



Geometric Limited

Conference Call Transcript

August 4, 2008

Moderator: Good evening ladies and gentlemen. Thank you for standing by, this is Nitya the moderator for your conference call today. We welcome you to the conference call of Geometric Limited hosted by Prabhudas Lilladher Private Limited. We have with us today Mr. Jayendran from Prabhudas Lilladher 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 star (*) and one (1). I would now like to turn the conference over to Mr. Jayendran.

Mr. Jayendran Rajappa: Thank you Nitya. Good evening everybody and a warm welcome on behalf of Prabhudas Lilladher to all of you. We are glad to have with us the senior management of Geometric Limited represented by Dr. Ravi Gopinath, Managing Director & CEO; Mr. G. Ravishankar, Chief Financial Officer and Mr. Raja Ramana Macha, Chief Operating Officer. I now request Dr. Gopinath to make the opening remarks, which will be followed by a Q&A session. Ladies and gentlemen, Dr. Ravi Gopinath

Dr. Ravi Gopinath: Thank you Mr. Jayendran. Good evening everyone and thank you for joining this call. I'd just like to give a summary of the quarter and then throw the line open for question and answers like we normally do. In this quarter we recorded a 4.8% increase in consolidated revenues and this was reasonably healthy growth from our perspective. We have been talking about order closures especially towards the latter part of the previous financial year and what you have seen in this year is a manifestation of some of the orders taking fruit resulting in revenue increase. Of course this was offset; when you analyze in rupee terms, by around 14% increase in cost of revenue.

The drivers for this core increase primarily were the following factors: the depreciation of the rupee which was 6% vis-à-vis the previous quarter and 4% vis-à-vis the same quarter of the previous year. The wage hikes that we implemented in Q1. Certain amount of increase in the software license cost that we incurred on the projects that we had going on, this is part of the agreements and volume increases and some of the cost increases were part of the agreements we had with software vendors. Plus as we were initiating projects, some of the projects had increased onsite components and travel cost on some of the projects went up; and there was also volume increase associated with the increase in revenue. So the four factors that impacted COR were really the rupee depreciation, wage hikes, other costs of projects such as software and travel and the overall volume increase. This has led to a slight compression in percentage terms of contribution as

percentage of operating revenue; we did have a 5.6% growth in contribution over the previous quarter and 34% growth in contribution over the same quarter of previous year.

Our SG&A expenses went up in the current quarter. I will like to make a comment on the SG&A expenses especially in comparison with Q4, but before that I want to bring to everyone's attention that in this quarter we have done a reclassification of our P&L cost heads by moving some cost that we used to earlier report in SG&A into COR. The items that we have moved into COR are primarily the cost of all of the delivery management that we have in the various delivery centers in India and around the world. This used to be in the SG&A but we have now moved that to COR, which is as it should be. Some of the expenses which were for the long term capability development, such as cost of our practices and some costs associated with ERP that used to be in COR have been moved to SG&A. What we have reported in the P&L statement of slide 5 of the presentation is after the recalibration has been done for all the quarters shown there. So Q1 '09, Q4 '08 and Q1 '08 are now completely recalibrated with respect to the reclassification that I talked about. Also when comparing it with Q4 you will recollect that in the Q4 call we had talked about approximately 20 million INR benefits that we had enjoyed in Q4 at the SG&A level due to a one-time write back.

So the net increase in SG&A in absolute terms vis-à-vis Q4 on a truly like-to-like basis was around 34.5 million. The contributory factors really were again the rupee depreciation, certain one-time costs that we incurred, an increase in manpower cost because of SG&A and facility exposure in higher cost locations. There have been additional expenses that we incurred; we cut down significantly on our travel cost, therefore, communication went up slightly. The marketing cost went up because we had committed to earlier in participating in certain key events where we have already generated the sizeable number of leads. So these are the main factors that contributed to the SG&A increase. As far as the business growth was concerned in terms of the orders that we closed, we added 20 new customers in Q1 of '09 and the order closure value of new business was 12.8 million.

Analyzing the wins that we saw in this quarter, it was certainly encouraging in terms of spread of the wins that we have started to get, keeping in line with the well planned diversification strategy that we initiated all of last year. For example, we have now won an engineering service contract from American automotive OEM to support engineering requirements in China in addition to the work that we are doing for them in the United States. So our paradigm of global engineering that we constantly talked about has started to gain traction and this is the validation of that strategy. In PLM business, we said that we would be diversifying into new verticals as well as new horizontal areas with the extended PLM strategy and that has also started to bear fruit. For example, our offering in PLM for the fashion and apparel industry has now achieved its first success with one of the world's leading brands in luxury goods becoming a customer of Geometric with the first pilot project starting.

Earlier in the quarter we had announced the strategic partnership with one of the world's leading suppliers of manufacturing operation software. This represented a very significant diversification for us in the PLM space where we are not only looking at CAD/CAM and traditional PLM arena but now increasingly looking at the expanding spread of PLM into the shop floor in manufacturing operations management. Our partnership which we have already announced with a division of Invensys Corporation, Wonderware was certainly a very strategic move for us. This is an engagement for providing and developing new industry solutions as well as providing services on a global level. We have been focused on ensuring that we start gaining annuity business opportunities and it is very important in our PLM business that one starts gaining them. One of the big drivers for us to go direct to market constantly over the past one year, well I talk about the fact that we have certainly started to see quantified results here, is that if you are not engaged directly with the customer in the

implementation of their PLM systems, then getting the downstream applications support contracts, which is really where the annuity base is built up, becomes extremely difficult. That strategy started to bear fruit; we got our first multi-million dollar, multi-year production support project in the PLM space from a global automotive major. We have been involved with them earlier in implementation and enhancement services and this is a significant breakthrough for us which happened in the Q1.

Outsourced software product development for ISVs has been a main stay of Geometric for a long while and what we have been doing over the past year is now looking beyond the traditional ISV space to diversify again and say which are the industrial customers, manufacturers of various machines and tools who also bundle software along with their hardware products for their end customers. And how can we support them with our excellence in software development for engineering applications. This has also now gained attraction in the metrology space with a leading manufacturer of CMM machines, and now we have setup a Metrology Centre for Excellence in India for them. So broadly what has happened in this quarter with regards to the wins is that the wins have taken place but we have also generated exactly the spread that we wanted. And our focus over the coming quarters is going to be ensuring that we continue to see growth here. Just as an example in our PLM business close to 60% of our revenues of PLM space is from direct industrial customers up from around 40% in the same quarter last year.

In the outsourced software product development arena our revenues from supporting industrial customers with software development that is non-traditional CAD/CAM PLM space that revenue went up from 8% same quarter last year to 16% in Q1. So both of these are very very important areas of diversification. In the PLM business also our emphasis is on new verticals such as apparel, high tech, oil and gas, so on and so forth. That revenue stream went up from around 6% last year to 14% in this quarter. So all in all from the wins and market traction perspective we have seen movement in the right direction and the pipeline has also moved in the right direction.

Our products business certainly did face challenge and we are closely looking at the portfolio of our products business in terms of how do we accelerate the momentum. It was very critical that we launch at least one product and aggressively take it to the market in the design for manufacturability arena because that is one of the significant opportunity spaces that one can capitalize on; it is really the white space between design and manufacturing. And in the Q1 this year, we launched the DFMPPro. A product that is now starting to gain traction in the market, and I would say more of a mainstream retail flavored visualization software product called 3DPaintBrush, an entirely new paradigm for Geometric. Very early days, but we see that as having tremendous mass market appeal and not just industrial application but also for hobbyists. Too early to say what the business expectations are but we hope to be able to give a clearer picture on the outlook from both these products when we reconvene in the next quarter.

Just to summarize if I were to look at the outlook for our various businesses over the rest of this year, on the PLM front the outlook is extremely good. What customers are clearly looking for is system integrators who have very strong grounding in multiple PLM technologies and can assist them in the context of interoperability. So it is not just providing PLM services but helping customers integrate diverse technology platforms and advice them in terms of how to achieve this integration. To facilitate this what we have done is we have merged our erstwhile standalone enterprise products business tightly into the interoperability practice of our PLM business and now instead of just selling licenses of our integration adapters we are selling a solution of licenses plus services together. In our view what has happened as a result of this clearly is the

creation of opportunities and closing of initial orders with this combination of offering assets plus services together is gaining much greater traction in the market.

PLM will continue to grow in our view in non-automotive with new vertical areas that I talked about earlier such as the fashion industry, the oil and gas industry, the high tech industry. These are areas that we do not see as much of a slowdown, there is a slowdown no doubt and I will talk about that in a bit, as in the traditional automotive and industrial manufacturing sectors. As I said earlier also in the software development space the industrial customer base has to grow and that is where our retention is. There are a couple of large players in the traditional CAD/CAM space, not our customers and we are certainly in active discussion with them to form relationships. But like in the metrology arena we are looking at number of different verticals where manufacturers bundle software with the offerings to their end customers and how we can support them as experts in the field of engineering software development.

As far as engineering business is concerned I am sure many of you have questions on this matter. Frankly speaking, the exposure that we have in Detroit and the condition that all of us are in, I would say what happened in Detroit did have an adverse effect. Our engineering volume in terms of the business in Detroit came down. There was also significant rate pressure from the large customers there and this has impacted the profitability of that business adversely. At the same time the encouraging trend is that the India based offshore services business has grown significantly over the previous quarter and it has grown in terms of profitability as well. So what this means is that our delivery and productivity initiatives in India, apart from the business for engineering services, have now created a scalable competency base. We now need to start actively pushing more and more volume offshore, whether it is offshoreable or not, our ability to handle greater offshoring risk is much higher at this point in time, certainly much more than it was in previous quarters. But overall as far as the outlook in the engineering business is concerned, Detroit is going to be slow and I would say Detroit is going to slow down even further. Business volume will come down, decision making cycles overall in the year are clearly reflecting a recessionary trend but what we are seeing as an upside to this is that customers are certainly looking at much more aggressive offshoring. So just in the last quarter we have been engaged and this is not closed yet but we are engaged with two customers, one in US and one in Europe in pursuing, in bidding for fairly significant very offshore heavy engineering services. Earlier in previous versions of the same discussion they were looking at a much more proximity mix but the focus has shifted. So the local economics in the Detroit market, which is increasingly spreading to other parts of the world I would say, has actually created much more of an imperative for customers to globalize and try work offshore than it had earlier. We see that as an opportunity particularly in conjunction with the increased competency and capacity that we have created in India and certainly have now replicated that process of competency generation to other low cost centers in Romania as well as in China.

And the final point as far as products is concerned and when we say products going forward, we have been talking about our Desktop Products business. By the middle of this quarter we are going to be looking very closely at the portfolio of products we have. We probably will be looking at some rationalization on the investment we have made in the new products that we launched in this quarter. But some of the older products which have started to potentially stagnate are going to be looked at in terms of firstly the development and marketing cost that we are investing right now, vis-à-vis channeling those into securing growth in some of the new products we have launched.

So those are my opening comments in summary. We have seen reasonably good topline growth especially given the slowdown in the market and our exposure to the manufacturing and engineering space, it is

certainly encouraging. I believe that this has happened because of our very aggressive trust in exposing Geometric directly to end customers. If we hadn't done that I believe we would have been in very very different situation right now in terms of being able to secure growth. Today we feel much more confident about our ability to secure growth and of course there are issues that we have to address and which we continue to focus on, like cost reduction on all fronts. As far as the cost of revenue is concerned the productivity improvement initiatives in our offshore centers have been active. They have generated results and will continue to do so but we now have a much greater customer driven opportunity if we were to right size our US operations and try much more offshoring than we have in the past.

On the SG&A front there have been increases as I said earlier, in fact due to the rupee depreciation and also certain one-time costs but those are very closely being monitored and we do not expect that trend to continue in the quarters going forward. So those are my introductory comments and again thank you for calling in and we are now available for your questions.

Moderator: Thank you sir. Ladies and gentlemen we will now begin the question and answer session. If you have a question please press star (*) and one (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 question you may do so by pressing the hash (#) key.

We have our first question from Mr. Harit Shah of Angel Broking. Please proceed sir.

Mr. Harit Shah, Angel Broking: Good evening sir. As you rightly mentioned that the engineering services, more specifically in Detroit, you are facing a number of issues in that particular front. If you are looking at greater amount of offshore can you give us some idea of the offshore percentage of engineering revenue in this particular quarter and the previous quarter if you have that number please?

Dr. Ravi Gopinath: Yeah. By revenue it was 5% in Q4 and 5.62% in Q1 and by effort it increased from 7% to 7.8%

Mr. Harit Shah, Angel Broking: Sir another question, we are obviously facing lot of issues in this particular service and given that it is such an important focus area for Geometric going ahead. Actually if you look in this particular quarter the engineering services grew by just about 4% on YOY basis in rupee terms. So if we recall last year we had given a kind of, not exactly guidance, but probably a vision of having \$270-300 million in revenue by FY 2010. Given these particular issues that are being faced particularly in this segment and of course also in product business do you think sir, that the vision is still achievable as of today?

Dr. Ravi Gopinath: As of now we haven't recalibrated that goal but suffice to say that every quarter we are not just looking at the previous quarter performance or the next quarter performance, we keep our 2010 plan clearly in mind and we are constantly building mitigation strategies. Now recognized that if you were to really look at the change in market conditions, we are now in exactly the Q2 of a change scenario. Q4 was when as far as we are concerned the slowdown became very very apparent and we probably saw some early signs of that given our exposure to the engineering and manufacturing sector, which has become very apparent now. I would say that this is probably going to be towards around, sometime in Q3 time frame when we are going to comprehensively re-visit 2010 plan and then revert back to the external world in terms of whether we are recalibrating that, if so by how much? And if so why?

Mr. Harit Shah, Angel Broking: Alright. Sir what is the OPM, operating level performance of Geometric Engineering in this particular quarter. I mean at the EBITDA level we are still profitable as was the case in the last quarter?

Dr. Ravi Gopinath: No. I mean first of all what we have done is we no longer have Geometric Engineering as an entity, it does not exist as separate entity. We have folded it into our US operations. It is now an integral part of Geometric Americas. We are not reporting the erstwhile Modern Engineering which was renamed to Geometric Engineering in terms of a separate P&L. But I can answer your question saying that while it was EBITDA positive in the last quarter, it was not EBITDA positive this quarter and the reason for that was twofold. One is there was a volume decline, second thing there was a bill rate pressure that came in from several other large customers especially in the context of what is happening in Detroit.

Mr. Harit Shah, Angel Broking: Sir one last question, what was the outstanding hedging position at the end of the quarter and at what rate did you have this position?

Mr. G Ravishankar: At the end of the quarter we have about \$72 million of outstanding forward contracts and the average rate is between 40.5 and 40.6.

Mr. Harit Shah, Angel Broking: \$72 million?

Mr. G Ravishankar: Yes \$72 million.

Mr. Harit Shah, Angel Broking: Okay. Thanks a lot sir and best of luck.

Dr. Ravi Gopinath: Thank you.

Moderator: Thank you Mr. Shah for your question. We have our next question from Mr. Abhijeet Kumar of Equity Master. Please proceed sir.

Mr. Abhijeet Kumar, Equity Master: Hello. Good evening sir.

Dr. Ravi Gopinath: Good evening.

Mr. Abhijeet Kumar, Equity Master: I just wanted to ask you we have added 20 clients in this quarter and it is now 133 clients and in the previous quarter you already had 122 clients. So have you lost any client?

Dr. Ravi Gopinath: Some clients dropped off, these are mix of some contracts coming to an end, some contracts we exited and some naturally came to an end.

Mr. Abhijeet Kumar, Equity Master: Okay. Thank you.

Moderator: Thank you sir for your question.

For any further questions participants are requested to press star (*) and one (1).

Mr. Jaspreet Chhabra, Prabhudas Lilladher: Moderator I have a question can I go ahead?

Moderator: Please proceed sir.

Mr. Jaspreet Chhabra, Prabhudas Lilladher: Good evening everyone. Did we have any salary hikes during this quarter?

Mr. G Ravishankar: Yes we did.

Mr. Jaspreet Chhabra, Prabhudas Lilladher: And what was the quantum for offshore and onsite, actually I think I missed this part?

Mr. G Ravishankar: We didn't have any onsite increases in this quarter; we had only offshore salary hikes, hikes ranged between 10-11%.

Mr. Jaspreet Chhabra, Prabhudas Lilladher: Anything else that has gone against the margins, margins have dipped by 320 basis points quarter on quarter. So apart from the salary hikes anything else which has gone negative in terms of margins?

Mr. G Ravishankar: One is as you rightly said the salary hikes that we had in the offshore business and the second is the rate decrease as Ravi was mentioning in his opening remarks, we saw in some of the customers in the US operation contributed to this rate decrease.

Mr. Jaspreet Chhabra, Prabhudas Lilladher: You mean to say the decrease in billing rates?

Dr. Ravi Gopinath: In couple of customers for the US engineering business there was a drag at the contribution level caused by rate reduction. If I were to summarize whatever the key factors that impacted profitability up to the OP level, one big factor was the rupee depreciation that had impact across the board at the COR level and also the SG&A level especially given the size of our overseas operations and the SG&A exposure that we have overseas particularly in infrastructure and facility and so on and so forth. That is one factor, second was the wage hikes which we talked about. Third I had mentioned this earlier was that on some of the offshore centric projects that we have onsite components, some of the travel cost went up as especially in the PLM business where we had more onsite work coming on.

Then on the SG&A front again the rupee depreciation effect plus there were set of one-time costs that impacted us because we pushed down travel, certain increase in communication cost and marketing spend as planned. We spent an extra amount over the quarter because we had to participate in some events which are critical to lead generation.

Mr. Jaspreet Chhabra, Prabhudas Lilladher: Sir, can I have those one-time cost if its material enough?

Dr. Ravi Gopinath: As far as SG&A is concerned, there were some increases in the consultancy charges we had in.... You just want the number?

Mr. Jaspreet Chhabra, Prabhudas Lilladher: I just want the number and....?

Dr. Ravi Gopinath: It is about 11 million.

Mr. Jaspreet Chhabra, Prabhudas Lilladher: \$11 million?

Dr. Ravi Gopinath: No Rs. 11 million.

Mr. Jaspreet Chhabra, Prabhudas Lilladher: Well that's it as of now from me.

Dr. Ravi Gopinath: Okay.

Moderator: Thank you sir for your question.

Ladies and gentlemen for any further questions you are requested to press star (*) and one (1).

We have our next question from Mr. Kunal of Edelweiss. Please proceed sir.

Mr. Kunal, Edelweiss: Hi. Just taking the previous question further even if I exclude the one-time SG&A costs of probably Rs. 11 million, the SG&A expenses and the percentage of revenue stands at about 24%. What are some of the levers in SG&A so you can reduce that cost and how far, how quick that could bring back the profitability?

Dr. Ravi Gopinath: As we discussed, there are couple of factors which impacted the agenda in this quarter, one is the increase in the exchange rate, the depreciation of the rupee and we have significant amount of fixed cost that we have in the US operations. And second is in the previous quarter, we had some unusual gains which otherwise would have resulted in a higher SG&A. If these two factors are to be neutralized, we did not have much of an increase in the SG&A and we are also looking at various factors like controlling our travel which is not related to businesses, that's first and secondly communication cost and thirdly the real estate cost that we incur in the US geography. So we think that in the next couple of quarters we should be able to contain the increase and we should not see an increasing momentum going forward.

Mr. Kunal, Edelweiss: What actually more I would want to understand is that in the given comparable set of companies particularly SG&A level for Geometric remains very high. Even if I remove the one time impact of rupee depreciation it will be about 23%. So what I want to understand is, can the SG&A over a period of say three-four quarters come down to about 20% or so? Is that something which is there as a target or probably there is higher fixed cost component due to which it becomes difficult?

Dr. Ravi Gopinath: The answer to your question is that, that is absolutely the trajectory we are aiming for. As I said till just now and we have got some windows open on this, one of the fixed cost that we were stuck with was some of the long term lease agreements that we had in the US as well as in France which came in through the acquisition.

What we have done in this quarter is actively relooked at those contracts. We are now looking at exiting some of these agreements that will come at a short term cost but it will improve the long term I would say SG&A leverage significantly. So we are right now in the process of examining how to do facility consolidation in our high cost location. There is also certain amount of management, SG&A manpower rationalization that we have done. We have constantly done this through the year and especially in the high cost locations that process will continue. If you were to ask me the big ticket item today, it would be the infrastructure related SG&A rationalization that we have to do. We didn't have the opportunity to do that till now simply because the contractual terms that have been signed at the time of acquisition did not permit it. We have some windows open, as I said we need to go through that process this quarter and then have a much more deterministic predictions view in terms of when those effects will take place. Because once they do those effects will be reasonably significant.

Mr. Kunal, Edelweiss: Thank you. Basically with regards to this one-time sale of property was that also again on the same lines that you wanted to rationalize and that was the reason or what was the rationale of selling that Pune property?

Mr. G Ravishankar: As far as the rationale of selling the Pune property is concerned, we want to ensure that we are moving into facilities that can stay and accommodate the business as it is growing. Facilities that are more efficient to manage, from a day to day operations perspective. We are really talking about cost of maintenance, power, and operating efficiency of the facility. And frankly speaking the property that we sold was one of the least efficient in terms of capacity and running cost. So all in all it had a positive impact for us. Our strategy going forward is to continually look at our real estate investments and find out whether they are meaningful to us or not and wherever we see opportunities for improvement, wherever the opportunity for improving operating efficiencies we will go for it.

Mr. Kunal, Edelweiss: And that was helpful. Lastly Ravi if I can have your comments on some of the key wins, this time we have got, particularly marquee wins. If you can highlight what is the quantum of those deals? By any chance if you can give some colour with regards to the quantum or magnitude of those deals, particular deals and when it will come through in the numbers?

Dr. Ravi Gopinath: As I said the aggregate of what I talked about and there are more....

Mr. Kunal, Edelweiss: Aggregate is about \$12.8 million, right?

Dr. Ravi Gopinath: Yes.

Mr. Kunal, Edelweiss: So may be individually what is one of the those wins....?

Dr. Ravi Gopinath: For example I will just give you a sense; the AMS contract would be around 3 million on a year to year basis. If you look at the manufacturing operations arena we are looking at around 2.5-3 million at a minimum. So these are all, many of these are framework deals, these are not single projects but the predictability on this is fairly high. Now when we are reporting this, some of these things as marquee events you can safely assume that they will be at a minimum million dollar deals.

Mr. Kunal, Edelweiss: So minimum ticket size has actually gone up in terms of the new deals, right?

Dr. Ravi Gopinath: Yeah.

Mr. Kunal, Edelweiss: And lastly Mr. Ravishankar what is the quantum of the mark to market loss that would be booked in Balance Sheet or probably parked in Balance Sheet?

Mr. G Ravishankar: It is about 22 crores at the end of June, as of June 30th.

Mr. Kunal, Edelweiss: Okay. Alright. Thanks a lot and all the best.

Dr. Ravi Gopinath: Thanks Kunal.

Moderator: Thank you Mr. Kunal for your questions.

We have our next question from Mr. Sourav of Kotak Securities. Please proceed sir.

Mr. Sourav, Kotak Securities: Yeah my questions have been broadly answered. Thank you.

Dr. Ravi Gopinath: Okay. Thanks Sourav.

Moderator: Thank you Mr. Sourav.

We have our next question from Mr. Sunil Tirumalai of Credit Suisse. Please proceed sir.

Mr. Sunil Tirumalai, Credit Suisse: Hi sir. Good evening. I am not sure if this question got answered earlier, your outlook on margins. You gave a few margin levers but on overall basis where do you see margins moving?

Dr. Ravi Gopinath: We did not state where we see margins going, we said I answered this in the beginning of the financial year. We haven't stated guidance in terms of either revenue or profitability services.

Mr. Sunil Tirumalai, Credit Suisse: Okay. Thank you very much.

Moderator: Thank you sir for your question.

For any further questions participants are requested to press star (*) and one (1).

As there are no more questions I would now like to handover the conference to Mr. Jayendran.

Mr. Jayendran Rajappa: I would like to thank the management team for giving us an opportunity to host the call and I would like to pass on the floor to Mr. Ravi for his closing comments.

Dr. Ravi Gopinath: Thank you, once again, everyone for joining us. In closing I would just like to state a few points. In the past year we have been doing multiple things to ensure that Geometric has a strong and sustainable future. The six points of the strategy is something that we had articulated in the beginning of the financial year last year and we have been very consistent in the management team to ensure that those six levers are consistently focused on. Everything that we have done has been based on the strategic plan and we are consistently adhering to that. There have been a number of challenges along the way, last year and certainly looking at the markets, those challenges will continue to be active.

But where I certainly feel confident and we now start to feel to a small extent vindicated in terms of our strategies, in terms of the traction we are getting in the market in terms of some of the wins that we have seen. I would say it is too early to say that these are going to be monotonously repeatable and predictable every quarter. There will be some quarter to quarter fluctuations; it is, whether we like it or not, a very real manifestation of our newness into the direct market and the slowdown that we are really seeing across the board. What has clearly started to come out in terms of offerings is that Geometric has a very unique value proposition. The customers in the market are clearly starting to see this and it is being reflected in the fact that our diversification strategy is working, our direct market strategy is working and we are starting to gain traction in the market.

There is a recessionary trend today, one wishes it wasn't so but it is not going to last forever. I think the foundation that we have created is a very strong and sustainable one. We continue as a management team to remain very firmly focused on all aspects of operating improvement whether it is generating revenue of the right type, whether it is constantly looking at operating efficiencies for which we have a strong framework

here in India operations and now has been rapidly deployed, in global operations as well. And from a perspective of management prudence, very closely looking at our SG&A spends and trying to rationalize it. The questions you have asked are the same ones pretty much in addition to many more that we and our Board have been very actively debating and deliberating over the past few quarters and indeed have done so even today. So my summary is that it is a challenging market but I think today Geometric's foundation and offerings are probably stronger than ever before and I believe, in a competition of equals, we are definitely poised to win.

Thank you.

Moderator: Thank you sir. 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.

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