"Rolta India Limited Q3 FY14 Earnings Conference Call"

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MANAGEMENT:
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Analysts/Investors:

Varun Vijayan   Phillip Capital
Varun Bang   Pramerica Asset Management
Gaurav Randheria   Morgan Stanley

& 20 other participants

Moderator:	Ladies and Gentlemen, Good Day and Welcome to the Rolta India Limited Q3 FY-'14 and 9-Months FY-'14 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. The conference is for a time limit of 60 minutes and will end at 6:30 p.m. Indian Standard Time. I now hand the conference over to Mr. R. Ravi– Associate Director for Rolta India Limited. Thank you.And over to you sir.
R. Ravi:	Good Evening, Ladies and Gentlemen. I R. Ravi -- Head of Investor Relations wishing all a very Good Evening and a warm Welcome to the 3rdQuarter FY-'14 and a Full Year FY-'14 results of Rolta India Limited.To discuss the quarterly results I am joined by Mr. Atul Tayal -- Joint MD and CEO of Domestic Operations, Preetha Pulsani – President, International Business from US, Mr. Pankit Desai – President, EMEA Geography, and Hiranya Ashar -- Director Finance and CFO. Before we begin I would like to mention that some of the statements made in today's conference call may be forward-looking in nature including those related to the future financial and operating results, benefits and synergies of the company's brands and strategies, future opportunities and the growth of market of the company's services and solutions. This may involve a number of risks and uncertainties. Rolta disclaims any intention or obligation to update any forward-looking statements as a result of first

developments occurring after this date. Documents related to our financial performance already been e-mailed to all of you earlier, and these documents havebeen posted on our corporate website as well as they are available in both the stock exchanges. I now invite Mr. Atul Tayal to provide the key highlights of our performance. Over to you, Mr. Tayal.

Atul D. Tayal: Hello, everybody. Today, in India we have built a solid non-linear business based on IPR-led revenues leading to higher profits. This has happened due to a unique combination of rich IP repository, wide IT experience and deep domain knowledge in the areas of Defense, Security, Geospatial, Engineering and IT. With a large and expanding user base, we continue to reinforce our leadership position in the Indian Defense and Security markets. We are very well placed for various upcoming and ongoing high value defense modernization programs in the CQ ISR domain due to continued investments in developing world-class customer-driven solutions extensively customized for this segment. We are also very proud to be one of the very few companies in the country that meets the stringent eligibility criteria for the "Make India" category for indigenous production of defense solutions. The Defense Procurement Policy 2013 places a very high emphasis on indigenization of technology, especially for an extensive and large scale defense projects. For example, the Battlefield Management Systems (BMS) is a large value, prestigious project of the MOD under the "Make India" category. It is meant to deliver command and control capabilities to the fighting launch of Indian Army operating at forward edge of the tactical battle area to battalion and combat groups. This will be an indigenous highly complex state-of-the-art light weight, man portable and wearable system, suitable for retro-fitment in combat vehicles, and provide real-time situational awareness, decision support, and battlefield management to users. It will be capable of functioning in highly adverse climatic and electromagnetic environments. The project calls for integrated software, hardware, and communications including radios and satcom. Approximately, 1,000 units of the Indian Army will be equipped with this system at an expected expenditure of Rs.50,000 crores. We have partnered in an exclusive consortium of two companies with Bharat Electronics limited (India's leading defense electronics public sector unit) to bid for this project. Rolta has become one of the very few companies in the world and the only one in India to develop and release highly sophisticated 64-bit intelligence surveillance and reconnaissance. ISR Software Solutions to fully exploit the latest advances in satellite and aerial imaging and cutting-edge computing platforms. Our ISR Solutions are deployed across hundreds of users in the Indian Army, and we continue to actively support and maintain these systems. Rolta's War Gaming Solutions is also becoming the standard for Indian Defense after wins and implementations at various key military organizations. Now, we have been invited for award of contract by the Apex Indian War Gaming Agency. Our plans for setting up an Uptronics manufacturing plant in collaboration with a leading manufacturer of global standing are also moving well, and are at an advanced stage. These Uptronics products will be highly effective in addressing the issue of night blindness for the police, paramilitary forces, and defense. We also continue to provide pioneering solutions to the Homeland and Maritime Security Agencies across the country. Major HLS organizations continue to repose confidence in Rolta offerings and important police forces across the country like Maharashtra, Andhra Pradesh, and Kerala have awarded us contracts for mission-critical communications. The company's traditional command and control and CCTNS solutions are being implemented at Mumbai Police, UP Police and Police forces of various northeastern states. The UP Police Control Room, for example, has been recently setup it is based on Rolta-IP and this world-class installation at Lucknow will meet most of the stringent NG911 standards.

Our traditional Engineering, Design, Automation,and Services Projects business also remains quite robust. We plan to leverage our MoU with Hitachi at a corporate level for a strong partnership as we also deliver complex engineering services to them. We have also received supplementary orders for undertaking additional services from a nuclear power facility of DAE, for whom we are executing design and specialized engineering service projects.

For Sadara, we have successfully executing the multi-million dollar contract to implement a comprehensive engineering and submission system by uniquely combining our Engineering and IT capabilities. Similarly, our Geospatial Services business remains rock solid, large existing projects like NPG and Thames Water in UK and the 3D projects from the Middle East are all proceeding very well with good prospects for future.

A strategy of providing advanced solutions around our own IP is paying rich dividends and has resulted in improved business strengthening our position further. We continue to focus on developing and building world-class IPRs which are customer-centric and based on our unique set of core competencies to address key industry verticals. Hence, we are now operating at a much higher end of the value chain. This strategy has helped broaden our markets holistically and resulted in better margins. Thank you for your attention.And I now hand over to Preetha who will give you an update on our US operations.

Preetha Pulusani:	Thank you, Atul. The Rolta Americas organization continues its active business execution phase with sales, business development, and project delivery. By the end of the last 9-months fiscal year, our sales pipeline of well qualified sales opportunities have exhibited a healthy growth. We continued on the road to progress in Q3 and throughout the last fiscal year to grow and strengthen our financial position. As we have previously discussed with our investor family, we credit our past performance and base our future success on our ability to maintain a financial model that balances aggressive growth while minimizing business risks through industry focus, scalability, infrastructure quality, bluechip clientele, strong leadership and a unique IP-driven differentiated advantage. We therefore go into this fiscal year with four critical pillars that each have a specific focus offering differentiated solutions and services to the respective markets they serve. These are one is Infrastructure Solutions and Managed Services, the second is Oracle Consulting Services, the third,Engineering IT and GISServices, and fourth is IP Solutions. We have a profitable growth plan that leverages key partnerships, differentiated solutions, a strong customer base and a focus go-to-market strategy that intersects industry's segment with deep technical solutions and capabilities. When we are able to demonstrate depth across the spectrum of solutions with confidence, knowledge, and expertise, this brings a compelling value proposition, not just to our customers but to our strategic partners such as Oracle and SAP because we are in many cases enabling or accelerating sale cycles or opportunities for their products. The primary industry focus areas where we offer high differentiation and high value are oil and gas, manufacturing, utilities, financial services and transportation.

With that said here is the sampling of some of the accomplishments including wins in various industries during the last year, many of which showcase the differentiation as described above -- Tennessee Valley Authority, Honda, Toyota Motor Engineering and Manufacturing of North America, MNT Bank, Elections Ontario, Ministry of Transportation Ontario, Haemonetics, Alabama Power Company, Kaiser Aluminum, State of Vermont, U Penn (The University of Pennsylvania), Applied Industrial Technology, and Dell.

Last year, Rolta not only signed its first Cloud ERP deal with a global manufacturer of plastic products Flambeau to work on their financial applications implementation but also accomplished the go-live milestone. As part of this implementation, Rolta developed unique migration accelerators which now positions Rolta as a premier service provider for Oracle Cloud ERP implementation. Oracle has projected that sales of Cloud ERP in this coming fiscal year beginning June 1st will reach 60% of its total ERP license sale. Rolta is in a unique leading position to capitalize on these implementations with our customer being one of the first sites in the world to go live with Oracle Cloud ERP.

In addition to these wins we reached other important milestones in projects -- Sadara as mentioned by Atul is a Multi-Million Dollar Global Engineering IT Project that we won late the previous year for managing all of their engineering information as they create the world's largest petrochemical facility ever built in a single phase -- 26 units, $22 billion. Our global project execution across US, India and Saudi Arabia is progressing very well and we expect to sign significant add-ons to the original contract with Sadara this quarter. We completed our transition of merging our Managed Services with AdvizeX last year; this positions us well as we build on the 3,000 plus customers and 80 people strong sales force of AdvizeX to aggressively grow Managed Services and Consulting Services.

The SAP strategic OEM partnership which we announced last year is already paying high positive dividend where we are able to jointly address a focus customer base especially in the oil, gas, chemicals and utilities industry. By building our IP solutions on a foundation of SAP technology, including HANA, we are able to provide compelling and innovative solutions that provide operational and business insights to customers in this space. We are currently pursuing over 60 active opportunities in this area in North America alone and we see our activities increasing at an increasing rate.

Finally, at Rolta Americas, our focus this year is to scale successful strategies, further securing our growth for the immediate and longer-term future. Thank you.And I now turn it over to Pankit to discuss the EMEA region.

Pankit Desai: Thank you, Preetha. I will now speak about our performance for the Europe and Middle East regions for all our services and Enterprise IP Solutions for the India region. This past fiscal, our strategy to focus on our IP-led Solutions in the verticals where we are dominant, have yielded exceptional results for us in the geographies that we operate. As I had mentioned in the previous call, Rolta and SAP announced a global partnership to address several markets jointly. We continue to see a momentum in the strategy culminating in the recent announcement of "Rolta being recognized as a Winner of Pinnacle Award." This is like the Oscars of the SAPPartner Ecosystems where of the total 13,000 partners globally, only 21 are recognized with this award. This is a testament of the strength of the relationship and the impact Rolta is making with SAP on their cutting edge technologies of BI& Big Data. There are close to 100 plus opportunities globally that we are working with SAP together on this.

Rolta and SAP are continuing to invest in joint go-to-market activities with several representations at oil and gas, utilities and regional forums. There are several joint white papers and customer point-of-use that have now been published giving an impetus to the market development activities. We continue to be excited by the strategic partnership and we are tracking our success in the field exactly how we had envisaged at the time of the agreement.

Coming back to the regions that I represent, this fiscal has been very good for our market facing teams;the teams are completely aligned to our strategy of focusing on our strengths both on the domains that we dominate and the solutions that we are uniquely placed. In Europe, we have reported a very large win earlier this year at Northern Power Grid, we are continuing to execute very well on the deal, and have through the course of the year received several multi-million dollar add-ons to the original contract. This is a testament to our successful delivery capability as well as strong customer relationship.

We also won a Very Prestigious Contract with Thames Water, a UK based utility, where we bring our domain and IP to solve some very complex problems around compliance and real-time reporting.

In Netherlands, Rolta is part of two consortiums, has been selected as a preferred partner for a national mapping needs. In Europe, our relationship with SAP has yielded significant traction, we now have joint pursuits in several utilities, oil and gas and chemical majors. We are currently engaged in strategy roadmaps in many of these customers, this is a precursor to our OneView solution sale giving us confidence of a significant uptick in this area in the new fiscal.

In the Middle East, we are seeing three distinct trends in our GIS business -- The first which I reported earlier was around the transition of mapping from 2 Dimension to 3 Dimension. This is being driven primarily by the need for better town planning as well as safe city requirements -- The second is around creation of national spatial data infrastructure to support the significant infrastructure spend committed either on account of mega events like the "FIFA World Cup" in Qatar or "Dubai World Expo" or of their own volition -- And the Third trend is around providing e-governance services enabled through proliferation of mobile platforms. In all these three areas, Rolta has a flagship position with the three of the largest 3D City implementations, one of the largest national spatial data infrastructure execution and several mobile enabled as well as geospatially tracked e-governance solutions. And all of these implementations are in the Middle East region, giving us a headstart as the customers buying behavior is mopping. This year saw several strategic wins for each of these areas, for example in GCS and MOI in Saudi, RTA-ADM, Dubai Emirate in UAE and CSI NSA in Oman, SLRB in Bahrain to name a few. As we all know, Middle East has some of the largest oil and gas industry players; however, it is probably a little known fact that they have a booming downstream petrochemical industries as well. Rolta's OneView solution is an ideal fit to both these markets and our existing referencable customer base and strong partnership with SAP has given us a momentum in the region. We have recently completed operational excellence initiatives with companies such as PDO, Q-Chem, BAPCO, etc., based on our IP-led offering.

In India, we are cautiously optimistic about what the market pertains, especially with the change in government. In the past few years, Rolta has been involved in several large e-governance initiatives and have now got a solution footprint that can support several aspects of government functioning. We expect that the new government's motto of minimum government and maximum governance will drive significant uptick in the government spend on technology initiatives. Our wins this year with rural livelihood Ajeevika Pradikaran, NIXI Town Planning will see a replication potential across the country. As you can see in all the regions, Rolta's strategy to focus on solution-based offerings has been very well received by its customers, I am enthused by the success of our story, and I am confident that we will have a very successful new fiscal. Thank you for your time. I will now turn over to Hiranya to discuss the 'Financials.'

Hiranya Ashar:	Thanks, Pankit. Good Evening, everyone. We are happy to announce that company has sustained its strong revenue growth momentum in both revenue streams which just concluded fiscal year FY-2014. And in the 3rd quarter of this fiscal, the revenue growth was strong due to some of the large orders which started burning in Q3 and had large 3rd party and system integration component as well as due to Middle East and Europe subsidiaries which were already on March fiscal year-end, and for this quarter we had to consolidate two quarters instead of one. The overall revenues for Q3 FY-'14 were up 95.5% year-on-year and over previous quarter it was up by 46.9% to Rs.11.15 billion. Operating revenues for 9-months period fiscal FY-'14 reported a strong year-on-year growth of 59.7% to $25 billion. In the last financial year FY-'13, we had four quarters, and the company reported revenues of $21.78 billion, and for the just concluded fiscal FY-'14 which had only three quarters we had $25 billion of revenue. At EBITDA level, the company had margin contraction in Q3 of FY-'14 and also for the full year FY-'14.

I would like to draw your attention to that these margins are not likely to be linear on an ongoing basis and it will continue depending on the revenue mix. As we have higher component of our own solutions revenue, the EBITDA margins will spike and vice versa in the event of a higher third-party solution revenues. As we had higher component of third-party revenues in quarter '13 material and subcontracting expenses were up 2.4x as the numerous projects in these two quarters were in the initial stage, and if this trend is different the margins are likely to be back to where they were earlier. Despite spike in the operating expenses in Q3 and also interest cost, the company for FY-'13 reported a very strong sequential net profit growth of 86%. This was also due to the tax reversals of Rs.838 million, which happened during the quarter, where most of our tax assessments got over, and the excess provision which was provided earlier got reversed.

With this Ladies and Gentlemen, we enter into FY-'15 with a very strong order book position, and with the visibility which we have, we see this growth momentum continuing further. Thank you very much, and I open the floor for question-and-answers. |
Moderator:	Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question.
Atul D. Tayal:	If there are no questions we can conclude the call.
Moderator:	Sir, would you like to add any closing comments?
Atul D. Tayal:	Thank you everybody for joining this call, and if there are any further questions please e-mail those to Hiranya, he will be glad to revert back. This is Atul Tayal signing off.
Moderator:	Ladies and gentlemen on behalf of Rolta India that concludes this conference call. Thank you for joining us and you may now disconnect your lines.