

Transcript

Conference Call of Gemini Communication Limited



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Moderator: Ladies and gentlemen, good day and welcome to the conference call to discuss the Q1 FY'12 results of Gemini Communication Limited hosted by SBICAP Securities Limited. 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 should need assistance during this conference call please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Ankit Pande. Thank you and over to you, sir.

Ankit Pande: Good afternoon and a warm welcome to all for joining us today to discuss the Q1 results of Gemini Communication Limited. I am Ankit Pande from SBICAP Securities Team. Joining us today we have Group Chairman Mr. Vijay Kumar, Chairman Mr. Ram Kumar, Managing Director Mr. Sreekrishna, Executive Director Mr. Srinivasan, CEO of RFID & Energy and Chief IR Officer Mr. Pradhyumna T. Venkat and CEO of PointRed Limited Mr. Balaji K. I would now like to handover the call to Gemini Communication's management. Over to you, Sir.

Vijay Kumar:

Hi, I would like to present a little bit about quarter and also about the company. I would like Mr. Ram Kumar to talk about our SI activities and also on the CSV and technology services group that we are dealing with. I also have Mr. Pradhyumna who will talk about the RFID & Energy services tip that we are concentrating on and Balaji will talk about the pulse rate activities that is on the Wi-max and LTE front on the 4G space.

So, just to brief you on what we have achieved this quarter. We have concentrated a lot more on services. Our focus has been more on services, even though the margins has not improved this quarter, we are sure that going forward we would be improving our margins on the services front. We have done close to 80 Crores in revenues with a PAT margin of about 11.08 Crores. In fact, margins that we have got are: net profit margins about 14% and EBITDA margins of 43%. This is mainly due to our subsidiary companies contributing quite substantial revenues into this quarter and in fact this has been the nature of Gemini performance. Most of the subsidiary companies have performed well over the last two quarters, going forward we still feel that the same kind of results will be shown in the future quarters as well.

Certainly I am sure that the financial results are with each one of you. What I would do is that I will ask Mr. Ram Kumar our Chairman of Gemini Communications to talk to you a little bit on the activities that we have undertaken in the system integration business, the CHE and also on the technology services division that we have. Over to Mr. Ram Kumar.

Ram Kumar:

Good afternoon ladies and gentlemen. We have been focusing our activities in and around the convergence space of data, voice, video, Internet and mobility that is also happening as we talk. We are been very successful in this particular area since we have been in the area of IP (Internet Protocol) and we have being running around our business for the last 17 years around this space. We have innovated a lot to understand how IP as a single protocol can be utilized for all activities of an enterprise right from the entry gate to the entire infrastructure to lighting to fire detection to smoke alarms etc., also.

While we talk of convergence, more and more tablet PCs are getting shipped out these days. People are using internet as a medium to access their office servers over a VPN connection. The requirement for web applications and web

applications security is increasing a lot; we have setup a center of excellence for security compliance services and audit services, where we help organizations to comply with ISO2701 and security standards and PCIDSS kind of standards as well. So we have been working with some banks and large organizations to help them meet the new standards that are coming up on web applications security area.

One of the primary areas, which we have been very successful in this in this last one quarter, is in the banking segment, where for a few banks who have rolled out core banking software and have problems in remote branches accessing these applications. We have taken up this as a critical area to help banks analyze their performance of this core banking application and therefore improve it. Federal Bank was our first customer here and the couple of banks, which are following up after our successful implementation in Federal Bank as well. So that is one large area that has helped us. We have been working for IT infrastructure maintenance for enterprise wide large enterprise wide IT infrastructure that organizations roll out and to manage these implementation as well. One of our recent customer acquisitions in the Q1 and large one was Times of India, Mumbai, where we are doing for Times of India across the country as well. Thank you.

Vijay Kumar: I request Balaji to talk on PointRed and its growth pattern.

Balaji K: Good afternoon everybody. With respect to PointRed, we have progressed significantly in the Q1. First let me highlight, in the Q1 we have actually announced availability of our 4G and NP range of products in Q3. We are also actively discussing with OS operators for exempting loss for doing a commercial time with non supporting network across the country in the next stage for four months. We are proud to convey that we also signed a \$20 contract with operation in Africa to rollout Wi-max federation and NPA federation for four countries. We are also proud to announce that we are being shortlisted for a contract to rollout Wi-max network in Sri Lanka. We have actually won this contract again and also like to place on records that PointRed today commands about 38% market share for the 4G space in India and the future looks very, very interesting because you are look at an opportunity of 13,000 Crores in the next 24 months. Coming back to 38%, we will try to consolidate if not trying to do better than this and the other key factors which

we have also been doing is we are penetrated into the market in South America and Middle-East and present (indiscernible) 9.05 opportunities for us. That is a quick snapshot on concall.

Vijay Kumar: Thanks Balaji, I would request Pradhyumna to talk a little bit on the energy service in RFID.

Pradhyumna: Good afternoon to everybody. Gemini is a group which is focusing a lot on the enterprise application space through the use of RFID. In the last quarter we have started rollout of projects focused on compliance with the requirement of the Jawaharlal Nehru National Solar Mission, which had mandated the use of RFID for tracking the solar modules that are use for various scripts connected projects under the national solar scheme.

One of the premier RFID solution providers in the country, we are the forefront of implementing this system for a lot of project developers across the country and we believe that this would be a good platform for us to take our RFID systems into the technique. Besides this we are also focusing a lot on the education space and we have come out with lot of innovative solution for examination authentication through the use of RFID and we have also deployed it for a very leading a premier institution in India and we are rolling out for other institution that well.

Apart from what I said on RFID, Gemini has concerted focus in the energy services space. It focuses on two areas: on the energy generation and the energy distribution. We provide off-grid solutions using renewable forms of energy like solar to telecom infrastructure companies, telecom service providers and operators where telecom site, which do not have any grid connected power or power through an off grid-renewable energy based systems, which is solar or any other form of energy and the use of diesel generator is cut down from 20 to 24 hours town to about less than three-four hours. We are seeing a lot of demand for this system considering that, of the 400,000 odd towers there more than 30% of the sites that do not have grid connected supply and they have to rely on diesel generator for 24 hours as such. So we have already signed up with a leading telecom operator and we hope to rollout more than close to 200 sites in the next six months as part of our off grid project.

In addition to what we are doing in the off grid space we are also doing considerable work in the grid connected project. We are doing 1MW project in Tamil Nadu, where we have achieved financial closure and we expect commercial operation in the next two-three months time. Gemini has had a continued focus on energy distribution from our very close working with lot of state electricity boards. We are continuing to innovate our solutions and product offering and we have expanded our product portfolio to include smart grid and smart and intelligent metering solution that result in good savings to electricity board and we expect certain large projects to come our way in the next few months. Thanks, most of it is complete and if there are any questions on the quarterly numbers and we would like to take them.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin with the question and answer session. The first question from the line of Nishit Paneja from Individual Investor. Please go ahead.

Nishit Paneja: Good afternoon Sir, just wanted to know the reason for going in for buyback?

Pradhyumna: Buyback, we strongly feel that the company is very undervalued and we have a lot of faith in our company in going forward. The intrinsic value of the company is lot higher than what the market is giving us today and this is a good opportunity for the promoters to increase the stake as well as by doing a buyback. So we have quite a bit of faith in the company and the future of the company, that is one of the reasons why we thought we would do a buyback and probably correct what the market is not doing by itself on the market cap.

Nishit Paneja: How about your current outstanding order book?

Pradhyumna: Outstanding order book is about 345 Crores. We have close to 200 or 240 of which mainly from BSNL and the remaining is spread across a lot of other divisions and company.

Nishit Paneja: Just wanted to know why was the PointRed IPO consist?

Pradhyumna: There was a problem with the valuations that we figured out later on. When we submitted our file with SEBI, we had stipulated that we would raise about 100 Crores and the minimum valuation that you need to do in the first IPO is 25%. So we had to cap the valuation that we would get from the market and

subsequently we found out that PWC who had been appointed by us later on that the valuations was giving lot better valuations that what we envisaged in the IPO. So that is one of the reasons why we had to cancel it or temporarily shelve it, we probably will hit the market a little later when we show much better performance this year or something like that.

Nishit Paneja: How the funding needs will be met?

Pradhyumna: Currently we will do it through internal accruals and debt and then probably look at raising equity later on.

Moderator: Thank you. Ankit in the meanwhile do you wish to ask any questions with the management.

Ankit Pande: When do you expect this BSNL rollout to be completed Sir?

Pradhyumna: There has been substantial delay in the roll out from BSNL end because the sites not being ready, lot of other WPC licenses that were not ready with BSNL and these are issues that we had to handle over a period of time. So we think that by this financial year end we should be able to bill out the entire lot of BSNL.

Ankit Pande: Regarding the PointRed subsidiary, can you give us some kind of timeline starting the commercial production in the new facility in Himachal Pradesh?

Balaji K: The commercial operation of the new facility in HP will depend on the way the NT market is going to take shape and basically our aim was to get this facility up and running when we have the walk ins for the posting network fix up. We are expecting this to happen same time next year, so that is when the commercial operation of this facility will start if not H.P., we are also looking at Chennai and Bangalore as the other options.

Ankit Pande: Sir I also had a question about SI business, does PointRed also provide SI businesses?

Balaji K: PointRed is only a product company. We are now focused on the wireless platform than the 4G equipment. SI (indiscernible) 18.59 businesses is the fourth way of Gemini Communications, SI businesses is completely with us.

Ankit Pande: The point I was coming to was that the core margins dropped a little bit in FY11 and also the increase in SI businesses, so are we seeing some kind of pressure there in terms of the margin? Regarding the SI business, I was seeing the FY11 figures and although the sales have increased by some way but the margins appear to be little bit under pressure. So is there some kind of the serious headwinds there?

Pradhyumna: In FY11 if you look at the consolidated figures, the consolidated figures would give you a lot better margins while the SI business or the standalone is what you are talking of I think that would be under strain because in the consolidated business PointRed did the share to Gemini and Gemini frequently sells it to BSNL while the services of the sale happens only this financial year.

Ankit Pande: Any particular reason for the higher receivable days?

Pradhyumna: We are dealing with business government. So I think it is pretty low but some factors we are pushing government as well as to pay us as soon as possible so they have their own systems and processes to be followed. It takes its own sweet time.

Company Speaker: Just to add to that point the projects actually runs for 365 days, so we had payment coming in multiple milestones, so when we ship a product it is shipping at 100% value and you get paid in multiple milestones, so the debtors will be little longer but the project has been budgeted in such a way in accordance with the contract duration and terms.

Ankit Pande: Can you share some kind of outlook for the current financial year? Some kind of broad range to which you would like to grow to?

Pradhyumna: Actually we have not given any guidance to stock exchanges or to any statutory body, so we will not be able to give you guidance statement but we expect growth to be around 15% mark year-on-year.

Moderator: Thank you. At this moment we do not have any further questions. I would now like to hand the floor back to Mr. Ankit Pande. Thank you and over to you Sir.

Ankit Pande: Thanks to all the participants to being on this call. On behalf SBICAP, we would also like to thank the management of the Gemini communication Limited. Thank you everyone.

Company speaker: Thank you.

Moderator: Thank you Sir, thank you members of the management. On behalf of SBICAP Securities Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.

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