



**NIIT Limited**  
**Annual Results Conference Call**  
**June 10, 2005**

Moderator

Good evening ladies and gentlemen, I am Parimala, the moderator for this conference. Welcome to the NIIT Limited conference call. For the duration of the presentation, all participations' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for the international participants connected to SingTel. After that, the question and answer session will be conducted for participants in India. I would like to hand over to Mr. Vijay Thadani of NIIT Limited. Thank you and over to Mr. Thadani.

Vijay Thadani:

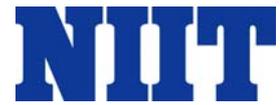
Thank you Parimala. Good evening everybody. Welcome to the annual results call for NIIT Limited. I have with me here Raji Pawar, Chairman of the company; P. Rajendran, who is the Chief Operating Officer; Sanjay Mal from the Corporate Finance; and I also want to introduce you to a new face, her name is Chetna Khuller, some of you may have interacted with her, she will now be looking after the Investor Relation function, and Mr. Vijay Kumar who is also associated with Corporate Strategy and M&A.

I am going to cover three aspects of discussion today; one is the annual business review where I would take you through the environment and the results highlights, as well as the consolidated financials for the year. Then I would also dwell upon the quarterly results, which is the second item, and then I would talk about our plan going forward, after which we will open it for question and answer.

Let me start straight away. Last year, in terms of the environment was a very interesting year because in India we were seeing a growing requirement for professionals and this time with a diverse set of skills; developers, testing, networking, infrastructure management, and business process outsourcing. The second thing, the engineering college seats which had gone up from 60,000 to 450,000 on one hand, but on the other hand a number of engineering graduates did not get placement in their campus interviews, especially in the IT companies. The third, there were more opportunities and options available to ordinary graduates who are pursuing BA, BSc, B Com, and therefore in that environment we were placing ourselves. In the institutional area we saw high government interest and commitment to IT in education, and in fact we saw interest in IT-enabled education which is covering subjects other than IT in the curriculum.

On the international front, in the developing world, we saw the formal education willing to partner with private sector and come up with programs, and in the international developed world, we saw technology and corporate sector improve their spending on learning as well as the training and e-learning technologies.

So within that, if we look at the operations of NIIT on a consolidated level, there are two headlines – one there were improved profits and improved profitability. Our profit after tax grew 88% from Rs. 189 million to Rs. 356 million, operating profit for the year was at Rs. 490 million, which was up 106%. The operating margin there was a significant improvement of 567 basis



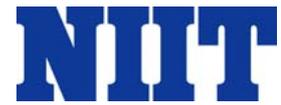
points and it was at 12% at the end of the year. The 12 months EPS is at Rs. 18 up 84% from Rs. 9.80 for 12 months ending March 2004. There was an acceleration in revenue. As you know, the revenue has been steadily growing and the growth has been steadily increasing. The system wide revenue for the year grew at 11% year-on-year and we have Rs. 6363 million of revenue at system wide level, which was at 11% growth. Net revenues were at Rs. 3983 million, which were also up 11%. If you notice this, you will see that the growth came out of volume expansion, the growth came out of better realization, and the growth came out of operational efficiency, which all three contributed to better profitability. We improved our competitive position significantly at a world level in the IDC top 16. At an Asia level, we were Asia number 1 and at India level, we improved our market position significantly by the last measured results compared to our nearest competitor. So from all three perspectives our competitive position improved significantly.

Going little deeper into the financials and just touching upon a few of the interesting parts of the financials, the details have been on the website for the last two hours now and hopefully many of you would have had a chance to go through them, but if you have not, you can do even right now, but I will straight away go into some of the key highlights of the financials and the analysis of that.

The first, the improvement in operating profits, which I already talked about, which was 567 basis points. It was 7% last year and has increased to 12% by 567 basis points, I am sorry for the repetition there. At a segmental level, if you look at our profitability, we have three segments: India individual, India institutional, and international. India individual, which is our business of IT training in India grew by 14% in the year, and at a system wide level and at a net level by 16%. Over the year, if you remember, I had mentioned in the third quarter, it had broken even, and in the fourth quarter it made profit. But given the losses of the first two quarters, it still had a marginal loss of Rs. 16 million at an operating level in it. The India institutional grew at 18% on a system wide level and had an operating margin of 18% once again. The international business grew, had a margin of 16% and the highest operating profit amongst the three of them at Rs. 265 million. In the international one, there was some capacity rationalization in some parts of the world, but the interesting part was the China, which grew by 20% and the Knowledge Solutions Business, which is focused in US and Europe, which grew by 16%.

Coming to some of the balance sheet items, we had a much better balance sheet than we started with in March 31, 2004. We added assets of Rs. 211 million, which means very major focus asset acquisition or control on asset acquisition to make sure that existing capacity gets fully leveraged. We did a substantial improvement in working capital management and a number of activities which had to do with the restructuring, which took place in March last year where a number of open items were left in the balance sheet, those were completed. Those items were completed. The DSOs reduced to 115 days from 128 days that was there last year. I must mention that in DSO, one half nearly of our receivables come out of institutional receivables which is from the government schools business that we have in parts of India where government processing times do result in delays.

Board approved or recommended a dividend of Rs. 5.50 per share against Rs. 5 last year, and the Rs. 5 last year was for an 18 month period, this year the Rs. 5.50 is for the 12-month period, which is a significant improvement suggested by the board for the shareholders to approve.



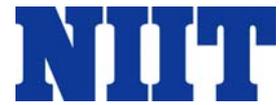
At a quarterly level, the results highlights were that the system wide revenues grew by 12% year-on-year and 25% quarter-on-quarter. A 25% quarter-on-quarter is in line with our seasonality pattern given the fact that October, November, and December is typically a low period for some parts of the business. The operating margin for the quarter had also improved in line with the business by 165 basis points quarter-on-quarter, and it was at 12%. The net profit at the end of the quarter was Rs. 82 million compared to Rs. 19 million in the same period last year if you discount or do away on a comparable basis given the fact that last year was an 18-month period and there was a restructuring charge in the last quarter. On a comparable basis, if you exclude the restructuring that we have spent, then the operational profit after tax at that time was Rs. 19 million, which rose up to Rs. 82 million in this period.

At a segmental level, the individual learning business did extremely well in the last quarter and that was our new thrust on the engineering segment, we had a growth of 17% on a year-on-year basis in this business. In the India institutional business, the growth was less. It was at 7%. Given the fact that we had completed the Tamil Nadu contract in the previous quarter, and we did not have sufficiently large revenue stream to compensate for that. Considering that, the 7% growth still included newer orders but was not exactly comparable to last year. On an international basis, we had 11% growth in the system wide revenues.

The operating profit, as I mentioned before, India individual made an operating profit of 6% operating margin, institutional was at 15%, and international at 14%.

The growth in India individual, if I get into segment operations on an annual basis now, the India individual growth was contributed by two large initiatives; the industry endorsed program, GNIIT program that we launched in the beginning of the year, and the accelerated advanced program for engineers that we launched in the middle of the year, which I have talked about in our earlier press conferences as well as the analyst call. In the institutional revenue, the 18% growth was aided by some new contracts from Assam and Meghalaya, we added 356 schools in this period. In the international, it was China, which grew 20%, and US which grew 16%.

Going down to some other levels of details, in the India individual business, in addition to these two initiatives, one very large satisfying initiative was the NIIT IT Aptitude Test, where I mentioned before, 65,746 took the first ever NIIT IT Aptitude Test in September last year, and that showed the interest students have in IT and also the fact that different students can now take on different streams. The second focus was on right sizing the education centers which we had, and we actually have a reduction in the total number of education centers which have been serviced because the uneconomic education centers which were not generating sufficient revenues were right sized and consolidated into lower number of centers but it led to better profitability and increased revenue. The third was our foray into emerging technologies where the bioinformatics program with IIT-Delhi was the key highlight. A statistic, which you have been tracking, most of you, is the portal revenue mix. We saw an increased contribution from Futurz and CATS segment in the portals. So Futurz and CATS, by the way the line is not very hard between Futurz and CATS given the fact the engineering segment plays in both these and even the career segment sometimes go for CATS courses. So we took a total of both of them and we see that that growth is 21.7%. Very interestingly one of the observations that I have made in the past that given the fact that we are an upstream industry to the IT services industry, our growth should track the growth of the IT services industry. We can see that we have made some progress in this area given the 21.7% growth that we are talking, which is now within the



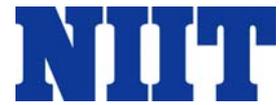
shouting distance of the IT services industry growth. In terms of overall enrolments during the year, we touched 242,000 enrolments at the end of the year.

Some other important characteristics, which I would like to talk about is the capacity utilization, a typical question which normally gets discussed. We saw significant capacity utilization improvement, one because of right sizing, and second because of the increased revenue. And in this quarter end, the capacity utilization was at 36% average across the country.

In India institutional business, in addition to the 376 schools, I am sorry I had been mentioning 356, it is 376 schools, which we added in Assam and Meghalaya, two other features which are worth mentioning – one is the launch of some product for the private school segment, which are IPR products, which have been created by us for the Indian school market, and the second was the strategic alliance with Intel to increase market penetration in the school segment jointly. We added orders worth Rs. 100 million during the quarter and we closed the year with an institutional order book of Rs. 1575 million for the institutional segment. In the international business, I have already talked to you about the forays in China, with NIIT Inside where now we have more than 25 NIIT Inside centers in China. Overall, international centers have also reduced from 280 during the year to 214, but that is on capacity rationalization. Overall we see an improvement in the penetration of ASPM, which was the Advance Software Project Management, and MMS, the MasterMind Series, which were fairly well accepted by the market place.

In the Knowledge Solutions Business, the complete solutions for higher education segment, the Corporate Training Solutions for large corporates, and corporate training and content development solutions for technology companies were some of the highlights of last year. During the quarter, we added \$9.59 million of additional order intake and therefore ended the year with a pending order book of \$18.48 million. In terms of capacity, I already mentioned to you about the center network, the total number of centers at the end of the year were 3369. In terms of offshore development capacity we made increases in offshore development capacity for the Knowledge Solutions Business and that capacity has increased by 32%. Overall head count increase of 307 people during the year with 88 people added during the quarter on a net basis.

Going forward, in terms of our annual business plan, one thing which I would like to point out based on a small restructuring exercise that we have been doing, we are going to continue with the three segments that I mentioned before in the current year, but we are aligning them little more with the needs of the market place and therefore all individual segments will be clubbed under one segment called individual, which will include both India and international. Similarly, institutional, which is primarily India will include the usual businesses that were there, but corporate business, part of which was in institutional will now get aligned with a new segment called Corporate, which replaces international segment where Corporate is both international as well as India. This is to give our three thrust areas and aligning them clearly with the company priorities. You would have all read the NASSCOM's IT industry outlook for fiscal 05-06, and as I mentioned one of the areas that we have to track, especially the areas to do with career education, then we would like to track that to the growth of that part of the industry. Some of the strategies that we are going to adopt in the coming year are to strengthen our industry endorsed curriculum and become more focused into meeting the needs of the industry on one hand, making sure that the engineers, we attract a larger and larger percentage of engineers to complete their finishing school with NIIT so that they become more ready for the IT industry on



one hand. Second, is the industry partnership and institutional alliances which we would like to now build in India. The successful model of NIIT Inside which we have used internationally, we would like to try that out in India institutional segment and we see that it prepares us very well for our future plans. At an international level, we would scale up our current NIIT Inside model, we would roll out the advanced curriculum that we have developed during the year into other geographies, and we would like to make sure that we invest in some high potential markets and product segments.

In the institutional category, we would continue to focus on the need of the government to introduce IT and IT-enabled education in schools in a progressive manner and leverage the product IPR that we are generating. We also see an opportunity to work with the government in the hole in the wall kiosk or the hole in the wall solution that we have created in implementing that in rural areas and generating a commercial revenue stream coming out of it. But it is a bit early for us to share more details on that. In the corporate function, we would like to build a stronger and complete solution for higher education on one side including a hosted e-learning solution as well as increase our forays into Europe where we would be setting up the London office of NIIT Limited in the next few months. Going forward, we believe that all these aspects of our plan should result in revenue acceleration though given the inertia of the business, the revenue acceleration does not take place at the same pace as one would like to see in some other parts of the industry, and therefore we are looking forward to a revenue growth which will be better than this year but would be close to 15% or just short of 15%. We also see commensurate with this an improvement in margins given the fact that it is a capacity based business and we therefore also see not only our ability to maintain margins despite increasing salaries and other costs but also the fact that we will continue to build larger operational efficiencies. So, we do see operating margins improving by couple of 100 basis points as we go forward.

With this, I have shared with you most of the plans for the next year as well as I have covered the grounds of what we achieved last year. I would now like to open this conference call for question and answers all my colleagues here will join me in answering your questions. Operator, can you please open it for question and answers.

Moderator

Sure sir. At this moment, I would like to hand over the proceedings to Ayesha at SingTel to conduct the Q&A for international participants. After this, we will have a Q&A session for India participants. Thank you and over to Ayesha.

SingTel Moderator

Thank you Parimala. We will now begin the Q&A session for participants connected to the SingTel bridge. Please press 01 to ask a question. Once again, participants, please press 01 to ask a question. There are no questions from our side. Over to you Parimala.

Moderator

Thank you Ayesha.

SingTel Moderator

You are welcome.



Moderator

We will now begin the Q&A interactive session for India participants. Participants, who wish to ask questions please press \*1 on your touch-tone enabled telephone keypads. On pressing \*1, participants get a chance to present their questions on a first-in-line basis. To ask questions, please press \*1 now. First in line, we have Mr. Dipen Mehta from Dipen Mehta shares.

Dipen Mehta

Congratulations sir on an excellent set of numbers. We are just doing a quick back-end calculations and we found that while for the year revenues went up by about 40 crores, the operating profit in fact went up by 25 crores. So, you dwelt a lot upon the top line, but if you could throw some light exactly happened between the top line and the bottom line, that is the expense, and how you were able to achieve such a high increase in operating profit margins?

Vijay Thadani

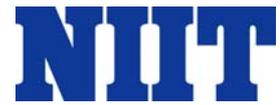
Okay, I think if you were to look at our quarter-on-quarter results then you can see that the operating margin trend has been more or less consistent for the last three quarters as well. So, first of all it is not in this quarter that suddenly the operating margin improved dramatically. The second thing which I would like to say is that the last year we were at 7%, if I was to look at the overall margin we were at 7% where we had actually had a couple of quarters in which we had lost in this part of the business and in the end we had an overall profit. So, if you look at it in that term given the fixed cost structure of the business, a small change in revenue at a percentage level can cost a change in the operating profit, which is disproportionate. If you were to look at our overall cost structure, then our overall revenues grew by 11% to 3984 million, when we are measuring operating profit, we look at net revenues. Our operating expenses on the other hand have grown from I would say 3300 million to 3500 million, approximately, right. So there has been an improvement as I mentioned that as we have been doing rationalization of capacity and as we have been looking at the India individual business, which was in a loss last year, and this year it has reduced its loss for first two quarters and became profitable in the last quarter. Those changes have contributed to these.

Dipen Mehta

Thanks sir. My second question relates to the taxation sir. I believe only 10 million is the tax provision current as well as deferred for the consolidated, if you could explain. And going forward would that increase, and what will be the expected tax and pretax ratio for the current fiscal?

Vijay Thadani

Okay, first let me explain the previous year and then you can.. First of all, if you notice 53% of our revenue comes out of international operations. So the profit out of the international operations since it is done through offshore factories is to that extent tax-free. The balance, the India individual part, which is still in an operating loss would not have attracted any tax. The taxation, therefore, essentially came out of the institutional segment of the business where also there would be some depreciation cover, which would result in the reduced taxation. Going forward, our experience tells us that with the current revenue mix that we have, it is prudent to take 5 to 7% of the profit before tax for taxation purposes. So, that is our...



Dipen Mehta

Just one last question, what is the present holding in NIIT Technologies for the company?

Vijay Thadani

25%.

Dipen Mehta

Thank you.

Moderator

Thank you sir. Participants who wish to ask questions, please press \*1 now. Participants who wish to ask questions, please press \*1 now. Next in line, we have Mr. Pradeep from Tata Mutual Fund.

Pradeep

Sir two questions, on the India individual business, we have reduced the centers from 3500 to 3369 now, would this rationalization continue in the current year and would there be further fall in the centers? The other is, can you elaborate more on your China operations, what is the market share in China or how many players are there in China and how are you standing there?

Vijay Thadani

Okay, so first of all answering your question on education centers, these education centers, 3369 is inclusive of our international centers. Yes, a bulk of them are in India and the India centers are adding up to 3255 I think.

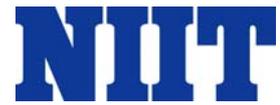
Pradeep

Okay.

Vijay Thadani

So first, the rationalization of centers in terms of numbers is a bit deceptive, I must say, because whether a center has a capability to service 20 students or 20,000 students, it will still be called one center. So we overall look at the capacity and we measure capacity in terms of number of students seats it can handle, which means number of students it can handle simultaneously for one year course, the student seat year. In that the reduction will not be by the same percentage if you were to look at the same percentage. So while there has been a reduction there has also been an increase in the number of centers, so we are actually added some centers and we added some company owned centers during the year, so going forward what we see is additions in the number of centers and increasing the capacity from the point that we are, we think the rationalization exercise is more or less done now.

Next part of your question was to do with China. In China I mentioned to you that we have basically three offerings, one is our conventional GNIIT offering which we offer through education centers very much on the lines of what we do in India. The second is what we call the NIIT Inside program where we work with universities and colleges, and our curriculum gets embedded in the university or college curriculum, and the third were we work with software



technology parks as well as we offer it in some of our centers, the advance software project management program. These are the three, GNIIT program has been going on for a while, is fairly stable. Last years growth came out of the NIIT Inside program, which I talked about that actually contributed to the growth significantly. **ASPM** was received very well, but it is too small right now. Going forward we see that the competitive activity in this area is actually limited to few players. This morning in fact I saw an e-mail from our China office where NIIT has been rated as the best education provider, the best content provider, and there was some more best coverage I think of content by two I think China Information Week and one another magazine that they do these surveys. So NIIT as a brand is very well known and is very well accepted and our aim is to leverage this as we go forward.

Moderator

Thank you sir. Next in line we have Mr. Dheeraj Sachdev from ASK Raymond James.

Dheeraj Sachdev

Yeah, hi everybody. My question again pertains to China. Sir I think both when we look at the fourth quarter growth numbers and the full year growth numbers, your institution category is growing faster than China, while I believe the environment for China is faster in terms of growth compared to institution business, so can you explain this anomaly?

Vijay Thadani

Yeah, but China is extremely small, still a very small part of our overall operation. Only 8% of our system wide revenues come out of China. The other thing is as it grows, and China is growing faster, which is 20% compared to the growth of any other sector or any other segment within the company, obviously its share will go up and then its growth will start making the difference to the overall growth.

Dheeraj Sachdev

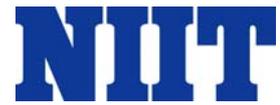
Second is sir on your enrollment figures, I see your enrollment figures for the full year dipping while in case of the fourth quarter it has obviously gone up substantially. It is that the focus is reduced as far as the SWIFT course is concerned?

Vijay Thadani

Yeah, you are very right. I think I mentioned this on previous occasion, we used to add all the enrollment whether SWIFT or our short work programs in information technologies which are awareness programs, those have got substantially reduced because awareness and literacy programs are actually now available in schools and colleges and they are part of the most of the curriculum. So it is only the generation which did not go through any IT literacy are the ones which are undergoing that, and as time passes by this will become a smaller segment.

Dheeraj Sachdev

And third is, sir can you explain us, give us some kind of a roadmap on your desires for university or university status over the next two to three years?



Vijay Thadani

I will ask Mr. Pawar to answer this question.

Raji Pawar

Well I think we have mentioned on earlier occasions that we have been doing our homework and we are in discussion with the government, so I guess it is a process which takes long and somewhat unpredictable time schedule, but we are doing more and more work regarding the university on the setup, so as and when it is mature, I think we will talk to you, but I do want to mention that we plan to have a meeting to discuss the matter with our board because a lot of home work has been done and we want to take up first few initial set of steps, so I think over the next quarter or so we will talk a little more on this.

Dheeraj Sachdev

Sir, currently what is the kind of cash levels NIIT has?

Vijay Thadani

The cash balance at the end of the year was 545 million rupees.

Dheeraj Sachdev

Okay, fine. Thank you very much sir.

Moderator

Thank you sir. Next in line we have Mr. Ashwin Agarwal from Akash Ganga Investments.

Ashwin Agarwal

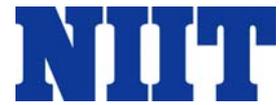
Congratulations to the management on a very good set of numbers. I know my issue has been asked earlier, but still if you can add whether this university which you would be considering in the forthcoming board meeting, I presume it should be a central university, and whether you would have to replicate infrastructure across cities or you could utilize the existing infrastructure in across cities at this university?

Raji Pawar

Well, to your first part, yes, we are planning a central university, but the idea is to setup a university, and then we look at the replication only as a subsequent step, so we see the first step as setting up one central university and then look at options of expansion.

Ashwin Agarwal

That should be in Delhi



Raji Pawar

In and around is our plan, because most of our technical talent is based here.

Ashwin Agarwal

Broadly, I just wanted to reconfirm, setting up a university, is it correct that the opportunity size from informal certification course going towards a formal explodes, means, then you are directly competing with the JNU or Bombay University or someone else.

Raji Pawar

In some way yes, but I think the whole idea is that just like when we introduced NIIT we were looking at emerging areas, so one dimension is that we have to start focusing on the additional set of emerging areas, new technologies, new science areas, and second is to look at higher level degrees, the bachelors, beyond the bachelors which is the masters and the Ph.D. where it is not as much to do with tens and thousands of people required for the industry, but higher level skills. These two dimensions I think are the key thrust.

Ashwin Agarwal

So, I assume we have received the UGC, University Grant Commission, or any other regulatory approval, in principle approval whether we have it in our place?

Raji Pawar

No, we do not have it. I think that is why we are not looking at a timetable which is in our console, so as you know at a central level the process is very elaborate, and it goes at a pace which we cannot really determine, but we are having a number of discussions for quite sometime with the government.

Ashwin Agarwal

Okay, thanks a lot.

Moderator

Thank you sir. Next in line we have Mr. Ankur from DSP Merrill Lynch.

Ankur

Hi sir. Congrats on good set of numbers. I was just wondering if you could give us some sense on the break up of our international revenues, from which geographies and from which segments as a international or corporate or government, and going forward where do you see the growth coming from?



Vijay Thadani

Okay, I mentioned I do not have break up as such, but I can pull it out for you. I said there are two contributors to international growth this year. One is the US based revenue, which is a significant portion of the total. This revenue is of our knowledge solution segment, which I said grew by 16%. This is the part where we service technology companies with content, with learning technology based solutions, and e-learning solutions, we service corporates and do the same and we also work with higher education where we design new curriculum, we host the new curriculum, provide e-tutoring and e-learning from an offshore prospective. So that is one. The second I talked about China, then there are a whole lot of countries where we have small operations, but most of the large chunk come from Nigeria, from Malaysia, from Vietnam, and in times to come from Mexico, from Russia, so those will become the total. Overall I would tend to feel that the growth going forward would still come in large chunks from US, followed by China, so China is a very small percentage of the total.

Ankur

Okay, thank you.

Moderator

Thank you sir. Next is a followup question from Dipen Mehta of Dipen Mehta shares.

Dipen Mehta

Yes sir. Just looking at the contribution from the associate and subsidiary companies, that also has jumped sharply. If you could give a break up of, exactly which were the entities which contributed in this year versus what they contributed in the last year?

Vijay Thadani

This year the contribution is very clearly from NIIT Technologies, NIIT owns 25% NIIT Technologies, so 25% of their profit which was announced on June 7, 2005, would get allocated. Last year we were in the middle of the restructuring cycle and therefore for only one quarter the consolidation took place in the last year so that is the reason you have a difference.

Dipen Mehta

So would you say, about what percentage would be from NIIT Technologies?

Vijay Thadani

All, we do not have any other share of associates net profit, or even if there would be these are minor, they would be rounding off, those are very small investments.

Dipen Mehta

Thank you.



Moderator

Thank you sir. Next in line we have Ms. Mythili from JP Morgan.

Mythili

Good evening sir, congratulations. I would like to apologize in case this question has been asked before, but could you give us any idea of how much growth are you expecting in the coming fiscal, and any indication of where do you see the margins moving up from here?

Vijay Thadani

Okay, first, being in education and training business you do not have to apologize for asking the same question again even if you did, we are used to answering that, but let me just answer your question. We did, by the way nobody asked that question though I mentioned it. We are expecting revenue growth, we had 11% this year, we are expecting a revenue growth close to 15%, so it will be between 11 and 15, more close to 15.

Mythili

Okay and margins?

Vijay Thadani

We see a margin improvement taking place given the overall expenditure plan, I mentioned that we are expecting an improvement of up to 200 basis points.

Mythili

Okay, thank you sir. Thank you very much.

Moderator

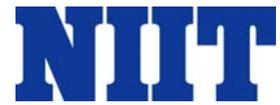
Thank you madam. Participants who wish to ask questions, please press \*1 now. Next in line we have Mr. Vijay from UTI Mutual Fund.

Sriharsha

Hello this is Sriharsha here. Sir you had mentioned about a 15% growth rate in next year, but given the fact that if I look at the growth rate of overall IT industry for the last two years, it has been much higher than that, so don't you think that it is time that we caught up with the overall rate of the IT industry since we are a proxy to that?

Vijay Thadani

Yes, and I proved it to you that we are already tracking that growth rate. Remember that one part of our business services the Indian IT industry, and that part did grow at 21.7% as I did the analysis and told you in the beginning. The other part, we are in the global IT training business, which unfortunately is not growing that high. It is projected by IDC study at CAGR of 4% I think,



so we are growing faster than that there as well. We do see acceleration taking place. We would very much like to make your wish come true, but I guess you will have to wait for a while.

Vijay

Okay, sir secondly can you give us an update on how far your BPO training has progressed in this last year in terms of revenue or even on a qualitative aspect?

Vijay Thadani

Yeah, two aspects once again. One is our association with corporates, where we do corporate training for BPO, where we have had I would say about 11% increase in the number of people we trained. It is about 9000 to 10000, I do not have the exact number. The other was in our education centers, there the demand is still sluggish because the target that we are trying to service are the target who are anyway able to get jobs on their own in some BPO outfit or the other, where the demand is outstripping supply. So therefore our best bet so far has been to service the BPO corporates whose people we have train. But going forward we are coming up with newer curriculum which will address still lower proficiency people and bring them up to the same proficiency which is required by the market, so that we will be seeing. Each quarter we are actually adding some module because we have to be cautious, we want to make sure that everybody does get placed, so we are seeing an improvement coming forward.

Vijay

Thirdly, can you give us an update on what has been the placement in the last couple of quarters from the NIIT centers, I mean, has there been an improvement in the average salaries over the last one year or in the number of students placed?

Vijay Thadani

Yes, the overall number of students placed last year ironically was lower than what we did the previous year. The reason is we did not have sufficient graduates to place. We had actually 6600 unfilled openings at the end of the quarter. In terms of an average salary increase, I do remember and I can confirm that again to you that we saw a 12% increase in starting salary of our graduates during the year.

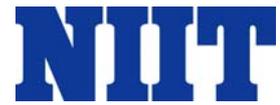
Vijay

Okay. Sir lastly given this increase in the salaries is it possible to raise prices now that your return becomes that much higher on your investment?

Vijay Thadani

Yeah, actually the way we do it is, we come up with more value added products and therefore realize better pricing, and we did achieve a 7% increase in realization last year.

Vijay



Okay. Sir you introduced a new course about two-three quarters back, what has been the impact of that, I mean, has it been accepted well by the students as well as the industry?

Vijay Thadani

It has been accepted very well by the industry. In fact we, through the industry partnership programs, there are five IT corporates, large names we are very familiar with, who have used that program to partner and customize the last semester to meet their specific needs and have kind of given a guaranteed placement to the students who underwent that, so it was very successful.

Vijay

Okay, thank you.

Moderator

Thank you sir. Participants who wish to ask questions, please press \*1 now. Participants who wish to ask questions please press \*1 now. I repeat, participants who wish to ask questions, please press \*1 now.

Vijay Thadani

I think there are no more questions operator.

Moderator

Sir I have got one followup question. Mr. Dheeraj Sachdev from ASK Raymond James.

Dheeraj Sachdev

Sir I just wanted to understand your depreciation policy and how the pan out going forward?

Vijay Thadani

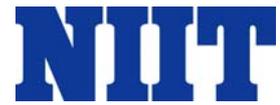
Well our depreciation policy is written in our balance sheet in the accounting guidelines, and how it will pan out is actually we are making it little more strict each time we are going forward. If you want me to share the depreciation policy with you, I can read it out to you from annual results.

Dheeraj Sachdev

Very briefly, that will be helpful.

Vijay Thadani

So let us look at our depreciation, basically we use a straight-line method, and we use the straight-line method over the estimated useful life of the asset, and each time we review with, by the way now we do on a sample basis every quarter. We renew the economic life of the asset



and based on that decide the balance period over which the asset needs to be depreciated. So based on the computers we can have from one to four and sometimes five years for high-end servers, where we would have a depreciation period, which by the way is one of the largest parts of our overall asset. Buildings is the same, which the company law guidelines and institute guidelines talk about, which is 58 years, and then if you make any lease hold improvements in rented premises then it is three years or lease period whichever is lower. Furniture, fixtures, and vehicles is typically five years, but sometimes for something which is of more permanent nature, it can go up to 10 years as well, which will be covered by the office equipment. Then if we have any intangibles or course ware or IPR products that we develop, then those, once again, at the time of development we identify the useful economic life and based on that we depreciate them, typically three years, but sometimes it may go up to five years. We also have in the institution part of our business, project related assets because we do a build-own-operate-transfer mechanism. The project related asset are depreciated over the life of the product irrespective of what the company law guidelines are. So therefore it is normally depreciated much faster. This I think should cover the ground. If you need anything more I can send it you or you would see it in a few days in the balance sheet in any case.

Dheeraj Sachdev

Sure fine, thank you very much.

Moderator

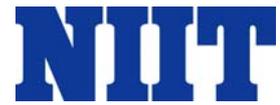
Thank you sir. Next is a followup question from Dipen Mehta of Dipen Mehta Shares.

Dipen Mehta

Just to take this discussion on depreciation forward, what would be the capital expenditure plan for FY06?

Vijay Thadani

We have a number of projects coming up for which capital expenditure is planned. There are project related capital expenditure which will depend on the projects that we get, but those projects have been included in our projections and I thought I should mention while on one hand I did mention that the projections for the next year are, I mentioned that we are expecting a revenue growth of close to 15%, I should also mention that given the fact that many of these projects are yet to materialize, but are in final stages of materialization, we should see a slower growth in the early quarters and acceleration in the next quarters. In fact in early quarters we may even see a slower growth than what we have witnessed before or slower numbers also, but that will depend on the projects. So we have allocated about 340 million rupees for project related asset. We have some offshore factories for knowledge solutions business and center of excellence taking up there, where we own the buildings in this particular case, and that is the budget of 200 million, but that won't get completed during the year, it will perhaps go past into the next year. We have also kept something for our new centers which we are adding and that would be another 40 million or so, and in addition to that there is a contingent provision based on new capacities that need to be created, so overall I would tend to see between 700 to 750 million based on how we come up. In addition to that if there are any expenditures which get



approved for the university project, and the way they get financed, those will have to be looked at in that context.

Dipen Mehta

And what would be the debt on the balance sheet as of March 31, 2005.

Vijay Thadani

Today, the debt is, secured debt of 405 million rupees, total is about 405 million rupees, 412 I think total.

Dipen Mehta

Thank you and all the best sir.

Moderator

Thank you sir. Participants who wish to ask questions, please press \*1 now. At this moment there are no further questions from participants. I would like to hand over the floor back to Mr. Vijay Thadani for final remarks.

Vijay Thadani

Thank you for all your encouraging remarks once again and also very insightful questions. I will keep saying it, each one of your questions does make us think hard and give us some insights into how we can manage our business better, and in case you need any more clarifications, you can go to [www.niit.com](http://www.niit.com) and get the data sheets from there. If you need to have a personal discussion, please do write and e-mail to Chetna Khuller at NIIT, or call her up on her number, which is available on the press release which is published on the website. Thank you very much for your support and we look forward to speaking to you again after sometime, bye bye.

Moderator

Thank you sir. Ladies and gentlemen, thank you for choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice evening.

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