

**Transcript of Analyst Teleconference held on 17th July 2003
at 4 - 5pm**

Moderator: Good evening Ladies and gentlemen. I am Priyanka the moderator for this call. Batliwala and Karani Securities welcomes you to the post-Q1 results conference call of Geometric Software Solutions Company Ltd. Mr. Sudhansu Rajpal of BNK Securities is your call leader today. Further duration of the presentation, all participants lines will be in the listen-only mode. After the presentation I will be standing by for the question-and-answer session. I would now like to turn the conference over to Mr. Sudhansu Rajpal, thank you, and over to Mr. Rajpal.

Rajpal: Thanks Priyanka and good evening everyone. On behalf of B&K Securities I welcome you all to the Geometric Software Q1-FY04 earnings call. Today we have with us Mr. Manu Parpia, Managing Director of the company and without any further delay I would now like to turn the floor over to the management.

Parpia: Thank you Sudhansu, good evening. I guess the 2 matters of concern that will be primary in peoples mind is the rise in revenue which has not been adequate to offset the rise in cost and that Geometric stand-alone or Geometric Ltd has not grown, infact has declined in revenue over the previous year. The last point that is the Geometric de-growth really reflects the significant element of the Dassault Systemes revenue which was being done until the projects got completed in Geometric and that was there for virtually the whole of the first quarter of last year. Now, as far as the rise in revenue, we did make the point in my analyst note last April that I expected the first two quarters to be difficult. It really amounts to that there was no real rate pressure but volume did not come. We did not get some projects, some were postponed, some orders are delayed and as a result of which we did expect it to be difficult but we had hoped that we would get that volume rise, but it did not come through. It is a matter of \$1,50,000 or so. I guess that is one of the problems of being at a stage where we are, where a small delay in something as low as \$1,50,000 can have a major impact. However, because we are confident of the future and our plan, we went ahead with the expenses because we believe that it is very important from a long-term perspective of what we want to achieve. And these expenses like the increase in salary, adding engineering services portfolio to our offerings and adding to our sales team are very important for the long-term future. Another feature which we are implementing this quarter and has no relevance to the previous quarter other than to say that the customers gave us a lot of input and we came to the conclusion that the approach we were adopting where we offer 3 different Business Units (Bus) of technology namely the Geometry, Information Management and Collaborative Engineering. While customers are interested in each of these technologies, as we move towards lesser dependence on software companies and more on to system integrators, they are looking at the integrated solutions namely Product Lifecycle Management. So, having these 3 BUs was kind of coming in the way and we outlined the change in approach, the need for a different approach in February of this year and then revisited that in April and came up with this structure, very recently. The idea is to implement this with effect from 1st October or may be little bit earlier but right now the emphasis is, we know what we need to make sure of the control systems and reward systems are aligned with the objective, which actually this structure make sure that we are more customer centred. Finally, as I said the sluggish 2 quarters had been anticipated and built-in to our guidance for the year, and we stand by that which we gave last analyst conference and with that I would like to open the floor to the questions.

Moderator: Thank you Mr. Parpia. Ladies and gentlemen, 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 has been answered before your turn and you wish to withdraw your question you may do so by pressing the '#' key. We have our first participant **Ms. Priya from Birla Sunlife Securities.**

Priya: Good evening Sir. The first question relates with respect to your guidance and what you have mentioned in your note that 3 out of your certain OEMs are likely to increase the commitment in the coming quarters. If you could highlight some traction in that regard.

Parpia: Well, actually it is precisely what we said that we do not want to give the names but they are very significant OEMs and they have already indicated and I would say more or less confirmed that they are proceeding with an additional commitment to Geometric.

Priya: Okay, and if you could give the outlook on the off-shore revenues firstly in the coming quarters, given that onsite has been a good increase in this quarter, whereas, offshore has...

Parpia: See, if you recall what we did last and we said at the analyst conference that we want to move away from giving quarterly guidance because in a company of our size, as we you have seen \$1,50,000 makes the difference. So, what is the point in giving guidance. I can say that in the year we will work to this target and this is what we feel we will achieve. I am confident we will achieve.

Priya: That 20% on the top-line and 20% on the PBT.

Parpia: Yes.

Priya: Okay, thank you very much.

Parpia: And by the way, I did, at the analyst conference say very bluntly that if the Rupee goes below 46 then we need to revisit completely. Right now it is still above 46, so, I have no problem.

Priya: Okay, and what is the hiring plan in the coming quarters given that, you have mentioned that you could see some good increase.

Parpia: Again, I have tried to be very careful; if I tell you we are going to add 10% manpower, which I am not saying. So, if I do tell you as then add 10% manpower you then anticipate 10% growth in revenue, so, I would rather not make any such statements. We are just saying that we are anticipating a significant addition.

Priya: Okay, thank you very much, Sir.

Moderator: Thank you Ms. Priya for your questions. We have our next participant **Mr. Sailesh Jain from Refco Sify**. Please go ahead, Mr. Jain.

Parpia: Hi, Sailesh.

Jain: Hi Sir, I just want to ask one thing. You have just said that you would implement something post-October. Can u explain?

Parpia: Sorry, we talked about the organization structure changes and hope that is what you are talking about.

Shailesh: Yes, what is it about, Sir.

Parpia: Actually, I will try and give you a past summary. In the analyst note, we have given a very detailed report on the organization structure change. Effectively if you look back, Geometric in 2000 was organized as a single unit, which was geometry business unit. In 2000 November, we added 2 new business units and today those 2 new business units constitute almost 50% of our revenue, which means that I would say it was a good and prescient change in structure. Now what we are saying is that as we start moving towards a

more solution oriented approach and the customer base is shifting from being a software company only to system integrator. As I mentioned in the report, we have now almost 20% of our volume under it and still 18% of our volume from system integrators. What we are saying is that, they are asking us for PLM solutions. They are saying, we do not want to talk about your separate skill sets, we want the total solution from the company. So, the new organization structure enables us to provide and deliver exact solutions as integration rather than stand-alone 3 technology BUs.

Shailesh: Thanks a lot, Sir.

Moderator: Thank you Mr. Jain for your questions. We have our next participant **Ms. Sohini Andani from LKP Shares and Securities**. Please go ahead, Ms. Andani.

Andani: Good evening, Sir. I would like to understand one thing that, as we increase our relationship with the industrial customers, is there a business model in terms of your delivery, changing in any big way in terms of, we have to do much more on-site and how are you going to manage that change, if it is a big change?

Parpia: It is a good question. As we move towards more industrial customers definitely the business model seems putting more people on-site, and so, typically what you have seen in the last couple of quarters actually, had increased in the on-site engagement. I believe this trend will continue even in this quarter and what this effectively means is that after some period work will start coming into the off-shore model. So, right now our business model still has 85% or more revenue from the off-shore model. This will decline to a little bit more and then I hope it will stay steady, our plan is that it should remain steady. So, the company would typically move from being last year 90:10, which is 90% off-shore and 10% on-site to probably more like 80:20 or something similar.

Andani: It would stabilize somewhere around that.

Parpia: 80:20 or 75:25, something like that because the software OEM which will atleast for the next foreseeable future constitute still a majority or a big chunk of our customer base. They typically do not need on-site in any big way.

Andani: Right Sir, but having this on-site for industrial customer, does it affect our profitability in any way or more or less you have a similar profitability for on-site also?

Parpia: Well, it depends. The word 'profitability', is one of those words which can be shown whichever way you want to show it. But if you ask me, how you allocate cost and what you allocate cost to and so on. I feel that in overall terms it is always better as of now and depends what happens to the rupee, to have off-shore rather than have on-site. But, having said that it is also difficult to quantify exactly, because do you allocate and what percentage or what cost do you allocate and where? And the fact that you have on-shore if you build your capacity substantially, you may take gross margin as one category but if you take full absorption cost, you would land in a different category. So, if you take full absorption costing, on-site is cheaper than off-shore because you do not have to build infrastructure. So, what I am saying is that this is not a simple subject to answer but really the point is that we have to grow on-site at this stage of the game if we want to grow off-shore in the future.

Andani: Okay Sir, thanks.

Moderator: Thank you Ms. Andani for your questions. We have our next participant **Ms. Parul from Way to Wealth Securities**. Please go ahead, Ms. Parul.

Ms.Parul: Hi! Good evening, Sir.

Parpia: Good evening, Parul.

Ms.Parul: Sir, one thing I wanted to understand is in the engineering services division, you have mentioned in the mailer that work has started and they come in from a domestic client. Could you throw some light on the kind of work that was done and ticket size?

Parpia: Ticket size is not very big. Otherwise, it would have been definitely had a bigger impact, but it is in the automotive sector.

Ms.Parul: Could you name the clients, Sir?

Parpia: I believe, if I could I would have, but I am not sure, so, I do not want to name the client off the cuff and get into hot water. It is in Maharastra, let me put it in that way.

Ms.Parul: Okay, do you expect this to plan out onto the next quarter as well?

Parpia: Yes.

Ms.Parul: Okay Sir, and regarding the feature recognition technology that has been sold to a European vendor.

Parpia: Yes, you are asking about a new engagement.

Ms.Parul: That is right.

Ms.Parul: So, what would this be about, Sir. Could you name the client?

Parpia: I guess not, because see what happens when they license technology, always it takes them atleast 6 to 9 months to bring out the product. So, they don't want people to know.

Ms.Parul: Sir, could you give me the effort mix in this quarter as on on-site, off-shore, and products.

Parpia: Actually, you are asking 2 different questions. It is actually 88% off-shore and 12% on-site and the products is typically also roughly in same order, it is about 11-1/2% of total revenue.

Ms.Parul: And Sir, what would be your views; a lot of Indian automotive companies have started doing their own need-based engineering. So, how would that give you competition?

Parpia: I did not quite get that. They have started doing their own engineering, so, they are also offering engineering service. So, we have always faced this to some extent. You are talking now specifically of engineering services. So, there are two parts, one is often, I am not saying always, because some companies tend to have different business approach. They are used to get in the business given to them kind of thing. So, marketing efforts and the whole approach is different and secondly they often can be comparative issues that you know customers are not so keen to work with another automotive company. So, these are the two observations.

Ms.Parul: Okay, thank you so much.

Parpia: Thank you Parul.

Moderator: Thank you Ms. Parul for your questions. We have our next participant **Mr. Rakesh Jhunjunwala**. Please proceed with your question, Mr. Jhunjunwala.

Jhunjhunwala: Hi! Manu, see, my questions pertains to two things. First is when you say that the dollar will affect you, I do not know, in an interview Mr. Deshpande, he had said that you are covered for the dollar this year.

Parpia: Absolutely.

Jhunjhunwala: And, 69% of your revenues are non-Americans, so, obviously it is non-American currencies.

Parpia: That is not fully correct.

Jhunjhunwala: Why? You do business in Japan in dollar?

Parpia: No, large percentage of our non-US revenue is from Dassault systems and for the sake of convenience we have a single currency and we took a pick long-time ago and it was dollar.

Jhunjhunwala: Right, so, that means your revenue even in 3D PLM is in dollars. So, therefore more than 69% revenue is in dollars. What are you covered for this year.

Parpia: Correct, that does not come to operating point but it certainly comes to the...

Jhunjhunwala: It is an operating income only.

Parpia: No, it comes in other income.

Jhunjhunwala: It may come in other income but finally it comes in your bottomline.

Parpia: Yes, it does.

Jhunjhunwala: So, you are covered for this year, so, when you make your next years budget, your this years budget somewhat say on Rs.47 at what rate you...?

Parpia: I did not say what is made on but we are okay.

Jhunjhunwala: Is it very big secret what size you made your budget from? See what happens, therefore you have covered for this year, the dollar depreciation or appreciation does not affect you. If it affects you when you make next years budget.

Parpia: Actually, Rakesh if you look at the average realization even when you forward cover, as realization has been coming down steadily. So, even if you have forward covered the amount you get per US \$ is coming down even at forward covered rate.

Jhunjhunwala: No, but Manu suppose if I had made my budget suppose at 47. Most people were anticipating a decline, so, what they did when the \$ was 47 and up people have made budgets at 47 and they have covered the \$ at that time. So, obviously the dollar covering is as much as your budgeted figures. So, therefore the \$ depreciation should not affect you this year.

Parpia: It will not affect. What I said was that we have now moved from 47 points whatever it was when budget were made, now to 46 virtually. If it keeps going South then whatever you do expand stage... Because you try and cover almost 100%, you are pretty heavily covered. I do not want to make things and then afterwards cover that.

Jhunjhunwala: And second thing your program to make your new building is on course.

Parpia: Yes, it is, well, it is on course it is a subject to usual construction delays but that is 1 month or 1-1/2.

Jhunjhunwala: But the company is not delaying anything in that.

Parpia: No, not at all, I can assure you that.

Jhunjhunwala: Where is Mr. Deshpande going any idea?

Parpia: No, I have no particular idea.

Jhunjhunwala: And when is he leaving?

Parpia: He is on the roles of the company till the end of the quarter.

Jhunjhunwala: That is up to September, okay.

Moderator: Thank you Mr. Jhunjhunwala for your questions. We have our next participant **Mr. Chetan Shah from Quantum Securities**. Please go ahead, Mr. Shah.

Shah: Good evening Sir, basically I just want to know that you had alliance partners with Wipro and again with IBM Global Services, so, how are they moving.

Parpia: Well, those 2 ones in particular I would say even now the Wipro alliance is producing a small revenue stream, the IBM is I think may be again is very small. It is nothing to talk about, what I can say is that we have made lots of joint presentations together. So, as and when they click we will get obviously significant business but right now it is in the small revenue stream category.

Shah: And directly also what about trying to tap the industrial customers, so, what would be the revenues right now.

Parpia: We are not working with the industrial customers directly because it is not our strategy and we feel that is very difficult. In fact it would undermine our whole partnership strategy if we started going direct.

Shah: Okay, and you have shown various partners like HP and EDS and this Volvo IT. So, if you could throw some light on that.

Parpia: Well, I do not know what more light you want me to throw but certainly each of this...

Shah: Eventually this Volvo IT...

Parpia: Yes, Volvo IT is one of the major customers. Volvo trucks and Volvo IT has tied up in India with Mindtree for the non PLM software and they are working with Geometric for PLM.

Shah: So, this will be not in the second half of the quarter and...

Parpia: No, Volvo IT already engagement is on.

Shah: Okay, and you expect a good ramp up in that particular...

Parpia: Yes, we expect good ramp up as you know Europe has a very somnolent period at this point of time, starting from mid July till mid August it is virtually difficult but yes, we do expect a decent ramp up over a period.

Shah: Okay, thanks Sir.

Parpia: Thank you.

Moderator: Thank you Mr. Shah for your questions. We have our next participant **Mr. Hiren from Alchemy shares**. Please go ahead, Mr. Hiren.

Hiren: Manu, couple of questions, you maintained your guidance though your margins have fallen in the first quarter, excluding the impact of salary cost, the salary hike that you have given in the first quarter. If you want to maintain your guidance your 9 months implied PAT would be up by almost 200 basis points to still maintain your guidance. What do you think will help you achieve a 200 to 250 basis points improvement in margins over the next?

Parpia: Hiren, as I explained, at the outset, the difference if you look at it is, if you talk in absolute terms whereby \$200,000. Now what this means is that there was manpower available and there were fixed cost which we have incurred but which did not get covered because of lack of volume. There are some variables and I am not saying everything was bad but fundamentally the point is that we need to increase the volume to cover the increase in fixed cost that we have incurred.

Hiren: Basically, you carried the fixed cost but the revenue did not come through.

Parpia: Exactly, it is as simple as that. Now the way I mentioned even at the analyst conference and as Mr. Jhunjhunwala has asked with respect to \$ rupees, the right strategy is to continue to improve your efficiency and that is the key focus that how do we improve our efficiency and therefore make sure the margin continues to go on. This is definitely a priority as far as I am concerned.

Hiren: Okay, also in the note Manu you have mentioned that you expect a couple of your partnerships to mature into offshore developments center. Would this be like amongst your top 3 partnerships, which the partners who would convert their relationship into an ODC.

Parpia: One of them could be and rather than speculating on which one, we had committed in the annual general meeting and even in the analyst note and in the last meeting where we had physical meeting, we had committed that our objective is to have 2 new offshore development centers. So, I see that opportunity becoming reality, is what is in my note.

Hiren: Okay, and when will they start this new ODC.

Parpia: By the end of the financial year, that is what I had committed. So, I would like to stick with that, but obviously we are working hard to make it as soon as possible and I sincerely mean that when I wrote this that which we believe can lead to establishment of offshore development centers, I think that we see that the customers have started engaging with that as their objective. Now providing all goes well I do not see why that objective should not come through. So, we have not started the engagements on the basis that, we will think of what to do next. These engagements have started with the objective that they should convert to an offshore development center.

Hiren: Just last 2 questions. One was that, couple of quarters ago we touched upon this potential for V2 to V5 conversion.

Parpia: V4 to V5.

Hiren: Are you seeing that happening in the market place now, is it still slow or is it picking up, are we taking part in it?

Parpia: V4 to V5 migration is still very slow; obviously the Dassault systemes can throw more light on it but what I can say is that we have seen customers are still delaying the migration. So, what they are doing is starting out new car programs or new risks based programs with V5 but are not migrating. So, they are just testing the water still. I am strongly hopeful that we will participate in this and we are certainly very well positioned to participate. Especially now that we are offering engineering services because when you are doing V4 to V5 that are 2 aspects. There is a programming transfer and there is a data transfer. Engineering services takes care of the data transfer and our traditional business takes care of the programming transfer.

Hiren: And this one is the last question. You have obviously given a very detailed explanation of the organization restructuring that you have embarked upon, but you have also particularly mentioned that according to the new dispensation now there does not seem to be any need for a COO. I did not quite understand that until now we thought that probably that function would actually look at delivery and look as all the back-end while you and the other sales people would look at the front-end strategy stuff like that. If you could throw some more light on why do you believe now you no longer need a COO?

Parpia: Well, if you look at the structure and you look at the people who are manning it, these are people who have built when we started out. Say 3 years ago when we looked for the COO and identified the role, we said this is what we need and we need somebody to guide and so on. Now the same people in the management council are there. They have, over the last 2 years, gained definitely lot of experience and this organization structure came about in a very participative way. If you want to know how we did it, it followed, very briefly, the following steps. The first step was we asked what does the market want. Second step was what are the deficiencies? Third step was do not let have any preconceive notion of who does what? Let us identify how should we be organized and then we brought the structure into being. Now, if you add COO to the role and then say let us make delivery, the 3 support services, the center of excellence and delivery, report to the COO, then the structure does not make sense. Because basically you are saying the 3 guys who are running that cannot handle it. Why cannot they handle it? I do not know why they cannot handle it and they certainly feel they can. So I do not think that there is an issue; however, with the one area, which we will definitely move to strengthen is the area of relationships and that is where the focus is going to be, so that we are actively speaking to add more capability to that function.

Hiren: Thanks Manu.

Parpia: Thank you.

Moderator: Thank you Mr. Hireen for your questions. Ladies and gentlemen for any further question you are requested to press '*1'. We have our next participant **Mr. Deepan Shah from Daulat Capital**. Please proceed with your question Mr. Shah.

Deepan Shah: Good evening, Sir.

Parpia: Good evening.

Deepan Shah: Just one question I had. In our guidance you have mentioned that the second half would be much better than the first half and about 3 new OEMs you have stated more or less confirmed that they would be increasing outsourcing in the next couple of quarters. I just wanted to know like, how big are these currently for Geometric in terms of how much do they contribute to the revenues right now?

Parpia: I do not want to give you exact figure but they are significant. They are already significant and that we expect them to become more significant.

Deepan Shah: Okay, and is this optimism based on this 3 new OEMs gaining up or are there any other factors you have seen much healthier in the pipeline or are any other factors changing from the first quarter from that time you gave the guidance of the pervious quarter.

Parpia: I do not think that there is any question of optimism or pessimism. I feel we have given our guidance in a calculated manner. Having said that certainly I would say that, there has been improved traction in the last several weeks. And I am seeing that people are looking to add business, so, that is why I said that we anticipate significant addition to the manpower and by the way this quarter we expect to receive atleast 30+ fresh IIT graduates joining the company which is the commitments which we made toward the end of last calendar year. They cannot obviously be productive, they will undergo 6 months training.

Deepan Shah: Okay, thanks Sir.

Moderator: Thank you Mr. Shah for your questions. Participant who wish to ask questions may please press '*1' now. We have our next participant **Mr. Hiren from Alchemy Shares**. Please go ahead Mr. Hiren.

Hiren: Hi, Manu, just one more question. You know, we had a small beginning with engineering services, how much headway have we got in that? Are we still at the pilot stage? Do we think we will commercialize something soon?

Parpia: It is a difficult question for me to answer because I have no idea. So, I think what I can say is that in engineering services we are making good headway and the complimentary nature of the 2 things seem to be supporting us. one is our pedigree and our background and No. 2 is our business strategy. So, I would like to leave it as that, I am not talking with respect to the Indian market. I cannot be more specific Hiren, unfortunately.

Hiren: Okay, thanks.

Moderator: Thank you Mr. Hiren for your questions. Ladies and gentlemen for any further questions you are requested to press '*1'. Please press '*1' for further questions.

Sudhanshu: Manu hi, **this is Sudhanshu**.

Parpia: Yes, Sudhanshu.

Sudhanshu: Manu, I wanted to understand something about 3D PLM and their relationship with Dassault Systemes. How about getting extended, how are we defining and spreading amongst all the products or brands of Dassault Systemes? What is really happening and what kind of signals are you getting from them?

Parpia: Okay, we have always hesitated and do not go onto specific numbers because it is in someway a kind of reflects on a lot of other things that pertain directly to the Dassault Systemes. What I will say is that they have been extremely pleased, more than satisfied, with the fact that we have been able to give them cost effective services on which they are getting 30% return. When I say return, means they get their money back and we have paid dividend and so on. The costs are in line with their expectations and so in broad terms I would say that this relationship can be termed as successful. And we therefore, see no reason why the relationship should not grow. I see a deepening even further and actually I believe that Geometric has been able to show (I am not talking 3D PLM now) that as a partner particularly in terms of working with the Dassault's customers through a partner, we will be able to add value. So, this is some move, which has really change the positioning of Geometric on one hand and 3D PLM on the other. I believe that 3D PLM is the key strategic deficient of Dassault systems and I believe they would confirm that.

Sudhanshu: Okay, sure and secondly one more thing which I wanted to understand was that in the end user segment from which also we are getting traction through our customers.

Parpia: Yes, through our partners.

Sudhanshu: I am Sorry, through our partners. So, may be at macro level there is no improvement but their emphasis on cost cutting and their emphasis on constant research and development, how would you say that is that driving up the spent especially in PLM?

Parpia: Okay, so, let me say this that first of all there has been improvement. Now this 18% is all consolidated revenue so that means that includes 3D PLM. So, 18% of our revenue is now coming from system integrators. So, I would say there has been definite improvement in that regards. What I am seeing now is very distinct that the whole business cycle went through fail weather, lot of uncertainty and so on, people held off decisions. We still face that problem but we are seeing, increasingly companies come to grip with the fact that they are in a permanent situation or they are in a situation where there is going to be no immediate uptake. Now, given that the only option is work to cut cost. So, they held off a lot of spending and decisions but now people are beginning to talk in terms of "we need to do this", "we need to work with you to save cost and get good service" and so on. And in these contacts I feel the positioning of Geometric has 2 excellent features. One is the fact that we do only PLM, so, as far as automotive, aerospace and companies which use PLM in a large way are concerned, they know that this is different. So, they also know that you cannot have vanilla, chocolate, strawberry and all in one flavor they are really looking for. And second is our relationship, we have deep relationships and growing relationships with the market leaders and that makes it very unique proposition. So, that is what I see.

Sudhanshu: Sure, I just had actually a final question, which I wanted to understand from the point of view of which particular services today, if you could tell, may be across, is really seeing a traction.

Parpia: Information management that is the business unit, which is taking half and that is actually the driver of PLM. See, the CAD is the authoring tool. The controlling and integration into the ERP, into the enterprise, is governed by information management and that is what is taking off. So, in other words, the market proposition that we went ahead with was that PLM is moving from the engineering workshop to the enterprise. I think that is what we are seeing, it is moving.

Sudhanshu: Sure, thanks.

Moderator: Thank you Mr. Rajpal. We have our next participant **Ms. Parul from Way to Wealth Securities**. Please go ahead, Ms. Parul.

Ms.Parul: Yes, Sir could you give me the client mix for the top 5 and the top 10 revenue contributions.

Parpia: Top 5 is about 68% and the top 10 must be around 88%.

Ms.Parul: Okay, and could you throw some light on your top clients.

Parpia: Yes, top clients we already have given. The No. 1 is Dassault Systemes, No. 2 is EDS PLM and then would be MatrixOne. And see I think the other important thing is that atleast on almost all top clients we see the business is more or less committed for the foreseeable future. So, that means the revenue stream of Geometric is more or less atleast 75% or whereabouts is predictable. That is the key.

Ms.Parul: Okay, Sir - What kind of capex are you looking at this year?

Parpia: Since that building would start in the next quarter I believe, but actually we are not going to commission the whole building, so, that building itself is about close to 20 crores when it is fully commissioned, which will take probably another 12 months, to get it fully commissioned. As you know, we are doing a phase wise implementation. The first phase should be starting in October.

Ms.Parul: Okay, so, besides this 20 crores is there any other capex plan.

Parpia: No, major capex, other than standard replacement of computers.

Ms.Parul: Right, and could you also throw some light on is to why Geometric stand-alone did not really perform well.

Parpia: Okay, I think I have started that right at the outset. I said 2 things; one is that certain orders did not come through like one automotive major. We did everything right, everything is fine, no problems, then some management change, something or the other, so, now we have to review and delay and they promised us they will start again. So, things like that, so, that is what makes the difference. That was the main thing and the second thing as I said that last year a lot of Dassault Systemes revenue was in Geometric, here it is now in 3D PLM. Their projects finished and...

Ms.Parul: Right, okay Sir, thank you.

Moderator: Thank you Ms. Parul for your questions. We have our next participant from **Ms. Sohini Andani from LKP Shares and Securities**. Please go ahead, Ms. Andani.

Ms.Andani: Sir, can you give us some idea of what is the work going on, on the product development side? Are we planning to introduce any new products during the current year?

Parpia: Sure, actually first of all as far as the products are concerned, by putting everything in one group, what was happening was that too many products or too many product ideas were being in silos. So, now we are looking at PLM solution and we are watching on new product ideas. Most of them are now in prototype and infact, we have got a launch customer for that product which is a kind of integrator between PLM and ERP. So, the next generation or the new products that we are planning, we are doing it very carefully. What we are trying to do is the 3 parts we have been careful while is to make sure we code it right and do not goof up. No. 2 is we get the right type of products and No. 3 is we are identifying and trying to work. See, the same system integrator who are our partners for services, many of them are very interested in value added technologies which will enable them to have a differentiator or provide services around it. So, we are working to build the next generation product with our system integrators partners with the idea that the channel for the products is built in at the same time as we are developing the product.

Ms.Andani: Okay, thanks.

Parpia: Okay, thank you.

Moderator: Thank you Ms. Andani for your questions. Ladies and gentlemen for any further questions you are requested to press '*1'.

Sudhnashu: Manu, hi there is **Sudhnashu again**.

Parpia: Yes, Sudhnashu.

Sudhnashu: Manu, I had a couple of questions. No. 1 I wanted to ask that when we are talking growth is going to be back ended. how do you perceive product revenues are going

to behave especially given that we have got 3 large OEMs which had given certain commitments to us. Does that include products as well.

Parpia: No, that we were talking more on services. See, most of our products are sold through OEMs, at this present stage. The existing product range is through OEMs and really what they have said that "look guys we do not expect huge things because we are seeing a lot of hesitancy in the market, so do not expect high revenues in the next 2 quarters", that is what they have told us in the beginning or rather at the end of the last financial year. And that is what we put in our guidance or rather in our statement that do not expect drama in the product end in the first half.

Sudhnashu: Okay, sure and secondly I wanted to understand that are we looking actively at inorganic opportunities for growth and if we would be, then what particular space are we trying to address.

Parpia: Yes, we have in the past and continued to look at opportunities. The area that we thought was most interesting and there was obviously engineering services where we have to start from scratch. But we did not find anything that gave us confidence that the cost benefit profile was correct, so, we did not go ahead.

Sudhnashu: So, are there any other spaces perhaps for building a stronger front-end sort of thing that is close to our...

Parpia: There are a couple of product areas once in a while in the past, but not in the recent past.

Sudhnashu: And we have not seen very significant loss this quarter or rather margin dilution due to engineering services, right.

Parpia: No, not in a big way.

Sudhnashu: Okay, thanks.

Parpia: But the engineering service is more peculiar. Infact, that is the answer to that question on capex I guess one should also say that the engineering services typically ends up with the little bit of upfront cost because you have to buy software and you cannot really expense software over a long period. If you certainly got a huge order in engineering services it could have an impact in that particular quarter.

Sudhnashu: Okay, sure thanks.

Moderator: Thank you Mr. Rajpal for your questions. For any further questions ladies and gentlemen you are requested to press '*1'. Our next question comes from **Mr. Chetan Shah of Quantum Securities**. Please go ahead, Mr. Shah.

Chetan Shah: Yes, Sir this was again in connection with the recruitment, actually last quarter we saw some fall in the total number of employee account. So, for the coming 3 quarters basically I think the recruitment plan has to be very aggressive for the target to be achieved. For the anticipation of the back-ended growth basically somewhere recruitment has to happen sooner rather than later.

Parpia: Agreed, so, what we said was 2 things, I have mentioned that in this month or early next month reasonably large numbers of IIT graduates will be joining Geometric and they will become productive actually in the last quarter of the year. Then in addition to that we are also anticipating other addition to our manpower this quarter with ongoing growth into the next quarter. That is what I said and so that I can retreat that.

Chetan Shah: Okay, and what about this traveling expenses. Actually last quarter's traveling expenses on absolute term has been higher. So, how will the trend be there?

Parpia: See, there are 2 parts, the traveling expenses has 2 elements. One element is when you start of new project, some of it is reimbursed and some of it is not and so you end up with a lot of growth in traveling expenses and you book it in the quarter that you incur it even though it may have some benefit in the later quarter. And the second thing is that we are doing a little more traveling to try and get more business and get closure actually rather than say try and get more business, but we want to have some presales efforts. The kind of engagements that can add to your travel expenses, supposing we have a major partner and it is like putting our sales person in their office and we say fine we will put a person and we will work together to get that customer. Now, that kind of expenditure will also go in the traveling.

Chetan Shah: Okay, and lastly about the broader issue basically the tax spent actually rather in the automotive sector, means probably it was continued to be high whereas in most of the factor it has gone down, so, are we seeing the leg effect here in your space.

Parpia: No, in the automotive sector, everybody turn the screws rather than may be one or two companies and basically they shut down a lot of their expenditure and even where budgets are proved they get held money, but what now I am seeing is even if you have a doubt you have to come up with a new model and when you have to come up with a new model you have to save cost. So, I see that the people have just accepted that okay there is going to be no upturn, but now let us not wait for the upturn to happen, we better start doing our thing now. And so, from that we are seeing that there is more increase in activities.

Chetan Shah: Okay, thanks Sir.

Parpia: Thank you.

Moderator: Thank you Mr. Shah for your questions.

Parpia: Is there one or two more and I think the hour is almost up.

Moderator: All right, can we take out question Mr. Parpia. We have our last participant **Mr. Rakesh Jhunjhunwala**. Please go ahead with your question Mr. Jhunjhunwala.

Jhunjhunwala: Today all our units are having 10A benefits, so, we should have no tax rather than the income tax on the other income.

Parpia: It is some little domestic sale, yes.

Jhunjhunwala: Yes, so, any last part over other income is this exchange gains. Now you know Reliance and the other companies they are accounting the exchange gain as part of the normal income and they have taken legal opinion and just said that... See when I covered the \$, I think we can save lot of tax, we should account it as normal income. It is not a trading.

Parpia: Yes, agreed. This is not trading.

Jhunjhunwala: See you have a track record where you are exporting certain items. You have 90% surety within that 10% band you can predict term what will be in dollars. So if you cover that it cannot be other income where it is a part of your business received.

Parpia: Anant are you on the line.

Anant: I am here, basically we do what Rakesh just mentioned, filing the income tax return, this foreign exchange pertaining to the operating activities as part of 10 A.

Jhunhunwala: As part of?

Anand: Tax-free that is section 10A eligible income.

Jhunhunwala: Yes, so, it is that income only.

Parpia: But it is shown in other income as far as accounting is concerned.

Jhunhunwala: Why do you weaken your income tax case by showing it as other income. Have you taken a legal opinion on this or has CFO decided that this is the best way to do it.

Parpia: Okay, so let me say that specifically we will get back to you on this particular point.

Jhunhunwala: Thank you Manu.

Parpia: Okay, thank you Rakesh.

Moderator: Thank you Mr. Jhunhunwal for your questions. As there are no more questions I would now like to handover the conference to Mr. Sudhanshu Rajpal. Please go ahead Mr. Rajpal.

Sudhanshu: Thank you, Priyanka. On behalf of B&K Securities I would like to thank the Geometric Software team for this call and I would also like to thank all the participants for joining in. Thank you and bye.

Parpia: Thank you Sudhanshu.

Moderator: Ladies and gentlemen that thus 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.

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