“NIIT Limited Post Annual Investor Conference Call”

May 27, 2009

MODERATORS	**MR. VIJAY THADANI – CEO, NIIT LIMITED.**
	MR. R S PAWAR– CHAIRMAN, NIIT LIMITED.
	MR. G RAGHAVAN – PRESIDENT, NIIT LIMITED.
	MR. A BASU – PRESIDENT, NIIT LIMITED.

Moderator Ladies and gentlemen good morning, good evening and welcome to the NIIT Limited post annual investor call. This is Rochelle, the Chorus Call Conference operator. As a reminder for the duration of this presentation, all participant lines are in a listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should anyone need assistance during this conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. 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 Good evening and good morning to all of you. Thank you very much for joining the conference call. We are here to discuss the 4th Quarter results as well as the annual results. In fact, I would start with annual results and work my way to the 4th Quarter and try to give you a quick overview. The results have been on the web site for about an hour and a half, so you may have got a chance to observe them. Of course, they have been with the stock exchanges for more than two hours now. I would start as usual by talking about the environment that we faced in the last quarter and then talk about the annual results and the quarterly results since it's also the beginning of the New Year. We are looking at also talking a little bit about the New Year. And then we will open it for Q&A.

First, if I was to describe last quarter, in few words it will be a volatile environment, weak sentiment, and delayed decisions. So, consumer sentiment was affected by delaying joining dates of fresh hires, job losses in IT sector, fear of anti-outsourcing by the US Government and therefore to say in the consumer segment in India. On the other hand, general hiring in IT and IT sector remained unaffected. It was affected but job market where specific skills are required we believe remained robust and that is visible in our results. Hiring freeze in private banks and financial services layers we believe will continue for some more quarters though the outlook is beginning to brighten with the latest announcement of PSU banks announcing plans to hire about 30,000 people this year.

Delay in release of new tenders which came up in the schools business and slower decision-making due to code of conduct and issues with relating to the general election. On the other hand, central and state governments, though they had their monies organized in those where their tenders released accelerated their spend to fulfill target before the March closing and before they have to cross the gate of the code of conduct. And general in the corporate space across the world economic uncertainty and liquidity pressure which caused delays in release of annual budget, allocation on new projects, and discretionary spends, etc.

Overall, volatile environment, weak sentiments, and delayed decision in that backdrop let us just look at the last year. Last year of course has seen from a very high bullish sentiment in the beginning of the year to sentiment which I just described. And in that overall sense if you read our financial results our system-wise revenue is up 21% to be at Rs.16.893 billion. Net revenues are up 14% to be Rs.11.486 billion. EBITDA is up 15% at Rs.1.186 billion. EBITDA is improved by 4 basis points. There of course have been two contributors, the EBITDA could have been better. One of course is start of a new business such as NIIT Uniqua contributed to that and the second, the impact of the hedging loss because of the hedging positions we had to the tune of Rs.82 million. PAT is at Rs.698 million for the year which is lower than last year down 8%. However, if you account for the hedging losses about Rs.134 million impact in PAT and the deferred tax assets provision differential we had some deferred tax asset benefit from element K's past losses last year which were much, much lesser this year and some one time benefits which we had last year which didn't get repeated. That made a difference of 19 million. If you look at it true operations, even the profit after tax has grown fairly comfortably. EPS is at Rs.4.2 per share and board recommended a dividend of 65%. We already talked about NIIT Uniqua commenced operation and clocked 25 million of revenues. ILS enrollments overall were up 13% as well as order intake was very robust Rs.3.3 billion and CLS order intake was $139.4 million.

On the web site you would have also seen a slide on business highlights where I think in each of the businesses we saw substantial progress whether it was launching new partnership with Cisco and SAS in ILS IT or launching new courses in financial literacy and dual qualification segment for the Finance & Management Training space or nationwide launch of eGuru which was our private school solution which has met with reasonable degree of success in the first quarter of its existence. And then in corporate learning solutions where we had significant wins in eLearning products as well as training outsourcing which in many ways outshone in terms of the otherwise depressed market conditions that exist in that marketplace. So overall, we believe we did improve our leadership position and data quest agreed on that point with us.

Overall in consolidated financials if you go to one level of detail we see net revenues grew by 14%, EBITDA grew by 15%, depreciation there was a change of depreciation to the tune of Rs.116 million. 647 was the depreciation versus 529 last year which is caused primarily by new project assets that we added because of the new school learning solutions and orders that we can get into more detail if you require. In other income, on one hand we had the benefit of foreign currency movement positive but the hedging loss kind of was Rs.134 million otherwise our other income position could have been much, much stronger. Then at tax, we last year had the element K deferred tax asset provision which we did not get the same level because we consumed a lot of it last year and this year and therefore to that extent the tax does appear high even though in real terms in terms of taxation on amount of tax paid in real terms would be comparable to last year, in fact would be a little higher because of higher benefits of Indian operations. Operational net profit therefore was down at Rs.389 million. Share of profit from associates was also lower at 309 compared to 334, therefore overall Rs.698 million of PAT compared to Rs.756 million last year. If to this 698 million to one time kind of adjustment 90 million towards deferred tax assets and 134 million which is hedging loss, if they were added then we would see a decent growth in PAT as well. So overall if one was to analyze this and if you get these things out then in revenue terms we had an overall growth in FY09 operations of 15%. Our EBITDA could have been 11% but for hedging losses and our operational PAT should have been 517 instead of the number that you see here and that is what we have tried to reconcile in turn.

Overall impact in hedging was Rs.134 million, overall impact of new business which is Uniqua was (-58), overall impact of extraordinary items was (-40) and in extraordinary I talked to you about tax. Similarly there was a one time extraordinary this year which I have adjusted again. So that is how we can reconcile the year with the previous year.

By business client we get into a level of detail. We have started talking about an important part of our strategy which is to look at how do we utilize the IP that we have created over a period of time and in tomorrow's investor meet in fact we would like to share with you what kind of IP assets we have developed over a period of time and how we are leveraging them. But an important piece of data that we would start sharing with you now onwards is the revenue that we are getting out of IP-based revenue. So, in 2007 that revenue was 35%, in 2008 it was 37%, in 2009 it is 40% of the total net revenue. And if you see the differential you can see that because of new IP creation as well as focus on IP-led revenue we have been able to add substantial part of new growth and therefore the benefits in future for us would be a nonlinear growth which by the way is visible even in this year. Our headcount has decreased while our revenue has increased. Recent scalability, competitive entry barrier, and peak-to-market cost leadership which are obvious.

The other thing which I would like to talk about in the overall sense in last year though it was very visible in the second half than in first was the cost control and cash conservation. We believe we have been able to achieve savings rate to the tune of 20% in specific fixed cost and on an annualized basis and these cost control measures will continue in this year. We also believe that we have been able to reduce the working capital requirement both in terms of the inventory and specific current assets and therefore that would be our focus on liquidity and leverage to remain comfortable as we go through the high capital intensity of projects in some of the school segments that we have this year.

If you were to look at the breakup of our revenue, system-wise revenue, individual IT solutions which used to contribute nearly 53%, its share increased to 55% because of the 31% change or growth. Schools had a 37% growth, corporate had a 5% growth in system-wise revenue terms and new businesses also added some growth. In terms of EBITDA, as we can see most of the EBITDA still comes out of ILS IT business followed by schools which had a decent growth in EBITDA 63% and ILS which had a 30% improvement in EBITDA. Corporate of course had a lower EBITDA than last year and new business which consumed part of the EBITDA.

Our growth, geography wise, was 22% in India, 34% in the rest of the world and 15% in US and Europe. In rest of the world includes China, both China, Africa, Vietnam they had a pretty good year and when we get into the details of each one of the businesses, we will talk a little bit about the impact of these on our total revenues.

Coming down to the quarterly financials, our net revenue was Rs.3.008 billion which was about 10% better than the same period last year. The consolidated system-wise revenues were up 22%, however, and this reflects the fact that more growth came out of overseas geographies in this particular quarter. EBITDA margin improved by 93 basis points to 12%. Net profit is reduced by 30% to 177 million. It was affected by the hedging losses and the tax differential that I talked about. So overall it was a robust business performance and improved profitability at an operating level but due to the taxation and hedging measures we did not get the benefit of that to the bottom-line.

Business highlights, ILS IT had a revenue growth of 15% year-on-year with a margin improvement of 124 basis points year-on-year. CLS had a revenue growth of 11% and an EBITDA of 95 million which shows a margin improvement of 192 basis points. So CLS had a pretty good quarter. SLS revenues grew 16% year-on-year to 442 million and an EBITDA margin of 18% which was 653 basis points better than last year and this was on the back of a very strong order intake of 1.008 billion which includes two strong orders from Rajasthan and Assam adding 2048 schools in the quarter.

Key consolidated financials, the EBITDA improved by 20%. Depreciation impact was 192 billion compared to 127 last year and these are mostly the depreciation of the new orders that we have started implementing. Other income had (-36) compared to (+24) last year. Profit before tax is 137 compared to 201. Tax was 40 instead of 24 last year. And therefore the impact of that on net profit was 96 add to that the share of profit from associates which is 80, you get an EPS for 1.1 and the PAT of Rs.177 million. Once again you can see that the continuing businesses had a decent quarter, individual business had a 23% EBITDA, institutional business had 18% EBITDA, and even corporate business had a 6% EBITDA. On the other hand, new businesses and in this case both Uniqua as well as FMT, Uniqua for obvious reason because it was their second full quarter of operation and FMT because of the depressed conditions in the banking sector did have a bad quarter in many ways and they had -48 million. Overall we therefore have an EBITDA of 364 which is what is the total EBITDA for the quarter.

Going into one more level of detail ILS IT we had a 35% year-on-year growth in system-wise revenues, 15% net revenues growth, 22% in EBITDA, and an improvement of 124 basis points in EBITDA margin. In JFM last quarter 51% of revenue came from India, 29% from rest of the world, and 20% from China. What is interesting is the contribution of China and the rest of the world and this is contributed by the new center that we have launched in China in this quarter as well as some of the new engagement with government we are implementing in South Africa. Overall enrollment grew only by 3% but that's in the consumer space. In the institutional alliances space which is not visible here the growth was even better. The enrollment has been shown to be on a like-to-like basis because last year we had an aberration of a new Microsoft product launched which had added some 9000 or 10000 enrollments but those are very, very low price enrollments, just under Rs.1000 per enrollment. So we have taken those out from both sides so we could make sure that we have a like-to-like comparison. What was very satisfying was the placement. They were up 41% over the same period last year. So this is interesting. On one side we read in the newspapers that a large number of graduates are not able to get joining dates or appointment letters, on the other hand we see a 41% growth in placement. So it proves one point very, very clearly that if you have a specific skill that the industry requires, then getting a job is not a problem. NIIT's decision to get into those specific skill certification areas I think is well justified on that basis.

If you look at the year, overall enrollment growth was 13%. We added 44 new centers, 24 India and 20 overseas. China, system-wise revenues grew 35%, IMS enrollment grew 67%. IMS or Infrastructure Management Services is the targeted area that we have after software engineering which is showing phenomenal growth and that growth focus will continue during this year as well.

Our revenue capacity utilization during the year was 56% compared to 55% last year and if you look at in overall term that gain in benefit in terms of operating margin of 123 basis points improvement. If you look at schools, I talked about during the quarter but during the year we had a Rs.3.3 billion of order intake. We added 4278 schools, of which 271 were non-GSA schools. GSA contributed 73% of revenue versus 72% last year. The reason is very clear, we had large wins in government sector and there were a large number of tenders decided but GSA or non-GSA itself also grew fairly decently at 31%. The nationwide launch of eGuru and ITL solutions has been received extremely well. We have also launched the Web Multimedia curriculum, it's from Adobe suite this year. Cumulative number of schools that we serviced has now reached 12159. We are closing the year with a very robust order book of Rs.3.25 billion, 32% which means the third of it will make that next year about 110 Crores of revenues already assured based on this order book. That puts us in a very comfortable position for next year.

In corporate learning solutions over the year we had a 5% growth in revenue but our margin declined by 168 basis points. What's not visible in this results is that we had a positive kick because of exchange rate, otherwise in dollar terms we did have a negative growth in two segments most certainly, one was custom point and development and the second was the print and publishing part of Element K business.

During the quarter we did get some very decent orders for training, outsourcing as well as eLearning product. The eLerarning product orders from a large insurance company, a large food company, and a large Canadian bank maybe the largest in the world indeed very satisfying because there we won in straight contest against the big competitors that we have in this field.

In terms of new businesses, we did have a fairly troubled year for IFBI because of the banking segment woes and the current issues; however, they responded by coming up with new programs and they made up of what they lost because of the banking sector, the recruitment freeze, they gained a part of that through some of the new programs. NIIT Imperia also had some good successes but I think the overall weak sentiment in the corporate marketplace affects them as well. Overall, new businesses therefore had a slightly difficult year compared to the year prior to that where they had already broken even and started making money.

Looking at the balance-sheet, the return on capital employed for the year if we do not take the impact of hedging has moved up to 17.3% but if we take the impact of hedging then it's at 15.4%. Fixed assets added during the year was Rs.1.6 billion or 163 Crores. More than half of these were contributed by project-related assets as well as new initiatives and new products and new businesses that we talked about. Our DSO of 92 days at the end of the year were slightly worse and that it's essentially contributed by delays due to collections from government receivables which would be because of the year end billing that would have or year-end orders that we would have executed. Overall receivables have become much more healthier than the previous year. Receivables over 180 days have reduced and the health of each of the receivables in each of the businesses has been much better overall. Headcount wise, we are 209 less than last year we are at 3641. So in a way we had a 15% growth in revenue with our headcount which was 209 less over last year. Shareholding pattern is available and I think everybody familiar of that there have been some changes in the shareholding pattern. We have had some reduction in foreign institutional investor and domestic institutions and domestic investors have taken a place for that.

Overall we would like to talk about the future directions as well in the Q&A session but I thought I would like to sum up right now so that I will leave adequate time for Q&A. And before I close this, I also want to make sure that I have extended a personal invitation to each one of you to join us at 6:30 p.m. tomorrow which is 28th of May at the Indian Merchants Chambers in Churchgate where we are having an investor meet in Mumbai. Before ours we have also the NIIT Technologies in case you are interested in doing that we could combine both of them, 4:00 to 6:00 would be their's, and 6:30 to 8:30 would be NIIT. And we look forward to having each one of you there and look forward to answering your questions now. Thank you very much.

Moderator Thank you very much Mr. Thadani. Ladies and gentlemen, we will now begin the question-and-answer session. At this time participants who have questions may please press * and 1 on their touchtone telephone. If your questions have been answered and you wish to withdraw from the questioning queue, please * followed by 2. Participants are requested to use handsets while asking a question. Our first question is from the line of Manik Taneja of Emkay Global. Please go ahead.

Manik Taneja Hi sir. I just wanted to understand, given that our growth rates in the eLearning business have been tapering down over the past two quarters and the subdued highly as expected from IT companies. I just wanted to understand what kind of margins can we actually maintain going forward in that part of the business. And secondly on your comments on corporate learning business side would be really welcome. Thank you.

Vijay Thadani So just to respond to this I will talk about the future, we'll ask Mr. Raghavan to answer your question on the future prospects in the individual learning solutions business. But I just wanted to give you one line. On the margin management, margin management has lots to do with how you manage the capacity and in the last one year even though we saw that the consumer sentiment was weakening we did manage our capacity utilization in a better manner as well as a fixed cost structure so that we could even improve our margin at lower growth rates. As far as future growth prospects are concerned, I would request Raghu to say a few words.

G. Raghavan Hi good evening. As far as the future prospects are concerned, we have a couple of segments which are extremely active and we are finding good traction in them. The first among them is the infrastructure management services area what has been traditionally called as hardware and networking. That area has been very, very active and for the last whole years we have actually grown in enrollment in that space by about 67% and that's a very robust area of growth. There are lots of opportunities there. Second thing I would say is if you look at the shorter duration job oriented certification programs, technology programs, there has been good uptake of those programs. We even introduced a very new product responding to the market sentiments for getting job ready soon, called 'Get Job Ready in 99 Days', it's a diploma program. They have also been taken up very well. So these are extremely robust areas. When it comes to future fresh enrollments, in the recent past we are finding some student hesitations in taking decisions and deferment of decisions, etc. But we have a very strong reason going in favor of individual training because of reduced campus recruitments by large organizations. This sends a signal to the students that they have to get ready themselves and get skilled in order to stand a good chance for the job as well as to be better than the other person. So there is a lot for an individual to get trained. So we expect this sentiment to get reversed in terms of them taking up even longer term programs soon. And as an evidence Vijay mentioned about the growth in our own placement of 41% in the last quarter, 35% on an annualized basis it is only growing. So we kind of expect that the current market is going to push individuals to get trained and therefore that will also go well for our business.

Manik Taneja I just wanted to understand what total cost in this part of the business would be fixed cost would still you continue to incur them irrespective of revenue growth.

Vijay Thadani About 60% of the cost in more ways than one is fixed cost and which also includes part of semi-fixed cost. About 40% of the cost I would say is variable.

Manik Taneja Okay thank you. And just a couple of bookkeeping questions your cash in books at the end of the quarter and cash/debt position as well as your net block of assets.

Vijay Thadani Okay our debt position at the end of the quarter was 3481, our cash was Rs.749 million.

Manik Taneja Okay and your net block of assets at the end of the quarter?

Vijay Thadani Net block of assets 5114.

Manik Taneja Okay thank you that’s it from me.

Moderator Thank you Mr. Taneja. Our next question is from the line of Dipan Shah of Kotak Securities. Please go ahead.

Dipan Shah Yeah we just had a couple of more questions so one is Uniqua, can you just give us more update? We had about 300-odd enrollments during the quarter, so how scalable is it and what you can expect in that looking at the overall scenario? And this is for the new businesses as a whole, how do you see the profitability going ahead in this current year?

Vijay Thadani I will also my colleagues Ashish and Raghu to chip in on their respective parts, but overall let me say Uniqua has actually got launched at a time when BPO industry is going through a very, very bad patch and there own attrition rates and therefore their hiring rates have come down very, very significantly. Within that, I think the Uniqua is performing month by month, day by day better and better and we do see that as the industry revises in the next six months which in a way it is good because we would have otherwise gone and expanded much faster than we would have been able to perhaps digest it. Well we have cut down the expansion as well. We think in the next two quarters we would be back to an established growth model. I must point out to you that the response of the employer industry has been very good. With Genpact as a starting partner we now have seven more partners who have extended what they call an appointment letter on joining the course possibility or at least making sure that they would work with Uniqua to offer placements. But I would like to ask Ashish to add a couple of words on Uniqua's future prospects and then maybe Raghu on FMT.

Ashish Basu Okay as far as Uniqua is concerned I think at this point in time we still have a large number of registrations and enquiries coming in. We are still focused around the language piece. However, we've also rolled out to other programs. One is financial and accounting and the other one is IT services and they are just about launched recently so they are beginning to find traction. So like Vijay said, our enquiries are regularly going up as well as the registrations are going up but of course they are nowhere near the levels that we would like them to be. We have at this point in time 12 centers and we would be looking at now expanding only very select geographies where we know that there is a good catchment area that we are able to fulfill our partner requirement. The good news of course is that from the partner side we have a lot more requirements and we are able to fulfill at this point in time so we do expect that that is something which will stand us in good stage going forward.

Dipan Shah Okay.

G. Raghavan Okay let me add a few points about the FMT business, Finance & Management Training business, basically what has happened last year is that we have kind of grown just marginally at 5% in the overall enrollment in FMT business. We have in terms of revenues probably stayed around static. But the point is this all is happening in the last few months where the banking industry has kind of frozen recruitment and the corporate sector has resorted through considering training as kind of a discretionary expenditure. If we really look at it what it is that we have done in order to strengthen our position further we have had further institute tie ups for new products. We have in the banking side created a product for the retail segment that we will be leveraging through the footprint of the individual learning solutions business such as the diploma in financial accounting product as well as there is another product meant for the DQ segment which is the traditional NIIT stronghold of dual qualification segment. And we have also tied up with ICICI Prudential Insurance business. So we have got a few more clients added. So we have strengthened our position further and what it is going to do to us is that as we look at the medium term or near term in terms of public sector banks recruitment who have announced major recruitment plans but also there are private banks which are waiting on the wings with several thousands of licenses to open branches. These two things should really open up the opportunity going forward exactly what is the time frame for it is something to be explored further. But given the economic environment where there is a lot of emphasis on growing economy, banks cannot but be a central part to this whole growth agenda. And in terms of the management education we have added products and we have taken to a more efficient marketing through corporate actions which has been proving itself very well and we are also trying to leverage the SLC Infrastructure that we have. So the synchronous learning technology infrastructure that we have just not only for our programs but as an offering to corporate for their own training as well. So these are the things that we have done in the past to strengthen ourselves and these are the opportunities that we are facing as we get into this year.

Dipan Shah Sure. Just one more thing on the individual learning business Vijay if you can address this, we had a 3% rise in enrollments on a YOY basis in the last quarter and I believe in the previous quarter they accrued a growth for about 23%. So is there anything more to read into it and looking at this can we expect the growth rates in the next year to sustain at the 20-22% level in individual learning?

Vijay Thadani So let us differentiate between revenue and enrollment first of all. I think as I explained to you in the beginning of the call, the consumer sentiment, the sentiment during the quarter has been weak and we have seen delayed decisions. At the same time, what we attribute this to is we have large number of people inquiring but very few people joining and those who are joining are joining for specific purposes, for specific jobs and specific careers that they have in minds despite the fact that we have a higher placement orientation and a higher placement success. So what as Raghu pointed out in this quarter we believe now that the exams are over, now that the college admissions are on and now that the rubber is meeting the road, like you have finished your exam, you do not have a job what are you going to do. We are seeing traction of people coming back and one important area where there is still a large amount of shortage and companies are not turning back people is infrastructure management because of the large amount of remote infrastructure management contract which our industry, IT industry and IT Outsourcing industry is getting. So that is going to be our major thrust area. We also have some new products which we have launched which have come up in good success so we believe those will contribute. The good news is we had a positive enrollment growth. It is an important element compared to last year. The previous year the world was in an euphoria of saying that you know people are falling over each other to make sure they do get the jobs that were, or employers were falling for each other to get hold of people. Now at this time the situation has completely reversed. We believe that the momentum in enrollment growth will increase and change. Raghu, you want to add a word?

G. Raghavan Yes I think in terms of enrollment with the continuous growth or acceleration in the infrastructure management services area, acceleration in the Diploma Programs which are job directed and that coming back of the career programs, future programs which in the recent month they are been on a little bit of deferment by the students. These things should add to the growth of enrollment and I do not see an issue with 10-15% enrollment growth for this year.

Dipan Shah Okay. That is helpful and lastly one bookkeeping thing, sorry if I missed it but what are the one-time items including the FOREX intake during the fourth quarter particularly? Thank you very much.

Vijay Thadani Yes. The hedging loss during the quarter itself was totally Rs. 32 million. See I look at the profit level and the other changes at this time was in taxation. For taxation I can only tell you the overall year impact because the taxation for the year is calculated together. See last year had the benefit of a deferred tax asset because of element case has accumulated losses. We did have a part of that benefit this year also but we have had a much larger benefit because the opening balance was higher. So that differential was about Rs. 67 million overall.

Dipan Shah Okay. Thank you very much and all the best.

Moderator Thank you Mr. Shah. Our next question is from the line of Nitin Saigal of Bridger Management, please go ahead.

Nitin Saigal Hi guys, thanks for taking the question. I had a follow-up on this enrollment growth question because it seems relative to the past few quarters it is quite a significant difference so I am looking back at your historicals and it looks like this is the first quarter we had sort of sub-15% enrollment growth since June ’07 quarter. I just wanted to understand how much if you expect you said 10-15% enrollment growth for year seems to be significant catch-up expected sort of in this quarter in going forward and I was wondering if you can throw any color on what has been happening since the end of March in the past couple of months and also secondly on enrollments, is that only India and can you talk about India specifically versus the strength in the rest of the world?

Vijay Thadani Okay, so let me answer the second part and I will refer to Raghu for the first. We are only discussing India first. Second, as you know in rest of the world in some parts, see it is possible for us to monitor enrollment, in some parts it is not possible for us to monitor enrollment because those are at institutional level alliances. So that also explains that many times our revenue growth is much faster than the enrollment growth. Going forward first we are closing the year on a fairly healthy basis as far as our order book is concerned. So, one part of revenues for next year will come out of our balances, which we are carrying forward. The second will come out of some of the strategies for which Raghu will talk to you about new enrollment and may be Raghu would like to amplify a little.

G. Raghavan Yes, if we really look at the year ending FY in March ’09 we have actually grown enrollments at 13%. But against that if I say 10% to 15%. All we are saying is the portfolio of quarters in this year where yes the last quarter has been at 3.2%. That is only taking advantage of two of the three important segments, the IMS segment as well as the short-term duration technology program segment. They have not had any benefits of active enrollments in the future fresh enrollments segment. Now, I expect that to come back because students are under pressure at the moment and this is the right time when everybody is getting their results and we have launched pretty good programs. We have three tracks now in the GNIIT series for example, the business information systems management which is a track three in the GNIIT which includes the SAS business analytics tool which is a very strong area of requirement as well. Besides the regular software engineering we have introduced and we will be announcing to the world at large day after tomorrow this is the GNIIT Track Two, which is the infrastructure management services area. So the GNIIT is getting extremely strong and there is going to be a lot of uptake on that. So I consider the last quarter future enrollments being soft as an aberration in reflection of the overall sentiments which are larger than just education business.

Nitin Saigal Okay thanks.

Vijay Thadani Add to that two fundamental questions which point to higher enrollments is number one, I have always maintained number of college graduates have increased, number of college going students have increased. Number of jobs if at all has decreased not increased. So there is no reason for people not to train themselves but at the same time when you see that not too many jobs are going or at least that what you read in the newspaper it is likely that you would worry about whether you should waste your time as well in chasing a good job or just sit down and wait for things to improve. Well, how long will you wait for things to improve? The thing is there is going to be peer pressure building up and we see all those factors contributing. Having said that we must realize that at the end of the day it is all the rational arguments are in favor of this but there is an irrationality of decision making which is perhaps what is also causing, what we are watching now. So we will have to wait and watch and see, our focus is going to be come up with broadness as, come up with solutions very quickly. We believe infrastructure management, there is a total market we do not have 60% share of that market. We want to make sure that we go get the balance of it. That cannot go away from us because that market exists. Similarly if there were new products where there is a distinct demand we believe that is not going to go away from us. We will go grab it any one way. Yes, there will be areas in which there will be question marks and that is the reason we are projecting a conservative growth rate in enrollment. It could be different because now the mood is changing. If you see the mood in the last one week, everybody's mood has changed to 180 degrees. So we have to wait and watch in the years is what I would like to say.

Nitin Saigal Okay! And then the last question on, you have spoke about the cost cuts that you made, you know significant cost cuts on the fixed cost, so and I think in previous quarters Vijay you have always said that, if I remember correctly you can get through sort of mid-20s margins if you get to 60s somewhere utilization. I am wondering if now their cost base is significantly lower if you get the growth that you expect on enrollments on revenue, where you are going to be on the margins? If it going to be quite a bit higher?

Vijay Thadani No, so one thing which we are committed to is margin improvement in any case because as you know a part of our effort every quarter used to be dedicated to growing the market as well. Now, we will have to use substantial amount of efforts in marketing even now. Having said that I think one thing we are clear about that if we operated utilization levels of the kind that we are talking about now we should be in a better margin position because even now the full impact of what we did as changes has not been felt in all the results. It is only in this quarter perhaps that we will see the full impact of those changes. So you would see margin improvement.

Nitin Saigal Okay, correct. Well thanks a lot and all the best for the year ahead.

Moderator Thank you Mr. Saigal. Our next question is from the line of Manik Taneja of Emkay Global, please go ahead.

Manik Taneja Hi sir, just wanted to understand your outlook on the corporate training side especially the US part of the business.

Vijay Thadani Yes. Now, I was going to answer it that time but you said thank you so I said I will respond to it some other time. Thanks for reminding us. So I would ask Ashish Basu to address that please.

Ashish Basu Okay. So I think we have observed two things in the US, okay so one of them is very distinctly the recession is there and it is going to be there to stay for a little bit. But for a period of about four months between November and February there was also a very high level of uncertainty which means there is a difference between knowing that you know you can only do a few limited things as far as the company is concerned and the difference between not even having a stable workforce during that period. So for a period of about four months we found that there was practically no movement or no business happening at all. Now that has pretty much changed. So the recession is here to stay. The bar is much lower right now and I think people are talking about less for lesser which is that they actually want to get less done but they want to pay a lot less which is actually fairly good for the training outsourcing business. So if I were to just say what have been seeing about last several months one of them is on the learning products part of the business we have seen a fairly substantial take a way's from Skillsoft which is something which is where they are very pleased with that. And that has come through what we are now calling Real World Solutions. The big advantage that we have over our competitors is that we in addition to online we also have print materials so what that allows us to do is for an organization we can give them a solution which they can either print out and you know they have a version which they can print out and conduct a normal class or they have something which they can give to the employees to do online and having that available simultaneously seem to be a big advantage for customers who are now wanting to lower their cost structure. So we are beginning to see large wins come through that area so learning products is actually doing fairly well. The sales team is also relatively more stable right now. As far as the training outsourcing business is concerned we are seeing a couple of big contracts which have come in, we have started to see the growth in those and there are a number of conversations on so they are reasonably bullish on that. I think the two places where we are not seeing a great deal of growth even going forward into next year one of them is the custom business which has been soft pretty much through the year. We are seeing that it will not really firm up over the next few quarters and the other part that we are not able to see that very clearly also is what we are calling the training center enablement business which is the print business of element K. So there are two which are on a good path, there are two which are not doing so good and in the India part of the business the government business is really looking up. We have had significant wins over the last couple of quarters. Things were very thin between the middle of March and the end of April but again we are beginning to see movement. Now that there is stable government we are expecting that to take off and these orders are large enough to be fairly significant. So we are expecting looking forward that corporate business will do a little better in the coming year than it has in the past.

Manik Taneja Also sir on your comments on business side if you could just give us an idea on whether there have been, there is a change in the broad contours of the dealings that you have had in Gujarat, Rajasthan and AP.

Vijay Thadani Well you must know that the basic funding mechanism for most of these deals are only two. One is ICT at schools which is where the large deals come from and the second is Sarva Shiksha Abhiyan which is where the smaller deals come from. ICT at school is a fairly standard model of a Build Own Operate Transfer where the winning party or the standard party invests in putting an IT infrastructure in school, provides teachers and runs the school for five years or so. Number of teachers, number of computers per school may vary from place to place but by and large even that is standard. So typically a school is between 10 to 12 lakhs for a five-year period and is stranded for so typically there are 4 to 6 parties, one or two would be local, two or three will be national and of course it is an C1 bidding which is where we mostly succeed, which we are technical steps are also given weightage so that is the basic contour. Now, Gujarat order which we got recently it had a larger hardware component percentage than the services component but that also happens between Rajasthan also had a similar little higher one, Assam has little lower, Chattisgarh has little lower, so those things change.

Manik Taneja Sir, do the contours change between a school order awarded under ICT at school and something awarded under SSC?

Vijay Thadani It depends on once again the scope of the tender. If the scope of the tender is to provide boot the way I describe it should not matter who funded it.

Manik Taneja So sir, is there a difference between Rajasthan and Gujarat order?

Vijay Thadani Sometimes there is a teacher training element, sometimes there is content development element then the scope can change.

Manik Taneja Sir, is there a difference between Gujarat order and the Rajasthan order?

Vijay Thadani They are very similar.

Manik Taneja Sir because I was just working numbers, may be, I might be getting numbers or I will take it offline with you.

Vijay Thadani Yes sure.

Manik Taneja Thank you.

Moderator Thank you Mr. Taneja. Our next question is from the line of Krupal Maniar of ICICI Securities, please go ahead.

Krupal Maniar Sir, I just wanted to know what is the amount of closing order book in individual learning solution?

Vijay Thadani Individual learning solution, one moment I will just see it. Raghu you can give.

G. Raghvan It is 146.2 Crores.

Vijay Thadani But this is only India, right. That is only India.

Krupal Maniar And what is the amount of outstanding receivables?

Vijay Thadani In individual learning business next to zero.

Krupal Maniar No, for a company as a whole?

Vijay Thadani For a company as a whole. We have this year, our receivables at the end of this year were Rs. 2904 million.

Krupal Maniar Okay, and like what is the amount of the tax rate we can assume for next year?

Vijay Thadani What is the tax rate you can assume next year?

Krupal Maniar Yes, I think this time it was high close to 25% around.

Vijay Thadani Yes, as I mentioned to you the tax rate now will determine on the mix of business that you get from India and you get through exports. So this year since the export profitability would have been lower our effective tax rate would have been higher because our domestic performance was massively better than the export performance. So it would be reasonable to assume it since a trend of that kind I would say between 15 to 20%.

Krupal Maniar Okay. And sir any broad comment on margins of different businesses like how it would trend going ahead?

Vijay Thadani Yes. You would see a margin improvement in every business and I will give you reasons for each one of them. In individual learning solutions the margin improvement will come from (a) product mix, (b) higher percentage of international operations. I think what is not visible in our total enrollment is the order that we have from the government of South Africa there is you must train a number of people but it is in the individual learning solution format that is not visible as enrollment but those are orders which will help us prop up the revenue growth that we are looking at in the international space. So international business, product mix and capacity utilization and cost management, fixed cost management. These are the four drivers for margin improvement in individual learning solution. In school learning solution the larger part of government schools in the product mix, the scale that we are achieving in private schools which will overcome the sales and marketing fixed effort that is going on at this point of time as well as we are seeing an improved success rate and profitability in the government business as well. The third in the corporate learning solution business it is the cost management issue and a very singular focus on two product lines which is learning product as well as training outsourcing both of which happen to be high margin products and government which would provide the volume. So if I was to say broadly what will constitute or what will contribute to margin improvement cost management is a common denominator. We are very-very conscious of any penny of cost that is been incurred. The second would be improve product mix and focusing on a few things rather than distributing our effort over many.

Krupal Maniar And sir like when do we expect to breakeven in NIIT UNIQUA?

Vijay Thadani Typically a business of this kind takes about five quarters to breakeven. We have just finished two quarters so I would say three more quarters and I think by this time the business sentiment would have also recovered to an extent that it will commit them to breakeven. As you know their losses are declining as we go in quarter on quarter.

Krupal Maniar Okay sir. Thanks a lot.

Moderator Thank you Mr. Maniar. The next question is from the line of Shweta Dewan of IDFC SSKI, please go ahead

Shweta Dewan Sir, just wanted to know your view on the ICT space, sir do you think you know with the L1 bidding in a lot of players aggressively bidding in the space, profitability could be under pressure? And from the government side how do you see the number of projects coming in and then target that we have for the year?

Vijay Thadani Two things which I would like to mention, what you just mentioned is normally true for all the government schools business but in the last two or three situations we have seen and may be it is because of liquidity pressures which the rest of the industry is facing that people have not been as desperate as before. So we have been able to get better pricing, slightly better pricing than before. We also believe that in this space if you have to be get going then you should have adequate access to capital and therefore not everybody can jump into the race and having said that the government buying pattern is also becoming more mature. They are giving more weightage to technical bid unlike just looking at the lowest bid. So all these are contributing to better margin, of course we are also improving ourselves in execution. So that itself contributes. As regards to the potential for this year is concerned now that we have a stable government we believe that they should be tendering out between 15,000 to 20,000 schools this year.

Shweta Dewan Okay. Sir, you know a substantial part of our CAPEX is probably going to go towards these projects. Just wanted to understand what kind of an ROC would we be comfortable with on this space?

Vijay Thadani Okay if you look at in the ROC of a school project in its lifetime it is very different from what you see in the early years because early years the denominator is very large and the return is lower in the beginning. As time progresses your return marginally improves and your denominator reduces. Okay so overall internal rate of return on projects of this kind should be in excess of 15%.

Shweta Dewan And they are achieving that as of now.

Vijay Thadani If you take a look at a completed project you would see but if you take a spot picture at this point of time you would not see for the simple reason because we launched three, we launched Rajasthan and by the way we just added Gujarat 1870 schools which is not mentioned in this release because it is relating to fourth quarter.

Shweta Dewan So you do not see anything special on these days going ahead incrementally?

Vijay Thadani I must point out one more thing. You get extensions to existing projects which also increased the return. I just gave you the IRR on the basis of five-year project.

Shweta Dewan Extension I think will be a pure services model.

Vijay Thadani Yes that would extension would be a pure service model.

Shweta Dewan Okay. And sir on the private schools front if I am correct we have added about 45 schools in the current quarter.

Vijay Thadani In this quarter.

Shweta Dewan Is that up to our expectations or do we expect to do a higher growth or is this number of schools we expect to have in the coming quarters?

Vijay Thadani It is most certainly not up to our expectations or up to our potential but remember this is a product which we launched from the couple of quarters ago. So we are beginning to get successes and we are gaining momentum and are winning against competition. The important question is we have to scale this up rapidly and that is one of the important challenges we have to face. This year

Shweta Dewan Right sir. Is there any target or estimate that you can give out in terms of the schools you are planning to add?

Vijay Thadani Okay I think we should, we added 217 private schools last year. We should definitely go beyond 350 in the current year

Shweta Dewan In the current year?

Vijay Thadani Yes.

Shweta Dewan Sir on the ILS side I just wanted to understand what is the percentage of our net revenues coming from the different geographies?

Vijay Thadani Do we have that numbers? Definitely we would like to share that with you. Are you coming from the meeting tomorrow then we will share that with you. We normally have system by revenue breakup.

Shweta Dewan Okay sure sir. Sir, just wanted to understand one thing on that front you are talking about margin expansion on the ILS business, because of a higher percentage on the international ops. Sir, what is the margin distinction coming India operations and international operations?

Vijay Thadani See it depends on the level of operation as I mentioned. It always depends on the level of volume at which you are operating. So if you get a project of the kind like we get in South Africa then it would come with a decent margin, why because we do not have to create capacities and wait for people to come. We do not have to create forward features to go open new centers and wish for those centers to start generating revenue. So the issue is, the answer is not very simple but volume is the key determinant of margin.

Shweta Dewan Sir but if I am not wrong this is a franchisee revenue that we will be getting from the international operations?

Vijay Thadani Well there will always be a franchisee involved. Now whether he is involved depends on the business what do we have first. Mostly yes, you are right, most of it is franchise operation. And that always comes with the better margins. All our revenue goes in our CMM.

Shweta Dewan Okay sir, I will follow-up with you tomorrow then. Thank you sir.

Moderator Thank you Ms. Dewan. Our next question is from the line of Pawan Sadarangani of Dipan Mehta Stock Brokers, please go ahead.

Pawan Sadarangani Sir in your ILS business, in India the average capacity utilization required for breakeven would be around 35%, right?

Vijay Thadani Yes that is right.

Pawan Sadarangani Okay. So then it would be fair to assume that all the centers now are breaking even since you are expanding.

Vijay Thadani Not necessarily. It depends on where the center is in its life so if you open a center, a center takes about a year, year and a half to reach breakeven level. Typically a good center will reach the breakeven in first year, cash breakeven at least.

Pawan Sadarangani Okay. Sir, any guidance you would like to give on your overall top-line growth.

Vijay Thadani I think what we have talked to you about is how each business is going to function going forward and I think the summation of that would represent the top.

Pawan Sadarangani Okay. Thank you sir.

Moderator Thank you Mr. Sadarangani. Our next question is from the line of Vipul Arora of Adhar Securities, please go ahead.

Vipul Arora My question is answered. Thanks.

Vijay Thadani I would also like to take many more questions but I am also conscious of one more call that we have in a short while. If we could take the last two questions and we could look forward to having a one-on-one tomorrow the whole of our management team will be there and we would be there for the most of the day. So even if you land up earlier the venue we would be happy to have one-on-one chats with you. So could we just restrict this to last two questions right now please?

Moderator Thank you. Our next question is from the line of Nimish Joshi of CLSA, please go ahead.

Nimish Joshi Sir two questions, one on how big is your eGuru coverage probably I missed it at the start of the call? How big is your eGuru school coverage right now?

Vijay Thadani When you say how big you mean by number of schools?

Nimish Joshi Yes-yes number of schools.

Vijay Thadani The total number of schools which are covered, see the whole product line is called eGuru but if you are referring to how much of it is non IT subjects and stuff like that, it would spot a 100-odd schools because this is a newly launched product.

Nimish Joshi Okay. And secondly on the ICT I just wanted to understand one thing, are some of these schools new contract, are they on upfront hardware purchase kind of model wherein the government pays you upfront or all these are where you will receive the payment even on the hardware over the period of the contract?

Vijay Thadani In some cases, the government does consider paying at the time of hardware installation. In some cases they would pay more when there are, should I say quarterly installment when you finish installing hardware. So those are different payment terms.

Nimish Joshi Yes and one think I mean suppose they pay you upfront, do they pay only, make a part payment upfront means our such structure also prevailing?

Vijay Thadani Yes.

Nimish Joshi In that case how do you book your revenues? Do you book entire revenue?

Vijay Thadani Revenue is never booked on the way they pay us. Revenue is booked on the way we deliver the service and deliver the contract. That is our revenue recognition policy.

Nimish Joshi So that is what I am saying. So basically if you sold the hardware to them and they may only give 50% payment but you will recognize the entire revenue upfront? Is that the case?

Vijay Thadani If the contract was to that our part of the services was separated out between supply of hardware then it is been the way you are suggesting it. It seems like that it is a deferred payment that we agreed to, in which case you would book the revenue but you would clear them as receivables and you would carry them as receivables.

Nimish Joshi Right-right. Got it, got it. Thanks a lot.

Moderator Thank you Mr. Joshi. Ladies and gentlemen, due to time constraints our last question is from the line of Shweta Dewan of IDFC SSKI, please go ahead.

Shweta Dewan Sir, just one last question, just wanted to clarify we have around 27 Crores of other income for the year. So what is the percentage as exceptional item or? --

Vijay Thadani During the year?

Shweta Dewan Yes sir for FY09.

Vijay Thadani Okay. I have the full breakup of our other income which I can quickly share with you as we close this call. So other income is constituted by the following elements. One is the interest. In interest we have a negative which means we have paid more interest than we have earned, okay and that is 302 million. Then we have exchange fluctuation gain which is 96 million and then we have an ineffective hedge loss which is 52 million and we have a non-operating income of 158 million and this is one exceptional item which is when I was reconciling last year and this year I told you there was a positive kicker and that is there was a land which we had, which actually had to be handed over to the university and going by the law we had to book a profit on the capital gains arising out of the transfer of that land. So that was booked in the other income as well and this was in the second quarter.

Shweta Dewan Okay that is the 158 million you said.

Vijay Thadani Yes and that we had already shared with you.

Shweta Dewan Okay. Thanks sir.

Moderator Thank you Ms. Dewan. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Thadani for the closing comments.

Vijay Thadani So I would like to thank each one of you for your keen interest as well as participation. I do appreciate the fact that there were many more questions that you were waiting to ask and many more clarifications. I feel happy that we will be there tomorrow in person and would like to spend as much time as we would like to, to talk to us. If you would like to book some time with us I would recommend if you can either send a mail to kapil.saurabh@niit.com or even call him up on his number which is 429 3324 . But we would be very happy to spend as much time as you would like and if there are any other follow-up questions we would like to address them at that time. Thank you very much and we look forward to see you. Bye-bye.

Moderator Thank you Mr. Thadani. Thank you gentlemen of the NIIT Management. Ladies and gentlemen on behalf of NIIT Limited that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines. Thank you.