"NIIT Limited Q3 FY '18 Earnings Conference Call"

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Moderator: Good Day Ladies and Gentlemen and Welcome to the Q3 FY '18 Earnings Conference Call of NIIT Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vijay Thadani – Managing Director & Vice Chairman of NIIT Limited. Thank you and over to you, Sir.

Vijay Thadani: Thank you. Good Afternoon everyone. Thank you very much for joining this call. It must be a busy time for you earning season, so thank you for giving your time for talking about NIIT Limited. We will be talking about our Quarter-3 Consolidated Results for NIIT Limited and I have the whole leadership team of NIIT here led by Mr. Pawar – the Chairman, myself, and Sapnesh Lalla, who is the CEO, who will be presenting these results to you in his avatar as the Chief Executive Officer of NIIT Limited for the first full quarter. Mr. P. Rajendran is the Joint Managing Director is also on the call and so are many other members of the leadership team, whom we will introduce as your question come to us, just to save time, Quarter-3 is traditionally the weakest quarter of the year given the fact that our business is fairly seasonal, but this particular year, our Quarter-3 so far has turned out to be the best amongst the three quarters, just with that brief introduction let me hand it over to Sapnesh Lalla who will take us through the results of Quarter-3 as well as the outlook for the future.

Sapnesh Lalla: Thanks, Vijay, a few opening comments from me. Thanks for joining the call. As Vijay pointed, Quarter-3 has been seasonally the weakest quarter in the past, however, this past quarter NIIT grew its revenues by 4% on a year-on-year basis and in constant currency terms for the Go-Forward business, that revenue grew 8% year-on-year. The EBITDA was up 69% at 184 million, the EBITDA profit was at 9%. Profit after tax grew 350% and is at 197 million. NIIT as we reported earlier in the month of January acquired Eagle Productivity Solutions, a company that focuses on large-scale enterprise application rollout training for the Life Sciences and Pharma companies. This company is based out of the United States and the acquisition was completed January 3rd. Overall, the performance of this quarter given that it is traditionally the weakest quarter felt good. More specifically across different businesses, the Corporate Learning business did return a robust quarter. The constant currency growth in revenue was at 14% and the EBITDA profitability stayed at 15% which was up 204 basis points from the same quarter last year.

The Corporate Learning Solutions business renewed one of its large customers and expanded the relationship and the relationship will continue for another 3+1+1 years. It also in addition got Letters of Intent from four new customers and a Letter of Intent for renewal from another customer, so the coming quarter for the quarter in which we are looks like a busy quarter from the point of view of transition for the Corporate Learning business. The Skills and Career business returned a relatively good performance in a seasonally weak quarter. Their revenue was slightly down at growth of minus 1% at 691 million returned an EBITDA and profitability at 3% because of strong operational control that was exercised in that business. The key contributors to Skills and Careers' performance was the growth that they saw in their IT business as well as the growth in China.

The Schools business continues to see us or NIIT ram down its Government School business and the last of those contracts, the Chhattisgarh contract is slated to close in Q2 of 2019. The Go-Forward business added 85 new School contracts and the Go-Forward business contributed 76% of its total business and grew at 16% on a year-on-year basis. The predominant part of the loss in that business was attributed to the closing cost of some of the government contracts. Overall, from a balance sheet point of view, the DSO days stood at 83 days. Now, 83 days is seasonally high and predominantly contributed by the end of year phenomena for our overseas business. Last year at the same time, the DSO days were 85 days, so improvement over last year. The overdue DSO days however also went down to 41 days compared to a higher number of DSO days same time previous year. Overall, the headcount, the business added eight net headcount compared to previous quarter predominantly in our corporate business and ROC grew to 11%.

Overall, I feel the business did well, the acquisition of Eagle is very exciting. It will help the Corporate Learning Group address new market segments as well as gain new capability specifically around rolling out large-scale enterprise applications as well as increase their penetration in the Life Sciences and Pharma vertical. It also indicates acceleration in growth in the Corporate Learning business as we look at the year ahead. I will pause here and return it back.

Vijay Thadani: Sapnesh, thanks for a very, very brief, but concise coverage of what all happened in the quarter. I am sure this opens up for many, many questions. One of the things which may be towards the end you can talk about is what you see the direction of the business going forward, but after maybe we have had some questions on the analysis, so with that we open it for Q&A for those of you who would like to get some clarifications on the results.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Kaushik Poddar from KB Capital Market. Please go ahead.

Kaushik Poddar: I want to focus on the Skills and Career group. In this you are saying two things, A, the banking sector, the employment is hardly anything, and secondly, in case of IT, you are saying that the recruitment is down 90%, so against this background do you see any kind of growth in the next one year?

Sapnesh Lalla: Thanks for that question, I think that question probably is on the minds of any folks. As you have seen, this business has seen challenges from the point of view of IT hiring as well as challenges in terms of hiring fees with respect to banking. We are starting to see some green shoots from an IT perspective, however, I think this business from a growth perspective will struggle. It has done approximately negative 10% over the last three quarters in overall business, if you add up all the three quarters together down about minus 10%, so I do see it struggle given the current environment, but we are starting to see green shoots in the IT segment, which will help us get to positivity in the next couple of quarters.

Kaushik Poddar: Can this negativity set off by some amount of positivity somewhere else?

Sapnesh Lalla: Sure, as you would have read in the newspapers, there is a substantial gap and that gap is growing from the point of view of relevant IT skills. A large number of companies find their employees do not have the right skills both in the IT segment as well as in the banking segment and you see, we have already started focusing on re-skilling as a market. We launched StackRoute as a brand to focus on re-skilling and that work is starting to show growth and we think that re-skilling is an area which will get us to see positivity on a go-forward basis.

Kaushik Poddar: When do you see this positivity net-net on the Skill and Career front?

Sapnesh Lalla: Like I was pointing out, I think these are two trajectories which will reach at a point of inflection and I see a starting to see positivity in the next 2 to three quarters.

Vijay Thadani: I think the banking situation should also improve, banks cannot remain in the current state of affairs for long periods of time. They would also have large re-skilling requirements as you know. They are also moving into the digital age at a very, very high-speed, so I think once their transition and structural problems are over, we do see an upswing there as well.

Moderator: Thank you. The next question is from the line of P. Sachdev from P&Y Estates. Please go ahead.

P. Sachdev: My question is to the School division, we have been hearing this year after year, quarter after quarter that the Government legacy orders are yet to be completed or about to finish, but every quarter we see some kind of write-off or some extra costs, could you throw some light on this and could you just tell us the strategy of this division going forward?

Sapnesh Lalla: Like I pointed out earlier, we are staying on course. The last of the School contracts is slated for closure in Q2 of FY 2019 that is the two quarters down the road, the Chhattisgarh contract is supposed to end and after that we are likely to see closure-related cost to continue for a couple of quarters, but that is the last of the contracts and after that we will not have any other legacy contracts to deliver on.

Vijay Thadani: I think you referred to some write offs, could you elaborate that?

P. Sachdev: Write-offs is basically whatever the closure, cost of whatever etc. you have been reporting quarter on quarter?

Vijay Thadani: Right now, I think the important thing is as these contracts you get out of, there are the closure cost which are going on?

P. Sachdev: No, cannot we report all the cost in one quarter and just do away with the entire project instead of having a recurring cost every quarter?

Sapnesh Lalla: I do not think these are exceptional costs or cost that you can project and then take because these costs have to get incurred and as they are incurred, they are recorded.

P. Sachdev: What is the guidance for all the divisions going to next Fiscal '19?

Sapnesh Lalla: From a Corporate Learning Group perspective, this book has delivered robust results and we expect it to continue to deliver robust results. I did talk about the acquisition of Eagle and I think that acquisition will result into some acceleration of growth as we go into next year and then beyond that as you all are aware, NIIT started a contract with the Real Estate Council of Ontario and that will start producing revenue in Calendar Year 2019 onwards, so we see acceleration in the growth of the corporate business on a Go-Forward basis, compared to what it has delivered over the last four to eight quarters. The Skills and Career business like I pointed out is seeing headwinds, but we see our investments in re-skilling to start paying off. As I mentioned, we will see headwinds this quarter but in the next couple of quarters, we will start seeing some positivity and we will see recovery. The Schools business as I mentioned earlier, the Go-Forward business has grown at about 16% in the current quarter and will see double digits growth in Q4 and the trajectory will continue as similar to this year's trajectory on a Go-Forward basis. Overall, we see positive growth at the NIIT level in the coming years.

Moderator: Thank you. The next question is from the line of Shraddha Agarwal from Asian Markets Securities. Please go ahead.

Shraddha Agarwal: Couple of questions, firstly have we been able to add any new DT course in our S&C business segment?

Sapnesh Lalla: Yes indeed, we added three new digital DT programs in the S&C business and I will invite Prakash to spend a minute on new courses including the main stack and ML and so on and so forth?

Prakash Menon: We have a few more courses in the DigiNxt curriculum. We added machine learning program, added data sciences program, and these are run through in Bangalore, specifically in Bangalore in India. We have done something very different in China. In China, we have launched a program on VR and we have launched a program on Blockchain. We did it last quarter and we see a lot of traction for these programs.

Shraddha Agarwal: Sapnesh, what would be the B2B component in S&C now?

Sapnesh Lalla: Like we pointed out in the past, what we do whether we do it in the B2C banner, which is the individual paying for their education or when we do on boarding, it tantamounts to delivering the same education, so we are starting to look at the India business as a Skills and Career business because at the end of the day whether the person is inside the corporation or the person is paying from their own pocket, it really means the same training and so from an overall perspective, we are looking at it as a skilling business.

Shraddha Agarwal: The reason I am asking this is because I think we had added some three to four corporate on the IT side and this gives us one large batch at one go to address, so if we have increased visibility in this segment, it could help proper growth in this entire business?

Sapnesh Lalla: Absolutely. We added five new customers in the B2B side of things who send large batches.

Shraddha Agarwal: That number has been constant for the last two quarters, right?

Sapnesh Lalla: Yes.

Shraddha Agarwal: Just on your Schools business, so how do we look at the revenue run rate, do you think until this Chhattisgarh contract gets executed, we will be at a similar run rate of 9 crores per quarter till 2Q of '19, and the cost overrun will be continuing to make loss of close to 2 crores each quarter for the remaining four to five quarters, because you said that cost overrun would set even beyond the project gets executed?

Sapnesh Lalla: Like we said earlier, the Chhattisgarh contract will go on till Q2 of FY '19 and the cost will taper, there will be a tapering both in cost as well as revenue. However, outside of that as you are probably aware, the Go-Forward business is a seasonal business. It earns large part of its revenue in Quarter-4 fiscal and Quarter-1 fiscal, and what I will do is I will invite Gavin to spend a couple of more minutes on the Go-Forward business.

Vijay Thadani: Before that, I think there are two parts to your question, one is what is happening to the government side of the business and then what is the acceleration, what is the Go-Forward business and how is that looking like, what will be the run rate. On the Go-Forward part, Gavin will answer, but I think on the path business, I will request Kapil will provide continuity to the discussions and the comments that you have heard before.

Kapil Saurabh: Shradha, the cost of that you pointed out and there was a question earlier as well. We had pointed out at the time of Quarter-2 results that we had just finished our largest Government Schools contract in Assam, and that has a tail cost with this being transitioned and getting sign offs, so that we are able to collect our payments, and that the project team winding up will take two quarters (Quarter-2 and Quarter-3). And therefore there will be an impact in these two quarters which will get over post that. We have only one contract, which is running in Chhattisgarh, which is a much smaller contract compared to the Assam contract that we had. Once that contract gets over, there would be some transition cost, but the order of magnitude of the transition cost will be substantially lower because the team to support and get sign off and do the transition there will be definitely smaller.

Gavin Dabreo: On the Go-Forward business like Sapnesh said we grew 16% in Q3 and as we get into the peak quarter which is Q4 and Q1 of FY '18 and FY '19, respectively, we think that will be much higher because this is the peak season and the School business is fairly seasonal, so we are quite optimistic about our growth rates beating what we did in Quarter-3.

Shraddha Agarwal: So, we need to be upwards of 16% to 17% growth in this…

Gaving Dabreo: In the Go-Forward business, yes.

Shraddha Agarwal: One last question, Sapnesh, on Corporate Learning bit, so how do we look at the overall margin in this segment after Eagle gets consolidated and after the transition cost and the RECO dealers through?

Sapnesh Lalla: In that one breath, you talked about the next two years, I think let us look at it from short-term perspective. I think in the short-term, we would expect the consolidation of the corporate business and Eagle to deliver the run rate that you are used to, so therefore, over the next year or so, you should see consistency in the run rate that you are used to. As we move forward into the years ahead of the next year, RECO will provide acceleration, and therefore, there may be some leverage that we might be able to get.

Moderator: Thank you. The next question is from the line of Ganesh Shetty, an Individual Investor. Please go ahead.

Ganesh Shetty: Sir, can you please guide us the financials of Eagle Solutions that will impact our growth in Q4?

Sapnesh Lalla: Eagle did approximately $10 million in revenue over the last trailing 12 months as Eagle and they will affect our financials in a proportionate manner for Q4.

Ganesh Shetty: Sir, my next question is regarding our S&C business, in spite of best of efforts by management and lots of hopes from the investors still we are not seeing any light towards the end of the tunnel, that means our efforts of restructuring in S&C business is still not paying off, and do you think that we need to have second round of restructuring and should get rid of some of the business in S&C which are not EBITDA positive or which are incurring recurring losses, can you please throw some light on this?

Sapnesh Lalla: As I pointed out earlier, Q3 is a typically weak quarter and in that weak quarter, the fact that the business remained at revenue levels which were flat from the previous quarter is commendable. It shows some signs of recovery, however, as I pointed out earlier we are seeing a squeeze or a freeze in hiring the net new hiring in IT is down very substantially, so is the net new hiring in banking, so as we shift towards re-skilling and as I have pointed out, we started that shift about a year ago and that shift is starting to take root. Given what I just mentioned, I think we are starting to see green shoots, we are starting to see the changes that we made in structure paying off and I think some of these will start becoming visible over the next couple of quarters.

Ganesh Shetty: Sir, my question is regarding our recent conference in Goa, customer conference, I think we had a very successful customer conference over there and lot of corporates have been invited by

NIIT, so how do you feel that, the result of this conference to get more business within India, can you please throw some light on this?

Sapnesh Lalla: Like you correctly pointed out, a large number of our customers came to our conference in Goa. They saw what NIIT can bring to them in terms of value and they also saw the areas of expertise that NIIT had and a fairly large percentage of those customers are starting to have conversations with us around expanding the business that we do. Several of the organizations that attended were also prospects and some of them have already converted into customers, so overall positive conference, positive impact, good feedback from our customers as well as prospects.

A part of your question was around what do we about the opportunities in front of us and how can we move so that some of the low margin businesses start becoming high margin businesses, I think re-skilling is a key opportunity. As I pointed out, large number of IT organizations feel that fairly high percentage of their employees have skills that might not be relevant in the digital economy and that is the key opportunity for us to re-skill those folks as well as achieve higher levels of profit doing so.

Moderator: Thank you. The next question is a follow up from the line of Kaushik Poddar from KB Capital Market. Please go ahead.

Kaushik Poddar: What about encashment of your investment in NIIT Technologies, A, and B, about some kind of partnership for the School business?

Vijay Thadani: Let me answer the first part of the business, it is a regular question, it has a regular answer, so I will repeat the same at the right time and obviously this quarter was not that right time, so at an appropriate time whenever something is ready, we would be very happy to share with you. Our age-old intention right from the very beginning, we have made it very, very clear that at an appropriate time, NIIT would seek an exit from this business, the NIIT Technologies stake, but at this point of time, we would not have anything. The second part of the business was on looking for partnerships for Schools. As you know in the last one year, the whole education segment in the country has been challenged with frequent changes which take place as far as Schools are concerned especially in the way new CBSE regulations come, the way private Schools have been treated with their salary structure, and therefore, at this point of time, we have not been able to identify a suitable partner. Having said that, I think there are opportunities in front of us which Gavin alluded to partly, but more will become visible as we are discussing our annual results, so I think that will provide the backdrop on the basis of which we will Go-Forward.

I also want to say that if you look at our overall business profile, while each of the businesses have an importance and significance of their existence and the fact that they have contributed in the past, but if you look at the current structure of the business, 62% of our revenues have come out of our Corporate Learning Group and I think that requires a little bit of attention and discussion in terms of the great opportunities that lie in front of us. Sapnesh did talk about a little step jump that we will get from coming quarter onwards with this acquisition, which will give us a step jump to this business. I am not referring as much to financials, but more about coverage and what it has for future, and then the next step jump which will be a much larger step jump which is likely to happen as the investments like last two years we have been, one-and-a-half years we have been making for RECO as the product that is getting created, we will start generating revenues and that is a continuous, that is an opening revenue stream that we will inherit, which will start, so we will see a half-year corporate following year on top of this, so that will be the second step.

The third step after that will be as RECO grows further in years, so I think Corporate Learning Group has some very exciting opportunities and 62% of our business is coming from there. It is a high ROC business and I think I would request Sapnesh to talk a little bit more about what are the directions and how is the pipeline and what is happening and the new customer additions, etc. The second is the 33% of our business which at one time was more than 50%, no doubt about it was our Skills and Career business, and in Skills and Career business which is focused on emerging markets given the fact that India education and skills sector and then IT and banking sector, the sectors themselves have been going through such a massive transition where we talked about new jobs, creation which has come to a standstill as far as banks are concerned and even in IT is at a very low volume. I think it requires a transformation and that definitely has put a brake on the major transformation exercise which we had undertaken, but we have to find new products and new products have got launched during last quarter also, which will provide us with the momentum. Re-skilling is a very clear and present opportunity in terms of the 2.5 million people IT professionals who need to be re-skilled in the country and I think Sapnesh will perhaps talk a little bit more about that. Schools on which we discuss for a while, we just need to be aware is 3% of our total business and in August it will become 2% of our total business given when Chhattisgarh order will be over, so I think in the proportion of time that we are spending in discussing businesses I would suggest that we also spend equal amount of time on profit learning group, and I am sure your questions are most welcome and of course in all parts of the business.

Kaushik Poddar: This RECO thing is the Real Estate Ontario thing, is it?

Vijay Thadani: That is right and that is over a five-year period more than $100 million opportunity.

Kaushik Poddar: On an average, $20 million per year incrementally?

Vijay Thadani: Well, our share of that will be about $10 to $15 million.

Kaushik Poddar: You are talking of annually, is it?

Vijay Thadani: That is right and that will kick in from not this financial year, the next financial year, so I think there is a big step jump waiting for us, so Sapnesh you may want to just to talk about how we are handling that.

Sapnesh Lalla: Thanks Vijay and like I pointed out earlier with addition of Eagle, we have opportunities for large-scale enterprise application rollout as well as opportunities in the Life Sciences and Pharma verticals. As you probably are aware, Life Sciences and Pharma companies spend substantially more than average on their employee training given the regulatory nature of these organizations, so we see not only the addition of Eagle revenue but also growth and acceleration because of Eagle, that said like Vijay pointed out, a year from there we will get into RECO performing for us and then acceleration on a full year of RECO performance the year after, so a lot of opportunities in front of us in our corporate business. The other thing I would say and maybe I am repeating myself here, we added LoIs from four new customers last year, so this quarter the current quarter is going to be a busy quarter for us where we will start transitioning these four LoIs into customers, so a fair bit of work to do and a lot of opportunity to look forward to in the corporate business. Like Vijay pointed out substantial disruption going on in the skills area in India specifically and I think every disruption is a key opportunity. Like I pointed out, we started investing in re-skilling about a year ago with the StackRoute product and we think that will keep us ahead of competition. We already have, like I pointed out earlier just in this past quarter, we added five new customers who started using the StackRoute product and we see growth coming from there, so a lot of opportunity both through addition of skills, combination of Eagle with NIIT as well as some opportunity in terms of the disruption that is going on in the India market.

Moderator: Thank you. We move to our next question which is from the line of Sumit Bajaj, an Individual Investor. Please go ahead.

Sumit Bajaj: I have two questions, one is regarding NIIT TV, so that was launched I think around two years back, so what value added has it to NIIT and what is the way ahead an earning monetization model for that, and second, how has been the online business for NIIT in this quarter?

Sapnesh Lalla: NIIT TV was a platform to help individuals try and start to create a relationship with NIIT and it has started to do that in a substantial way. As far as the online business is concerned, online business continues to grow sequentially and did quite well. As you know, it is a start-up business, it now has done more than a million dollars in bookings since it started and has been growing at a healthy pace on a quarter-on-quarter basis, so the online business is doing well. It is growing, the NIIT TV site is a site that has made a large number of folks familiar with NIIT in a rich manner and just from the point of view yours specifics, the online business grew 25% on a quarter-on-quarter basis, and it has done that over the last few quarters.

Sumit Bajaj: How much would the revenue visibility from Training.com as of now?

Sapnesh Lalla: NIIT Training.com or the NIIT online business is a fairly small business, it is a start-up in the NIIT business, so from an overall perspective it is a small business and will continue to grow. I think the learning from there is to see how, what we are doing online can help us create hybrid products which offer convenient and rich mechanisms of learning to our customers.

Moderator: Thank you. The next question is from the line of Jay Daniel from Entropy Advisors. Please go ahead.

Jay Daniel: Can you provide me some flavor about operational leverage that is there in the Skills and Career Group, because I understand gross margins in that division is very high and also in the Corporate Learning Group, I think most of the cost there are variable, whether you will be able to sustain current margins and what is the fixed cost component in that business, essentially the fixed cost component in both the divisions?

Sapnesh Lalla: The fixed cost component in the corporate business tends to be in the 29% to 32% range, therefore a larger part is variable cost, however, over time the productivity on the sales side as well as the leverage on the indirect cost improves and that is why I pointed out that as the revenue starts growing, we will start seeing some improvements. I think also as we start using technology to do more and more, we will see some improvements.

Jay Daniel: Skills and Career, it used to be high gross margin business, so how is the gross margin now and what is the operational fixed cost right now?

Sapnesh Lalla: At full capacity, it is a 65% gross margin business, so it has high leverage and beyond a tipping point, it becomes remarkably profitable. This is a business that has seen EBITDA profitability of over 20% to 25% in the past, so as capacity utilization goes up beyond a point of inflection, it becomes remarkably profitable.

Jay Daniel: What is the tipping point?

Sapnesh Lalla: I think you will start seeing the tipping point grow, we are right now as you might see near the breakeven, we did 3% EBITDA now, so we are hovering around there. As you start seeing growth in revenue, we will start seeing growth and profitability or improvement and profitability.

Vijay Thadani: Just as an added comment I think last few quarters the effort of the team has been to make sure that to reduce the breakeven point and cut down the fixed cost structure and large amount of benefits that you see coming over the years as you have seen over the last two or three years, top line growth has been relatively weak including this year, the top line growth is flat compared to last year, but if you see the margin swing from minus 3% to plus 3%, so there is 600 basis points margin swing which has happened, so obviously there was scope for cost management, there was scope for consolidation, all those have been done and hybridization of delivery presents another opportunity to reduce the cost even further, so idea is to keep the fixed cost lower given the fact that market places are in turmoil, we have to keep our head above water as the markets tend to settle down, so the minute we encounter growth, it is a very relatively high margin even compared to the past, I think that is the comment I want to make.

Moderator: Thank you. The next question is a follow up from the line of P. Sachdev from P&Y Estates. Please go ahead.

P. Sachdev: Mr. Thadani, you mentioned about the opportunity in the 33% of the business, just want to get your views on stance to monetize these two businesses because currently there are drag on the company. In fact, if at all there are I would say market is giving the negative value and hence overall drag on the company's valuation, so any stance to monetize the School as well as the Skill Career division going forward?

Sapnesh Lalla: I have an interesting analogy just because I have been with NIIT for over 25 years now about eight or nine years ago, the Skills and Career business used to be the business that had 25% margins and the Corporate Learning business was just around breakeven and not growing, so I think focusing in the right way on the right business can turn that business around and get us to deliver results, I think that is what this team is focused on at this time.

Vijay Thadani: Let us look at it another way, the questions that you are asking are the questions that we have addressed as well, so like Sapnesh rightly pointed out, in 2010 I very distinctly remember there was a discussion because at that time, we had acquired Element K if you remember in US and we were wanting to see that the changing training spends which were happening in US for us to remain in corporate business would mean there will be a bit of heavy lifting that will have to be done in terms of subsidizing it and there was a discussion that we should perhaps exit corporate business and on such call that we are now on, there were suggestions that came forward. We decided that the product can be subscription based business which Element K was, it made sense to exit and we did exit and it turned out to be a very, very profitable and useful and good exit, but we decided that where there are temporary setbacks and we have not figured out the right business model may be there is a benefit in continuing our effort and putting all of NIIT's energies in growing that business, that turned out to be a right strategy because 2011 is when we got our first MTS contract and then we thought maybe it was an accident or it was a coincidence that this strategy was working, but then next year we got two more and after that business has not looked back and today is 62% of the business just to remind us this was a $23 million business in 2010 when we were about to take that decision and Element K against that was nearly $90 million in revenues and we exited the $90 million revenue by the quality of revenues that we were getting not because it was a drag because we saw it fitted in the overall strategy and core competences of the organization.

Similarly, I think even in the current businesses, the way we have packaged them there are lot of small, small elements which are back together. There we have been looking at which are the ones which do present a long term opportunity and we should have to stay forward to continue there and which are the ones where we believe they do not present long term opportunity either in terms of margins or in terms of growth and we do not think it is worth remain invested there and we will be taking these calls as Sapnesh has begun to settle down. We are right now going through our planning process and very much the same discussion point around the table, so I wish it was a Black & White answer very much like you suggest it we look at, but I think the answer to this solution will be great and we will have to really pick up which shades of white do we want to keep in this overall scheme of things, so I think by next quarter end, Sapnesh would be able to articulate his Go-Forward strategy in much, much clearer sense as we complete the planning process as well.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Vijay Thadani: Thank you very much for being here on this call. as usual, these calls are extremely educative for us because your questions do raise questions in our mind which give us time to think and look at our strategy and we do hope all this learning will continue and thanks for your cooperation, patience, and guidance in helping us through transition this company and bring it back on a high growth and high margin part. Right now, all that I would like to say all members of our management team are available and of course Kapil Saurabh would be available to connect you to anyone or answer your questions as you would have them, so with that we would like to bring this call to a close. Thank you very much.

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