



NIIT Limited
Q3 FY13 - Earnings Conference Call

January 18, 2013



Moderators:

- Mr. R. S. Pawar – Chairman
- Mr. Vijay Thadani – CEO
- Mr. P. Rajendran – COO
- Mr. G. Raghavan – Chief Executive, Career Building Solutions
- Mr. Sanjay Bahl – President, Skill Building Solutions
- Mr. Hemant Sethi – President, School Learning Solutions
- Mr. Rohit Gupta – CFO
- Mr. Kapil Saurabh – General Manager, Investor Relations

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY'13 Earnings Conference Call of NIIT Limited. As a reminder for the duration of the conference, all participant' line are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference has been recorded. At this time, I would like to hand over the conference over to Mr. Vijay Thadani. Thank you and over to you Sir.

Vijay Thadani: Thank you. Good afternoon and welcome to this Q3 FY'13 Results call. First of all thank you very much for being here with us. I just wanted to share a couple of things before I get into the details. First that we are discussing the Q3 of fiscal 13 and third quarter of the year is typically the lowest quarter in our financial year given the seasonality of business and that has been the trend for last many, many years. The second issue, which I wanted to say, was that this year in the financial results whenever we are referring to comparisons we are referring to the comparison on a continuing business basis. Given the fact that last year in this quarter till October 14, we had one of our subsidiaries Element K with us and we had divested our stake in Element K for \$110 million on October 14 - 2011, and those numbers are not visible in comparison as far as comparisons are concerned. So those are two things which are just likely to keep track of.

As usual I would start with coverage of the environment before I dive into the results. The environment I think to say in very simple words has been challenging and continues to remain challenging. We discussed the same last quarter as well. In some areas the challenges even more pronounced than before. On the other hand, a weak environment also offers opportunities and therefore those are also visible and I will talk about those. So our economy is headed for the lowest growth in a decade, we know that weighed down by both global and local factors; however, recent forecasts are also that maybe in the coming years the economy will look up.

The immediate impact as far as our business is concerned is through the hiring sentiment where there is a sharp weakening across sectors. The net employment outlook has fallen by 18% points or 1800 basis points to 27% year-over-year and this decline is also the sharpest amongst all countries. More specifically as far as the IT sector is concerned, slower volume growth and the attempts to increase utilization as well as combined with low attrition of existing staff continue to have a massive impact on the hiring plans. We in fact did an analysis of eight companies whose numbers are available, the net hiring has gone down by as much as 46% for these eight companies In fact yesterday there was one more company where net hiring has in fact been negative. So, the hiring in IT sector has definitely been under a lot of challenge and this is at the back of large number of appointment letters for which joining dates are still awaited. So, all this has a very adverse impact on the consumer sentiment and that becomes visible in our front offices where people come to register for training program. Despite the fact that our placement rates have been fairly good and I will share those with you in the coming few minutes, I think the sentiment drives a lot of people away from IT, and I think that is one of the challenges.

For a company like us, which was in a transition in moving from long-term to short-term duration courses, more job-oriented courses, now that the job-oriented courses itself are reflected by consumer sentiment or were affected by consumer sentiment, definitely put a pressure on an important part of our business. Having said the the non-IT sectors in relative sense have done better, banking has been looking up with more private bank licenses coming up. I think our product has shown it's periodically and therefore we have benefited from that.

In the private schools area, private schools are increasingly adopting new technology and products to differentiate themselves and meet the shortage of teachers as well as some of the pressures of RTE, which have now come up on the schools. In fact enrollment in private sector schools has also been very robust, so therefore that remains an attractive market and we are growing there. The most interesting part of this quarter has been our corporate engagements where we find that NIIT's established. First of all corporates are looking at a greater focus on driving effectiveness and efficiency through partnering with specialized training form. This was evident from the large number of RFPs, which were visible to us just us as a company and if I extrapolate that, I would say a large number of corporates are looking at using the services of specialist training firms. We had a comparatively better share, in terms of success within those RFPs and I will discuss those. So, the headline is, pronounced business challenges continue. Many of them causing the adverse impact on business but many time business challenges also result in opportunities. Given the portfolio of businesses we are in overall the impact gets partly neutralized.

Our response to the global challenges has been the four growth platforms and in addition to the financial results, I always give a score card on where the four growths platforms are. I once again want to reiterate that this quarter has once again proven that we are absolutely right on the strategy of having chosen these four as is visible in the results in each one of them. Cloud Campus has received very good acceptance from our customers. We now have 24 thousand enrollment and as we discussed the program was to roll this out to all the programs of NIIT and while that is a very adverse process, we have been able to convert five of the existing large programs onto the cloud offering. We have this quarter also implemented the synchronous learning platform, which will create an ability for any student to do any course at any center, once it is fully implemented, which is a tremendous flexibility available to the students.

So in terms of our offering convenience and flexibility as well as superior quality of learning in Cloud Campus is contributing a great deal and once implemented, it has a dramatic impact on our variable cost structure as well, positive impact. On corporate the Managed Training Services, which is our second growth platform, we have had the maximum success. Now nearly 70% of our corporate business is coming out on this platform. We have 13 global customers. We have added six new deals this quarter, three of those from new customers, one from a large technology giant, one from a global bank and one from a large consulting firm. Three very interesting sectors, technology we have always been strong in, bank is a welcome addition and a consulting firm is also a welcome addition to the segments that we cover. This has contributed to an increased order intake aside our revenue visibility has increased to \$134 million and of course in

revenue terms this business has grown very effectively by 23% on a year-on-year basis, the Managed Training Services portion of the corporate learning solutions business.

In schools the NGuru strategy is rolling out well. We added 137 new schools, total 609 schools have been added in this year, which is nearly the levels at which are just short of 90% of the level at which we were the last whole year, which means this year we will definitely have a growth over that. The acceptance is good and the more interesting part is an upsell, which is the opportunity, which we created of getting the students to also use NGuru platform at home. This has a phenomenal opportunity given the large number of students that we are servicing, so, again a very successful platform. Yuva Jyoti skilled platform though it is in a capacity building stage at this point of time, we have had 26 operational centers and this quarter itself we had 15 hundred enrollments so that takes the total to 3300 enrollments CYD, which again is on a strong footing with 74% placement. So, our identification and support of these four growth platform is really working in the right direction. However, given the business conditions especially in the IT sector we do have to take the brunt of the slowdown in hiring in our IT training business, because other than that everything else has grown not only well but very well this quarter.

Corporate Learning Solutions revenues are up 14% year-on-year. EBITDA margin has improved from 10% to 12% on a continuing business basis and even on a quarter-on-quarter terms in dollar terms 11% growth in quarter-on-quarter shows the new orders stepping into a small way. High growth in the Managed Training Services has continued with 23% growth year-on-year and now MTS is 70%. So, it is interesting to see how we have transformed our whole corporate learning solutions from a project driven business to an annuity revenue based driven 70% of the business being driven from there I would say the most successful part of the transformation strategy.

School Learning Solutions the overall revenues have grown 35% year-on-year. Non-GSA private schools have grown 13%. We added 137 schools during the quarter. Again want to remind we have taken a policy decision not to get into anymore government schools till the situation on payments and other issues to do with government gets resolved at a policy level. So, we have not been accepting any new orders and have even maintained that same stance. So, other than the continuing orders, we have nothing else, which is happening and continuing orders closing down. I think in the foreseeable future in quarter one of next year and quarter two of next year, we have two large contracts closing, which will then reduce the cash burn on that as well.

In Individual Learning Solutions we really had a challenge in our IT training part of the business but overall since that is in many ways the largest component, the revenue has been down 22%, which is very strong, even by our own measurement and our own expectations. The overall enrollments are 75 thousand this quarter and have contracted by 21%; however, there are a few positive signs within this large picture. The short-term technology courses grew by 9% year-on-year; however, they contribute only 10% to the overall kitty. China revenue grew by 36%. China also contributes about 10% and career enrollments in banking have grown by 33% year-on-year; however, the implementation of that in terms of revenues will be discovered in the coming few quarters.

Now while on placements we are down 6% year-on-year, but compared to a 46% drop in hiring on one hand, to be compared then a 6% drop in our placement, and not at a small volume but 8879 NIIT graduates being placed, I think it is something to sit up and look at because it basically shows the acceptance of NIIT offerings. It also shows that employers are still looking for people with specific skill sets if they can get and generic skills are getting replaced with specific advance skills wherever we are able to do that we are able to get the placement message across.

Skill Building Solutions, I mentioned 26 centers are operational with addition of five centers during the quarter and enrollments ramping up to 15 hundred. I had mentioned at the beginning of the quarter that we are in challenging times and we had two or three responses to the challenging environment. One of them was strong cost management. Cost management has been implemented and we had talked of reducing our fixed cost structure by 10% odd. In fact we have been able to realize 9% or so if we were to take the impact of the spend on achieving those 9% aside, which means we will get that benefit in coming quarters and we do have this quarter also to continue with the cost management program and therefore we expect that fixed cost structure will reduce even more. The second part was to reduce our variable cost structure, which we have been able to achieve through better product mix in our Career Building or Individual Learning Solutions; however, in an overall sense the real benefit will come through the Cloud Campus full implementation and we are slowly getting the benefits of those. Overall the cost management initiative benefited us to the extent of 55 million in this year if I was to compare with the same quarter last year. On the other hand, the forex loss did contribute a small portion of 20 million to our overall expense structure as well as interest expenses etc., contributed to reduction in profitability. But the EBITDA margins movement of 690 basis points adversely, is essentially caused by the Individual Learning Solutions or Career Building Solutions as we call them now. We have tried to explain the margin waterfall in a subsequent slide. Our margin has gone from 10.2% to 3.3% in this quarter. 3.1% is the impact of operating leverage, 3.6% is the impact of products and business mix and adverse product mix would obviously result in lower margin. 1.6% was the impact of cost inflation and increments, 0.7% was the impact of foreign exchange movement, but cost management initiatives resulted in recovery of 2.3%, which in many ways just a kind of covers the impact of forex as well as increments and cost inflation.

Remember we are trying to reduce the cost structure of a moving car where we have large number of students enrolled and therefore this kind of a change itself, I think is fairly dramatic in terms of cost structure; however, our revenue shortfall in specially the IT training part of the business has been more adverse and therefore the net impact is the profit margin.

Our focus as we can see now 23% of our business is coming from corporates, 14% from schools and individual is at 63%. Our India business has shrunk from 54% to 50% of the pie and that benefit has essentially gone to US and Europe. In growth terms, I mentioned to you schools have grown 35% and corporate 14% and in EBITDA terms the contributors are schools and corporates, the consumers are Individual and Skill Building Solutions. Skill Building Solutions was expected because they are in a growth phase, Individual Solutions the drop has been more significant than what we had planned for.

Going down one level to Individual Learning Solutions what are we doing about it? The drop I already explained. What we are doing about it is a three pong strategy. Number one, implementation of Cloud Campus because that will ensure that we are able to derive the benefits of the strategy called One-NIIT completely, not only will we get the benefits in revenue but we will get that revenue at a comparatively lower cost structure. The good news is that all the implementation capex has been nearly done. So, there is hardly any capex to be done for the last leg. Now we are in the last mile in the implementation phase and now about for example just to let you know total 300 centers out of 500 are covered about 100 centers are on a synchronous learning platform and we are also making sure that at this time in addition to the five programs, which are already converted there are more, which should be done and this is an exercises, which is being done on a very, very fast pace.

The second was to introduce new age IT product. We did have on that not visible in our numbers by the way we did participate in the Windows 8 launch and in fact trained 15000 students during the quarter; however, we have not taken those in our revenues because the revenue element of that was rather small in fact negligible and we felt that enrolment picture will discolor the real situation on the ground so we purposely eliminated that in our count. Now we are introducing apps training and a number of others changes. The third part of the strategy is to introduce non-IT courses. If you have been keeping an eye on the press, then we have introduced Applied Financial Management as one discipline and the second very recently a Digital Marketing in collaboration with a very famous institute from Ireland, who are kind of world leaders in this area.

To give an impetus to IT becoming a an important career choice, we have partnered with NASSCOM, and in fact are going to go aggressively. The aim is to touch 100,000 students in Engineering schools and colleges who are looking at Computer Science as a career and do a joint certification. We believe this will give an impetus to IT again bubbling up to be an important career. In the job market IT continues to remain an important job or an important sought after job but in comparative terms, I think the impact on IT is also the highest. During the quarter our China revenue has gone up by 36% and an interesting part was an MOU that we have signed in China's, Hainan Province with their National Development Reform's Committee equivalent of our Planning Commission where idea is to setup a large training facility as a part of a service SEZ. This is a project, which still under conception. We have only signed the MOU to be implemented. It is a very large project and we will keep explaining you the future of that. The MOU is with the Hainan Province and the project is funded by NDRC.

In School Learning Solutions, non-GSA revenues are up 13%, overall revenues are up 35%, which means GSA revenues have been up. I just want to clarify that that is just a milestone billing of one of the existing government projects and nothing to do with any new projects that we have added and that's a policy decision that we have taken. Our collection drive on School learning receivables continued to be on a high. I had reported last quarter that we had met with moderate success and I have to say the same thing this quarter also. We have been able to collect nearly as much as we build across all schools from government, which is a fairly upward movement given the challenging times, which vendors are having in collecting monies from

government. Just to remind everybody as you know government is right now trying to manage the fiscal deficit and therefore all payments and refunds are on kind of a hold and within that I think for us to get money is even more important. Our pending order book has improved at 5272 Million, 26% is executable in next 12 months and this is at the back of the fact that we have not participated in any government tenders. In fact we were taking a stock. In fact, we have kind of stayed away from nearly 8 thousand schools worth of tenders but that is a conscious decision.

Corporate Learning Solutions where the continuing business basis comparison is more important since Element K is not part we have had a very good quarter. We got six new deals as I mentioned three new; one from a technology giant, one from a global bank and one from a large consulting company. Two expansions of existing deals, which reaffirms the customer's faith in us and our quality of service and one upgrade where we moved from a project-base relationship to a Managed Training Services relationship. We figure and have been playing in the semifinals and finals of nearly all the RFPs, which is really interesting because there are many other large players in this business to compete with them effectively I think is an important part of our strategy. Our order intake was \$21.5 Million this quarter, which is up 56% QoQ and 13% YoY. Our overall revenue visibility is at \$134 Million.

Skill Building Solutions, I think the important part is not only the fact that we have been able to register as many students but the overall placement are themselves at 74%. Strengthening the balance sheet was a very important part of this year's strategy while the balance sheet does get affected by not so attractive results or I would say poor results at the P&L level but in terms of strengthening the balance sheet I would like to say that for the first time in perhaps 10 years our net fixed asset levels have come down, which means we have really put breaks on capex as far as growth capex are new projects capex is concerned to strengthen the balance sheet. The second is on account receivables while the numbers on the ground show that our accounts receivables may have increased marginally I just thought I will clarify our closing account receivables are 4262; however, 4262 contained at least about 300 Million of business in Corporate Learning Solution where it is the last week billing and this year the Christmas week was organized in a manner and most of the people were on leave and therefore payments could not be processed we have received many of those payments in the first 15 days and if you exclude that in other businesses actually the receivable levels have come down despite more revenue being added. So, I think we have strengthened our bills receivable position, we have strengthened our inventory, and we have also strengthened our overall situation in terms of net fixed asset. Our Net debt is higher at the end of the quarter at Rs.733 Million but if I consider the impact of the collection of the first two weeks then perhaps we would start edging towards the levels at which we were earlier contributed more by lack of profit than by lack of collections.

Our net head count has reduced by 51 during the quarter; however, 51 does not tell the full story because 51 also has built into Yuva Jyoti expansion, which would have added people as well as Corporate Learning Solutions for their new business who would have added some projects base people. If we were to look at in an overall sense over the last 12 months period, we have been able to reduce the head count by 472 where the largest contribution has come from Individual Learning Solution. Going forward as I mentioned Individual Learning Solutions is an

important challenge that we have to look from an IT perspective. Our first attempt is to ensure what working that we spend more energy on it and that is banking and financial services, new age IT and non-IT products. Second ensure that Cloud Campus is fully implemented so that we start deriving all the benefits of Cloud Campus. On IT itself while like somebody pointed out recently green should serviceable but it is too early to assume that IT sector would recover. In any case IT sectors recovery the first beneficiaries will be those who are holding offers with no joining dates but I think that will definitely contribute to a positive sentiment, so we are looking at the quarter, which has gone by also as a quarter, which perhaps would on hindsight can be looked at as a quarter in which things bottomed out because the positive sentiment should contribute to higher enrollments. However in our plans we are banking less on that and banking more on our new products as well as new strategies that we have in mind.

Future direction in schools is to continue doing more in private schools and focus on IP and annuity based revenues and improve the offering wherein addition to a B2B model we also started a B2C model, which will add an upsell opportunity to or existing opportunities. In Corporates we have a very decent funnel. Our aim is to ensure that we achieve higher success rates and be able to deliver the current funnel and orders at higher and better margin. In the coming quarter, we have the six new projects to be implemented and as we have mentioned in the beginning sometimes the projects do have lower profitability. It is not in immediate equally spread over the quarter but we do believe that the volume will make up for that. So, other than forex volatility, which we cannot take into account, I think the outlook for corporate business remains contrast.

In summary in Individuals, we are aligning ourselves in transforming ourselves to look at the changed market condition. The number of changes taking place at simultaneously are many; however, we have a very strong team and we are making good progress; however, the results of that progress are not visible because sometimes what we are able to gain there is a cost of achieving that gain that kind of hikes the real benefits but these things will start becoming clearer as we go through the next year. We had mentioned in the last quarter's call that next two three quarters will be a challenging time for this business and our ability to transform ourselves will really dictate the future.

In Corporate we expect growth to continue on unabated and at a faster space as we go along. In Schools also the growing momentum should be taken advantage of skill building capacity, creation phase will continue given the large opportunity that we are cherishing. Overall, while our business is affected by the temporary squeeze in hiring by IT sector we do believe IT sector will recover. Long term prospects and fundamentals of our business remain very strong. We have very, very strong brand offering, we have very strong customer contact, we have very strong customer loyalty, and we believe that with increasing enrolments in higher education where gross enrollment ratios have gone up from 12.4% to 18.8% in the last few years itself resulting in 50% increase in enrollments and given the employability levels of graduates our opportunity size remains very, very large.

The important task in front of us is to rise to meet the challenges, which the new opportunities throw and take advantage of them. So with that we remain committed to the four platforms of growth, in the context of current market realities and we will consolidate our strength in the industry.

With that I open this for Q&A. I have all my colleagues Mr. Pawar, the Chairman of the Company Mr. Rajendran, Chief Operating Officer, Raghavan, Chief Executive of the Career Building Solutions, Sapnesh Lalla, Chief Executive of the Corporate Learning Solutions, Hemant Sethi and Sanjay Bahl, who represent Schools and Skill building Solutions as Presidents of their respective businesses as well as my colleague of Finance and Investor Relations to answer all your question. Thank you very much for your attention.

Moderator: We will now begin the question and answer session. We are going to take a first question from the line of Amar Maurya from India Nivesh Securities. Please go ahead.

Amar Maurya: Sir, my question is not something related to the result it is a slightly high end question. What I want to understand here is that primarily on the Individual Learning Solution as we are addressing to the change and we are trying to diversify the Individual Learning Solution business models from IT heavy to Non IT business. I just wanted to understand are we looking at something else to diversify this business say from IT to Non IT as few of our peers primarily into the education are into K-12 business kind of thing so are we not looking into those kind of areas since we have the All India presence. I just wanted to understand from that perspective is the management looking to enter into those kinds of areas and trying to diversify the individual Learning Solution business?

Vijay Thadani: I will attempt and I will ask my colleagues to contribute. First of all in the K-12 space we are looking at more interesting solutions for school children which is being handled in another side of the business. In the Individual Learning Business, our focus as we call it career building solutions our focus is to offer employability base training and anything which makes a person more employable at the end of higher education, is what we are focused on. Just to let you know this year about 1.6 Million students with professional degrees will graduate and of this 1.6 Million people only 10% to 15% and in case of engineers may be 20% are considered employable. So a large chunk of them are looking or should be looking for professional training to aide them in getting into a career. Now in the past since IT was the favorite subject, a large percentage used to go for IT training, given that IT is no longer should I say the hot favorite and that situation is temporary let me remind you because at any given point of time IT jobs will still be in excess of others but since IT is not the hot favorite amongst youngsters right now it is important that we meet their need or what they think is best for their career and that is the reason we are diversifying into other areas. We are been successful in that strategy as is visible in banking, 33% growth in enrolment, 19%-odd growth if you see even in the new age IT, like Apps development and stuff we are looking at a growth in terms of short-term program to the extent of 9% which will of course have both new entrants as well as normal program included. So that is the change in strategy that we are looking at so this is one platform of growth, which we call Cloud Campus. Does that answer your question? Your question even you should do all that we

are doing are we looking at other areas of education then answer to that will be yes; however, no plans of the kind as of now fructified because they are continuously looking at the education and training efficiencies that is the place there are core competencies can be best leveraged.

Amar Maurya: Sir, why I am asking this question is that because the business model of primarily job-oriented course is pretty much linked to the growth of the economy and that is why whenever the economy faces the problem there is a lumpiness in the revenue in terms of that so that is why I believe there is a serious re-rating and de-rating which comes into the stock. I mean that is what is why concern is about, so that was to address, I was just looking for that?

Vijay Thadani: You are so right. We also have to look by areas, which are available in education, which are allowed to be profit so that is the space that we are looking at. One thing which is sure is that very much like unique to diversify your risk. Since most of our eggs were in one basket called IT, diversification of that into other important segment not to get fragmented I think will be an equally important part of our strategy.

Amar Maurya: Sir one more question if I am allowed to ask, since we are already developing a content for a school and we are developing a high end content for that so are we not looking to enter into the models like what MT Educare is having since the content is already developed, and secondly on the other side, we already have a very good presence in all across India with 600 centers so are we not looking into those kind of businesses also?

Vijay Thadani: Definitely those are opportunities that we are looking at. At this point of time and this would take advantage of two of our businesses, simple case in two of our business and certainly that is an area, which we are examining. Having said that, there are some firms and that's the one that you referred to, which have actually come up through that route of remedial education that you referred to, and I think the model that we would like to see being new entrants to be something superior to what is already happening, rather than just be one of the pack. That is how we will look at the issue.

Amar Maurya: So meaning what I am trying to understand here is that, that is the kind of model we are looking for say coming in the future or are we in the pipeline with something like that?

Vijay Thadani: At this point of time these are options under consideration. I do want to say one more thing the choice is between picking up the areas, which are running well for us. For example Banking Training, Banking Training at this point of time is doing extremely well for us and as you know public sector banks as well as private sector banks they are talking about adding nearly 5.5 Lakhs more people in the coming two or three years. Now that is a huge training opportunity where our core competence match is 100%. We have a very strong brand, we have very strong acceptance and we have very strong track record. Now I think we would like to bag that one on our Cloud Campus more than the many other opportunities, which would come up so that one of the responses, which he have this is not to say that we would not be looking at other areas in this process. Second, the corporates has started spending decent amount even in India though the numbers are very small the Corporate spend on IT front on training is not only just IT but

training has been more in our own portfolio. So, we are looking at what we are good at, what we are doing well and what is being accepted well is required in larger quantities by our customers so that focus is important.

Amar Maurya: So I agree with this and the thing is that the banking course is may be a good move in terms of that but then only thing is that what I understood probably I might be wrong in understanding and interpreting this because what I see here is that there will be a good requirement from the public sector banks for trained employees but then if I see the criteria on which public sector banks actually choose their employees through their own exams. So obviously there is a pent up demand coming up from the private sector bank and probably the new banking license coming into the frame there will be lot of demand, which will becoming from that side of the business so what I was trying to understand here is that I just wanted to look, the business model which is less cyclical to the economy or kind of stable model, which...?

Vijay Thadani: Which is in contrary to the changes in the economy, I guess creating an annuity base revenue set and the commitment is one answer to this question so that temporary strains in economy are not affecting our business, so thank you very much for your suggestions I mean what certainly we are looking at all possibilities and definitely would consider those.

Amar Maurya: Thank you sir and congratulations for winning 6 deals in the Corporate Learning Solutions segment.

Vijay Thadani: Thank you very much for your kind comment. The overall otherwise the results are not very encouraging even for us so thank you for these positive thoughts.

Moderator: Thank you. We are going to take our next question from the line of Kaushik Poddar from KV Capital Market Private Limited. Please go ahead Sir.

Kaushik Poddar: In case of the School Learning Solution are you planning to sell the software to school students per se, I mean you said something like that?

Vijay Thadani: I said that and that is a very interesting opportunity. We have already started. See once we got the whole curriculum on the Cloud we are now going back to the schools and saying well, you know your students would like to access these at home as well. And their parents would also like to know what their child is going through, which otherwise they could see through their books so and that is a gaining momentum so we just started offering end of last quarter and the initial response is very encouraging so that one of the trust areas for us and as you can see that that on margin cost have very, very attractive opportunity.

Kaushik Poddar: Let me try to understand it right suppose I have my daughter going to school which is running this NGuru software do I need to buy software for my child or what exactly you are saying?

Vijay Thadani: So just to give you in just a few seconds only if your daughter is going to a school and that school is an NGuru solution. They are running an NGuru solution because that is where the

effectiveness will be the highest. Hence we will tell the school that here is a pack and if any of your students would like to buy a subscription and you can check with the parents and to your school and at a very small cost they can get this subscription because that cost the majority of the cost or whatever is happening in the school has already borne but this an additional revenue for both the schools and therefore us and parents like it because parents and students can then revise exactly on that basis. Now the way the software is designed is the student will get access to exactly where they were in the class not the whole world. It's like no point giving him class I, II, III, IV up to XII books just because they are available in soft form so the student will get gradual access as the class makes progress so there is an intelligent linkage between the class progress the student progress in that class and the software and the parent and the child can see it together.

- Kaushik Poddar:** So you already started rolling this out?
- Vijay Thadani:** It is rolled out. It is being rolled out as we speak.
- Kaushik Poddar:** Can this be significant revenue three years down the line?
- Vijay Thadani:** Yes, we are 6 lac children covered by this program.
- Kaushik Poddar:** By NGuru only?
- Vijay Thadani:** Yes.
- Moderator:** Thank you. We are going to take a next question from the line of Ganesh Shetty an Individual Investor. Please go ahead Sir.
- Ganesh Shetty:** Sir I have one question regarding over MTS business. Are we targeting the Indian multinational companies or big corporate houses as far as this part of our business is concerned?
- Vijay Thadani:** Yes to start with we had started looking at global companies because that is the best way to stabilize this business. Many of those global companies have their Indian arms and those are already our clients and now we are looking at adding more as well. I will ask Mr. Sapnesh Lalla to also say a few words.
- Sapnesh Lalla:** I think I would echo what Vijay mentioned that in the initial phase, we would look at organizations, who are already our customers and has been in Indian operation and then post that start looking selectively as organizations to gain advantage from our services in India.
- Ganesh Shetty:** As we have sold our Element K business now as far as the US markets are concerned our corporate businesses must have been substantially decreased. Are we targeting our old Element K customers for that sake or are we targeting all new customers or last time we have mentioned regarding our arrangements Skill Soft Corporation how that is going on further sir can you please throw some light on this?

Vijay Thadani: Firstly to answer I guess the first part of your question which if I understood at right was are we targeting Element K customers? I think the demographic of Element K customers was such that they would look at a 1000 corporations in the United States and on a similar basis in Europe. We work in a more selective way where our transaction prices for each organizations is substantially larger than what Element K was and consequently we look at a much smaller number of customers and try to do more business with each one them which is different from Element K model. Your second question was how is your relationship with Skill Soft? I think the Skill Soft relationship is working well and this is the bounds of a confidentiality agreement that is all that I can say.

Ganesh Shetty: My next question is regarding the JV, which we have recently in China. How much time it will take it to convert into revenues or will it be a very long-term contract with the company? Can you please explain it Sir? Because there is a very low feedback from this JV exactly we all investors want to know how much revenue visibility is there in a year or so. Can you please explain this?

Raghavan: First of all it is not a JV, is a Memorandum of Understanding to work with the local government to do IT and other trainings in Hainan. It has two parts one is a smaller centre part when I say smaller it is smaller only compared to an average small centre in India. In China every centre is relatively large so that is a first part and we have already started the centre and the first sets of students are getting enrolled and so on. The one which was reported in the press is a much larger potential engagement. We have signed it with the Hainan Provincial organization and this particular venture or our initiative is supported by China's NDRP, which is in equivalent of India's Planning Commission. Now this project is a very large project. We are going to work with that government to help them establish what is called as a knowledge city and of course our part of this transaction will be to train large number of people in that province. It will involve setting up the centers, it will involve training students inside the colleges, and multiple formats of engagement. We are still working with them to delineate the whole landscape of this both in terms of the scope as well as in terms of size. So, I do not have a number to report at the moment but this is a very large multi-formatted engagement. So as we go through the scoping of it and the sizing of it we will surely be in a better position to give you visibility of what the scale is all about.

Ganesh Shetty: Sir, my next question is regarding our IT training segment ILS business. Now it is contributing around 60% of our business and with all the initiatives we have taken and with we are moving towards in right direction in Corporate Learning Services and other ILS business like banking and finance, can we bring it down to around 40% of our overall business mix in the next year to come or one to one and a half years time. Can you please give some idea regarding this?

Vijay Thadani: Actually he is changing his portfolio just to answer one line to improve the portfolio in a diversified manner between IT and Non-IT.

Raghavan: I would not like to answer is in terms of what will be the proportion in the whole revenue because as you have heard we are doing many things to augment growth in the various segments. So let me speak specifically to what I think you are referring to as the Career Building Solution

growth. Yes, in the near term that we can see there will be challenges in the IT training of it in its entirety, but we have identified what we call is new age IT skills in which we have launched some products, we have a slew of products on the anvil, which we will launch and that will go for students who are seeking employability in this as well as lateral training, which also has been tracking very well. Now this is from an IT perspective. The most important thing that we have started doing is to also enable ourselves the training in other domain. Banking finance is one set, which we have been speaking about that in the previous calls and Vijay also spoke about it. What is new is new domains that they have either not been there but there is a need for youngsters to get skilled and find jobs with such as an applied finance, a course, which we have launched in the last quarter the early signs are good and we are going to further launch it for the graduate segment as well. Then Digital Marketing is another course. Similarly we have got focus employability programs as well as a few more programs that we have identified, which we will be launching in due course. So the idea is to skill the youngsters and employability aligned with the job market that exists both in IT, banking and other domains. To enable us to do this fast two fundamental efforts have been on one is Cloud Campus, which we have started talking from last year onwards. It will make easy for us to offer multiple programs across our centers quickly. The second is One-NIIT rather than each centre being an IT training centre each centre will be a centre where students can come, graduates can come, find out what is their aptitude and take training in that. So Cloud and One-NIIT which focus on multiple domains for employability training is in summary the focus going forward.

Moderator: Thank you. We are going to take a last question from the line of Jaywant Dang from JHP Securities. Please go ahead.

Jaywant Dang: I just have few questions, the new initiative that you have taken up like the detailed marketing course and initiatives along with NASSCOM so when are the new initiatives likely to contribute to the revenues. This is the first question and my second question would be looking at the environment what would be your outlook for next couple of quarters both domestically and internationally Sir?

Raghavan: So the NASSCOM, the tie-up is for a set of courses that have been developed with some leading IT and BPO companies in the country along with NASSCOM and what we have done is to sign up an agreement with NASSCOM so we can actually go to colleges and offer these courses to the student in the colleges. As you may be familiar from our earlier conversations we have an institutional alliance business, which actually is going to colleges and setting up synchronous learning platform centers and classroom to be able to deliver training in those classes. So this arm of our organization will take this and right from this quarter onwards you will find us going to colleges and offering the courses. Now what is the good thing about it? The good thing about it is the since the courses are developed in conjunction with NASSCOM and some other industry members, there is no question about the suitability of the courses to the employers. As it is our training methodology has proven itself as you see in the large number of placements and this will add one more endorsement to the confidence of colleges and the students to be able to do this. So this is the first of the two points, which I had mentioned. Of course we have talked about a target of 100,000 students over the next three years starting with about 30,000 in the first 12 months. So

that is the kinds of targets are we talking about. Second thing about digital marketing is if you look at marketing today it is so all pervasive that there cannot be a marketing professional who is not an expert or who is not familiar, has not using digital marketing so we have identified this as a very important broad purpose skill that is required in the market both for new students of marketing as well as existing working professionals. So we shopped around and have tied up with the big name in the world the Digital marketing student Ireland and we will be launching the courses later from this quarter onwards and these are multiple levels the products that is associated there such other things that we will do. We think that there is phenomenally large potential. We need to segment the customer group between students, fresh graduates and working professionals and offer courses that are associate to that level and they go forward within so these are some commentary on the two points you raised.

Jaywant Dang: So whatever thinking regarding this DMI would it be suitable to consider also from the CLS aspect. Once you build your expertise in this marketing training I guess if you go B2B as well you would also find a significant amount of demand among the corporate to give marketing training and how would that proposition sound to you?

Raghavan: You are absolutely right existing working professionals approached through B2B arm is definitely one more way to look at it as you may be familiar some of the higher end technology training that we currently do is a sort of a B2B and B2C model in the sense that we do talk to professionals and individuals actually come and get trained. So that is a good model and your thought is absolutely very valid.

Jaywant Dang: And the second point sir about the outlook how does the outlook for a few quarters look on the company's perspective?

Vijay Thadani: As you can see Corporate Learning Solutions and School Learning Solution are on a fairly steady track and you can see that the growth in both Corporates and Schools has been consistent. In some quarters you would see a peak, but I think if you draw an average that where it is. Corporate is growing at 18% to 20% right now; it is a bit ahead of that. That is because it was a very good quarter but I am just saying typically 18% to 20%. So 18-18 is the focus that we have for Corporate in next three years that we should stabilize at 18% growth and 18% margin. Similarly in Schools our focus has been that we should stabilize at something like 20%-odd growth and about 15% to 20% margin. Again that since it is in transition we are going through that phase. I think in Individual Learning Solution the part, which are growing very well they are unfortunately small and do not contribute as much to the main kitty, but as they grow in size, I think they will start becoming significant so the real call that one has to take and that by the way is difficult call to make in the current challenging time is to how the IT sector will behave. Now IT sector from given that the result of these two or three large results that have come in, at least it appears that the situation has bottomed out and they have been taking advantage of increased utilization levels rather than increased recruitment levels if you look at your net hiring trend and if that is the case then very soon the utilization would reach a ceiling and they would have to start hiring again in large numbers if they continue with this growth. Now that is the assumption on the basis of which we believe that and the minute their hiring starts the sentiment will turn for

positive because people are now hanging on appointment letters for very long periods of time and it is fairly demoralizing for a student to spend 15-20 Lakhs to finish Engineering and as soon as this positive sentiment happens I think we will start seeing the impact in the consumers space as well. Meanwhile through advance training, new age training, Non-IT sectors, which are there we would try to maintain the trust and of course now we will have critical marks developing there. So we are hoping that this and the next quarter are perhaps the time when things would bottom out and from that onwards we can start looking up. So that is the overall context in which we can look at the future. Therefore next year there should be both growth and improvement in profitability. As you know we are very, very sensitive to revenue given the high operating leverage that we have in this business. On the way up for every Dollar of revenue we get 60 cents under the line and for everyway down it hurts the other way round so that is what we have to kind of manage.

Jaywant Dang: Sir any thoughts on the capex that you would like to take up in the year 2013 and like how was you look at it?

Vijay Thadani: Capex requirement I mentioned before are the four platforms of growth are actually fairly mature in terms of capex and we have made most of the investments already and right now I think it is a question of execution, execute and implementing that capex completely so we will only have normal capex so we do not have any major project capex coming up in the next one year as well.

Moderator: Thank you. At this time I would like to hand over the conference to Mr. Vijay Thadani for closing comments. Thank you.

Vijay Thadani: Thank you very much. As usual we benefited a lot from your questioning and we can see that there is a great expectation for NIIT to rise through the occasion and transform itself. We do hope that the business conditions will back us in this transformational process and we are looking for your co-operation and support as well. As usual your questions have helped us introspect more on what we have achieved and what we can. We will be available to you for individual level discussions if anyone of you will have and in any case Kapil, Saurav and the team are available at any point of time to answer any of the questions. Thank you once again for your attention today. I know there are large numbers of results and therefore to have the benefit of your time means a lot to us. Thank you.

Moderator: Thank you. On behalf of NIIT Limited that concludes this conference call. Thank you for joining us. You may now disconnect your line.