



“NIIT Limited Results Conference Call”

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MODERATORS:

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MR. G RAGHAVAN
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Moderator: Ladies and gentlemen, good morning, good evening. Welcome to the NIIT Limited Q1 results investor call. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing "*" and "0" on your touchtone phone. I would now like to hand the conference over to Mr. Vijay Thadani, CEO, NIIT Limited. Thank you and over to you Mr. Thadani.

Vijay Thadani: Thank you. Good evening. Thank you for joining this call today. We are here to discuss the financial results of first quarter ending June 30, 2010. Like always I have many of my colleagues here, Mr. Pawar, the Chairman, Mr. Rajendran, Chief Operating Officer, Mr. Raghavan, the Head of Individual Learning Business, Mr. Sanjiv Pande whom some of you met at the investor conference who heads now the School Learning Solution, Kapil Saurabh and Vijay Kumar from Investor Relations, Chetna Khuller, Jitender Mahajan and Sanjay Mal from Finance. So what I will do is as usual take you quickly through the results, which are with you and on the website, www.niit.com for the last couple of hours, so I will take you through those and then open it up for questions. As usual I will start with the environment first. So in the environment especially in India we saw a lot of buoyancy both in the retail education space as well as in the corporate and of course government institutional interest in education still continues to grow. We saw a small positive movement in US and based on predictions US is now predicted to grow modestly. Europe of course remains an unresolved concern, however since we had a very small presence in Europe, we got a shot in the arm with a new contract for training outsourcing from a European telecom major, which we will talk about as we go along. So overall India looking very strong, US an improving outlook, Europe we made some new head ways. In India in the employability segment, our hiring outlook was very strong right through and that contributed to a momentum and interest in the IT training space as well as in banking and financial services. NASSCOM has projected that 200,000 new jobs will come up in IT industry and in BFSI sector 50,000 more, banking industry itself is said to hire 50,000 more plus 20,000 more in insurance. So overall, the

hiring trends are looking much more positive than ever before. Interest in employability skills, interest in upgrading the skills all remains high, its impact we will talk about as we get into the results.

Financial highlights, overall system wide revenues were at 4.013 billion, it is up 9% year-on-year, net revenues were up at 2.780 billion, up 7% year-on-year, EBITDA was at Rs. 287 million, up 1% year-on-year, our EBITDA margin was at 10%, which is 61 basis points lower than last year; however, in this what is not visible is a 306 basis points margin impact due to a step increase in people cost and rentals compounded by adverse movement in exchange rates, which we will talk about as we go along. Profit after tax was at Rs. 130 million, which was up 32%. The key drivers in the last quarter was a growth in IT and banking enrollments. More banking enrollment, one because of small denominator and secondly because the sector opened up, we saw a huge interest in this sector. In IT, we saw modest improvement, definitely a positive movement forward; however, the full momentum is yet to be realized. In corporate learning solutions, we had a decent quarter in terms of order intake with \$34 million of new orders significantly for Managed Training Services and learning products and I have mentioned one of the large contracts that we secured against global competition, which once again we will discuss in detail. We also had a robust order intake of 158 crores or 1.58 billion in school learning solutions and the important issue is this time it was not only the government schools but also the private schools, we added 218 new schools this quarter compared to 113 that we had done last year same quarter, so definitely a positive movement there. In terms of its impact on net revenues of individual businesses, our individual net revenue was at Rs. 908 million, it was up 6% year-on-year, EBITDA was at Rs. 151 million and I will explain this in little more detail as we go along.

Schools, the net revenue was 384 million, up 7% year-on-year, EBITDA is 64 million. Corporate, the net revenue 1.377 billion, up 2%, EBITDA is 109 million, margin at 8% and improvement of 33 basis points. New businesses had a 122% growth year-on-year at Rs. 110 million. In terms of order intake for contributors to this global enrollment is how we

measure individual learning solution's performance, it was 8%, last year same time it was 6%, the second thing is India IT enrollments on a like-to-like basis was 14%, which is positive and FMT enrollments, which is finance and management training enrollments in addition to that was 125% plus. School learning solutions we got 1,013 school order from Government of Maharashtra as well as 218 non-government schools, which reflected a 91% increase year-on-year.

In Corporate learning solutions, we had a very strong volume growth of 11%. It is the best growth achieved in the last six or seven quarters. However, the impact of foreign exchange brought it down to 2% when it got converted into rupee terms. In terms of our consolidated financials our EBITDA is at approximately the same level as last year and therefore there has been a margin erosion, but margin erosion has to be understood in terms of the impact of people cost rationalization, increase in rentals, and adverse exchange rates, which adds up to 306 basis points or Rs. 85 million in this quarter. Even in the top line, the exchange impact on net revenue was to the tune of 124 million or 5% of total revenue. In other words if the exchange rates had remained constant compared to last year we would have had a 12% top line growth and about 200 basis point improvements in the margin if the step increases had not taken place. In terms of the individual businesses, enrollment we already talked about, placement we had a decent record in placement, we were up 14% year-on-year, we added 5% year-on-year in capacity, 12 new centers were added, I already talked about the step increase and how that affected the EBITDA because the margin of individual IT business is lower by 214 basis points, so the impact of people cost, rentals and exchange rate step increase that I talked about was to the tune of 315 basis points in this particular case, so again, if we had a like-to-like situation, our margin would have improved by about 100 basis points.

The second thing, which I want to mention in the individual revenue growth, while India enrollment grew 14% on a like-to-like basis, our total revenue only grew 6%, one of the reasons, is revenue is contributed by existing order book plus new enrollments that we get. Given the fact that

last year we had a muted enrollment status during the year and not a strong response, we entered the year and those of you who were there on last quarter's call will recollect, we entered the year with a lower order book and therefore to that extent, did not get the benefit of opening order book and that is how the difference between the enrollment and revenue rates is there, in other words as we add more enrollments and build our order book, the growth rate will improve as we go in the future quarter.

Moving on to School Learning Solutions, we had a 7% growth in net revenue and once again 154 basis points adverse impact on EBITDA margin. The lower growth in schools business versus our 25% to 30% targeted during the year is because of the timing, though we had a new order from Maharashtra, unfortunately its execution could not be commenced since the paperwork was still getting completed, the second is private schools on the other hand made up for a part of this, that revenue has grown by 22% but what is not visible in that growth is that 218 new schools which we added, many of whose benefit we will get only in future quarters. The margin erosion of course is because the expenses went up to the targeted level because of salary and others; however the revenues are yet to be realized.

In Corporate Learning Solutions, the overall revenue growth of 2% has to be looked at in terms of a volume growth of 11% and an exchange rate impact of the balance which brings down the overall growth to 2%, that impact gets subdued substantially when it comes to EBITDA because much of our expenses are also in dollars, however despite that and despite the adverse step increase impact of people and rental costs, we did improve the margin by 33 basis points year-on-year. What is important is the training outsourcing revenue which was due to some past orders which we got was 37% year-on-year, we added \$34 million worth of new orders, one of which was the European telecom major which is a four year contract annualized and a fairly large revenue stream as we go along, over four years and the second issue that is important is that there is an online learning product business which has been steadily growing as we have been growing the library and

improving our competitive position that has grown at 16% year-on-year in this particular quarter. In new businesses, the important thing to point out is the fact that revenue has grown 122% at net basis, EBITDA losses have reduced on an year-on-year basis and one of the business in fact is already in the break-even zone, which is IFBI, the institute of finance, banking and insurance. The other businesses are still at various stages and we do expect many of these to recover during the year. Two important things worth mentioning, one is the growth in enrollment which was 125% which signals accelerating hiring trend in the banking sector and the second is the tie-up with IGNOU, Indira Gandhi National Open University, for offering an Executive MBA through the Imperia platform, so this will be a new foray of a public-private partnership in offering MBA program.

In terms of two or three other data points which we normally talk about, in terms of geography contribution, India's part of the revenue grew by 12%, US and Europe were flat, actually they had positive growth but that was eroded by the exchange rate volatility and the rest of the world was 17%, IP led revenues as a part of total NIIT revenue was 44%; this is a parameter we are tracking to make sure that our business becomes more nonlinear. Having said that on a base of 3,485 people last quarter that we started, we ended the quarter at 3,720, which shows a net addition of 235 people. What is significant to note, the direct headcount which has gone up from 1,956 to 2,117 reflects the increase in business volumes and new contracts that we have to execute, but what is interesting to see is that in one quarter alone we have added 68 sales people on a base of 750 which is a good 9% increase in sales force in a single quarter itself, so there is an additional effort on sales, marketing and people development issue as I kept talking about salary rationalization and overall we see as we go forward the growth momentum to build up. We entered the year with a small order book for individual learning solutions business; the 14% India enrollment growth on a like-to-like basis has given us some addition to the order book whose benefit we will realize over a period of time.

School Learning Solutions will get a positive kick as the Maharashtra order starts generating revenue as well as the increased order that we got from private schools segment during this quarter. In terms of growth in number of private schools added, this has been a fantastic quarter given our last whole year's track record if one were to look at it in that context and that also shows good acceptance of the continuous innovation that is going on in product management in the school segment, last quarter we launched a mobile science lab which has been extremely well received by schools because it gives them an opportunity to conduct physics, chemistry experiments at any place rather than in the lab, so you can go out and see the carbon monoxide content coming out of a car's exhaust or you can go to measure the carbon dioxide level inside a forest and outside a forest and all these things create great opportunities for new ways of learning. We believe that the school segment will benefit from these innovations as well as the government initiatives. Going forward, in individual segment, our focus will be continued growth in infrastructure management, entry in to higher-end training space of ERP. We have talked about SAP a couple of quarters ago, last quarter the SAP training has started and this will therefore increase our realization per student as well as project us differently in the higher end training space. We are also going to see margin expansion due to growth in enrollment as well as a small fee revision which we take through some of the products, but the impact of all this will be felt over the next few quarters when the revenue momentum outplays the cost increase which has happened in the year and will continue at this level further for the rest of the year. In case of schools, our focus will continue to remain on growth in private schools.

I think we have hit ourselves on the winning spree as far as that segment is concerned and we want to put more focus on this because in longer term that is less capital intensive as well as generate more margin. We would continue to look at GSA segment though extremely selectively because of the capital intensity involved in this business. In corporate, our e-learning product line, which has given us very good benefit, we will continue to support that with aggressive sales and marketing as well as continuous product upgradation as well as training

outsourcing, where we are actually emerging as a unique organization, which has a global footprint of the time that we have, which has competencies in content development, process management as well as administration and training management under one roof and we have a large pool of trainers as well as a large e-learning library. So we are seeing ourselves in a very unique position and we hope to see this benefit accruing to us through larger training outsourcing contracts. While I am talking about future quarters, let me add that in the last 21 days itself, we have added one more contract on training outsourcing, which is not reflecting in these numbers neither in order intake nor in revenue, which is again coincidentally from Europe not from the same sector, but it is an European Company whose training administration will be looked after by us. As you know we have been doing this exercise for Phillips for last four years and I think that has built a strong following for using NIIT for this kind of work. As the volumes increase, we will continue to see margin improvement; however, Forex volatility will continue to affect our metrics like it has done and our endeavor will be to remain on the positive side of those as far as we can. In new businesses, the FMT business is on a huge role if may use the word and would continue with this momentum and better as we go forward. There the issue is of making sure that we get maximum number of the correct quality students somehow because we have more appointment letters than the students that we can get, but that will be our endeavor and in management education we are getting into a niche space where working professionals should get the benefit of formal management education, which till today is not available to them in a convenient form. Lastly we would be looking at the skills development spends of the government in a way that we can take advantage of them in an effective manner. I would like to open this for Q&A now.

Moderator: Thank you Mr. Thadani. The first question is from the line of Dipen Shah from Kotak Securities. Please go ahead.

Dipen Shah: In the ILS business you explained the reasons for the relatively lower growth of 6%, but could you give us some more colour on what we

should expect over the year; does the 13% to 15% kind of growth still hold in terms of what we should look at or should we change that?

Raghavan: I think from the last quarter perspective with this 6% in terms of the net revenue growth and it is a 10% system wise revenue growth and as you know we had posted 11%, 7%, and 0% in the quarters last year. Going forward, I think during the last call as well as during the meeting in Mumbai the kind of guidance that we had talked about is between a 10% and 12% for the whole year and we are not changing the guidance, based on the first quarter results. I need to explain one next level of detail in this case. If you look at the total number of enrollment to get the revenue growth at about 10%, what we needed was a couple of 1,000 enrollments in the GNIIT series, it is not like the magnitude of difference between the percentage growth rate is not something that is permanently out the system; therefore, we are not concerned about the first quarter number so for the whole year, we continue to maintain 10% to 12% guidance as we speak.

Dipen Shah: This is despite the kind of fee revisions, which we did during the current quarter. If you could just throw some light on how much is the average fee increase?

Raghavan: The average fee increase for a whole GNIIT program is at 14%. Obviously you can imagine it varies between metros and non-metros and partial GNIIT to a full GNIIT, etc. Average impact for all courses would depend on the course mix and respective fee revisions which could be lower for some other courses. In terms of its impact during the quarter we actually implemented the fee change from the middle of April, as you can imagine we have quite a few students who are in the old fee pattern in the system, so the full impact has not been felt in the quarter. The impact in the quarter can be estimated at about 100 basis points and for the whole year the fee change, we are expecting to the extent of about 200 to 250 basis points as the result of the fee change.

Dipen Shah: So in that sense or say looking at another business in terms of the CLS business while on YoY basis, we did show 11% growth in volumes, do we have the numbers for the sequential growth in terms of volumes.

- Vijay Thadani:** Yes we have. In volume growth we had a 2% quarter-on-quarter growth. Having said that while sequential growth definitely is more valid because this business is less seasonal than the others, but if you plot the last 12 quarters, you will see there is a little seasonality between quarters even in this business that you that gives you a kind of.
- Dipen Shah:** Lastly could we get some more colour on how we should expect the margins in both these businesses to pan out for the current year?
- Raghavan:** As far as individual is concerned we should expect between 100 and 150 basis points, this will be goes in and goes out between cost increases that we have already talked about and the betterment on margins due to the fee changes as well as improvement in leverage due to enrollment growth during the year, so if it is a mix of all these factors playing in, we expect between 100 and 150 basis points.
- Vijay Thadani:** That is an improvement over last year's margin. Having said that you must know that in this year we have had a salary increase. We kept talking about salary rationalization I think I mentioned it two or three times, it is very relevant to talk a little bit more about that. Last year and we had mentioned this if you go back to our first quarter call last year we had said we feel very proud of the fact that our own people came forward and accepted and talked about converting a part of their fixed salary in to a variable component, which will be then paid off at the end of the year. Last year obviously our performance was just flat, so very little of that got paid, in many ways last year people sacrificed a part of their salary, nevertheless even in the first quarter there was no burden of that in any case because that impact was to be taken at the end of the year. Recognizing this the company as we opened this year we told our people that last year you came forward to help the company, now that the business momentum is building up, the company would like to roll back that that policy, but continue to offer you an upside to your salary in case we perform better than our projected goals, so therefore the variability of that remains. Now that roll back of salary, which in the last year in the first quarter was not there is there in this quarter that is one change. Second change is that people are due for their annual

increments and those increments, so the net increase of both these is a 9% average increase in our salary bill. This is not to include the additional count and as I mentioned about 235 additional headcount that we took.

Dipen Shah: So this salary increase includes the part of the fixed salary increase plus the variable component relating to the first quarter, would that be a correct assessment?

Vijay Thadani: Yes, this was part of variable last year. The year prior to that it was part of it, last year it became part of variables, this year it is back to being part of it.

Dipen Shah: Fair enough and what about the CLS margins the last one?

Vijay Thadani: CLS also has the same impact as one part; however, as the CLS overall revenues are on if you see are on a growth this impact will remain constant because through the year this impact will remain constant only now the headcount change will change that, nothing else will change that. So going forward we see this CLS margins which we had talked about last year we had 8% for the year, we have talked about 100-150 basis points improvement over that during the year. This of course assumes constant dollar, which it was not constant in the first quarter itself. However, we are figuring out some ways of natural hedges rather than hedging the currency, which as you know in one of our other companies did not work out well, because nobody can time the market there. So there is a natural hedging opportunities, so we hope that that will get looked after.

Dipen Shah: Fair enough and what was the capacity utilization rates in the ILS business in the current quarter and first quarter of last year?

Raghavan: The current quarter is at 54% and last year same quarter was 56%, it is 2% points down. There are two things that have happened, one is we have added physical seat capacity of 5% and the fee revision which we talked about a little while ago also increases the revenue capacity of a given seat, so with these two things our capacity utilisation stays at 54%

which is no change quarter-on-quarter but 2% points down compared to the same quarter last year.

Dipen Shah: Thank you, very much and all the best.

Moderator: Thank you, Mr. Shah. The next question is from the line of Manik Teneja from Emkay Global. Please go ahead.

Manik Teneja: First of all I think which is already spoken about an increase in sales and marketing workforce, if you could talk in detail about the sales and marketing investments we have made across the four business units, where would your focus be over there? Secondly, you talked about the fee increase for our retail training business just wanted to understand is this first of all across the board or only for specific courses? And has there been a rationalization in our own training centers in IT training business? And then finally a bookkeeping question on your debt on books and the cash on the books?

Vijay Thadani: So let me answer the simplest of them. The debt on books and the cash, the cash is 698 million and the gross debt is 4,256 minus 698 will be about 3,558 million which is the net debt level.

Manik Teneja: What is the average interest cost for the debt?

Vijay Thadani: I will tell you, it is 8.2%. You talked about the marketing initiatives, so let us talk about few of the marketing initiatives. Let me start with some marketing initiatives in the corporate space that we are looking at. In the training outsourcing space, actually as I mentioned, we have realized that we have a very unique set of competencies and that is projecting us very well given the fact that corporates are looking at training as a specialized function and they believe that it is not part of the normal HR outsourcing that they have been looking at. Second, the training costs in an organization frankly are not visible in any line item, if there is a centralized training function that only reflects a part of the cost. Individual divisions and units have again costs. And if you add those up, that number can add up to a significant one and that is the case that we have been able to build for some of our clients whom we are servicing

today and the clients who have experienced us have found lot of value in what we have not only said, but what we have done, so we are using that to educate customers through talking to CXOs of these organization especially HR and CEOs and CFOs to see whether we can build a value proposition as that could have a one-of NIITians as written a book, which is actually become quite successful, we will be happy to share that with you and that book is Managing Training Like a Business, which also contributes to our uniqueness. So we are using this to go and teach our training outsourcing, these are long lead time, long sales cycles; however, two successes in two months make us feel very nice about it at this point in time. The second issue is learning product. There as you know we are pitched against number one, and and number one, one more time is going through a little bit of, should I say, confusion in their customers mind because of their impending privatization. So we are taking advantage of that and pitching our product line and superiority as well as the flexibility that we offer and we are able to get some wins against that, so their increase in sales and marketing both are contributing to it. I will hand over to Raghu to talk about the marketing and sales initiatives in individual learning and then my colleague Sanjiv will talk about initiatives that we have taken in the schools learning and very quickly please. We have many more.

Raghavan:

Basically in the individual learning what we have really changed over the last couple of quarters and which we are continuing to do is change in the way that we are actually approaching marketing rather than going about continuously releasing above the line press ads as the single medium, we have diversified quite a bit. You may be watching the television commercials that we have launched as a campaign right now. "There is a professional in you" is the context. The idea here is that individual trained by us can really bring out the professional in the individuals, that is the kind of concept that we are doing, as we can notice this is amenable through an IT job, it is amenable to banking jobs, it is amenable to a BPO job, our idea is to increasingly strengthen the individual channel to be able to be a channel for all career options to the individual, and we are going a large on web and we are also increasing the feet on the street, we are developing a cadres that will

specifically leave feet on the street to increase enquiries and actually do counseling and increase the enrollments. We are conducting a lot of face-to-face college level seminars. In fact this particular quarter is a high pitch of activity for that and we are generally changing the way that we are sending our marketing, changing the media mix, changing the activities to be more in front of the customers and that is what we are doing as far as marketing is concerned.

Sanjiv Pande: Good evening everyone this is Sanjiv Pande. From a School Learning Solutions standpoint we have done a number of activities last quarter, so even as we have expanded the number of sales persons that we have deployed physically in various offices, we have also expanded our physical presence to additional cities in India. Over and above that we have launched a series of seminars around our e-Guru portfolio and also strengthen the e-Guru portfolio by launching the Mobile Science Lab that Vijay talked about. We have had a very successful launch Mobile Science Lab, we actually did it in three cities and going into quarter two we are going to expand it to another seven or eight cities and we had a great participation from principals and teachers, and this is an extension of our laboratory solution portfolio, our Labs Solution portfolio as I call it. This is beyond the classroom and our philosophy and messaging, which resonate with customers in which a sort of it translated in terms of increased signings that we have had in private schools is that we are offering holistic solution to build a smarter school. We are not isolating ourselves to just the classroom as the only learning area in the school, but looking at how do we make the school an ideal environment to build the citizens for tomorrow. So in the nutshell these are some of the initiatives that we have done from a Q1 standpoint.

Manik Teneja: Just wanted you to give a sense on your sales and marketing force right now and if you could break it up across the four verticals.

Vijay Thadani: The total number is what we have at this point in time; I told you that we are at 68 on a base of 750, so we have 818 people in the sales and marketing cadres of the company.

- Manik Teneja:** Would it be correct to assume that most of the sales and marketing force addition has happened on the school learning side?
- Vijay Thadani:** No, a lot happened in the school learning side, but it is also in corporate and individual learning space.
- Manik Teneja:** Sure and has there been a reduction in our number of centers that we own as a part of our ILS business unit in this quarter?
- Vijay Thadani:** No.
- Manik Teneja:** Okay may be there is a mismatch in terms of the data that I have.
- Vijay Thadani:** I think are you referring to the gap between system wide growth and net revenue growth?
- Manik Teneja:** Basically you have given a data in terms of number of centers that you own in India, China and rest of the world, so I was just having a look at that data.
- Vijay Thadani:** But the total number of centers, I do not know whether we have a breakup of it. Perhaps we have not shared that data, but anyway total number of centers we have shared and that has increased by 12.
- Manik Teneja:** Okay, and any progress on your fund raising plans given that you were looking to raise some money you have taken in the interim provision from the board, any progress on that side?
- Vijay Thadani:** Well at this point in time I think we are very well looked after in terms of funding needs as we go along, at this time there is no, as I said it is an enabling provision so that if the need arises we should be able to raise at short notice. No plans as of now.
- Manik Teneja:** Sure Sir. I think that would be it from my end. Thank you.
- Moderator:** Thank you, Mr. Teneja. The next question is from the line of Nimish Joshi from CLSA. Please go ahead.

Nimish Joshi: The thousand schools that you signed up from the Government of Maharashtra, how should we look at the revenue from these schools? Last year as well there was a bump up in Q2 because of hardware, would that similar trend be there for these schools as well?

Vijay Thadani: Actually I want to thank you for pointing that out. There was a bump up of 56 Crores which was one time revenue from Gujarat or the way the order was worded we had to do on supply of hardware we had to recognize that as revenue; however, that is not the case in case of Maharashtra. Maharashtra the revenue will be spread equally over the period. There will be a little revenue in the beginning of the contract with most of which will be spread over and having said that since we are talking next quarter our revenue growth which we will be looking at in the revenue, which we will be looking at will be after excluding that one-time bump up of 56 Crores and I am glad you pointed that out. Thank you.

Nimish Joshi: So what is the revenue growth you are looking at, just for the full year?

Vijay Thadani: We had talked of 25%-30%.

Nimish Joshi: And that is excluding of that 56 Crores?

Vijay Thadani: Yes.

Nimish Joshi: Fine. Thanks a lot.

Moderator: Thank you, Mr. Joshi. The next question is from the line of Saumitra Chatterjee from Execution Noble. Please go ahead.

Saumitra Chatterjee: I have three questions from the Corporate Learning Solutions and two from the School Learning Solutions. So beginning with the Corporate Learning Solution I want to understand what has been your average conversion rate for the last two quarters and for Q1 FY'10 given the currency is playing a very aggressive role in the demand of revenues? Second you have mentioned that your effective interest cost is close to 8.2%, so can you provide me what is the debt on the books in the US business? Thirdly, can you provide us a revenue breakup in the CLS

segment between US and Europe? This is for the Corporate Learning Solutions. I will come back for the School Learning Solution as well.

Vijay Thadani: Clearly 95% of our ordered denominated revenues are export revenue in corporate sector comes from US; however, that situation will change as I mentioned a short while ago we have two new orders from Europe that will change as we go along, but right now that is what it is. The second was what were the average dollar rupee conversion rates, which we have over the last few quarters? The first question you had was what is the breakup of debt in rupee and dollars. I would say that the debt in dollars is the debt that we had on the books of Element K acquisition which is being paid off partly would be now totally of the order of about, all the debt put together in dollar terms will be about close to \$30 million.

Saumitra Chatterjee: I am asking exclusively for the US business? I wanted to understand how the interest rate of 8.2% works out because in India we have an interest rate, which is close to around 10% or 11%?

Vijay Thadani: This is the weighted average.

Saumitra Chatterjee: So what is the lowest cost or what is the percentage of that debt belongs to, which has the lowest cost of interest?

Vijay Thadani: So as I said our total debt is about 356 Crores or gross debt is more relevant in this case is 425 Crores of 425 Crores nearly 30 million which is about 135 Crores is dollar denominated debt. We have all dollars denominated debt. So we have all dollars denominated debt and it is all finally belong to dollar denominated debt and that will be at a cost lower than 8% then only the average will be 8.2% and I think there are two or three different rates.

Saumitra Chatterjee: What is the average conversion rate, just to understand how the currency is playing an impact?

Vijay Thadani: Last quarter the quarter that we have just finished it was 45.18, the quarter before that was 46.25, the one before that as well?

Saumitra Chatterjee: Q1 FY'10 that is year-on-year?

Vijay Thadani: Q1 FY'10 was 49.22.

Saumitra Chatterjee: And now coming to the School Learning Solution segment, what has been the enrollment in the short-term courses and the long-term courses? Can you provide that breakup as well?

Vijay Thadani: I think you are referring to the Individual Learning Solutions?

Saumitra Chatterjee: Yes, Individual Learning Solutions.

Raghavan: The growth in the short-term and the long-term is that your question?

Saumitra Chatterjee: Yes, short-term courses and long-term courses?

Raghavan: So basically about 81% of the enrollments in the last quarter have been from short-term course.

Saumitra Chatterjee: And the remaining 19% is for the long-term?

Raghavan: Yes, in terms of enrollment.

Saumitra Chatterjee: You also mentioned you have added some 5% seat capacity. What have been the seat years? You used to provide a metric called as seat years. Can I get that figure?

Vijay Thadani: Seat capacity. I must say that you have a very intimate understanding of our business. We will just pull that out. Can we defer that question for a few minutes?

Saumitra Chatterjee: That is fine. I have one question, what is the total number of own centers and how much are those and what are the centers that are around franchisee basis?

Vijay Thadani: I think it is more appropriate to look at capacity in that term. I have the India seat capacity, approximately 220,000 seat years. Total number of centers we have is 884 of which in India we have about 533 and the rest of it is in the rest of the world.

Saumitra Chatterjee: Can I get the own centers? I think you have somewhere about 54 or 55 own centers also. So has it gone up or it has remained at that level?

Vijay Thadani: I think we explained it. You should measure it more in seat capacity because all centers are not in same size, so the physical number is about one-third of the seat capacity

Saumitra Chatterjee: Secondly, one more question from the Corporate Learning Segment. Your revenue growth has been around 11%, which you said is volume and 9% has been the impact of currency. So when you are saying 11% volume growth what does it do to your pricing? Technically speaking your sales is volume into price, so as the pricing remained constant? How do you manage your pricing in that segment?

Vijay Thadani: So when I refer to the volume, just to clarify, I am assuming there is no impact of currency. So that is all. The volume into rate determines the total revenue and our rates in US dollar terms if I was to look at US dollar terms our rate would be more or less static. There has been no increase mostly.

Saumitra Chatterjee: So whatever your volume growth will come, whatever revenue growth will come in the CLS segment will be purely from volume and your pricing will remain constant?

Vijay Thadani: And product mix, if you are asking me how the profit will move, it will move because of better product mix, we have four contributors to corporate business. One is learning products; it is the highest margin, training outsourcing, which is the next highest, custom content, which is the third highest, and print and publishing which is the lowest margin. The way the product mix moves the margins gets affected. That is one. Second, the margin contributor is the operating leverage, because there is a fixed cost structure, which contributes to that.

Saumitra Chatterjee: So given that you have mentioned this four segment, will it be possible to give me the revenue mix between all these four segments for this quarter for Q4 FY'10 and for Q1 FY'10?

Vijay Thadani: We will have to defer this because we may not be having that breakup right away. I think we can give it to you separately.

Saumitra Chatterjee: Thanks. That is all.

Vijay Thadani: Thank you, very much. Are there more questions because we have, so we will continue for another five minutes? Operator, how many questions are left, how many people are left for asking questions?

Moderator: We do have two questions in queue.

Vijay Thadani: Very good so let us address those two.

Moderator: The next question is from the line of Kyle Wales from Coronations Fund Managers. Please go ahead.

Kyle Wales: Good Day and Congratulations on the results! My one question comes from the Individual Learning Solutions business. Your margins of 10-12% for the whole year, but if we are talking 14% fee increases and your enrollments are 8%, why is not you have gone to close to 22% for the whole year?

Vijay Thadani: I think it is a wonderful question. I will give you the headline answer. I think the 14 and 8 are not to be read together, but 14 is for one product for which forms just a part of the book of products, but it is a representative product not the whole and the second is that revenue takes three years to realize and you have old revenues students and new revenue students, all those you have to mix up, so all that is I think the overall response. Raghu will give you a final answer.

Raghavan: I think the revenue is a portfolio of different components, order book is one of them, the other is the fresh revenues, and fresh revenues between the products in which we have fee increases namely GNIIT and some parts of the short duration products and there are other products where the fee has not been touched, and we have got other components of the business, which all of them together have a portfolio impact of the growth. I was specifically referring to the one product where we are actually seeing the peak fee increase

Kyle Wales: Thank you, what portion of your School Learning Solution revenue comes from hardware sales?

Vijay Thadani: In private schools we do not sell computer hardware along with that.

Sanjiv Pande: We do not sell hardware to schools. We only sell solutions. Now some of the solutions would have infrastructure as a part of the overall component, but it is sold as a service. So all our products are services-oriented and solutions-oriented.

Vijay Thadani: Just to clarify in the government solutions with the government's ICT at schools project the government solutions do have a component of hardware in the infrastructure, but we sell it as a service and not sell it as hardware, which means it is recognized over a five period or three year period. And barring of course one isolated transaction, which we did have last year where a single transaction had 56 Crores, which we identified and disclosed also.

Moderator: Thank you. Mr. Thadani, we have one last question. The last question is from the line of Alok Aggarwal from Striver Capital. Please go ahead.

Alok Aggarwal: My question is specifically to Vijay and Raghu is the Page #31 of the annual report clearly says regarding ILS margin expansion. I am sure nothing has changed from the last one month because annual report is just three weeks old. I have heard a lot of if and but and a lot of clatter regarding wage hike and all those things. Do you sense some 150-basis point increase in margin for the ILS? Yes or no. All the things I have heard including the entire conference call.

Vijay Thadani: Is your question whether there will be a margin improvement in ILS?

Alok Aggarwal: Yes.

Vijay Thadani: Yes, it was there last year also. We had it before last year and it was there last year and therefore it will be there this year as well.

Alok Aggarwal: My second question once again relates to ILS. Nobody has raised the question regarding the international enrollment and the international

business. I think it has seen a big knock in this quarter, if I look at 14% growth in India and overall 8% international which was supposed to be an expanding portfolio for NIIT it has taken a severe knock?

Raghavan: Actually in the international norms, China International business has been soft. As they have mentioned the China business has grown at 32%, which commensurate the benefit of the enrollment behind them, it is the delay of some of the activities that we normally do in the first quarter in some of the big international markets like Nigeria, we have delayed it to the second quarter, but remember the Nigerian scholarship we would have started seeing the benefits occurring in the first quarter normally that is being delayed, so that is the impact you are seeing in the first quarter numbers.

Alok Aggarwal: Thirdly I would like to know, in the international orders was hit, but even on the India front when IT companies and everybody is short on staff, I just attended the Infosys meet the only problem is people, people, people there is no issue of volumes how come our growth is slower

Vijay Thadani: Your voice is breaking Alok, but if your question is if IT companies are at hiring spree then why is our enrollment growth 14% if I may interpret your question, may be Raghu you would like to answer that?

Raghavan: Basically we are and stepping into a wide range of IT companies and these companies have got its own recruitment methodology, what I can say is that our own placement during this quarter has gone up indeed by 14%. Intentionally the 14% seem to be the common number that is being like-to-like enrollment growth in India as well as the placements that we have done. So we are in the positive side in terms of growth in that.

Alok Aggarwal: Definitely, but still somehow I am not able to understand, in my opinion the growth in enrollment and everything should be far-far more unless there is a change in concept itself people wanting to do engineering course, and colleges have been coming up and all those things, engineering capacity is going up. Do you think the GNIIT at some point in time whether this NIIT model will take a hit?

Raghavan: The point is as we are not banking just on GNIIT alone, over the last two years plus we have developed a wrist on engineer portfolio which caters to engineering students that does not mean that the GNIIT is going out of passion, GNIIT is a steady strong product. It has prepared the non-engineering students primarily over a two to three period of time for the industry job, something that they would have never been able to get into, so the proposition of GNIIT continues to be strong. I think that is not being valid (ph). In fact we have gone ahead and kept up with the demand shift in terms of infrastructure management services, so about a year back we started increased focus on this segment, so we have a fairly good play in that as well. So we have actually diversified our overall enrollment expectations between GNIIT, engineer group of products and IMS, but GNIIT continues to be strong and ERP training; however, each one has got its own place, but category of student that come to us for different course vary. Engineering students come to us for engineers kind of program, diploma program which are aimed at getting them the job and GNIIT is preferred by first year or may be second year college students in arts and science stream who otherwise would not have been able to get into IT industry job and we have another set of profile coming in for infrastructure management services. That is well positioned to cover all categories.

Alok Aggarwal: We have been so very well placed, are you still hopeful and optimistic in terms of 10%-12% growth, I think this is a bit of a downgrade from the earlier statement of between 12% and 18%, which was about a month, month-and-a-half back.

Vijay Thadani: I do not recollect a statement of 12% to 18% at least.

Alok Aggarwal: I think that the statement like where you have gone on a Singapore road show you have clearly mentioned that 12% to 18%?

Vijay Thadani: Obviously there is a transcription error because in any case I am glad that you pointed out the error now rather than much later, but it has always been 10% to 12%. Even in my face-to-face meeting with you I repeated the same so I think there is no change in that stance and if

there is a change we will tell you so rather than first saying something and doing something else. You know us better than that.

Alok Aggarwal: Sure, as much as I am. Lastly I just wanted to know once again on ILS this new account tie up on the MBA what you are having this 18 months course, how is it going to be positioned, is it going to be thrown to same IT centers or model is somewhat different?

Raghavan: Alok the model is different. It is going to be done by Imperia. Imperia will deliver these courses through their Imperia centers as well as we are enabling a few of the ILS IT centers for SLT, Synchronized Learning Technology reception. Therefore the course will be delivered more on the SLT platform through Imperia centers supplemented by few more centers drawn from the family of ILS IT centers. That is how it is going to be delivery. It would not be through the normal ILS IT channel, because for the working professionals that will be three years working experience.

Alok Aggarwal: And how much are you going to charge for 18 months?

Raghavan: Rs.1, 80,000 plus taxes.

Alok Aggarwal: My last question in SLS is to Sanjiv Pande. In the private school segment it is getting somewhat commoditized how do you see yourself in the next 12 to 18 months, how are you placed?

Sanjiv Pande: We talked about this at the investor meet also when we met earlier Alok, so our key play and our investments as Vijay also mentioned earlier in terms of differentiating our e-Guru portfolio from the commoditized part of the market. So we have a range of solutions that cater to building a holistic and impactful school, and so we touch the students as well as the teachers as well as the school administration from multiple pain points resolution standpoint. There are parts of the market that are getting commoditized but our approach there is innovation and bringing in new solutions like the Mobile Science Lab that we launched this quarter, we sort of created a bluer portion for ourselves and differentiated market place for ourselves. So that is how we would keep

sort of defining new products and defining new markets in the school space as we go along.

Alok Aggarwal: Thanks. That is it from my side. Thank you.

Moderator: Thank you. Mr. Thadani that was the last question. Would you like to provide any closing comments?

Vijay Thadani: Once again I want to thank you for your encouraging remarks as well as a very insightful discussion as I have always mentioned we learn a lot from your line of questioning and gives us new ways of things of thinking about our business. Truly appreciate your time. We are available to you for any continuing clarifications. There was a data point, which was requested for Corporate Learning Business, some breakup of different businesses, Kapil has those details and he will be reverting. So with that I would like to thank you once again and thank you for your continued interest and encouragement in NIIT. Bye-bye.

Moderator: Thank you, Mr. Thadani and gentlemen of the management. On behalf of NIIT Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.