



Rolta India Limited

Q4 & Full Year 2013 Earnings Conference Call for Equity Investors

August 29, 2013

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SBICAP Securities
Research Bytes
Ambit Capital
East India
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Moderator:

Ladies and gentlemen good day and welcome to the Rolta India Limited's Q4 & Full Year 2013 Earnings Conference Call. We have with us today Mr. Atul Tayal -- Joint Managing Director & Chief Operating Officer, Domestic Operations; Ms. Preetha Pulusani – President, International; Mr. Pankit Desai – President, Business Operations EMEA; and Mr. Hiranya Ashar – Director, Finance & CFO. As a reminder, all participants are 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 please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being



*Rolta India Ltd
August 29, 2013*

recorded. Please note that the duration of the conference is 60 minutes only. I would now like to hand the conference over to Mr. Atul Tayal. Thank you. Over to you sir.

Atul Tayal:

Hello, everybody. Our approach of positioning Rolta IPRs combined with our rich IT experience and deep domain knowledge in the areas of Defense, Security, Geospatial and Engineering has continued to help us build a healthy order book and sales pipeline. This has resulted in a solid non-linear business model with increasing annuity and IPR-led revenues. We continue to sustain our dominant position in the Indian Defense and Security markets. This is an outcome of our continued investments in developing world-class and customer-centric solutions in this segment. We are also very proud to be one of the very few companies to have been selected for the indigenous production of defense solutions under the main category. As per Defense Procurement Policy 2013, there is now a much greater emphasis on indigenization of technology, especially for large scale defense projects with global procurements becoming the last preference. While we continue to further develop and enhance our traditional defense C2ISR applications, our expanded portfolio for solutions for addressing the complete “sensor to shooter” chain has also positioned us very favorably for a large number of upcoming and ongoing high value defense modernization programs like Battlefield Management System, Software Defined Radios, Optronics, Order Management, IMINT Generation, etc. Today, we have a large installed base that provides healthy annuity revenues and additionally we are also implementing many hi-tech projects like a sophisticated C2 system for tri-services, a state-of-the-art communications grid for providing navigation and meteorological information across our country’s coastline and have also been awarded specialized projects for simulating war games with operational scenarios. Rolta also continues to maintain a leadership position in the Indian Homeland Security business. We have already bagged a number of prestigious projects for CCTNS in the Northeastern states and many Police Projects for implementing Command and Control Systems. The project in UP is aimed at providing advance level automation for the police force to rapidly respond to distress calls from citizens. Also, Mumbai Police, one of our longstanding customers has again reposed confidence in us to modernize their existing control room with our IP and also equipping the Elite Force I with night vision operational capabilities. Our cutting edge technologies and deep domain expertise in the Homeland Security domain have enabled us to field unique solutions for a large number of large and high value upcoming national and state level programs like safe city, critical infrastructure protection, NATGRID and Phase-II of the CCTNS. These state-of-the-art solutions continue to meet and exceed the expectations of country security agencies.

In the Geospatial segment, we continued to build and deploy innovative solutions on Rolta IPs like Rolta Geomatica and Geospatial Fusion for a variety of applications. These are being exploited for Modeling Urban Environment, Transportation Corridors, Land Record Management, Mapping Flood prone plains, Assessing Geological Hazards, Crop Monitoring, Watershed Management, etc. This approach has resulted in orders from a large number of programs like JNNURM, NLRMP and various states for management of scarce resources like groundwater, etc. Our traditional services projects business also remained strong with orders



*Rolta India Ltd
August 29, 2013*

from many organizations as illustrated by a large World Bank-funded project for high end mapping in Andhra Pradesh and other such initiatives under the national e-governance plan across the country.

In the Engineering Design and Automation segment, Rolta enjoyed the dominant market share in India. In addition to Engineering Design, our solutions for procurement and construction management are gaining rapid acceptance with large contracts from India's leading private oil & Gas Company for such solutions. The country's largest petroleum company also continues to repose confidence in us, recently awarding a large follow on EPCM services project for storage terminal design for one of their overseas subsidiaries. We have expanded our addressable market considerably by deploying our solutions to address both the CAPEX and OPEX requirements of our customers.

Our strategy of building cutting edge solutions around our own IP has paid rich dividends and has resulted in increased business improving our position further in the markets we serve. We continue to focus on developing and building best-of-breed IPRs which are customer-centric and are intermatched with our unique set of core competencies to address key industry verticals. We see this as a very effective strategy. It is helping us expand our markets and improve our positions in the segments we serve resulting in better margins across our businesses.

Rolta possesses unique capabilities in the field of IT, GIS, Engineering, Defense & Security solutions. Combined with our IP, this amalgamation provides us with significant competitive advantages which results in enhanced customer stickiness and a strong entry barrier for other companies. The industry verticals that we address are large and growing rapidly. These factors position us very well for the long haul.

Thank you for your attention and I now hand over to Preetha who will give you an update on our operations in the Americas.

Preetha Pulusani:

Thank you, Atul. The Rolta Americas business made significant progress in Q4 and throughout the last fiscal year and continued to grow and strengthen our financial position. As we have openly 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, blue-chip clientele, strong leadership and a unique IP-driven differentiated advantage.

With this high growth balanced risk approach as a foundation in FY13 we have accomplished the following: We booked the largest two contracts in Rolta Americas business history. From a growth perspective the value of these contracts represent almost two-thirds of our previous fiscal year revenue. In addition, these well-established blue-chip customers are from two of our core industry-focus areas -- Utilities and Oil & Gas where we have harnessed the power of Rolta's global delivery in our core competencies of Enterprise IT and Engineering IT



*Rolta India Ltd
August 29, 2013*

Integration respectively. We heavily leveraged our industry knowledge and domain expertise to compete, win and grow our competitive advantages with key large new business in the Financial Services, Oil & Gas and Utility sectors.

We strengthened infrastructure in terms of both leadership and organizational alignment with significant investments in the business development assets of our consulting IP solutions and application outsourcing team. We capitalized on our global R&D capabilities where solutions such as OneView are created and aligned with our regional IP Solutions Center of Excellence for further customization for the Americas market.

We aligned our businesses to support an infrastructure solutions and high margin managed services model that will leverage a broad and successful sales infrastructure, an extremely large installed base of customers while uniquely positioning us with larger initiative scenarios such as Big Data, Mobility and IT Security.

Finally, we strengthened our key partner relationships with Oracle, SAP, HP and ESRI where they are now taking us into their installed base of accounts.

The key success factors were demonstrated with some of the important wins we had last year and this is the foundation of our go-to-market strategy to continue our growth. I would like to reiterate some of these wins and the factors that Rolta utilized to accomplish them. The single largest contract for over \$31 million plus that we were awarded this year was for MLGW which we are now well on our way to delivering. It is an end-to-end business transformation, centered around integrating business and GIS Systems. Above any other competitors we were able to showcase our combined strength in these areas in order to capture this business.

Similarly, the win for a Multi-Million Dollar Contract from Sadara Chemicals Company, a unique alliance between Saudi Aramco and Dow Company is to implement a comprehensive engineering system at its complex which will be the world's largest petrochemicals facility ever built in a single phase. Rolta was selected for this challenging global project based upon its unique combination of world-class capabilities in Engineering and IT. In addition, this project will be executed by a global Rolta team from US, India and Saudi Arabia. These game-changing deals also put us on track to increase the scope and size of business that Rolta Americas pursues and wins. We have demonstrated our ability to win and deliver contracts in the \$(+25) million range in the industry sectors we have chosen to pursue.

In financial services, we won a major financial transformation project unifying ALM, financials and risk management systems bringing together accounting, finance, and risk data to comply with regulatory requirements. Here too we leverage extensive Rolta expertise with Oracle Technologies combined with Rolta IP and Rolta CFO Impact methodologies.

Similar wins were accomplished last year in acquiring several new logos in the financial services, manufacturing, healthcare and retail sectors. Some of the new clients that we are now



*Rolta India Ltd
August 29, 2013*

working with include Omnicare, Hemanitics, Tennessee Valley Authority, Tucson Electric Power, M&T Bank, Petrohawk, Meredith, Tallgrass, Berry Petroleum, University of Pittsburg and Dell. As you can see all of these give us a very strong foundation for growth as well as validates our approach for winning in a crowded competitive market that is nonetheless the largest in the world. Combined with the strengthening US economy we are confident that this strategy is the right one to achieve our growth plan for the current fiscal year and beyond. I am very encouraged by the progress that has been demonstrated by Rolta Americas and we are leaving no stone unturned in building on our successes to further secure our growth for the immediate and long-term future. Thank you. 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 the Enterprise IT services for the India region. Rolta has continued on its transformation journey by leading with IP based solutions all through the year. In all the three regions our endeavor has been to drive aggressive growth while mitigating business risk by focusing on our domain strengths, industry expertise and Rolta's wealth of intellectual property. During the fiscal 2012-13, this strategy has helped us in the region accomplish the following: Being one of the largest geospatial enabled asset management implementation for Northern Powergrid, a leading UK-based Berkshire Hathaway company. This deal about \$11 million in size brought together Rolta's domain strengths of GIS and IT industry expertise in terms of utilities and IPR that can bring this disparate technologies tracks together. As a utility industry, it looks to modernize itself investments and asset management solutions are key to understanding and leveraging the existing assets. We believe that our successes in this space will have significant growth potential across other utilities.

Rolta's OneView platform, our flagship offering for the integration for the asset-intensive industry continues to see significant tractions with wins and successful implementations. Rolta's OneView brings together our unique strength around Engineering, IT, and GIS solutions.

On the back of the success we now have successful rapid deployment program with SAP on along with an already existing OEM relationships. We also have successful implementations with leading petrochemical company in Saudi Arabia as well a subsidiary of Oman Oil Company.

Our leadership in the GIS market space was evident with key wins in Northern Europe, Middle East and North Africa. In all these markets Rolta's focus has been to offer our customers solutions that leverage heavily on our intellectual property like Rolta's OnPoint Geospatial Fusion, and solution pack for Geo BI also known as Location Analytics and Geo Assets geographically avail asset management solutions.



*Rolta India Ltd
August 29, 2013*

Our customers are excited about Rolta's ability to bring these two together traditional GIS solutions along with cutting edge IT capabilities that help them extend their investments in GIS infrastructure.

Our Engineering solutions saw a landmark wins in an outsourcing contract for an offshore based asset update at Thames Water, the largest UK-based Water Utility company. This is a path breaking win for Rolta opening a new line of opportunity for annuity revenue in the Engineering Solutions space.

In India our IT solution offering has continued to see growth. Earlier in the year we announced a path breaking win with India's nodal e-governance agency NICSI for the internal ERP implementation.

I am happy to report that continuing on the success Rolta was recently selected as a preferred partner for ERP implementation at a World Bank funded initiative for the Government of India flagship rural development program.

Rolta's recently launched IPR SmartMigrate has already seen success with a significant win at one of the largest global hi-tech companies. This is Rolta's flagship offering for allowing its customers to consolidate reporting platforms and optimize their business intelligence investments. As customers are looking to consolidate and optimize their IT investments Rolta's SmartMigrate offers our customers time to market as well as minimize risk approach for such complex initiatives.

As you can see in all the regions Rolta's strategy to focus on solution-based offerings and has been received very well by its customers. I am enthused by the success of our stories and I am confident that we will have a very successful new fiscal. Thank you for your time. I will now turn it over to Hiranya to discuss the financials.

Hiranya Ashar:

Thanks, Pankit. Good evening, everyone. I am sure you would have got some chance to look at our numbers but I will quickly give you a high level highlight for FY '13. In this fiscal we achieved revenues of Rs.21.79 billion against Rs.18.29 billion last year registering a growth of 19.1% and EBITDA grew from Rs.8.07 billion to Rs.8.74 billion which is a growth of 8.3% and our consolidated profit after tax was at Rs.3.15 billion against Rs.2.42 billion which is a growth of 30%, this consolidated profit after tax is excluding the exceptional item. During last quarter as a matter of prudence and to align our depreciation policy with the current replacement cycle taking into consideration various factors such as technology upgradation and industry best practices, we revised estimated useful life of all our assets. Due to this change there is an additional charge for depreciation during the quarter amounting to Rs.11.53 billion. This has been shown as an 'exceptional item.' This is a notional charge and has no impact on our operating profits as well as cash flows for the year-ended June 30th 2013. In fact, by charging this additional depreciation we have been able to save tax outflows of approximately Rs.300 to Rs.400 million. Similarly to disclose the fair value of our land assets



*Rolta India Ltd
August 29, 2013*

we have revalued freehold and leasehold land on independent valuation, and an equivalent amount has been credited to revaluation reserves. This revaluation has no impact on P&L for the year. The net impact on reserves after considering this change in estimate and revaluation is about Rs.1 billion.

Indian rupee has seen significant depreciation in last 3 or 4 months, especially in last 3 or 4 weeks and everyone has been asking us the questions on the impact of such steep currency movement on our profitability and cash flow because of the dollar loans on our balance sheet. Fortunately, the currency depreciation is positive for us, as our exports have grown significantly from India to global locations. We now have annual revenues close to US\$350 million coming from our international operations and even after meeting all our operating expenses which are in US dollars we will have net dollar inflow from operations which will take care of more than 100% of non-operating US dollar outflow such as interest which is paid in US dollars, principal repayments for our dollar loan and also CAPEX. With over 80% of our currency being naturally hedged, balance 20% in net realization in Indian rupee because of rupee depreciation will be much better than earlier.

Coming onto our outlook for the current year which is FY14 we expect our revenues and bottom line to grow at 15%, and we have a very strong order book position at Rs.27 billion giving us very good visibility for current year. With this ladies and gentlemen I throw open session for question-and-answers. Thank you.

- Moderator:** Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from Shyamal Dhruve of MSFL. Please go ahead.
- Shyamal Dhruve:** My 1st question is on this Rs.200 million of senior notes you raised in last quarter. So how much of this has been used for the repayment of ECBs and local debt?
- Hiranya Ashar:** We used pretty close to 80% of net proceed for repayment of existing debt.
- Shyamal Dhruve:** The ECBs or local debts?
- Hiranya Ashar:** It is a combination of foreign dollar debt and local debt because ECBs cannot be prepaid.
- Shyamal Dhruve:** Can you just give me the bifurcation of bank wise repayment?
- Hiranya Ashar:** What do you mean by that?
- Shyamal Dhruve:** Like you paid some of the local debt so by bank wise details of how much ...?
- Hiranya Ashar:** Once you look at our full financials for June 2013 you will have the exact break-up of all the loans and you can get details from that.



*Rolta India Ltd
August 29, 2013*

- Shyamal Dhruve:** Can I know the numbers, how much of your revenue is coming from government sector?
- Hiranya Ashar:** Government revenues are around 28% overall and it is a combination of Indian government and even government outside India.
- Shyamal Dhruve:** And Defense percentage?
- Hiranya Ashar:** Defense & Homeland Security is about 18%.
- Shyamal Dhruve:** Your top 5 or 10 clients' contribution?
- Hiranya Ashar:** Top 5 is contributing around 21%; top 10 is contributing around 29%.
- Shyamal Dhruve:** You have set up two labs; one in Delhi and Mumbai. So can we know the number, how much expense did you incur for setting up the labs?
- Hiranya Ashar:** Those numbers are into various things, it is not just setting up the lab, we have set up facilities which are for sales and marketing for specific projects which we are pursuing in Defense as well as other domestic markets but if you see our overall CAPEX we have spent close to 20% - 25% on some of these new initiatives which Atul talked about on our domestic market focus.
- Shyamal Dhruve:** CAPEX for this Quarter And Full Year?
- Hiranya Ashar:** Full year CAPEX was about Rs.15 billion.
- Moderator:** As there are no questions from the participants I would now like to hand the floor back to Mr. Hiranya Ashar for closing comments.
- Hiranya Ashar:** Thank you, everyone for joining us on this call. And if you have any questions, queries please get in touch with me through email or you can call me. Have a nice evening. Bye.
- Atul Tayal:** This is Atul Tayal, signing off. Take care, have a great day, good evening, bye.
- Preetha Pulusani:** Thank you everyone, this is Preetha.
- Pankit Desai:** Thank you everyone, this is Pankit.
- Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf of Rolta India Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

This transcript has not been edited