“NIIT’s Q4 Results Investor Conference Call”

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Moderators:

R S Pawar – Chairman
V ijay Thadani – CEO
P Rajendran – COO
G. Raghavan – Chief Executive, Career Building Solutions
Sapnesh Lalla – Chief Executive, Learning Solutions for Enterprises

Moderator: Ladies and gentlemen good day and welcome to the Q4 and Annual results conference call of NIIT Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should 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 would now like to hand the conference over to Mr. Vijay Thadani, thank you and over to you sir.

Vijay Thadani: Good afternoon and thank you very much for joining this call, which is to discuss the quarter four of FY2011 and financial year 2011 results. So as usual, I will take you through the results and then we will open it up for Q&A and for Q&A, I will be joined by Mr. Pawar – Chairman of the company; Rajendran – Chief Operating Officer; Raghavan – who is the Chief Executive, Career Building Solution; Sapnesh Lalla who also joined us from US today for the Learning Solutions for Enterprises; Investor relations and finance people to help us answer this questions. So without further ado, I would like to talk about the last quarter in terms of first the environment and then how the results and what is the inflation of results from my point of view.

So in terms of the environment, I think while the economic condition in the country seems favorable and positive despite inflation and of course rising interest rates towards controlling that. We did have a fairly stable quarter in terms of exchange fluctuations, though we did have some loss coming out of the exchange in growth, especially. We saw strong hiring sentiment across employers. IT and banking sector were very predominant in terms of the hiring patterns. Education and skills development remained our top agenda, with much more participation by private sector, as well as we saw corporate sector business confidence returning. US markets are showing recovery in terms of training spends and Europe is looking at outsourcing activities fairly seriously.

Just to put the year in a perspective, this year, our focus has been on reorganization of our businesses in the manner that we strengthen our balance sheet as well as focus on high returns, high growth, more annuity revenue driven businesses. So it is in that context that we have had the whole year. So the consolidated system wide revenue for this quarter was up 9% year-on-year at 5.168 billion. Net revenues were at 3.237 million, up 10% year-on-year. EBITDA was at lower levels at 13% nearly three hundred basis points drop over the same period last year and I will explain each one of these. Profit before tax was up at 19% year-on-year. Net profit was at 378 million which is up 53% year-on-year. So a topline of 10% revenue growth in by itself has a number of initiatives behind it, which I would like to explain, but I thought at the first instance the 53% growth in profits has been contributed by an exceptional extraordinary entry with the divestment of a non-operative assets which caused the other income to go up and I will explain that in greater detail. What contributed to this performance in this quarter was fairly decent growth in all the leading indicators; IT career enrollment showed a robust growth, banking enrollments were very impressive. Order intake in corporate learning solutions especially in Learning Products and Managed Training Services were very strong and in the process, a larger proportion of annuity and IP-based revenue that we built which also has strong future visibility.

In terms of individual levels of business; in individual business, our System Wide revenue grew 7% in Q4 YoY. Net revenues grew at 8% year-on-year. In IT part of the individual learning business, net revenues grew 7% and EBITDA was at 23% which is the same level as last year. New businesses had a growth of 28% year-on-year and that is what contributed to individual learning business growing 8% year-on-year. In schools, we had a growth on a year-on-year basis at 16% which is essentially contributed by the private school initiatives where we had been working on building a strong sales force as well as launching the new genre of products which we have announced during the previous quarter and a large amount of those initiatives yielded very good results. Many in this quarter and I think many more to come in the following months. In corporate, net revenue grown up 9% year-on-year, but not visible in this is the impact of exchange which would have resulted in another 2-3%, 200 to 300 basis points improvement in growth. EBITDA at 119 million was at the same level of 8% margin as last year. Overall private school sign up grew very well. The order intake of our private school grew 79% and the corporate order intake was at $40 million which included two substantial Managed Training services deals which are multimillion dollars, one from a global technology major and one from an insurance company which have contributed to this order intake and will after one year contributes to visibility of revenue stream over the next 4 years as well.

Moving on to consolidated financials, the growth in revenue did get affected by adverse exchange impact. So Rs. 3.237 billion of revenue had a Rs 33 million impact or about 1% on US dollar denominator revenue. Similarly we had an adverse exchange rate as well as impact of people cost training increase and adverse rental increases and which caused the operating expenses to be higher. As we had talked about it in the previous quarter, this is a quarter which we are using as a quarter for getting ready for certain launches in individual learning space in the coming season. Transitioning expenses, where we begin to implement large managed training services deals and lastly in the private schools to gear up the sales force as well as delivery and logistics capability to be able to service the large number of schools that we have added. Many of these expenses have contributed to the subdued margins that we have during this quarter. At a balance sheet level, we had a reduction in net debt as we had mentioned at the beginning of the year, our focus was to improve the quality of capital employed and therefore we focused specifically on release of capital from lower return businesses such as the government ICT contracts in schools as well as reducing debtor especially in the government school business. The debtors at the end of the quarter stood at 3898 million, but what is not visible there are certain large payments which came immediately at the year end, in fact first week of April which have reduced these substantially over the market. Also we had a very good month in Element K in terms of order intake and invoicing which result in collection only in the following 30 to 40 days and which we have already got and experienced the benefit of those collections. Otherwise the debtor situation given that we were able to collect from sundry debtors, the debtors situation should have improved substantially.

Overall if one was to look at the year, if we see net revenue, it has grown 4% year-on-year, but if you provide for the one-time benefit of the pass-through income which we got last year as well as corrected, if you just on for the pass-through income, the growth would have been 9% on a year-to-year basis, but even in this 9% is not visible impact of foreign exchange which would have contributed another about 200 basis points in terms of improvement in growth as also what is not visible is the substantial reorganization that was done of the businesses especially the school business because on a year-on-year basis, the school business is flat after accounting for the one-time pass-through income and within that is the de-emphasis on government schools which has contributed to that. So overall in the learning solutions business, we had a growth of 10% year-on-year and a margin which is of at the same level as last year. In schools, we had a margin erosion because of reorganization as well as gearing up for the alternate strategy that we adopted during the year and in corporate, we had both improvement in margin and improvement in volumes also a large order intake of $40 million which finished with an order book of $98.2 million at the end of the year.

Moving on to discussion on each of the businesses; in individual learning solution for the quarter, our enrollments were up 19% year-on-year. In engineers program, the enrollments were up 33%. Overall enrollments were up 12% and we had a very strong growth in placements, up 43% year-on-year, but on a financial year level, overall our enrollments were 6%. The way I look at this is that quarter 4 parameter on all leading indicators are better than the annual parameters which actually reaffirmed the fact that the work that we started at the beginning of the year, towards the end of the year had begun to give results. So during the year, we had single digit enrollment growth in most of the ILS IT businesses and in this overall enrollment, growth was 12% and career enrollment grew up 19%. The same is the story with placements which have been growing better year-on-year basis in each of the quarters. Overall the pending order book in FY11for individual IT business was 1.106 billion and about 66% executable in the next 12 months. In individual learning business, another very important thing to maintain is that we started the year with a comparatively lower order book given the recession of the previous year and as we had discussed in third quarter, we were entering fourth quarter with the very very low order book. So while the enrollment growth was robust in this quarter, it did not make up sufficiently for the lower order book that we inherited at the beginning of the quarter. In schools, we added 196 non-government schools which reflect a 94% increase year-on-year. It created strong order book and the fact that non-government school revenues grew at 26% year-on-year and contributed 44% of revenue. So at the end of the year, the non-government revenue is 40% which shows that even that percentage of revenue as a percentage of total is increasing which is the strategy that we had adopted. Over the year, we added 581 non-government schools which will up 76% year-on-year in terms of signs up and the pending order book is now at Rs. 4.402 billion, of which 30% is executable in next 12 months.

In corporate learning solutions is where we had the maximum order intake as such having signed two large managed training services deals in this quarter which contributed to the order intake. The other significant addition was online learning products order which contributed to the revenue growth and we had a 12% volume growth in this business, even though in revenue we only see 9%, the rest being the impact of the Forex. Our margins in this business were lower than last year for two reasons. One as we had talked about it last year, we had some licenses based orders which had created high margins in the quarter and we had talked about not being sustainable as we go forward, but the other important issue is we were also impacted by transition costs in implementing these large managed services order. All these investment are going to contribute to step up in revenue in the corporate learning solutions in the coming year and in fact in the next few years. In FY11 therefore we had a 13% volume growth driven by strong growth in managed training services at 38% and learning products at 18% year-on-year. Now we opened the year with 1 MTS contract which we have the permission to use the name of the customer which is Philip**s**, but over the year we have added 5 more customers. One of whom is in upgrade from a project customer to a managed training services customer and 4 new customers, of which two were added in last quarter alone. We totally had an order intake of $138 million during the year and closing the year with an order book of 98.2 million as I mentioned before. Corporate learning solutions once again have shown two interesting trends. One, quarter-on-quarter the growth over the same period last year has been improving which means an accelerating growth froth, second is in terms of margins has been same or better in each of the quarters and as we go forward and the other important part is that the percentage of the annuity and IP-based revenue which is the learning products and managed training services revenue have been increasing and is now 56% of the total revenue. I just want to remind ourselves that we were essentially, a project-based company and over a period have transformed ourselves into a more annuity based revenue company.

New businesses have grown 28% during the year. Our enrollment in the finance and management training space were up 177% and in our IFBI, crossed 10,000 placements mark in this quarter having placed more than perhaps the largest number of bankers which anybody else has done in the industry. Overall enrollments during the year were up 82%. Our overall IP led revenue as a percentage of total revenue continues to show an increase which is 44%. Our headcount increased with a net addition of 184 people in this quarter taking the total headcount to 4157. So I would stop here at this point of time and invite questions and discussions on the result and then we can take it forward from there and as I had mentioned, joining me in the Q&A will be other senior members of the NIIT team.

Moderator: Thank you very much sir. The first question is from the line of Kaushik Poddar from KB Capital Market. Please go ahead.

Kaushik Poddar: Whatever you said just now Mr. Thadani, one can see that the order book is better, probably lots of expenses have already been initiated, much of it expensed out and the debt is also getting reduced. So can you say that we are at an inflection point we are, the past few years which had low growth, those days are over?

Vijay Thadani: Yes, thanks for asking that question. I think last couple of years; we have actually been working a) in dealing with the economy and then dealing with effects of the economy on the overall business of the company. We had in this process built up a balance sheet which was becoming unfavorable for us to support future growth in an aggressive manner and therefore it was important for us to reorganize our business in terms of getting into higher return businesses, building more predictability through annuity revenues, increasing the margin by improving the percentage of IP based revenues and lastly reducing or improving the quality of balance sheet by making sure that we have the non-operative assets monetized as soon as possible. I think a lot of that work has been completed. The balance sheet has been definitely made more robust because of the reduction in debt caused by lowering of debtors on a comparative basis as well as monetizing some non-operative assets. I would not say that issue is complete as yet because we still have government debtors which we are collecting and as I mentioned, we did get about 25 crores in the first week from one of the long standing government debtors which would make a positive movement. In fact there have been other positive movements during the year. So I would say on the strengthening of balance sheet, the initiative lot has happened, but much more can be done. As far as getting, reorganizing the business is concerned, in the government school business, we have been able to be de-emphasized that business substantially and are being extremely selective in dealing with new orders and private school momentum has picked up so that has also I think on a positive track and we can therefore say that, that part is behind us. On corporate learning solutions, given the heavy emphasis on discretionary spend, I think the move towards learning products as well as managed training services will get us out of that activity and I think we have a robust revenue line visibility for the next 5 years based on the contracts that we have picked up and in individual learning solutions, in addition to the market returning back in terms of our preparation, I think two initiatives. One NIIT, we call it "One NIIT" because we would like all centers to be able to offer all products whether IT or banking or BPO and that would increase our reach substantially and a new delivery platform which is very significant because it has changed the student learning experience dramatically and that platform is being rolled up. That work has happened partly in last year and part of it will continue in the first two quarters of this year, but after that yes I can say that we would be done in terms of reorganization and getting ready, but in terms of revenue growth we are beginning to see the revenue growth already in all the businesses that we had reworked on and the markets anyway continues to remain strong in those areas. So we are looking forward to putting this period of reorganization behind us and go ahead with higher growth as we go forward.

Kaushik Poddar: Can you just elaborate on that One NIIT concept you just talked about, what is that exactly?

Vijay Thadani: So today we have for our IT training, we have a large number of centers and then when we launched our banking financial services training, then we opened, it was a new institution and to make sure that it gets the right focus, we set up about 30 centers which were separate and we set up the management training activity along with that so that the capacity utilization could be done better. So finance and management training created some centers. Then when we got into BPO training that created some more centers and separate sales team. In one NIIT, we are making sure that at a product management level and at a promotion level and delivery level, we have the independence and specialization which each one of this require, but at the front end level, it should be possible for us to combine sources between all. Now that is a very powerful initiative because you can imagine that IFBI if it was available only in 35 centers; in 3 months' time be available at 100 centers and in another short period of time, it will be available in many more centers. Hence the IT training got an enhanced reach because they got the benefit of addressing the capacity which was available in the finance and banking institute centers. What is also very significant is that it allows us to integrate the workforce in a manner that the consolidation will lead to better operating efficiencies. (28:08)

Kaushik Poddar: Just one question. You just now said that you had 35 IFBI centers, now if it is rolled out to say 100 centers, so will you be getting requisite faculty also?

Vijay Thadani: Yes. So to make sure that we are able to organize the faculty appropriately, the new delivery model allows us to use technology to make live faculty available at locations where there may not be adequate momentum to start with as well as we give us a chance to accelerate our hiring in the manner that we are getting ready for the higher growth rates we are looking for.

Kaushik Poddar: Thank you Mr. Thadani.

Vijay Thadani: Thank you very much.

Moderator: Thank you. The next question is from the line of Mohit Jain from Alchemy Capital. Please go ahead.

Mohit Jain: Related to the segments, so last time when we discussed the earnings, you said there was some restructuring going on in the ILS segment. So is that phase over or this quarter growth was impacted by that restructuring?

Vijay Thadani: I will ask Raghu to answer that, he is familiar with those specific details.

G. Raghavan: Last time we talked specifically about restructuring a channel in what we call as the rest of the world market. So that work is over. You are right in saying that part of the revenue, no growth in the international market; non-China, non-India individual markets is partly caused by that. So you can take that as kind of over, but I think the larger picture is what Vijay talked about. In terms of one NIIT program where we will enable all centers to be able to market and/or deliver product of banking finance, BPO and management that is one part. The other part is delivery 9.0 what we call as delivery 9.0. Basically a new delivery mechanism which among other things involved connecting of many centers through VSAT which we have done up to close to about 100 centers we connected that enabled us to offer programs at expert faculty even when the number of students in each of the locations is not necessarily a full batch. So, these two are fundamental things that we have done. Restructuring specifically you were talking about is related through the international channel distribution restructuring that we have carried out in the couple of months.

Mohit Jain: So if I understood it correctly, next couple of months would also benefit due to that restructuring because it will take some time to recover from there?

G. Raghavan: In the light of the larger sectors, the impact of that restructuring will become lesser and lesser, but I do not expect this to go anything beyond the coming quarter.

Mohit Jain: And when you say One NIIT, I guess you are going to retail all your brands as it is right or you will be?

Vijay Thadani: No, One NIIT is an internal name. It is the name of the initiative, it is not a brand.

Mohit Jain: It is not a rebranding exercise?

Vijay Thadani: No, IFBI has a brand identity of its own; NIIT Career Learning has its own identity. So each of the components have, so brands will remain. One NIIT is more an internal initiated to put all the heads together to drive faster growth with the available capacity.

Mohit Jain: And second is on SLS, so EBITDA margins fell significantly. Can you split it what would have been the picture if we exclude the restructuring charges from the EBITDA in this quarter?

Vijay Thadani: So first of all in school learning solutions, the restructuring is in the form of de-emphasis of government business and we have not, if you notice, added or started any new contracts during last one year. We did not start any new government contracts, even though we had received an order in the first quarter, but that implementation got delayed because of political issues in that particular state. That is now behind us. So during the year, we did not start any new government contracts. Now that obviously led to a lower operating leverage because you had your teams in a sense available; however, in private schools on the other hand where January, February, and March is the very important quarter for increasing your awareness and sales effort, we had put special effort to increase the sales activity and in the private schools and we added more sales people as well. So the margin in schools does not include a restructuring charge as such, but it is the gearing up activity on one hand and lower operating leverage because the overall revenue levels were lower. That is the contributor.

Mohit Jain: So the team which is there for the government schools, although you are not adding any contracts that team is not transferable to any other private school contracts?

Vijay Thadani: No, they are and there are continuing government school contracts which have to be serviced number one. Number two, as I mentioned that the contract which we had received first three quarter of last year which could not take off because of, now that situation has been sorted out. So from this quarter, that implementation will also start.

Mohit Jain: So as and when it starts, how should we expect this margin to move in FY12?

Vijay Thadani: In FY12, we would definitely see an improvement in this margin. We were steadily improving our margin before we took the decision on government schools and we were steadily improving and then for the last 2 or 3 quarters that we were reorganizing ourselves, our margins had dipped, the lowest being I think in this quarter. I do not think that is a situation which is to recur because that part of organization is over. They are gearing up their sales force as we go forward. The successes have been very encouraging. So they would like to gear the sales force and grow the top-line activity based on new schools added. The new schools are at good profitable margins. So there will be a margin improvement and of course there is a top-line improvement.

Mohit Jain: And on the CLS, EBITDA margin again. Can you split the impact of ForEx and the transition cost and what sort of transition costs are these? Are they ongoing as you said being projects or how do these costs move?

Vijay Thadani: So typically ForEx impact is very small in the CLS margins in this quarter. It is only Rs. 6 million is the total foreign exchange impact on EBITDA, but on the top-line there will be an impact. The important question to address there is that when you have a large managed training services contract, a) the selling cycle itself is 7 or 8 months. The contract negotiation period is typically 3 to 4 months. In this particular case and it is a fairly substantial order, the contract finalization from transitioning to contract finalization took 6 months. Now much of that does not get into the revenue stream. So you actually gear up your teams and bear those expenses, but then as the revenue comes in, then that gets made up for. So now that the contract is signed, we have already started the implementation of the large contracts which we just got which is adding nearly $10 million in the first year itself and that is what is included in our order intake and we have another 4 years to go after that given the contract and there will be improvements in that. Then the contract margins will start coming in, but before that we had not clocked sufficient revenue to look after those costs.

Mohit Jain: And on your guidance on new businesses, do you still maintain that FY12 breakeven guidance?

Vijay Thadani: Yes, in fact there are two things which I would like to mention since you asked the question. As we move into One NIIT which we have been working on, the line between different businesses and keeping a track of their separate accounting is becoming more and more thin. So going forward as I had been saying right through last year, we would start now giving a consolidated view of individual learning solution and for reconciliation, we would send you the individual learning solutions performance, in fact put it up on our web database so that individual IT and new businesses put together performances available for the last 4 quarters and therefore this year we can compare our performance going forward.

Mohit Jain: And just one follow-up on the exceptional item, that has been added in other income?

Vijay Thadani: That has been added in other income. So there was also a release which we had made to the stock exchange as well as others just to explain to you. First in other income, we had a net interest of 74 million. We had the divestment of the non-operative assets which caused 215 million gain, fortunately in that we had past tax benefits available. So there was hardly any taxation on that and we had a Rs. 72 million contributions to NIIT University corpus based on the approvals and permissions that we have for the last 2 or 3 years. We had a ForEx impact of 9 million adverse and therefore the total was coming to 75 million for the quarter positive.

Mohit Jain: And can you please help me understand the NIIT University line item, the contribution from the corpus?

Vijay Thadani: So about 3 years ago, the NIIT had participated in the NIIT University project and I will ask Mr. Pawar to talk more about that if you would like to, but first to explain the financial item and we had approved a certain corpus participation from NIIT. That was if I remember Rs. 150 million to be done over the year and this year, the contribution was Rs. 72 million. Of the amounts that have been cleared by the corpus, have been cleared under that 150; 72 this year, 15 was the previous year which is 87 and the total approval was for 150 million. One more issue which I would like to point out which contributed to this corpus when the NIIT University transaction happened at that time, the land since university was not formed, was first allotted to NIIT Limited and when the transfer of the land happened to university, there was in our books a capital gain which we had talked about 3 years ago and it was only natural that, that capital gain should go in favor of university because the land was allotted for the purpose of university. So we have discussed this in that time and disclosed it at that time and this is in fulfillment of that obligation.

Mohit Jain: Okay sure. Thank you very much.

Moderator: Thank you. The next question is from the line of Rishi Maheshwari from Enam AMC. Please go ahead.

Rishi Maheshwari: In light of the commentary that you have given. Can you also help us understand the future outlook and growth as well as EBITDA target in each of your divisions?

Vijay Thadani: Ok, so if I see the background of all that happened during last year, the impact of that will be definitely positive on the future growth. In individual learning business, now that I will be talking about individual learning in totality in contrast to IT separately and new businesses separately and I will keep giving you the equivalent numbers. In individual learning solutions business, last year we did Rs. 1018 million and we expect that over the year because new business part and One NIIT implementation as well as the momentum that we are seeing in the individual learning business, we see a revenue growth of 18% or there about in the forward terms and this was 13% last year. The improvement in margin will, however, be small. In fact we would start with perhaps a margin erosion in the first quarter on a comparative basis, but we will recover that in the rest of the year and that as Raghu pointed out is more to do with the implementation of restructuring as well as the new delivery platform. May be best is I will ask Raghu to explain what will contribute to this and then I will move on to school and others as well.

G. Raghavan: So in terms of the One NIIT, it is a very powerful thing wherein the IFBI product as well as BPO training and management training will get several times of footprint than what they will have so far. That is an important aspect that will influel growth not only growth from a customer and the enrollments going, but also internally it will drive some efficiencies for the medium to long-term. The second thing is the delivery 9.0 project which provides the new platform. Now actually we have just launched their new GNIIT which will run on this platform. Basically it will be consisting of student devices and we are eliminating printed courseware for the students and they will also have 24 x 7 learning availability. So they are completely new thing. We have just launched the GNIIT product in that platform. Then we will be launching the post graduate program in IT which is the one year program, it is a kind of taken off the GNIIT and thirdly there are about 36 lakhs commerce students in the country. We will be addressing them with very dedicated programs that will help them get on to many different streams that also involve IT and in the banking side apart from getting multiple footprints for the products, they will also get this probationary officers training which has just piloted but we will be doing a national launch sometime in June. So we have a fairly good combination of strategy in terms of channel and going to market and also products that I just explained and apart from this, we have launched some new products in the last quarter or so like Android as well as the PHP. Both things will have certain volume growth as well. So we are pretty optimistic about the outlook.

Vijay Thadani: So let us talk a little bit about corporate learning solutions. I would ask my colleague, Sapnesh to talk about corporate.

Sapnesh Lalla: On the corporate learning solutions business as Vijay mentioned earlier, we continue with our strategy to focus on learning products as well as managed training services business engagements to drive both higher margins through IP based solutions as well as higher predictability through annuity based revenue lines and that focus is going to continue. We will also focus on quality efforts so that there is no loss of customer or any effect of customer service. So we intent to continue to keep our existing customers and add a set of new customers in the coming year resulting into a step function growth opportunity in the coming years and in terms of revenue, we are expecting on a constant exchange rate based on last year exchange rate, a growth in volume to the extent of 18 to 19%. Last year, we had done 13% and in March, we expect the margin to improve substantially. We were at an overall margin in the corporate learning business at 11% for the year and we see on constant currency an improvement of 150 to 200 basis points. This is essentially fueled by the new orders that we have received in managed training services as well as in the learning products. I think I read out a wrong number for this year, this year was 8% and this year 150 to 200 basis points improvement.

Rishi Maheshwari: So against 8%, are you expecting volume growth of about 18 to 19%, is that correct?

Sapnesh Lalla: That is correct.

Rishi Maheshwari: And is there a pricing increase also inclusive over and above this volume growth or pricing expected about?

Vijay Thadani: In corporate learning solutions, the contract gets signed for 5 years. There is no pricing increase. The reason I used the word volume is because exchange rates sometimes plays hide and seek.

Rishi Maheshwari: Fair enough and the 18% growth that you mentioned in ILS was inclusive of the new business, is that correct?

Vijay Thadani: That is right.

Rishi Maheshwari: So you said that individually you will also break into what could be in terms of IT and the new businesses?

Vijay Thadani: I said that then it will become difficult to now break given the One NIIT initiative. We are all of them are integrated and in same centers. Cost allocation will come to this side and what I said was that we will give it to you for the previous 4 quarters in a consolidated manner so that you have a comparison point available.

Rishi Maheshwari: Thank you so much.

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

Kaushik Poddar: As far as school learning solution goes, increase of private schools, can you talk about the market share of various players is NIIT gaining market share, you can just throw light on the concept of the market basically, I mean where is NIIT?

P Rajendran: As far as the private schools are concerned, let me roll back in 1999-2000 when we started, we took off greatly into the government school space and there clearly we were the leaders year after year. Private schools is an activity which has started about 3 years back and it is only now that we have put together probably the most comprehensive solution as far as schools are concerned. To answer your question on market share, I do not have the number. Right now I can only say that we are small, but doubling almost every year in terms of number of schools, but I want to spend a minute on the portfolio. What most of you know about NIIT in private or other schools is about setting up the IT lab, teaching IT and some of you must have heard about the maths lab where we started putting the maths lab in schools to improve the academic performance of students in mathematics, then we brought into science lab so that the teacher could take a science lab, it’s a mobile unit into any classroom and teach because all the kids may not be able to go to the physical laboratory and the last one is the extension of the learning lab which this is in the offering, this will come out this year where we connect the school to home. So for students, these are all the facilities which are coming out of the NIIT offering. On the teacher side, so far it has been creating the interactive classrooms. We came out with our full suite of digital content for CBSE last year, towards the end and we are still to see the impact of that this year as we scale up the interactive classroom and the digital content which match the complete CBSE syllabus. On teacher training apart from the fact that we got 40 training modules, etc., we also certified teachers in our schools and schools at large on what is call the European standards EPICT standards where we are the sole certifying agency in the country which is the global certification for example. Their latest one is that continuous and comprehensive evaluation is an item which has been mandated by the CBSE. So that has also come into our purview which has come as part of our teacher training. To tie all this together for the school specifically, we have a complete school management system which is like an ERP which manages all the administrative functions, the school fees management, teacher payroll management, all of that and interfaces the schools accounting system. So if you see it from this whole comprehensive point of view, it is probably now that we are put together the complete offering for the private school and from whatever I know, this is ahead of any one service provider in the country. We will start seeing the best of it next year.

Kaushik Poddar: How do you charge the schools, is it on per student basis or it is a lump-sum royalty basis, is it a one-time royalty?

P Rajendran: The thing is we are not in schools just for delivering the IT content for example. So if it is a pure contract where schools have infrastructure, we have to just give the service of IT content where we provide the material in the lab as well as provide the courseware, it could work on a per student basis and the school has to guarantee a certain minimum number of students from the school so that we can deploy our teachers, trainers, etc., but more and more like I said so for example if you take this school ERP system under the name Quick School. Now this is an entirely different set of people, this is a licensed product, we charge them for the license and it can be multi-user license and there are features, they could take some of the features, but not all. Now we are moving into the cloud. So on this; it is purely licensed based per school with annual maintenance over a period of time. So each piece is different and when we make a comprehensive offer to the school, it in fact engages into NIIT over a period of time on the school management system. Into the classroom in terms of the interactive classroom, the complete solution that comes as number of classrooms into which we have to make from current static to new interactive classrooms. So that starts getting charged on a per classroom basis, then comes the content and the delivery system which will start happening on a per student basis. Now depending on how the contract is, we will just provide them a number on a quarterly basis. In the license products, we would like to charge for the license and pick up the money as soon as we finish the installation in the first couple of months and then it is on maintenance. So the whole space is changing as far as NIIT is concerned after having put together this whole solution. So we will see this happening this year.

Kaushik Poddar: So are you starting some campaigns like Intel Insight sort of thing to make, as a father of a student, I am not very sure whether my daughter's school is using NIIT or not. So in order to expand the brand, are you thinking of some campaign sort of thing so that?

P Rajendran: Yes, but we will start with you. In your school, definitely we are coming. So you will see marketing. So far our marketing, we tie-up the marketing to how much the affordability of spend based on the size of the function that is how we have been working last 1 or 2 years. This year we will change that our marketing is going to be pretty unique in the sense it is not just, are you into the newspaper or are you into the web, we are going to work with the schools where we are already there and spread the message through their parents, you will start seeing our hoardings inside the schools, inside meaning facing outside. When the schools claim that admissions are open, you can come and admit your student here, you will also see the NIIT eGURU enabled school.

Kaushik Poddar: That is what I mean so that when the school is advertising for students, it should be there?

Management: So all that is in the plan.

Kaushik Poddar: Thank you, great.

Moderator: Thank you. The next question is from the line of Rishi Maheshwari from Enam AMC. Please go ahead.

Rishi Maheshwari: Just a follow-up on your other plans towards may be skill development on vocational skills or your entry into pre-school, have you evaluated those concepts and we had early spoken on this, but there is nothing meaningful that has come up with it, just it struck me that a peer had actually come up with it a big way stating their joint venture with NSDC and hence I would like your comments on this?

Vijay Thadani: On skills development, we have been taking a number of initiatives and in fact over the years have actually developed capability in many more disciplines beyond IT to service the sections of society where the skill development activity as you know these will be smaller towns with smaller budgets of individuals, different qualifications and different job roles that these will get prepared for. Over the last many years, we have trained in the last 3 years nearly 60,000 people under variety of projects some sponsored by the government, some sponsored through CSR activity of companies, but in this process have learned the role and as we speak, we have already commenced on activity last year in launching some skill development centers in small cities. During the year, we do see that this activity will reach, will build momentum, but I think it will be too early to see whether it will have a dramatic impact on our financials during the year, but it is definitely a part of our going forward plan, and an important part of our going forward plan and we have a president level person who is leading initiatives.

Rishi Maheshwari: Can you define this area in terms of what is the scope of growth, what is the size of this opportunity, what is your revenue model in this space?

Vijay Thadani: While I would certainly like to do that in greater detail and may be this is also an opportune time for me to invite you tomorrow in Mumbai for the investor meet at 10:30 a.m. and by the way this invitation is for everyone. It is at the Trident at Nariman Point in the rooftop room 10:30 and at that time perhaps we can get into more details because while the ongoing initiatives are going on and they are part of some activity or the other either they are in corporate learning solutions or in individual learning solution and we have had very good experience and price points and have a very good understanding of our end-customer. I have talked about those from time to time on various calls as well as investor meet, but now I think we are beginning to monetize that capability that we have created and during this year, there will be lot of work which will happen and I think its impact on financials will start appearing perhaps on the following year.

Rishi Maheshwari: thank you so much.

Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Vijay Thadani for closing comments.

Vijay Thadani: Thank you very much. As usual, your insightful questions do give us things to work on as we go forward. I think we answered all the questions. Just in case we did not, please do connect with Kapil Saurabh in the Investor Relations or you are all most welcome to join us for an investor meet at the Trident rooftop at Nariman point at 10:30 a.m. on 11th of May. So thank you very much, truly appreciate your cooperation and encouragement and looking forward to meet all of you. Thank you.

Moderator: Thank you sir. Thank you members of the management. On behalf of NIIT Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.