

Geometric Software Solutions Co. Ltd.

Transcript of Analyst Teleconference held on 10th January 2003 at 4pm

Manu Parpia: Good afternoon. My apologies for being 5 minutes late. To start off, I guess the good news is that we are happy to maintain and improve on our margin. If we look at the operating profit in particular, I feel the performance has been pretty good. We had an operating profit of about 48.5 million rupees this quarter as against 41 last quarter, and the operating margin has also grown to around 22%. As I mentioned in my note, I do not expect to see major improvements or changes from this operating margins for the next couple of quarters, but it is a significant rise in percentage points from the beginning of the year and I say that at least that part of the commitment, to improve margins, we have been able to get some work. I know that top line growth is below our expectations. I am sensitive to the fact that we had to marginally revise our top line estimates and it would be fair that I should give some explanation because just 3 months ago, I reaffirmed the guidance. So here it was due to a situation in Asia-Pacific. When everything looked good and things looked all set to start, there were some delays and then also one of the orders went to local party, not on price at all, it was on some political consideration. When I say political, something to do with the commitment somebody made to somebody and all of that kind of stuff. So it resulted in not being able to miss the top line growth. As I pointed out in my note, the onsite revenue as a percentage of total income declined and one of the reasons why these onsite projects that we had in Asia-Pacific lined up. Now, on the other hand it is certainly the fact that we continue to grow. Our growth rate is better than that of the previous quarter. We are certainly taking measures to improve our growth and that is something which is on our mind and is taking managements time and attention. One way of doing that is to enhance our alliances. The way of doing it in the alliances is to add more alliance partners, but very often adding alliance partners per se is easy to do, but it is difficult to get business. So when we are adding alliance partners this time, in our reports, we have tried to explain what is our strategy on alliances and what we are trying to do. So we really are trying to develop a pretty comprehensive program to go in for more alliances and to cover areas specifically and business or customers so the alliance is being targeted with a view to acquiring or entering into relationship with the customer. We also are aggressively trying to get more onsite opportunity. So basically the whole idea is to accelerate the implementation of our strategy in which we firmly believe. In the longer term, we are obviously looking at new areas of related business. We are not looking at unrelated businesses and one of the new areas is engineering services, but you know this is something, which will not take immediate impact. Stepping back a bit, looking at the general sentiment that I perceived, I think that in both in the Europe and in US, the sentiment is kind of very divided. One part, there are people who says the worst is over and there are others who says there is more to come, and I do not think that there is consensus that which way things will go. Still in the US in particular the auto companies, the US auto companies being badly affected, not only by the change in consumer sentiment, which they had managed to keep going by giving 0% financing, but also the Japanese are gaining on market share. Now, in reality this should provide very good opportunity for Geometric, because clearly they have to cut cost and we offer a great opportunity for doing that. But these things do not happen so easily. I do not think that companies really make decisions on that particular manner, you know, it may be evident, but many changes in processes have to take place in order for them to utilize this. So our way forward is to look at alliances and look at targeted alliances. Basically these companies who are already engaged with these are with auto companies or with the supply chain

and see if we can offer these partners a way to reduce the overall cost by offering a blended package of services and thereby making it easier to transition into offshore work. Some statistics we should have put in our report somehow we missed out, so I just wanted to get them. In terms of the 3 business units, about 58% of the operating revenue came from the Geometry Business Unit, which is down from 61%. The IMBU was 36%, which is roughly the same, and the Collaborative Business Unit is up from about 3% to 3.5% to 6% and we expect the Collaborative Business Unit to do better in the coming quarter. In terms of our top 5 customers in this quarter, they constituted roughly just over 70% of our revenue as against around almost 80% last quarter. Then finally just looking at the significant developments, I think the most important part is that our 4 customers continue to support us and continue to engage with us and indeed grow their business. But in terms of new opportunity clearly the professional services agreement with EDS is a good milestone, also beginning of our relationship with IBM, execution of projects with Ford, new projects from Powerway, where the relationship couple of quarters ago had run into trouble because of some problem within Powerway. The CEO, if you will recall, committed suicide and there was some problem that arose after that. A larger presence with Covisint and I also would like to mention that we have been able to cover most of our income with forward cover, but of course the benefit or the difference is reflected in other income. It is not reflected in operating income and we continue to progress on our new building in Pune, India which will accommodate around 500 people. So in general, as I mentioned we see good buildup across all regions and we believe this will translate into consistent business opportunities in the next few quarters, but it is fair to say that this is going a little slower than we had hoped and planned, but I think we are on the right track.

So with that I think I would like to answer questions that anyone may have.

Moderator: Ladies and gentleman, we will now begin the question and answer session. If you have a question, please press *1 on your push button phone. If your question have been answered and you wish to withdraw your request, you may do so by pressing the # key. **We have our first request coming from Mr. Chetan Shah of Quantum Securities.** Please proceed with your question.

Chetan Shah: First, you said that the onsite revenues dropped actually because of some completion of project as well as delay and loss of project. So the loss you have already spoken about in the Asia-Pacific, but where there were instances also of delay?

Manu Parpia: Yes. There have been instances of delay, but we hope that we can catch up on it. But, yes, there are instances of delay.

Chetan Shah: Okay so this can you make it in the next order for annual target because on the first 3 quarters slightly looks challenging now for all.

Manu Parpia: Chetan, we have very clearly said that we will have to revise our objective which last when we said was between 870 and 900 million rupees. Now we have revised that to 840 to 870 because we do not feel we can meet the 870 and 900 target.

Chetan Shah: Okay. Another question was about this. Through Wipro you had won one alliance of Aerospace customer. So how will the revenue be shared with Wipro?

Manu Parpia: That I think is not something we want to get into at this stage. In any case, the situation is on case-to-case basis. It depends who does what work.

Chetan Shah: And you also mentioned that the project and contract would be completed over the next 2 quarters? So beyond that can we get more contraction that particular account?

Manu Parpia: Well, all I can tell you is we can only hope so. We have no reason to believe that we won't, but there is no guarantee that we will. So that is how it is.

Chetan Shah: Again in that account actually you said that the CollabView? licensing has been done there?

Manu Parpia: Yes.

Chetan Shah: So that will be recognized as what? Product sales or it will be royalty kind of thing?

Manu Parpia: No I think it is partly product and partly project because the work involves customizing the product, so some part is product and some part is project.

Chetan Shah: Similarly on the revenue resolution front, the Feature Recognition technology has been adopted by this CATIA few products.

Manu Parpia: Yes.

Chetan Shah: So how will the revenue be reflected as a royalty?

Manu Parpia: It will be coming as a royalty revenue into product.

Chetan Shah: Okay.

Manu Parpia: But at the moment there is nothing. I mean see, it was launched only I think in October or November. So I think the revenue flow will start very gently if past records of anything to do with, you know when you launch a new product.

Chetan Shah: And regarding the Covisint, the revenues looked to be recurring in nature...

Manu Parpia: Yes.

Chetan Shah: Is that true? And how will be the visibility and the predictability there?

Manu Parpia: Well, predictability is that we are increasing our engagements and that is what it appears. I mean that is what is happening as of now. I think Covisint as a company have been going through some tough times. They have restructured and I think they are now gearing up to do what they were supposed to do. I remain optimistic that we will be able to do a better engagement with them.

Chetan Shah: Okay. Also talked about this diversification between engineering services. What exactly are you referring to sir?

Manu Parpia: Engineering. See today Geometric as a company, is actually in programming services. All our people are doing programming. In engineering services typically what happens is that you know you actually use and you create models and you do analysis and things like that. So there is an option we are exploring and certainly one should not count any revenues from it for the next few quarters because that is just an option we are exploring.

Moderator: Thank you Mr. Shah for your questions. We have a next participant **Ms. Priya of Birla Sunlife Securities**. Please proceed with your questions madam.

Priya: Couple of questions. The first is regarding the sentiments along the industrial customer segment. Given that in both the quarters it is contributing 15% and represents one of the growth areas for Geometric.

Manu Parpia: Yes.

Priya: The second question pertains to the size that the 3DPLM has been doing very well with, if you see the minority interest has increased by 33% on Q-on-Q basis. If you could highlight some of the instances with respect to transition of the users from CATIA 4 to CATIA 5 and you know what does mean the increase in the usage with respect to each transition.

Priya: The third is I believe, the guidance have been revised on account of slow movement with respect to the alliances, so what are the key, I would say systemic issues, which are leading to a slow down or may be delay in the progress of the alliances?

Manu Parpia: Okay. Okay. Yes. So you are asking what is the sentiment on the industrial customer?

Priya: Yes. Given that it represents one of the growth areas and for the last 2 quarters it has contributed 15% in your top line and I believe margins comparatively doing very higher in the industrial customer segment.

Manu Parpia: Yes. So I think that the first and the third are kind of linked. See because our approach to industrial customers is through alliances.

Priya: Okay.

Manu Parpia: There are 2 parts in this. I think as I mentioned, industrial customers are outsourcing lot of IT activity and even conference activity to location including India, but engineering as a kind of disciple is probably the most conservative of the lot and is often linked to the product design, which is considered to be the core, you know, and while many companies are now facing a situation where their own margins are under pressure. The process by which they can outsource such core activity has to be developed, you know, so they have obviously become comfortable or they are becoming comfortable about doing financial, accounting, and call center, but I think engineering is one of the more backwaters in outsourcing, let us put it that way.

Priya: Okay.

Manu Parpia: So clearly it is a job to convince it is a little more difficult, even though it is obvious and there are clear instances by which people can save money. Now, that is one part and when you look at an alliance, what I tried to bring out is that, it is really developing as a channel and if you think about it, I think there are not many companies, I am not saying that we will, it is going to be a successful strategy, but it is a very different strategy. Okay. But we are doing is we are saying we are going to develop a channel for services. We are in the process of doing that and I feel that it is right way to go for a company of our size and our skills and our offering, but it is building a channel that is not a quick thing. It is very rare that channels happen quickly. Unless you have got totally USB product, channels do not happen quickly. So I would say that it is taking longer, but there is nothing I can do about it and I still think it is faster than trying to build the own channel that is direct sales channel.

Priya: Okay.

Manu Parpia: As far as your question on 3DPLM and V4 V5, I mean they are actually unrelated. I mean 3DPLM is meeting its objectives and has done exceedingly well. V4 to V5, the transition is going a little slower than what I believe, Dassault would have liked, but there, I mean, actually there was some call and I think some analyst did ask Dassault on that V4 to V5 and yeah it is going a little slower than what they had anticipated. I think part of the reason is that the same point I mentioned the customers themselves are finding financial budgets under constraints, then when you want to change over from V4 to V5, they want to see a lot of benefit in terms of productivity, in terms of being able to do things faster and time to market and all of that, but it all has to be done with an upfront cost, which includes training and so on. So consequently I think people are kind of being hesitant, but it is happening, but happening slower, in the way like our alliance are slow.

Priya: Just one last question. With respect to the number which you have given from the MIS generation report, which in the respect to Geometric Software Solutions' and now there has been 2 factors that is onsite consultant revenues have gone down.

Manu Parpia: Yeah.

Priya: Partly all are accounted to V5, but onsite revenue itself has been subdued rather? But the decline has been very sharp. If you could highlight some of the instances which lead us to decline or you see it is trend going forward?

Manu Parpia: Well, the revenues of Geometric standalone compared to the previous quarter last year gone up, but the profit is lost and the reason why the profit is low is last years Geometric's profit included a one time element of software sale, which was about 9.5 million rupees, so then there are also from additional expenses like traveling expenses, which are higher and so on because those are linked to marketing and sales as well, but I mean the biggest difference is about a onetime debt. The quarter in 31st December 2001, where is the profit was higher by about 9.5 million rupees because of this onetime sale.

Moderator: Thank you Ms. Priya for questions. We have a next question coming from **Ms. Sohini Adnani from LKP Shares & Securities**. Please go ahead with your questions madam.

Sohini Adnani: First of all my congratulations for overall good performance in all the BUs and also some good developments on the product side.

Manu Parpia: Okay. Thank you.

Sohini Adnani: And also for achieving a good cost reduction overall.

Sohini Adnani: My question is regarding your agreement with EDS that you signed. I just want to understand that what this agreement means and how different is going to be your relationship with EDS from what you have currently through this agreement?

Manu Parpia: Okay. See the agreements means that any part of EDS in any part of the world can now use Geometric to execute services you know best nutshell. In the past, the agreement was fairly restricted in the sense that it dealt with only development and then service opportunities were taken up on a case-by-case basis. Now it is like a standard agreement. Okay. So you are on rate contract kind of thing. So you know anybody desiring to use Geometric can use Geometric. So that is the big difference.

Sohini Adnani: Okay so would it mean that we would see a good ramp up and a very long term relationship with them?

Manu Parpia: Yeah. As far as the long-term relationship, yes definitely and in terms of ramp up now the role is the way we get more revenues is now our sales staff using the tract that we have this agreement, have to go to various EDS unit and tell them hey you know we have this agreement, why don't you use our services etc and find a hike in opportunity and clearly it is all in the PLM space.

Sohini Adnani: We are going to continue with development work that we do for

Manu Parpia: Of course.

Sohini Adnani: Okay. In case of you have in Geometric view you have relationship with 2 auto majors in Germany and 1 in Japan. So are they just direct relationship, which you have entered into is it through Dassault or to any of the service provider?

Manu Parpia: It is actually the one in Japan is kind direct. The ones in Germany are through some partner.

Sohini Adnani: Okay. Are this going to be a onetime project or we are looking for a longer term?

Manu Parpia: Obviously, we are at the longer where we would not be insisted really in doing onetime and that is the goal and I mean we execute okay, I think we should get that.

Sohini Adnani: Okay and one last thing regarding just to get a broad idea of like you know how many auto majors overall they were working last year and we have been entered into many relationships now, so overall now currently we are working with how many major auto companies. The service what we were doing one year back?

Manu Parpia: I do not have the figure of the cups, so it would be pretty difficult to get, but why don't you contact my colleague?

Sohini Adnani: How is the relationship with the Ford progress during the quarter.

Manu Parpia: It is fine.

Moderator: Thank you Ms Adnani for your questions. We have a next question coming from **Mr. Ganesh Duvuri of Alchemy Shares**. Please go ahead with your question.

Ganesh Duvuri: My first question is heavy transition of projects from Dassault completed from Geometric into 3DPLM?

Manu Parpia: Yes.

Ganesh Duvuri: So we won't see any further reduction in Geometric standalone if we exclude in 3DPLM revenue?

Manu Parpia: Yes. I mean what I am saying is that you won't see I cannot give you, but there is no reduction on account of any projects being completed in Geometric and new projects being started in 3DPLM correct.

Ganesh Duvuri: Secondly, you are talking about sending some resources to Taiwan and Korea for training. Are you being reimbursed for those expenses because

Manu Parpia: No that is part of the reason why GSSL expenses went up. It is because you know that was part of the cost. We figured the best way to get engage is to say okay let us supply some resources onsite and get them trained up and get geared up.

Ganesh Duvuri: So this quarter expenses actually include your expenses that would have incurred on this account?

Manu Parpia: Yes. They do and you can see foreign travel is up compared to you know I mean much higher and so on.

Ganesh Duvuri: So can you tell us how many people you would have sent on training?

Manu Parpia: I do not feel comfortable giving the exact number, but I do not think it is important, but the fact is that you it is foreign travel expenses kind of double this quarter compared to previous quarter.

Hiren: Manu this is Hiren here.

Manu Parpia: Hi Hiren. Doing 1 -2 punch is it?

Hiren: Basically, if you could give us some kind of indication of how your product revenues would shape up because from reading the text of your results preview, one does get a sense that you have signed a lot of licensing deals of CollabView as well as future recognition and so how do you see the product revenue shaping up. When do you see you

Manu Parpia: Hiren, I mean I do not want to be evasive because that is not the objective, but you know when you sign a deal, on product revenue it is each side gives their best estimate and says okay let us go ahead with this and so on, but nobody gives a guarantee at least not now a days and what I have found in my past experience is that it can take up to 9 months, 12 months sometimes between the release of the product and a significant ramping. It just does not happen in one shot. It takes time and the momentum build and then you get a good stream of revenue from it. I mean I say that based on our launch with feature works with SolidWorks and I know how long it took before the product really produced a very decent return, which is now doing, but then also if you ask me, I am sure that the product revenue will steadily climb, but whether it will dramatically climb and do some you know fancy stuff, I really do not feel comfortable saying.

Hiren: One last question from our side. Can you talk about the IBM alliance and whether it is a global relationship like in the case of the EDS or it is different from the EDS alliance?

Manu Parpia: Yes. It is different. I mean first of all I would put IBM in the more category like I any way's it does not matter but what do we call it partnership relationship or whatever. It is a channel. If you look at it really it is a channel. The relationship with IBM initially started out with being a relationship with IBM Global Services India thereby we would execute projects in the PLM space for IBM India when they got it IBM XYZ. What we have found is that the engagement as I mentioned even time before and the engagement is very complexed and you know we like to actually go to various IBM offices in each locations where we think that there is business and presents our availability and the fact that we are available through IBM India. Now this has meant that it is taking longer, but we have the credibility. See we have credibility on 2 account one is our relationship with both Dassault and Matrix 1 because IBM is focused on Matrix 1 and Dassault product, I mean they really focus on Dassault and then also Matrix 1 and secondary the fact that we have a relationship with IBM India, so now after all of this, we are now beginning to free credibility and all other things, so it is taking again like I said much longer and while things look decent this quarter for relationship from IBM. It is any ones call and it also is dependent after all on IBM getting the order from the customer. Right if IBM is going to give us an order just like that. They have to get the order from the customer and give it to us.

Hiren: Thanks a lot.

Moderator: Thank you sir for your questions. We have a next question coming from **Mr. Mahesh Vaze of Refco Securities**. Please proceed with your question.

Mahesh Vaze: Hi. See one thing is EBIDTA margins have been improving quite a bit throughout this financial year and I must congratulate you for that. I just wanted to understand what have been the driver because see one thing offshore also has a as proportion of revenues. Once the driver or has they believe some cross cutting. The bleedings gets moved approximately.

Manu Parpia: I think that there has some driver clearly cost control is 1 driver and, but I would say that the big thing was that we moving our business unit had back to India and also marketing function. We have saved considerable amount in cost and that has helped us. So we have a combination. I would say there are 3 –4 drivers in

this one is definitely the business unit secondary to the cost control, but it has improved realization, utilization, and you know I would say using the fixed assets. The fixed percentage as the revenue is coming down, so you know that these are sort of main and some more contracts in the industrial area. These are kind of areas win have managed to improve our margins.

Mahesh Vaze: Going forward you were saying that you are looking to going the onsite business. Would that mean that there would be some soft of EBITA margin for sure given the fact that onsite business turns to be less profitable?

Manu Parpia: I mean you saying that is why we are saying that we do not expect to see any major changes in the next few quarters for the operating profits that is our guidance statement that we don't expect to see any major changes in the next foreseeable quarters in the next couple of years.

Mahesh Vaze: My second question is would it be too early to ask for some broad outlook about how FY04 could look like?

Manu Parpia: Yes. I think it would last time, I think it would be a little early at this stage, but we will definitely come up with something and you know after we are making sure we have accessed everything. Probably at the next results we would give some indications.

Mahesh Vaze: Thanks a lot sir.

Manu Parpia: Thank you.

Moderator: Thank you Mr. Vaze for your question. We have the next question coming from **Ms. Sohini Adnani of LKP Shares & Securities**. Please go ahead with your questions madam.

Sohini Adnani: Just one question regarding the man power utilization, which has gone up quite high now, so are we looking at slightly more aggressive recruitment than what we have had in the last 2 quarters?

Manu Parpia: Well, I think in my opinion the right policy is to learn to recruit so to be just in time. Obviously you cannot do that 100%, but the thing is that what one should work on, so I am seeing, I would not you know jump to recruit in advance of anticipation of demand beyond the point and so on, I think you know as demand grows we should recruit and that is how we should work and not recruit and then create an overhead and then you know drive down the margin. So I am that is the way we are approaching.

Sohini Adnani: Just wanted to understand rational for looking at new business area in terms of you mentioned about engineering services, why we felt the need for looking in at an alternative business areas. You can explain?

Manu Parpia: Okay there are 2 reasons. One is that as we have said we have a long-term goal to become large company, and we are at the AGM given a figure and objective in mind. Now in order to do that we have done 4 year projection out of all businesses and we feel that it would be prudent to add something to our capability in a related area so that we can achieve that can we can sure of achieving that objective.

Sohini Adnani: Okay but this is going to be related with your business?

Manu Parpia: Yes and the other point that we said that why does engineering services per se appear to be attractive proposition is A) it is in the area of CAD/CAM so it is broadly in the same category. It goes to the same customer base.

Sohini Adnani: Okay.

Manu Parpia: It is probably not only goes to the same customer base, but it goes to the same customer base department. I mean you know.

Sohini Adnani: Yes.

Manu Parpia: I mean you can say that it goes to the same customer base you will go accounting services it goes to the same customer. Here it goes to the same department, same group. So I would say that that is another reason. It also from informal discussions with customers asking them do you think it makes sense for us to go and do this and they have said yes it makes sense why do not you consider offering it. So you know there seems to be some synergies so we need to explore it. I mean we have not taken a final column.

Sohini Adnani: Right thanks.

Manu Parpia: Thank you.

Moderator: Thank you Ms. Adnani for your question. We have a next question coming from **Mr. Sudhanshu of B & K Securities**. Please go ahead with your question.

Sudhanshu: I have one question as regards to the industrial clients. I just wanted to understand that have you seen any attrition as far as industrial clients are concerned and you know how is the growth beam if you take into consideration only the industrial clients. How are you seeing the growth?

Manu Parpia: Okay.

Sudhanshu: You know we have been hearing that you know as you have been saying about the service providers, the general environment being a little subdued. So you know clearly as far as your existing industrial customers are concerned. You know do they remain a growth area?

Manu Parpia: Okay. So lets address that. I mean I would say that we have seen situations where; the first questions about attrition. So we have seen situations where customer became active and then they become dormant. So it is, but then they come back again. So there have been situations with industrial customers who have; they suddenly become dormant, not suddenly, the projects completes and there is no new immediate project. So that situation we have faced. We have been fortunate enough to have other industrial customer picking just at that time. Hope to that extent the dormancy has been vitiated, but you know there is no problem. I mean you know it is not based on a problem that the customer is gone away. Now as far as the growth is concerned, I do not have absolute figures, but what I can say

is that that this time last year industrial customers constituted 5% or less you know and now they constitute 15% more rather.

Sudhanshu: Yes absolutely, but if you come from the previous quarters of the sale you know we have been adding in the past 2 quarters something like 2 industrial clients per quarter. So I am trying to understand more on a sequential basis.

Manu Parpia: Yes so if you look at sequential, but you know every quarter cannot be boom, but we have gone steadily from reporting under 10 to over 10 to over 15 and you know these are 2 quarters. The last quarter also we were over 15 and in this quarter also we are over 15.

Sudhanshu: All right sir. So are the percentage of sales they are more less stabilized so the growth is there?

Manu Parpia: Yes and I hope it will actually we should anticipate or we hope that in the next you know over the year the percentage will increase not decrease.

Sudhanshu: Right sir and you know just one another quick question that as far as the growth areas are concerned you know last time around when we spoke you mentioned about data management, especially within the PLM space.

Manu Parpia: Yeah.

Sudhanshu: So have you been I mean are you seeing some new growth areas coming along. Then you see you know that there is a possibility of multiplying business there?

Manu Parpia: Well actually the Collaborative Business Unit type hope will show off good growth because they declined I mean not because you know they are in the small base and they should show a good growth and the Information Business Management Unit should maintain or sustain its current growth rate if not you know see some improvements. So these two units I see as being major driver to growth and Geometric's Business Unit will you know probably I mean I think I have made a projections. No I would not call it a projection, but I made a statement it would not surprise me that in the next couple of years the Geometric's Business Unit would be 40 to 45% of the total.

Sudhanshu: Right.

Manu Parpia: You know so it would decline in terms of the absolute, but in terms of the percentage we go and absolute number it may still increase.

Sudhanshu: Okay sir, just final question. You know if you just sort of comment on how if the margins in 3DPLM moved. I mean have they been stable or have they declined, or increased?

Manu Parpia: Well I think if you follow the, I do not want to make any comment from 3DPLM, but if you follow the minority profits calculation you will get a good picture.

Sudhanshu: Okay sir. Thank you so much.

Moderator: Thank you Mr. Sudhanshu for your questions. We have a next question coming from **Mr. Dipan Mehta of Dipan Mehta shares and stock brokers**.

Dipan Mehta: Yes sir congratulations on good results.

Manu Parpia: Thank you Dipan.

Dipan Mehta: Yes I just wanted to ask a simple question has the company formulated its policy on providing guidances for the next year. I mean are you going to give quarterly, annual.

Manu Parpia: Yes I have not formulated cellular fruits. I will see feedback before formulating, but I feel that giving quarterly guidances is not a great idea. So I felt you know once you look at some annual broad way range bigger that.

Dipan Mehta: Okay thank you.

Manu Parpia: Thank you.

Moderator: We have a next question coming from **Mr. Anil Advani of UTI securities**. Please go ahead with the questions Mr. Advani.

Anil Advani: Yes. Congrats for your good result.

Manu Parpia: Hi Anil.

Anil Advani: Yes Mr. Parpia I would like to know along your various projects alliances SBUs what excites you most for 0 for going forward. I mean what you think would be the best in terms of the growth extra.

Manu Parpia: A good question. What excites me more? Taking a holiday right. Okay all right. What excites me more? I would say that it is the creating and sustaining a channel and which is in alliances. I would like to see a large reasonable number of highly productive alliances. I am looking forward to doing that and I hope you can achieve that. that is really what I would like to see.

Anil Advani: And going by the past a little bit of traction was not there which you expected. What was the main places of alliances was it projects or was it BUs, which you felt could have done better?

Manu Parpia: No it actually it turned out that all the projects were in the information management area and in Asia-Pacific region and well it just happened that they did not come through, so I have nothing to say other than I was disappointed, but that is how it is.

Anil Advani: And among your various channels which one would you grade the best in terms of the expected performance?

Manu Parpia: Expected performance. I do not want to comment on that, because I mean you know I think that different channels I hope to see all our channels really perform significantly. Because what we have done is that you know what we are doing now is we are not just signing alliances for the sake of having one more name

on the paper and say okay we have got alliances this guy, this guy, this guy. What we are saying is that they are channels. So if they are channels we need a business plan. If we need a business plan how much business will come out of it. So I am really focused now to make sure that the channel strategy pays off. So it is very difficult for me to say that this is the most exciting partner. Because actually all of them are being selected carefully fit the view to that all of them should produce.

Anil Advani: Right sir thank you very much.

Manu Parpia: Thanks Anil.

Moderator: Thank you Mr. Advani for your questions. We have a next question coming from **Nikunj Doshi of Kotak Securities**. Please proceed with your questions.

Nikunj Doshi: Hi Manu.

Manu Parpia: Hi Nikunj.

Nikunj Doshi: Just one questions which worries me know is about the legal kind of provisions which company could be making because after this Polaris issues, I am more worried about this kind of liability clauses in the agreement that we have with the clients. So what kind of cushion we are building or what kind of action we are taking to protect ourselves from this liability clause.

Manu Parpia: Okay one is we do not do business in Indonesia. Okay that is why I mean you have taken me a little bit by surprise. So I actually the only provisions that we make are for bad debt and we keep there is small there is provisioning every quarter for bad debt and then you know all our contracts have proper arbitration clause in them and most cases arbitration. Actually most of our contracts are under US law and all the contract have arbitration clause to be held in USA so or in UK normally I mean that is where it is so even our Dassault contract is arbitration USA, so I say that you know we can do the best we can to work with a legal system which is known to be reasonably fair and so on.

Nikunj Doshi: No because my worry is because the size of the company is small and if any one or 2 million liability also devolves on us it could be a material impact on that.

Manu Parpia: Okay. Okay let us look at it this way. What we do now taking our product cases okay. So you have to always gain and unlimited liability for copyright infringement.

Nikunj Doshi: Yes.

Manu Parpia: Okay. I do not think anybody gives any you cannot license property without giving a significant liability for copyright infringement. But all other issue that normally we limit the liability to the revenue that we have derived from that production. You know from that particular product to that particular customer.

Nikunj Doshi: Okay.

Manu Parpia: And I mean typically you know I am I mean I am just touching word, but I do not feel that we have any situation where you know there has been any sort of thing like this. I do not I mean I am not worried when I travel. So then you put it that way.

Nikunj Doshi: Okay. Thank you Manu.

Moderator: Thank you Mr. Doshi for your questions. We have a next questions coming from **Deven Sangoi of Birla Mutual Funds**. Please proceed with your question.

Deven Sangoi: Good afternoon Manu. Congratulation on a very good result. Now just wanted to ask a few things in the CollabView now you have seen some traction so going forth how do you expect that BU that contribute to the revenues?

Manu Parpia: I expect that I hope that we will see significant I mean you know clearly basis that it is false so I do not precede significant growth. We are seeing our way activity has started. Provisions are also in labs. So I would say that you know comfortable in saying that look each one of the of the longer term actually you know the unit is evolving its strategy which earlier we had taken one approach and that did not seem. So I think that there was a question on our mind what, but we decided to participate and I think it is the right decision. I certainly supported that.

Deven Sangoi: From the alliance what are the kind of lessons have you learnt and how do you think that will help you to do better.

Manu Parpia: Okay I think the biggest lesson I have learnt in case of alliance was it takes time and that I should not treat an alliance, we should treat alliance as a channel and the moment you do that the perspective changes completely and that means you need to have a particular type of program. You need to have a consistency. You need to have a branding exercise. So all these initiative, which go to build a successful channel, we have taken up. Whereas earlier we were looking that we will have an alliance and we will get business from that alliance. We are saying yes of course we are going to get business from the alliance, but really what we are doing the channel for the company, and I would say that if we are successful it would start in the truly unique position. It would also provide a tremendous base of growth. Having a channel is like owning gold, good channel and I am determined to make this a good channel. So a learning was that instead of treating it as alliance lets treat it as a channel. The moment you do that something which I am pretty familiar with so it was pretty good.

Deven Sangoi: And in terms of the ODC how many industrial customers you have to set up and ODC in next year.

Manu Parpia: Deven that is a good questions? How many I would like to see and how many are going to I do not know.

Deven Sangoi: Sure.

Manu Parpia: But clearly that is a major objective. I mean Ford has set up to go on ODC and of course we operate inside that ODC.

Deven Sangoi: Okay. Sure I will just give it to Anil he will ask you.

Anil: Hi Manu. Even we are doing a one-two.

Manu Parpia: Okay you are doing a one-two. I do not if I will survive, but anyway lets on the basis I will let go.

Anil: I do not know whether this has been asked before because I went off in between and I have just come back. I just wanted to understand that with this kind of build up of industrial client as well as of channel partners you know why is it taking time to show up in the revenue growth quarter over quarter?

Manu Parpia: Okay see now I mean that was the in a way addressed in the opening, but see first of all I say 9% growth is not bad, but I agree I would have loved to see it at 15% as so on I mean that is true, but we have done pretty good growth over the quarter. But lets having said that why is not it more so that is a good question and the questions as to why it is not more is related to good day the grasp availability and how we are approaching channel. You know as we are doing this we are learning. I would say it is also due to the environment, which I mentioned. Which is well it is a difficult environment today. I think anybody who would say they are really getting orders I mean it is good luck to them I am not saying they are liars or anything but they are good luck to them. I would say it is truly a difficult environment today and in such an environment to maintain growth rate is always a challenge and people always delay decision. The slightest thing like you know something may happen and people say okay I want to be sure of this so let me you know hold on for this one minutes you know that kind of stuff. So it is in such an environment you know people 2 years ago people would not think twice about placing orders for something or the others, but now people are very conservative. So I would say that these are the two reasons.

Anil: Okay. Okay. One more questions that was on Powerway I mean the way I look a them they would be probably joined at the hip now that you formally announced that you have got something with them any view on how big this can be.

Manu Parpia: Yes it could be that it could grow bigger. I cannot say. I do not want to get into comparative information at this stage because it is clear many people are after the same chat.

Anil: Okay I understand. I understand. Thank so much Manu and congratulation once again.

Manu Parpia: Thank You.

Moderator: Thank you sir for your questions. We have a next question coming from **Mr. Sandeep Shah of Tower Capital**. Please proceed with your question Mr. Shah.

Sandeep Shah: Yes sir, this is just on the OPM front. When you have said that the operating profits will not increase or will sustain going forward are you saying on an absolute terms or are you saying on the margin front?

Manu Parpia: No I am saying on percentage terms.

Sandeep Shah: In the percentage terms.

Manu Parpia: Yes.

Sandeep Shah: And one more question is on the CM expenses include on one time recruitment and professional fees so can you give us the figure for this year.

Manu Parpia: No I do not actually personally have it off the cup, but then in any case even if I did I would not give that, but even you know fundamentally we change the in Japan we have new person on board and so it was recruitment expenses quite considerable. Normally you pay a pretty hefty percentage of the person's annual salary, which you have to pay upfront.

Sandeep Shah: Okay and in the starting you have said that the Geometric business and the different business units contribution to the top line that is consolidated. Right.

Manu Parpia: Yes.

Sandeep Shah: Okay and just one more question is on the foreign travel you have said that it might double going forward.

Manu Parpia: Yes. No. No I did not say that it might double going forward. I said it has doubled.

Sandeep Shah: Okay.

Manu Parpia: What I said was if you look at the last quarter and this quarter. The last quarter it was 1.75 million. This quarter it is 3.63 million.

Sandeep Shah: Okay no problem and on this is the revenue contribution from the top 5 client has been climbing significantly any comment on the same?

Manu Parpia: No I think it is a good thing, because you know it was perhaps a bit too high so you know other clients have come up and may be you know one order here or there might not in order, but some project might have been completed. So that is all.

Sandeep Shah: Okay. Thank you.

Moderator: Than you Mr. Shah for your questions. We have a next questions coming from **Mr. Rakesh Jhunjunwalla**. Please proceed with your question.

Rakesh Jhunjunwalla: Yes My question is that you know these products, which you have sold do you think that going forward with percentage of your product income as compared in the past will vary to the total income. Will it increase?

Manu Parpia: No it is not my let me put it this way. I do not want what it will do because I cannot look into the future, but what I can say is that as a plan do not plan it to make a significant change in the percentage. Our objective is that both product and project should continue to grow approximately same rate, but given that the number of people employed in product will not keep up with the growth rate of product. The margin on product should improve. That is the direction in which we are trying to go.

Rakesh Jhunjunwalla: So that means going forward you are not propose investing more money in the product development?

Manu Parpia: Not at all. We certainly propose to investment more money into product development, but the growth see what happens in product is that there are phases right.

Rakesh Jhunjunwalla: Right.

Manu Parpia: Per phase you investment hell of a lot and second page there is you know to commercialize it and do something. You invest some more also. But then there is a phase when the product is moving. You need to keep investing, but the investment decline. So you have to go through that cycle of invest-grow-milk. So there will always be hopefully some products, which are in milking stage some products which are in investment phase and other which are in growth phase. So you have to keep running that cycle and the net result of that cycle should see improved margin, which we definitely have not seen today. Okay.

Rakesh Jhunjunwalla: Right.

Manu Parpia: If products has not produced a better margin than projects.

Rakesh Jhunjunwalla: Yes but when do you feel that your product you know the stage where your product income will substantially increase the expense as I understand your three stages of product, one which is producing revenue, one which has been given for marketing but is not yet producing revenue and one which you are developing.

Manu Parpia: Correct.

Rakesh Jhunjunwalla: So now what you are saying is that the product which are under presently giving the revenue under marketing are quite substantial and you all increase your expenses in all from new products?

Manu Parpia: See but there are still products which have been given out and has been marketed on which there is still substantial investment being made so take the future recognition on CATIA, still significant investment products. There are several people I do not want to go on to exact number who are working on ensuring the technology is in good shape on CATIA 5 site. So it may be even good shape on **parasolid** and others but it is not been good shape on CATIA 5 so it needs to be brought up to scratch. But once that is done it is not a continuous exercise. So you know resources can be withdrawn. But every time you know it typically happens in products that is when you think that you are getting a milk something there is some problem and all or there is a new opportunity and you have to put more people on it so even I can only say is that the objective is to grow them at approximately similar rate but the end result has to be that products have to produce a high margin.

Rakesh Jhunjunwalla: Right. Now my next question is that as I reduce the results see if the current years growth in the first 3 quarters have come from the growth in 3DPLM and Geometric for it next stage of growth has invested in this alliances. Hello

Manu Parpia: Yes.

Rakesh Jhunjunwalla: So are you satisfied that these alliances are now about to produce the business which will take in Geometric into second growth of stage, stage of growth.

Manu Parpia: So there are two points. One I would not say that the growth has only come from 3DPLM. After all as business was completed in Geometric and you know the new business started in 3DPLM. The Geometric has kept up so that means Geometric also grew. I mean something else happened there.

Rakesh Jhunjunwalla: Right excepted.

Manu Parpia: Agreed. And as far as being satisfied, I would say I am not satisfied because if I was satisfied I would have you know being very happy with the growth rate that we have seen. So I am not satisfied. I would like to see a better growth rate so I would say that there is still more work to do to make sure that the alliances produce, but am I satisfied that we are on the right track yet.

Rakesh Jhunjunwalla: You are satisfied that you are right track.

Manu Parpia: Yes.

Rakesh Jhunjunwalla: Okay Thanks Manu.

Manu Parpia: Thank you Rakesh.

Moderator: Thank you Mr. Rakesh. We have a next question coming from **Mr. Ashish Kacholia of Lucky securities**. Please go ahead sir.

Ashish Kacholia: Hi Manu. Congratulations on a good quarter.

Manu Parpia: Thank you.

Ashish Kacholia: Manu just wanted to ask you a question of the feature recognition technology product that we have licensed to Dassault, could you give the indication. Are you in a position to share with us the pricing that Dassault charges and IBM charges how much goes to Dassault and how much comes to Geometric?

Manu Parpia: That the second part I cannot tell you. But the first part I should have an idea, but see they have only the list price. Now what they do in a deal I have no idea. And so I think one list price is 3000 and one is 6000. There are two products.

Ashish Kacholia: Right.

Manu Parpia: I do not if my colleague is listening, Shashank may be he has an idea of the list sites. Shashank if you have an idea of list price we might want to say it of the two products.

Shashank: Around 3000 for both.

Ashish Kacholia: This is to the end customer Manu.

Manu Parpia: So, but once they really sell it then I have no idea.

Ashish Kacholia: Okay.

Manu Parpia: And then what was other point of percentage get into because that is not her case commercial sensitive information.

Ashish Kacholia: Okay Manu.

Manu Parpia: Thanks.

Moderator: Thank you Mr. Kacholia for your question.

Moderator: We have our last question coming from **Mr. Kevin D'silva of Openhiemer**. Please proceed with your question.

Kevin D'silva: Hi Manu. What kind of billing rate? Have negotiated these billing rates for a long period, especially on the shore. Are they coming in for change or any negotiation again in the new future?

Manu Parpia: No. No. Which billing date are u talking about?

Kevin D'silva: The offshore billing rate with their clients.

Manu Parpia: Yes. Every year do some re-negotiation and so far it has always been upward so I do not know.

Kevin D'silva: Okay when is round happening?

Manu Parpia: With most of our regular customer restarted now and you it kind a goal launched in March and April time so that I mean every time I do in coinciding, but I would say that no this year will I do not anticipate any downward and I think it will be talked to that point.

Kevin D'silva: Okay but the time it will around March and April.

Manu Parpia: Okay. All right, so I think we have completed.

Moderator: As there are no more questions, I would now like to hand over the conference Mr. Manu Parpia.

Manu Parpia: Oh Well. Thank you for handing it over, but appreciated the questions and look forward to talking with you next quarter. Thank you.

Moderator: Ladies and gentlemen, that does concludes your conference for today. We thank you for your active participation and request you to please disconnect your line. Thank you.

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