rates and also due to improved productivity, we will be able to improve our operating margins in the coming three quarters.

As you are aware, due to natural hedge on US \$ we enjoy, Rupee appreciation does not have any significant impact on our margins. Our net Dollar position in the last quarter was only 2.8% of revenues.

We have a strong Order book backlog of Rs. 9.8 Billion, which has grown over 17 % during last quarter. We also have a healthy pipeline of over 20 billion rupees. Out of the current order book of Rs. 9.8 billion, Rs. 5 billion is scheduled to be executed in FY 08 and balance of Rs. 4.8 billion will be executed in FY 09.

During the last call, we had guided 35 % growth both in terms of top line and bottom line. Considering the current Order Book position, strong traction in Engineering Design and also the business momentum in GIS, we are increasing our full year revenue guidance from Rs. 9.5 Billion to Rs. 9.8 Billion signifying a growth of about 38% Y-o-Y and net profit of about Rs. 2.35 Billion with EPS around Rs. 29.5 per share considering the current share count of 80 million. With Rs. 2.2 billion revenues in the first quarter, we expect to achieve the balance Rs. 7.6 billion in the next three quarters, 86 % of which is currently with us in the form of order book of Rs. 5 billion and Rs. 1.5 billion worth of annuity contracts.

With this I open the session for Questions & Answers, Thank you.

**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 keypad and wait for your turn to ask the question. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing # key.

First question comes from Mr. Sumeet Budhreja of First Global Securities.

**Sumeet :** Sir, congratulations on a good set of numbers. Just wanted to understand, out of this Geospatial business that we do, are we also into GPS mapping ?

**Atul Tayal :** GPS is an inherent part of mapping. To give you an example, we did a project for Mumbai Police about a year ago and one of the aspects that we did in that project was to provide GPS satellite navigation to all the patrol vehicles of the police, which are then relayed live through their communications network on a live map in their Operations center. So GPS is a standard tool that is available world-over and we integrate that GPS into our mapping solutions very well.

**Sumeet :** Then, how are the business solutions that Rolta offers different from lets say that of Navteq, which was recently acquired?

**Atul Tayal :** Navteq, to my understanding provides satellite navigation in cars. We provide comprehensive GIS solutions and services, which not only help in acquisition of data, which is whether it is from satellites or from aerial photos or from ground control, which GPS is a part of, to actually creating maps and then doing analysis on that, and thereafter supporting it for the lifecycle of the project. We complete the whole project and we provide tools to do the project. So the scope is much larger, while in my opinion Navteq is a company that provided satellite navigation just for automobile and traffic management.

**Sumeet :** Sure. Sir, any update on the Thales JV ?

**Atul Tayal:** Yes, the JV is progressing very well. It got incorporated this year and we have moved forward. We have already launched the whole range of solutions into the Indian market, which have been developed specifically for our Indian market, and they have been very well received. We have got very encouraging response and I believe we will move forward on that very well.

**Sumeet :** Sir, visibility of revenues from the JV ?

**Atul Tayal :** This year we see very minimal revenues, because as you understand that defense is a very large, a long cycle in terms of market. So what we are looking at is, some pilots and certain basic projects, which will help us position the JV into much larger projects, which should start coming in from next year onwards.

**Sumeet :** Thank you sir. I'm through.

**Moderator :** Next question comes from Mr. Nitin Jain of IDBI Capital.

**Nitin Jain :** Congratulations on a good set of numbers. My question is can you just give me the breakup of the revenue growth, in terms of price and volume ?

**Hiranya Ashar :** About 2.2% was on the increase in billing rate, and about 6% on volumes.

**Nitin Jain :** Okay, and the Orion revenues and margins in this quarter ?

**Hiranya Ashar :** Orion's revenues were about 2 million, they had about 11% net margin.

**Nitin Jain :** What about EBITDA margins?

**Hiranya Ashar :** EBITDA margins were in the range of 16%.

**Nitin Jain :** And 2 million you said that is USD?

**Hiranya Ashar :** Yes.

**Nitin Jain :** Okay, that's great, and your current hedging position?

**Hiranya Ashar :** We have hedged about 12 million, but as you know this is only the net open position, which we have, which we hedge for next three to four months.

**Nitin Jain :** Yes, I got that. At what price ?

**Hiranya Ashar :** It's at about 40.70.

**Nitin Jain :** Okay, and please give me the other income breakup also ?

**Hiranya Ashar :** Other income is basically our treasury income, which we receive from the moneys parked in fixed deposits or debt funds, predominantly the treasury income.

**Nitin Jain :** Okay. And any further acquisition plans or inorganic activities ?

**Atul Tayal:** Yes, acquisitions are on the horizon. We are looking for some acquisition in Engineering, some in our Enterprise ICT also, some in Geospatial, and depending on how those potential opportunities pan out, we will announce them in due course.

**Nitin Jain :** Okay, that's great. I had one more question, if you can give me the Order book segment-wise breakup ?

**Hiranya Ashar :** That will be sent to you separately by way of e-mail, the standard grid, which we send across to everyone.

**Nitin Jain :** Thanks a lot and all the best.

**Hiranya Ashar :** Thank you.

**Moderator:** Next question comes from Mr. Suveer of Macquarie.

**Suveer :** Congratulations gentlemen, a great set of numbers. My first question was already answered, I wanted a breakup of order book.

**Hiranya Ashar :** Okay, so if everyone has that question, I can give that breakup to you. It's about 4.49 billion rupees in GIS, about 3.25 billion rupees in the Engineering, and about 2.05 billion in the Enterprise ICT.

**Suveer :** Thanks for that. And I read about unique cashless program in the Rolta Academy, could you just elaborate on that ?

**Atul Tayal:** Okay. We have set up this academy, which will train about 1000 plus people every year and they are basically for coming into Rolta right from day one. So when they are hired, they are hired straight as a Rolta employee and they go directly into the training program, and this is primarily for the freshers or people with experience of two to three years. And when they go in for the training, the bank gives them a loan, which is a deposit, which is kept for them to serve up to a certain amount, so that the company retains them and gets the value out of the training that's given to them. Now as far as the employee is concerned, they just sign the documents, the company takes care of servicing the loan, and once the employee serves for a certain specified period of time, the company pays off that loan directly. As far as the employee is concerned, they come in and they start getting their salary from day one. However, if they leave earlier than the specified time line, then they have to pay to the bank the loan amount.

**Suveer :** Earlier, the company was bearing the cost of training totally and now it is ?

**Atul Tayal:** No, we are still bearing the cost of training completely, it is just a security deposit, which is provided by the bank to the company, and the loan is given to the employee, and it is refunded back to the employee and the company bears the cost of the interest.

**Suveer :** Right, so basically this will help you reduce attrition in 0 to 1 year level.

**Atul Tayal :** Absolutely. The idea is that, because this is a fair amount of training that we are providing, and which is very, very intensive and focused on our domain expertise, so we would like to retain the employee for a certain time and get value out of the training that we have provided, and that's the reason of this cashless deposit, so to say.

**Suveer :** Just last one. Any directional change in your ICT business, or any solutions or any chartered change ?

**Atul Tayal :** No, not really. It's just that we have expanded the scope significantly over the course of the past couple of years and we felt that Enterprise ICT was a lot more appropriate in today's context. To give an example, in addition to security, we have added specialized ERP services, gaming, a fair amount of work in network and communications, so that's the reason we thought it would be more appropriate to call it Enterprise ICT, because that's what we are doing today actually.

**Suveer :** Growth in this business was lesser than historic, any particular reason ? And that's it, thank you.

**Hiranya Ashar :** It's just cyclical, as you see year-on-year growth in the Enterprise ICT business, it's been about 42%, and our guidance was also about 40% in this business.

**Atul Tayal :** I think earlier in terms of percentage, the growth was higher, and that was because we were starting from a much smaller base. Now the base has gone much larger, therefore the percentage growth has gone down, but it's a good robust business and we are moving well in that.

**Suveer :** Thank you and congrats once again.

**Atul Tayal :** Thanks.

**Hiranya Ashar :** Thank you.

**Moderator :** Next question comes from Mr. Dipan Mehta of Dipan Mehta Share & Stock Brokers.

**Dipan Mehta :** Can I have the geographical breakup of the revenues or more appropriately, what is dollar and what is non-dollar, because you could have situation where some of the exports to non-US geography could be in dollar. So basically how does the currency add up for the company in top line?

**Hiranya Ashar :** As far as our revenues are concerned, about 61% of revenues are domestic, and about 39% are overseas. Out of 39%, about 24% is in terms of USD. It's not necessarily to the US only, like some of the Middle Eastern

regions are also converted into USD. So they are included into that 24% inflow, which comes into USD. And against that, in this quarter we had outflows, which were 21.2%, that's why we had this net position of about 2.8%.

**Dipan Mehta :** 2.8% is the net position then. And similarly, if you could give this similar breakup, domestic and USD for the order book position, please, Sir ?

**Hiranya Ashar :** The order book position currently comprises of almost 63%, which is domestic, and only 19% order book position is in terms of USD. In fact our order book in terms of Euros and Pounds is increasing much faster than the USD.

**Dipan Mehta :** Okay, and sir within the Indian geography, which is your largest market, what are the key trends which are driving this kind of a top line growth ?

**Atul Tayal:** Okay, let me answer that. The key opportunities that we see and which we see driving our top line growth are, one is, the overall infrastructure development. We see almost, these are published figures, that in near term almost 1 trillion USD are going to get spent in core infrastructure areas like oil, power, gas, also in areas like airports, ports, town planning. So geospatial data and geospatial technology, as well as engineering play a very significant role in this whole infrastructure development. And we are a very strong player in India in both these segments. We have been a market leader for well over a decade in both these segments. On top of that, we have a very strong joint venture with Stone and Webster Rolta Limited, which positions us very uniquely in some key areas. For example, they own a lot of technology in polymers and petrochemicals. They own technology in nuclear power and we see a lot of growth coming in because of infrastructure spending in these core areas that I talked about. The second big opportunity that we see is, our defense and homeland security market, where again, in the defense geospatial business in India, for example, we have a very dominant share. And, on record, figures are, the Government of India expects to spend about 100 billion dollars over the next five years, and because of our position and also because of the technology that we are getting from Thales and our joint ventures, we see us growing in the domestic business tremendously.

**Dipan Mehta :** Just one last question sir, the receivables part, which has always a bit of concern area. How are the receivables shaping up for this quarter, any improvement ?

**Hiranya Ashar :** Receivables are shaping up pretty well. At the end of this quarter, they were at about 174 days.

**Dipan Mehta :** 174 days?

**Hiranya Ashar :** Yes, and we expect that to be about 150 days by end of fiscal '08.

**Dipan Mehta :** And as of March '07, what were the receivable days?

**Hiranya Ashar :** It was about 200 days.

**Dipan Mehta :** What was the key reason, I am sure you have explained in various forums, but just for the sake of understanding again, for such high levels of receivables, is it government contracts, is it...?

**Hiranya Ashar :** It's combination of 2-3 things. Number one is government contracts, whereby government still comprises of about 38% of our revenues, and the receivables cycle in that business is anywhere between six to eight months, and sometimes we have seen that we receive money after a year or so. But these are safe receivables, we have never faced a situation whereby we had to write off any debt, but due to the long approval process, within the government organization, we have to deal with this situation. There is no choice. And we built these things into our margins, and the pricing, which we put in these projects. Second thing is, for many of our projects, there are retentions, which are kept by the clients, and those retentions are also with the private parties, whereby whenever we are billing anything on milestones, what we receive is only 80% or 85%, and balance 10%, 15%, or 20% is retained by the clients, which is paid only at the end of the project, sometimes at the end of the warranty period. So these project retentions also increase the receivables cycle. But the trend, which we have seen over last two to three years, is that the Engineering business is growing faster than GIS, which is predominantly with the private parties, even the Enterprise ICT segment is mostly with the private parties, and there we have receivables, which are ranging between 90 to 120 days. So due to this shift in the business mix, we have been able to reduce our receivable days from about 300 days to now 170 odd days, and we are pretty confident of bringing this down to about 150, but below 150 will be a big challenge for us.

**Dipan Mehta :** Just to reconfirm the guidance is Rs. 980 crores consolidated for June' 08, right ?

**Hiranya Ashar :** Yes.

**Dipan Mehta :** Consolidated, means all these Stone and Webster and all that, how those turnovers recorded, those are not in the top line, right?

**Hiranya Ashar :** Those are in top line, like Stone and Webster is consolidated 50%. So 50% of top line as well as bottom line is consolidated in the guidance, which we have given.

**Dipan Mehta :** And in the case of Thales JV?

**Hiranya Ashar :** Thales JV, whatever small projections are there, we have considered it, but as Mr. Tayal mentioned we are not expecting any major set of revenues out of Thales in this fiscal. So if there are any big contracts, which come in and if those revenues are there, that will be over and above.

**Dipan Mehta :** Right Sir, thank you and congrats and all the best.

**Hiranya Ashar :** Thank you.

**Moderator :** Next question comes from Mr. Nitin of ICICI Direct.

**Nitin :** Hello.

**Hiranya Ashar :** Hello.

**Nitin :** Yes, I just wanted to know, among all the businesses, the engineering design seems to be growing pretty fast, if I am right, its around 19% quarter-on-quarter and what's really driving growth here, is this just a one off thing or do you see it really growing at this pace and being some kind of a 40% in terms of GIS and EDA sometime going forward?

**Atul Tayal :** See, we see a tremendous amount of traction in the Engineering business, but that's not to say that we don't see that kind of opportunity in the GIS. The Engineering business is growing very fast, obviously as compared to GIS, it is from a smaller base, so you see a larger percentage. But in the Engineering business what's happening in engineering today in India, happened in IT 7-10 years ago. So we are the off shoring, outsourcing destination of choice for companies world over and because of the price of oil, engineering everywhere is exploding, I mean, everybody is expanding capacity, so India is really the place where everybody wants to come in and do a lot of work. So, that's the reason Engineering is expanding that rapidly and we foresee this rapid increase to continue. That's not to say that we don't expect good growth in GIS, I mean, for example the Defense business now expanding much more, lot more encouragement being given to private sector in participating in Defense production, we expect that business also to grow reasonably well.

**Nitin :** And of the growth that we have seen in the Engineering business, how much has Stone and Webster contributed and how much has the Rolta part of it contributed, is it more from the Rolta side or the SWRL side?

**Hiranya Ashar :** This quarter it has been almost the same, Stone and Webster has also grown at about 18%, 19% quarter-on-quarter and Rolta has grown at about 16% quarter-on-quarter.

**Nitin :** And for the SWRL, you mentioned an Olefin project in Singapore, if I am right?

**Atul Tayal :** Yes.

**Nitin :** And how different are the projects that SWRL gets, is it significantly larger in size and what is the scope of our territory, does it include the whole of Asia-Pac or this is a one off deal?

**Atul Tayal :** No, Stone and Webster, as far as territories are concerned, there are no territories, it's entire world. It is high-end design centre for Shaw Stone and Webster, for all their global projects and as far as India is concerned, this is their only and exclusive centre. So, as far as territory is concerned, SWRL does projects for Stone and Webster, for projects around the world, whether they are in US, UK, Middle East, Asia-Pac, everywhere.

**Nitin :** And the size of the business in terms of, relative to what Rolta gets, average size of the business, is it much larger?

**Atul Tayal :** Not really, I mean, it depends, there are some projects which are of equivalent size at both places, while there are some projects which are smaller, there have been projects which are 20,000 dollars in SWRL similarly in Rolta and there have been projects which are millions of dollars in both organizations. However, moving forward, when we start looking at complete EPC type projects, that's when I see SWRL project size per se increasing to include procurement and outsourcing construction and at that time the project size would, I think be much larger.

**Nitin :** And how is the shipbuilding and gaming shaping up ?

**Atul Tayal :** Both are doing well, the shipbuilding is doing very well. Gaming is still a nascent initiative and we are taking our first few steps there.

**Nitin :** Right and what is it that has significantly altered our view of the future in terms of the robust growth that we have seen the spurt and the change in guidance as compared to two quarters before. What has really pushed this all of a sudden, is it a particular contract, is it some region, some geography, what exactly is it?

**Atul Tayal :** I think it is a combination of factors, I think we have been over the course of past year, year and a half, we have actually done a lot of

reorganization, strengthening the organization, and we have put in a lot of good people in lot of geographies. Our JV's are starting to contribute lot more. So, on an overall basis I think we have strengthened the business significantly and I think that is the reason why we are improving this guidance.

**Nitin :** Right, thank you.

**Atul Tayal :** Thank you.

**Moderator :** Next question comes from Mr. Kunal of Edelweiss.

**Kunal :** Hi, thank you, congrats for a good quarter. Sir, my question pertains to the win that we have reported in the SWRL JV for the EPC project which is performed for Olefins project, if you could give us some details about the project, what kind of role Rolta plays in that, who were the competitors you were facing at that point in time?

**Atul Tayal :** Kunal, a lot of this is confidential information, but what I can share with you, that this is one of the largest Olefins project awarded in the world over the past few years. This was awarded to Shaw Stone and Webster, awarded by, you can say one of the top two petrochemical companies in the world and it went through a very rigorous qualification process. They came, they spent time with us, they went around the world and the combined strength of Rolta and Stone and Webster, put together, I think swung it our way and we competed with all the top companies in the world.

**Kunal :** Okay and if you would be able to share some size of that particular deal?

**Atul Tayal :** 2 billion dollars for Stone and Webster, obviously that is not the size for SWRL, SWRL will get initially engineering hours, which could exceed a million hours.

**Kunal :** Okay and sir, if you could highlight any of the deal wins that are in the ship designing space during the quarter?

**A. P. Singh :** We are working for a client in Norway, in fact more than one client. We have some projects being discussed in France. We are discussing some projects in Italy. So, there are a lot of projects being talked about, but we are actually engaged in Norway at this time.

**Kunal :** Okay, sir that's helpful, thank you.

**Moderator :** Next question comes from Mr. Apurva of Prabhudas Lilladher.

**Apurva :** Hi, this is Apurva here, actually my questions have been largely answered, but just one more question to just understand the e-solutions part, is there any reason other than the base effect, why that segment has been slowing down quarter-on-quarter for the last four quarters now?

**Atul Tayal :** I think it is purely from a smaller base we have come to a much larger base, otherwise we see that business growing pretty robustly.

**Apurva :** Right, thanks a lot.

**Atul Tayal :** Thank you.

**Moderator :** Next question comes from Mr. Prasad of DSP Merrill Lynch.

**Prasad :** Good evening and congratulations on a good set of numbers, my question is on the Stone and Webster JV, as to how much of Stone and Webster's overall engineering design work is, in terms of percentage, is being outsourced to the JV?

**Atul Tayal :** See, Stone and Webster today has a backlog, if I am not wrong, which is about 12 billion dollars, and out of that Engineering Design would be about 120 million dollars for this year. In Stone and Webster this year, we would do close to about 20 million in revenue. So, you can say that on an overall basis the JV is doing around 20% of the overall work.

**Prasad :** Okay and in terms of work, are we actually bidding for any end-to-end EPC project in India currently?

**Atul Tayal :** The combination of the three, Stone and Webster, SWRL and Rolta has bid for one or two very large projects and hopefully, but who will be prime and who will be a sub-contractor in this, we are yet to decide, because that will at the end of the day get based on client preferences and so revenue will flow in that context, but there are one or two very large projects that we have bid for and the Olefins project happening in India, which we are very bullish about.

**Prasad :** Okay, one more question on the GIS side, in domestic markets I think Survey of India is about to float RFPs for mapping of cities. Are we seeing any success there, or like, what kind of competition, are we experiencing there?

**Atul Tayal :** See, I see us succeeding there very well, I don't see any problem in winning some of that work. The question would be the margins that we get there, because we will end up competing with the local players there, but I think what our discussions indicate with people at Survey of India is that, what they are trying to do is, they are trying to select companies, which are reasonable in size and have a basic level of qualification, so that the jobs get

done in a reasonable timeline. So, I hope we are successful and have some reasonable margin there, but even if we don't make too much money upfront, I see that as very good business for the longer term because one can build in joint IPR and things like that and doing that kind of work and make money much later.

**Prasad :** Okay, so initially what kind of margins will these kind of projects...

**Atul Tayal :** Sorry, I can't talk because I will end up revealing all my pricing strategy to you, because these are going to be bid right now and I can't reveal that kind of pricing strategy.

**Prasad :** Yes, correct. In terms of acquisitions, is there any development or update there?

**Atul Tayal :** The only development I can give you is that we are actively looking out for acquisitions in all our three spaces, Geospatial, Engineering as well as Enterprise ICT and there are some good potential candidates on the horizon, once we come to a stage that we are in a position to announce, we will do that.

**Prasad :** Okay, that's it from my side, thanks a lot.

**Atul Tayal :** Thank you.

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

**Ruchit Mehta :** Hi good evening gentlemen, good numbers. I just want a small clarification; you said the Orion JV had about 2 million dollars in revenues?

**Atul Tayal :** Orion is not the JV, Orion is a 100% subsidiary.

**Ruchit Mehta :** Sorry, so about 2 million dollars in revenues?

**Hiranya Ashar :** Yes.

**Ruchit Mehta :** So, if we adjust with the revenue growth which is about 5% quarter-on-quarter, which we know is your slowest, I would say in quite some time, so any reason why so?

**Hiranya Ashar :** You are talking about the Enterprise ICT?

**Ruchit Mehta :** No, if you just take total revenues, and remove 2 million dollars of revenue from there, you would have grown about 5% sequentially,

I hope that is correct and any reason why it is so slow compared to the last 4, 5 quarters where you have grown at least to high single digits plus?

**Hiranya Ashar :** No, if you see that higher single digit was the overall business, in fact GIS business has been growing at a year-on-year growth rate of around 25%. Instead of that if you see a year-on-year growth rate, this quarter is about 35% plus, that's including the Orion JV.

**Ruchit Mehta :** Just on the Thales JV, on the nuclear opportunities that was supposed to happen, do you see there could be some delays in whatever the opportunity size was going to be there because of all the uncertainty there?

**Atul Tayal:** See that would come into the Stone and Webster JV, the point would be that I think those decisions are out of our hands, those are decisions which are left to the leaders of both the countries and we hope things move forward. But notwithstanding that there is a lot of opportunity we still see there and the context of pure spending in just conventional power and refining capacities, those are expected to double over the next decade and we see this JV anyway very strongly positioned.

**Ruchit Mehta :** Okay and just on your billing rates, you mentioned that you are looking at newer contracts coming at higher billing rates; could you give us a sense of what increases are we looking at for a year?

**Hiranya Ashar :** Yes, current billing rates have been about 19 dollars an hour in GIS and it is just about 26 dollar in the Engineering business and about 88 to 90 dollars an hour in the eSolutions business. So, what we see is GIS average billing rates moving towards 20 or 21, but in Engineering, we see a good growth in the billing rates, whereby from about 18 dollars we have moved up to 25-26 and the trend is towards 30. It will be achieved may be in a year, a year and a half from now.

**Ruchit Mehta :** Okay, so where do you see your margins heading to, because right now you are about 36%, would it be fair to assume that you would be for the full year, achieving last years margins of about 40%?

**Hiranya Ashar :** Yes, about 39% is something, which we are expecting on the EBITDA and about 24 or 24 1/2 on net basis for the full year FY08.

**Ruchit Mehta :** Okay, also you mentioned that you had about 150 crores of annuity revenues as on date, could you give us what that figure was last year?

**Hiranya Ashar :** Last year was about 120.

**Ruchit Mehta :** Okay, so you have gone from 120 to 150, okay, thanks.

**Hiranya Ashar :** Thank you.

**Moderator :** Next question comes from Mr. Allan of Boyer Allan.

**Allan :** Hi and thanks again for good set of numbers. Actually the question I was asking was answered in relation to the margins, but could you give slight more clarity on that, you said that the impact from wage rise is about 1.4%, would we expect to see margins back at same levels in the next three quarters?

**Hiranya Ashar :** Yes, absolutely, because there won't be any wage hikes in the next three quarters, but we definitely see a trend of increase in billing rates and also higher productivity. So, we will be able to cover up our margins in the next three quarters and by end of fiscal '08 our full year EBITDA should be around 39.

**Allan :** You seem to be forecasting, the forecasting handed out was marginally below 24 %, is it not bit conservative?

**Hiranya Ashar :** No, it's about 24 to 24 1/2, but the forecast, which I had given, yes, its on 24% and I don't think it is conservative, it is more realistic as something what we see considering the pressures on the cost.

**Allan :** Yes, that's fine, thank you.

**Moderator :** Next question comes from Shaumo of Lotus Partners.

**Shaumo :** Hi, congratulations on a strong quarter. Can you talk about where you can get margins eventually for Orion?

**Hiranya Ashar :** It's in a stage where we are shifting the product development from Canada to India. So, first stage will be to reduce the cost of product development and that's where we will be able to improve our margins. Secondly, the product has not been sold very well in the other geographies besides the North American region, wherein now with the added sales force which we have, we will be able to book the revenues on the product sales from other geographies and that will also improve margin as in the product business now there is no incremental cost to that sale and we see margins improving significantly over next few quarters.

**Shaumo :** So, how big the sales be compared to where they are now, not to give me an exact number, but just roughly in terms of magnitude?

**Hiranya Ashar :** See, what we have projected is over next five years cumulatively, the Orion acquisition should give us revenues of about 100 million US.

**Shaumo :** Okay, and then the other question I had is can you talk about where you expect Stone and Webster to go if the nuclear deal is approved and where you would expect it to go if the nuclear deal isn't approved and how the difference might be based on how this is resolved by the two governments?

**Atul Tayal :** See, what we have done in our planning is that, our internal planning and announcements that have happened during the course of last one year even publicly on various TV interviews by our CMD, we haven't looked and considered any of these nuclear projects in our internal planning, because we have always looked at them as a potentially great opportunity and we see that coming very well, but if it doesn't, it doesn't, because its still been a little distance to go. If it comes, it will be great, but even if it doesn't come, we see a fair amount of traction in pure conventional power and in the refining context where the capacities are expected to double and I believe that the JV is very well positioned to exploit all of that and in our internal planning and any projections that have been done, we hadn't taken any numbers for nuclear projects anyway.

**Shaumo :** Okay and the final question is, on the Thales joint venture, do you really face any competition from any of the contracts that you are bidding on, how many other companies in India have the capability to really bid for this?

**Atul Tayal :** We face competition from companies world over. Competition is a fact of life and to say that there is less competition would be incorrect on my part. What we do is that, we have a fair amount of know-how, we have a lot of existing legacy systems that we integrate with, we have a lot of advantages vis-à-vis our cost structures here, we have a lot of advantages vis-à-vis deployment and support infrastructure and I think on an overall basis, that is the strategy that allows us to win. But, competition is there from everywhere, I mean, in a large project the Lockheed Martins, the VAE, everybody would be there.

**Shaumo :** Is there a large number of companies that have the same strategy, you would be aware, of getting technology from a European or American company and also having a low cost element locally that can deliver some of the projects as well?

**Atul Tayal :** See, lot of companies in India are announcing similar partnerships, I mean, I wouldn't say similar, they are announcing partnerships. Now, some may be project based, some may be transaction based, I can't really comment on how strong those are, but I haven't yet heard anybody else announcing a JV.

**Shaumo :** Okay, thank you, I appreciate that help.

**Atul Tayal :** Thanks.

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

**Joost Vos :** Good evening gentlemen, earlier on in the call you said that project pipeline is up 17.8 % quarter over quarter, do you have a similar comparison for the projects, which you are currently bidding on?

**Hiranya Ashar :** Yes, that's about 20 billion rupees. See 9.8 billion is the order backlog and the pipeline is about 20 billion rupees, which is also up about 20% as compared to the last quarter.

**Joost Vos :** Okay, great, the first fiscal quarter here sales up 44%, that's an acceleration from previous quarters, but your guidance for the full year is 38%, is the first quarter to be considered an exception?

**Hiranya Ashar :** Not at all, in fact there is no cyclical business or we don't have those things whereby there are more number of days in the first quarter or first quarter, which is September quarter is generally strong, those things are not applicable as far as Rolta is concerned, because our model is more of an offshore model, whereby even the December quarter which is very, very weak for many other companies due to holidays, its not the case with us. So, I think it is pretty even and similar growth can be there in other quarters also.

**Atul Tayal :** And we don't want to give numbers which sound too high, so we have given you numbers, which we believe we can meet or beat.

**Joost Vos :** I appreciate that, thank you. On the attrition front, do you have a comparison of quarter relative to maybe year ago in terms of percentage attrition?

**Hiranya Ashar :** It was about 9% a year ago, it's now about 10%, but still 10% is something, which we are very happy on. The attrition is slightly high because of the Engineering business, where the attrition has gone up, but now we have the Rolta Academy, which is in place, whereby we will be hiring fresh engineers and engineers with one or two years of experience and with the cashless program which was discussed earlier on this call, we see the attrition coming under control there and 10% attrition is something which we can maintain for next one to one and a half years.

**Joost Vos :** Thanks, those were all my questions, thanks very much.

**Hiranya Ashar :** Thank you.

**Atul Tayal :** Thank you.

**Moderator :** Next question comes from Ms. Lori Woodland of Ferox.

**Lori Woodland :** Thank you, good afternoon, my question relates to the Stone and Webster venture, do I understand correctly that right now that venture is earning about 20 million in revenues?

**Atul Tayal :** No, that's the projection for this year.

**Lori Woodland :** Okay, and about how much is that business earning?

**Hiranya Ashar :** The margins are about 25%, 26% net.

**Lori Woodland :** Okay, and are the receivables there similar to other government receivables, at about six to eight months or do they have faster returns?

**Hiranya Ashar :** They have 90 days receivables.

**Lori Woodland :** Okay, that's all I have, thank you.

**Hiranya Ashar :** Thank you.

**Moderator :** Next question comes from Mr. Dipesh Mehta of Khandwala Securities.

**Dipesh Mehta :** Congratulations on a good set of numbers, I just wanted your Head Count, earlier you had guided around 5,300 employees for the year 2008 and around 7,000 for '09, now considering our increased visibility and the guidance upgrade, what kind of numbers we are targeting now?

**Hiranya Ashar :** We are targeting about 5500 employees by June of '08 and about 7500 employees by June of '09.

**Dipesh Mehta :** And any raise in the CAPEX plans?

**Hiranya Ashar :** No, CAPEX plans remain more or less the same.

**Dipesh Mehta :** That is around 200 to 250 crores for the year?

**Hiranya Ashar :** Yes, 250 crores for this financial year.

**Dipesh Mehta :** Okay and what was your cash position at the end of quarter?

**Hiranya Ashar :** It was about 6 billion rupees or 600 crores plus.

**Dipesh Mehta :** Because now our revenue mix is getting changed due to the growth rate difference between three segments, so after 2-3 years, what kind of revenue mix we expect or we anticipate?

**Hiranya Ashar :** See, currently revenue mix is changing in favor of Engineering business, but when you see last set of revenues coming out of Thales joint venture, at that point of time the revenue mix will also go in favor of GIS, so may be in a year or couple of years what we see is about 50% revenue coming out of GIS, about 36% coming out of Engineering and about 14% from the Enterprise ICT.

**Dipesh Mehta :** Okay, so more or less getting the narrow range of the existing mix?

**Hiranya Ashar :** Yes.

**Dipesh Mehta :** Okay, that's all from my side.

**Hiranya Ashar :** Thank you.

**Moderator :** As there are no further questions, I hand over the floor to Mr. Hiranya Ashar. Over to you Sir.

**Hiranya Ashar :** Thank you everyone for joining us on the call. If you have any further questions, you can send an email to me and see you in the later part of this year or speak to you on the next call. Thanks, thanks a lot.

**Atul Tayal :** Thank you, this is Atul Tayal, take care.

**A.P Singh :** Thank you, gentlemen, this is A.P. signing off.

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.