

Moderator: Good evening ladies and gentlemen, thank you for standing by. This is Roshini, the moderator for your call today. We welcome you to the post results conference call of Geometric Software, hosted by Prabhudas Liladhar Private Limited. We have with us today Mr. Manu Parpia, Vice-Chairman & Executive Director, Mr. Ravi Gopinath, Managing Director and CEO and Mr. Ron Wood, CEO, Modern Engineering, Mr. Shashank Patkar, CFO, Mr. Rajiv Sarkar, Vice-President, Worldwide Sales and Marketing from Geometric Software and Mr. Jaspreet Chhabra, Associate and Ms. Parul Inamdar, Senior Analyst from Prabhudas Liladhar Private 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 '*1'. I would now like to turn the conference over to Ms. Parul Inamdar.

Parul: Thank you, good evening everybody and we welcome everybody to this post-results Q2 FY-07 conference call of Geometric Software hosted by Prabhudas Liladhar. We have with us the entire management team of Geometric and without wasting further time, I hand over the floor to the management. Over to you Sir.

Parpia: Thank you Parul, good afternoon. So the format the opening will be I will say few words and then followed by Ravi and Khan and all of you, and Shashank is also here with us. So, let us start of by looking at the positives. Clearly the revenue growth has been a strong positive, overall in dollar terms we grew 10% and then in rupee terms 11%. But the margin question remained because the operating profits have dropped by 3% points, this is clearly not a positive development. We have identified three areas for improvement. First is SGNA, in that we have various and some of you who have the notes can see that costs like telephone, power and so on have gone up significantly, so we have already identified areas where we can take action. The second is on the cost of goods sold or the software development expenses which includes factors like travel and it also includes onsite travel and onsite benefits. So what we have done is we have already reviewed the policies in this regard and I believe we can see opportunities to reduce the costs while not affecting in any way the competitiveness of what we have offered to our employees. So the first two areas are something, which we can address relatively, rapidly. The third area is which we are looking to is both Ravi and I are reviewing the realization and our pricing on various contracts and I believe that over a period of time, this is not something we can take immediate action on. But certainly it is a period of time we will see that how to raise this because we believe now that we have established and achieved certain critical marks. We should be and must be in a position to improve this realization. So, two factors which can be taken corrective action in the short and medium term and one factor which will take the medium to longer term, when I say longer term I am talking over a period of 12 months but that's in phases. With that I would like to turn this over to Ravi to say a few words and then Ron will follow and add a few comments and after which we will answer questions, thank you. Over to you Ravi.

Ravi: Good afternoon this is Ravi Gopinath. I would like to just start off by reiterating the point that Manu had made in his covering note to you. I do believe that this is truly a momentous time for Geometric. Now with the transaction on Modern Engineering, I believe that we have now entered and will soon secure a position of being one of the few companies in the world dedicated to engineering and manufacturing processes with an equal and compelling valid proposition both in PL and digital technology as well as in core engineering and manufacturing solution. I do believe based on my own prior experience that this will provide us definite competitive advantage and it is something that we think of capitalize on going forward. Ahead I see my immediate task on hand as having two broad components, one is to work closely with Manu and others in the three aspect of operational efficiency that he mentioned earlier and that has received a significant amount of our combined attention in the immediate term and in the newer term. The second part of my job is really to work very closely with Ron and to work the market and convey our enhanced value proposition as Geometric front Modern to our joint customers. I have already the opportunity to meet several of our customers and partners and I am happy to say that the initial reaction in the market as Geometric and Modern coming together has indeed been a positive one. So it is with positive sentiment that we are looking at it and I would like to hand this call over to Ron.

Ron: Good afternoon everyone. I wanted to participate in this call to begin show the unity that already exists between Geometric and Modern engineering after working for Geometric for several years. And also I assure everyone that a very detailed innovation firm is already in place and I am here in India giving the initiation of that and also to let you know and reiterate that both our customers and our employees have **formed** this merger actively seeking the beginning of around November 1st.

Parpia: So, with that Parul we will be ready for any questions.

Parul: Sure, moderator could we start?

Moderator: Ladies and gentlemen, we will now begin the live question-and-answer session. If you have a question please press '*1' on your push-button phone and await your turn to ask the question when guided by the facilitator. If your question has been answered before your turn and you wish to withdraw your request, you may do so by pressing the '#' key. Ladies and gentlemen for any questions you are requested to press '*1'now. Our first question comes from Mr. Sameer Goyal of Alchemy Shares and Stocks. Mr. Goyal please go ahead.

Goyal: Good evening gentlemen. In your initial remarks you highlighted some of the key areas where the margins were under pressure like cost on telephone and recruitment start up cost on telephone and recruitment, stat up cost, business management etc., plus you would be having in the next fiscal some low margins

coming in from Modern. So, what is your sense would be the margin outlook going forward for the current as well as fiscal next to it?

Parpia: I don't want to get into giving any margin outlook, it is absolutely true to say that as things stand when we start off Modern's margins will be lower but this actually and perfectly is planned. It is earning non-diluted as we said and that is the most important aspect. And clearly as we move forward as Ravi mentioned, moving and adding to the realization is going to be the key driver. This cannot happen in one quarter that is going to take time. The reason why we talked off first two factors, SGNA and the software development and the important aspect is that we need to get Geometric pre-acquisition margins to return to Geometric traditional level. If we do that, that in my opinion the cost of the, the fact that the acquisition has slightly lower margin is not an issue. I would not regard it with any negativity at all. That represents the opportunity but the most important thing is that we should get Geometric pre-acquisition status for enterprise that enterprise margins upto the levels that we need to see them at.

Goyal: What would be the timeframe for that?

Parpia: We talked of short to middle term. So, short-term means that we are on the job now and we have already taken some corrective steps and we intend to take even more corrective steps starting this quarter.

Goyal: So would it be fair to assume that in next 4-6 months we might witness margins similar to what Geometric used to have?

Parpia: It is certainly our target, I am not in a position to tell you that this is what it will be but this is the target. Let's understand that we grew the volume but the margin came down. Is it due to bad realization, there are no chances. There are some areas where we can improve realization, re-pricing etc. The main areas which you can see for yourself in the MIS is cost, the longer term the margins will rise even further if we can get the better pricing but in the shorter term we need to fix the cost price.

Goyal: On the other hand would it be fair to assume that the Modern business has the potential to achieve a 20 plus margins maybe in years to come?

Parpia: We wanted to achieve higher margins, so if you are talking 20 plus margins on longer terms I don't see unless something goes wrong, engineering services we believe is a great opportunity for Geometric and we believe that it was going to be margin diluted it is not going to be something which will give us good margins we wouldn't get into it.

Goyal: The other day you commented a lot on pricing that you along with Ravi would be working as to contact the clients and revise the prices. What according to you could be the potential price hike thus in the kitty?

Parpia: I again do not want into specific because pricing has many elements. So does it mean that you raise your price immediately it does not. What you need to do is to analyze each contract, each engagement to know where we are on that level on that contract. See whether the volume and price ratios are linked and properly justified and then work with the customer to either increase the volume and thereby retain the price or increase the price, especially if they had given some commitments on volume. It is also important to note when we talk of improving realizations it is not just by looking at the customer and asking for a price hike. It is also by improving productivity. We believe that there are opportunities in both areas and that is the additional, with Ravi on board I think with two of us working together I see that these are areas now better address.

Goyal: Lastly could you throw some more details on the Modern Engineering business you have acquired?

Ron: Modern Engineering is a 60-year-old company home based Detroit, Michigan with now global offices in Eastern Europe, Asia and predominantly in the manufacturing engineering **states**, global supply chain in engineering states and also in the private development states with 2.1 lakh workers working beyond the industry and other being heavy equipment.

Goyal: Could you give me some of the immediate clients of Modern?

Ron: Major clients for Modern are the typical clients in US as far as Modern is concerned that is GM, Chrysler, Ford and Enams, Honda, Toyota, with the largest Global Supplier Caterpillar, John ___ and so on down the list.

Goyal: Okay, thanks.

Moderator: Thank you Mr.Goyal for your questions. Next in line is Mr. Sandip Shah of Motilal Oswal Securities. Mr. Shah please go ahead.

Shah: Generally the trend for as such the first quarter margins are down because of the salary hike which has happened this year and following the volume growth pick up which has happened even in 2nd quarter. Despite that the expenses have gone up, so what has gone beyond our control and why this has happened and not being envisaged during the quarter by the management?

Parpia: You are asking a very tough question from point of view that when you look back what is the fact that has gone out of control. When we step back and one of the reasons why, with Ravi on the Board, I have been talking consistently what Geometric has not been able to achieve or not been able to successfully show its scalability in all aspects. We have scaled yes but we lose something then and that consistency performance is what both Ravi and I are going to focus on that. We can build predictability and consistency in performance. So I hope

that answers the question because if you ask me why did the telephone expenses go up wherever it was 59% quarter-on-quarter, I don't have an answer if I did I would say I would have controlled.

Shah: That expenses which we are incurring is not yielding results in terms of higher sales growth.

Parpia: The sales growth by any standard is good. I think it is a matter of control. Ravi you want to add anything?

Ravi: It is also linked as Manu said earlier on the previous one that key element to getting better performance is one, on immediate terms you look at costing and there is certain amount of buffers that we have already identified and which we are going to extract out very soon. The second one which we have done through an extensive audit of our operations which I would say on 60% done is really looking at productivity and operating efficiency because you should recognize that it is how you project and the fact that it is not a simple linear multiple that you are going to get your better operating margins out of it. So pushing up the operating productivity is definitely going to be our focus area. If you do that then you can afford to sell better and sell higher and extract returns performance out of it.

Shah: Apart from that the tax rate and depreciation, depreciation remaining almost stable and tax rate is almost you can say at around 10-11%. Last quarter you said that year as a whole it could be around 14-15%, so what is the outlook right now?

Ravi: 14-15% is the outlook for the year.

Shah: Means the tax rates should improve significantly during the next two quarters.

Parpia: Tax rates should increase because the current tax rate what he is saying is not....

Ravi: Actually if you see the tax rate also depends on the revenue composition from various units we have and to that extent hence we have given overall the range of 14-15%. Of course the tax rate was less in the first quarter for reasons which we had explained then. So at this stage I would say that I would be more comfortable to just give you the range rather than just going what would be second half.

Parpia: It is about 13½ % just now.

Shah: Is there one-time expenses during the quarter which might not repeat in the coming quarters?

Parpia: There are some one-time expenses. My philosophy has been that unless they are really extraordinary one-time expenses, life is full of one-time expenses. So, let us concentrate on the inefficiencies like Ravi mentioned which we have seen whether it be in the cost heads or in the realization head and focus on that rather than worry about some of the one-time cost which there are. I can name a couple but I don't think they are relevant.

Shah: When you say inefficiencies driving means the pricing has gone down in this quarter or what do you mean by saying?

Parpia: What do we mean by inefficiencies is that we realize that if we improve productivity. Supposing you are doing a project and you are going to say that you are going to do this work in 1000 hrs and you take 1200 hrs. It is not that the rates have gone down but then your realization per hour goes down.

Shah: Mostly on the fixed price or time and material how...

Parpia: Even when you are on time and material. You give an estimate to your customer, so it is time and material, the guy says "okay I will pay you for 75 hrs" and do this and then you take 80 hrs. I think you will agree that mostly customers are not going to be excited about paying 5 hours more unless you have real good justification. So, that is what we mean, but in fact it is far better that if you even on your time and material that you show higher productivity which is what we are now working on.

Shah: The salary cost has gone up largely on account of onsite or because it has been higher than the sales growth?

Parpia: Actually it has gone up because there is a drop in utilization which is absolutely essential and if we look at the onsite consultant is one part. But really which is where we talked off, there is some one-time cost in that onsite consultant, so you can talk about that. But the offshore cost the manpower expenses, they reflect the fact we are now building a bench which we didn't have and so for that obviously the salary.

Shah: Can you quantify the one-time expenses?

Parpia: I will have to get back to the end or you might have to reach me. I felt it is important that our message is clear and we understand what is wrong, we didn't want to get into penny counting on the one-time expenses. But anyway if you want I will get you the answer.

Shah: As you have said that if we achieve the same growth we don't achieve the cost optimization. So, how confident we are in terms of future quarters that both will be achieved?

Parpia: All I can tell you is that we are not changing our guidance, I don't want to get into and we are taking corrective steps. That's what I can tell you, I can't tell you anything more.

Shah: In terms of Modern engineering when will be the consolidation happening?

Parpia: If all goes well the target date is 1st November, with effect from 1st November.

Shah: Can I know number of clients Modern Engineering has.

Parpia: Ron would you like to count the number of clients Modern Engineering has.

Ron: It is 112.

Shah: There will be opportunity to cross sell even in PLM offerings to these clients.

Parpia: Yeah absolutely, in fact that is one of the low hanging opportunities that we have already identified and we are equipping on joint sales team to combine together and go up to that opportunity because as the terms of Geometric have a reasonably complimentary customer bill. So what this means very clearly is that we can process Geometric PLM to Modern space and Modern engineering Services into Geometric PLM space.

Shah: And most of the business of Modern Engineering will be a repeat business with an annuity kind of revenues or there could be some project-based revenues also?

Parpia: Most of the Modern Engineering business and annuity business which is ongoing continued.

Ron: I will say 75% of it is somewhat similar to annuity revenue stream the other 25% is billed on an annualized basis.

Shah: I didn't get that.

Parpia: 75% is annuity and 25% would be nil. Most important is Modern is empaneled with large of customers. So they already have a purchase registration registered at the purchase department. This is a very critical criterion because without that you really can't go into the customer base. So, that's what leveraging effect will be.

Ravi: If you look at the engineering service space you will find a big chunk of the sales cart and the time for sales in engineering services is really in achieving empanelled which Modern already has.

Shah: Can you share the client concentration within Modern Engineering?

Parpia: Client concentration by revenue or...

Shah: By revenue.

Ron: The top five customers are General Motors, Daimler Chryssler, Cater Pillar, John __ and __24:15

Shah: Can you share the amount of revenues with these....

Ron: Approximately 30% of the revenues.

Shah: Okay, thanks very much.

Moderator: Thank you Mr. Shah for your questions. Next in line is Ms. Zahara from Quantum Mutual Fund. Ms. Zahara please go ahead.

Zahara: This is Zahara Sharad from Quantum Mutual Fund. First of all congratulations for the acquisition, finally got the prize and the price fetching on it. I have a couple of questions. First is, I understand why Geometric has done the acquisition but could you say, may be Ron could give us idea in terms of what was the thinking of Modern management for doing this.

Ron: It is a continuation of the globalization strategy that we embarked on 3 years ago. That is the key element in this. This gives strategic value for us and also the leverage that would be gained by combining our sales force and cross down into each other's points. The engineering services that Geometric primarily offers are not the same as what Modern offers. So it is a perfect fit for marketing perspective and also and also for the growth strategy for both companies.

Zahara: Could you tell me a little more about, to give an example of some of the assignments that you are doing, like the services that you offer?

Parpia: Some examples of the kind of services that you offer.

Ron: The examples in the manufacturing engineering space is we would do into a manufacturing facility, probably design what is going to go into the facility. Its related tools and equipments in into all layouts. And we have a logistics department that will bring in all of the materials into the facility to be manufactured. Then we also have a materials flow unit that would position all of the parts and equipments and everything else on the line in essentially make

sure that the product is, no matter what the product is that manufactured in a lean environment, comes out to the end the least cost to the manufacturer, that is one example. Another example would be lube-designed carburetor.

Zahara: And are you already using, I mean is your work already being offshored to a certain extent or is it primarily onsite?

Ron: Yes Madam, we have joined hands with Geometric for the last 2 years, we have an offshore engineering facility that we own in Romania, we are about to open in France and we opened in Shanghai almost a year ago.

Zahara: So is there still scope for further off shoring, is that part of the deal, rationale behind the deal or is it just a cross-selling opportunity?

Parpia: No, I think there is definitely scope for offshoring, in fact one of the things that we are actively looking at and this is not just an internal desire, it is something that the customers also see as a very enhanced value proposition by Geometrical-Modern that Modern to its customers can now offer an expanded global engineering bandwidth. And because that is seen as a strong positive, we see that can definitely be capitalized on and one of the things we will be doing as part of the integration exercise in identifying the offshorability targets. Remember that Modern already has 65 our people in Romania. There is a team that is supporting them from Bangalore already. And their current presence onsite, primarily in North America is close to 500 people.

Zahara: Would it be possible for you to share may be, what is the onsite/offshore revenue mix of Modern Engineering right now?

Parpia: We just gave you the resource concentration, but in terms of the revenues...

Ravi: See actually it is more relevant..., once you have a signal entity, transfer pricing all that, I think that revenue in offshore/onsite becomes a ratio, it is much better to look at resources. And the important question is, is the activity undertaken by Modern suitable for offshoring and number 2, can they get new activity, new business from customers which will also lend ourselves to offshoring. And Modern has a number of contacts which actually could be offshored and that is what we have looked at.

Zahara: Okay, would you be retaining, how will the management structure work now because I remember in one of the earlier analyst meet you had specified that the entire engineering services would be with the acquired new company. So how is that going to work? Is there going to be any change on that front, may be you can elaborate a bit?

Parpia: No, the management structure is like this. The Modern Engineering will be sole point for all engineering services in Geometric. So the engineering services unit of Geometric would report to Modern Engineering, that is to Ron Wood, who is the CEO. And Ron Wood would report to Ravi, so that is how the structure is and that is how it was envisaged and that is how we are going to stick with.

Zahara: Just one last question. You said that you are now one of the CEO in the world who have got an integrated practice. So who would you benchmark your self against now, going forward as a combined entity?

Parpia: That is an interesting question. There are several companies that have such offerings, but I think we have a fairly unique position in being one of the very few companies, who are dedicated to this space. There are number of companies very large in IT services, that offer integrated engineering as a proposition. But that is not all that they do. For customers it is important to see a whole and sole focus in this area. So as of now, we are looking at benchmarking ourselves against an absolute opportunity that we can go after and not really trying to be someone else. We had like to be the leader.

Zahara: Okay, good luck for that, thank you.

Moderator: Thank you Ms. Zahara for your questions. Ladies and gentlemen, for any further questions you are requested to press '*1' now. Next in line is Ms. Manju Bhashini from Sundaram Mutual Fund. Ms. Manju Bhashini, please go ahead.

Krishna: Sorry, if I am repeating a question, but I joined late. Could you give us some idea about how the financials of Modern Engineering division look like, say in terms of EBITDA and cost structure at this point in time?

Parpia: We had already given the EBITDA figure when we sent the note on the acquisitions. May be you didn't get the figures, so I think the EBITDA, if my memory serves me right, it is \$3.2 million for this fiscal. So that is the targeted EBITDA that we have in mind. If you want, we will send it to you, we have a full mailer which says what is the rationale behind the acquisition and some broad financial parameters.

Krishna: In terms of improvements in EBITDA there or in Modern, how do you think it will happen in terms of timeframe and what is the scope that exists this point in time, for next one year?

Parpia: It is not correct to give any kind of forward-looking statements here. So I don't want to get into what will happen in which.... We are ready to make that statement, so we have an integration plan which is being followed, by the end of our financial year we should be well into that. And I feel that that would be the

time when we might be in a position to declare what we expect to see the improvement margins that Modern should have because of the combined sources. Obviously, we have made some targets and all of that. So we have that clearly laid out. But I don't think that at this stage, we are in a position to share that.

Krishna: Thank you Sir.

Moderator: Thank you Sir for your questions. Our next question comes from Mr. Hitesh Jhaveri of Edelweiss. Mr. Jhaveri, please go ahead.

Jhaveri: Hi! Ravi, my question is with regard to the Buzz L N Hamilton report that was recently out about the engineering service outlook. One of the numbers that are mentioned there was about close to \$10 billion in 2010 where the industry could be going and much higher numbers about \$35 billion by 2020.

Ravi: Yeah.

Jhaveri: My question to you is, what do you think of the space going forward in next 2-3 years in context of Geometric-Modern strength combined and how is your organization prepared to go after this?

Ravi: Actually, I think it is a great question because if you look at the Buzz Hamilton Nasscom report and you look at the 3 sectors that were identified as the top contributors by the 2010 timeframe, even 2020. The number one is automotive, number two is high-tech equipment and including telecom and the 3rd, I believe was aerospace. Now, in the 10 billion number, also recognized is that represented the total volume of engineering services exported from India which includes captives and it is expected to and the exact number is not known that, it is probably a shade over 50% is the captive. Let us look at the balance and if you look at the sectors, automotives, aerospace and high-tech and sophisticated equipments, I believe that the offerings of Modern and Geometric are perfectly provisioned to address these segments, because you are looking at discrete manufacturing, you are looking at each on of these companies, looking at globalizing engineering in line with the operations to reduce cost of product development, time to market on products and design products in the context of local market requirement. This requires investment in new PLM technology, this requires the globalization of engineering work forces, this requires integration and consolidation between engineering and manufacturing processes. These are the 3 areas now post-Modern and something that we believe Geometric consolidated is very uniquely poised to do. Plus if Modern's presence and footprints in the United States, which according to the report also, will remain the dominant market from which such work is outsourced. We believe their very strong market position and brand equity there, it is really going to help us in attaching that space.

Jhaveri: What also comes into the place is the huge amount of attrition that probably, more specific to the engineering services space and the fact that the Big Six of the Indian IT are present and have ambitious growth plans there as well. Would you really worry that the growth envisaged may not actually happen because you will have to review some revenues on the table from time-to-time because...

Ravi: For the attrition?

Jhaveri: Because of attrition, non-availability of the right people.

Ravi: No, this is where again with Modern recognize that we are now, probably one of the few dedicated engineering players who has got a delivery footprint not just in India, but in two other locations where we are going to rapidly scale. Also, very significant advantage is that, our presence in proximity to our customers, as Ron said earlier, there is Detroit and there is also a footprint that Modern will be opening in France. Our proximity to customers is going to help us secure largest chunk as a business because we are playing earlier in the outsourcing cycle. That is going to be a distinct advantage. So in terms of talent, if you look at supply side constraint, yes I think everyone is going to be battling for talents. So I think the spread of the work that we will be able to offer because of our front-end reach and our ability to leverage engineering capacity across multiple global locations is really going to be the key. You could argue that the Big Six of the Indian IT also has global delivery locations. Yes, that is true, but it takes quite something else, in my own experience, to build up two engineering talent and competency across multiple locations and that will take time. I believe with Modern, we have that strategy advantage.

Jhaveri: Ron, in the past 20-24 months, which all would be the largest projects that you would have won from your customers, in terms of size in million Dollars?

Parpia: Well, I think you can just broadly get into the numbers because I don't know if that is correct, you can't name customers and numbers. But what you can just say if you can say what type of work which you won.

Ron: One of the __38:57 against that in the automotive space, we have numerous millions to \$5 million contracts, and some of them span over the next 2-2½ years. And we recently, without saying numbers or anything, we recently designated 3 global suppliers to Cater Pillar on a worldwide basis, we hit this with them in Europe, in Asia and also just recently started doing work with Cater Pillar in India.

Jhaveri: I appreciate that, goodluck gentlemen and thank you.

Moderator: Thank you Mr. Jhaveri for you questions. Next in line is Mr. Dipen Shah from Kotak Securities. Mr. Shah, please go ahead.

Dipen: Hi! Manu, I think some of the questions have already been answered but just a couple of more.... First of all, can you just indicate in the last quarter, what were the Modern revenues which Geometric got? I don't know whether the details have already been given, I don't have them. And the other thing is to Ron that in light of the problems which are being faced by several large auto companies in the US, how has been the experience. When you did mention that you have got some large contracts but in terms of the sales cycle for new contracts or some of the delays in existing contracts, how has the experience been?

Parpia: On the business from Modern is really very small in terms of, I would say it is about 1% or something even less of our revenues, it is not significant in that sense. But the important part is that we have been working together for a long period of time. And this has been the confidence that we can work and deliver, do the global delivery as Ravi was pointing out.

Dipen: So in terms of the consolidation whenever it happens we can just expect that about 1% of revenues or even less.

Parpia: Yeah.

Dipen: And how about the question to Ron?

Ron: Yeah, as it relates to some of the large automotive manufacturers and I am sure you are speaking of General Motors and Ford and some of those various very small concentration of business with Ford. Our concentration on General Motors is much larger and we never in 60 years time even now troubles we had any problems with securing business __41:45 business and see them coming back for more. Our diversification strategy which we also started 3 years ago keeps us in a position where all others are by 40% of our revenues and the balance 60% is spread throughout tangible convertibles.

Dipen: Okay, thanks very much and all the best to you.

Ronwood: Thank you.

Moderator: Thank you Mr. Shah for your questions. Next question comes from Mr. Sandip Shah of Motilal Oswal. Mr. Shah, please go ahead.

Sandip: Sir, can you once again share the number of employees in the different regions for Modern? You said North America was 500.

Parpia: Total 600 and North America is just a little over 450, Romania is 65, China is 16 and we have 37 and 40 in Mexico at the moment.

Sandip: Sir, as most of the employees are in the high-cost estimation, so the growth within the Modern Engineering in terms of sales revenue will take some more time when we are still at a significant presence on the offshore or do you believe that the growth rates from the \$40 million of revenue which we have shared can grow by more than 20-25% in the coming years?

Parpia: Both of us, Ravi would also like to add something, but let us be very clear. The \$40 million that the Modern gets is the base on which we have to build up additional business. It is not our intention, desire and plan to replace any person. Actually, it is to leverage and that is the opportunity. In fact we may even add in North America, it is not required to subtract the opportunity lies in gaining additional business and not in substitution. I don't know Ravi want to add.

Ravi: Exactly, I just wanted to reiterate that that is where we see the opportunity because if it was just taking 40 million and trying to offshore it, that doesn't generate a proposition even for the customers in the long run. And everyone of the customers that we have met together in the past 3 weeks or so has reiterated their desire to work closely with us and explore new opportunities that they have and they can work with as far as Geometric and Modern is concerned, add to the existing base. So on the contrary we believe that, this coming together is going to enhance the total market proposition and should really increase the sales momentum, that of course by a significant amount of cross selling that we wish to drive.

Sandip: Sir, my question if you look at from the client's perspective, are they ready to ramp up within US, North America or they would like more to offshore to save their own bottomline and cost also?

Parpia: It depends on the kind of work. If you look at the continuum of engineering and manufacturing work, there is certain amount of work that requires a high degree of interaction between their engineers and our engineers and this requires almost on an ongoing basis. So that kind of work, the high complexity, high interaction work is not something that is typically done offshore. So even you take any other service provider who doesn't have a strong local presence, they would never get that kind of work. Modern is getting that kind of work and will continue to get that kind of work. So really what the customers are looking would be to segregate different work types and work packages, get a certain amount of work typically in the kind of engineering work that a customer deserves, atleast 45-50% of that is amenable from a process perspective to looking at globalization. So there is a large chunk that you can go after and there is an equally large chunk that is not typically available to a peer offshore player and this is where Modern adds a difference.

Sandip: And Sir, can you share any ramp up plans for the employees within the Modern Engineering and different locations?

Parpia: We don't really want to get into that at this stage, it is not appropriate and the point that we reiterate is that the combined forces will ensure that there is growth all around.

Sandip: And sir, our attempt will be the additional growth within the Modern Engineering should be largely offshore.

Parpia: When you say largely offshore, it means that the business is such that it would be offshorable and therefore some part of it and whether 60%, 40%, depends on the work would come offshore. When you say offshore, it could come to India, it could go to China, it could go to Romania, I don't know, it could even go to Mexico. So that is the strength. It is the first truly global engineering service provider that there is, I can't off the cup think of the company with that kind of capability. However, our job is to leverage that and it keeps us as Ravi was mentioning, the customers have locations in each of these areas and they want to see support from their vendor in those areas. So I can see that it is a great opportunity to grow in all areas, why only one because how many companies are there who can deliver that?

Sandip: And Sir, just one book keeping question which can help us to project about Modern Engineering is, all the facilities at different locations are being owned or being leased out or...?

Parpia: Do you own or leased the properties?

Sandip: Yeah.

Ronwood: All the properties are leased.

Sandip: Okay, thanks very much.

Moderator: Thanks Mr. Shah for your questions. Participants who wish to ask any further questions, may please press '*1' now.

Parul: Could I go ahead with the questions, moderator?

Moderator: Certainly Madam.

Parul: Sir, as per the presentation that was given out on the Modern Engineering numbers, I think there was a effective tax rate implied was almost as high as 47%?

Parpia: We have to re-look at which particular figure you are looking at?

Parul: It was \$1.5 million at PBT level and 0.8 million at the PAT level.

Parpia: Okay.

Parul: So the difference between the PBT and PAT, I guess would be contributed to tax.

Parpia: I need to check that out and see whether minority interest or whatever, we have to check that out. I wouldn't be able to give you an answer off the cup here, I will give it to you Parul.

Parul: Sure, thank you.

Moderator: Thank you Ms. Inamdar. Ladies and gentlemen, for any questions you are requested to press '*1' on your push-button phone. As there are no more questions, I would now like to hand over the conference over to Ms. Parul Inamdar.

Parul: Thank you moderator. We would like to thank the management of Geometric and Mr. Ron Wood for being on this call and giving us the opportunity once again to hold the conference call. All the best to you Sir.

Parpia: Thank you.

Moderator: Ladies and gentlemen, this concludes your conference for today. We thank you for your participation and for using TATA Indicom conferencing services. You may please disconnect your lines now, thank you and have a pleasant evening.