"NIIT Limited Q4 & FY14 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the NIIT Limited Q4 & FY14 Earnings Conference Call. As a reminder, all participants' line will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vijay Thadani. Thank you and over to you sir.

Vijay K. Thadani: Thank you. Welcome to the conference call to discuss the Financial Results for FY14 and Q4. Like always I will first cover the 'Environment', then go through the 'Results' in a little bit of detail and then open it up for 'Q&A.' So last quarter the environment actually continued the same sentiment that we saw during the year with the tepid economic growth and high interest rates and a volatile exchange rate. So these did contribute to the overall sentiment in the economy. The volume growth in IT sector which we had experienced in the previous quarter was expected to lead to increased hiring. So, on ground, the hiring activity remained rather weak and the sentiment therefore towards IT Training also continued to remain weak. Additionally, there was a distraction caused by the uncertainty coming out of general elections in India which further impacted customer decision-making. The changing technology trends and increased just-in-time hiring for skilled workers which is a new trend, because people are now questioning with shrinking margins – they are questioning the basis design of hiring freshers, keeping them onboard, training them, paying them, and then hoping that they would become productive in six months time, that assumption is getting challenged and since we have some solutions to meet those as we have been successfully deploying them, we are seeing an increasing interest in those.

The spend on Corporate Training in US and Europe both remain robust – one, because of the recovery in the sentiment, people realizing that training is a specialized activity and that investment in training is something which can yield very-very high results. Given our recent successes in Managed Training Services contracts in recent times, we got invited to many more bids and our success rate also improved as I will discuss.

So overall, the Indian environment remains weak for the second successive year and there were expectations that there will be a turnaround in FY15 which we are all hoping. On the other hand, in the global environment, we did see more than mild positive interest as is evident from our results as well.

I always give the score card on our growth platforms. So the four growth platforms that we had been talking about over the last 8-10 quarters the Individual Learning Solutions, the platform called "Cloud Campus" we now have approx. 60,000 enrollments and this increase quarter-on-quarter as well we now have 211 centers which are Cloud-enabled and we have 96 Courses on Cloud.

On the other hand, in Corporate we added 3 more customers in Q4 and therefore have 21 global customers. Our revenue visibility has also improved on a quarter-on-quarter basis to $176 million and MTS now contributes 84% to the overall Corporate business, is visible in the numbers of Q4.

In Schools again, we had a robust quarter in terms of "Order Intake" 371 Schools added, so we now have a total of 2172 Schools.

The non-GSA which is the Non-Government segment now contributes 61% to School Learning Solutions business mix.

Yuva Jyoti also had a good quarter with nearly 6,500 enrollments, 19,800 now are the total enrollments that we have added and our reach has expanded to 56 locations. While all this happened, simultaneously, the foundations in terms of profitability, liquidity, and capital efficiency, we had an improvement on all these three parameters as I would be discussing with you. Cash from operations has increased substantially, profitability has improved, less because of growth in sales and more because of aggressive cost management as well as improvement in the product mix that we were selling, focus on higher margin products, and capital efficiency has improved – one, because of higher returns and second, because of reduction in the capital intensity of the businesses.

So overall in Q4, highlight will be the Corporate Learning Solutions, revenues up 41% year-on-year, EBITDA margin has grown by 85 basis points to 12%, Managed Training Services revenue was up 62% year-on-year, and is now contributing to 84% of Corporate revenues. Order intake was a robust 21.8 million which was up 52% year-on-year, we added 3 new MTS customers – one from UK, and two from United States. School Learning Solutions had a very good quarter in terms of order intake which has gone up 115% year-on-year, we added 371 Schools versus 208 in the last year same quarter. The product range that we are offering to schools we will be discussing that shortly but has become much more differentiated and we will be discussing that in our detailed discussion. In Individual Learning Solutions, we continue to experience weakness – one, because of IT hiring and non-recovery of the consumer sentiment primarily which actually caused us a more negative revenue growth, though in line with what we have been experiencing during the last couple of quarters. At the same level as Q3 or thereabout, though we would have liked to see it better, but one of the things which we saw was while the interest levels were high, decision-making cycles were slower. Cloud Campus and aggressive cost management of course countered the adverse impact of this operating leverage and the cost inflation, and while our revenues were lower than last year our margins have actually improved by 294 basis points on a year-on-year basis.

So overall NIIT I think this quarter story is that after five quarters we saw 5% increase in revenue on a year-on-year which is the highest in the last five quarters – it is a sign of an overall revenue recovery though on a different product mix than what it used to be earlier. EBITDA margin has improved by 244 basis points year-on-year to 6% which is actually an impact of the cost management. The PAT which is a sum and substance of a number of other parameters which we will discuss during analysis has grown to 140 million and mathematically that is 415% over last year, though the last year's number was rather small just 27 million.

What is interesting is the recovery of cash from the business and that is visible in the days sales outstanding which has improved to 114 days from 155 days that it was earlier. So really extensive push on collections from government debtors and we have reached over the years have been able to reduce the debtors by more than Rs.100 crores.

I will also cover FY14 highlights – FY14 is consistent with what we saw in each of the businesses – Corporate Learning Solutions overall revenue growth was 31%; margin at 12%, MTS revenue grew faster than overall revenues which means share of MTS revenues have increased. We have added 7 new customers in our Managed Training Services, so we are ending the year with a very robust order book and a very high and comfortable revenue visibility.

School Learning Solutions – the Non-Government Schools have actually contributed 57% coming out of one, a growth in non-Government Schools, and the second is the completion and closing of handing over of schools of government contracts which we decided we will not renew, and handed them over to the government. In fact, during the year we closed 4 government projects, including the largest in the history of our association with government schools of 2,005 Schools in Andhra Pradesh… while it was still called Andhra Pradesh, and we added 668 Private Schools during the year with order intake of Rs.909 million.

Individual Learning Solutions has remained soft through the year; however, within that the silver lining is the non-IT products, non-IT training which had grown by 34% on a year-on-year basis, thus making up for a lot of shortfall that we had in IT Training; and this now contributes 26% to revenue mix, I remember about nine months ago somebody had asked me "What is the end result that we see?" I had said, "65-35 in terms of IT and non-IT in three years time." But it looks like we might reach there faster. There is a margin improvement even though there is an overall degrowth in the business, which is reflective of the aggressive cost cutting as well as superior product mix that we are working in.

Overall, we have had a positive growth in revenue in the year with an EBITDA of 620 million which is a 19% more than the same period last year. Our strong focus on collections has led to increased cash in the balance sheet, and our BR has reduced by more than Rs.109 crores.

Based on these results, the Board recommended a dividend of 80% which is Rs.1.60 on a face value of Rs.2 of each equity share.

Overall, I would also like to take you through the P&L where I think the other interesting feature is the depreciation overall for the year is also down, though in this particular quarter we did take an extra provision for depreciation on account of the capital intensity that we have had in the business as per trend, against that the growth especially with relating to income out of IT assets has been slower in Individual Learning Solutions and School Learning Solutions that we actually took an additional provision, but on an overall basis, the depreciation was lower by 10% year-on-year, which means the capital intensity of the business is reducing. Net other income – we had a positive this quarter which came out of two – one, we had net interest expenses which were much lower because of certain interest income that we got, as well as the FOREX which was actually a loss for the year of 87 million; however, in miscellaneous income and exceptional items, we got a benefit because of settlement of certain indemnity claims relating to the "Element K" divestment transaction. So those monies came in which were at the end of the settlement of the indemnity period.

If you look at the last four quarters financials, you would see that while our profitability was shrinking for the first two quarters on a relative basis points compared to the previous year in the last two quarters it has been improving fairly robustly by 279 basis points in the last quarter and 244 basis points in this quarter. If I look at how the EBITDA for this quarter has to be looked at, while because of reduced revenue in our Individual Learning business, we had the negative impact of operating leverage, we did benefit from cost management initiatives which more than made up for annual increment, inflation which was fairly high during the year, and this loss of operating leverage. So overall we had 85% growth in EBITDA to Rs.131 million.

In terms of business mix, over the year given the weak sentiment for Individual Learning Solutions especially IT Learning Solutions and that used to be a very large part of our product mix, the Individual Learning Solutions share in the total business has come down to 42% from 49%. On the other hand, Corporate share of business has increased from 32% to 42%, and Schools have also shrunk because of our exiting the Government Schools business. And a similar story is visible, though Individual continues to contribute 23% of the EBITDA share and Corporate share of EBITDA has actually increased year-on-year. So much of the increase that we see in EBITDA is actually because of increased profit out of the Corporate business, which takes me to the Corporate business itself, order intake of $21.8 million in this quarter, 52% year-on-year, and the momentum driven by growth in Managed Training Services, I talked to you about three new contracts that we got this quarter taking us to a total of 21. Overall for the year, we end the year with a pending order book of $64.7 million and a revenue visibility of $176 million as far as the business mix is concerned. Individual Learning Solutions – I discussed with you that the operating leverage has been more than countered by aggressive cost management, and Cloud Campus implementation which has a built-in cost advantage, which has actually resulted in an interesting situation, that while our net revenues have gone down by 16% and our EBITDA has actually improved by nearly Rs.28 million in the quarter which is 294 basis points improvement in terms of profitability.

The interesting thing that I would like to talk about is that while during the year we have been working with stabilizing our Cloud Campus, one aspect is Cloud Campus allows us to reach out to a larger number of students in larger locations who are taking multiple courses, and this capability was energized actually in the month of May. So what we call "Revolution GNIIT", and Revolution GNIIT is indeed a revolution of kind in terms of the pedagogy, in terms of the curriculum design, in terms of the flexibility that it offers to the student, the scheduled flexibility as well as course flexibility, and therefore while the student is undergoing graduation, the student can pursue a professional qualification on the side, so that by the time the student finishes graduation, the professional qualification is also completed, what we call "Dual Qualification Program." This has been the mainstay of NIIT from early 1990s, and it was only available in the domain of IT or Software. On 8th of May we announced “Revolution GNIIT,” which now allows students to pick up courses from a variety of subjects, and actually get into one of the six fields – Digital Marketing, Banking and Finance, e-Commerce, Analytics, Software Engineering, and Cloud Computing. So, we are excited by the response that we have received because it extends our coverage of the audience by what we used to earlier cover nearly 30% of those going to college who are doing technical and science subjects, now it increases it to 70%, which now includes commerce and arts students as well. So that we believe should create a larger volume just out of sheer coverage increase.

School Learning Solutions on the other hand remains focused on the Non-Government Schools contribution, which has improved to 57% during the year. Of course, our revenues will continue to remain impacted because there is one curve which is going up and there is one curve which is going down, the Government Schools each time we close, a large amount of revenue goes out, but we are hopeful that over the next few quarters the growth rates will pick up in an overall sense as well.

In Skill Building Solutions, there are three very positive things which happened – we got the benefit of “Star Scheme” which the Government of India has, we were able to make the products of Skill Building Solutions reach much of the channel of NIIT, thus increasing the reach without investing further in capital expenditure, and now we are adding more and more courses which are compliant with a set of skilled counsels and national vocational and educational qualification framework, which should provide the requisite momentum to this business.

Moving on to our balance sheet – if there is one thing that is of immense pride this year is the way the balance sheet have been managed, the overall receivables have reduced from Rs.109.2 crores, as you know receivables have been an area of major concern, though we used to joke about the fact that this is like a sovereign credit since government money is gold, but the good news is that we were able to collect a large part of that money, we still more money to recover and we are at it. Overall, DSO days are down at 114 from 155 days last year.

Also, very importantly is that we followed a very aggressive credit policy during the year, and therefore our receivables out of new revenues are actually very, very low. The net debt is down by 133 million over the year and net fixed assets are also down by 297 million. The strengthening of balance sheet is visible in the balance sheet trends where operating cash flow which in Q1 was (-74) million became (+194) in Q2, (+262) in Q3, and is (+390) million in Q4. Debt-equity ratio has improved from 0.23 to 0.19, net debt has come down to Rs.329 million and receivables have come first time below Rs.300 crores in recent times to 297.7 crores. So a significant improvement in the balance sheet ratios over FY13.

On a continuing business basis our head count has also reduced to 2942 this quarter, which is 27 down quarter-on-quarter and this was to make sure that the people numbers are in line with the business numbers, which at one time were reducing, but now have begun to rise.

In terms of our future directions, we remain committed to the four platforms of growth: Managed Training Services will remain the strong platform for growth, we do have an opportunity to improve margins, but we are also concerned about the FOREX volatility which will affect the metrics. In individual Learning Solutions, the modularization that we have offered and we call it the "Multiple Stream Modular Program" that we have offered this summer should provide us a large amount of business volume, we do believe that the new delivery model of Cloud Campus that we have will come in very useful and actually is the pre-req for implementing any of that, and the fact that we are not only looking at the employability program but also programs for the employed or the working professionals, we are hopeful that as the sentiment rises we will get a larger chunk of the business. In Schools our focus will remain on Cloud-based solutions as well as the wide spaces that we have created for ourselves namely, "Math Lab" and the "School ERP," which has done well.

In overall sense, in addition to our products and services that I just described, we will be seeking entry into newer sectors which we have been looking at and we have added some during the year. The newer sectors when I say are those new industry segments where there are great employment opportunities or there are skill shortages. We do believe that the economy is on a recovery path, job creation should be a very strong item on the agenda of our policy makers and we do believe that NIIT is very well positioned to meet the skill needs of the economy at this hour. So, I will stop at this stage. I and my colleagues here will be very happy to address all your questions. Thank you.

Moderator: Thank you very much Sir. Participants, we will now begin with the question-and-answer session. We have the first question from the line of Amar Mourya from IndiaNivesh. Please go ahead.

Amar Mourya: I have a question primarily related to the debtors of Rs.200 crores that is still due. Now new government coming into power, do we see some release of those outstanding debtors in this particular year?

Vijay K. Thadani: While there are all kinds of expectations from the new government, our expectation is from the government officials and government agencies who are processing these, and we have a good way of collection that we have established, so we are hoping that we would be able to collect these fast. At this point of time of course in the transition phase, much of decision-making is delayed but we do hope that that will be temporary.

Amar Mourya: So, out of this Rs.200 crores, will we be able to recover anything, or still that whole amount is pending?

Vijay K. Thadani: Rs.297.7 crores is the receivables at the end of March 31st.

Amar Mourya: This total is from the Government?

Vijay K. Thadani: No, there are debtors which we have in the normal course of business, for example, corporate clients who have 30 to 45 days credit limit, and our business Corporate Learning Solutions would have 30 to 45 days of debtors, then similarly everybody other than individuals who pay up money before they do the course, corporates and institutions normally get 30 to 45 days credit, which I call the "Normal Debtors." The Government debtors are also supposed to pay us on schedule, but they do not end up paying us, so that is what it is. I will ask my colleague Rajendran to comment.

P. Rajendran: I just want to add regarding the Government debtors; last year I think our collections has really pushed down the debtors; the full year collection was about Rs.180 crores. You remember that in January odd, there was huge austerity measure, because of which the allocation of budget which is MHRD has to allocate budgets of 75%, and then only the state can match 25% and pay it. Our general situation was that state would have matched, but the MHRD money was not coming. Later though about Rs.200 crores have been already allocated, because of all this general elections, etc., that has been frozen. So we are just waiting. Without the new government doing anything from the past effort itself we will start getting money the moment these files open up, maybe in another 30 to 45 days. Our own intent, our own expectations, our own confidence is that just from the Government Schools itself, we will start recovering quite a lot in the next two to three quarters.

Moderator We have the next question from the line of Vimal Goel from Sharekhan. Please go ahead.

Vimal Goel If you could give some more color on outlook on your 3 or 4 segments, your revenue outlook over there. Do you expect FY15 to be better for most of these segments on the revenue side? And how does the margin picture look for the segments in FY15?

Vijay K. Thadani I think overall outlook whatever I am saying has to be discounted for changes in economy, volatility in exchange rate, any changes in policy. But at fundamental level, in Corporate Learning Solutions, we have a good run rate, we are entering the year with a good order book and we also have a fairly strong funnel. So, we should be able to continue with the growth, and we should be able to demonstrate a much more robust volume level in the coming year. In this business, as the volume increases, the margins though are very dependent on each project, but at an overall level, you do get a small benefit of operating leverage. So we do hope that we would get the benefit of improved margins as we go forward. In School Learning Solutions, if you see the order intake of last 2 quarters as well as the outlook that we are seeing decision-making in schools typically is not as dependent on the environment as are others. So last year we had a strength of business model change, and therefore there was a slowness in order intake in the first 2 or 3 quarters, but we do see volumes picking up as we go along. And the product mix becoming more and more attractive in terms of the products that we are pushing. In terms of Individual Learning Solutions, we believe that the expanded coverage that we have of those going to college segment will help us get many more students to undertake a professional qualification or dual qualification along with their graduation degree. That volume increase will be critical for us to improve our overall operating margin because our overall business is fairly dependent on this particular Individual Learning segment. And both IT and non-IT now frankly work together given that in most of the NIIT centers, all the products that NIIT has to offer will be made available. In Individual Learning segment, one important contributor is IT, and IT is very directly correlated to employment opportunities in IT since over the last few years, much of the IT revenue come from those graduates who finish their computer science or IT-related degree and join NIIT as a finishing school and get those skills which are missing in them for them to get a job. If IT hiring is weak, then that sentiment prevails, and affects registration as has we have experienced in the last few years. So that is an important question to be asked. The volatility in exchange rate is affecting a large part of decision-making in the IT industry. On one hand we do see some changes in lateral hiring, but in fresher hiring, a lot of decision making is postponed every time there is a volatility of this kind, and every time the environment goes through a period of uncertainty. So this is a part which is uncertain and we would have to see how it plays out. We are, of course, making sure that we have an extended coverage, and we believe that extended coverage should fetch us more volume in any case. It is yet to be seen, I do not think the change will happen in the immediate quarters, but definitely over the next few quarters, change for the positive should start happening, because IT companies also cannot depend just on improving efficiencies. Finally, they will have to recruit more volumes, and if they have to increase the base of the pyramid to keep their cost levels low, fresher recruitment has to increase.

Vimal Goel In IT side, do you expect the recovery to begin from the second half of FY15?

Vijay K. Thadani We think so that there should be a recovery if we were to go by NASSCOM projections which like always have been fairly accurate, we do understand that IT hiring should be on an increase.

Vimal Goel Can you give me pending order book in the ILS segment?

Vijay K. Thadani Rs.185.9 crores.

Vimal Goel How much of that is executable over the next 12 months?

Vijay K. Thadani 66% over the next 12 months.

Vimal Goel What is the dollar revenue for MTS this quarter?

Vijay K. Thadani $17.4 million is the Corporate Learning Solutions business, of which 84% was MTS.

Vimal Goel Could you give me the other income breakup for this particular quarter?

Vijay K. Thadani Our net interest expense, I have it for the year was 101 million, FOREX loss was 87 million, and that adds up to 188 million. We had some exceptional items… and I will just explain you the exceptional items, when we divested Element K, there were some amount in indemnity which were to be claimed only after the end of a certain period. We got those amounts. And in between there were small dispute on how much that amount should be. That dispute got settled. So we got that amount back and that is what is the positive. Over the years, we have (-106) million in other income.

Vimal Goel Depreciation has fallen, as you said 10% for FY14, what run rate do you expect given that the company is focusing on capital efficiency and following an asset light model, do you expect depreciation to go down further in FY15 and '16?

Vijay K. Thadani If you notice our depreciation at the rate at this time will have a run rate of about 180 million per quarter, because there is some dollar depreciation also, if we continue at the same dollar rate as Rs. 60, and it will be about 180 million per quarter.

Vimal Goel How many Government Schools contracts are left in the School Learning Solutions?

Vijay K. Thadani I will take a few minutes to figure out, but I can definitely tell you that revenue will now keep decreasing and will become smaller and smaller. The last contract will end towards end of 2017, if I am not mistaken. And that will be a very small tail perhaps which will be negligible.

Vimal Goel You will go on to repay your debt going forward, so we can expect your debt to reduce in FY15 and 16 as well?

Vijay K. Thadani There is hardly any debt left now; net debt is 339 million, the other debt which is sitting in our balance sheet is actually NCDs we would have liked to pay those off but NCDs can only be paid on maturity date, so we are clearing them on their maturity date, we have sufficient cash in the balance sheet.

Vimal Goel Your CAPEX plans for FY15?

Vijay K. Thadani Our CAPEX has been muted last year. We assume that we will apply the same level of conservatism given technology renewal which is a mandatory kind of a CAPEX if you have to keep yourself abreast. I do not think there are any major projects.

Vimal Goel So no major CAPEX except for maintenance CAPEX going forward?

Vijay K. Thadani You can assume the same level of CAPEX that we have this year.

Moderator Thank you. We have the next question from the line of Dipen Shah from Kotak Securities. Please go ahead.

Dipen Shah Just one thing in terms of the Individual Learning business, what according to your thinking is a probable time for a recovery in the career course enrollments and if we can have the number of career course enrollment in the quarter and the previous quarter, please?

Vijay K. Thadani On the recovery of IT, the interest in IT in youngsters is at this point of time is gradual, is more wait and watch. On the other hand, the interest in many other disciplines seems to be on a higher side. We do believe that IT hiring has to pick up for freshers at a certain pace for it to start happening. Now, one school of thought is that it will be in the second half of the year, but I can ask the former chairman of NASSCOM who is with us in the audience to give us an outlook on IT… Rajiv, would you like to comment?

Rajeev Kumar I think Vijay did mention that while IT industry is sounding more confident about this year than the last year, hiring has been muted, but the utilization rate as you see from that sector is very high. So I think as they see improvement, they will start hiring in the second half of this year. The important thing is the sentiment. I think signaling is required. We have been in a very tight hold back. So, as that eases up, stimuli and then starts making business.

Vijay K. Thadani If you notice our focus now is very strongly on preparing those who are going to college, not those who have graduated from college. The reason is those who are graduated from college, their appetite for IT seems to be lower, but those who are still in college knows the long term potential of IT, and are willing to study, and what we are wanting to do is that when the real hiring starts at that time you will have a large number of graduates available. So that signal is going well with the youth. What the youth wants is as you know admissions in the liberal arts and sciences have increased fairly substantially and engineering what people have realized is that engineering from any college anywhere in any discipline those days are over and it is not worth spending the time as well as the efforts and spend the energy to get into any engineering degree. So people are becoming very cautious. As you know, last year 30% of engineering seats went vacant, and even this year there is a good possibility that engineering seats, the pressure will be high. Those graduating from schools are more, so those people are going for liberal arts and sciences, and in liberal arts and sciences, it is an established fact that with the basic degree you do not get anything, you need another professional qualification, and that is what cause the MBA boom to happen. Now people have realized that doing MBA from anywhere also does not help. So those professional qualifications which are strongly related to a career or a job, are the ones which will benefit them. That is where GNIIT stands differentiated very solidly. I think if I count the total number of GNIITians in the system, we would have contributed more than half a million of them. These half a million people who have been so successful in life, I think are the biggest testimonial we have to offer GNIIT in multiple disciplines. That is what is our message this year. That is why we call it the "Revolution in GNIIT."

Dipen Shah We just spoke about IT companies hiring more of laterals and industry-ready people. Is it one thing which can drive enrollments from our side?

Vijay K. Thadani Yes, so industry readiness in this case can mean that IT industry may say "Instead of my going and looking for those people, why do you not look for them, train them and I will hire them." That is a very strong possibility, we are already doing this as a part of our corporate offering for a couple of corporate, and we are looking forward to increasing that activity in the future.

Dipen Shah Any specific number for the career or the GNIIT courses, anything which you are sharing?

Vijay K. Thadani I would not have that breakup right away, we can discuss separately.

By the way I just wanted to let everyone know… Dipen, since you are there specifically to you also, Tomorrow, we have an "Investor Meet" in Mumbai that is 22nd of May at 4 P.M. at Trident at BKC, and we would really look forward to welcoming you all there and we would be talking to you on two very interesting cases – one, the whole case of how multiple stream GNIITs have executed – and the second case study in our Managed Training Services because for many of our investor friends, it is an enigma, they can see it growing but they do not know what it consists of, so we have a case study because we have permission from one of our clients which is Shell – oil company to quote them, and we are going to demonstrate that case study and will be done by Sapnesh Lalla who is the chief executive of that business. So look forward to welcoming all of you there.

Dipen Shah A very small book keeping thing, what are the current hedges which you have, because for this quarter there was FOREX loss, so in the future quarters we just wanted to estimate how much can be done?

Vijay K. Thadani We do not have any hedges.

Moderator We have the next question from the line of Pravin Menon from Centrum Broking. Please go ahead.

Pravin Menon My question is on the School Learning services; this 371 schools that you have added, were they all private schools?

Vijay K. Thadani Yes, we are only discussing private schools. As you know we have not been adding any government schools for one and a half years, two years now.

Pravin Menon This quarter we were supposed to complete two contracts, I thought that approximately 1800 schools – about 1600 in Rajasthan and some 140 in Assam, those contracts are supposed to come up and end, have they ended?

Vijay K. Thadani Yes, they have ended.

Pravin Menon So what do you think would be the revenue pack from that over the next quarter?

Vijay K. Thadani The total number which the contract which we completed during the year the total impact of those used to be about during the year was 113 million per quarter.

Pravin Menon And out of the remaining debtors, roughly what proportion would be government?

Vijay K. Thadani I would say about two-thirds; I am giving a ballpark.

Moderator The next question is from the line of Sachin Varma, an individual investor. Please go ahead.

Sachin Varma My question is on the Individual Learning segment. What is the growth that we had during the year?

Vijay K. Thadani We had a negative; our revenue was lower this year compared to last year, and it was lower by 14%.

Sachin Varma What was utilization in the segment?

Vijay K. Thadani Are you referring to the capacity utilization?

Sachin Varma Yes.

Vijay K. Thadani In the last quarter, the utilization was 32%.

Sachin Varma How was it from the last quarter?

Vijay K. Thadani Our utilization would obviously be lower though our capacity had also reduced by about 11%. But since the degrowth is 14%, our utilization would be lower than last year. So the issue is the utilization is lower than last year, the volume is lower than last year, but our EBITDA is higher than last year and that I think is the message that I would try to convey that we have been able to take the cost structure to a new normal.

Sachin Varma In this Individual Learning segment, I believe last year only non-IT segment had already broken even, if it is a shareable number, can you share the margins of that non-IT segment?

Vijay K. Thadani I do not have the margins of that segment, I can share with you. Because what is happening now all courses are nearly offered at all centers. So to divide the margin sometimes can become a very theoretical exercise. So what I would like to say is that the non-IT growth has been 34% year-on-year, and I do want to point out that last year somebody had asked me a question "What will be the end stage we can reach?" I had said "In 3 years, 65:35." It looks like at the end of this year itself, we are 72:28.

Sachin Varma You already mentioned that maintenance CAPEX was the only CAPEX that was done during the year. Can we just know the number?

Vijay K. Thadani The overall CAPEX during the year is 429 million. So I have to explain to you what I mean by normal CAPEX and maintenance CAPEX. At times we have a new product, there is a product related CAPEX, but having new products is normal part of our business. The second is sometimes for a project you need to set up CAPEX, for example, a disaster recovery center to be set up just because we have a large client who is the global client and would like us to set up a specific disaster recovery center. So that time there can be a specific CAPEX. What I was referring to was in FY13, our CAPEX was 807 million; in FY14, it was 429 million, so nearly 50% of that of FY13. Going forward, given new kinds of projects, new kinds of products that we are entering into, and licenses you have to renew our software, hardware you have to replace, data center you have to upgrade, 429 million was last year CAPEX, we believe that this year CAPEX will be around the same number. That is what I meant. Just in case I gave a wrong impression, I think for everybody's benefit, you can assume that CAPEX will be about 430 odd million.

Sachin Varma A clarification on the number, you mentioned cash of operations during the four quarters… actually I missed the first quarter number which was negative, what was that?

Vijay K. Thadani (-74) million.

Sachin Varma What is the share of new-age courses now in the overall revenue?

Vijay K. Thadani We are now keeping a track of IT and non-IT. So I would not have, but give or take I would say about 25% of IT which means if our IT part is 72% of the total, you can assume about good 25% will be of new-age… I am just working out on the back-of-the-envelope.

Moderator We will take the last question from the line of Jaiwant Dang from JHP Securities. Please go ahead.

Jaiwant Dang My question is for Mr. Thadani; in this quarter we have added one Cloud center I guess, so the total is around 211 centers. So is there any target the number of cloud centers that you are going to in FY15, and also the target number of students that you are looking at?

Vijay K. Thadani We have about 300-odd centres which can become eligible for crowd enablement, and that depends on internet bandwidth, location, and many other consideration, where the capital intensity is worth the volume that you get, etc., we are at 211, we have covered nearly 85% of our capacity though is two-thirds of our numbers. So now that usage have increased, and these numbers will be very slow, we would want to see end of the year, all the 300 are cloud-enabled definitely and that we would like to work towards it. We estimate it to that will be multi-stream program cannot be made available if you are not cloud-enabled. So, we believe that should be an additional impetus for people to take this further. On the other hand, the number of students will depend on the number of additional enrollments that we get. Last year, we have added in the year about 20,000 odd. We think it should be a larger number this year.

Jaiwant Dang You have added 96 courses on to the Cloud platform. So, are you planning to add more courses?

Vijay K. Thadani Yes, we will be adding more courses because the multi-stream modular program will be delivered through the Cloud Campus only and those number of programs will be quite a few.

Jaiwant Dang You mentioned that you will be implementing Cloud in the SLA segment also. So can you give some color on the steps that you are likely to take in the coming quarter?

Vijay K. Thadani Mr. Rajendran will perhaps like to respond; I would also like to request that after Mr. Rajendran, Sapnesh to give us a little color on Managed Training Services since we did not talk enough about it.

P. Rajendran: As far as the Cloud part is concerned in the School segment our focus is to first implement… which we have already started doing last year, but stabilize and take this forward which is the initiative for putting the Quick School which is the ERP package on to the Cloud. What it does to us is that whenever we get a contract for Quick School, which comes with a payment, it can be implemented fast, etc., etc., when we have the cloud-based solution working perfectly, our implementation becomes much faster, so the order to revenue becomes fast. So that is our first priority of this year. Second, of course, is to also take content on the cloud for students when they are not in the cloud, they go home and they can access it. We have done some pilots on that, but it is going to take time to create that and pull in revenues.

Sapnesh Lalla I think you heard Vijay mention that we had reasonable growth both in volume and margin. We also, like he mentioned, added three new contracts. These if you remember came on the heels of three additional contracts that we got in the previous quarter. So consequently, we have been busy investing and transitioning and onboarding new customers. We also have reasonably healthy pipeline, and we are hoping to continue to add new contracts to the 21 that we have going for us. The fact that we added these contracts improved our visibility in spite of the growth that we have had in the revenues. So overall, the outlook is reasonable for this business I would say.

Moderator Ladies and gentlemen on behalf of NIIT Limited that concludes this conference call. Thank you for joining us, you may now disconnect your lines.