



Geometric Limited

Conference Call Transcript

January 20, 2009

Moderator: Good evening ladies and gentlemen. I am Gopal, moderator for this conference. Welcome to the quarterly results conference call of Geometric Limited. At this moment, all participants are in a listen-only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press star (*) and one (1) on your telephone keypad. Please note this conference is recorded. I would now like to hand over the conference to Mr. Saurabh Gada from Geometric Limited. Please go ahead sir.

Mr. Saurabh Gada: Thank you Gopal. Good evening everyone and welcome to Geometric's Q3 '09 conference call. We have with us today Dr. Ravi Gopinath, MD and CEO; Mr. G. Ravishankar, Chief Financial Officer; and Mr. Raja Ramana Macha, Chief Operating Officer. At this moment, I would like to hand over the floor to Dr. Ravi Gopinath for his opening remarks.

Dr. Ravi Gopinath: Good evening everyone and thank you for joining us on this call. In terms of my opening remarks, we are obviously, all of us faced with a very, very challenging business environment, which has certainly grown steadily worse in terms of the overall business economic scenario over the past six months. As far as our business is concerned, as you all know, we have a significant exposure to the global manufacturing sector, which has suddenly been impacted by the ongoing recessionary wave, particularly the automotive industry. However, our focus in this past quarter has been two-fold; recognizing that the business environment was going to be challenged, we focused all of our energies on ensuring that we retained our business volumes in our existing customer base as far as possible. This is reflected in the fact that our key customers have stayed with us, have continued to work with us, and our native business has suffered very, very minimal impact on overall volume. There has been an adverse impact in terms of our sequential US dollar operating revenue, primarily due to the US dollar strengthening against other currencies and of course, there has been in terms of the way we count continuity of customers, a certain number of small accounts and customers that have dropped off over this period of time. One thing that has definitely been noticeable is that order closures have slowed down. This is very much a ramification of the fact that overall business decision cycles are significantly lengthier. The third quarter, the October, November, and December quarter is

particularly slow in our business because of end of the year holidays and such in different parts of the world, and the fact that this is when customers tend to typically finalize their budgeting cycles. What has happened this year is we have seen a significant delay in the closure of our own customers' budgeting cycles and this has led to the slowdown as far as the order book is concerned. However, we have done a lot of work in terms of adding to the pipeline, particularly in terms of farming our existing customer base, positioning our significantly strengthened offerings more and more effectively to our existing accounts and leveraging the relationships that we have.

So, to sum up in terms of what we have managed to do, clearly on a growth front, the US dollar revenue have been compressed to a certain extent as I explained earlier, but the favorable exchange rate, vis-à-vis the rupee-dollar has certainly helped the INR revenues. This has also flowed down into improvement in our contribution as well as our operating profit. In addition to getting better sales efficiencies, what we have been focussing on in the past quarter really has been getting more and more operating efficiencies going. So, we rolled out in the past quarter a number of measures associated with driving better delivery efficiencies, ensuring that we are getting more and more productivity in the work that we are delivering to our customers, and making certain rationalizations as far as our SG&A cost is concerned. When you look at our SG&A base, you will find that there is a reasonable rejigging of the SG&A cost portfolio. We have incurred a higher cost in facilities because of certain movements that we are making in Pune to newer facilities, but that has been offset by reductions that we have made elsewhere.

So, in summary our emphasis in these tough times has been value your existing customers, continue to mine those relationships. We have built a very, very strong and credible set of business offerings particularly over the last two years, and we continue to position these aggressively wherever we have the opportunity. Going forward, I believe that our greatest opportunity base will lie, in the near term, in growing our existing accounts. There are certain new relationships in advanced stages, which will probably close and create certain new growth platforms. All in all, I would say that for the next six months brand new customers coming in will probably slow down to a certain extent, but we will continue to target healthy business growth in our existing account base as far as possible. There has obviously been a significant impact in terms of FOREX losses on the operating profit margin level, and this has impacted quite significantly our profit after tax. But overall, I would say that, certainly, helped by a favorable exchange regime, by many of the initiatives on better go-to-market and delivery, and overall operating efficiencies internally; I would say that we have completed this quarter on a reasonably healthy note. We are looking forward to many business decisions from our customers, and closing favorably in the Q4 that we have just entered upon, and certainly our attempt would be to increase our revenue base and our growth opportunities as much as possible. So, with that introduction, I would like to hand over the call to all of you, and we will be ready to take your questions. Thank you.

Moderator: Thank you sir. Ladies and gentleman, we will now begin the question and answer session. If you have a question, please press star (*) and one (1) on your telephone keypad and wait for your turn to ask the question. If the question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing the hash (#) key.

Our first question comes from Mr. Pratik Gandhi of Edelweiss Securities.

Mr. Pratik Gandhi, Edelweiss Securities: Hi sir, good set of numbers.

Dr. Ravi Gopinath: Hi Pratik.

Mr. Pratik Gandhi, Edelweiss Securities: Sir, couple of questions. First is, can I have the breakup of the EBITDA margins in terms of volume, pricing, and currency terms?

Dr. Ravi Gopinath: Yeah, just a minute Pratik.

Mr. Pratik Gandhi, Edelweiss Securities: Yeah.

Dr. Ravi Gopinath: The volume has remained the same, as I said, and you wanted to know in terms of EBITDA; what are the other two parameters.

Mr. Pratik Gandhi, Edelweiss Securities: Pricing and currency.

Dr. Ravi Gopinath: Pricing, volume, and currency, right?

Mr. Pratik Gandhi, Edelweiss Securities: Yeah.

Dr. Ravi Gopinath: So, I would say that if I were to look at our profit margin, and if you look at the improvements. If you take operating profit as an example; see the overall delivery volume has remained constant sequentially, if you look at the operating profit margin, which has gone up by around 5.9 percentage points, we have benefited by around 4% due to foreign exchange effect and around 1.9% due to our internal efficiency measures.

Mr. Pratik Gandhi, Edelweiss Securities: That means utilization, right?

Dr. Ravi Gopinath: Utilization, overall on-site/off-shore mix; certain high cost base manpower reduction, multiple set of measures.

Mr. Pratik Gandhi, Edelweiss Securities: Okay, great. My second question is in terms of revenue from geography, I am seeing the decline in the revenue coming from India; so is it a quarterly aberration or we'll continue to see this trend going forward?

Dr. Ravi Gopinath: I would say our India customer base, our India revenue in absolute terms is quite small. Also the deals that we are doing in India, typically come in non-continuous spurt so to say. I would not read a trend in to this.

Mr. Pratik Gandhi, Edelweiss Securities: Okay, thanks a lot and have a great quarter.

Dr. Ravi Gopinath: Thank you.

Moderator: Next question comes from Mr. Anubhav Khandelwal of BNK Securities.

Mr. Anubhav Khandelwal, BNK Securities: Hello, good afternoon.

Dr. Ravi Gopinath: Good afternoon.

Mr. Anubhav Khandelwal, BNK Securities: Sir, I want to know about your hedging policy and how much you are currently covering as of now.

Mr. G Ravishankar: Our hedging policy is to cover on a 12-month forward basis, and at the end of the third quarter on 31st December, we had about 60 million of forward contract at an average rate of about 42 to 43.

Mr. Anubhav Khandelwal, BNK Securities: Okay and what is the foreign currency hedging reserve sitting on your balance sheet sir, as of the third quarter?

Mr. G Ravishankar: It is about 370 million or 37 crores in the balance sheet.

Mr. Anubhav Khandelwal, BNK Securities: Also, my next question pertains to sir, why is the minority interest so high this time, 62% of your PAT any specific reason?

Mr. G Ravishankar: No, the minority interest that's the number that you see. Tax and the minority interest has come down as compared to the previous quarter, right, from quarter 2 to quarter 3.

Mr. Anubhav Khandelwal, BNK Securities: Yeah, in absolutely terms it has come down, but if I read into as best it is.

Mr. G Ravishankar: Yeah, that is essentially because of the losses that we have booked on account of exchange rates.

Mr. Anubhav Khandelwal, BNK Securities: Okay, and sir, what are the revenue figures for your subsidiary at 3DPLM and Modern Engineering?

Mr. G Ravishankar: We do not segregate between 3DPLM and Modern Engineering; right now our classification is on the basis of software services and engineering services.

Mr. Anubhav Khandelwal, BNK Securities: Okay, sir, any outlook on these subsidiaries. What are they into and what is the growth you are seeing going forward?

Dr. Ravi Gopinath: As I said, we are very carefully looking at the environment. If I were to very broadly sum it up for you, some of the trends that we have seen; there is certainly an overall slowdown associated with the engineering business, in terms of the erstwhile onsite-heavy contracts that the former Modern Engineering used to do. But at the same time, there has been a greater movement towards offshore engineering business,

which is certainly good from a profitability standpoint. So I would say right now on the engineering business front, we are actively looking at focusing on the offshore ODC business. Currently, we are chasing around three or four significant opportunities in the pipeline at this point. On the overall software business, our PLM system integration business, it is very largely going to depend. We will see customers budgetary decisions, sometime before the end of January, and we will know how the PLM system integration business is going to grow because as you will see that our direct industrial customer portfolio overall has significantly gone up. That is good because it is giving us much greater exposure and opportunity in our direct customer base, but at this point, it is too early to say, how some of those project decisions in terms of their budgetary decisions are going to close out.

Mr. Anubhav Khandelwal, BNK Securities: Okay.

Dr. Ravi Gopinath: As far as the Software ISVs are concerned, I will say that the large companies are continuing to work with us in terms of identifying very specific software outsourcing program and that has continued. These are what you see reflected in the BU-wise revenue trend on slide 13.

Mr. Anubhav Khandelwal, BNK Securities: Okay. Sir, so you are expecting the client's budget decisions to be completed by say February?

Dr. Ravi Gopinath: Yeah, I would say January end or early February is when we should get closure on all of that.

Mr. Anubhav Khandelwal, BNK Securities: Okay and sir last question; what is the reason of your highest tax rate this quarter?

Dr. Ravi Gopinath: Yeah, I will hand this over to Ravishankar.

Mr. Anubhav Khandelwal, BNK Securities: Yeah.

Dr. Ravi Gopinath: Tax rate?

Mr. Anubhav Khandelwal, BNK Securities: Yes sir.

Mr. G Ravishankar: The tax rate is around 17%. This is in line with the mix of STBIs and the overseas entities that we have. It has not significantly changed over the previous quarter, in fact in this quarter, it has marginally come down.

Mr. Anubhav Khandelwal, BNK Securities: Okay, fine sir. Thanks a lot.

Moderator: Next question comes from Ms. Shradha Agarwal of BNK Securities.

Ms. Shradha Agarwal, BNK Securities: Hi sir, just wanted to check if Geometric caters to the top three Auto OEMs in the US?

Dr. Ravi Gopinath: The answer is yes.

Ms. Shradha Agarwal, BNK Securities: And what have you heard from them post the recent turmoil, which companies are facing? Any kind of notification or alert from them in terms of project cancellation or deferment? And how do you see the status panning out in two or three quarters from here?

Dr. Ravi Gopinath: So, I would say that there has been no formal indication that work is going to stop or things are going to come to a standstill. What has happened noticeably over the past six months is there has been a slowdown in terms of the new contracts. There has been a natural reduction in business through the old contracts exiting. So, I would say today, the environment we are looking at is the old contract winding down. Much business is still continuing, but as of now like I said in response to the earlier question, we are now waiting for their budgetary decisions and all to complete, hopefully within the next three to four weeks, when we will have much better visibility. Needless to say there are definite challenges there. We are watching the situation very closely. Let me assure you that we are fully geared in order to take rapid action in case there is significant business risk that we see. Because between them, there are significant differences as it is publically known, each of the three auto companies are in different stages of health and broadly that is reflective in terms of the momentum of business that we are seeing from each one of them.

Ms. Shradha Agarwal, BNK Securities: How much would these top three OEMs contribute to the overall revenue?

Dr. Ravi Gopinath: Around 25%.

Ms. Shradha Agarwal, BNK Securities: Okay and I also wanted to check what would be the accounts receivable, which would be against these top three OEMs and the average age for these debtors would it be above 60 days or 90 days, I would want to check on those details as well.

Mr. G Ravishankar: Yeah, the average days for customers is around 50 to 65 days, but in the last couple of months, we have seen that the number of days have increased to about 70 to 75. But they have not crossed at any point in time the 90-day mark.

Ms. Shradha Agarwal, BNK Securities: But have you made any provision, I mean, there have been companies, which have conservatively made a provision against some doubtful client account. So have you as a conservative policy taken into consideration any provisions?

Mr. G Ravishankar: No. Our policy is to create provision as and when an account crosses six months or 180 days of overdue, but so far none of these customers have even come near that mark. We have been able to collect our money before the 90-day mark itself, and therefore, there is no provision that has been made and as we see, we do not expect any problems from any of these customers at this stage.

Dr. Ravi Gopinath: Ma'am I would just like to clarify one thing, there is an error in the response I gave earlier, our total business from the big three Detroit OEM is 15% of our revenue, not 25% as I said earlier.

Ms. Shradha Agarwal, BNK Securities: 15% is what you are saying?

Dr. Ravi Gopinath: 15% yeah.

Ms. Shradha Agarwal, BNK Securities: Yeah and sir, also wanted to know in absolute numbers, what would be the account receivable from these top three OEMs in absolute numbers?

Dr. Ravi Gopinath: I do not have the exact figure; we will have to revert to you on that.

Ms. Shradha Agarwal, BNK Securities: Okay. Sure thanks.

Moderator: Next question comes from Mr. Sandeep Shah of ICICI Securities.

Mr. Sandeep Shah, ICICI Securities: My question got answered thanks and all the best to the management.

Dr. Ravi Gopinath: Thank you.

Moderator: Next question comes from Mr. Saurabh Gurnurkar of Kotak Securities.

Mr. Saurabh Gurnurkar, Kotak Securities: Yeah, my question just got answered, thanks.

Moderator: Next question comes from Mr. Janish Shah of Quantum Broking.

Mr. Janish Shah, Quantum Broking: Hi, this is Janish here. I just have one question on your portfolio. Basically your automotive business seems to have seen a little bit of an increase in the overall business from 30% to 32% and just give a little clarification and second is on your agri-construction equipment. What kind of a work you have and what kind of a client you have in this kind of space. That is one. Second is on the new deal, in fact, if we look at last few quarters, the new deal won has been coming down sequentially and as you have indicated that probably the new customer addition would also be having a little bit of a slowdown in coming quarter. What is the kind of outlook you see on the volume growth, as it is already being flat? Do you see any deterioration happening on that going forward?

Dr. Ravi Gopinath: Yeah. We are certainly not looking at any deterioration at this point in time. Having said that, as I said a lot will get known in terms of how some deal closures progress in the early part of this quarter; we will know within the next three to four weeks or so. Your first question in terms of the shift in portfolio, I would say that topical to one or two largish projects with the software ISVs ramping down according to plan in Q3. So I would say it is not a trend of the automotive business going up, rather the software and the partner services business has definitely come down. The reason the partner services business has come down is... and this is really one of the reasons why a couple of years ago, we had made a conscious decision on the direct-to-market model. Because if you look at the technology companies and the software companies through whom we would traditionally provide those services, they are certainly facing volume challenges of their own and for us to get business growth in a tier 2 model especially in this business environment would be very, very difficult. So, I would say the reduction in the software ISV and the partner business is a manifestation of some of the indirect partner services coming down and couple of projects ramping down. That is really the reason as opposed to a planned increase in the automotive business. As far as the agricultural and construction equipment business is concerned, we are working with two or three of the largest brands in this space out of the United States. Currently, the spectrum of services that we are offering is in the engineering services arena, where we are engaged with them in doing product design and development.

Mr. Janish Shah, Quantum Broking: How do you see the pressure on the billing rates or the margins in a new deals, which you are likely to or it is in the pipeline, what is the outlook you see? Is there going to be any kind of a compromise required to be made for winning the deals?

Dr. Ravi Gopinath: Yeah, in terms of the volume versus realization trade-offs, there have been in many instances pressures, negotiations, and discussions in terms of pricing. Certainly, the activity on that front has gone up. I would not say that that is not the case; however, we have set ourselves some fairly rigorous guidelines in terms of minimum contribution margins that we will accept in any new deal. We are sticking to that. Of course, if there is a significant deal with a major impact in terms of the top-line volumes, not just for one year, but we are really looking at deals that create strategic growth opportunities for the company, then, we will take that on a case-to-case basis. But right now we are not compromising as far as our contribution margin is concerned. From an operational standpoint, we are responding to the pricing pressure by driving greater and greater delivery efficiency that is allowing us to offset much of that.

Mr. Janish Shah, Quantum Broking: How much is the headroom available for you for that improvement?

Dr. Ravi Gopinath: In terms of efficiency improvement, I would say we have not hit the wall yet. We can certainly, in terms of contribution margins; I certainly think there is at least 3 to 4 percentage points improvements that can be driven.

Mr. Janish Shah, Quantum Broking: Thank you sir.

Moderator: Next question comes from Mr. Rounak Nagda of Valley Quest Research.

Mr. Rounak Nagda, Valley Quest Research: Good evening sir.

Dr. Ravi Gopinath: Good evening.

Mr. Rounak Nagda, Valley Quest Research: Sir, I would like to know what is your bank balance as on December 31, 2008.

Mr. G Ravishankar: As of the end of December 31, we have cash and bank balance of Rupees 250 million, and we have liquid investments, which we can pull out at any point in time of about Rupees 180 million.

Mr. Rounak Nagda, Valley Quest Research: And sir, your debt?

Mr. G Ravishankar: Debt is about US Dollars 80 million.

Mr. Rounak Nagda, Valley Quest Research: Sir, what was your CAPEX plan for quarter three?

Mr. G Ravishankar: Quarter three, we had about 52 million of CAPEX, and in quarter four, we expected it to be around the same level.

Mr. Rounak Nagda, Valley Quest Research: Around same level?

Mr. G Ravishankar: Yes.

Mr. Rounak Nagda, Valley Quest Research: Okay, thank you sir and all the best.

Dr. Ravi Gopinath: Thank you.

Moderator: Next question comes from Mr. Ashish Kacholia of Lucky Securities.

Mr. Ashish Kacholia, Lucky Securities: Good evening sir, I just wanted to understand whether there is any transition of business from the onsite engineering services company that we acquired to Indian location?

Dr. Ravi Gopinath: The answer is yes, and let me give you some numbers from Q2 to Q3. The amount of offshoring that we have driven in that business has gone up in terms of efforts, around 12% of efforts to around 18% of efforts, and that has been steadily increasing Q1, Q2, Q3 and has been around 7% in Q1, 12% in Q2, and 18% in Q3 and we will continue to drive that up.

Mr. Ashish Kacholia, Lucky Securities: Where do we see this eventually stabilizing for our existing overseas revenue base?

Dr. Ravi Gopinath: Yeah, in terms of, I do not know, I mean, it very difficult to say because it's a significant function of the new business mix, right. As I said earlier lot of new business is coming already in terms of some native ODC deals, that means the traditional business that Modern Engineering used to do, the traditional business is coming down. We are changing their competency mix. We are changing their focus areas and that is what allowed us to drive greater offshoring efforts, and that has had a positive impact in terms of operating efficiencies there.

Mr. Ashish Kacholia, Lucky Securities: So eventually could we see something like 70% to 75% efforts being driven from offshore in the engineering services business?

Dr. Ravi Gopinath: Eventually yes, when you look at an aggregate, but I would say that if I were to project outwards looking at the current business trends, I would say in the next one year on the aggregate business, we will probably do around 55% to 60% offshoring.

Mr. Ashish Kacholia, Lucky Securities: In the next one year?

Dr. Ravi Gopinath: Yes.

Mr. Ashish Kacholia, Lucky Securities: So then what in the onsite company, you will have redundancy and layoff?

Dr. Ravi Gopinath: We have actually been doing some planned headcount reduction already over the past few quarters. This is clearly a function of where we see business opportunities of the right margin. So to put it very simply, the onsite entity will be a much smaller entity than when we acquired it, but it will be significantly more profitable, and will position us at a much higher part of the engineering value chain than it used to earlier.

Mr. Ashish Kacholia, Lucky Securities: Currently how many employees are there in the onshore entity?

Dr. Ravi Gopinath: I will hand this over to COO Raja into whom all of those operations report to, and he will address that question.

Mr. Ashish Kacholia, Lucky Securities: Sure.

Mr. Raja Ramana Macha: We have a total of 270 employees onsite.

Mr. Ashish Kacholia, Lucky Securities: Could you repeat that number sir?

Mr. Raja Ramana Macha: 270.

Mr. Ashish Kacholia, Lucky Securities: Okay. And going forward, this entity will become much smaller and lot of this effort will be transitioned offshore.

Dr. Ravi Gopinath: Yeah not just to India, it will transition to one of the other many offshore centers we have, this could be Romania, it could be China, and it could be India.

Mr. Ashish Kacholia, Lucky Securities: I see, and sir given the fact that we are relatively a smaller company in terms of size; it is often mentioned that given this relatively smaller scale of the smaller company, they should be able to grow at a much faster pace than the larger entity. When do you think, we will hit that transition where we are able to digest our acquisition and then hit the growth trail again?

Dr. Ravi Gopinath: Well you know, that is a very difficult question to answer. In an ideal environment, I will say that your hypothesis is correct, because if the business is healthy on a small base, you can grow faster provided you do the right things in terms of go-to-market.

Mr. Ashish Kacholia, Lucky Securities: I am assuming that they are already doing that sir.

Dr. Ravi Gopinath: No. We are doing that; so we are doing the go-to-market, but there has also got to be a reasonable market to go to. Right? We know the condition of the market as it is today. There are significant challenges, so I would say that there has been a lot of fundamental re-architecting of our business DNA over the past two years. It has certainly helped us in terms of changing the mix of the business correctly; driving stronger go-to-market initiative, and I am more than confident that you know as the market starts turning around as it will, it may take a year, but as it does the opportunities for us will significantly go up and we will start generating the momentum to tap into that.

Mr. Ashish Kacholia, Lucky Securities: Mr. Gopinath, I also recollect that in the initial days of taking over of the US entity, we had lot of these cultural issues, I mean are those issues now behind us and could you just brief us on what has happened over the last one or two years?

Dr. Ravi Gopinath: Yeah, I would say those issues are comprehensively behind us. See, what we have done is we have not retained that as a separate company anymore. Our organization structure is such that we have various business units, which are essentially focused on creating the right go-to-market offerings and competencies to drive growth. Then, our operations are divided into a number of delivery centers. For

example, we have four delivery centers in India; now what we have done in the acquired entity, we have restructured those operations into two delivery centers, one in Detroit and one in Illinois. Then the others, which we had had acquired were in Romania and China. These centers have become part of our Global Delivery Organization. All of these centers are reporting now individually into our Chief Operating Officer and he is driving a common set of delivery methodologies and processes across the board. I would say that we had to make certain management changes there to facilitate this restructuring, which happened in the early part of this fiscal and post that I would say that the amount of alignment, integration, and sheer momentum in terms of how we have been able to work more cohesively across these locations has grown up by an order of magnitude.

Mr. Ashish Kacholia, Lucky Securities: Okay, and what percentage of this Dollar 130 million roughly of our business is annuity business?

Dr. Ravi Gopinath: Good question. Very tough to say at this point in time, but if I were to hazard a guess because the definition that we are using on annuity is where you have, I mean if you were to use the broadest definition of annuity, it would be where we have assured multi-year contract that will last into the year.

Mr. Ashish Kacholia, Lucky Securities: Correct.

Dr. Ravi Gopinath: Actually, if you look at our engineering business and indeed any engineering business, it is very difficult to say that it is indeed annuity in the manner that you have described it. Because the way the relationship is defined, typically you have an umbrella agreement, which is a multi-year agreement. Unlike in IT services, it does not imply a fixed volume of work that has to be delivered every year. You are empanelled as a service provider, and within that empanelment, you will have to actually win the contract. So, it gives you, I would say, an inside track along with the limited number of other suppliers to win business. That contract does not guarantee you business, but if I were to look at the business that we have, which is highly probable in terms of, it will spill over to next year and so on and so forth. Out of that 130 million, I would say around 60 million could be classified as annuity.

Mr. Ashish Kacholia, Lucky Securities: I mean 80% of our revenue comes from time and material type of business, so one could assume that this business is more annuity in nature or this is not correct?

Dr. Ravi Gopinath: No, that will be an incorrect assumption.

Mr. Ashish Kacholia, Lucky Securities: Okay, are we looking to add any further verticals?

Dr. Ravi Gopinath: Not at this point in time. I guess, this year it is going to be one of consolidation and efficiency.

Mr. Ashish Kacholia, Lucky Securities: Okay.

Dr. Ravi Gopinath: We have already done a lot of vertical diversification, the pie-chart does not show you some of these; these are counted in the other section of the pie-chart. We have now started getting growth and opportunities, for example in the upstream oil and gas segment, and in the apparel industry segment. We have now started getting business in the food and beverage industries through some of our manufacturing IT offerings. These are all initial stages, but I would say that we had done a lot of vertical investments in the past couple of years. This year, we are now going to focus on ensuring that we realize the business growth in all of those.

Mr. Ashish Kacholia, Lucky Securities: What are the hiring plans for next year?

Dr. Ravi Gopinath: Right now, I would say that we are going to wait for the business volume projections. We are just entering our budgeting cycles and it is too early to say what our hiring targets are going to be.

Mr. Ashish Kacholia, Lucky Securities: And what is the anticipated employee cost increase next year?

Dr. Ravi Gopinath: Employee costs?

Mr. Ashish Kacholia, Lucky Securities: Yeah, in terms of salary hikes.

Dr. Ravi Gopinath: We have not reached a decision on that yet.

Mr. Ashish Kacholia, Lucky Securities: All right sir. Thank you very much.

Moderator: Next question comes from Mr. Ankit Rastogi of Capital Market.

Mr. Ankit Rastogi, Capital Market: Good evening sir. Sir, you have told that you have forward cover contract of about 60 billion at the rate of 42 to 43. Maybe you have told, but I actually missed it, what is the policy of the company for taking forward contracts?

Mr. G Ravishankar: Okay, as I mentioned earlier, we do a 12-month forward cover in the sense that we anticipate what is going to be the revenue after 12 months and book forward contracts for them. We do not get into options or any other exotic instruments and we use the accounting standard 30 methodology to book or mark to market the forward covers that we have. Accordingly as of 31st December, we have about 370 million of loss recognized in the balance sheet.

Mr. Ankit Rastogi, Capital Market: A 370 million Indian rupees?

Dr. Ravi Gopinath: Yes, 37 crore.

Mr. Ankit Rastogi, Capital Market: Okay, thank you sir.

Moderator: There are no further questions. Now I hand over the floor to Mr. Saurabh Gada for closing comments.

Mr. Saurabh Gada: Thank you everyone for your questions and now I would like to hand over the call to Dr. Ravi for his closing remarks.

Dr. Ravi Gopinath: Thank you all for joining this call. As I said, I understand the many questions that you have in terms of understanding the business outlook and what we see as growth potential. All I want to say in summary is that it is truly a difficult environment, but I think that in terms of many of the operating fundamentals that Geometric has as a company, we are probably uniquely placed in terms of being able to

address these challenges as a set of opportunities. Clearly, we will have to ensure that we focus obsessively this year on improving many areas of operating efficiencies and that process has started and we will continue to do that. In an environment of constrained growth that is certainly something that is going to be our priority. Having said that, I do not think it would be appropriate for us to take a very short-term vision and just look at paring things down, keeping only one year in mind. I think we have created a very compelling set of business value propositions to our global customer base over the past couple of years and certainly it is my hope that we will continue as a company to focus on those and drive those go-to-market efforts albeit with a greater amount of focus on our existing revenue base. So, overall our message is we will drive efficiencies in terms of how we go-to-market and how we deliver because I think the good news in all of this is that our set of business offerings to our customer base is much richer today than it was and I think that is certainly going to pay us dividend for a longtime to come. So, thank you for this call and since this is the beginning of this year may I on behalf of the management team wish all of you a very happy year ahead. Thank you.

Moderator: 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.

END.