

GEODESIC

Geodesic Limited

Q3-FY10 Conference Call

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GEODESIC

CENTRUM

**MODERATORS: MR. KIRAN KULKARNI – MANAGING DIRECTOR, GEODESIC LIMITED.
MR. PRASHANT MULEKAR – EXECUTIVE DIRECTOR, GEODESIC LIMITED.
MS. NAVITA SHARMA – HEAD, CORPORATE COMMUNICATIONS, GEODESIC LIMITED.
MR. ANKIT KEDIA – CENTRUM BROKING PVT. LIMITED**

Moderator

Ladies and gentlemen, good afternoon and welcome to the Geodesic Q3FY2010 results conference call hosted by Centrum Broking Pvt. Ltd. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you need assistance during the conference call, please signal an operator by pressing * and then on your touch-tone phone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Ankit Kedia. Thank you, and over to you sir.

Ankit Kedia

Thank you. Good afternoon everyone. We at Centrum Broking are very pleased to organize the Q3FY2010 results conference call for Geodesic. From the management we have Kiran Kulkarni - Managing Director and Prashant Mulekar - Executive Director with us today. Over to you sir for some opening remarks.

Kiran Kulkarni

Thank you Ankit. Welcome and thank you for joining us on our earnings call for the 3rd Quarter of FY2010. Prashant and Navita are here with me on the call today. I would like to take this opportunity to brief you all about the background of the industry and the changes we have incorporated to lead from the front.

I am sure as you all are aware that we are focused on information, communication, and collaboration coupled with CRM which is a unique offering. All of these directly impact the top-line and bottom-line of the enterprises that we speak with. The communication collaboration platform has been made flexible and modular to the extent that we have been able to successfully create products to address various segments by making minor tweaks on the platform. We have expanded our business lines into other areas including computing platforms for emerging markets, financial services and products, and content.

I will just talk about the market potential for the products that we address at this point. Market potential for Unified Communication and CRM is US \$14 billion by 2012. The financial service and products cater to an approximate market of about \$20 billion. Computing platform has a huge opportunity in India with e-Governance projects being rolled out during this year and the next 2 years, and it is estimated to be close to about \$3 billion by 2012. We all know that mobile media and value-added services in India alone are likely to touch US \$5 billion by 2011, and if you look at the global markets, we are talking about a market opportunity of anywhere between \$25 billion to \$30 billion.

At this point in time we service enterprises that are stringent about security and tracking norms. We talk about portals and publishers that want to cut down on

user acquisition cost and monetize their community. We address the telecom operators that want to grow their ARPUs through data plans. We address the handset manufacturers to deliver value to consumers in the retail segment. We have been reasonably successful with our computing platform for e-Governance and have signed with as many as 65% of all large e-Governance solution providers in India.

Geodesic had revenues of about 152 crores in the third quarter this year. It is marginally down by about 1.5% quarter-on-quarter and a profit of 62.5 crores which is up by about 10% quarter-on-quarter. During the last two quarters we have focused on revamping our products line and business models.

We have expanded our teams for GeoAmida and OLAI as we believe these two products have tremendous pull for the next two years in India and the developing economies. We have expanded our geographic reach and this is evident from the agreements we have signed with companies in Laos, El Salvador, and Congo etc.

We have also changed our pricing strategy by eliminating the initial set of fee which was typically about 10% of our revenue from a customer and extended the contract term to a minimum set period which could be anywhere between 3 to 5 years. Now this allows Geodesic to get recurring revenues from customers for a longer duration.

During the quarter, Geodesic also made inroads into Tier I companies in respective segments we address and our confidence about the revenue potential and the growth from these contracts. We have also made about 28 new job offers on campus and are expanding our business development and sales team to address various geographies.

One thing that I want to touch upon before getting into questions is -- our effective income tax at this point in time is nil as we operate out of a SEZ. We are also exempt from income tax on the GeoAmida Handheld Device as we have our manufacturing base in Uttaranchal. In terms of other savings that we do, the MAT which we paid in 2008/2009 and a year prior to that will get adjusted across the income tax and hence the effective income tax during this year would not really be there.

We take this opportunity again to thank you all for your continued support and look forward to your support and guidance. Please feel free to ask questions.

Moderator Thank you very much sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Mr. Rahul Kothari from DnB NOR Asset Management. Please go ahead.

Rahul Kothari What is the primary reason for the decline in top-line? Was it pricing pressure or because you lost some clients that led to the decline in the top-line?

Kiran Kulkarni If we look at the quarter-on-quarter decline, it is predominantly due to the dollar depreciation however would have been flat. The other thing that we have also done is, like I just mentioned to you, we have changed our pricing models.

Rahul Kothari Okay, yeah said that 10% ...

Kiran Kulkarni That 10% has gone away. We did not complete on our billing to government during the quarter that went past.

Rahul Kothari So again, coming back to the current environment, has the pricing stabilized, do you see an uptick probably in one or two quarters down the line in terms of pricing?

Kiran Kulkarni In fact, the pricing has stabilized and if you see the number of customers we have signed on because of the initial barrier being withdrawn, so it is very evident that we are on the right track again, back onto the growth path.

Rahul Kothari When you say you have signed customers in terms of numbers how much would that reach?

Kiran Kulkarni We would not like to specify a number because these are from different segments. See, if you look at the kind of deals that we have signed, we have signed with América Móvil. Now América Móvil has 180 million subscribers in about 18 odd countries. Even if we convert 5% of them very successfully, that is a substantial amount of revenues accruing to Geodesic.

Rahul Kothari This specific instance of América Móvil, did you start giving the products?

Kiran Kulkarni Yeah, the product has already been delivered. The conversions have already started, the product is already launched.

Rahul Kothari Have you booked any revenues from América Móvil?

Kiran Kulkarni The revenues have been booked in the month of January which would not reflect in December.

Rahul Kothari Okay, it will be in the 4th Quarter results, okay fine. You have tied up with this e-Governance solution provider so in that space, where does Geodesic stand, how do you bring value additions?

Kiran Kulkarni Geodesic has GeoAmida in the computing platform. We have been supplying this product to the likes of TCS, Glodyne, and HCL Info. You know a whole lot of these guys. These people are using this handheld device to perform all computing, so whether it is processing of data or data inputs or validation or authentication, all of these things are being done on the device.

Rahul Kothari Have you started supplying?

Kiran Kulkarni Yes, we have already delivered more than 10000 units during the last three quarters.

Rahul Kothari What is the price range?

Kiran Kulkarni Between Rs.19000 to Rs.20000 per unit.

Rahul Kothari You said that you are not manufacturing yourself these units, right?

Kiran Kulkarni Very true.

Rahul Kothari Is it third party?

Kiran Kulkarni The development is ours; it is being outsourced as a manufacturing unit, but the final integration happens at our unit.

Rahul Kothari What kind of margins should we factor in this space?

Prashant Mulekar Margins what you are looking initially would be around in the range of 20%.

Rahul Kothari Is there an order book for this?

Prashant Mulekar Yeah we have a long list of the order book. We are hoping to announce some big numbers in the quarters to come. So one thing that is there is complete visibility because all of these people who have signed on financial inclusion or e-Governance projects that are being implemented across multiple states, we have those numbers and we just need to know how these would get delivered, what

quantities would get delivered in Quarter 1, Quarter 2, Quarter 3 and you should remember that e-Governance projects have started in India since 2006. Okay, a lot of states did place orders but have not got the delivery. Now there is every possibility that there may be a spike. We know for sure that there is this State Government which had placed an order for almost 100000 units of this kind of a device in 2006. And obviously those deliveries have not happened and now these specifications match our product. So, if these suddenly come and then those would be spiked.

Rahul Kothari What kind of numbers can we look at for FY2011?

Prashant Mulekar We would not like to hazard a guess on the numbers because we are talking to a lot of the entities as of now and because these are government orders the probability can vary -- from 90% suddenly become 0% and from 0% become 100%. So we would not take that stand as of now.

Rahul Kothari When would be able to take a stand on this?

Kiran Kulkarni You know Rahul what we can actually do is, basically as every quarter comes by, we will be giving these numbers. So we can do a quarter-wise guidance as against doing a yearly guidance, but we are very bullish because we know the numbers are large; I can give you a feel of what is the requirement in India. Okay, if you take financial inclusion, if you take the Mahatma Gandhi Rural Employment Guarantee Act or if you take the Public Distribution System, these three systems alone would be in the region of about 2 million units in India. And if you add the Law Enforcement Agencies like the Traffic Police, then these numbers will ramp up again.

Rahul Kothari Any capacity constraints?

Prashant Mulekar Not really, because we are ready with our backend vendors to quote as and when needed.

Rahul Kothari You were expected to close one acquisition in the social networking space in December.

Kiran Kulkarni We have actually closed it. Let me explain this thing, it has almost become a sea-saw. Initially the entire costing was high, then recession set in, the cost went low. Now that the market is raising its hood again, greed sets in and these people obviously want some more money. So we are in the final stages of negotiation and we have

already paid some money to these guys. So it should happen sooner than expected. But yes, there is a delay.

Rahul Kothari

Can you just throw some light on what exactly is being discussed?

Kiran Kulkarni

It is not confidential. It is in the space of mobile applications and mobile VAS alright. And we would like to really announce this once it is done. But it is very much on. We have not lost any hope and in fact, we are still aggressively looking at more companies.

Rahul Kothari

How is Spokn turning up, how is the response, what kind of numbers have you seen?

Kiran Kulkarni

We have already announced the numbers. We are doing 180000 minutes a day. And if you look at any review, editorial or sales, they have spoken very highly about the product. I would sincerely urge all of you to download the product on the Blackberry and use it. You will be completely thrilled with the quality of service; you will be thrilled with the ease of use, with internet, and without the internet. And we are really making headway on this product even in the enterprise segment.

Rahul Kothari

Any kind of revenue expectations from this product?

Kiran Kulkarni

Let me talk about the minutes and then we will talk about revenue, so obviously there is, what We are expecting about a million users to use the product. We are hoping that the average time these people use the phone or Spokn would be at least 30 minutes. The nice thing is, today, América Móvil has crossed 200 million subscribers. It was 180 and the system has already been deployed. We are very happy with the kind of conversions that have happened in the first month itself.

Rahul Kothari

So this is a global launch?

Kiran Kulkarni

América Móvil is all across Latin America. The biggest. Telefonica is #2 and América Móvil is #1.

Rahul Kothari

I am talking about Spokn, you have launched it?

Kiran Kulkarni

Okay yes, absolutely. Spokn in a different version for the enterprise has also been launched.

Rahul Kothari

How is the response?

Kiran Kulkarni It has been excellent because the value proposition from the whole offering is -- you reduce your communication cost and the return on investment is seen that evening, because if you have made X number of calls and an X number of minutes have gone by, you obviously can calculate. So it is not long term return on investment, it is that evening.

Rahul Kothari Anyway, congratulations and hope you should do well.

Moderator Thank you Mr. Kothari. The next question is from the line of Mr. Harpreet Batra from Kim Eng Securities. Please go ahead.

Harpreet Batra My question was about this quarter's revenues. Could you throw some light on revenue that we have generated across lines, system integrators, enterprises, portals, and handsets?

Kiran Kulkarni You know across system integrators we have given about 30 licenses this time. Across enterprise we have 70 customers at this point in time. Portals again we have got about 10.3 million users. In terms of handsets we have got 5 ODM/OEM that have been signed, the sixth one is announced. Retail IM is about 2.31. We have signed about 210000 new users. Telecom operator is about 15. Now web services are financial services and products that I spoke to you about when I initially spoke to you. In terms of SMS, we have got about 100000 SMSes going up against 55000 to 60000 that we had last quarter and GeoAmida 9 customers with close to 4250 units.

Harpreet Batra In terms of GeoAmida, the contract that we have won from State Bank of Hyderabad and PNB, when do we expect these products to execute?

Kiran Kulkarni Execution has already begun. The production happens and then the integration with the software happens. So I think it is the first quarter of 2011 where the deliveries would be affected. The tentative delivery schedules are about 90 days. So we are getting all of these deliveries out in the 1st Quarter of 2011.

Harpreet Batra What is the size of these pallets? Are they significant?

Kiran Kulkarni They are significant, yes, because if you look at it, every bank has this ambition of going into a village without opening up a branch. You have possibly seen State Bank of India being more aggressive by saying we want to go to 500000 villages, so all of these are going into villages with one person carrying the GeoAmida and a Cash Box. So he becomes a bank; so this whole system is the bank there. And we

are expecting large numbers even if you look at a village you are talking about two units per village.

Harpreet Batra

Right through the mobile application space and this can come under this.

Kiran Kulkarni

Right, and this GeoAmida that I spoke to you about has a host of features that are unmatched. There is no device at this point in time that matches this product. It has got biometrics, the biometrics is optical which is approved by the Reserve Bank of India; it has got the Smart Card readers and writers, which means, traffic police can put in your driving license into the GeoAmida and write the offense you have committed. Then you have got a printer, you have got GPRS, and you have got GPS out there. We have got RFID reader and it connects over Wi-Fi. It has got USB; it's got a camera; it has got the works. So we are expecting large numbers to come in. And answering Mr. Kothari earlier on, I did mention that there could also be spikes from government agencies. I do not know if you know this, but Amida was used as the handheld device to issue unique identity cards in 2007 in Narela.

Harpreet Batra

You want this to be used in a NID project as well of ...?

Kiran Kulkarni

Well obviously, and it can be used because it has all the features that are required, whether it is a biometrics, whether it is a camera. We looked at multiple aspects of a scenario – say, you have to give a **Voter's ID** card to a person who does not have fingers on hands. All of these things have been taken into consideration.

Harpreet Batra

Today it is zero, but what can we expect the tax rates to be in FY2011?

Prashant Mulekar

I think it could be almost at zero level next year or so.

Harpreet Batra

What are currency positions at the moment, hedges any options that we expect?

Prashant Mulekar

That we have around 20% of the revenues hedged as of now.

Harpreet Batra

So this is our policy and it will continue in 2011 as well?

Prashant Mulekar

Yeah.

Harpreet Batra

What are the price points at which we have hedged the Dollar rate?

Prashant Mulekar

In last few months we have been trying to hedge at each and every dip.

Harpreet Batra

Thank you.

Moderator Thank you. The next question is from the line of Mr. Paul Tillintyne from Genesis. Please go ahead.

Paul Tillintyne Following the last question to some degree, could you talk about the balance sheet and how it has evolved with the convertible debt still sitting there, some of which have been bought back? I am not sure how much or how much is outstanding. How the cash position has evolved and how that reflects upon the interim dividend, which I thought would cut from last year. And could you explain some of the dynamics there, and where you see it going please?

Prashant Mulekar Yeah, the debt is only the FCCB debt as you would be aware and we have bought around \$13 to \$14 million of debt. So it would be reduced to that extent. Cash position as always has been quite healthy, and we are confident that we will keep on growing at the same pace that we have been growing for the last 3 to 4 years. There will also be some blip in a year or so. As regards dividend, one of the reasons we had given a high dividend last year is just 0.5% less dividend, so it is not much of a difference. We feel that we would be growing at an aggressive pace in next one, one an half years, which would need funds for acquisition, marketing and product development. That is one of the reasons why the board felt that we should be almost at a same level.

Paul Tillintyne So what budget have you year marked for acquisitions?

Kiran Kulkarni Right now we have already identified a company and the acquisition cost would be about \$20 million. It is in the range of 20 to 21. We wanted to do an early acquisition at about 20, but because of the markets improving, these people are asking for a 10% hike. We are still negotiating and that is one of the acquisitions that we are looking at very strongly. However, we are very confident of the products that we have developed, specially the computing platform and the financial products and services where we have seen a lot of traction at this point in time. We have been using the lull time as you may want to call it, to completely revamp our products. If you look at the new products, you know if there is no company in the world that offers unified communication with intelligence which means all of the transcripts that we do over either Voice, E-mail, IM or SMS into the CRM system to get a comprehensive outlook on how the prospect look or the customer looks you know so the alignment of the product and service happens with the customer. Typically a CRM system business development and sales it does not aide in marketing, but if you look at the product that we have launched, it actually aides in marketing, I will be in a position to pinpoint a product or a service

that I have in my cache, to address Paul's need for example, and I will be trying to go to the and say Paul you want this or this so I would definitely know from all of the interactions that I have had with you. What kind of product or a service that you need. So one is the acquisition, second is, you would not capture a percent of the market share of the world. Okay till now we have been fairly conservative in terms of saying okay, we are doing well with viral marketing, we are doing well with what people we have, we just want to little bit of splash. I think we were also greatly inspired by what I find it every one knows the amount of money that got spent on that day. And you know we do not want to spend that kind of money on a day, but we have a product that is way ahead of its time and way ahead of even what you know these people have launched. We are confident of delivering value to our customers and consumers.

Paul Tillintyne So the first use of cash was acquisition, the second you mentioned was marketing, how would the marketing budget evolve going forward?

Kiran Kulkarni What we have also done now Paul is, we have got great agencies to support the marketing plans. We have expanded our business development and sales team. We have got key people from key competitors. All of these things are being done and these people are coming at a substantial amount of cost. So we are now not hesitating to get these people on board. You know they know the market share. They just want to get into it and talk about it. So we are getting good people from good companies.

Paul Tillintyne How is the marketing budget increasing? How much? By 50% next year?

Kiran Kulkarni The marketing budget will improve substantially we were doing \$8 million this year we are going to put in about \$12 to \$14 million next year.

Paul Tillintyne If you include staff cost in that, how much would the staff cost increase?

Kiran Kulkarni Staff cost would increase an additional 20% to 25% on the marketing budget.

Paul Tillintyne How has the accounts receivables evolved since the last balance sheet day? What do you expect from that going forward that are according to my numbers the day that was outstanding as of March 2009 was the 168, how is that taken out and where is it going?

Prashant Mulekar Though arithmetically it is 168 days, it is not that much if you look at it because it is slightly more than one quarter sales, one quarter revenue. We have been trying to

push and ensure that our receivables come under control and we are improving our position. In this calendar year, we should be in a much better position.

Kiran Kulkarni

The 168 days that you have seen is only for a very small amount of money It has been about 120 days, not necessarily 168. But this year it has already improved, and it will improve going further again. The other thing that we have attempted to do is, change our billing cycle. Previously we were billing our customers every quarter. Now we are trying to bill them every 60 days which would also ensure that we get our money faster.

Paul Tillintyne

Could you explain the billing cycle with América Móvil? For example, how the revenue model works in the cash collection? Just one example of the application on a customer?

Kiran Kulkarni

You know for América Móvil, we will charge their subscriber a fee to download the application that we have provided them. Right now, we obviously will open it out. Initially out of the 180 million subscribers or 200 million subscribers that they have. The first launch is already happened for a 60 million subscriber base. Okay, now the money is charged every month to the subscriber directly as part of their bill. Now, we raise a bill on América Móvil every 60 days and collect the money for the number of users that have been signed in those 60 days. In the next 60 days, we will bill them for all the subscribers who have been signed in the 120 days.

Paul Tillintyne

Every new subscriber?

Kiran Kulkarni

No, there is a certain amount of money every month for the user; so it is a per-user-per-month deal that we have done. So we will be billing them -- suppose it is 130 days, we will bill for all the customers that have been signed in those days, right from the first subscriber. So it is recurring revenue.

Paul Tillintyne

Assuming the product is downloaded and it is used by the users, when will you start revenue recognize in your accounts?

Kiran Kulkarni

The first month after the delivery. If we delivered the product to them in the month or the first week of January, the first month itself has given us a hardening conversions of all.

Paul Tillintyne

So, even though you have not billed them yet because the billing cycle is 60 days...

Kiran Kulkarni March would be the first month, which means we would book América Móvil revenues from this quarter.

Paul Tillintyne In your accounts, do you recognize revenue at the end of January when they reflect the number of users who have downloaded the application? Would you recognize revenue when you would see this or not?

Prashant Mulekar No, we recognize the revenue once we get our sign off on the invoice that we have raised.

Paul Tillintyne So these invoices will be sent in March and it will recognize the revenue then.

Prashant Mulekar Yeah, and the outstanding would then possibly; they will possibly take another 30 days to pay us.

Paul Tillintyne How do you know that the take up would be heartening in January?

Kiran Kulkarni You know the way they launched it, the initial numbers have crossed five digits. You know in just about two weeks, it has crossed five digits.

Paul Tillintyne They indicated that to you. Did they?

Kiran Kulkarni No, that is because every time you sign off, there is a license key that gets generated.

Paul Tillintyne Okay, yes like Microsoft some kind of firm.

Kiran Kulkarni Yes.

Paul Tillintyne Last question on the balance sheet and cash flow. What investment are you making in product development? I think that was the third leg of your kind of general investment strategy you described?

Prashant Mulekar If you are asking for the next 12 months or the next financial, we are working on what would happen in the next financial year because there are lots of products coming up and we are hoping to get the budget from these respective departments, but my view is that we will probably be investing around \$15 million, \$16 million on that at the least.

Paul Tillintyne This would be accounted as CAPEX?

Prashant Mulekar Yeah it would be accounted as CAPEX.

Paul Tillintyne It will not come through the P&L but would stay at the end of the year in the cash flow segment?

Prashant Mulekar We are trying to work on that; part of the product development would come under P&L and part of it would go under CAPEX.

Paul Tillintyne What is the equivalent stake in the current fiscal?

Prashant Mulekar Current fiscal would be around \$13 million to \$14 million.

Paul Tillintyne So it is not a particularly large jump?

Prashant Mulekar Yeah but then it could, we are just waiting because if you have heard what Kiran has been saying about the new products -- if it becomes as exciting as it is expected to, then probably it will add some \$6 million to \$7 million more. But I would reserve my view on that till we get the exact details from the respective departments.

Paul Tillintyne Understood and thank you.

Participant Just a follow-up on the AMX. Is there any marketing cost resolve from your side? AMX, the América Móvil.

Prashant Mulekar No, there is no marketing cost from our side, excepting for the business sales activity that we have to undertake that is about all. They would do all the marketing.

Moderator Thank you. The next question is from the line of Mr. Vikram Patil from TCG Advisory, please go ahead.

Vijay Krishna Kumar You have got quite a few business segments; how is your marketing efforts spread between these segments?

Kiran Kulkarni We have got in clear line of businesses. One is the unified communication coupled with CRM. That is one line of business. The second line of business we are into is financial products and services. If you are asking me what financial products and services we have launched -- SmartInvestor.in, Edelweiss.in was launched by us; it is all our development. So, that is financial products and services. MoneyControl charting is ours. A lot of other financial products and services are being delivered.

The third is the completing platform that I spoke to you about that -- Geoamida and OLAI; and the fourth is obviously -- Chandamama and Filmorbit. We have divided them into these four verticals. Now, what we are trying to do is create business units within the organization, right, and use the marketing force and the development team to focus on what they do best in these areas and take it from here. See now we have got dedicated marketing people; we have got dedicated sales and business development teams. We have got different ad agencies to handle different parts because their spheres are very different. So, this is how we are proceeding at this point in time, Vijay.

Vijay Krishna Kumar Could you possibly shed some light as to how you're marketing? Do you have a dedicated team for each segment?

Kiran Kulkarni I have already explained this to you -- we reach out to customers in multiple ways. One is the direct sales that we do. The second one is good for system integrators and the third is to obviously go through partner websites. These are primary modes of reaching out to the customer. We also have exclusive partnership tie-ups in China, Taiwan, Japan, and Korea, where we really do not understand the culture. Now if you look at these markets, the language has got to be known, so we move through multiple channels actually to reach out to the customer. Is this what you were asking?

Vijay Krishna Kumar Yeah, of course. Thanks very much.

Moderator Thank you. The next question is from the line of Mr. Jigar Shah from Kim Eng Securities, please go ahead.

Jigar Shah My basic question was to understand what my colleague had asked previously -- you have given the Q3 numbers for the enterprise and for the retail and mobile segments. What kind of visibility is getting built for the next year, because even now we can see that the revenue is still predominantly coming from the enterprise business, although the retail as well as the mobile handset and telcos segment is developing? I wanted to understand the growth rates going forward in the enterprise business and in the handset telecom operators and GeoAmida. Like, on a quarterly basis, what kind of run rate can we expect? I do not expect you to give me a ballpark number, but this is just to build a visibility for next year in terms of how the picture would look like?

Kiran Kulkarni Okay, coming to various segments (and I will take segments at a time because it would be difficult for me to consolidate a number and say this is how we are going to grow) -- now

retail market, majorly we have added substantial products to the existing product line which was the IM and radio. Now, we have added the video component too making it more comprehensive. If I look at competition, a similar provider of live television product or a video product in the US got more than seven million users getting about out \$9.9 every month, okay and they do not work on the networks that we have. For example, they do not work on GPRS, it is either Wi-Fi or 3G. Now, see that is great if you have, but still lot of countries, which still operate on GPRS and there is huge upswing and potential out there. In terms of the retail market scale, we are now going to address the big Indian market, which we have not really and seriously done so far. We are expecting at least a million subscribers to come from just the Indian subcontinent. Other than what we have been already doing, in terms of numbers, India will add a lot of numbers in terms of retail so, is Spokn. Spokn is getting extremely popular even with the enterprise segment. Having said that, we want to ramp these numbers up to at least have 52 million minutes and that is what we want to achieve. In terms of the enterprise, it is for the first time that we have actually managed two products and it happened because the industry went through a crisis, let me put it this way. So this is an opportunity to revamp our product. Previously we used to go and sell individual CRMs and individual communication assistance; we still do that. But now we have a very comprehensive combined product and we are exploring newer market segments like the small and medium enterprises. Now we go to cities, speak with the associations and launch the entire board for all the manufacturers out there and industries investor is big areas you know we want to grow and go down to level 2 cities and level 3 cities where industry is now thriving to a great extent, but they need these kinds of services at very low prices. We are in a position to do that because it is an extension of our model. So, that is going to grow for sure. GeoAmida I think, you know Jigar you have a fair idea on what the e-Governance projects are doing to a lot of Indian IT companies. In fact, if you look at the interest levels from all the top companies, it is available. It is substantial enough to know that e-Governance is going to be all over the countryside and GeoAmida has huge potential there. I have already spoken about that and there could be a spike. I gave an example of a state government now revamping this entire 100,000 units that has got to be delivered in the next year, has gotten delayed. These are spikes that we can have.

Jigar Shah

Do you think in two years our revenues can grow to more than Rs.10 billion?

Prashant Mulekar

We are working towards that.

Kiran Kulkarni

We have got serious ambitions of growing stakeholder value by ensuring that we spell success. That is what we want to do now.

Jigar Shah If Prashant, you can respond to that. This FCCB interest, how are you giving treatment to that?

Prashant Mulekar We are taking it in P&L.

Jigar Shah Okay. Thank you

Moderator Thank you. Our next question is from the line of Jay Diwan from Alexandra Investments, please go ahead.

Jay Diwan What is the cash balance and what is the free cash flow during the current quarter?

Prashant Mulekar Sure, the cash balance is around Rs.825 Crores. This includes the FCCB.

Jay Diwan The free cash flow, because last quarter I remembered it was 760, so you basically had about 60.

Prashant Mulekar 45, we added 45 last quarter, 45-46 that means Rs.805 crores.

Jay Diwan The final purchase of FCCB that you have done from the market is around 11.5?

Prashant Mulekar Yeah.

Jay Diwan We did not do anything more than that?

Prashant Mulekar No.

Jay Diwan Any thought process on the buyback as to what kind of a timeframe will then be made and what quantum you want to buyback on the equity of the company?

Kiran Kulkarni What we have done at this point of time is we have formed a committee to give us an opinion on the buyback. So we kind of went through the process initially with Rs.75 buyback announcement and it took a fairly long time at the regularity body to give us the approval. When we finally got the approvals only in the month of January, post that, we have been deliberating on what is the next step forward. We are evaluating two cases here -- one is to grow and invest money into growth, or the second is to do a buyback and consolidate. So either way we want to enhance the stakeholder and get some kind of recommendation from the committee that we have formed. We are sure we will revert to you by the end of this month.

Jay Diwan Okay sounds good. Thank you, that is all from me.

Moderator Thank you. The next question is from the line of Mr. Ankur Rudra from Noble Group, please go ahead.

Ankur Rudra You mentioned early in the call that the tax rates for this year and next year will remain zero. I just wanted to understand that.

Kiran Kulkarni It is zero, but you know next year it will depend upon the domestic transactions. Ankur, let me put it in perspective -- we operate out of SEZ that does not attract any taxation and for all the GeoAmida sales that we do, we have build up a factory in Roorkee which is in Uttaranchal. We are exempted for the next three years on all taxes, whether it is income or excise or service tax or whatever. All the services that we do in India, which possibly includes Smart Investor or Edelweiss or any services that we have done in India could be just like all of these. We pay minimum alternate tax during the years of 2007 and 2008. Now that gets adjusted against the taxes that we were suppose to pay on the services that we generate out of that. So, next year you will see bulk of our income will be coming from the SEZ and GeoAmida, and whatever services we do in India would obviously affect income tax. So, we take the benefit as far as the minimum alternate tax is being paid, post that we will have to pay tax.

Ankur Rudra So the GeoAmida sales will be tax shielded for the next three years?

Kiran Kulkarni Yes and I think, the government can change its policy, but at this time, this is what it is.

Ankur Rudra If I look at the India revenues for the group it has been a bit declining for the last three to four years. We see given your large increase from projects with as a financial projects you highlighted and also GeoAmida. Should we expect that to increase, Indian proportion of it?

Kiran Kulkarni Yes, in fact we are also bullish about the retail part of it. It also views almost first . Everybody knows that and it has also come in the papers that we are launching a live TV product in India. We have already signed with at least 40 television channels. Okay, so there is a substantial amount of content that we have got, a wide range of platforms are being supported right from the Nokias to iPhones to the Windows mobiles to Android and BlackBerry too. And we are very bullish about getting this across in India too, so that will be taxed.

Ankur Rudra What is the CAPEX overall this year and in the quarter?

Prashant Mulekar Like we have mentioned before, **the CAPEX the product development** is typically around \$12 to \$14 million in this year.

Ankur Rudra In the three quarters it was \$12 to \$14 million?

Prashant Mulekar Yes.

Ankur Rudra How does the international revenues breakout geographically? What I am trying to understand is -- how does your exposure to various developers for the emerging market segments look?

Kiran Kulkarni Okay, Europe and Asia, these are different segments. So, if you look at GeoAmida bulk of it comes from India but bulk also a trickle has started in from the developing economics, so we have already announced El Salvador, Laos, and Ghana, in South Africa you know all of these nations have started putting it. In terms of the enterprise, it is largely between the US, Europe in the region of about 47% coming in from Europe or 32% odd coming in from the US. So, that is the US being split... coming from Asia, Australia now.

Ankur Rudra Thanks.

Moderator Thank you.

Ankit Kedia Just one question, Ankit here. Why did we remove the one-time set-up license fee which we used to charge 10%? Are we still facing pricing pressure? What is the response on the enterprises when the sales guys go to them for the first time?

Kiran Kulkarni You see initial response has been very encouraging for people. You know the initial set up was not bad, but we wanted to show our confidence and possibly squeeze them in yet another year of a contract. Instead of saying, please sign me for two years, I will possibly sign out with you for three years, but I will wait. So it is a matter of negotiation more than anything else. It is not necessarily the pricing pressure, I think we are fairly comfortable with the pricing that we have. Last quarter too I did mention to you that the international pricing for the product that we have included a user fee of anywhere between \$70 to \$80 now and in India it is between \$40 to \$50. However, I would like to qualify on how we calculate this \$40 to \$50 in India. In India, most of the companies are very happy paying a one-time fee and they have x-number of users. Now, what we do is, we breakdown that

number, divide it with the number of users, and take it over a period of three years, and that is how we arrive at that figure of \$40 to \$50 a month.

Ankit Kedia So most of the new contracts which we are trying out with the BFSI and the other houses are going to last up for three years?

Kiran Kulkarni Minimum.

Ankit Kedia Okay, thank you.

Moderator The next question is from the line of Mr. Rohit Gajare from UTI PMS, please go ahead.

Rohit Gajare On the income breakup, I think our web services revenue declined 20% quarter-on-quarter, system integrator declined 15%, can you comment on this?

Kiran Kulkarni The web services go through a cycle, all it is from the deliverables that happened. So, the billing cycle would vary slightly just typical your services kind of revenue what we sign on new customers, whose revenue now we have seen in the fourth quarter. So it is basically what you deliver in that specific quarter. During this last quarter, we also had urgency of delivering a couple of products that we are working on, so we are also working on that. So, no cause to worry or alarm, it will grow.

Rohit Gajare You mentioned about the change in pricing model. Do you think even that had a possible factor over here?

Kiran Kulkarni That is for the enterprise and not necessarily for the web services, Rohit. In the enterprise I think we have already reduced our prices way back in the month of January last year. They have been stable since then. So that is one. Second is, we have now started making more money out of our new customers who have also started taking the unified communication solutions, which means they pay us for every minute they use the phone for, or every SMS they send. We have also started getting recurring revenues out of the communications that these people do.

Rohit Gajare So let us say in case of this communication scene, which we have clubbed with the CRM, this revenue should be recognized in enterprise itself or they would be recognized as some VoIP or?

Kiran Kulkarni No, it will be recognized only within the enterprise. Anything that is coming out of the enterprise would be recognized as enterprise. Now, when we say VoIP minutes it would purely be retail.

Rohit Gajare **Those year sequentially operating margins have grown** and which I think is partly due to reduction in some expenses, is this sustainable or this is one-off?

Prashant Mulekar Part of it is sustainable and part of it is certainly one-off. You are looking at the exchange losses on which we do not have much control, I cannot comment on that as of now. The balance other expenditure has come down to a certain extent, so while we are growing, we are also trying to ensure that our costs are under control and we hope to keep the cost low.

Kiran Kulkarni One way of doing it is going through more partners and that is what we have also been doing. We have also been adding more partners at this point in time. Our partners in the sense, partners who are helping us to sell or integrate. So the first level of support automatically goes away from us.

Rohit Gajare So for the March quarter, should I expect margins to remain around the same level as they were or may be a little worse for us?

Kiran Kulkarni No, I do not think they will be worse for us, but I think they more or less will remain the same. Plus or minus 5% here and there, whatever.

Rohit Gajare Have the staff expenses gone down, any exceptions over there.

Kiran Kulkarni In fact Prashant did mention earlier the staff costs have come down because during the second quarter, we had to pay arrears of the first quarter. Now, the salary increase has happened, so that is the one-off and also the staff cost is consciously taken into the product development too.

Rohit Gajare Also, the other income over here it is a reflection of the interest earned?

Prashant Mulekar Yeah, it is mainly the interest earned.

Rohit Gajare Most of the money is basically kept out of India, right, perhaps with very low interest rates?

Kiran Kulkarni Yes.

Rohit Gajare Okay, that is it. Thanks all, bye.

Moderator Thank you. Sir, at this moment we do not have any further questions. Would you like to add few closing comments?

Kiran Kulkarni Yeah, I would like to thank everyone for taking time out and participating in the earning call. Once again, thank you for always supporting Geodesic and we hope you will continue to support us the way you have been doing. We urge you all to use our products and give us feedback on how and what you think about the product. We are very bullish. We are very excited about the products, with the markets that we are addressing at this point in time. We have done some great tie-ups. They are number one in their respective fields, so that gives us great validation in terms of technology, in terms of what we have built. So, that is where we are, thank you very much for joining in.

Prashant Mulekar Thank you.

Ankit Kedia Thank you everyone.

Moderator Thank you very much, sir. On behalf of Centrum Broking Private Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.