

**NIIT**

**LEADERSHIP**  
IN **GLOBAL** TALENT DEVELOPMENT

A stylized human figure icon consisting of a blue circle for the head and an orange shape for the body, positioned between the word 'LEADERSHIP' and the letter 'P'.

**Annual Report 2008 - 09**

**NIIT Limited**



# OUR VISION

## VALUES, MOTIVES AND BELIEFS

WE, NIIT, BELIEVE THAT OUR GROWTH IS THE DERIVATIVE OF THE GROWTH OF EACH ONE OF US. IT IS THE DUTY OF EACH ONE OF US TO ESPOUSE AND GIVE ACTIVE EFFECT TO THE VALUES, MOTIVES AND BELIEFS WE STATE HERE

•

## NIIT IS PEOPLE

WE HAVE POSITIVE REGARD FOR EACH ONE OF US

•

WE WILL FOSTER CAREER-BUILDING BY CREATING OPPORTUNITIES THAT DEMAND LEARNING, THINKING AND INNOVATION FROM EACH ONE OF US.

•

WE EXPECT EACH OF US TO CONTRIBUTE TO THE PROCESS OF ORGANISATION BUILDING AND THUS DERIVE PRIDE, LOYALTY AND EMOTIONAL OWNERSHIP.

•

WE RECOGNISE THE NECESSITY OF MAKING MISTAKES AND RISK-TAKING WHEN IT CONTRIBUTES TO THE LEARNING, INNOVATION AND GROWTH OF EACH ONE OF US.

•

## NIIT IS QUALITY AND VALUE

EACH OF US WILL ENSURE THAT IN ANY ASSOCIATION WITH SOCIETY, SOCIETY BENEFITS SUBSTANTIALLY MORE THAN:

(A) WHAT SOCIETY GIVES TO US.

(B) WHAT SOCIETY WOULD GAIN FROM ANY OTHER SIMILAR ASSOCIATION

•

WE WILL MEET ANY AND EVERY COMMITMENT MADE TO SOCIETY IRRESPECTIVE OF ANY COST THAT MAY HAVE TO BE INCURRED.

•

WE WILL ENSURE OUR PROFITABILITY, LONG-TERM GROWTH AND FINANCIAL STABILITY, THROUGH THE PROCESS OF DELIVERING THE BEST, BEING SEEN AS THE BEST AND BEING THE BEST.

•

WE WILL BE FAIR IN ALL OUR DEALINGS AND PROMOTE HIGH STANDARDS OF BUSINESS ETHICS.

•

## NIIT IS A MISSION

WE WILL GROW IN THE RECOGNITION AND RESPECT WE COMMAND, THROUGH PIONEERING AND LEADING IN THE EFFECTIVE DEPLOYMENT OF TECHNOLOGY AND KNOW-HOW.

•

WE WILL SEEK TO PLAY A KEY-ROLE IN THE DIRECTIONS AND DEPLOYMENT OF TECHNOLOGY AND KNOW-HOW FOR THE BENEFIT OF MANKIND.

# NIIT



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## CORPORATE INFORMATION

### **Board of Directors**

Rajendra S. Pawar  
*Chairman and Managing Director*

Vijay K. Thadani  
*Chief Executive Officer &  
Whole-time Director*

P. Rajendran  
*Chief Operating Officer &  
Whole-time Director*

Subroto Bhattacharya  
*Director*

Surendra Singh  
*Director*

Shardul S. Shroff  
*Director*

Sanjay Khosla  
*Director*

### **Company Secretary & Legal Counsel**

Parveen Jain

### **Group Chief Financial Officer**

Ashok Arora

### **Chief Financial Officer**

Jitender Mahajan

### **Auditors**

Price Waterhouse

### **Banks**

ICICI Bank Limited  
Indian Overseas Bank  
Standard Chartered Bank Limited  
Citibank NA  
Wachovia Bank of Georgia

### **Registered Office**

NIIT Limited  
B-234 Okhla Phase - I  
New Delhi 110 020, India  
Email (Investor Services): [investors@niit.com](mailto:investors@niit.com)  
Tel : +91-11-41407000  
Fax : +91-11-26817344

### **Corporate Office**

NIIT House  
85, Sector 32, Institutional  
Gurgaon 122 001, India  
Email: [niit.webmaster@niit.com](mailto:niit.webmaster@niit.com)  
Tel : +91-(124)-4293000  
Fax : +91-(124)-4293333

### **Registrar and Share Transfer Agent**

Alankit Assignments Ltd.  
Unit - NIIT Limited  
Alankit House  
2E/21, Jhandewalan Extn.  
New Delhi-110055, India  
Tel : +91-11-23541234, 42541234  
Fax : +91-11-42541967

### **Website**

[www.niit.com](http://www.niit.com)

## FINANCIAL HISTORY

### REVENUES & PROFITABILITY (Rs. Mn)

| For the Fiscal period ended               | 31-Mar-05 | 31-Mar-06 | 31-Mar-07 | 31-Mar-08 | 31-Mar-09 |
|---|-----------|-----------|-----------|-----------|-----------|
| Global Revenues (NIIT & its subsidiaries) | 3,984     | 4,507     | 7,951     | 10,068    | 11,486    |
| REVENUES OF NIIT LTD.                     | 2,871     | 3,449     | 4,008     | 4,975     | 5,795     |
| Operating Expenses                        | 2,497     | 2,874     | 3,325     | 4,112     | 4,649     |
| Interest & Finance Expenses               | 11        | 43        | 50        | 74        | 108       |
| Depreciation                              | 195       | 238       | 314       | 358       | 402       |
| Profit Before Tax                         | 168       | 294       | 319       | 431       | 635       |
| Profit After Tax                          | 160       | 270       | 329       | 328       | 472       |
| Equity Dividends                          | 106       | 116       | 143       | 214       | 214       |
| Earnings Per Share (Rs.) * - Basic        | 8.26      | 13.97     | 16.97     | 2.02      | 2.86      |
| Operating Margin (%)                      | 13.0      | 16.7      | 17.0      | 17.3      | 19.8      |
| Profit Before Tax / Revenues (%)          | 5.9       | 8.5       | 8.0       | 8.7       | 11.0      |
| Return on Capital Employed                | 5.3       | 7.7       | 8.5       | 9.0       | 9.9       |

### ASSETS & LIABILITIES (Rs. Mn)

| As At   | 31-Mar-05    | 31-Mar-06    | 31-Mar-07    | 31-Mar-08    | 31-Mar-09    |
|---|--------------|--------------|--------------|--------------|--------------|
| Sources of Funds                                |              |              |              |              |              |
| Equity Capital                                  | 193          | 193          | 198          | 329          | 330          |
| Reserves & Surplus                              | 2,538        | 2,695        | 2,896        | 3,308        | 3,518        |
| Loan Funds                                      | 500          | 1,195        | 1,340        | 813          | 1,987        |
| Deferred Tax Liability                          |              |              |              |              |              |
| <b>Total</b>                                    | <b>3,231</b> | <b>4,083</b> | <b>4,434</b> | <b>4,450</b> | <b>5,835</b> |
| Applications of Funds                           |              |              |              |              |              |
| Gross Block (includes Capital Work in Progress) | 1,878        | 2,215        | 2,630        | 2,870        | 3,584        |
| Net Block (includes Capital Work in Progress)   | 754          | 954          | 1,158        | 1,208        | 1,952        |
| Investments                                     | 1,487        | 1,456        | 1,702        | 1,785        | 1,848        |
| Deferred Tax Assets                             |              | 20           | 77           | 95           | 62           |
| Current Assets                                  | 1,811        | 2,758        | 2,846        | 2,991        | 4,074        |
| Current Liabilities                             | 821          | 1,105        | 1,349        | 1,629        | 2,102        |
| Net Current Assets                              | 990          | 1,653        | 1,497        | 1,362        | 1,972        |
| Miscellaneous Expenditure                       |              |              |              |              |              |
| <b>Total</b>                                    | <b>3,231</b> | <b>4,083</b> | <b>4,434</b> | <b>4,450</b> | <b>5,835</b> |
| Debt-Equity Ratio                               | 0.18         | 0.41         | 0.43         | 0.22         | 0.52         |
| Current Ratio                                   | 2.21         | 2.50         | 2.11         | 1.84         | 1.94         |
| Fixed Asset Turnover                            | 1.53         | 1.56         | 1.52         | 1.73         | 1.62         |
| Receivable Days                                 | 137          | 165          | 144          | 100          | 119          |
| Dividend per share (Rs.)                        | 5.50         | 6.00         | 6.50         | 1.30 **      | 1.30 **      |
| Book value per share (Rs.)*                     | 141          | 149          | 157          | 22           | 23           |
| Share Price on Closing date (BSE) (Rs.)         | 182          | 296          | 665          | 98           | 20.25        |
| Market Capitalisation (Rs. Mn)                  | 3,510        | 5,728        | 13,138       | 16,141       | 3,341        |

Notes: \* Based on Equity outstanding as on Balance Sheet date

\*\* Based on the Face value of Rs. 2 per share

# NIIT at a Glance

## Global Learning Solutions for Individuals, Enterprises, Schools and Colleges

- ❖ Global student strength of 5 million
- ❖ Presence in 40 countries worldwide
- ❖ Largest Learning Content Development facility in the world
- **For Individuals**

Instructor-led Training, Computer-based Training and e-Learning programmes:

  - ❖ GNIIT for IT careers
  - ❖ 'NIIT Edgeineers', a range of specialized programmes to provide cutting-edge career for engineering graduates and IT professionals
  - ❖ NIIT GlobalNet+, specialised programmes on Networking and Infrastructure Management
  - ❖ Degrees in alliance with Universities
  - ❖ SWIFT for Internet and IT literacy
  - ❖ Board exam preparation solutions
  - ❖ Bioinformatics and Educational Technology programmes
  - ❖ Executive Management Programmes for working professionals, from premier business schools through NIIT Imperia, Centre for Advanced Learning
  - ❖ Training programmes for financial services sector from NIIT Institute of Finance, Banking & Insurance (IFBI)
  - ❖ NIIT Uniqua, Centre for Process Excellence, addresses the increasing demand for skilled workers in the business and technology services industry by providing training programs in relevant areas. This is a part of NIIT Institute of Process Excellence, a NIIT-Genpact venture.
  - ❖ Facilitate scholarship programmes through Bhavishya Jyoti Scholarship initiative
- **For Corporations**

Enterprise Learning Solutions:

  - ❖ Instructor-led and e-Learning Training in IT and Soft Skills
  - ❖ Advisory Services
  - ❖ Custom Content Development
  - ❖ Application and Process Rollout Training
  - ❖ Learner Management Systems
  - ❖ Learner Support Services
  - ❖ A suite of catalogue products from Element K
  - ❖ Assessment and Testing services from NIIT Litmus
  - ❖ English language testing and assessment services through ETS
  - ❖ English language training from Evolv
- **For Colleges and Universities**
  - ❖ Curriculum Design
  - ❖ Custom Courseware Development
  - ❖ Learning Delivery, Hosting Services
  - ❖ Learner and Faculty Support Services
  - ❖ Student Administration
  - ❖ In-campus IT Programmes
- **For Government and Private Schools**
  - ❖ Integrated solutions for computer and computer-aided education for K-12 learners
  - ❖ NIIT eGURU - a holistic school education package comprising of:
    - MathLab - an innovative concept to teach and learn Mathematics in schools
    - IT Wizard - equips the students with core computer knowledge and IT skills
    - Quick School - an Education Resource Planning solution for school management
    - Smart Science Station - a pioneering solution which integrates Science Labs with classrooms
    - ICR - The Interactive Classrooms is a revolutionary new solution from NIIT that uses the most appropriate technologies to impact the teaching and learning processes in a classroom.





- **Hole-in-the-Wall Education Ltd. (HiWEL)**
  - ❖ Minimally Invasive Education kiosks to provide free and unsupervised access to computers for children belonging to economically and socially marginalized populations
- **Alliances with global IT majors:**
  - ❖ Adobe, Cisco, CompTIA, EMC, Intel, Microsoft, Oracle, Sun Microsystems, SAS, Thomson Prometric, Pearson VUE
- **Assessed at SEI-CMM Level 5**
- **Awards and Acknowledgements**
  - ❖ NIIT has been accorded the Business Superbrands 2008 status for the second time by the Superbrands Council.
  - ❖ NIIT, USA has been awarded the Gold for 'Excellence in E-learning Award' by Chief Learning Officer magazine as part of its Learning In Practice Awards, one of the industry's highest honors.
  - ❖ NIIT recognized by UNESCO for innovation in ICT in Education in 2008.
  - ❖ NIIT (HiWEL) has been conferred the coveted 'Digital Opportunity Award' by World Information Technology Services Alliance (WITSA) in 2008.
  - ❖ To bridge the Education-Employability gap and create talent pool in urban slums, NIIT announced NIIT Yuva Star, Career Development Centre. Five such centres were launched this year in New Delhi.
  - ❖ In line with its commitment to harness talent pool from semi-urban India, NIIT laid the foundation of its second District Learning Centre (DLC) at Barkuhi, near Chhindwara, MP. This is NIIT's second DLC in the Chhindwara district.
  - ❖ Ranked amongst 'India's Most Trusted Services Brand' in Economic Times Brand Equity survey in 2008.
  - ❖ Ranked amongst India's 'Most Respected Companies' in the IT sector in a survey done by Business World magazine in 2007.
  - ❖ NIIT was ranked as 'India's Most Customer Responsive Educational Institution' as per Avaya GlobalConnect Customer Responsiveness Awards in 2007 for the third consecutive year.
  - ❖ NIIT was conferred the 'Top IT Training Company Award 2008' by the country's leading publication group Cybermedia, the publisher of Dataquest. (NIIT has been getting this award successively for the past 15 years, since the inception of this category).
  - ❖ The company was awarded the 'Indian Franchisor of the Year Award' in 2007 by Franchising Association of India.
  - ❖ Ranked among the Top 20 Companies in the Training Outsourcing Industry in 2007, by TainingOutsourcing.com.
  - ❖ Rated among Training Magazine's 'Top 125' elite companies worldwide, for its innovative Training practices in the year 2007.
  - ❖ NIIT was ranked amongst the 'Top 10 Business Brands since 60 years of Independence', by a leading Indian magazine 'The Week' in 2007.
  - ❖ NIIT was awarded the 'ICTE Gold Medal 2006-07' by the Ho Chi Minh Computer Association.
  - ❖ The company received the 'Award for Excellence in Innovative HR practices' 2005 by Delhi Management Association and Watson Wyatt World.
  - ❖ 'China Information World', the Beijing-based IT weekly presented NIIT with awards for 'Best Contribution towards Vocational Education in China (2004)' and 'Best Curricular Structure in China' in 2004.
  - ❖ 'China Computer Weekly', the Chongqing-based publication with a base of over one million readers, recognised NIIT as the 'Most Influential Education Certificate Brand in China for 2004' and the 'Best IT training curriculum' for the same period.
  - ❖ NIIT is the only Indian Education company to be featured in "The BCG 50 Local Dynamos".
  - ❖ NIIT was voted as the 'Most Popular Education Brand' by College and University students in China.
  - ❖ Movie Slumdog Millionaire won the Oscars. Movie was based on the book 'Slumdog Millionaire' (previously published as Q&A), written by Vikas Swarup is originally inspired by Hole-in-the-Wall Education Ltd (HiWEL) initiative.
- **Global operations in**
  - ❖ Americas - Canada, Cuba, Mexico, Peru, USA, El Salvador, Nicaragua, Honduras
  - ❖ Europe - Greece, Italy, Kazakhstan, UK, Serbia
  - ❖ Asia - Bangladesh, Cambodia, China, India, Indonesia, Malaysia, Nepal, Singapore, Sri Lanka, Thailand, Turkey, Vietnam
  - ❖ Middle East - Iran, Oman, Qatar, Yemen
  - ❖ Africa - Botswana, Ghana, Libya, Nigeria, Senegal, South Africa, Sudan, Zimbabwe
  - ❖ Australia/Oceania - Australia, New Zealand, Fiji

## DIRECTORS' REPORT

### Dear NIIT Shareowner,

Your Directors take pleasure in presenting the 26th Annual Report along with the audited statement of accounts for the financial year ended March 31, 2009.

### Financial Results

The highlights of your Company's financial results for the financial year April 1, 2008 to March 31, 2009 are as follows:

(Rs. Mn.)

| Particulars   | NIIT Limited Group<br>(Consolidated) |         | NIIT Limited<br>(Stand alone) |         |
|---|--------------------------------------|---------|-------------------------------|---------|
|   | 2008-09                              | 2007-08 | 2008-09                       | 2007-08 |
| Net Sales (Income from operations)                                | 11,486                               | 10,068  | 5,456                         | 4,674   |
| Other Income  | 203                                  | 73      | 339                           | 301     |
| Total Income  | 11,689                               | 10,141  | 5,795                         | 4,975   |
| Total Expenditure   | 10,549                               | 9,211   | 4,758                         | 4,185   |
| Profit before depreciation and taxes                              | 1,140                                | 930     | 1,037                         | 790     |
| Depreciation  | 647                                  | 529     | 402                           | 358     |
| Net tax provision   | 104                                  | (21)    | 163                           | 104     |
| Net Profit before share of Associates' Profit & Minority Interest | 389                                  | 422     | 472                           | 328     |
| Share of Associates' Profit and Minority Interest                 | 309                                  | 334     | -                             | -       |
| Net Profit  | 698                                  | 756     | 472                           | 328     |
| Basic EPS (Rs.)   | 4.23                                 | 4.67    | 2.86                          | 2.02    |
| Diluted EPS (Rs.)   | 4.23                                 | 4.65    | 2.86                          | 2.02    |

Your Company's consolidated net revenues for the year under review is Rs. 11,486 million as against Rs. 10,068 million in the previous year, registering a growth of 14.08% on year to year basis, while Net Profit (after Associates' Profit) is Rs. 698 million as against Rs. 756 million in the previous year.

Your Company's total income from operations for the year under review grew to Rs. 5,456 million as compared to Rs. 4,674 million in the previous year, thereby registering a growth of 16.73% on yearly basis and Net Profit of the Company surged from Rs. 328 million to Rs. 472 million, reflecting a growth of 43.90% on YOY basis.

The revenue & Net Profit of the Company would have been higher by Rs. 82 million & Rs. 134 million respectively had your company not been impacted by foreign exchange hedging losses caused by the rupee depreciation.

### Business Operations

During the financial year 2008-09, your Company

consolidated its leadership position as a Global Talent Development Corporation and started the year based on its stated strategy set, which focused around:

- Accelerated growth;
- Improved profitability; and
- Market leadership in chosen areas.

The turmoil and changes in the Global and Indian economy, during the year, led to the Company making mid course tactical corrections, while choosing to keep the strategy set intact. While continuing its customer acquisition activities, your Company initiated multiple steps to manage its profitability and for keeping itself in a position of readiness, once the economy starts recovering.

During the year under review, your Company has partnered with various globally recognized technology companies like SAS, Cisco, Microsoft etc. and expanded its product portfolio by launching various new program like Futurz-99, Global Net+, Microsoft Silverlight etc.

The School Learning Segment continued to cater to the requirements of Government and Private Schools for IT & IT enabled education. During the year, the Company saw an acceleration of interest by many State Governments for providing IT education in schools. Central & State Governments continued their thrust to significantly expand the base of schools providing IT education. In Government School Business, your Company has secured 3 new major contracts in the state of Andhra Pradesh, Rajasthan and Assam, besides the renewals of contracts for existing schools in Andhra Pradesh, Chhattisgarh and Assam. In order to strengthen its business in this segment, your Company launched eGuru Smart ScienceStation and MathLab, two innovative learning solutions. Further, your Company also tied up with Adobe Systems and launched the first ever state-of-art Web & Multimedia curriculum for schools in India, based on Adobe Creative Suite Master Collection.

In Corporate Learning Business, the Company's focus was in Learning Products, Training Outsourcing, Government Projects and Custom Services. In the Learning Products, the Company launched 'real world' solutions that allow customers to use both online and print materials to support blended training. In the Training Outsourcing space the Company was awarded a number of contracts including a contract for running European operations of a large IT Company and another for providing comprehensive training

## DIRECTORS' REPORT (Contd.)

services for a large BPO Company in India in addition to securing significant Government orders from Income Tax Department to upgrade skills of tax return preparers, and from the Armed Forces to support their e-learning initiatives.

During the year, the Company set up "NIIT Institute of Process Excellence Limited" in equity participation with Genpact, under the brand name NIIT UNIQUA. NIIT UNIQUA will cater to the growing manpower needs of the Global BPO/KPO Industry. The other new businesses i.e. IFBI and NIIT Imperia, completed their second complete year of operations. IFBI was adversely impacted by the successive crises faced by the Banking and Financial Services sector (BFSI) that resulted in a virtual freeze on fresh recruitment & training across the BFSI sector throughout the year under review. IFBI aggressively responded to adverse scenario by expanding its offerings, widening its base of customers and partners. NIIT Imperia, while continuing to offer Executive Management Education programs in association with world-class management institutes, extended its geographical reach by using Synchronous Learning Technology. NIIT Imperia also conducted customized management training programs for some organizations using Synchronous Learning Technology, with enthusiastic response.

As part of the long term objective, your Company wishes to contribute in providing excellence in higher education within the country. In order to achieve the same, the Company has provided financial resources in terms of long term debt for an amount of Rs. 436 million, and has necessary authorization to make contribution towards corpus of the NIIT Institute of Information Technology, a non-profit independent society ("TNI"). TNI as a sponsoring body is in the process of establishing the 'NIIT University' which would commence its first academic session by September 2009, upon getting notified as a private university by the appropriate Government. The association of the Company with TNI and the creation of the world class NIIT University will enhance the academic strength, R & D capability and depth of NIIT's offerings in the global markets.

### Future Plans

As the Company consolidates its position as a Global Talent Development Corporation, your Company will increasingly focus on its Intellectual Property led strategy for revenue growth, reach, scalability, cost leadership and sustained long term competitiveness.

Given the uncertain economic environment expected in

coming years, your Company will aggressively focus on improving its profitability through higher productivity, better working capital management, reduction in discretionary spending and further streamlining processes. Your Company will continue to build strategic alliances with market leaders in each domain to strengthen its presence in each of its businesses, which in turn would help increase revenue growth, improve margin & profitability as well as de-risk the Company from currency fluctuations and other factors.

### Share Capital

During the year under review, the paid-up capital of your Company stands increased from Rs. 329,405,726 to Rs. 329,965,972 due to allotment of 280,123 Equity Shares of Rs. 2 each to employees under NIIT ESOP 2005.

### Debentures

Your Company has raised Rs. 1,000 million by issue of Secured Redeemable Non-Convertible Debentures (NCDs) of Rs. 500 million each to Life Insurance Corporation (LIC) and Indian Overseas Bank (IOB) on private placement basis. The NCDs issued to LIC are listed at National Stock Exchange (NSE) and the Company is in the process of completing the listing formalities with regard to the NCDs issued to IOB.

### Registered Office

The Registered Office of the Company has been shifted from C-125, Okhla Industrial Area, Phase-I, New Delhi-110020 to B-234, Okhla Industrial Area, Phase-I, New Delhi-110020 w.e.f. March 15, 2009.

### Dividend

In view of the Company's profitable performance, your Directors are pleased to recommend, for approval of the members at the forthcoming Annual General Meeting, dividend of Rs. 1.30 per share (equivalent to the amount of the dividend declared in the previous financial year).

### Transfer to Reserves

In accordance with statutory provisions, your Company has transferred a sum of Rs. 47.21 million to the General Reserve and Rs. 52.06 million to the Debenture Redemption Reserve.

### Awards and Accords

During the year under review, NIIT bagged several recognitions at national and international level. Few of the most significant honors amongst all are mentioned below:

- NIIT was accorded the Business Superbrands 2008 status for the second time by the Superbrands Council.

## DIRECTORS' REPORT (Contd.)

- NIIT, USA (Subsidiary of NIIT) was awarded the Gold for 'Excellence in E-learning Award' by Chief Learning Officer magazine as part of its Learning in Practice Awards, one of the industry's highest honors.
- NIIT was recognized by UNESCO for innovation in ICT in Education in 2008.
- HiWEL (Subsidiary of NIIT) was conferred the coveted 'Digital Opportunity Award' by World Information Technology Services Alliance (WITSA) in 2008.
- NIIT was ranked amongst 'India's Most Trusted Services Brand' in Economic Times Brand Equity survey in 2008.

### Subsidiaries

During the year under review, your Company entered into Joint venture with Genpact India Holdings to impart instructor led and/or information technology assisted training and distance education for enhancing performance/employment in the BPO and ITES industry through its specifically formed subsidiary company i.e. NIIT Institute of Process Excellence Limited, which was incorporated on April 2, 2008.

Further, NIIT China (Shanghai) Limited, a step down subsidiary company, in partnership/association with Chongqing Campus-base Management & Consulting Limited, incorporated a new overseas subsidiary company in the name of Chongqing NIIT Education Consulting Limited to train large number of university graduates in WND centre and equip them with relevant IT skills to get them jobs in companies that are/would be set up in Chongqing.

Towards the end of the financial year under review, 'Imperia China (Shanghai) Limited' became the subsidiary of the NIIT China (Shanghai) Limited by virtue of control in a new company through an agreement. Consequently, it became step down subsidiary of your Company. The new company inter-alia bring world class management education to China using high-technology solutions and partnerships with best in class business management institutions to create management training programs that are targeted at different focused student segments in China. At the end of financial year under review, a step-down subsidiary company NIIT Middle East WLL, Bahrain filed an application for liquidation.

Your Company had, pursuant to the provisions of Section 212(8) of the Companies Act, 1956 (the Act), filed application with the Ministry of Corporate

Affairs, seeking exemption from attaching a copy of the Balance Sheet, Profit and Loss Account, Directors' Report and Auditors' Report of the subsidiary companies and other documents required to be attached under Section 212(1) of the Act. The necessary approval from the Ministry of Corporate Affairs was received vide their letter dated May 14, 2009. Accordingly, the said documents are not being attached with the Annual Report of your Company. A gist of the financial performance of the subsidiary companies in the format prescribed by the Ministry of Corporate Affairs is contained elsewhere in the Annual Report. The Accounts of the subsidiary companies are open for inspection for any Member/Investor at the Registered Office of your Company. The Company will make available these documents/details upon request to any Member/Investor interested in obtaining the same.

### Corporate Governance

Your Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity in all facets of its operations as well as in all interactions with its Stakeholders including Shareholders, NIITians, Lenders and Regulatory Authorities. In order to enhance customer satisfaction and stakeholder value, your Company continues to benchmark its Corporate Governance practices with the best in the world in line with international norms.

Your Company has complied with all the requirements relating to Corporate Governance as stipulated in Clause 49 of the Listing Agreement. The report of the Directors on Corporate Governance is given as a separate section titled 'Corporate Governance Report', which forms part of this Annual Report. The Auditors' Certificate confirming the compliance to the conditions of the Corporate Governance stipulated in Clause 49 of the Listing Agreement is annexed to the Corporate Governance Report.

### Management Discussion and Analysis Report

The Management Discussion and Analysis Report as required under the Listing Agreement is annexed and forms part of the Directors' Report.

### Directors

In accordance with the provisions of the Act, and Articles 64, 65 and 66 of the Articles of Association of your Company, Mr. Vijay K. Thadani, Mr. Sanjay Khosla and Mr. Subroto Bhattacharya, Directors of your Company, retire by rotation at the forthcoming Annual

## DIRECTORS' REPORT (Contd.)

General Meeting and being eligible, offer themselves for reappointment.

### Directors' Responsibility Statement

As required under Section 217 (2AA) of the Act, the Board of Directors of your Company hereby states and confirms:

- That in preparation of Annual Accounts for the financial year, applicable Accounting Standards have been followed along with the proper explanations relating to material departures;
- That they have selected the accounting policies described in the notes to accounts, which have been consistently applied, except where otherwise stated and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2009 and of the profit or loss of the Company for that year;
- That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Annual Accounts have been prepared on the historical cost convention, as a going concern basis and on accrual basis.

**Information relating to Conservation of Energy, Technology Absorption, Research and Development, Exports, Foreign Exchange Earnings and Outgo and other information forming part of the Directors' Report in terms of Section 217(1)(e) of the Act, and the Rules made thereunder**

#### a) Conservation of energy

The operations of your Company are low energy intensive. However, appropriate measures, wherever possible, have been initiated to conserve energy. Your Company is continuously evaluating new technologies and invests in them to make its infrastructure more energy efficient.

#### b) Technology absorption

In today's world, perpetually evolving technologies and increasing competition define the global market space. In order to maintain its position of leadership, your Company has continuously and successfully developed state-of-the-art methods for absorbing, adapting and effectively deploying new technologies.

#### c) Research and Development

The Company believes that technological obsolescence is a reality. Only progressive research and development will help us to measure up to future challenges and opportunities. We invest and encourage continuous innovation. During the year under review, expenditure on research and development is not significant in relation to the nature and size of operations of your Company.

#### d) Exports

The Company exports customized training/learning contents to its overseas clients to meet their varying learning needs. The Company develops contents in a multitude of subjects for widely varied audiences. During the year under review, NIIT strengthened its presence in China, South Africa, Botswana, Nigeria, Malaysia, Vietnam and Thailand. With a view to increase exports, your Company plans to launch managed training solutions for its global clients and also soliciting more work to be off-shored by the overseas subsidiaries. The Company will continue to focus on select high potential geographies for expansion of its business outside India.

#### e) Foreign exchange earnings and outgo

The details of foreign exchange earnings and outgo are mentioned in Notes Nos. 10, 11 and 12 contained in the Notes to Accounts (Schedule No. 20) forming part of the Balance Sheet and Profit and Loss Account for the financial year ended March 31, 2009.

#### Public Deposits

Your Company has not accepted any fixed deposits from public and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

#### Particulars of Employees

Particulars of employees as required under Section 217 (2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975 are given in **Annexure-I** and form part of this report.

#### Auditors

M/s. Price Waterhouse, Chartered Accountants, the Auditors of your Company, retire at the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed.

**Human Resources and Employees' Stock Option Scheme**  
NIITians are the key resource for your Company. Your

## DIRECTORS' REPORT (Contd.)

Company has been able to create and continuously improve a favourable work environment that encourages novelty and meritocracy at all levels.

Employees relations remained cordial at all Company's locations. The Directors take this opportunity to record their appreciation for the outstanding contribution of all NIITians.

Your Company had during the financial year 2005-06 launched the NIIT Employee Stock Option Plan 2005 (ESOP-2005) with the objective of attracting and motivating employees by rewarding performance and retaining the best talent. The aim was to develop a sense of ownership among the employees within the organisation and to align your Company's stock option scheme with the best practices in the Industry. During the year under review, the Compensation/Remuneration Committee granted 1,282,050 Stock Options (Grant-IV) of Rs. 2 each at market price to eligible employees under ESOP-2005. The particulars of the Options granted, vested, exercised and allotted under the ESOP-2005 as required to be disclosed

under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, are appended as **Annexure-II** and form part of this report.

Further, none of the employees were granted options equal to or exceeding 1% of the issued capital of the Company.

### **Acknowledgements**

Your Directors take this opportunity to thank all investors, clients, licensees, technology partners, vendors, financial institutions, banks, regulatory and governmental authorities, media and stock exchanges for their continued support during the year under review.

For and on behalf of the Board

**Rajendra S Pawar**  
*Chairman &  
Managing Director*

Place : New Delhi  
Date : May 27, 2009

### Annexure-I to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2009.

A. Employed throughout the year and in receipt of remuneration not less than Rs. 24,00,000 for the year

| Name                                | Age (Years) | Qualification(s)                      | Experience (Years) | Designation   | Nature of Duties                                     | Gross Remuneration (Rs.) | Date of Joining | Previous Employment & Designation  |
|-------------------------------------|-------------|---------------------------------------|--------------------|---|--|--------------------------|-----------------|--|
| Rajendra Singh Pawar                | 58          | B. Tech.                              | 37                 | Chairman & Managing Director                                  | CMD  | 10,982,061               | 2-Dec-81        | HCL Ltd., Planning Manager   |
| Vijay Kumar Thadani                 | 58          | B. Tech.                              | 37                 | Chief Executive Officer & Whole-time Director                 | CEO  | 11,164,059               | 2-Dec-81        | Keltron Limited, Branch Manager  |
| P. Rajendran                        | 56          | BE                                    | 35                 | Chief Operating Officer & Whole-time Director                 | COO  | 8,169,635                | 1-Sep-82        | Keltron Ltd., Resident Manager   |
| Ashok Kumar Arora                   | 54          | BCom                                  | 33                 | Group Chief Financial Officer                                 | Group CFO  | 2,538,938                | 10-Nov-82       | Narula Udayog Pvt. Ltd., Accounts Executive Officer  |
| Radhakrishnan K V                   | 47          | BA, MBA, Dip in Comp                  | 21                 | General Manager - Human Resources                             | Head - HR Operations                                 | 2,518,878                | 25-Feb-88       | National Association of State Agro Industries Corporation, Stenographer                              |
| L. Balasubramanian                  | 55          | BSc                                   | 35                 | President-School Learning Solutions                           | IBU Head   | 6,420,398                | 30-Nov-88       | DCM Data Products, Regional Systems Engineering Manager  |
| Mukesh Saini                        | 49          | BCom, PGD in Lib Law                  | 26                 | General Manager-Corporate Affairs                             | Head-Corporate Affairs                               | 2,833,464                | 1-Jun-07        | NIIT Institute of Information Technology, Head - Estates & Administration                            |
| Meenakshi Goel                      | 45          | BA, MA, Dip in Comp                   | 20                 | Vice President  | Head - Design & Development, GDD                     | 2,744,710                | 28-Apr-89       | First Employment   |
| Tulika Sinha                        | 43          | BA                                    | 22                 | Senior Vice President   | Zonal Head - Global Individual Learning              | 3,475,260                | 2-May-89        | East India Pharmaceuticals, Supervisor   |
| Anuradha S Boxwala                  | 44          | BSc, Dip In Comp                      | 20                 | Sr. Vice President-global Sales Enablement & India Sales, ILS | Head - Global Sales Enablement & India Sales         | 3,954,451                | 1-Jul-89        | First Employment   |
| Dr. Smarajit Dey                    | 52          | BE, ME, Phd                           | 30                 | President-Finance & Management Training Solutions             | President-Strategic Initiatives                      | 10,260,867               | 1-Apr-07        | NIIT Institute of Information Technology, NIIT Institute of Information Technology, Professor & Dean |
| Udai Singh                          | 41          | BE, ME                                | 20                 | Executive Vice President - Imperia                            | Head-SLT   | 5,284,678                | 23-Mar-05       | NIIT Online Learning Limited, NIIT Online Learning Limited, Whole-time Director & COO                |
| Venkata Durga Ravi Kiran Patibandla | 42          | BSc, MBA, Dip in Comp                 | 19                 | Vice President-Operations                                     | Head, Operations                                     | 2,920,174                | 2-Jul-90        | First Employment   |
| Babita Karki                        | 42          | BSc, MSc                              | 18                 | General Manager-Strategic Human Resources                     | Program Manager-SHR                                  | 2,624,964                | 11-Apr-91       | UPTRON Acl, Counsellor Cum Instructor  |
| Sunil Sirahi                        | 42          | BSc, MSc, Dip in Mgmt                 | 18                 | Vice President-Information Resources                          | Head-IRO   | 3,232,358                | 5-Aug-91        | Europcar Ltd., Station Manager   |
| Akhlesh Agarwal                     | 43          | ME                                    | 20                 | General Manager   | Practice Manager - CTS                               | 2,857,146                | 9-Jul-94        | TCS Limited, Sr. System Analyst  |
| Sanjeev Shrivastava                 | 43          | BSc, Dip in Comp                      | 22                 | General Manager   | Head - Sales, ILB                                    | 2,495,404                | 13-May-96       | Microsoft Ltd., Channel Sales Executive  |
| Vikas Bajjal                        | 41          | BSc, MSW                              | 19                 | Vice President-Human Resources                                | Head-IBU HR & Training & Development                 | 3,221,772                | 4-Aug-97        | HFCL Dacom Infochek Ltd., Manager- HRD   |
| Ashish Basu                         | 49          | BSc, MSc, MBA                         | 26                 | President-NEW Business Incubation                             | Head - New Business Incubation                       | 7,244,585                | 20-Jun-05       | NIIT USA Inc., President KSB Global Solutions  |
| Ajai Manohar Lal                    | 54          | BSc, MSc                              | 33                 | Sr. Vice President-channel Mgmt, China & Latin America, ILS   | Head-global Channel Mgmt, commercial Ops & Logistics | 4,909,911                | 17-Jan-00       | DTE Gen Mech Forces, Dte Gen Mech Forces, Director   |
| Shampi Venkatesh                    | 43          | BCom                                  | 22                 | Senior Vice President-ILS, India North                        | Zonal Head - Global Individual Learning              | 4,841,423                | 1-Oct-03        | NIIT Online Learning Limited, Head Operations  |
| Ashish Nanda                        | 35          | BCom, CA                              | 11                 | Financial Controller - Corporate Accounts                     | Financial Controller -Corporate Accounts             | 3,003,269                | 1-Jan-04        | NIIT Online Learning Limited, Assistant Manager - Accounts   |
| Jitender Mahajan                    | 45          | BCom, CA, CS                          | 21                 | Chief Financial Officer                                       | CFO  | 4,814,860                | 12-Mar-02       | Electrolux Kelvinator Ltd., General Manager - Corporate Accounts                                     |
| Ganesh Krishnamurthy                | 43          | BCom                                  | 19                 | Vice President  | Practice Head - Content                              | 3,287,480                | 1-Apr-02        | Triagn Technologies Inc., Project Manager  |
| Chetna Khuller                      | 38          | BA, MBA                               | 15                 | Vice President - Treasury & Corporate MIS                     | Head-Treasury  | 3,071,222                | 2-Sep-02        | Ballarpur Indus. Ltd., Manager - Finance   |
| Abraham Michael Tharakan            | 44          | BSc, Dip in Comp                      | 17                 | General Manager   | Head - Design & Development                          | 2,498,520                | 25-Nov-02       | Max Ateev, Sr. Project Manager   |
| Sanjay Mal                          | 46          | BCom                                  | 25                 | Senior Vice President - Finance                               | Finance & Investor Relations Head                    | 3,136,220                | 8-Jan-03        | A Arora & Associates, Senior Associate   |
| Vijay Kumar                         | 57          | BE, MBA                               | 29                 | Group Executive Vice President-Mergers & Acquisition          | Group M & A Head                                     | 2,832,061                | 15-Mar-03       | Sicom Ltd., Sr. Development Officer  |
| Raghavan Govindan                   | 52          | BSc, Mms                              | 29                 | President-Individual Learning Solutions                       | President - ILS                                      | 12,451,506               | 1-Jun-05        | Ingram Micro India, Managing Director  |
| Vijay Kumar                         | 45          | BSc, MBA                              | 23                 | Vice President  | Business Head - ROW                                  | 2,499,281                | 26-Sep-05       | Aptech Limited, Head - Sales & Marketing   |
| Neeraj Sharma                       | 41          | BSc, MSc, ME, Phd                     | 13                 | General Manager-Academics                                     | Head, Academics                                      | 2,577,284                | 1-Sep-06        | Hughes Escorts Communications Ltd., National Manager-Academics & Business Relationship               |
| Parveen Jain                        | 43          | BCom, MCom, CS, LLB, PG - Dip in IRPM | 17                 | Company Secretary & Legal Counsel                             | Company Secretary & Legal Counsel                    | 2,856,492                | 1-Mar-06        | Escorts Ltd., Deputy GM-Law & Corporate Secretariat  |
| Ajay Mohan Goel                     | 46          | BE, MBA                               | 26                 | Senior Vice President-Corporate Development                   | Head - Corporate Development                         | 4,187,888                | 10-Jan-07       | Max Health Staff International Limited, CEO  |
| Santosh Nair                        | 43          | BE, MBA                               | 19                 | Senior Vice President-Strategic Marketing                     | Strategic Marketing Head                             | 4,813,753                | 26-Mar-07       | Mahindra Holidays & Resort India Ltd., Head Marketing  |
| Ashutosh Chadha                     | 40          | CA, CFA, CS                           | 17                 | General Manager-Accounts                                      | Accounts Operations Head                             | 3,809,923                | 9-Apr-07        | Wipro E-Peripherals, CFO & CS  |
| Asim Kumar Talukdar                 | 53          | BSc, MBA                              | 31                 | Senior Vice President-Human Resources                         | Head - HRO   | 4,968,962                | 16-Apr-07       | HT Media Limited, Vice President HRD & Admin.  |
| Amitabh Lahiri                      | 51          | BE                                    | 27                 | Senior Vice President-Global Delivery & Operations            | Head-Global Delivery & Operations                    | 5,084,108                | 6-Jul-07        | Genpact, Consultant - Six Sigma Practice   |
| Vipul Rastogi                       | 39          | BE, MBA                               | 14                 | Vice President-Enterprise Solutions, India                    | IBU Head, Enterprise Solutions, India                | 3,925,086                | 10-Dec-07       | Alcoa India Pvt Ltd., Managing Director  |

## DIRECTORS' REPORT (Contd.)

### B. Employed for part of the year and in receipt of remuneration not less than Rs. 2,00,000 per month

| Name                    | Age (Years) | Qualification(s)     | Experience (Years) | Designation  | Nature of Duties                                 | Gross Remuneration (Rs.) | Date of Joining | Previous Employment & Designation                             |
|-------------------------|-------------|----------------------|--------------------|--|--|--------------------------|-----------------|---|
| S N Uma                 | 55          | BSc, MSc, MPhil, PHD | 27                 | Sr. Vice President-strategic Initiatives & Info Sys          | Head, Strategic Initiatives & Info Systems       | 2,349,460                | 2-May-85        | Queen Mary's College, Lecturer                                |
| Kawaljit Singh          | 48          | Bcom, CA, CS Inter   | 28                 | Financial Controller - Corp Centre                           | Financial Controller -Corporate Accounts         | 2,513,016                | 1-Jul-08        | NIIT Technologies Limited, Financial Controller - Corp Centre |
| Chockalingam Murugan    | 42          | MCA                  | 19                 | Sr. Vice President-Marketing & Product Management, ILS       | Head - Global Marketing & Product Management     | 3,139,184                | 1-Oct-03        | NIIT Online Learning Limited, Business Head                   |
| Gauri Shankar Mukherjee | 58          | BFA                  | 30                 | Chief-Communication Design                                   | Practice Head - Communication Design             | 1,729,314                | 1-Jun-00        | J Volor Thompson, Creative Director                           |
| Amit Roy                | 58          | BSc, FCA             | 33                 | Senior Vice President - Internal Audit & Assurance           | Head-Internal Audit & Assurance                  | 3,247,704                | 3-May-04        | Titagarh Industries Ltd., Executive Director                  |
| Kamal Singh             | 58          | BE                   | 36                 | Senior Vice President-Commercial Services                    | Group CSO Head                                   | 2,430,197                | 16-Oct-06       | Indian Air Force, Commandant of Air Force Technical College   |
| Shraman Jha             | 39          | BA, MBA, MA          | 15                 | Senior Vice President  | Head-NIIT Imperia                                | 3,315,565                | 1-Jul-08        | The Telegraph, Vice President                                 |
| Sanjeev Sethi           | 42          | BE                   | 20                 | Senior Vice President-Commercial Services                    | Head - CSO                                       | 1,507,946                | 3-Nov-08        | Cadence Design Systems, Director-Real Estate & Facilities     |
| Mohit Hira              | 46          | BA                   | 23                 | President-e-learning, Retail                                 | Head-e-learning, Retail                          | 2,656,368                | 4-Nov-08        | Times Internet, Director                                      |
| Aman Nagar              | 44          | BCS, MBA             | 18                 | Vice President-ICS   | Head - ICS                                       | 1,352,476                | 6-Nov-08        | Hp India, System Integration Partner Business Manager         |
| Placid Sam              | 48          | BE, MBA              | 22                 | Sr.Vice President English& Professional Life Skills Training | Business Unit Head-Eng. & Prof. Life Skills Trg. | 197,489                  | 16-Mar-09       | Subhiksha India Ltd., Chief Operating Officer                 |

#### NOTES :

1. The gross remuneration shown above comprises salary, allowances, incentives, monetary value of perquisites as per Income Tax Rules and Company's contribution to Provident Fund and Superannuation Fund.
2. The gross remuneration of employees do not include provision for gratuity and provision for leave encashment.
3. None of the above employees are related to any Director of the Company.
4. None of the employees holds 2% or more of the paid-up Equity Share Capital of the Company.
5. The nature of Employment in all above cases is contractual.



### Annexure-II to the Directors' Report

Information relating to NIIT ESOP-2005 under SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 (as on March 31, 2009)

| (a) Options granted   | Grant I – 555,350*<br>Grant II – 46,200*<br>Grant III – 115,000*<br>Grant IV – 1,282,050**<br><br>*The options were granted prior to the issuance of bonus shares and the split in the face value of the share from Rs. 10 per share to Rs. 2 per share<br>** The options were granted on shares of face value of Rs. 2 per share  |                      |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
|---|--|----------------------|-------------------|----------------------|-----------|-------------------|--------------------|-------------|---------|---------|--------------|--------|--------|-------------|-------|---------|------------|---|-------|-------|---------|---------|
| (b) Pricing formula   | At a price not less than the then existing face value of the share of the Company:<br><br><table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Grant Price (Rs.)</th> <th style="text-align: center;">Market Price (Rs.) #</th> </tr> </thead> <tbody> <tr> <td>Grant I *</td> <td style="text-align: center;">180.00</td> <td style="text-align: center;">235.15</td> </tr> <tr> <td>Grant II **</td> <td style="text-align: center;">237.00</td> <td style="text-align: center;">237.00</td> </tr> <tr> <td>Grant III **</td> <td style="text-align: center;">912.15</td> <td style="text-align: center;">912.15</td> </tr> <tr> <td>Grant IV **</td> <td style="text-align: center;">88.70</td> <td style="text-align: center;">88.70</td> </tr> </tbody> </table> # Closing price on the National Stock Exchange<br>* at approx 23.45% discount to market price<br>** at market price   |                      | Grant Price (Rs.) | Market Price (Rs.) # | Grant I * | 180.00            | 235.15             | Grant II ** | 237.00  | 237.00  | Grant III ** | 912.15 | 912.15 | Grant IV ** | 88.70 | 88.70   |            |   |       |       |         |         |
|   | Grant Price (Rs.)  | Market Price (Rs.) # |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant I *   | 180.00   | 235.15               |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant II **   | 237.00   | 237.00               |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant III **  | 912.15   | 912.15               |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant IV **   | 88.70  | 88.70                |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| (c) Options vested  | <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;">No. of shares</th> </tr> <tr> <th></th> <th style="text-align: center;">Pre bonus &amp; split</th> <th style="text-align: center;">Post bonus &amp; split</th> </tr> </thead> <tbody> <tr> <td>Grant I</td> <td style="text-align: center;">519,050</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Grant II</td> <td style="text-align: center;">26,350</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Grant III</td> <td style="text-align: center;">-</td> <td style="text-align: center;">456,581</td> </tr> <tr> <td>Grant IV *</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Total</td> <td style="text-align: center; border-top: 1px solid black;">545,400</td> <td style="text-align: center; border-top: 1px solid black;">456,581</td> </tr> </tbody> </table> * To vest on 28.07.09 |                      | No. of shares     |                      |           | Pre bonus & split | Post bonus & split | Grant I     | 519,050 | -       | Grant II     | 26,350 | -      | Grant III   | -     | 456,581 | Grant IV * | - | -     | Total | 545,400 | 456,581 |
|   | No. of shares  |                      |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
|   | Pre bonus & split  | Post bonus & split   |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant I   | 519,050  | -                    |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant II  | 26,350   | -                    |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant III   | -  | 456,581              |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant IV *  | -  | -                    |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Total   | 545,400  | 456,581              |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| (d) Options exercised   | <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;">No. of shares</th> </tr> <tr> <th></th> <th style="text-align: center;">Pre bonus &amp; split</th> <th style="text-align: center;">Post bonus &amp; split</th> </tr> </thead> <tbody> <tr> <td>Grant I</td> <td style="text-align: center;">413,357</td> <td style="text-align: center;">374,516</td> </tr> <tr> <td>Grant II</td> <td style="text-align: center;">21,800</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Grant III</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Grant IV</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Total</td> <td style="text-align: center; border-top: 1px solid black;">435,157</td> <td style="text-align: center; border-top: 1px solid black;">374,516</td> </tr> </tbody> </table>                         |                      | No. of shares     |                      |           | Pre bonus & split | Post bonus & split | Grant I     | 413,357 | 374,516 | Grant II     | 21,800 | -      | Grant III   | -     | -       | Grant IV   | - | -     | Total | 435,157 | 374,516 |
|   | No. of shares  |                      |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
|   | Pre bonus & split  | Post bonus & split   |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant I   | 413,357  | 374,516              |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant II  | 21,800   | -                    |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant III   | -  | -                    |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant IV  | -  | -                    |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Total   | 435,157  | 374,516              |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| (e) The total number of shares arising as a result of exercise of option        | <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;">No. of shares</th> </tr> <tr> <th></th> <th style="text-align: center;">Pre bonus &amp; split</th> <th style="text-align: center;">Post bonus &amp; split</th> </tr> </thead> <tbody> <tr> <td>Grant I</td> <td style="text-align: center;">413,357</td> <td style="text-align: center;">374,516</td> </tr> <tr> <td>Grant II</td> <td style="text-align: center;">21,800</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Grant III</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Grant IV</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Total</td> <td style="text-align: center; border-top: 1px solid black;">435,157</td> <td style="text-align: center; border-top: 1px solid black;">374,516</td> </tr> </tbody> </table>                         |                      | No. of shares     |                      |           | Pre bonus & split | Post bonus & split | Grant I     | 413,357 | 374,516 | Grant II     | 21,800 | -      | Grant III   | -     | -       | Grant IV   | - | -     | Total | 435,157 | 374,516 |
|   | No. of shares  |                      |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
|   | Pre bonus & split  | Post bonus & split   |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant I   | 413,357  | 374,516              |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant II  | 21,800   | -                    |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant III   | -  | -                    |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant IV  | -  | -                    |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Total   | 435,157  | 374,516              |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| (f) Options lapsed (includes options not vested based on performance parameter) | <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;">No. of shares</th> </tr> <tr> <th></th> <th style="text-align: center;">Pre bonus &amp; split</th> <th style="text-align: center;">Post bonus &amp; split</th> </tr> </thead> <tbody> <tr> <td>Grant I</td> <td style="text-align: center;">40,300</td> <td style="text-align: center;">295,752</td> </tr> <tr> <td>Grant II</td> <td style="text-align: center;">19,850</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Grant III</td> <td style="text-align: center;">-</td> <td style="text-align: center;">414,621</td> </tr> <tr> <td>Grant IV</td> <td style="text-align: center;">-</td> <td style="text-align: center;">7,500</td> </tr> <tr> <td>Total</td> <td style="text-align: center; border-top: 1px solid black;">60,150</td> <td style="text-align: center; border-top: 1px solid black;">717,873</td> </tr> </tbody> </table>                 |                      | No. of shares     |                      |           | Pre bonus & split | Post bonus & split | Grant I     | 40,300  | 295,752 | Grant II     | 19,850 | -      | Grant III   | -     | 414,621 | Grant IV   | - | 7,500 | Total | 60,150  | 717,873 |
|   | No. of shares  |                      |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
|   | Pre bonus & split  | Post bonus & split   |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant I   | 40,300   | 295,752              |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant II  | 19,850   | -                    |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant III   | -  | 414,621              |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Grant IV  | -  | 7,500                |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |
| Total   | 60,150   | 717,873              |                   |                      |           |                   |                    |             |         |         |              |        |        |             |       |         |            |   |       |       |         |         |

## DIRECTORS' REPORT (Contd.)

|   |  |                       |                        |                         |                       |
|---|--|-----------------------|------------------------|-------------------------|-----------------------|
| (g) Variation of terms of options   | Nil  |                       |                        |                         |                       |
| (h) Money realized by exercise of options   | Rs. 88,559,244 /-  |                       |                        |                         |                       |
| (i) Total number of options in force  | 1,848,984 (post bonus and split)   |                       |                        |                         |                       |
| (j) Employee wise details of options granted to:  |  |                       |                        |                         |                       |
| (i) senior managerial personnel   | <p>Summary ^ of options granted to senior managerial personnel* are as under:</p> <ul style="list-style-type: none"> <li>No. of employees covered: 32</li> <li>No. of options granted to such personnel: <ul style="list-style-type: none"> <li>- 238450 (Pre Bonus and Split)</li> <li>- 463125 (Post Bonus and Split)</li> </ul> </li> </ul> <p>^ Only summary given because of sensitive nature of information<br/>*includes directors (excluding promoter directors) and employees who are one level below the Board of Directors.</p> |                       |                        |                         |                       |
| (ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.  | Nil  |                       |                        |                         |                       |
| (iii) identified employees who were granted options during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant  | Nil  |                       |                        |                         |                       |
| (k) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with [Accounting Standard(AS) 20 'Earnings Per Share'   | Rs. 2.86   |                       |                        |                         |                       |
| (l) Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed | Please refer to Notes Nos. 1(vii) and 14 contained in the Notes to Accounts (Schedule No. 20) forming part of the Balance Sheet as at March 31, 2009 and Profit and Loss Account for the year ended on that date.  |                       |                        |                         |                       |
| (m) Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock  |  | <b>Grant I* (Rs.)</b> | <b>Grant II* (Rs.)</b> | <b>Grant III* (Rs.)</b> | <b>Grant IV (Rs.)</b> |
|   | Weighted average exercise price  | 24.00                 | 31.60                  | 121.62                  | 88.70                 |
|   | Weighted average fair value  | 13.15                 | 9.63                   | 37.23                   | 32.09                 |
| Note: * the prices are adjusted for the bonus and split   |  |                       |                        |                         |                       |
| (n) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:  |  |                       |                        |                         |                       |
|   | <b>Grant I</b>   | <b>Grant II</b>       | <b>Grant III</b>       | <b>Grant IV</b>         |                       |
| (i) risk-free interest rate   | 7%   | 7%                    | 7.93%                  | 9.24%                   |                       |
| (ii) expected life  | 2.5 years  | 2.5 years             | 2.5 years              | 2.5 years               |                       |
| (iii) expected volatility   | 14%  | 14%                   | 45.47%                 | 51.81%                  |                       |
| (iv) expected dividends   | Not considered   | Not considered        | 2.79%                  | 2.04%                   |                       |
| (v) the price of the underlying share in market at the time of option grant   | Rs. 235.15   | Rs. 237.00            | Rs. 912.15             | Rs. 88.70               |                       |

### Leadership In Global Talent Development

During the financial year 2008-09, NIIT Limited (“NIIT” or “the Company”) consolidated its leadership position as a Global Talent Development Corporation. The Company started the year based on its stated strategy set, to achieve:

- Accelerated growth,
- Improved profitability,
- Market leadership in chosen areas;

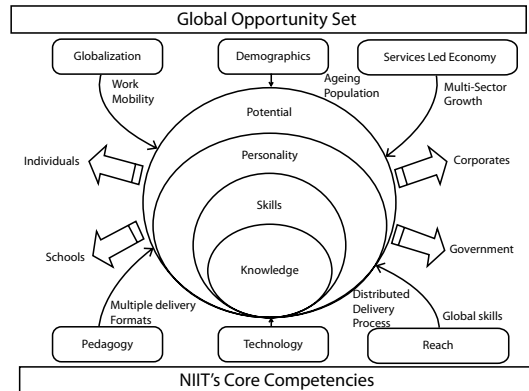
based on the foundations of strong channel, technology and higher education partnerships and operating strategies which include talent transformation, customer acquisition and improved infrastructure.

The turmoil and changes in the Global and Indian economy, during the year, led to the Company making mid course tactical corrections, while choosing to keep the strategy set intact. While continuing its customer acquisition activities, the Company initiated multiple steps to manage its profitability and for keeping itself in a state of readiness, once the economy starts rebounding.

### Environment

The year closed with continuing negative corporate and consumer sentiment resulting from the global economic crisis triggered by the banking and financial sector in USA. The economic slowdown led to extreme risk aversion and large parts of developed world moving into negative rate of GDP growth. The Indian economy was also affected, but was relatively better off than rest of the world. The volatility in oil prices, exchange rates and inflation became significant factors affecting the corporates and consumer sentiment. Indian Government at both the central and state level continued to accelerate their focus on skills development and public-private partnerships.

The Company’s view is that the education and training sector would remain the key determinant of economic growth and recovery, both for India and rest of the world, as the fundamental long term drivers for this sector continue to remain intact.



Increased global work mobility, ageing population leading to significant demographic shifts and the multi-sector growth led by services economy will continue to cause talent shortages over the next decade. This presents a unique opportunity to the company to leverage its core competencies of educational Pedagogy, efficient use of technology for delivering education and its wide reach.

The demographic shifts predicted in a study by Boston Consulting Group (BCG), by 2020, would result in a global shortage of 56 million people in the working age group, while India would have a surplus of 47 million. To take advantage of this demographic dividend, the company expects that the Indian Government and private sector would increasingly invest in the educational infrastructure, at all stages including schools, higher education institutions and skills development centres. With the expectations of Indian economy getting back into 7%+ GDP growth rates from the second half of FY’10, lack of skilled workforce would continue to remain the key hurdle to be crossed for achieving this rate of growth for India.

The Demographic Dividend - 2020



Note: Potential surplus is calculated keeping the ratio of working population (age group 15-59) to total population constant. Source: US Census Bureau; BCG analysis

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

The Eleventh Five Year Plan (2007-2012) has placed high priority on education as a central instrument for achieving rapid and inclusive growth with specific emphasis on expansion, excellence and equity. This is evident from the proposed allocation of Rs 2.7 trillion, a fourfold increase over the Tenth Plan.

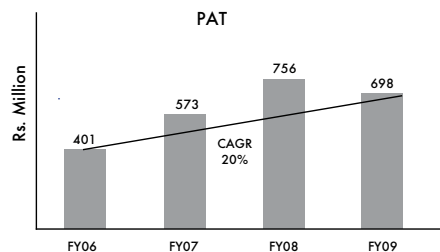
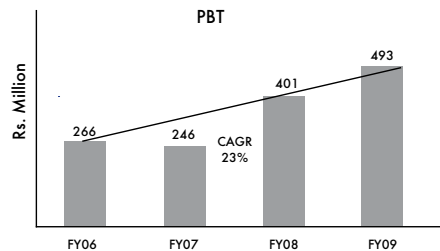
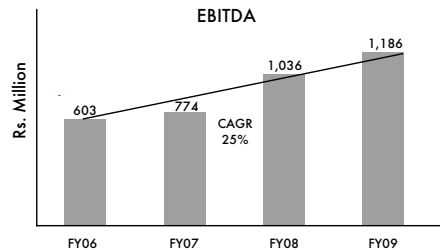
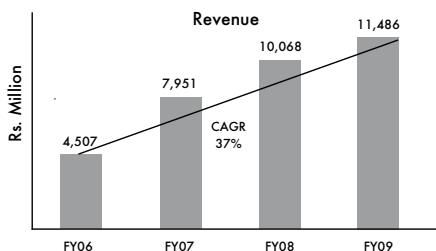
In this environment, NIIT is well positioned to build a leadership position in Global Talent Development. NIIT is focused on improving academic performance, employability and workforce productivity through its business offerings in India, China, rest of the Developing World, USA and Europe. NIIT services the full labour supply chain with its offerings as illustrated below:

|                   | School Learning Solutions  | Individual Learning Solutions  | Corporate Learning Solutions   |
|-------------------|--|--|--|
| Target Audience   | School Children  | Young adults   | Working Professionals  |
| Value Proposition | Academics  | Employability  | Productivity   |
| Customer          | School   | Individual   | Corporate  |
| Coverage          | <ul style="list-style-type: none"> <li>Multimedia Learning Content</li> <li>IT Learning</li> <li>Teacher Training</li> </ul> | <ul style="list-style-type: none"> <li>IT Training</li> <li>BFSI Training</li> <li>Management Education</li> <li>English Language</li> <li>Professional Life skills</li> </ul> | <ul style="list-style-type: none"> <li>Learning Products</li> <li>Training Delivery &amp; Administration</li> <li>Custom Projects</li> </ul> |

### Company Performance

In FY'09, the Company experienced a robust revenue growth and profitability improvement leading to improved market position. Over the last 4 years, the Company has grown:

- Revenues at a CAGR of 37 per cent, and
- EBITDA clocked a CAGR of 25 per cent.



The Company's performance is reflected in the chart below:

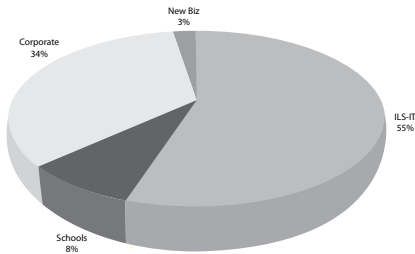
|   | Rs. Millions |        |        |
|---|--------------|--------|--------|
|   | FY'09        | FY'08  | Change |
| System wide Revenues  | 16,893       | 14,016 | 21%    |
| Net Revenues  | 11,486       | 10,068 | 14%    |
| EBITDA (earnings before interest, taxes, depreciation and amortization) | 1,186        | 1,036  | 15%    |
| Depreciation  | 647          | 529    | 22%    |
| Profit before tax   | 493          | 401    | 23%    |
| Operational PAT   | 389          | 422    | -8%    |
| Share of profits from associates/attributable to minority shareholders  | 309          | 334    | -8%    |
| Profit After Tax  | 698          | 756    | -8%    |
| Basic EPS (Rs.)   | 4.2          | 4.7    | -9%    |

The Company saw a marked improvement in its net revenue and profitability during the year with:

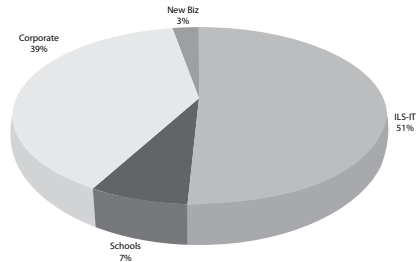
- Net Revenues at Rs. 11,486 million (a 14 percent growth)
- EBITDA at Rs. 1,186 million (a 15 percent growth)
- Profit before tax at Rs. 493 million (a 23 percent growth)

However, higher tax incidence and hedging losses adversely affected net profit.

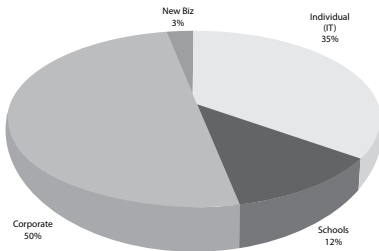
**FY'09-System wide revenues**



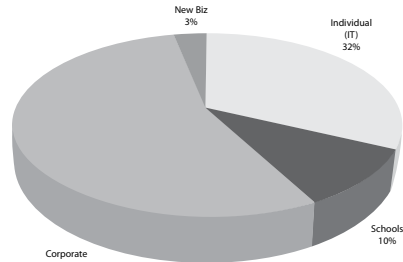
**FY'08-System wide revenues**



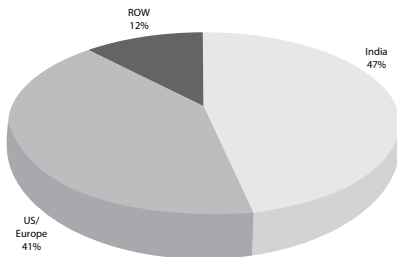
**FY'09-Net revenues**



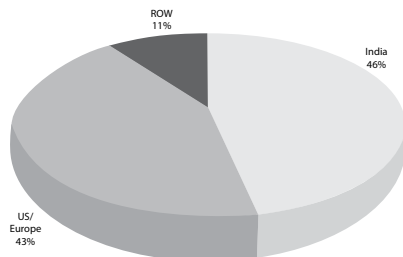
**FY'08-Net revenues**



**FY'09-Geo mix**



**FY'08-Geo mix**



During FY'09, the Company offered the following learning solutions:

- Individual IT Training: the Company provided IT/ITeS training to individuals interested in pursuing a career in IT/ITeS or upgrading their IT skills through partnerships with technology companies. These programmes were provided across India, China and other developing countries.
- Schools: the Company catered to the requirements of Government and private schools for IT education, multimedia education for all subjects and teachers training.

- Corporate: the Company provided end to end solutions, from development to deployment, of training curriculum to Government and corporate sector. Product offerings included Learning products, Training outsourcing and Custom projects.
- New Businesses:
  - Finance & Management Training: the Company offered training programmes to individuals in banking, insurance, finance and management. These programmes were offered through innovative business models involving partnerships with leading banks, insurance companies as well as leading institutes of management.

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

BPO Training: the Company during FY'09, entered into a joint venture with Genpact to offer knowledge and training in business processes, and soft skills to address the increasing demand for skilled people in the business & technology services industry.

### Business overview

#### Individual Learning Solutions - IT Training

The Individual Learning Solutions continued to focus on providing skill sets to people for the IT & ITES industry thereby improving the individual employability in IT sector. The revenue growth of 23% in this business was led by introduction of new courses, new propositions for Graduates and placement partnerships with IT Majors for pre-selection & training. In addition, reduction in training costs by IT majors by recruiting trained people and individuals facing the pressure of building competitive advantage, were the key drivers to business growth. During FY'09, the business recorded over 438,000 enrolments, a growth of 13% over previous year.

#### ➤ India

As part of the growth strategy, the Company focused on the following initiatives during FY'09:

- New products leveraging Technology Partnerships - During the year, the Company launched new training programs in partnership with;
  - i. SAS – Business Intelligence & Data Warehousing programs
  - ii. Cisco - Stand-alone modular programs & the inclusion of CISCO's CCNA into Global NetPlus Career programs
  - iii. Microsoft – Embedded MS certification in

Global NetPlus career programs

- Expanded product portfolio by launching the following programs:
  - i. GNIIT BSIM Track, job focused short term diploma programs of 99 days duration
  - ii. New Curriculum launch in Global NetPlus
  - iii. Microsoft Silverlight in association with Microsoft
- In line with the increasing penetration of IT/ITeS industry in Tier 2/3 towns, the Company carried out capacity expansion and increased seat capacity by 10% YoY.
- National IT Aptitude Test – The Company conducted the National IT Aptitude Test for the fifth consecutive year.

During FY'09, the Company carried out numerous engagements with the students, parents and Training & Placement Officers in colleges, in partnership with our Technology Partners, through uniquely branded seminars "IT, You & Economy." Over 200 seminars were conducted across the country during the year.

The order intake was Rs. 4,160 million (+6 percent YoY) and the closing order book was Rs. 1,243 million, of which 68 percent is executable during FY'10. What was even more encouraging was that, despite the industry trend of reduced new hirings, the company saw an increase in the placements of its students by 35%.

#### ➤ China

During FY'09, the Company ramped up its China operations by opening new centres. The total number of centres in China stood at 192 as of March 31, 2009 across 25 provinces. A notable trend was proliferation of Government assisted NIIT centres inside Software Parks, with the Company signing 5 new centres, in



NIIT Centre in China

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Chongqing, Dalian, Chengdu, Suzhou & Changzhou. Chongqing centre started operation in July 2008, while others will become operational during FY'10.

The Company strengthened its product portfolio by successfully launching a new series of 21 short duration programs under 'Li Gong Xin Rui' brand in November 2008. These programs offer training on technologies offered by Sun, Microsoft, Cisco and CompTIA. These are designed for working professionals and ready to enter the workforce graduates, and aim to equip the students with industry relevant IT & soft skills, to make them employment ready.

### ➤ Other Developing countries

During FY'09, the Company continued to focus on select high potential geographies. As a step in this direction, the Company strengthened its presence in South Africa, Botswana, Nigeria, Malaysia, Vietnam and Thailand. The operations in Nigeria were significantly strengthened by the approval received for vocational courses from the Federal Ministry of Education (FME) in Nigeria and over 72,000 students appearing for the scholarship exams in Nigeria. The Company also obtained a contract from South Africa's KwaZulu-Natal province to train thousands of youth in IT and BPO sector over the next 5 years.

In FY'08, the Company had opened centres in El Salvador, Nicaragua and Honduras under the aegis of the Ministry of External Affairs, Government of India. During FY'09, the Company opened a similar center in Jamaica.



### Financials of ILS - IT Training

| Rs. Million          | FY'09 | FY'08 | Change  |
|----------------------|-------|-------|---------|
| System wide revenues | 9,317 | 7,119 | 31%     |
| Net Revenues         | 3,982 | 3,241 | 23%     |
| EBITDA               | 865   | 664   | 30%     |
| OM%                  | 22%   | 21%   | 123 bps |

The increase in capacity utilization, from 55 percent to 56 percent, coupled with improved leverage of the fixed costs, saw the EBITDA growing at 30 percent.

### New Businesses

The Company is expanding its footprint across other areas of talent development. During the year, the Company consolidated its presence in the areas of Financial Services training and Executive Management Education, with the two businesses Institute of Finance, Banking and Insurance (IFBI) and NIIT Imperia completing their 2nd complete year of operations.

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## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

IFBI was adversely impacted by the successive crises faced by the Banking and Financial Services sector that resulted in a virtual freeze on fresh recruitment & training across the BFSI sector throughout FY'09. IFBI responded to these challenges by expanding its offerings, widening its base of customers and partners, and offering greater value to its students. Going beyond the flagship Post-Graduate Diploma programs in Banking Operations and Financial Planning & Relationship Management, IFBI opened its doors to undergraduate career-seekers by launching the long-duration Diploma programs in Banking & Financial Services. IFBI also expanded its offerings for the Insurance sector, launched programs for mass Financial Literacy, and strengthened its offerings for existing professionals in Core Banking Solutions (through its tie-up for Infosys' Finacle) and other advanced topics.

IFBI's acceptance among all sections of the Financial Services sector was reflected by the new partnerships signed-up. During FY'09, new partnerships were established with Deutsche Bank, Laxmi Vilas Bank, HDFC Securities and Karvy Stock Broking among others, adding to the existing relationships with ICICI Bank, HDFC Bank, Kotak Mahindra Bank, ICICI Prudential, ICICI Lombard, ICICI Securities and Yes Bank.

NIIT Imperia continued to establish its unique model of Executive Management Education that combines programs offered by world-class management institutes with the geographical reach made possible by NIIT's Synchronous Learning Technology. 15 programs in General Management as well as in Functional areas were offered during FY'09 from 7 institutes, including 4 IIMs, and over 2,000 students benefited from new and continuing programs. The Company also conducted customized management training programs for some organizations using Synchronous Learning Technology, with enthusiastic response.

Nearly 11,000 students enrolled across 22 centres in 19 locations, during FY'09 in these two businesses.



During the year, the Company set up "NIIT Institute of Process Excellence" in equity participation with Genpact, under the brand name NIIT UNIQUA. NIIT UNIQUA will cater to the growing manpower needs of the Global BPO/KPO Industry. This joint initiative combines the best practices of Genpact, the leader in BPO and NIIT.



NIIT Unique Education Centre, Singapore Centre • No. 4, 2nd Floor, 27 Somers, Mount Star Road, Raffles City Centre, Singapore. Tel: 32284400/1 4140133  
 • No. 10, Sangee Road, Near Geylang Road, Malacca, Singapore. Tel: 32222100  
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NIIT UNIQUA addressed the increasing demand for skilled people in the business & technology services industry by providing training programs in relevant areas. It initially offered training programs in areas such as business processes, language skills and business communication, and intends to add additional offerings in areas like Finance and Accounting, Banking, Insurance and Supply Chain. It is designed for students aspiring to build sustainable careers in the high growth business and technology services industry. NIIT UNIQUA offers the industry's most comprehensive training curriculum for existing and potential employees of business services and technology companies.

### Financials of New Businesses

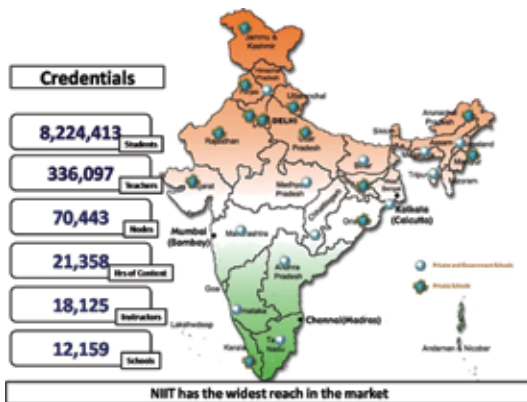
| Rs. Million          | FY'09 | FY'08 | Change |
|----------------------|-------|-------|--------|
| System wide revenues | 406   | 377   | 8%     |
| Net Revenues         | 334   | 308   | 9%     |
| EBITDA               | (75)  | (26)  |        |

The order intake for the year was Rs. 278 million while the pending order book was Rs. 46 million which is fully executable over the next 12 months.

### School Learning Solutions

The School Learning Solutions provided IT and IT enabled training for the private and government owned schools in India.





Math Lab

During FY'09, the Company saw an acceleration of interest by many state governments for providing IT education in schools. Central & State Governments continued their thrust to significantly expand the base of schools providing IT education under Sarv Shiksha Abhiyan and ICT@Schools schemes. Consequently, the Company saw a significant number of tenders floated by the State governments. Of the total tenders awarded during the year, the Company received new orders from the states of Andhra Pradesh, Assam, Delhi and Rajasthan, besides the renewals of contracts for existing schools from Andhra Pradesh, Chhattisgarh and Assam. Consequently, the total number of schools serviced by the Company has reached 12,159.

These two launches enabled the Company to further strengthen its NIIT e-Guru offering for schools, which comprises of 'Interactive Classrooms' for teachers, 'Math lab' and 'IT Wizard' for students, and 'Quick School' an Education Resource Planning solution for school management. NIIT e-Guru provides a holistic education package to the schools, that addresses the needs of all key stakeholders within the education realm—Students, Teachers, School management and Parents, in line with NCERT's National Curriculum framework.

The new product launches have received encouraging response from the non government schools and this would continue to be a focus area going forward. The private school business, during FY'09, contributed 27 percent to the total School Learning Solutions revenues, as compared to 28 percent in FY'08.



During FY'09 the Company launched e-Guru Smart Science Station, an innovative learning solution which integrates Science Lab with classrooms. The solution will help implement National Curriculum

Framework 2005 guidelines by NCERT, in schools and will cover subjects like Physics, Chemistry, Biology and Environmental Sciences for standards 6 to 10. The Company also tied up with Adobe Systems, and launched the first ever state-of-art Web & Multimedia curriculum for schools in India, based on Adobe Creative Suite Master Collection. This will give school students aspiring for a career in domains like website designing, video editing and sound editing, an early access to professional creative tools.

### Financials for School Learning Solutions

| Rs. Million  | FY'09 | FY'08 | Change  |
|--------------|-------|-------|---------|
| Net Revenues | 1,383 | 1,012 | 37%     |
| EBITDA       | 214   | 131   | 63%     |
| OM%          | 15%   | 13%   | 246 bps |

During FY'09, the Company recorded an order intake of Rs. 3,320 million. At the end of the year, the Order book for this business stood at Rs. 3,255 million with 147% YoY growth. Of this, 32% percent is executable during FY'10.

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### Corporate Learning Solutions



In Learning Products, the Company launched 'real world' solutions that allows customers to use both online and print materials to support blended training. Customers find this approach best suited for the current economic conditions and awarded many new deals to NIIT.

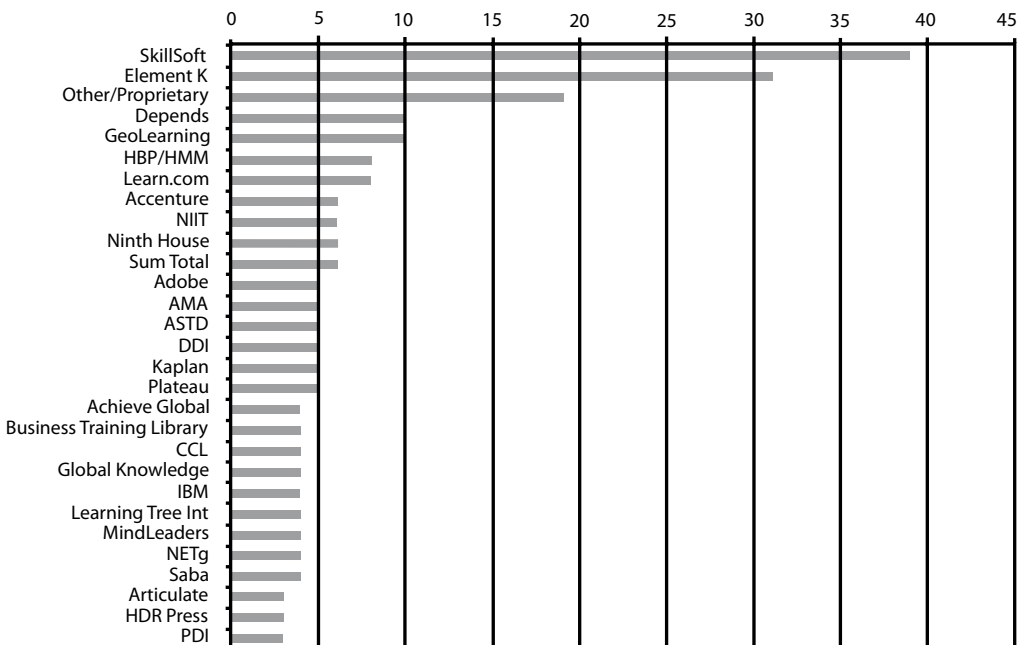
In the Training Outsourcing space, the Company was awarded a number of contracts. Among the more significant, was a contract for running European operations of a large IT Company and another for providing comprehensive training services for a large BPO Company in India. NIIT also secured significant Government orders, notable among them being from the Income Tax department to upgrade skills of tax return preparers and the Armed forces to support their e-learning initiatives.

During FY'09, NIIT's focus was in Learning Products, Training Outsourcing, Government Projects and Custom Services.

During the year, the Company further established itself as an important brand in the corporate training marketplace. During a survey, CLO Magazine found that Element K and NIIT were both among the top 10 learning brands in the market.

What are the top three brands you think about when considered a vendor for learning products and services?

Unaided; CLO Magazine: January 2009 Survey



### Financials for Corporate Learning Solutions

| Rs. Million  | FY'09 | FY'08 | Change   |
|--------------|-------|-------|----------|
| Net Revenues | 5,786 | 5,508 | 5%       |
| EBITDA       | 183   | 266   | -31%     |
| OM%          | 3%    | 5%    | -168 bps |

In FY'09, hedging loss of Rs. 82 mn was adjusted against revenues in accordance with the principles of hedge accounting, this adversely impacted EBITDA. During the year, the business clocked an order intake of USD 139.4 million. The closing order book stood at USD 78 million. Of this, 62 percent is executable during FY'10.

### Recognitions

- NIIT was accorded the Business Superbrands 2008 status for the second time by the Superbrands Council.
- NIIT (USA) was awarded the Gold for 'Excellence in E-learning Award' by Chief Learning Officer magazine as part of its Learning in Practice Awards, one of the industry's highest honors.
- NIIT was recognized by UNESCO for innovation in ICT in Education in 2008.
- NIIT (HiWEL) was conferred the coveted 'Digital Opportunity Award' by World Information Technology Services Alliance (WITSA) in 2008.
- NIIT was ranked amongst 'India's Most Trusted Services Brand' in Economic Times Brand Equity survey in 2008.
- NIIT was ranked amongst India's 'Most Respected Companies' in the IT sector in a survey done by Business World magazine in 2007.
- NIIT was ranked as 'India's Most Customer Responsive Educational Institution' as per Avaya GlobalConnect Customer Responsiveness Awards in 2007 for the third consecutive year.
- NIIT was conferred the 'Top IT Training Company Award 2008' by the country's leading publication group Cybermedia, the publisher of Dataquest. (NIIT has been getting this award successively for the past 15 years, since the inception of this category).
- NIIT was ranked among the Top 20 Companies in the Training Outsourcing Industry in 2007, by TainingOutsourcing.com.
- NIIT was rated among Training Magazine's 'Top 125' elite companies worldwide, for its innovative training practices in the year 2007.
- NIIT was ranked amongst the 'Top 10 Business

Brands since 60 years of Independence', by a leading Indian magazine 'The Week' in 2007.

### Consolidated Financial review of the Company

The financial summary for FY'09 is as follows:

|   | Rs. Million |        |        |
|---|-------------|--------|--------|
|   | FY'09       | FY'08  | Change |
| Revenues  | 11,486      | 10,068 | 14%    |
| Operating Expenses  | 10,300      | 9,033  | 14%    |
| - Personnel Cost  | 3,339       | 3,054  | 9%     |
| - Development, Production & execution costs                               | 4,282       | 3,616  | 18%    |
| - Administration & Others (excl finance costs)                            | 1,785       | 1,557  | 15%    |
| - Marketing   | 894         | 806    | 11%    |
| EBITDA  | 1,186       | 1,036  | 14%    |
| OM%   | 10%         | 10%    | -      |
| Net Other Income  | (45)        | (104)  | 57%    |
| Depreciation & Amortization   | 647         | 529    | 22%    |
| Profit before taxes   | 493         | 401    | 23%    |
| Taxes   | 104         | (20)   | -607%  |
| Share of Associate profits/ profits attributable to Minority shareholders | 309         | 335    | -8%    |
| Profit after tax attributable to equity holders                           | 698         | 756    | -8%    |
| Basic EPS (Rs.)   | 4.23        | 4.67   | -9%    |

### Revenues

The Company recorded a 14% increase in the revenues to Rs. 11,486 million. This increase was driven primarily by the Individual IT learning business as well as the School Learning Solutions business. The economic slowdown especially in the developed countries as well as the significant recruitment cutbacks in the Indian BFSI space adversely affected the Corporate Learning Business and the New Businesses respectively. Moreover, due to the hedge accounting principles followed by the Company, the foreign exchange hedging undertaken by the company impacted the revenues by Rs. 82 million.

### Net other income

The net other income in FY'09 reflects the net interest expenses for the Company as well as the capital gain on mutual fund, investments and other miscellaneous income. The net interest & financial expense for FY'09 stood at Rs. 249 million compared to Rs. 178 million for FY'08. The increase is due to the debt raised by the Company during the year to fund its capital expenditure

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

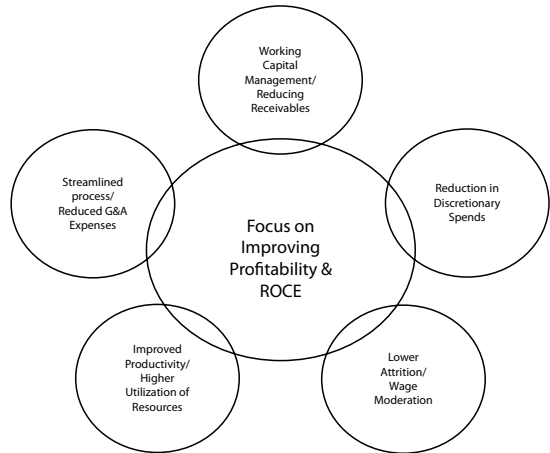
including new projects in the schools business and for new business initiatives.

Other income for the year rose from Rs. 73 million to Rs. 203 million. Net foreign exchange gains of Rs. 44 million were booked during FY'09 compared to a loss of Rs. 1 million in the previous year while the Company booked hedging losses of Rs. 52 million during the year. The company also recorded a profit of Rs. 96 million on the sale of 75 acres of land held by it, to the NIIT Institute of Information Technology, which is setting up a University.

### Expenses

On an overall basis, the operating expenses increased 14 percent YoY due to the growing level of operations, launch of new businesses, changes in business mix and wage inflation.

- The personnel expenses increased 9 per cent YoY due to the increase in rupee value of dollar salaries as a consequence of rupee depreciation, headcount recruited for new initiatives as well as the annual increments.
- Development, Production and execution charges increased 18 percent due to the changes in business mix as well as the adverse impact of the rupee depreciation.
- The increase in administration and other costs by 15 percent is attributable to the increased level of operations, new business initiatives launched in India, impact of rupee depreciation on on-site costs and provisioning for bad debts, given the economic conditions.
- The marketing spend increased by 11 per cent due to the launch of new initiatives.
- The increase in depreciation is attributable to the addition of assets during the year especially for the schools projects.
- During FY'09, net tax expense went up substantially due to lower deferred tax assets creation during the year, in relation to USA operations, which was substantially higher in FY'08, being the first full year post acquisition of Element K. In addition, certain one time tax credits which reduced tax expenses in FY'08, were no more available during FY'09.



While there is an increase in annual expenses, on a comparative basis the expenses were lower in the second half of the fiscal year. In response to the economic slowdown, the Company initiated various measures, with a focus on improving profitability and return on capital employed, including:

- Working capital management
- Streamlining processes and thereby reducing G&A expenses
- Lower attrition and wage moderation
- Reduction in discretionary spends and
- Improving productivity / increased utilization of all resources.

The Company initiated multiple cost management initiatives starting September 2008 in the areas of people, travel, premises, and telecom expenses. The Company carried out restructuring of operations, roles rationalization and re-deployment of internal people resources resulting in reduction of headcount by 209 people and consequently substantial savings in people expenses. An extensive exercise for consolidating and thereby improving utilisation of premises was carried out and excess space was vacated. Renegotiation of rents for many of the existing premises was carried out, thereby further reducing the premise expenses. Tighter energy management steps were taken to reduce the consumption of electricity. Travel, both domestic and international, for internal purposes, was curtailed and substituted by extensive usage of audio and video conferences. These steps resulted in significant decrease in personnel and administration expenses during the second half of FY'09. This expense saving enabled the company to largely negate the adverse effect of rupee depreciation related to US Dollar expenses, which

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

would have otherwise resulted in higher expenses.

### Detailed Analysis of Consolidated Balance Sheet as on March 31, 2009

Rs. Million

| Particulars                       | March 31, 2009 | March 31, 2008 |
|-----------------------------------|----------------|----------------|
| <b>Sources of Funds</b>           |                |                |
| Share Capital                     | 330            | 329            |
| Minority Interest                 | 6              | 15             |
| Employee Stock Option outstanding | 1              | 5              |
| Reserves and Surplus              | 4,444          | 3,686          |
| <b>Net Worth</b>                  | <b>4,781</b>   | <b>4,035</b>   |
| Secured Loans                     | 2,521          | 1,833          |
| Unsecured Loans                   | 960            | 221            |
| <b>Loan funds</b>                 | <b>3,481</b>   | <b>2,054</b>   |
| <b>Total</b>                      | <b>8,262</b>   | <b>6,089</b>   |

| Application of Funds      |              |              |
|---------------------------|--------------|--------------|
| <b>Fixed Assets</b>       |              |              |
| Gross Block               | 7,843        | 5,814        |
| Depreciation              | 2,729        | 2,309        |
| <b>Net Block</b>          | <b>5,114</b> | <b>3,505</b> |
| Capital Work in Progress  | 616          | 476          |
| Investment                | 1,066        | 892          |
| Net Current Assets        | 1,121        | 964          |
| Deferred Tax Assets       | 344          | 250          |
| Miscellaneous Expenditure | 1            | 1            |
| <b>Total</b>              | <b>8,262</b> | <b>6,089</b> |

### Share Capital

During the year, the share capital of the Company increased from Rs. 329 million to Rs. 330 million due to issuance of shares to employees upon exercise of vested options.

### Reserves and Surplus

For the purposes of consolidation, the Company followed the Indian Accounting Standard (IAS) 11- "The Effects of changes in Foreign Exchange rates" for translation of balances of non-Indian subsidiaries. Assets and liabilities of non-Indian subsidiaries, the operations of which are non-integral in nature, are translated at the year-end exchange rate. Income and Expenditure items are translated at predetermined rates that approximate the exchange rate prevailing on the date of the transaction. The resultant translation adjustment is reflected as a separate component of Shareholders' funds as "Currency Translation Reserve."

### Loan Funds

During FY'09, the Company raised fresh debt of Rs. 1,600 million in India as well as USD 3 million for overseas operations. Of the debt raised in India, Rs. 1,000 million was raised as non convertible debentures repayable in tranches starting March 2012 while Rs. 600 million was raised for a period of 1 year. The debt was raised to fund the capital expenditure and other long term requirements of the Company as well as the working capital requirements in India and overseas. During the year, the Company also repaid USD 7 million of the foreign currency term loan as well as Rs. 164 million of the Rupee term loan.

As of the year end, the total loans stood at Rs. 3,481 million which included:

- Non Convertible debentures: Rs. 1,000 million
- Rupee term loan: Rs. 123 million
- Foreign currency term loan (USD 24.5 million): Rs. 1,246 million
- Vehicle loan: Rs. 7 million
- Working capital debt: Rs. 145 million
- Unsecured Short term loan: Rs. 600 million
- Overseas working capital debt (USD 6.5 million): Rs. 330 million
- Deferred lease obligations and other loans: Rs. 30 million

Rupee depreciation resulted in an increase in the rupee value of the foreign currency loans.

### Fixed Assets

As of the beginning of the year, the Net block stood at Rs. 3,505 million. During the year, the Company invested Rs. 1,633 million in fixed assets including capitalization of the opening capital work in progress. The addition was for the following:

- Projects in the Schools business: Rs. 848 million
- New initiatives & products: Rs. 651 million
- Capacity expansion & upgradation: Rs. 65 million
- Normal: Rs. 70 million

In addition, the Company has an amount of Rs. 616 million as Capital work in progress. The Net block stood at Rs. 5,114 million on March 31, 2009.

The net fixed assets also included USD 52 million that had been recognized as goodwill at the time of the Element K acquisition. Element K has been EPS accretive for all three years, post acquisition and with new investments & business initiatives which are being

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

undertaken, management is confident of the carrying value of goodwill in its books.

### Investments

During the year, the Company divested its complete holding in Mind Shaper Technologies Private Limited.

At the year end, the investments stood at Rs. 1,066 million which included the holding value of:

- NIIT Technologies Limited: Rs. 1,052 million
- Aesthetic Technologies Private Limited: Rs. 9 million
- Investments in debt schemes of mutual funds: Rs. 5 million

### Net Current Assets

The elements of net current assets were as follows:

#### ➤ Inventories

Inventories mainly included training material including educational software used by the Company for imparting IT-ITES education. Over the year, the Company focused on reducing its inventory holding periods and consequently the value of the inventory held by the Company decreased from Rs. 126 million to Rs. 97 million.

#### ➤ Trade Receivables

The total receivables of the Company increased from Rs. 2,048 million as on March 31, 2008 to Rs. 2,904 million as on March 31, 2009, representing 92 days sales outstanding. This increase is attributable to the changes in business mix with an enhanced focus on government contracts in the schools business as well as the translation impact of the US Dollar receivables. The focus on overdue collections yielded results as the outstanding for more than six months declined from 33 percent of the total receivables as of March 31, 2008 to 24 percent as of March 31, 2009.

#### ➤ Cash and Bank

The cash and bank balances as on March 31, 2009 stood at Rs. 747 million compared to Rs. 796 million as on March 31, 2008 (excluding the mutual fund investments made in debt schemes of a short term nature). During the year the Company:

- generated Rs. 880 million from operations,
- utilized Rs. 1,607 million for investment activities including purchase of fixed assets for the School business projects, and
- Raised Rs. 1,006 million in financing activities.

### Other Current Assets

Other current assets included interest receivable and unbilled revenues. The balance as of March 31, 2009 stood at Rs. 441 million, as compared to Rs. 301 million in FY'08.

### Loans and Advances

Loans and advances include advances to suppliers, deferred expenses, rent advances, security deposits given for premises, advance tax paid as well as loans given to the NIIT Education Society, NIIT Institute of Information Technology and to NIITians. At the year end, the total loans and advances stood at Rs. 1,500 million as compared to Rs. 1,304 million as on March 31, 2008.

### Current Liabilities

Current liabilities increased from Rs. 3,194 million in FY'08 to Rs. 4,122 million in FY'09. This increase is primarily attributable to the increase in sundry creditors (including capital creditors) and the advances from customers. Current liabilities consists of sundry creditors including capital creditors, advances from customers, security deposits, deferred revenues and other liabilities.

### Provisions

The total provisions increased from Rs. 417 million to Rs. 445 million. The outstanding amount included Rs. 251 million for the proposed dividend of Rs. 1.30 per equity share of Rs. 2 and the dividend distribution tax thereon, compensated absences provision of Rs. 181 million and gratuity provision of Rs. 13 million.

### Accounting Policies

The Company has selected the accounting policies described in the notes to accounts, which have been consistently applied, except where otherwise stated and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2009 and of the profit or loss of the Company for that year.

### Related Party Transactions

Related Party transactions are defined as transactions of the Company of a material nature with Promoters, Directors or the Management, their subsidiaries or other related parties who may have a potential conflict with the interest of the Company at large. There were

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

no material transactions during the year under review that were prejudicial to the interests of the Company.

All transactions covered under related party transactions were regularly ratified and/or approved by the Board, the guiding principles being arms length, fairness and transparency. The details of related party transactions are given in the Notes to Accounts.

### NIIT Limited – Stand alone financials

#### Revenue from Operations

The Company recorded revenues of Rs. 5,456 million, a 17 percent growth over the previous year. This increase was driven by the Individual IT learning business as well as the School learning business.

#### Other Income

The other income earned by the Company included the following:

- Recoveries made from subsidiaries for common services
- Foreign Exchange gains as well as hedging losses
- The net provisions written back
- Profit on sale of fixed assets
- Miscellaneous other income

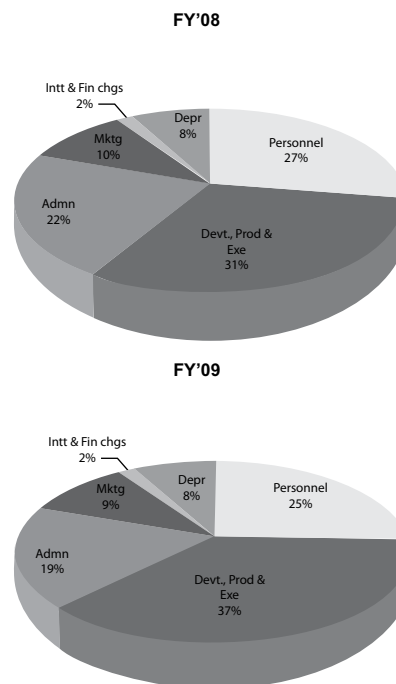
#### Revenue Recognition Policy

The significant Accounting policies and practices followed by NIIT Limited are disclosed in Note 1 of Schedule "20" (Notes to Accounts) of the Accounts for the year.

Rs. Million

| Impact of Foreign Currency              | Year ended<br>March 31,<br>2009 | Year ended<br>March 31,<br>2008 |
|---|---------------------------------|---------------------------------|
| Earning in Foreign currency             | 602                             | 640                             |
| Revenue Expenditure in Foreign Currency | 465                             | 288                             |
| Net Revenue Earning in Foreign Currency | 137                             | 352                             |
| Capital Expenditure in Foreign Currency | 53                              | 23                              |
| Net Foreign Currency Earnings           | 84                              | 329                             |

### Expenses



The overall expenses increased 14 percent from Rs. 4,544 million to Rs. 5,160 million.

- Of the total costs, personnel costs constituted 25 percent, registering an increase of 5 percent YoY.
- Changes in product mix, especially with a higher share of schools revenues resulted in development, production and execution charges increasing from 31 percent to 37 percent of the total costs, an increase of 34% YoY.
- Focused management of fixed costs resulted in administration and other costs declining from 22 percent of total costs to 19 percent; a decrease of 2 percent YoY.
- Interest and finance charges increased by 46 percent over the previous year due to the fresh debt of Rs. 1,600 million availed by the Company.
- Increase in the depreciation costs is attributable to fixed assets additions of Rs. 1,157 million during the year.
- Marketing costs were in line with the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### Reserves

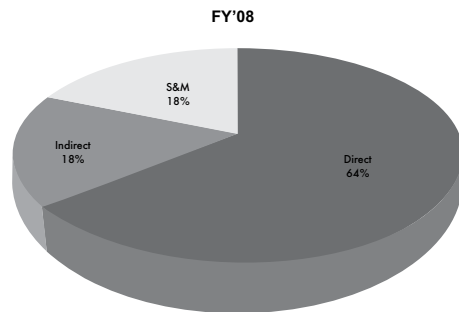
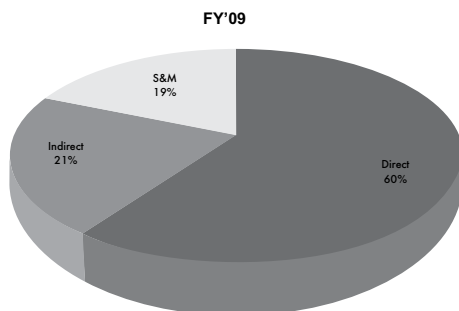
NIIT Limited reserves did not reflect any reserves on account of revaluation of assets.

### Human resources

The Company has been built on the foundations of people being the key drivers to growth of the organisation. People are at the core of its Vision, which espouses mutual positive regard, career building and providing opportunities for learning, thinking, innovation and growth. The Company offers an environment where all-round development is as much of a goal as realization of career ambitions.

During FY'09, the Company continued to focus on improving people productivity through training and development of its people resulting in an average of 12 person training days, per person. Company also launched NIIT's Global Leadership Program for grooming and developing its middle level managers for meeting the challenges of growth in the coming years.

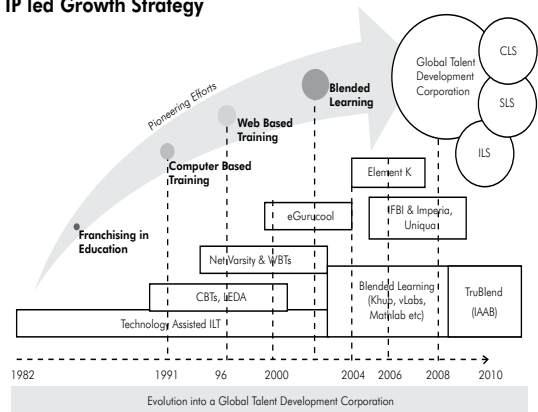
During FY'09, the Company reduced its net headcount by 209 despite an increase of 152 people for its new business initiative (NIIT UNIQUA). This reduction in head count was a part of the cost management initiatives undertaken by the Company to reduce its fixed costs given the current slowdown in economic activity. As of the year end, the headcount stood at 3,641 with 60 percent in direct roles, 19 percent in sales and marketing and the balance in indirect roles.



### Future Outlook

As the Company consolidates its position as a Global Talent Development corporation, it will increasingly focus on its Intellectual Property led strategy for revenue growth, reach, scalability, cost leadership and sustained long term competitiveness.

### IP led Growth Strategy



Given the uncertain economic environment expected during FY'10, Company will continue to focus on improving its profitability through higher productivity, better working capital management, reduction in discretionary spending and further streamlining processes:

Based on various industry reports, NIIT's market opportunity set across its businesses is large as shown in the following table:



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

| Business           | Market        |   | NIIT  |
|--------------------|---------------|---|---|
| <b>Individuals</b> | \$20Bn<br>*   | <ul style="list-style-type: none"> <li>• 80% of 11m in colleges need training for employment</li> <li>• Low penetration levels; only 5% of labor force has at least one certifiable skill</li> </ul>            | NIIT is the one of the largest professional skills development companies in the world |
| <b>Schools</b>     | \$29Bn<br>**  | <ul style="list-style-type: none"> <li>• Urgent need to upgrade quality of education in both Govt. and Pvt. schools</li> <li>• An increasing part of the total spend outsourced to service providers</li> </ul> | NIIT is the pioneer in this segment and has cumulatively serviced 12000 + schools     |
| <b>Corporates</b>  | \$56Bn<br>*** | <ul style="list-style-type: none"> <li>• Growing recognition of training as a tool to achieve business goals</li> <li>• Outsourcing growth at ~ 18%</li> </ul>  | NIIT is one of the few companies in the world, having end to end solutions capability |

\* India Size, Internal Estimates

\*\* India Size, CLSA, Indian Education

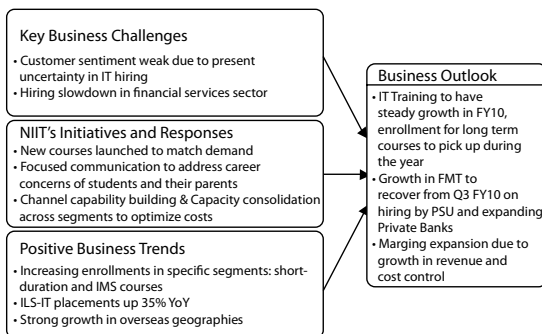
\*\*\* U S Size, Bersin & Associates

The Company's business specific outlook and strategy set includes:

### Individual Learning Solutions

#### ➤ IT Training

The current consumer sentiment is weak due to continuing uncertainties in IT hiring. However based on various industry reports it is expected that the consumer sentiment is likely to improve as IT hiring picks up during the second half of FY'10.



The Company will focus on improving its market position in Infrastructure & Management Services training, while consolidating its leadership position in long term courses and technology focused courses. The focus on building institutional alliances partnerships with key technology vendors will continue.

The Company will follow a strategy of consolidating its

position in the overseas geographies, plan for business partner led capacity expansion in China, increase contribution from Institutional business and continuing to focus on high potential geographies.

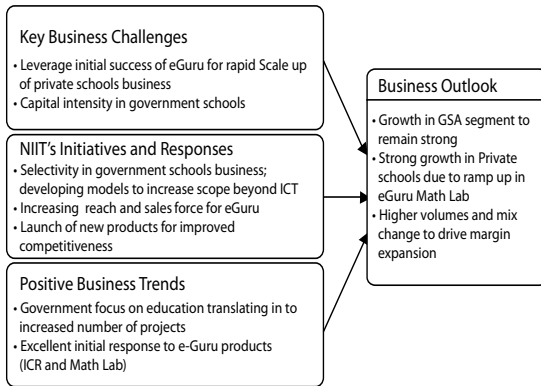
#### ➤ New Businesses

The Company will continue to establish itself in the Finance and Management Training space. The fundamental drivers of these businesses – projected shortage of manpower in banking, financial services and insurance sectors, over the next 5 years, in excess of 1 million, and over 1 million existing executives who aspire for advanced management training – remain intact, and the Company's offerings have already received overwhelming acceptance. Both parts of the businesses faced a challenging environment this year. As per Industry reports, this temporary slowdown is likely to improve in second half of FY'10, which can enable the Company to increase its enrolments, using its strategy set of increased geographical coverage, more products in flexible formats covering wider segments and more partnerships & alliances. In the short-term, the Company will adopt a prudent strategy set that emphasizes waste reduction & cost management, along with sharing of capacity & resources with other businesses of Company. This conservative approach will be balanced by aggression in the marketplace for identified segments.

Company will grow its foray in BPO training through its NIIT UNIQUA brand, launched in FY'09.

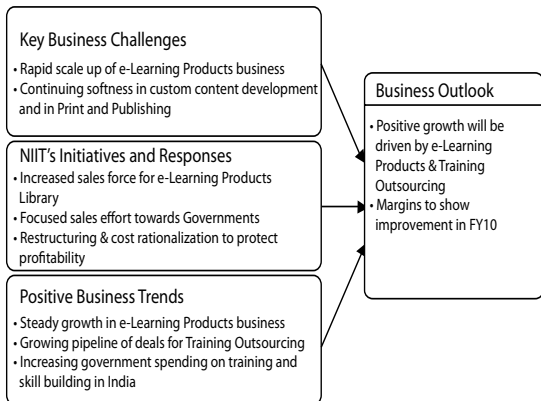
## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### Schools



The increased government spending on education in K-12 space is likely to translate into increased number of projects. NIIT will continue to be selective in government schools business and also focus on developing models to increase scope beyond ICT. The Company will also leverage its initial success of NIIT e-Guru solutions for rapid scale up of private schools business. Higher volumes and product mix change is likely to drive margin expansion.

### Corporate



There is a high degree of continuing uncertainty in FY'10 because of economic uncertainty. In this environment the Company will continue its focus on increased global sales force and extending product range for e-learning products library. Company is also seeing a growing pipeline of deals for Training Outsourcing and would continue its thrust to provide end-to-end solution set. There will be focused sales effort towards Governments, especially in India. Company will focus

on restructuring and cost rationalization to protect and improve margins during FY'10.

### Opportunities and Threats

Each of the Company's businesses has its own opportunities which are addressed in the respective business sections. The threats faced by the Company include competitive risks and technology obsolescence risks. The Company's risk management process addresses the same.

### Risks and Concerns

Risk is an integral part of corporate world today for any going concern and our endeavor has been to maximize stakeholder value by achieving an appropriate balance between risks and return. The year FY'09 has experienced the real effect and application of 'Enterprise Risk Management' (ERM) in an organization and benefits derived from implementation of ERM process. The global slowdown causing adverse business growth across, has proven the importance of Enterprise Risk Management (ERM). Besides the adverse business scenario experienced by most of the corporate world in the previous year, the Information Technology(IT) industry always thrives on a dynamic and highly competitive business environment due to rapid technological changes and innovations happening globally resulting in a constant challenge to the existing business models. As we all are aware that, the Company, while running its multiple existing businesses, also experiences several business risks. Since risk taking is intrinsic to business growth, all business entities face risks either from external environment or from internal operations. As the basis of an on-going business is a healthy appetite for risk, therefore it has been a consistent endeavor of the management to have a clear understanding of optimal risk level for each of its businesses to ensure that the activities of each business produces high risk adjusted returns. Therefore prioritization of risks is of extreme importance and the company has taken upfront initiative of defining the risk matrix frame work and documenting them after detailed discussions and deliberations with respective business groups. Our risk matrix frame work addresses all significant risks that the management has envisaged based on past experience and environment surrounding each business group along with a mitigation strategy in place. The identified risks mitigation is simultaneously addressed by the business group while finalizing strategy and operational parameters and compliances

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

& assurance are addressed through Internal Audit & Assurance group. The most significant risks which the company has identified with mitigation plan are:

- External Risks (Political, Environment, Macroeconomic, Exchange Fluctuation, Competition, Legal and Technology Obsolescence) and
- Internal Risks (Business Concentration, Investment Process, Human Resource, R&D, Regulatory compliances and Financial Reporting).

The Company is well diversified, both geographically and in the services it offers. With its balanced mix of revenues coming from Individual, Institutional and Corporate customers, across multiple vertical domains, it is well positioned to manage any slowdowns in one part of its product portfolio or a specific geography. The company believes that with the ERM process, it has robust and 'fit for situation' risk management processes in place and reports placed to the Board of Directors are reviewed and acted upon at regular intervals.

### Internal Control Systems and its adequacy

The Company has adopted benchmarked practices for internal controls followed worldwide, based on its extensive global operational experience. It has also implemented one of the leading ERP solutions in its global operations, to integrate various facets of business

operations including Human Resource, Finance, Logistics and Sales. This has enabled the Company to control and monitor its worldwide operations online and strengthened the ability of internal controls to function most optimally.

### Disclaimer

*Investors are cautioned that this discussion contains forwards looking statements that involve risks and uncertainties. When used in this discussion, words like 'anticipate', 'believe', 'estimate', 'intend', 'will', and 'expect' and other similar expressions as they relate the Company or its business are intended to identify such forward-looking statements. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such statements. Readers are cautioned as not to place undue reliance on the forward-looking statements as they speak only as of their dates. The MD&A should be read in conjunction with the Company's financial statements included herein and the notes thereto. Information provided in this MD&A pertains to NIIT Limited and its subsidiaries on a consolidated basis, unless otherwise stated.*

## CORPORATE GOVERNANCE REPORT

Your Company believes that strong companies are built on the foundation of good governance practices. Corporate Governance encompasses the effective management of relationships among constituents of the ecosystem - shareholders, management, staff members, customers, vendors, governments, regulatory authorities and community at large. These relationships can be strengthened through corporate fairness, transparency, empowerment and compliance with the law in letter and spirit. It takes proactive approach and revisits its governance practices from time to time so as to meet business and regulatory needs.

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company's philosophy on Corporate Governance is aimed at optimizing the balance between stakeholders' interests and corporate goals through the efficient conduct of its business and meeting their obligation in a manner that is guided by transparency, accountability and integrity. It has always been believed that an independent Board following international practices, transparent disclosures and empowerment of stakeholders are as necessary as solid financial results for creating and sustaining shareholder value. Your Company is conscious of its responsibility as a good corporate citizen and is committed to a high standard of Corporate Governance practices.

At NIIT, value creation is a philosophy that is ubiquitous across the organisation. Stakeholders are the focus of Company's growth strategy. The Company has ensured stability and growth in a dynamic environment and in competitive times. This has been the Company's commitment since inception. The fabric of Corporate Governance in the Company is woven with transparency, independence and commitment for creating wealth for its Shareholders.

### BOARD OF DIRECTORS

#### Composition

Your Company is managed and guided by a professional Board comprising seven Directors of which four are Independent Directors, constituting more than half of the Board's total strength. Your Company's Board comprises of eminent persons with considerable professional expertise and experience. The Independent Directors of the Company meet all the criteria mandated by Clause 49 of the Listing Agreement. The Board's role, functions, responsibilities and accountability are clearly defined. In addition to its

primary role of monitoring corporate performance, the functions of the Board include:

- Articulating the corporate philosophy and mission;
- Formulating strategic plans;
- Reviewing and approving financial plans and budgets;
- Monitoring corporate performance against strategic plans including overseeing operations;
- Ensuring ethical behaviour and compliance with laws and regulations;
- Reviewing and approving borrowing/lending/ investment limits/exposure limits etc.;
- Keeping Shareholders informed about plans, strategies and performance.

The composition of the Board of Directors is in conformity with the stipulation laid down in the code of Corporate Governance recommended by the Securities and Exchange Board of India (SEBI) through Clause 49 of the Listing Agreement of the Stock Exchanges.

### Director's attendance and other directorship & membership/chairmanship.

The names and categories of the Directors on the Board, along with their attendance at Board Meetings held during the year and at last Annual General Meeting and the number of other directorship and chairmanship/ membership of committees of each Director in various companies are given below:

| Sr. No. | Name of Director, Designation and DIN No.                                     | Category                   | No. of Directorships in other Indian Companies* | No. of Membership (Chairmanship) in other Board Committees** | No of Board Meetings |          | Whether attended last AGM |
|---------|---|----------------------------|---|--|----------------------|----------|---------------------------|
|         |   |                            |   |  | Held                 | Attended |                           |
| 1.      | Mr. Rajendra S Pawar (Chairman and Managing Director) 00042516                | Promoter                   | 12  | 5(1)   | 10                   | 9        | Yes                       |
| 2       | Mr. Vijay K. Thodani (Chief Executive Officer & Whole-time Director) 00042527 | Promoter                   | 8   | 4(2)   | 10                   | 10       | Yes                       |
| 3.      | Mr. P Rajendran (Chief Operating Officer & Whole-time Director) 00042531      | Executive                  | 9   | 3(1)   | 10                   | 8        | Yes                       |
| 4       | Mr. Subroto Bhattacharya (Director) 00009524                                  | Independent, Non-Executive | 6   | 7(3)   | 10                   | 9        | Yes                       |
| 5       | Mr. Surendra Singh (Director) 00003337  | Independent, Non-Executive | 4   | 5(1)   | 10                   | 10       | Yes                       |
| 6       | Mr. Shardul S Shroff*** (Director) 00009379                                   | Independent, Non-Executive | 4   | 2  | 10                   | 3        | No                        |
| 7       | Mr. Sanjay Khosla**** (Director) 00981819                                     | Independent, Non-Executive | -   | -  | 10                   | 2        | No                        |

\* Other directorships do not include private companies, Section 25 companies and companies incorporated outside India.

## CORPORATE GOVERNANCE REPORT (Contd.)

\*\* Includes only Audit Committee and Shareholders'/Investors' Grievance Committee of Public Limited Companies.

\*\*\* Mr. Shardul S Shroff, had participated in the meetings through tele-conference, wherever he could not attend in person.

\*\*\*\* Mr. Sanjay Khosla, being resident of USA, had participated in the meetings through tele-conference, wherever he could not attend in person.

No Director is related to any other Director on the Board in terms of the definition of 'relative' given under the Companies Act, 1956.

**A brief profile and role of each of the Directors is given below:**

### Mr. Rajendra S. Pawar

**Designation:** Chairman and Managing Director

**Profile:** Mr. Pawar is the Chairman and co-founder of NIIT.

A distinguished alumnus of the premier IIT Delhi, he is known for promoting industry-academia alliances and has been working closely with the country's well-known educational institutions. He is an established thought leader in the industry. He has served on the Prime Minister's National Task force, which aims at making India an IT Superpower by 2008. He is also helping the Government of South Africa to develop a growth strategy for its Information in Communication & Technology (ICT) industry. He is actively involved in India's key Chambers of Commerce and has led several ICT industry initiatives, giving voice to the sector's aspirations and goals. He has been a Founder Member of the National Association of Software and Service Companies (NASSCOM). He is currently a member of the International Business Council of the World Economic Forum.

Recognising his pioneering and entrepreneurial work in the education and software sectors, Global Business Intelligence firm, Ernst & Young conferred on Mr. Pawar its prestigious Master Entrepreneur of the Year Award in 1999. His contributions to the IT industry in India have also earned him the IT Man of the Year award instituted by IT industry journal, Dataquest.

He serves on the Board of Governors of Indian Institute of Technology, Delhi, the Indian School of Business and the Scindia School. He also serves on the Board of Management of world's largest distance learning university, Indira Gandhi National Open University (IGNOU). He is also a member of Planning Commission's task force on skill development.

**Roles and Responsibilities:** Mr. Pawar plays a major role in providing thought leadership and strategic inputs to the Company in addition to supervising the functional

heads of Corporate Development, Strategic HR and Corporate Communications.

### Mr. Vijay K. Thadani

**Designation:** Chief Executive Officer and Whole-time Director

**Profile:** Mr. Thadani, co-founder and Chief Executive Officer of NIIT has built an organisation that is recognised for its innovative efforts of taking computer education to the masses. He has led the Company's globalisation effort since 1991, taking NIIT flag to over 40 countries. He mentored NIIT's Strategic Alliance Programme that resulted in successful acquisitions of leading technology and training companies to fill in critical technology gaps in NIIT's software solutions and corporate solutions offerings and to gain customer access.

Mr. Thadani is deeply involved in strengthening and consolidating NIIT's presence in the Chinese market, where the Company has begun operations in 1998 and now has presence across 25 provinces in China and has a network of over 100 centers in that country. He was honoured with the position of Economic Consultant to Chongqing, one of the world's largest city in the People's Republic of China.

Mr. Thadani has headed many Industry Associations and Societies including the Indian IT industry association, MAIT. He has also chaired the Indian Government's Committee on National Information Infrastructure Policy. He has also served as the Chairman of the IT Committee of CII in the United States and has led delegations to Korea, Japan, Taiwan, China and the United States to promote India's IT capability. He is currently the Chairman of CII National Committee on Education.

A 'distinguished alumnus' of the premier IIT Delhi, Mr. Thadani has lectured at prestigious institutions including the University of Michigan Business School, the J L Kellogg Graduate School of Management and the Indian Institutes of Management (IIMs).

**Roles and Responsibilities:** Mr. Thadani's responsibilities include leading NIIT's Strategic Alliance initiative, the Technology partnership initiative and leveraging growth opportunities in addition to overseeing the Finance, Legal and Secretarial and Investor Relations functions. He oversees NIIT's Global Learning Business and as Chairman of NIIT Institute of Finance Banking and Insurance Training Limited and Evolv Services Limited, he oversees the operations of these companies.

### Mr. P. Rajendran

**Designation:** Chief Operating Officer and Whole-time Director

**Profile:** Mr. P. Rajendran, Director & Chief Operating Officer, NIIT, co-founded the Company in 1982 and is part of the core team that has developed the organization and brought it to its present position of international standing. He is an alumnus of Indian Institute of Technology Delhi.

Today, Mr. Rajendran leads the People initiatives, Infrastructure & Technology Services and the legal compliances at NIIT. He facilitates the Company's thrust with Governments in many countries for skills development in public private partnership. A people-person and a believer in leveraging Information Technology for Human Resources competitiveness and innovation, he has helped NIIT emerge as one of the most exciting places to work, in the Indian IT Industry. The Company has received many awards in recognition of its innovative HR practices.

Mr. Rajendran is actively associated with industry associations like CII, NASSCOM and FICCI. He is member of the CII Africa Council and the CII National Committee on Skills, Human Resources and Industrial Relations. He is on the Central Board of Trustees of Employees' Provident Fund Organization and on the Board of Management of Guru Gobind Singh Indraprastha University.

He takes keen interest in the area of deployment of Information & Communication Technologies (ICT) for human development and creation of new jobs.

**Roles and Responsibilities:** Mr. Rajendran assists the CEO in the management of operations of the Company. In addition, he leads the corporate teams engaged in Human Resources, Commercial Services, Information Resources and Legal Services.

### Mr. Subroto Bhattacharya

**Designation:** Non-Executive Independent Director

**Profile:** Mr. Subroto Bhattacharya, a Chartered Accountant with over 32 years of experience, specialises in finance and management consultancy. He has been part of the core team in several reputed organisations. He was invited to NIIT's Board as an Independent Director in 1998.

**Roles and Responsibilities:** Mr. Bhattacharya advises NIIT on financial and management issues and is the

Chairman of the Audit Committee and also Member of the Compensation/Remuneration Committee.

### Mr. Surendra Singh

**Designation:** Non-Executive Independent Director

**Profile:** Mr. Surendra Singh has served in the Central and State Governments as an IAS Officer. Starting his Public Service in 1959, Mr. Singh has held positions like Special Secretary to the Prime Minister of India, responsible for all the economic work in the PM's Office, Cabinet Secretary to the Government of India, Secretary to the Council of Ministers and Secretary, Ministry of Industry. He was an Executive Director on the board of the World Bank, representing India, Bangladesh, Sri Lanka and Bhutan. He was Director on the Boards of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). Mr. Surendra Singh was invited to NIIT's Board as an Independent Director in 2001.

**Roles and Responsibilities:** Mr. Singh advises NIIT on Internal Controls, Audit Systems, Compensation Structure and Investor Relations. He Chairs the Shareholders'/ Investors' Grievance Committee of Board of Directors.

### Mr. Shardul S. Shroff

**Designation:** Non-Executive Independent Director

**Profile:** Mr. Shardul S. Shroff has been a practicing lawyer with Amarchand & Mangaldas & Suresh A. Shroff & Co. since 1980. Amarchand Mangaldas, founded in 1917, is one of the leading Law Firm in India. Mr. Shroff, as one of the Managing Partners, has catalyzed several practice areas of the Firm out of its New Delhi office. His specialisations include mergers and acquisitions, capital markets, disinvestments and privatisation of government shares, project finance, infrastructure specially airport privatisations, aviation, oil & gas, power, telecom, ports, roads, corporate finance, structured finance insolvency and corporate reconstruction. He has been instrumental in developing the media law, policy and regulatory practice, and technology law practice of the Firm and has served on a number of several high-powered committees appointed by the Government of India, including on various economic legislations. Mr. Shroff was invited to NIIT's Board as an Independent Director in 2001.

**Roles and Responsibilities:** Mr. Shroff advises NIIT on issues relating to Corporate Governance, SEBI regulations and other Legal and Statutory Compliances.

## CORPORATE GOVERNANCE REPORT (Contd.)

He is the Chairman of the Compensation/Remuneration Committee of the Board of Directors.

### Mr. Sanjay Khosla

**Designation:** Non-Executive Independent Director

**Profile:** Mr. Sanjay Khosla joined Kraft Foods, Inc., in January 2007, as President Kraft International. Mr. Khosla is responsible for all Kraft Foods business in Asia Pacific, Central and Eastern Europe, Middle East and Africa, and Latin America. Mr. Khosla also has leadership oversight for Global Biscuits, Coffee, Chocolate and Powdered Beverages. Before joining Kraft Foods, he was the Managing Director of Fonterra Brands, the consumer arm of Fonterra Co-operative Group Limited, New Zealand's largest multi-national company and one of the world's biggest dairy companies. Prior to this, Mr. Khosla was Senior Vice President, Global Beverages, Unilever and Chairman of that company's Global Board for the beverages category. During his 27 year career with Unilever, Mr. Khosla held senior positions in India, Europe and the United Kingdom. Mr. Khosla also serves as a Director of Best Buy Co. Inc., USA.

Mr. Khosla is an alumnus of the premier IIT, Delhi, and has completed an Advanced Management Programme from Harvard University. Mr. Khosla was invited to NIIT's Board as an Independent Director in 2002.

**Roles and Responsibilities:** Mr. Khosla advises NIIT on brand building, marketing strategy, remuneration policies and other matters. He is a member of Compensation/ Remuneration Committee.

### Board Meetings

The Board of Directors met 10 (Ten) times during the financial year 2008-2009 on the following dates:

| Sr. No. | Date of Meetings   | Sr. No. | Date of Meetings  |
|---------|--------------------|---------|-------------------|
| 1       | June 4, 2008       | 6       | October 21, 2008  |
| 2       | June 11, 2008      | 7       | November 18, 2008 |
| 3       | July 24, 2008      | 8       | January 20, 2009  |
| 4       | July 28, 2008      | 9       | March 09, 2009    |
| 5       | September 23, 2008 | 10      | March 24, 2009    |

The Company holds at least four Board meetings in a year, one in each quarter to review the financial results. Apart from the four scheduled Board meetings, additional Board meetings are also convened to address the specific requirements of the Company. Urgent matters are also approved by the Board by passing resolutions through circulation. The gap between two Board meetings never exceeds four months. All Directors on the Board are free

to suggest any item for inclusion in the agenda for the consideration of the Board.

The necessary information as mentioned in Annexure 1A to Clause 49 of the Listing Agreement has been placed before the Board for their consideration. The Board and Committees have, inter-alia, addressed the following key items:

- Three years perspective plan & vision of the Company for global eminence;
- Annual business plan;
- Investments and/or loans made by the Company;
- Formation of subsidiary companies (including overseas companies);
- Review of operations (including subsidiary companies);
- Strategic acquisitions of companies and critical assets;
- Strategic decisions relating to new ventures;
- Statutory matters;
- Review of compensation to Directors;
- New alliances;
- Review of minutes of Committee meetings;
- Review of Board Meetings minutes of the subsidiary companies;
- Review of foreign exchange exposures;
- Review of annual budgets, capital budgets and updates;
- Review and adoption of accounts and quarterly and annual financial results;
- Information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of the Chief Financial Officer and Company Secretary;
- Materially important litigations, show cause notice, demand, prosecution, and penalty notices;
- Any material default in financial obligations to and by us, or substantial nonpayment for goods sold by us;
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property;
- Any significant development on the human resources aspect;
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business;
- Details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement; and
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

## CORPORATE GOVERNANCE REPORT (Contd.)

The Company has laid down procedures to inform the Board Members about the risk assessment and mitigation procedures.

### BOARD COMMITTEES

In accordance with Clause 49 of the Listing Agreement with Stock Exchanges, the following Committees are in operation:

- Audit Committee
- Compensation/Remuneration Committee
- Shareholders'/Investors' Grievance Committee

#### Audit Committee

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's oversight responsibilities, an Audit Committee was constituted. All the members of the Committee are Non-Executive Independent Directors and every member has rich experience in the financial sector. The Company Secretary acts as Secretary to the Committee. Statutory Auditors, Internal Auditors and Senior Management Personnel of the Company also attend the meetings by invitation. The recommendations of the Audit Committee are placed before the Board for its acceptance and improvement. The Audit Committee comprises of:

**Chairman:** Mr. Subroto Bhattacharya

**Members:** Mr. Shardul S. Shroff and Mr. Surendra Singh

#### Functions and Terms of Reference

The terms of reference of Audit Committee are as per Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by the Board from time to time. The main functions of the Audit Committee, inter-alia, include:

- Supervision of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Management Discussion and Analysis of financial condition and results of operations;
- Recommending the appointment and termination of Statutory Auditors, fixation of audit fee and approval of payment for any other services;
- Reviewing the annual financial statements with the CFO and the Management before submission to the Board for approval, with particular reference to:

- Matters required to be included in the Directors' Responsibility Statement forming part of the Directors' Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
  - Changes, if any, in accounting policies and practices and rationale for the same;
  - Significant changes, if any, in the financial statements arising out of audit findings;
  - Compliance with listing and other legal requirements relating to financial statements;
  - Disclosure of any related party transactions; and
  - Qualifications in the draft audit report, if any.
- Reviewing with the Management, the quarterly financial statements before submission to the Board for approval.
  - Reviewing with the Management, Statutory and Internal Auditors, the adequacy of internal control systems.
  - Reviewing the internal audit function, including the structure of the Internal Audit Organization, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  - Discussions with Internal Auditors on any significant findings and follow up thereon.
  - Reviewing the findings of any Internal Audit Report by the Internal Auditors into matters concerning fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  - Discussions with Statutory Auditors, before the audit commences, about the nature and scope of the audit as well as having post-audit discussions to ascertain any area of concern.
  - Reviewing the Company's financial and risk management policies.
  - To look into substantial defaults, if any, in the payment to the debenture holders, Shareholders (in case of non-payment of declared dividends) and creditors.

The particulars of the meetings attended by the members of the Audit Committee and the dates of the meetings held during the financial year 2008- 2009 are given below:

| Name of Members          | No. of Meetings |          | Date of Meetings                     |
|--------------------------|-----------------|----------|--------------------------------------|
|                          | Held            | Attended |                                      |
| Mr. Subroto Bhattacharya | 4               | 4        | June 11, 2008                        |
| Mr. Surendra Singh       | 4               | 4        | July 24, 2008                        |
| Mr. Shardul S. Shroff*   | 4               | -        | October 21, 2008<br>January 20, 2009 |

\* Mr. Shardul S Shroff had participated in the meetings through tele-conference.



### Compensation/Remuneration Committee

The Compensation/Remuneration Committee of the Company is constituted to evaluate remuneration and benefits for the Executive Directors, to frame policies and systems for Employees Stock Option Plans and to formulate and administer the Company's Employees Stock Option Plans from time to time.

The remuneration policy of the Company is aimed at rewarding performance, based on review of achievements on a regular basis.

The Compensation/Remuneration Committee has been constituted by the Board and it comprises following Non-executive Independent Directors :

**Chairman:** Mr. Shardul S. Shroff

**Members:** Mr. Surendra Singh, Mr. Sanjay Khosla and Mr. Subroto Bhattacharya

### Functions & Terms of Reference

The broad terms of reference of the Compensation/Remuneration Committee of the Company are as follows:

- To institute and guide global employees compensation and benefit policies;
- Appraisal of the performance of the Executive Directors;
- To determine and recommend to the Board, compensation payable to Executive Directors;
- To formulate and administer the Company's Employees Stock Option Plans from time to time.

The particulars of the meetings attended by the members of the Compensation/ Remuneration Committee and the dates of the meetings held during the financial year 2008-09 are given below:

| Name of Members          | No. of Meetings |          | Date of Meetings              |
|--------------------------|-----------------|----------|-------------------------------|
|                          | Held            | Attended |                               |
| Mr. Subroto Bhattacharya | 3               | 3        | June 4, 2008<br>June 11, 2008 |
| Mr. Surendra Singh       | 3               | 3        | July 28, 2008                 |
| Mr. Shardul S. Shroff*   | 3               | 1        |                               |
| Mr. Sanjay Khosla*       | 3               | -        |                               |

\* Mr. Shardul S Shroff and Mr. Sanjay Khosla had participated in the meetings through tele-conference.

### Remuneration Policy

The Compensation/Remuneration Committee has the powers to determine and recommend to the Board the amount of remuneration, including performance-linked bonus and perquisites, payable to the

Managing Director and Whole-time Directors. The recommendations of the Committee are based on the evaluation of the performance of Managing Director and Whole-time Directors on certain parameters, as laid down by the Board as part of the evaluation process and Company's Rules/Policies. In terms of the guidelines, the Company ensures that the remuneration by way of salary and other allowances and monetary value of perquisites should be within the overall limit as specified under the Companies Act, 1956 and approved by the Shareholders.

Details of Remuneration paid/payable to Managing Director and Whole-time Directors for the financial year 2008-09, are given below:

(Amount in Rs.)

| Name of Directors   | Mr. Rajendra S Pawar | Mr. Vijay K. Thadani | Mr. P. Rajendran |
|---|----------------------|----------------------|------------------|
| Salary  | 4,675,000            | 4,675,000            | 3,575,000        |
| Perquisites and allowances  | 4,469,704            | 4,650,166            | 3,227,397        |
| Contribution to Provident Fund, Superannuation Fund or Annuity Fund | 1,837,357            | 1,838,893            | 1,367,238        |
| <b>Total</b>  | <b>10,982,061</b>    | <b>11,164,059</b>    | <b>8,169,635</b> |
| Stock Options under ESOP-2005*                                      | NIL                  | NIL                  | 60,000           |

\* During the year 60,000 Options were granted to Mr. P. Rajendran. The Options were granted at the market price on the date of grant i.e. @ 88.70.

Notes:

1. Service contracts of the Executive Directors: Until cessation in service
2. Notice period of the Executive Directors: Six months unless otherwise agreed by the Board
3. Severance fee payable to the Executive Directors: None unless otherwise agreed by the Board

### Remuneration to Independent Non-Executive Directors

None of the Independent Non-Executive Directors has any pecuniary relationship or transactions with the Company, its Promoters, and its Directors, its Senior Management, its subsidiary companies and associate companies, except for the following:

1. Remuneration paid to Non-Executive Directors is by way of commission (based on the net profits of the Company and within the limits approved by the Shareholders) and sitting fees (for attending the meetings of the Board/Committees).
2. During the year under review, the Company sought legal and professional advices on need basis from M/s Amarchand & Mangaldas & Suresh A Shroff & Co., a law firm in which Mr. Shardul S. Shroff is a partner, for which a bill of Rs. 283,000 was received. The transaction is not a material transaction and therefore, does not affect the independence of the Director.

## CORPORATE GOVERNANCE REPORT (Contd.)

Details of Remuneration paid/payable to Non-Executive Independent Directors for the financial year 2008-2009 and other details are given below:

(Amount in Rs.)

| Name of Directors                        | Mr. Subroto Bhattacharya | Mr. Surendra Singh | Mr. Shardul S. Shroff | Mr. Sanjay Khosla |
|--|--------------------------|--------------------|-----------------------|-------------------|
| Commission                               | 500,000                  | 500,000            | 500,000               | 500,000           |
| Sitting Fees                             | 420,000                  | 5,00,000           | 80,000                | 40,000            |
| No. of shares held in the Company        | 56,250                   | 56,250             | 56,250                | 56,250            |
| *No. of Options granted during the year. | 37,500                   | 37,500             | 37,500                | 37,500            |

\* During the year under review, each Non-Executive Directors were issued 37,500 Options under ESOP 2005 having vesting period of one year from the date of grant and exercisable over the period of 3 years from the date of vesting. The Options were granted at the market price on the date of grant i.e. @ 88.70.

### Criteria for making payment to Non-Executive Directors

The Independent Directors play an important role in the Governance of the Company and in advising the Board in critical domains like finance, marketing, remuneration, planning and legal matters. A remuneration in the form of annual commission is paid to all independent Directors. In addition, based on their contribution of time for Board meetings and Committee meetings, a sitting fee is also paid. Further, based on the performance of the Company, they become eligible for getting stock options of the Company from time to time.

### Disclosures regarding re-appointment of Directors

The resumes of the Directors who are retiring by rotation and being eligible, proposed to be re-appointed are provided in the Notice to the Annual General Meeting.

### Employees Stock Option Plans

The remuneration policy is directed towards rewarding performance of the employees of the Company. It is aimed at attracting and retaining high caliber talent. The stock option plan, inter-alia, authorizes the Company to grant options which are linked to performance and achievement of the Company's objectives.

### Details of options granted under NIIT Employee Stock Option Scheme

The detail of the options granted under 'NIIT Employee Stock Option Scheme, 2005 (ESOP-2005) is provided in the Directors' Report.

### Shareholders'/Investors' Grievances Committee

The Shareholders'/Investors' Grievances Committee was constituted to ensure that all commitment to Shareholders and Investors are met and thus strengthen

their relationship with the Company.

The composition of the Shareholders'/Investors' Grievances Committee is as below:

**Chairman:** Mr. Surendra Singh

**Members:** Mr. Vijay K. Thadani and Mr. P. Rajendran

### Functions and Terms of reference

The functioning and broad terms of reference of the Shareholders'/Investors' Grievances Committee of the Company are as under:

- To review the redressal of complaints received from Shareholders and Investors.
- To review the important circulars issued by SEBI/ stock exchanges.
- To review changes in the shareholding patterns.
- To take note of the compliance of Corporate Governance during the quarter/year.

The particulars of the meetings attended by the members of the Shareholders'/Investors' Grievances Committee and the dates of the meetings held during the financial year 2008-2009 are given below:

| Name of Members     | No. of Meetings |          | Date of Meetings                     |
|---------------------|-----------------|----------|--------------------------------------|
|                     | Held            | Attended |                                      |
| Mr. Surendra Singh  | 4               | 4        | June 11, 2008                        |
| Mr. Vijay K Thadani | 4               | 4        | July 24, 2008                        |
| Mr. P Rajendran     | 4               | 3        | October 21, 2008<br>January 20, 2009 |

During the financial year 2008-2009, the Company has received 266 request/queries/complaints from various Shareholders/Investors relating to non-receipt of declared dividend/bonus shares/Annual Report, change of bank account details, transfer of shares/dematerialisation, etc. The same were addressed and resolved to the satisfaction of the Shareholders/Investors. The break-up of the letters received from the Shareholders/Investors are provided else where in this Report. As on March 31, 2009, no request/query/complaint was pending for redressal.

### Other Committees constituted by the Board

Apart from above committees, the Board has constituted the following committees of the Directors for efficient and quick decision-making on the affairs of the Company:

- The Operations Committee which approves the opening/closing of bank accounts, modification in operation of bank accounts, grant of power of attorney/authorisation etc.
- The Share Allotment Committee, which approves

## CORPORATE GOVERNANCE REPORT (Contd.)

allotment, split, consolidation, rematerialisation and issue of new and duplicate shares.

- c) The Share Transfer Committee, which approves the transfer of shares lodged with the Company/ Registrar.
- d) During the financial year the Company has constituted Debenture Allotment Committee for approving the matters related to issue and allotment of Debentures and activities related thereto.
- e) During the financial year the Company has also constituted the Borrowing Committee of Directors to borrow upto prescribed limit on behalf of the Company between two Board Meetings.
- f) Other specific committees for specified/special purposes like Strategic Investments Committee for strategic investments, etc.

### CODE OF CONDUCT

NIIT's Board has laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company. The Code of Conduct is available on the Company's website [www.niit.com](http://www.niit.com). All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct during the financial year 2008-2009. A declaration signed by the Chief Executive Officer (CEO) to this effect is annexed to this report.

### CEO AND CFO CERTIFICATION

In terms of Clause 49 (V) of the Listing Agreement, Certificate issued by Chief Executive Officer and Chief Financial Officer confirming that the financial statement present the true and fair view of the Company's affairs and are in compliance with existing accounting standards, internal control and disclosures is annexed to this report.

### SUBSIDIARY COMPANIES

Clause 49 of the Listing Agreement defines a "material non-listed subsidiary" as an unlisted subsidiary company, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20 percent of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiary companies in the immediately preceding accounting year. Under this definition, the Company does not have a 'material non-listed Indian subsidiary company'.

### GENERAL MEETINGS

Location, date and time of the General Meetings

held during the preceding three years and the Special Resolutions passed thereat are as follows:

| Sr. No. | Place   | Date & Time                    | Special Resolutions   |
|---------|---|--------------------------------|---|
| 1       | FICCI Auditorium<br>Tansen Marg,<br>New Delhi<br>- 110001 | July 28, 2008<br>11.00 A.M.    | No Special Resolution passed in the AGM   |
| 2       | FICCI Auditorium<br>Tansen Marg,<br>New Delhi<br>- 110001 | July 25, 2007<br>11.00A.M      | <ul style="list-style-type: none"> <li>• Alteration to the Articles of Association of the Company.</li> <li>• Issue of Bonus Shares</li> <li>• Enhancement in the Investment ceiling for Foreign Institutional Investors</li> <li>• Revision of Remuneration payable to Mr. Rajendra S. Pawar, Chairman &amp; Managing Director.</li> <li>• Revision of Remuneration payable to Mr. Vijay K. Thadani, Whole-time Director.</li> <li>• Revision of Remuneration payable to Mr. P. Rajendran, Whole-time Director.</li> </ul> |
| 3       | FICCI Auditorium<br>Tansen Marg,<br>New Delhi<br>- 110001 | August 17,<br>2006<br>11.00A.M | <ul style="list-style-type: none"> <li>• Minimum remuneration payable to Mr. Rajendra S. Pawar, Managing Director</li> <li>• Minimum remuneration payable to Mr. Vijay K. Thadani, Whole-time Director.</li> <li>• Payment of Commission to Non Executive Directors of the Company</li> </ul>   |

### Postal Ballot

During the preceding financial year, no resolution was passed through postal ballot and presently no resolution has been proposed to be passed through postal ballot.

### DISCLOSURES

#### a. Related Party Transactions

There is no Related Party Transaction that may have potential conflict with the interest of the Company at large. The Company's major Related Party Transactions are generally with its subsidiary and associate companies. The Related Party Transactions are entered into based on the considerations of various business exigencies and Company's long term strategy. All the Transactions entered during the financial year 2008-09 with Related Parties were on arm length basis and the same are reported under Notes to the Financial Statements.

All transactions covered under Related Party Transactions are regularly/periodically ratified and/or approved by the Board/Audit Committee. For details please refer Note 19 of Schedule 20 of the Accounts of the Company.

#### b. Compliance

The Company has complied with the requirements

## CORPORATE GOVERNANCE REPORT (Contd.)

of the Stock Exchanges/SEBI and Statutory Authority(ies) on all matters related to the capital market during the last three years. There are no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority(ies) relating to the above.

### c. Risk Management

The Company has laid down procedures to inform the Board Members about the risk assessment and minimisation procedures. The online risk management system is introduced through which all the designated officials submit quarterly reports which is reviewed periodically to ensure effective risk management.

### d. Proceeds from the public issue/right issue/preferential issues etc.

There was no fresh public issue/right issue/preferential issues etc. during the financial year 2008-2009

### e. Remuneration of Directors

The Company has defined its criteria of making payment of remuneration to its Non-Executive Directors. The details are stated else where in the report.

### f. Management discussion and Analysis

There is a separate part on Management Discussion and Analysis in the Annual Report.

### g. Inter-se relationships between Directors

There is no inter-se relationship between Directors of the Company

## COMPLIANCE OF THE REQUIREMENT OF CLAUSE 49 OF THE LISTING AGREEMENT

### A. Mandatory Requirements

The Company has complied with all the applicable mandatory requirements of Clause 49 of the Listing Agreement.

### B. Non-mandatory Requirements

The Company has adopted following non-mandatory requirements of Clause 49 of the Listing Agreement:

a) **Remuneration to the Whole-time Directors and Non Executive Directors :** The Company has defined its criteria of making payment of remuneration to its Executive and Non-Executive Directors.

b) **Shareholders' Rights:** The Company sends financial statements along with Directors' report and Auditors' report to all the Shareholders every year.

c) **Training of Board Members:** Board Members

participate in relevant conferences and industry forums as part of their training.

d) **Mechanism for evaluating Non-Executive Board Members:** The key parameters are contributions to the strategy for growth of the Company, setting directions for improvement in governance and participating in the relevant meetings on a regular basis.

e) **Whistle Blower Policy:** The culture of openness with easy access to the Senior Management provides an environment for easy and free exchange of ideas and issues faced by people in the Company. A formal whistle blower policy is not in place. Employees may report to the Management concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct.

### C. Code for prevention of Insider Trading Practices

In compliance with the SEBI's regulations on prevention of insider trading, during the year the Company had amended the Code for prevention of Insider Trading for its Directors and Designated Employees by incorporating the amendment laid down in the SEBI (Prohibition of Insider Trading) (Amendment) Regulation, 2008. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of NIIT and cautioning them of the consequences of violations

### D. Accounting Treatment in preparation of financial statements

The Company has followed the Accounting Standards as notified under Section 211(3C) of the Companies Act, 1956 in preparation of financial statements and there has been no deviation from the prescribed Accounting Standards.

### E. Statutory Compliance

The Company has a system in place whereby all Business Heads/ Unit In-charges gives a Compliance Certificate to the Board of Directors through the Compliance Officer of the Company relating to compliance of laws, rules, regulations and guidelines applicable to their areas of operation. The Company takes appropriate steps after consulting internally and if necessary, from independent legal counsels that the business operations are not in contravention of any laws. The Company takes all measures to register and protect Intellectual Property Rights including trade name/ service/trade marks/patents, etc belonging to the Company.

### MEANS OF COMMUNICATION

- a. The quarterly/half yearly/annual results during the year were published in the leading national English and Hindi Newspapers and displayed on the website of the Company [www.niit.com](http://www.niit.com). Official news releases, financial results, consolidated news releases, consolidated financial highlights and presentations are also displayed at the Company's website.
- b. The Company had quarterly Investors tele-conferences and press conferences on June 11 2008, July 24, 2008, October 21, 2008 and January 20, 2009 for the Investors of the Company immediately after the declaration of quarterly/annual results.
- c. The management perspective, business review and financial highlights are part of the Annual Report.
- d. The quarterly distribution of shareholding is also displayed on the Company's website.
- e. Annual Reports, Corporate Governance Report, Quarterly Results, Shareholding Pattern, etc of the Company were also posted on the SEBI's EDIFAR website [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in) from time to time.

### SHAREHOLDERS' INFORMATION

#### a. Company Registration Details

The Company is registered in the National Capital Territory of Delhi. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L74899DL1981PLC015865.

#### b. Annual General Meeting

**Date** : Monday, July 27, 2009

**Time** : 11.00 A.M.

**Venue** : FICCI Auditorium, 1 Tansen Marg, New Delhi -110 001

**Book Closure Dates:** July 21, 2009 to July 27, 2009 (both days inclusive)

#### c. Financial Year : April 1 to March 31

#### Financial Calendar (tentative and subject to change):

|  |                              |
|--|------------------------------|
| Financial reporting for the first quarter ending June 30, 2009       | By last week of July 2009    |
| Financial reporting for the second quarter ending September 30, 2009 | By last week of October 2009 |
| Financial reporting for the third quarter ending December 31, 2009   | By last week of January 2010 |
| Financial reporting for the year ending March 31, 2010               | By last week of June 2010    |
| Annual General Meeting for the year ending March 31, 2010            | By last week of July 2010    |

#### d. Dividend

In view of our confidence in the future, the Board of Directors have recommended a dividend of

Rs. 1.30 per equity share of Rs. 2 each, subject to approval of the Shareholders' at the ensuing Annual General Meeting. The dividend shall be paid to the Shareholders within 30 days from the date of approval at the Annual General Meeting and as per the provisions of the Companies Act, 1956. The dividend, if declared, would be paid to such shareholders whose names appear in the Register of Members as on 27th July, 2009. In respect of shares held in electronic mode, the dividend will be paid on the basis of list of beneficial owners as furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of the business hours on 20th July, 2009.

#### e. Unclaimed/Unpaid Dividend

All unclaimed/unpaid dividend due for the financial year ended upto September 30, 2001 have been transferred to the Investor Education and Protection Fund of the Central Government pursuant to Section 205A of the Companies Act, 1956. The Shareholders are requested to apply for revalidation/issue of demand drafts for the dividend for the financial year 2001-2002 on or before February 16, 2010, after which any unpaid dividend amount for the year 2001-2002 will be transferred by the Company to Investors Education and Protection Fund (IEPF) and no claim shall lie against the Company or IEPF after the said transfer.

#### f. Nomination Facility

The Companies (Amendment) Act, 1999, has provided for a nomination facility to the Shareholders of the Company. The Company is pleased to offer the facility of nomination to Shareholders and Shareholders may avail this facility by sending the duly completed Form 2B to the Registered Office of the Company/ Registrar of the Company in case the shareholding is in physical form. The shareholders can obtain a copy of Form 2B from the Registered Office of the Company or can be downloaded from the website of the Company at [www.niit.com](http://www.niit.com). In case of demat holdings the request is to be submitted to the Depository Participant.

#### g. Listing of Shares and Debentures

The shares of the Company are listed at the National Stock Exchange of India Limited (NSE), Mumbai, Bombay Stock Exchange Limited (BSE), Mumbai and the Calcutta Stock Exchange

## CORPORATE GOVERNANCE REPORT (Contd.)

Association Limited (CSE), Kolkata. An application for delisting from the Calcutta Stock Exchange has been filed and approval is awaited. The listing fees for the year 2009-10 have been paid to the Stock Exchanges.

During the financial year 2008-09, the Company had issued 500 Debentures of Rs.1,000,000 each amounting to Rs. 500,000,000 to Life Insurance Corporation of India on private placement basis and the said debentures are listed on National Stock Exchange of India Limited.

Thereafter the Company had again issued 500 Debentures of Rs.1,000,000 each amounting to Rs. 500,000,000 to Indian Overseas Bank on private placement basis. The Company is in the process of listing these Debentures at the National Stock Exchange of India Limited.

### h. Stock Code

|  |                 |
|--|-----------------|
| Trading symbol on the NSE              | : NIITLTD       |
| Trading symbol on the BSE              | : 500304        |
| ISIN No. of Equity Shares at NSDL/CDSL | : INE 161A01038 |

### i. Details of last three Annual General Meetings and Book Closure dates:

| Annual General Meeting | Date when held            | Book Closure (both days inclusive)                   |
|------------------------|---------------------------|--|
| 25th AGM               | Monday, July 28, 2008     | Tuesday, July 22, 2008 to Monday, July 28, 2008      |
| 24th AGM               | Wednesday, July 25, 2007  | Thursday, July 19, 2007 to Wednesday, July 25, 2007  |
| 23rd AGM               | Thursday, August 17, 2006 | Friday, August 11, 2006 to Thursday, August 17, 2006 |

### j. Compliance Certificate of the Auditors

Certificate obtained from the Statutory Auditors of the Company, confirming compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement, is annexed to this Report.

### k. Stock Market Data

The monthly high and low share prices and market capitalisation of Equity Shares of the Company traded on BSE and NSE from April 1, 2008 to March 31, 2009 and the comparison of share prices of the Company vis-à-vis the Sensex and Nifty Indices are given below:

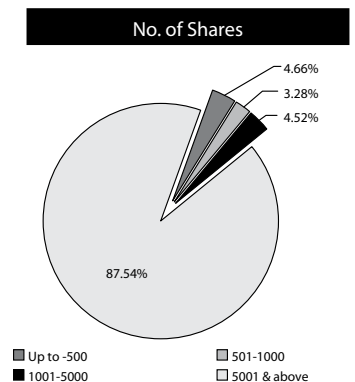
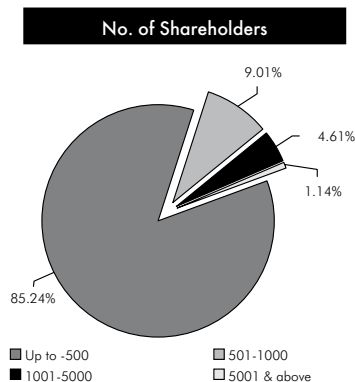
### Share price movement during the year April 1, 2008 to March 31, 2009

| Month  | Bombay Stock Exchange |            |           |                      | National Stock Exchange |            |           |                      |
|--------|-----------------------|------------|-----------|----------------------|-------------------------|------------|-----------|----------------------|
|        | Sensex                | High (Rs.) | Low (Rs.) | *Market Cap (Rs. Mn) | Nifty                   | High (Rs.) | Low (Rs.) | *Market Cap (Rs. Mn) |
| Apr-08 | 17,287                | 108        | 89        | 16,956               | 5,166                   | 108        | 89        | 17,006               |
| May-08 | 16,416                | 115        | 99        | 18,175               | 4,870                   | 125        | 95        | 18,323               |
| Jun-08 | 13,462                | 117        | 96        | 17,648               | 4,041                   | 117        | 96        | 17,689               |
| Jul-08 | 14,356                | 108        | 86        | 14,329               | 4,333                   | 108        | 86        | 14,329               |
| Aug-08 | 14,565                | 96         | 85        | 14,746               | 4,360                   | 96         | 86        | 14,795               |
| Sep-08 | 12,860                | 91         | 43        | 8,477                | 3,921                   | 92         | 42        | 8,477                |
| Oct-08 | 9,788                 | 54         | 26        | 5,317                | 2,886                   | 54         | 25        | 5,268                |
| Nov-08 | 9,093                 | 37         | 19        | 3,918                | 2,755                   | 36         | 20        | 3,885                |
| Dec-08 | 9,647                 | 28         | 22        | 4,380                | 2,959                   | 28         | 23        | 4,389                |
| Jan-09 | 9,424                 | 31         | 21        | 3,671                | 2,875                   | 31         | 20        | 3,671                |
| Feb-09 | 8,892                 | 24         | 18        | 2,928                | 2,764                   | 24         | 18        | 2,928                |
| Mar-09 | 9,709                 | 22         | 14        | 3,341                | 3,021                   | 22         | 14        | 3,341                |

\* Market capitalization at closing price of the month  
Source : BSE & NSE website.

### Shareholding Distribution as on March 31, 2009

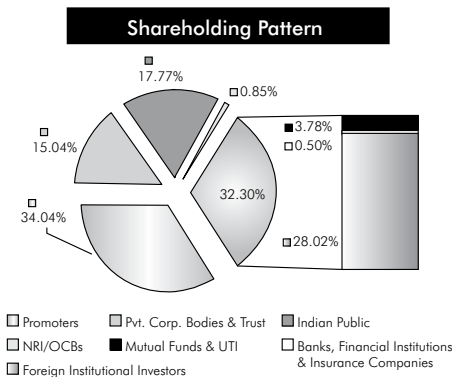
| Range (No. of Shares) | No. of Shareholders | % to Total Shareholders | Total No. of Shares | % to Total Shares |
|-----------------------|---------------------|-------------------------|---------------------|-------------------|
| Up to -500            | 65,050              | 85.24                   | 7,688,454           | 4.66              |
| 501 - 1000            | 6,878               | 9.01                    | 5,409,739           | 3.28              |
| 1001-5000             | 3,519               | 4.61                    | 7,454,533           | 4.52              |
| 5001 & above          | 864                 | 1.14                    | 144,430,260         | 87.54             |
| ** TOTAL **           | 76,311              | 100.00                  | 164,982,986         | 100.00            |



## CORPORATE GOVERNANCE REPORT (Contd.)

### Shareholding Pattern as on March 31, 2009

| Category                         | No. of shares held<br>(face value of Rs. 2 each) | Percentage of total<br>shareholding |
|----------------------------------|--|-------------------------------------|
| <b>Promoters' Holding</b>        |  |                                     |
| Indian Promoters                 | 56,161,367                                       | 34.04                               |
| Foreign Promoters                | -  | -                                   |
| <b>Total Promoters' Holding</b>  | <b>56,161,367</b>                                | <b>34.04</b>                        |
| <b>Public Shareholding</b>       |  |                                     |
| Mutual Funds and UTI             | 6,229,436  | 3.78                                |
| Banks, Financial Institutions    | 21,673   | 0.01                                |
| Insurance Companies              | 802,627  | 0.49                                |
| Foreign Institutional Investors  | 46,236,142                                       | 28.02                               |
| Private Corporate Bodies & Trust | 24,810,598                                       | 15.04                               |
| Indian Public                    | 29,312,197                                       | 17.77                               |
| NR/OCBs                          | 1,408,946  | 0.85                                |
| <b>Total Public Shareholding</b> | <b>108,821,619</b>                               | <b>65.96</b>                        |
| <b>Grand Total</b>               | <b>164,982,986</b>                               | <b>100.00</b>                       |



### I. Details of requests/queries/complaints received and resolved during the financial year 2008-09

| Nature of query/complaint                      | Received   | Resolved   | Unresolved |
|--|------------|------------|------------|
| Change of address                              | 34         | 34         | -          |
| Change of Bank details                         | 9          | 9          | -          |
| Correction in dividend warrant                 | 153        | 153        | -          |
| Non Receipt of Annual Report                   | 5          | 5          | -          |
| Non receipt of Dividend                        | 24         | 24         | -          |
| Non Receipt of Bonus/ Split/ Share certificate | 2          | 2          | -          |
| Requests for Annual Report                     | 4          | 4          | -          |
| Requests for Bonus/Split share certificates    | 10         | 10         | -          |
| Requests for shareholding details              | 5          | 5          | -          |
| SEBI/Stock Exchange letters                    | 4          | 4          | -          |
| Share certificates lodged for transfer         | 13         | 13         | -          |
| Others (non classified in above)               | 3          | 3          | -          |
| <b>Total</b>                                   | <b>266</b> | <b>266</b> | <b>-</b>   |

There was no request/query/complaint pending at the beginning of the year. During the financial year, the Company attended most of the Shareholders'/ Investors' requests/queries/complaints within 7 days from the date of receipt. The exceptions have been for cases constrained by procedural issue/ disputes or legal impediments etc. There is no request/query/complaint pending at the end of the financial year.

### m. "Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

As on date there are no outstanding warrants/bonds/other instruments (except Stock Options granted under NIIT ESOP 2005, the details of which are given in Directors Report) which are convertible into equity shares."

### n. Dematerialisation of Shares and Liquidity

The Shares of the Company are compulsorily traded in dematerialised form. The Company has arrangements with both the National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to establish electronic connectivity of its shares for scripless trading. As on March 31, 2009, 99.16 percent of the shares of the Company were held in a dematerialised form.

### o. Liquidity of Shares

The Company's shares were included in the BSE-200 Index and BSE-TECK Index and continued to be part of BSE - 500 Index and MIDCAP index of BSE.

### p. Share Transfer System

The Company has appointed a common Registrar for the physical share transfer and dematerialisation of shares. The shares lodged for physical transfer/transmission/ transposition are registered normally within a period of fortnight, if the documents are complete in all respects. For this purpose, the Share Transfer Committee meets as often as required. During the period under review, the Committee met 23 times. Adequate care is taken to ensure that no transfers are pending for more than a fortnight. Requests for demat/remat were confirmed mostly within a fortnight. The Company obtains from a Company Secretary in Practice half-yearly certificates of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the Stock Exchanges.

### q. Compliance Officer

Mr. Parveen Jain, Company Secretary and Legal Counsel is the Compliance Officer of the Company.

### r. Designated exclusive email-id :

The Company has designated an email-id "investors@niit.com" exclusively for Shareholders and Investors servicing.

## CORPORATE GOVERNANCE REPORT (Contd.)

**s. Registrar for Dematerialisation (Electronic Mode) of Shares and Physical Transfer of Shares**

The Company has appointed a Registrar for dematerialisation and physical transfer of shares whose detail is given below:-

Alankit Assignments Limited

Unit: NIIT Limited

2E/21, Jhandewalan Extension,

New Delhi – 110 055.

Phone Nos. : +91 11 42541234, 23541234

Fax Nos. : +91 11 42541967,

E-mail : rta@alankit.com

**t. Registered Office:**

NIIT Limited,

B-234, Okhla Industrial Area, Phase – I,

New Delhi - 110 020

**u. Address for Correspondence**

The Shareholders may address their communication/ suggestions/ grievances /queries relating to the shares of the Company to:

NIIT Limited

B-234, Okhla Industrial Area, Phase – I,

New Delhi - 110 020.

Tel Nos. : +91 11 41407000

Fax : +91 11 26817344

E-mail : investors@niit.com

The Corporate Governance Report was adopted by the Board of Directors at their meeting held on May 27, 2009.



## CORPORATE GOVERNANCE REPORT (Contd.)

### CERTIFICATES UNDER CORPORATE GOVERNANCE REPORT

#### A. Declaration regarding compliance with the Code of Conduct by Board Members and Senior Management personnel pursuant to Clause 49(1)(D)(ii) of the Listing Agreement

This is to certify that as per Clause 49 of the Listing Agreement:

1. The code of conduct has been laid down for all the Board Members and Senior Management and other employees of the Company.
2. The code of conduct has been posted on the website of the Company.
3. The Board members and Senior Management Personnel have affirmed compliance with the Company's code of conduct for the year 2008-09.

Place : New Delhi  
Dated : May 27, 2009

**Vijay K. Thadani**  
CEO and Whole-time Director

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#### B. Certificate by Chief Executive Officer and Chief Financial Officer on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement

To,  
The Board of Directors,  
NIIT Limited  
B-234 Okhla Industrial Area, Phase-I  
New Delhi - 110 020

We hereby certify that for the financial year 2008-09:

1. We have reviewed the financial statements and the cash flow statement and that to the best of our knowledge and belief:
  - (a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (b) These statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2008-09 which are fraudulent, illegal or violate the Company's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee those deficiencies, if any, of which we are aware, in the design or operation of the internal control systems and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and the Audit Committee:
  - significant changes, if any, in internal control over financial reporting during this year;
  - significant changes, if any, in accounting policies during this year 2008-09 and that the same have been disclosed in the notes to the financial statements; and
  - instances of significant fraud of which we are aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place : New Delhi  
Dated : May 27, 2009

**Vijay K. Thadani**  
CEO and Whole-time Director

**Jitender Mahajan**  
Chief Financial Officer

### AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of NIIT Limited,

We have examined the compliance of conditions of Corporate Governance by NIIT Limited, for the year ended March 31, 2009, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us,

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**H. Singh**

*Partner*

Membership No. F-86994

For and on behalf of

**Price Waterhouse**

*Chartered Accountants*

Place : New Delhi  
Date : May 27, 2009

## AUDITORS' REPORT

### TO THE MEMBERS OF NIIT LIMITED

1. We have audited the attached Balance Sheet of NIIT Limited, as at March 31, 2009, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we further report that:
  - (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
    - (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of two years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
    - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
  - (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
    - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
    - (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
  - (iii) (a) The Company has granted unsecured loans, to four subsidiaries covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs. 4,836 lacs and Rs. 4,668 lacs respectively.

In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.

In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.

In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lac.
  - (b) The Company has taken unsecured loans, from one wholly owned subsidiary covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loan are Rs. 2,410 lacs and Rs. 1,172 lacs respectively.

In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.

In respect of the aforesaid loans, the Company is regular in repaying the principal amounts as stipulated and is also regular in payment of interest, where applicable.
  - (iv) In our opinion and according to the information and explanations given to us, having regard to

## AUDITORS' REPORT (Contd.)

the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In respect of certain transactions of the value of Rs. 16,602 lacs with subsidiaries and Rs. 540.11 lacs with other companies, the management has informed us that the transactions dealt are of a special nature and therefore comparable prices are not available. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lacs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA or any other relevant provisions of the Act and the rules framed there under.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
- (ix) (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2009 which have not been deposited on account of a dispute, are as follows –

| Name of the statute                        | Nature of dues                | Amount (Rs. Lacs) | Period to which the amount relates | Forum where the dispute is pending                 |
|--|-------------------------------|-------------------|------------------------------------|--|
| Andhra Pradesh General Sales Tax Act, 1957 | Demand for works contract tax | 746.02            | 2001-2008                          | High Court of Andhra Pradesh                       |
| Finance Act, 1994                          | Service Tax                   | 209.78            | 2004-2005                          | Customs, Excise and Service Tax Appellate Tribunal |

- (x) The Company has no accumulated losses as at March 31, 2009 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the Company.

**AUDITORS' REPORT (Contd.)**

- (xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
  - (xv) During the year, the Company has provided a Letter of Credit of Rs. 1,526 lacs (USD 3 million) and a security of Rs 100 lacs to banks for loan availed by its subsidiaries. As these are for loans availed by its subsidiaries, these are not considered prejudicial to the interest of the Company.
  - (xvi) In our opinion, and according to the information and explanations given to us, , on an overall basis, the term loans have been applied for the purposes for which they were obtained.
  - (xvii) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
  - (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
  - (xix) The Company is in the process of creating charge on its assets in respect of certain debentures amounting to Rs. 5,000 Lacs issued and outstanding at the year-end. (Refer Note 5(iv) on Schedule 20 of the financial statements annexed).
  - (xx) The Company has not raised any money by public issues during the year.
  - (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
4. Further to our comments in paragraph 3 above, we report that:
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on March 31, 2009 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and, give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**H. Singh**  
*Partner*

Membership Number F-86994  
For and on behalf of  
**Price Waterhouse**  
*Chartered Accountants*

Place : New Delhi  
Date : May 27, 2009

## BALANCE SHEET as at 31st March, 2009

|  | Schedule No./<br>(Note Reference) | As At<br>31st March, 2009<br>(Rs.) | As At<br>31st March, 2008<br>(Rs.) |
|--|-----------------------------------|------------------------------------|------------------------------------|
| <b>SOURCES OF FUNDS</b>                                  |                                   |                                    |                                    |
| <b>SHAREHOLDERS' FUNDS</b>                               |                                   |                                    |                                    |
| Share Capital  | `1'                               | 329,971,972                        | 329,411,726                        |
| Employees Stock  |                                   |                                    |                                    |
| Option Outstanding                                       | `1A'                              | 679,662                            | 4,905,992                          |
| Reserves and Surplus                                     | `2'                               | 3,517,359,612                      | 3,303,441,569                      |
|  |                                   | <u>3,848,011,246</u>               | <u>3,637,759,287</u>               |
| <b>LOAN FUNDS</b>  |                                   |                                    |                                    |
| Secured Loans  | `3'                               | 1,265,872,569                      | 569,456,378                        |
| Unsecured Loans  | `4'                               | 720,861,326                        | 243,255,626                        |
|  |                                   | <u>1,986,733,895</u>               | <u>812,712,004</u>                 |
|  |                                   | <u>5,834,745,141</u>               | <u>4,450,471,291</u>               |
| <b>APPLICATION OF FUNDS</b>                              |                                   |                                    |                                    |
| <b>FIXED ASSETS</b>                                      |                                   |                                    |                                    |
| Gross Block  |                                   | 3,408,363,345                      | 2,711,902,474                      |
| Less: Depreciation                                       |                                   | <u>1,631,714,037</u>               | <u>1,661,438,661</u>               |
| Net Block  |                                   | 1,776,649,308                      | 1,050,463,813                      |
| Capital work-in-progress<br>(including Capital Advances) | `20(25)'                          | 175,774,614                        | 157,872,609                        |
| <b>INVESTMENTS</b>                                       | `6'                               | 1,847,973,464                      | 1,784,973,464                      |
| <b>DEFERRED TAX ASSETS (Net)</b>                         | `20(28)'                          | 62,343,202                         | 95,467,759                         |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>                |                                   |                                    |                                    |
| Inventories  | `7'                               | 92,420,202                         | 111,223,922                        |
| Sundry Debtors   | `8'                               | 1,785,636,415                      | 1,279,857,349                      |
| Cash and Bank Balances                                   | `9'                               | 399,295,919                        | 423,799,169                        |
| Other Current Assets                                     | `10'                              | 286,549,047                        | 139,566,410                        |
| Loans and Advances                                       | `11'                              | 1,510,187,960                      | 1,036,674,740                      |
|  |                                   | <u>4,074,089,543</u>               | <u>2,991,121,590</u>               |
| <b>Less : CURRENT LIABILITIES AND PROVISIONS</b>         |                                   |                                    |                                    |
| Current Liabilities                                      | `12'                              | 1,747,514,530                      | 1,305,548,738                      |
| Provisions   | `13'                              | 354,570,460                        | 323,879,206                        |
|  |                                   | <u>2,102,084,990</u>               | <u>1,629,427,944</u>               |
| <b>Net Current Assets</b>                                |                                   | <u>1,972,004,553</u>               | <u>1,361,693,646</u>               |
|  |                                   | <u>5,834,745,141</u>               | <u>4,450,471,291</u>               |

### NOTES TO ACCOUNTS

The Schedules referred to above form an integral part of the Balance Sheet.  
This is the Balance Sheet referred to in our report of even date.

**H. Singh**

Partner

Membership No. F-86994

For and on behalf of

**Price Waterhouse**

Chartered Accountants

**Rajendra S Pawar**

Chairman and Managing Director

**Vijay K Thadani**

CEO & Whole-time Director

**Ashok Arora**

Group Chief Financial Officer

**Jitender Mahajan**

Chief Financial Officer

**Parveen Jain**

Company Secretary  
& Legal Counsel

Place : New Delhi

Dated : May 27, 2009

## PROFIT AND LOSS ACCOUNT for the year ended 31st March, 2009

|   | Schedule No./<br>(Note Reference) | Year ended<br>31st March, 2009<br>(Rs.) | Year ended<br>31st March, 2008<br>(Rs.) |
|---|-----------------------------------|---|---|
| <b>INCOME</b>                               |                                   |   |   |
| Revenue from Operations                     | `20 [1(v), 9(a) and 16]`          | 5,456,168,674                           | 4,673,834,984                           |
| Other Income                                | `14`                              | 339,102,252                             | 301,291,762                             |
|   |                                   | <u>5,795,270,926</u>                    | <u>4,975,126,746</u>                    |
| <b>EXPENDITURE</b>                          |                                   |   |   |
| Personnel                                   | `15`                              | 1,311,384,086                           | 1,250,851,314                           |
| Development, Production and Execution       | `16`                              | 1,894,983,974                           | 1,410,640,842                           |
| Administration and Others                   | `17`                              | 961,006,379                             | 981,864,757                             |
| Marketing                                   | `18`                              | 482,005,873                             | 468,385,219                             |
| Interest and Finance Charges                | `19`                              | 108,289,916                             | 73,919,882                              |
| Depreciation and Amortisation               | `5`                               | 402,413,434                             | 358,190,976                             |
|   |                                   | <u>5,160,083,662</u>                    | <u>4,543,852,990</u>                    |
| <b>Profit before Tax</b>                    |                                   | <b>635,187,264</b>                      | <b>431,273,756</b>                      |
| Tax Expense                                 | `20(28)`                          |   |   |
| - Current                                   |                                   | 90,732,143                              | 118,058,803                             |
| - Deferred charge/ (credit)                 |                                   | 47,947,757                              | (15,249,288)                            |
| - Fringe Benefit Tax                        |                                   | 24,401,409                              | 24,558,110                              |
| - MAT Credit Entitlement                    |                                   | -                                       | (23,793,761)                            |
|   |                                   | <u>472,105,955</u>                      | <u>327,699,892</u>                      |
| <b>Profit after Tax</b>                     |                                   | <b>472,105,955</b>                      | <b>327,699,892</b>                      |
| Balance brought forward from previous year  |                                   | 2,224,508,572                           | 2,148,114,898                           |
| <b>Balance available for appropriation</b>  |                                   | <b>2,696,614,527</b>                    | <b>2,475,814,790</b>                    |
| <b>APPROPRIATION</b>                        |                                   |   |   |
| Dividend:                                   |                                   |   |   |
| - Proposed Dividend on Equity Shares        |                                   | 214,477,882                             | 214,142,582                             |
| - Corporate Dividend Tax on above           | `20(26)`                          | 23,145,300                              | 4,393,647                               |
| Transferred to General Reserve              |                                   | 47,210,596                              | 32,769,989                              |
| Transferred to Debenture Redemption Reserve |                                   | 52,063,492                              | -                                       |
| Balance Carried to Balance Sheet            |                                   | 2,359,717,257                           | 2,224,508,572                           |
|   |                                   | <u>2,696,614,527</u>                    | <u>2,475,814,790</u>                    |
| <b>Earnings per share</b>                   | `20(30)`                          |   |   |
| - Basic                                     |                                   | 2.86                                    | 2.02                                    |
| - Diluted                                   |                                   | 2.86                                    | 2.02                                    |

### NOTES TO ACCOUNTS

`20`

The Schedules referred to above form an integral part of the Profit and Loss Account. This is the Profit and Loss Account referred to in our report of even date.

**H. Singh**

Partner

Membership No. F-86994

For and on behalf of

**Price Waterhouse**

Chartered Accountants

**Rajendra S Pawar**

Chairman and Managing Director

**Vijay K Thadani**

CEO & Whole-time Director

**Ashok Arora**

Group Chief Financial Officer

**Jitender Mahajan**

Chief Financial Officer

**Parveen Jain**

Company Secretary  
& Legal Counsel

Place : New Delhi

Dated : May 27, 2009

## CASH FLOW STATEMENT for the year ended 31st March, 2009

|  | Year ended<br>31st March, 2009<br>(Rs.) | Year ended<br>31st March, 2008<br>(Rs.) |
|--|---|---|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                            |   |   |
| Net Profit before Tax  | 635,187,264                             | 431,273,756                             |
| Add/ (Less):   |   |   |
| Depreciation and Amortisation  | 402,413,434                             | 358,190,976                             |
| Provision for Doubtful Debts   | 39,514,540                              | 47,707,450                              |
| Provision for Doubtful Advances  | 384,400                                 | 2,677,110                               |
| Provision for slow/ non-moving Inventory                                 | 11,584,957                              | 7,652,025                               |
| Inventory scrapped   | 6,825,437                               | 3,097,873                               |
| Advances written off   | 2,116,456                               | 1,507,283                               |
| Foreign Exchange Adjustments   | (66,133,180)                            | (19,429,744)                            |
| Interest Expenses  | 161,703,760                             | 100,073,050                             |
| Interest Income  | (77,599,613)                            | (42,224,425)                            |
| Dividend Income  | (78,289,000)                            | (188,290,000)                           |
| Loss/ (Profit) on disposal of Fixed Assets (Net)                         | (94,233,896)                            | 4,495,230                               |
| Profit on sale of Investment   | (6,811,068)                             | (3,500,000)                             |
| Liabilities written back   | (10,283,506)                            | (1,797,110)                             |
| Provision for Gratuity & Leave Encashment (Net)                          | 11,939,683                              | 20,848,026                              |
| Employees Stock Option expenses/ (credit)                                | -                                       | (16,545)                                |
| <b>Operating profit before<br/>Working Capital changes</b>               | <b>938,319,668</b>                      | <b>722,264,955</b>                      |
| <b>Add/ (Less) : Increase/ Decrease in<br/>Operating Working Capital</b> |   |   |
| Trade Receivable   | (544,782,690)                           | 219,764,242                             |
| Inventories  | 393,326                                 | (2,210,308)                             |
| Other Current Assets   | (133,686,827)                           | (92,791,104)                            |
| Loans and Advances   | (30,574,283)                            | (76,977,388)                            |
| Current Liabilities and Provisions                                       | 415,365,281                             | 238,254,876                             |
| Direct Tax -(Paid)/ Refund received (including TDS)                      | (126,118,463)                           | (148,588,384)                           |
| <b>Net cash from operating activities (A)</b>                            | <b>518,916,012</b>                      | <b>859,716,889</b>                      |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                            |   |   |
| Purchase of Fixed Assets (including capital work in progress)            | (1,271,646,834)                         | (424,769,549)                           |
| Proceeds from sale of fixed assets                                       | 112,547,083                             | 8,746,560                               |
| Proceeds from sale of Capital Work-in-Progress                           | 108,238,413                             | -                                       |
| Loan given to Subsidiaries   | (421,900,000)                           | (50,800,000)                            |
| Loan given to Subsidiaries received back                                 | 43,800,000                              | 103,583,400                             |
| Loan given to Societies  | (179,500,000)                           | (83,500,000)                            |
| Loan given to Societies received back                                    | 57,000,000                              | 46,200,000                              |
| Interest received  | 64,303,803                              | 59,205,416                              |
| Dividend received  | 188,290,000                             | -                                       |
| Purchase of Mutual Funds   | (250,000,000)                           | -                                       |
| Sale of Mutual Funds   | 250,311,068                             | -                                       |
| Proceeds from disposal of Investments in Associates                      | 6,500,000                               | 3,500,000                               |
| Investment in Equity Share in Subsidiary Companies                       | (63,000,000)                            | (28,000,182)                            |
| <b>Net cash used in investing activities (B)</b>                         | <b>(1,355,056,467)</b>                  | <b>(365,834,355)</b>                    |



## CASH FLOW STATEMENT for the year ended 31st March, 2009 (Contd.)

|   | Year ended<br>31st March, 2009<br>(Rs.) | Year ended<br>31st March, 2008<br>(Rs.) |
|---|---|---|
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>   |   |   |
| Issue of Shares (including Share Premium)   | 6,722,952                               | 3,091,632                               |
| Issue of Non Convertible Debentures   | 1,000,000,000                           | -                                       |
| Short term loan raised from Banks   | 600,000,000                             | -                                       |
| Vehicle Loan repaid during the year   | (10,014,956)                            | (12,879,386)                            |
| Term Loan repaid during the year  | (163,888,891)                           | (163,888,890)                           |
| Loan from Banks - Working Capital   | -                                       | 40,061,100                              |
| Repayment of Loan to Banks - Working Capital  | (40,061,100)                            | -                                       |
| Loan from Banks - Cash Credit   | (89,618,862)                            | (28,072,938)                            |
| Interest paid on Fixed Loan   | (149,163,738)                           | (103,162,022)                           |
| (including finance charges on finance lease arrangement)                                |   |   |
| Dividend paid (including Dividend Tax)  | (218,538,200)                           | (167,684,565)                           |
| Receipt of Loans  | 96,500,000                              | 126,500,000                             |
| Repayment of Loan   | (220,300,000)                           | (48,000,000)                            |
| <b>Net cash from Financing Activities (C)</b>   | <b>811,637,205</b>                      | <b>(354,035,069)</b>                    |
| <b>Net Increase/ (Decrease)<br/>in Cash &amp; Cash Equivalents (A+B+C)</b>              | <b>(24,503,250)</b>                     | <b>139,847,465</b>                      |
| <b>Cash and Cash Equivalents as<br/>at the beginning of the year</b>                    | <b>423,799,169</b>                      | <b>283,951,704</b>                      |
| <b>Cash and Cash Equivalents as<br/>at the end of the year</b>                          | <b>399,295,919</b>                      | <b>423,799,169</b>                      |
| Cash and Cash Equivalents comprise  |   |   |
| Cash, Cheques & Drafts (in hand) and Remittances in transit                             | 276,013,161                             | 278,184,048                             |
| Balance with Scheduled Banks *  | 123,282,758                             | 145,615,121                             |
| *[Include Rs. 38,030,317/-<br>(Previous year Rs. 20,111,623/-) pledged as margin money] |   |   |
| <b>Cash and Cash Equivalents as<br/>at the end of the year</b>                          | <b>399,295,919</b>                      | <b>423,799,169</b>                      |

Notes :

- The above Cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 as notified under section 211 (3C) of the Companies Act, 1956.
- The Schedules from 1-20 form an integral part of the Cash Flow Statement.
- Previous year figures, to the extent feasible, have been regrouped/ recasted wherever necessary to conform to the current year's classification.

This is the Cash Flow Statement referred to in our report of even date.

**H. Singh**

Partner

Membership No. F-86994

For and on behalf of

**Price Waterhouse**

Chartered Accountants

**Rajendra S Pawar**

Chairman and Managing Director

**Vijay K Thadani**

CEO & Whole-time Director

**Ashok Arora**

Group Chief Financial Officer

**Jitender Mahajan**

Chief Financial Officer

**Parveen Jain**

Company Secretary  
& Legal Counsel

Place : New Delhi

Dated : May 27, 2009

## SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March, 2009

| Schedule No.  | As At<br>31st March, 2009<br>(Rs.) | As At<br>31st March, 2008<br>(Rs.) |
|---|------------------------------------|------------------------------------|
| <b>1. SHARE CAPITAL</b>   |                                    |                                    |
| <b>[Refer Note 14 on Schedule 20]</b>   |                                    |                                    |
| <b>Authorised</b>   |                                    |                                    |
| 250,000,000 Equity Shares of Rs. 2/- each<br>(Previous year 250,000,000<br>Equity Shares of Rs. 2/- each)   | 500,000,000                        | 500,000,000                        |
| 2,500,000 Redeemable Preference Shares<br>of Rs.100/- each  | 250,000,000                        | 250,000,000                        |
|   | <u>750,000,000</u>                 | <u>750,000,000</u>                 |
| <b>Issued</b>   |                                    |                                    |
| 164,988,986 Equity Shares of Rs. 2/- each<br>(Previous year - 164,708,863<br>Equity Shares of Rs. 2/- each)   | 329,977,972                        | 329,417,726                        |
|   | <u>329,977,972</u>                 | <u>329,417,726</u>                 |
| <b>Subscribed</b>   |                                    |                                    |
| 164,982,986 Equity Shares of Rs. 2/- each<br>(Previous year - 164,702,863<br>Equity Shares of Rs. 2/- each)   | 329,965,972                        | 329,405,726                        |
|   | <u>329,965,972</u>                 | <u>329,405,726</u>                 |
| <b>Paid-up</b>  |                                    |                                    |
| 164,982,986 Equity Shares of Rs. 2/- each<br>(Previous year - 164,702,863<br>Equity Shares of Rs. 2/- each)   | 329,965,972                        | 329,405,726                        |
| Add: Forfeited Shares<br>(amount originally paid-up)  | 6,000                              | 6,000                              |
|   |                                    |                                    |
| <b>Note :</b>   |                                    |                                    |
| Issued Share Capital includes 142,176,960<br>Equity Shares of Rs. 2/- each<br>(Previous year 142,176,960 equity shares of<br>Rs. 2/- each) allotted as fully Paid-up<br>bonus shares by way of capitalisation of<br>General Reserve/ Share Premium Account/<br>Capital Redemption Reserve in 2007-08,<br>1998-99, 1994-95, 1992-93 and 1987-88. |                                    |                                    |
|   | <u>329,971,972</u>                 | <u>329,411,726</u>                 |
| <b>1A.EMPLOYEES STOCK OPTION OUTSTANDING</b>  |                                    |                                    |
| <b>[Refer Notes 1(vii) and 14 on Schedule 20]</b>   |                                    |                                    |
| Employees Stock Option Outstanding  | 679,662                            | 4,905,992                          |
|   | <u>679,662</u>                     | <u>4,905,992</u>                   |

## SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March, 2009 (Contd.)

| Schedule No.  |   | As At<br>31st March, 2009<br>(Rs.) |                      | As At<br>31st March, 2008<br>(Rs.) |
|---|---|------------------------------------|----------------------|------------------------------------|
| <b>2. RESERVES AND SURPLUS</b>  |   |                                    |                      |                                    |
| <b>Share Premium</b><br>[Refer Note 14 on Schedule 20]                                      |   |                                    |                      |                                    |
|   | As per Last Balance Sheet                                       | 506,160,493                        |                      | 141,776,818                        |
|   | Add: Additions during the year on account of FCCB Conversion    | -                                  |                      | 415,720,000                        |
|   | Add: Additions during the year on account of exercise of ESOP's | 8,222,545                          |                      | 3,804,188                          |
|   | Less: Utilised for Issue of Bonus Shares                        | -                                  | 514,383,038          | (55,140,513)                       |
|   |   |                                    |                      | 506,160,493                        |
| <b>General Reserve</b>  |   |                                    |                      |                                    |
|   | As per Last Balance Sheet                                       | 578,515,637                        |                      | 545,745,648                        |
|   | Add : Transfer from Profit & Loss Account                       | 47,210,596                         | 625,726,233          | 32,769,989                         |
|   |   |                                    |                      | 578,515,637                        |
| <b>Debenture Redemption Reserve</b>   |   |                                    |                      |                                    |
|   | As per Last Balance Sheet                                       | -                                  |                      | -                                  |
|   | Add: Transfer from Profit & Loss Account                        | 52,063,492                         | 52,063,492           | -                                  |
|   |   |                                    |                      | -                                  |
| <b>Hedging Reserve Account (Debit balance)</b><br>[Refer Notes 1 (ix) and 9 on Schedule 20] |   |                                    |                      |                                    |
|   | Hedging Reserve   | (52,310,874)                       |                      | (8,700,398)                        |
|   | Deferred Tax Asset on Hedging Reserve                           | 17,780,466                         | (34,530,408)         | 2,957,265                          |
|   |   |                                    |                      | (5,743,133)                        |
|   | <b>Profit and Loss Account</b>                                  |                                    | 2,359,717,257        | 2,224,508,572                      |
|   |   |                                    | <b>3,517,359,612</b> | <b>3,303,441,569</b>               |

## SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March, 2009 (Contd.)

| Schedule No.  | As At<br>31st March, 2009<br>(Rs.)                 |                      | As At<br>31st March, 2008<br>(Rs.) |
|---|--|----------------------|------------------------------------|
| <b>3. SECURED LOANS</b>   | <b>[Refer Notes 1 (viii) and 5 on Schedule 20]</b> |                      |                                    |
| Loans from Banks *  |  |                      |                                    |
| - Rupee Term Loans  | 122,916,662  |                      | 286,805,553                        |
| - Working Capital Loan in Foreign Currency  | -  |                      | 40,061,100                         |
| - Cash Credit   | 136,384,748  |                      | 226,003,610                        |
| - Vehicle Loans   | 6,571,159  | 265,872,569          | 16,586,115                         |
|   |  |                      | 569,456,378                        |
| * [Amount due within one year Rs. 127,967,144/- (Previous year Rs 172,891,448/-)] |  |                      |                                    |
| Non Convertible Debentures (Refer Notes below)                                    |  | 1,000,000,000        | -                                  |
|   |  | <u>1,265,872,569</u> | <u>569,456,378</u>                 |

### Notes:

(i) 12% Non Convertible Debentures to Life Insurance Corporation of India amounting to Rs. 500,000,000/- are redeemable at par as follows:

| <u>Redemption Date</u> | <u>Value to be redeemed</u><br>(Rs.) |
|------------------------|--------------------------------------|
| 20th October 2013      | 166,666,667                          |
| 20th October 2014      | 166,666,667                          |
| 20th October 2015      | 166,666,666                          |
|                        | <u>500,000,000</u>                   |

(ii) 11.25% Non Convertible Debentures to Indian Overseas Bank amounting to Rs. 500,000,000/- are redeemable at par as follows:

| <u>Redemption Date</u> | <u>Value to be redeemed</u><br>(Rs.) |
|------------------------|--------------------------------------|
| 17th March 2012        | 100,000,000                          |
| 17th March 2013        | 200,000,000                          |
| 17th March 2014        | 200,000,000                          |
|                        | <u>500,000,000</u>                   |

### 4. UNSECURED LOANS

**[Refer Notes 1 (viii), (x) and 31(b) on Schedule 20]**

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| Long Term Loan from Subsidiaries | 117,200,000        | 241,000,000        |
| Deferred Lease Obligation        | 3,661,326          | 2,255,626          |
| Short Term Loan from Banks       | 600,000,000        | -                  |
|                                  | <u>720,861,326</u> | <u>243,255,626</u> |

**SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March, 2009 (Contd.)**
**5. FIXED ASSETS**

[Refer Notes 1 (i), (ii), (viii), (x), (xi), 3, 25, 31(b) and 34 on Schedule 20]

| Description of Assets                             | GROSS BLOCK           |                           |                             | DEPRECIATION AND AMORTISATION |                      |                    | NET BLOCK                   |                        |                      |                      |
|---|-----------------------|---------------------------|-----------------------------|-------------------------------|----------------------|--------------------|-----------------------------|------------------------|----------------------|----------------------|
|   | Cost As on 01.04.2008 | Additions during the year | Sales/ Adj. during the year | Total as on 31.03.2009        | As on 01.04.2008     | For the year       | Sales/ Adj. during the year | Total as on 31.03.2009 | As on 31.03.2009     | As on 31.03.2008     |
| <b>Tangible</b>                                   |                       |                           |                             |                               |                      |                    |                             |                        |                      |                      |
| Land-Freehold Buildings                           | 39,515,082            | 557,370                   | 19,564,875                  | 20,507,577                    | -                    | -                  | -                           | -                      | 20,507,577           | 39,515,082           |
| Plant & Machinery                                 | 208,891,024           | -                         | -                           | 208,891,024                   | 20,309,207           | 3,403,533          | -                           | 23,712,740             | 185,178,284          | 188,581,817          |
| - Owned   | 1,235,242,224         | 753,640,116               | 366,778,930                 | 1,622,103,410                 | 851,692,324          | 210,700,047        | 364,492,025                 | 697,900,346            | 924,203,064          | 383,549,900          |
| - Leased  | 6,400,310             | 2,845,224                 | 1,413,615                   | 7,831,919                     | 5,337,826            | 1,984,208          | 1,413,535                   | 5,908,499              | 1,923,420            | 1,062,484            |
| Lease hold Improvements                           | 221,591,425           | 129,318,463               | 4,863,972                   | 346,045,916                   | 109,735,855          | 61,008,558         | 4,119,529                   | 166,624,884            | 179,421,032          | 111,855,570          |
| Furniture & Fixtures                              |                       |                           |                             |                               |                      |                    |                             |                        |                      |                      |
| - Owned   | 131,859,472           | 54,994,107                | 17,862,010                  | 168,991,569                   | 80,405,253           | 18,236,962         | 17,539,025                  | 81,103,190             | 87,888,379           | 51,454,219           |
| - Leased  | 6,282,779             | 3,459,007                 | 413,904                     | 9,327,882                     | 5,220,252            | 1,610,690          | 413,841                     | 6,417,101              | 2,910,781            | 1,062,527            |
| Vehicles  | 48,051,103            | 1,118,560                 | 8,941,752                   | 40,227,911                    | 12,941,989           | 4,288,916          | 3,875,803                   | 13,355,102             | 26,872,809           | 35,109,114           |
| <b>Sub Total (a)</b>                              | <b>1,897,833,419</b>  | <b>945,932,847</b>        | <b>419,839,058</b>          | <b>2,423,927,208</b>          | <b>1,085,642,706</b> | <b>301,232,914</b> | <b>391,853,758</b>          | <b>995,021,862</b>     | <b>1,428,905,346</b> | <b>812,190,713</b>   |
| <b>Intangible (Educational Content/ Products)</b> |                       |                           |                             |                               |                      |                    |                             |                        |                      |                      |
| Software  |                       |                           |                             |                               |                      |                    |                             |                        |                      |                      |
| - Acquired  | 713,159,605           | 71,647,155                | 40,307,037                  | 744,499,723                   | 485,108,741          | 87,265,459         | 40,284,300                  | 532,089,900            | 212,409,823          | 228,050,864          |
| - Internally generated                            | 88,309,536            | 139,026,964               | -                           | 227,336,500                   | 84,727,571           | 12,363,761         | -                           | 97,091,332             | 130,245,168          | 3,581,965            |
| Patents   | 12,599,914            | -                         | -                           | 12,599,914                    | 5,959,643            | 1,551,300          | -                           | 7,510,943              | 5,088,971            | 6,640,271            |
| <b>Sub Total (b)</b>                              | <b>814,069,055</b>    | <b>210,674,119</b>        | <b>40,307,037</b>           | <b>984,436,137</b>            | <b>575,795,955</b>   | <b>101,180,520</b> | <b>40,284,300</b>           | <b>636,692,175</b>     | <b>347,743,962</b>   | <b>238,273,100</b>   |
| <b>Total (a+b)</b>                                | <b>2,711,902,474</b>  | <b>1,156,606,966</b>      | <b>460,146,095</b>          | <b>3,408,363,345</b>          | <b>1,661,438,661</b> | <b>402,413,434</b> | <b>432,138,058</b>          | <b>1,631,714,037</b>   | <b>1,776,649,308</b> | <b>1,050,463,813</b> |
| <b>Previous year</b>                              | <b>2,601,895,297</b>  | <b>291,622,408</b>        | <b>181,615,231</b>          | <b>2,711,902,474</b>          | <b>1,471,621,126</b> | <b>358,190,976</b> | <b>168,373,441</b>          | <b>1,661,438,661</b>   | <b>1,050,463,813</b> | <b>175,774,614</b>   |

 Capital Work-in Progress  
 (Including Capital Advances)

Notes :

(i) Gross Block of Building includes 10 shares of Rs. 50/- each in the Guro Vidya Co-operative Housing Society Ltd.

(ii) Out of the total land as above, 25 acres of land amounting Rs. 6,521,625/- at Tehsil Behror, District Alwar is allotted for education purpose. This land cannot be transferred without the approval of the allotment authority.

## SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March, 2009 (Contd.)

| Schedule No.  |   | As At<br>31st March, 2009<br>(Rs.) | As At<br>31st March, 2008<br>(Rs.) |
|---|---|------------------------------------|------------------------------------|
| <b>6. INVESTMENTS</b>                                   |   |                                    |                                    |
| [Refer Notes 1 (iii), 18, 20, 23 and 24 on Schedule 20] |   |                                    |                                    |
| <b>A. LONG TERM, TRADE [UNQUOTED]</b>                   |   |                                    |                                    |
| In Subsidiary Companies                                 |   |                                    |                                    |
| <b>- Equity</b>   |   |                                    |                                    |
|   | 24,162,113 (Previous year 24,162,113) Shares of 1 US \$ each fully paid-up in NIIT (USA) Inc., USA  | 1,083,566,259                      | 1,083,566,259                      |
|   | Less: Provision for diminution in value of Investment   | (398,415,709)                      | (398,415,709)                      |
|   |   | 685,150,550                        | 685,150,550                        |
|   | 500,000 (Previous year 500,000) Equity Shares of 1 US \$ or Rp. 2,297 each fully paid-up in PT NIIT Indonesia, Indonesia  | 17,560,000                         | 17,560,000                         |
|   | Less: Provision for diminution in the value of investment   | (17,560,000)                       | -                                  |
|   |   | -                                  | -                                  |
|   | 35,056,000 (Previous year 35,056,000) Equity Shares of 1 US \$ each fully paid-up in NIIT Antilles NV, Netherlands Antilles   | 1,628,688,400                      | 1,628,688,400                      |
|   | Less: Provision for diminution in value of Investment   | (773,531,096)                      | (773,531,096)                      |
|   |   | 855,157,304                        | 855,157,304                        |
|   | 3,949,175 (Previous year 3,949,175) Equity Shares of Re 1/- each fully paid-up in NIIT Online Learning Limited  | 3,949,175                          | 3,949,175                          |
|   | Less: Provision for diminution in value of Investment   | (3,949,175)                        | -                                  |
|   |   | -                                  | -                                  |
|   | 900,000 (Previous year 900,000) Equity Shares of Rs 10/- each fully paid-up in Hole-in-the-Wall Education Limited (Formerly known as Minimally Invasive Education Company Limited)  | 9,000,000                          | 9,000,000                          |
|   | 9,910,000 (Previous year 9,910,000) Equity Shares of Rs. 10/- each fully paid-up in Scantech Evaluation Services Ltd  | 99,064,000                         | 99,064,000                         |
|   | 7,350,000 (Previous year 5,550,000) Equity Shares of Rs. 10/- each fully paid-up in NIIT Multimedia Limited   | 73,500,000                         | 55,500,000                         |
|   | 155,000 (Previous year 155,000) Equity Shares of 1 GBP each fully paid-up in NIIT Limited-UK  | 13,101,328                         | 13,101,328                         |
|   | 4,000,000 (Previous year 4,000,000) Equity Shares of Rs. 10/- each fully paid-up in NIIT Institute of Finance Banking and Insurance Training Limited  | 40,000,000                         | 40,000,000                         |
|   | 503,691 (Previous year 503,691) Equity Shares of Rs. 10/- each Fully Paid-up in Evolv Services Ltd (Formerly known as "Evolv Management Services Private Ltd")  | 28,000,182                         | 28,000,182                         |
|   | 4,500,000 (Previous year Nil) Equity Shares of Rs. 10/- each fully paid-up in NIIT Institute of Process Excellence Limited  | 45,000,000                         | -                                  |
|   |   |                                    |                                    |
| <b>- Preference</b>                                     |   |                                    |                                    |
|   | 5,600,000 (Previous year 5,600,000) Non Convertible Cumulative Redeemable Preference Shares of Rs. 10/- each fully paid-up in Hole-in-the-Wall Education Limited (Formerly known as Minimally Invasive Education Company Limited) | 100                                | 100                                |
| <b>In Other Companies</b>                               |   |                                    |                                    |
|   | Nil (Previous year 32,111) Equity Shares of Rs 10/- each fully paid-up in Mindshaper Technologies Pvt Ltd   | -                                  | 9,995,829                          |
|   | Less: Provision for diminution in the value of investment   | -                                  | (9,995,829)                        |
|   |   | -                                  | -                                  |
|   | 190,627 (Previous year 190,627) Equity Shares of Rs 10/- each fully paid-up in Aesthetics Technologies Pvt Ltd  | 20,000,584                         | 20,000,584                         |
|   | Less: Provision for diminution in the value of investment   | (20,000,584)                       | (20,000,584)                       |
|   |   | -                                  | -                                  |
| <b>B. LONG TERM, OTHERS [UNQUOTED]</b>                  |   |                                    |                                    |
| In Other Companies                                      |   |                                    |                                    |
|   | 240 Equity Shares of Rs.10/- each fully paid-up in Hinduja HCL Singtel Communication Pvt. Ltd   | 2,400                              | 2,400                              |
|   | Less: Provision for diminution in the value of investment   | (2,400)                            | (2,400)                            |
|   |   | -                                  | -                                  |
|   |   | <b>1,847,973,464</b>               | <b>1,784,973,464</b>               |

## SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March, 2009 (Contd.)

| Schedule No.  | As At<br>31st March, 2009<br>(Rs.) | As At<br>31st March, 2008<br>(Rs.) |
|---|------------------------------------|------------------------------------|
| <b>7. INVENTORIES (Finished Goods)</b><br><b>[Refer Notes 1(iv) and 16 on Schedule 20]</b>                        |                                    |                                    |
| Education and Training Material *   | 89,050,728                         | 98,136,738                         |
| Software **   | 3,369,474                          | 13,087,184                         |
|   | <u>92,420,202</u>                  | <u>111,223,922</u>                 |
| Note:   |                                    |                                    |
| * Net of provision for non-moving inventories of Rs. 2,300,000/- (Previous year Rs. 4,500,000/-).                 |                                    |                                    |
| ** Net of provision for non-moving inventories of Rs. 12,436,982/- (Previous year Rs. 3,152,025/-).               |                                    |                                    |
| <b>8. SUNDRY DEBTORS</b><br><b>(Unsecured)</b><br><b>[Refer Notes 29 and 33 on Schedule 20]</b>                   |                                    |                                    |
| Outstanding for over six months   |                                    |                                    |
| - Considered Good   | 459,233,647                        | 467,543,084                        |
| - Considered Doubtful   | 268,376,380                        | 250,637,787                        |
| Other Debts - Considered Good   | 1,326,402,768                      | 812,314,265                        |
|   | 2,054,012,795                      | 1,530,495,136                      |
| Less : Provision for Doubtful Debts   | 268,376,380                        | 250,637,787                        |
|   | <u>1,785,636,415</u>               | <u>1,279,857,349</u>               |
| <b>9. CASH AND BANK BALANCES</b>  |                                    |                                    |
| Cash and Cheques in Hand  | 276,013,161                        | 278,184,048                        |
| Balances with Scheduled Banks in :  |                                    |                                    |
| - Current Accounts  | 80,502,550                         | 120,886,831                        |
| - Dividend Account  | 3,954,217                          | 3,989,953                          |
| - Fixed Deposit Accounts *  | 38,030,317                         | 20,111,623                         |
| *[Include Rs. 38,030,317/-<br>(Previous year Rs. 20,111,623/-)<br>pledged as margin money]                        |                                    |                                    |
| - Exchange Earners' Foreign Currency Account  | 795,674                            | 626,714                            |
|   | <u>399,295,919</u>                 | <u>423,799,169</u>                 |
| <b>10. OTHER CURRENT ASSETS</b><br><b>(Unsecured, considered good)</b><br><b>[Refer Note 1(v) on Schedule 20]</b> |                                    |                                    |
| Interest Receivable   | 14,313,554                         | 1,017,744                          |
| Unbilled Revenue (Net)  | 272,235,493                        | 138,548,666                        |
|   | <u>286,549,047</u>                 | <u>139,566,410</u>                 |

## SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March, 2009 (Contd.)

| Schedule No.  |  | As At<br>31st March, 2009<br>(Rs.) |              | As At<br>31st March, 2008<br>(Rs.) |
|---|--|------------------------------------|--------------|------------------------------------|
| <b>11. LOANS AND ADVANCES</b>                                     |  |                                    |              |                                    |
| <b>(Unsecured, considered good except where otherwise stated)</b> |  |                                    |              |                                    |
| <b>[Refer Notes 1(xii), 21, 22 and 28 on Schedule 20]</b>         |  |                                    |              |                                    |
|   | Loans to Subsidiaries  | 466,791,520                        |              | 42,300,000                         |
|   | Loan to NIIT Education Society   | 3,500,000                          |              | 13,500,000                         |
|   | Loan to NIIT Institute of Information Technology   | 436,300,000                        |              | 303,800,000                        |
|   | Recoverable from Subsidiaries  | 111,209,020                        |              | 196,447,331                        |
|   | Advances recoverable in cash or in kind<br>or for value to be received *   |                                    |              |                                    |
|   | - Considered good  | 136,382,971                        | 198,062,325  |                                    |
|   | - Considered doubtful  | 12,541,439                         | 12,157,038   |                                    |
|   |  | 148,924,410                        | 210,219,363  |                                    |
|   | Less : Provision for Doubtful Advances   | 12,541,439                         | 136,382,971  | 198,062,325                        |
|   |  |                                    |              |                                    |
|   | * Includes amount due from Directors<br>or Other Officers Nil<br>(Previous year Rs. 1,637/-)<br>Maximum amount due from Directors<br>or Other Officers during the year<br>Rs.3,220,607/-<br>(Previous year Rs. 2,941,784/-). |                                    |              |                                    |
|   | Security Deposits  |                                    |              |                                    |
|   | - Considered good  | 320,538,912                        | 257,715,311  |                                    |
|   | - Considered doubtful  | 733,449                            | 733,449      |                                    |
|   |  | 321,272,361                        | 258,448,760  |                                    |
|   | Less : Provision for<br>Doubtful Security Deposits   | 733,449                            | 320,538,912  | 257,715,311                        |
|   | Advance payment of<br>Fringe Benefit Tax   | 88,113,046                         | -            |                                    |
|   | Less : Provision for<br>Fringe Benefit Tax   | (87,396,232)                       | 716,814      | -                                  |
|   | Advance payment of Income Tax  | 521,567,959                        | 420,936,866  |                                    |
|   | Less: Provision for Current Tax  | (486,819,236)                      | 34,748,723   | 24,849,773                         |
|   | MAT Credit entitlements  |                                    |              |                                    |
|   | - Opening Balance  | -                                  | 13,724,220   |                                    |
|   | - Reversal of MAT Credit   | -                                  | (2,885,095)  |                                    |
|   | - Created during the Year  | -                                  | 23,793,761   |                                    |
|   | - Utilised during the year   | -                                  | (34,632,886) |                                    |
|   |  |                                    |              |                                    |
|   |  | <b>1,510,187,960</b>               |              | <b>1,036,674,740</b>               |



## SCHEDULES annexed to and forming part of the Balance Sheet as at 31st March, 2009 (Contd.)

| Schedule No.  | As At<br>31st March, 2009<br>(Rs.) | As At<br>31st March, 2008<br>(Rs.) |
|---|------------------------------------|------------------------------------|
| <b>12. CURRENT LIABILITIES</b>  |                                    |                                    |
| [Refer Notes 1 (ix), 9 and 32 on Schedule 20]   |                                    |                                    |
| Sundry Creditors  |                                    |                                    |
| - Due to Mirco, Small and Medium Enterprises  | 11,706                             | 1,401,000                          |
| - Due to Others   | 1,170,661,056                      | 1,017,365,253                      |
| Amount Payable to Subsidiaries  | 35,850,035                         | 7,911,153                          |
| Advances from Customers   | 350,738,842                        | 152,402,783                        |
| Security Deposits   | 5,921,715                          | 6,835,766                          |
| Interest accrued but not due on loans   | 14,354,760                         | 1,814,738                          |
| Unpaid Dividend*  | 3,954,217                          | 3,989,953                          |
| Unclaimed fractional share payment  | 236,652                            | 239,273                            |
| Deferred Revenue  | 15,581,098                         | 26,304,810                         |
| Other Liabilities   | 97,893,575                         | 79,366,328                         |
| Derivative Instrument Fair Value Liability  | 52,310,874                         | 7,917,681                          |
| *There are no amounts due for payment to the Investor Protection Fund under section 205C of the Companies Act, 1956 as at the year end. |                                    |                                    |
|   | <b>1,747,514,530</b>               | <b>1,305,548,738</b>               |
| <b>13. PROVISIONS</b>   |                                    |                                    |
| [Refer Notes 1 (vi), (xii), 15 and 26 on Schedule 20]   |                                    |                                    |
| Provision for compensated absences  | 111,094,326                        | 100,244,273                        |
| Provision for Gratuity  | 5,852,952                          | 4,763,322                          |
| Proposed Dividend on Equity Shares  | 214,477,882                        | 214,113,722                        |
| Provision for Fringe Benefit Tax  | -                                  | 62,982,193                         |
| Less : Advance Tax  | -                                  | (62,613,046)                       |
| Corporate Dividend Tax  | 23,145,300                         | 4,388,742                          |
|   | <b>354,570,460</b>                 | <b>323,879,206</b>                 |

SCHEDULES annexed to and forming part of the Profit and Loss Account for the year ended 31st March, 2009

| Schedule No.  | Year ended<br>31st March, 2009<br>(Rs.) | Year ended<br>31st March, 2008<br>(Rs.) |
|---|---|---|
| <b>14. OTHER INCOME</b>   |   |   |
| <b>[Refer Notes 1(ix), 9(b), 18, 20, 26 and 35 on Schedule 20]</b>  |   |   |
| Profit on sale of   |   |   |
| - Short term Investments -others (Net)  | 311,068                                 | -                                       |
| - Fixed Assets (Net)  | 94,233,896                              | -                                       |
| Profit on sale of long term - trade investments   | 6,500,000                               | 3,500,000                               |
| Provisions/ Other Liabilities written back  | 10,283,506                              | 1,797,110                               |
| Recoveries from Overseas Subsidiaries for expenses  | 82,759,963                              | 90,096,320                              |
| Gain on exchange fluctuations (Net)   | 44,653,709                              | -                                       |
| Dividend Income   | 78,289,000                              | 188,290,000                             |
| Miscellaneous   | 22,071,110                              | 17,608,332                              |
|   | <b>339,102,252</b>                      | <b>301,291,762</b>                      |
| <b>15. PERSONNEL</b>  |   |   |
| <b>[Refer Notes 1(vi), (vii), 4, 7, 14, 15, 17 and 25 on Schedule 20]</b>                                   |   |   |
| Salaries and Benefits   | 1,257,556,696                           | 1,192,435,936                           |
| [Includes contribution towards Provident and Other Funds Rs. 59,733,924/- (Previous year Rs. 70,065,733/-)] |   |   |
| Employees Stock Option Expenses/ (write back)   | -                                       | (16,545)                                |
| Welfare and Other Expenses  | 53,827,390                              | 58,431,923                              |
|   | <b>1,311,384,086</b>                    | <b>1,250,851,314</b>                    |
| <b>16. DEVELOPMENT, PRODUCTION AND EXECUTION</b>  |   |   |
| <b>[Refer Notes 4, 7, 8, 12, 16 and 25 on Schedule 20]</b>  |   |   |
| Courseware and Manuals  | 615,643,263                             | 485,589,947                             |
| [Includes inventory write off/ provision for Rs. 9,125,437/- (Previous year Rs. 6,097,873/-)]               |   |   |
| Bought out Packages/ Products   | 172,141,538                             | 167,338,946                             |
| [Includes inventory write off/ provision for Rs.9,284,957/- (Previous year Rs. 3,152,025/-)]                |   |   |
| Course Execution Charges  | 745,392,397                             | 398,475,388                             |
| Professional Charges  | 267,024,556                             | 247,388,014                             |
| Equipment Hiring  | 34,720,378                              | 63,181,123                              |
| Consumables   | 5,142,729                               | 4,383,238                               |
| Freight and Cartage   | 54,868,166                              | 43,640,802                              |
| Others  | 50,947                                  | 643,384                                 |
|   | <b>1,894,983,974</b>                    | <b>1,410,640,842</b>                    |

SCHEDULES annexed to and forming part of the Profit and Loss Account for the year ended 31st March, 2009 (Contd.)

| Schedule No.  | Year ended<br>31st March, 2009<br>(Rs.) | Year ended<br>31st March, 2008<br>(Rs.) |
|---|---|---|
| <b>17. ADMINISTRATION AND OTHERS</b>  |   |   |
| [Refer Notes 1 (viii), (ix), 4, 7, 9, 12, 13, 25, 29 and 31 (a) on Schedule 20] |   |   |
| Rent  | 297,366,201                             | 239,336,371                             |
| Rates and Taxes   | 1,049,720                               | 946,174                                 |
| Electricity and Water   | 101,233,124                             | 106,512,749                             |
| Communication   | 77,850,673                              | 80,867,144                              |
| Legal and Professional  | 80,470,459                              | 97,515,889                              |
| Traveling and Conveyance  | 224,662,421                             | 243,090,615                             |
| Insurance Premium   | 7,522,792                               | 9,027,885                               |
| Repairs and Maintenance:  |   |   |
| - Plant and Machinery   | 14,949,715                              | 12,904,105                              |
| - Buildings   | 2,484,016                               | 3,859,918                               |
| - Others  | 39,269,873                              | 39,281,709                              |
| Provision for doubtful debts  | 39,514,540                              | 47,707,450                              |
| Provision for doubtful advances   | 384,400                                 | 2,677,110                               |
| Advances written off  | 2,116,456                               | 1,507,283                               |
| Loss on exchange fluctuations (Net)   | -                                       | 3,217,929                               |
| Expenses on Equipment Hiring  | 9,738,190                               | 29,620,763                              |
| Security and administration services  | 35,851,705                              | 32,569,436                              |
| Loss on sale of fixed assets (Net)  | -                                       | 4,495,230                               |
| Sundry Expenses   | 26,542,094                              | 26,726,997                              |
|   | <b>961,006,379</b>                      | <b>981,864,757</b>                      |
| <b>18. MARKETING</b>  |   |   |
| [Refer Note 4 on Schedule 20]   |   |   |
| Advertisement and Publicity   | 453,321,560                             | 437,841,132                             |
| Discount  | 137,556                                 | 151,216                                 |
| Others  | 28,546,757                              | 30,392,871                              |
|   | <b>482,005,873</b>                      | <b>468,385,219</b>                      |
| <b>19. INTEREST AND FINANCE CHARGES</b>   |   |   |
| [Refer Notes 1 (x), (xi), 6, 10 and 31 (b) on Schedule 20]                      |   |   |
| Bank, Discounting and Other Financial Charges                                   | 24,185,769                              | 16,071,257                              |
| Interest Expenses:  |   |   |
| - Fixed Loans   | 91,376,489                              | 60,686,482                              |
| - Non Convertible Debentures  | 31,160,959                              | -                                       |
| - Others  | 39,166,312                              | 161,703,760                             |
|   |   | <b>39,386,568</b>                       |
| Less: Interest Earnings (Gross) :   |   |   |
| - Deposits  | (2,386,555)                             | (1,627,209)                             |
| - Loans   | (75,212,038)                            | (40,592,904)                            |
| - Others  | (1,020)                                 | (4,312)                                 |
|   | <b>(77,599,613)</b>                     | <b>(42,224,425)</b>                     |
|   | <b>108,289,916</b>                      | <b>73,919,882</b>                       |

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009

### 1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared on an accrual basis, under historical cost convention and in compliance in all material aspects with the applicable accounting principles in India, the applicable accounting standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956. The significant accounting policies adopted by the Company are detailed below:

#### i) Fixed Assets, Depreciation and Amortisation

Fixed Assets are stated at acquisition cost except where they are taken over pursuant to an acquisition at a consolidated price. Individual fixed assets taken over pursuant to acquisition are recorded at their fair value on the date of acquisition based on valuation carried out by independent valuers.

Expenses incurred on internal development of courseware and products are capitalised either individually or as a knowledge bank in the form of software, once their technical feasibility and ability to generate future economic benefits is established in accordance with the requirements of Accounting Standard 26, "Intangible Assets" as notified under section 211(3C) of the Companies Act, 1956. Expenses incurred during the research phase till the establishment of commercial feasibility is charged to the Profit and Loss Account.

Depreciation and amortisation is provided on a pro-rata basis on the straight-line method over the estimated useful lives of the assets determined as follows:

|   |  |
|---|--|
| Computers, Printers and related accessories<br>(Included under Plant and Machinery)     | 2 – 5 years  |
| Leasehold Improvements  | 3 years or lease period, whichever is lower                    |
| Computer Software, Educational Contents, Products and Patents                           | 3 – 5 years  |
| Furniture Fixtures & Electric Fittings  | 7 years  |
| Electronic & Office Equipments  | 8 years  |
| Air Conditioners  | 10 years   |
| Assets under employee benefits scheme except vehicles                                   | 3 years  |
| Assets acquired under lease (Included under Plant & Machinery and Furniture & Fixtures) | Lease Period   |
| All other assets  | Rates prescribed under schedule XIV to the Companies Act, 1956 |

Fixed Assets purchased for utilisation in implementing the contractual obligations with the customers under the project are depreciated over the period of the contract.

Further, educational content, computer system and software are technically evaluated each year for their useful economic life and the unamortised depreciable amount of the asset is charged to Profit and Loss Account as depreciation/ amortisation over their revised remaining useful life.

#### ii) Impairment of Assets

All assets other than inventories, investments and deferred tax asset, are reviewed for impairment, wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount.

#### iii) Investments

Long-term investments are valued at their acquisition cost. Any decline in the value of the said investment, other than a temporary decline, is recognised and charged to Profit and Loss Account. Short-term investments are carried at cost or market value, whichever is lower.

**SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)****iv) Inventory Valuation – Finished Goods**

Inventories are valued at lower of cost or net realisable value. Cost is determined using weighted average method and includes applicable costs incurred in bringing inventories to their present location and condition.

**v) Revenue Recognition**

The revenue in respect of sale of courseware, technical information and reference material and other goods are recognised on dispatch/ delivery of the material to the customer whereas the revenue from the tuition activity/ training is recognised over the period of the course programmes or as per the terms of agreement, as the case may be.

The revenue from time and material contracts is recognised on a man month basis. In respect of fixed price contracts, including certain contracts requiring significant usage of contents capitalised as education software relating to courseware and products (Intellectual Property Rights), revenue is recognised based on the technical evaluation of utilisation of courseware and products and as per the proportionate completion method. The foreseeable losses on completion of contract, if any, are provided for. Revenue from education delivery also included under fixed price contracts is recognised over the period of the respective contracts.

Dividend income is recognised when the right to receive dividend is established. Interest income is recognised on accrual basis.

**vi) Employee Benefits****Gratuity**

NIIT provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Company's liability is actuarially determined at the end of the year and any shortfall in the fund size maintained by the trust set up by the Company with Life Insurance Corporation of India is additionally provided for.

Actuarial gains, if any, are recognised in the Profit and Loss Account and disclosed as an asset in the Balance Sheet.

**Compensated Absences**

Liability in respect of compensated absences is provided both for encashable leave and those expected to be availed. The Company has defined benefit plans for compensated absences for employees, the liability for which is determined on the basis of an actuarial valuation at the end of the year. Any gain or loss arising out of such valuation is recognised in the Profit and Loss Account as income or expense as the case may be.

**Superannuation**

The Company makes defined contribution to the trust established for the purpose by the Company towards superannuation fund maintained with Life Insurance Corporation of India. Contribution made during the year is charged to Profit and Loss Account.

**Provident Fund**

The Company makes contribution to the "NIIT LIMITED EMPLOYEES' PROVIDENT FUND TRUST", which is a defined benefit plan to the extent that the Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. The Company's obligation in this regard is actuarially determined and provided for if the circumstances indicate that the trust may not be able to generate adequate returns to cover the interest rates notified by the Government. The Company's contribution towards Provident Fund is charged to Profit and Loss Account.

**SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)****Pension Fund**

The Company makes defined contribution to a government administered pension fund on behalf of its employees. The Company's contribution towards Employee Pension Scheme is charged to Profit and Loss Account.

**vii) Employees Stock Option Plan (ESOP)**

The stock options granted under "NIIT Employee Stock Option Plan 2005" are accounted for as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999, issued by Securities and Exchange Board of India, whereby the intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Profit and Loss Account on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation expense equal to the un-amortised portion. The balance in employee stock option outstanding account, net of any un-amortised deferred employee compensation, is shown separately as part of shareholders' funds.

**viii) Foreign Currency Transactions**

Transactions in foreign currency are booked at standard rates determined periodically which approximates the actual rates, and all monetary assets and liabilities in foreign currency is restated at the end of accounting year. Gain/ Loss arising out of fluctuations on realisation/ payment or restatement is credited/ charged to the Profit and Loss Account.

Foreign currency assets/ liabilities covered by forward contracts are stated at the forward contract rate and difference between the forward rate and the exchange rate at the inception of the forward contract are recognised to the Profit and Loss Account over the life of the contract, except to the extent on which accounting policy on derivative instruments and hedge accounting as detailed in (ix) below and further explained in note 9 below.

**ix) Derivative Instruments and Hedge Accounting**

In accordance with its Risk management policies and procedures, the company uses derivative instruments such as foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions. The derivatives that qualify for hedge accounting and designated as cash flow hedges are initially measured at fair value & are remeasured at a subsequent reporting date and the changes in the fair value of the derivatives i.e. gain or loss (net of tax impact) is recognised directly in shareholders' funds under hedging reserve to the extent considered highly effective. Gain or loss on derivative instruments that either does not qualify for hedge accounting or not designated as cash flow hedges or designated cash flow hedges to the extent considered ineffective are recognised in the Profit and Loss Account.

Hedge accounting is discontinued when the hedging instrument expires, sold, terminated, exercised or no longer qualifies for hedge accounting. The cumulative gain or loss on the hedging instrument recognised in shareholders' funds under hedging reserve is retained there until the forecasted transaction occurs subsequent to which the same is adjusted against the related transaction in the Profit and Loss Account. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to Profit and Loss Account in the same period.

**x) Leases**

The Company has taken assets, vehicles as well as premises on lease. Lease rental in respect of operating lease arrangements are charged to expense on a straight line basis as per the terms of the related agreement.

Finance lease transactions are considered as financing arrangements in accordance with Accounting Standard 19 and the leased asset is capitalised at an amount equal to the present value of future lease payments and a corresponding amount is recognised as a liability. The lease payments made

**SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)**

are apportioned between finance charge and reduction of outstanding liability in relation to the leased asset.

**xi) Borrowing Cost**

Borrowing costs are recognised in the Profit and Loss Account for the period in which they are incurred except where the cost is incurred during the construction of an asset that takes a substantial period to get ready for its intended use, in which case, it is capitalised.

**xii) Taxation**

Tax expense, comprising of both current tax (including fringe benefits tax) and deferred tax is included in determining the net results for the year. Deferred Tax reflects the effect of timing differences between the assets and liabilities recognised for financial reporting purposes and the amounts that are recognised for current tax purposes. As a matter of prudence deferred tax assets are recognised and carried forward only to the extent, there is reasonable/ virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Current Tax (including fringe benefits tax) is determined based on the provisions of Income Tax Act, 1961. Minimum Alternate Tax (MAT) paid in excess of normal income tax is recognised as asset (MAT Credit entitlement) only to the extent, there is reasonable certainty that company shall be liable to pay tax as per the normal provisions of the Act in future. MAT Credit is utilised in the year when normal income tax is higher than the Minimum Alternate Tax (MAT).

**xiii) Provisions and Contingencies**

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

Disclosure of show cause notices are made on merits of the matters where management foresees possibilities of outflow of resources.

**2. CONTINGENT LIABILITIES**

- i. Guarantees issued to bankers outstanding at the end of accounting year Rs. 4,362,745/- (Previous year Rs. 10,881,495/-).
- ii. Corporate Guarantees Rs. 150,000,000/- given on behalf of NIITian Welfare Trust for loan availed by Trust (Previous year Rs. 150,000,000/-).
- iii. Corporate Guarantee Rs. 1,678,426,200/- [USD 33 million (net of payment of USD 10.5 million by NIIT (USA) Inc.)] given to ICICI Bank on behalf of NIIT (USA) Inc. [Previous year Rs. 1,602,444,000/- (USD 40 million (net of payment of USD 3.5 million by NIIT (USA) Inc.))].
- iv. Stand by Letter of Credit of Rs. 152,584,200/- (USD 3 million) (Previous year Nil) from BNP Paribas in favor of Bank of West, USA on behalf of Element K Corporation, USA
- v. Security given to Indian Overseas Bank against working capital limits on behalf of Evolv Services Limited Rs. 1 Crore. (Previous year Nil) Amount outstanding as at the year end Rs. 8,496,824/- (Previous year Nil)
- vi. Claims against the Company not acknowledged as debts Rs. 14,900,000/- (Previous year Rs. 13,000,000/-).
- vii. Andhra Pradesh works contract tax demand Rs. 74,601,827/- (Previous year Rs. 81,080,962/-). Management does not foresee any financial implication based on the advice of the legal consultant.
- viii. Service Tax demand amounting to Rs. 104.89 Lacs (Previous year Nil) and equal amount of penalty i.e. Rs. 104.89 Lacs (Previous year Nil) raised by Commissioner of Service Tax, Delhi. Management does not foresee any financial implication based on the advice of the legal consultant.

3. Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for Rs. 208,865,610/- (Previous year Rs. 281,295,522/-).

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

4. Certain common resources are shared by the Company and NIIT Technologies Ltd (NTL). This resulted in the Company recovering Rs. 8,835,659/- (Previous year Rs. 6,741,144/- ) from NTL and NTL recovering Rs. 10,860,791/- (Previous year Rs. 37,921,070/- ) from the Company which have been included/ netted off against relevant head in the Profit & Loss Account viz. Personnel, Development, Production and Execution, Administration & Others and Marketing expenses.
5. i). Working Capital Limits are secured by hypothecation of stocks and book debts of the Company. The Company has utilised the cash credit (fund-based) limits to the extent of Rs. 136,384,748/- (Previous year Rs. 266,064,710/-) as at year end.  
 ii). Rupee Term Loan from bank is secured by way of first charge created on all movable assets, both present and future, and specified immovable properties, subject to first charge created on stocks and book debts of the Company in respect of working capital limits above.  
 iii). 12% Non Convertible Debentures issued to Life Insurance Corporation of India are secured by way of first charge on pari passu basis on the immovable and movable fixed assets of the Company.  
 iv). 11.25% Non Convertible Debentures issued to Indian Overseas Bank are also required to be secured by way of first charge on pari passu basis on the immovable and movable fixed assets of the company. The Company is taking steps for creating charge in respect of such debentures as at the year end.  
 v). Vehicle loans from banks are secured by way of hypothecation of the vehicles financed.
6. Interest received is gross of tax deducted at source of Rs. 16,078,179/- (Previous year Rs. 8,399,756/).
7. Expenses during the year are net of recoveries towards common services from domestic subsidiaries amounting to Rs. 28,828,253/- (Previous year Rs. 29,268,767/-).
8. a. The course execution charges include payments to licensees, business partners, channel partners and other agencies for execution of education and training business.  
 b. Course execution charges includes Rs. 45 Lacs pertaining to previous years.

### 9. DERIVATIVE INSTRUMENTS

- a. The following table summarises the movement in Designated Forward Covers during current year:

| Particulars                                 | Designated Forward Covers(USD Mn) |
|---|-----------------------------------|
| Opening Balance as at beginning of the year | 13.25                             |
| Additions during the current year           | 9.75                              |
| Matured during the year                     | 12.50                             |
| Closing Balance as at end of the year       | 10.50                             |

During the current year, loss of Rs. 823 Lacs has been debited to revenue account on maturity of the designated forward covers and Rs. 523 Lacs have been debited to Hedging Reserve Account on the designated forward covers outstanding as at the year end.

- b. Mark to Market loss on Undesignated Forward Covers amounting to Rs. 524 Lacs has been recognised as loss on exchange fluctuation in the Profit & Loss Account.

### 10. EARNINGS IN FOREIGN CURRENCY

| Particulars                                     | Year ended<br>March 31, 2009<br>(Rs.) | Year ended<br>March 31, 2008<br>(Rs.) |
|---|---------------------------------------|---------------------------------------|
| Export of services & products                   | 499,158,772                           | 544,653,606                           |
| Interest (Net of Taxes)                         | 20,318,997                            | 5,763,199                             |
| Recovery of expenses from overseas subsidiaries | 82,759,963                            | 90,096,320                            |



## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

### 11. CIF VALUE OF IMPORTS

| Particulars                   | Year ended<br>March 31, 2009<br>(Rs.) | Year ended<br>March 31, 2008<br>(Rs.) |
|-------------------------------|---------------------------------------|---------------------------------------|
| Bought out packages/ products | 156,602,756                           | 87,863,757                            |
| Capital goods                 | 53,105,948                            | 22,891,962                            |

### 12. EXPENDITURE IN FOREIGN CURRENCY (Net of taxes)

| Particulars                           | Year ended<br>March 31, 2009<br>(Rs.) | Year ended<br>March 31, 2008<br>(Rs.) |
|---------------------------------------|---------------------------------------|---------------------------------------|
| Production, development and execution | 256,314,981                           | 141,962,529                           |
| Travel                                | 42,100,577                            | 50,154,072                            |
| Professional fee                      | 1,417,555                             | 59,715                                |
| Others                                | 8,866,815                             | 7,672,439                             |

### 13. PAYMENT TO AUDITORS

| Particulars                                       | Year ended<br>March 31, 2009<br>(Rs.) | Year ended<br>March 31, 2008<br>(Rs.) |
|---|---------------------------------------|---------------------------------------|
| Statutory Audit fee                               | 4,860,000                             | 5,100,000                             |
| Tax Audit fee                                     | 470,000                               | 550,000                               |
| Others  | 2,460,000                             | 2,520,600                             |
| Reimbursement of expenses (including Service Tax) | 1,327,105                             | 1,759,537                             |

### 14. EMPLOYEES STOCK OPTION SCHEME

During the year 2005-06, the Company had established NIIT Employee Stock Option Plan 2005 "ESOP 2005" and the same was approved at the General Meeting of the Company held on May 18, 2005. The plan was set up so as to offer and grant, for the benefit of employees (excluding promoters) of the Company, who are eligible under "Securities Exchange Board of India (SEBI) (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999", options of the Company in aggregate up to 1,925,000 options under ESOP 2005, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board, in accordance with the provisions of law or guidelines issued by the relevant authorities in this regard. As per the plan, each option is exercisable for one equity share of face value of Rs. 10/- each (Rs. 2/- each post bonus and split) fully paid up on payment to the Company, for such shares, at a price to be determined in accordance with ESOP 2005.

During the previous year, the Company had issued bonus shares in the ratio of 1:2 i.e. one additional equity share for every two equity shares and also sub-divided 1 equity share of Rs. 10/- each into 5 equity shares of Rs. 2/- each fully paid up as on the record date. ESOP information is therefore given for the number of shares after sub-division and bonus issue and previous year information has been restated accordingly.

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

The summary of options granted is as follows:

| Particulars  | Grant I         |                 | Grant II        |                 | Grant III     |               | Grant IV*     |
|--|-----------------|-----------------|-----------------|-----------------|---------------|---------------|---------------|
|  | 2008-2009       | 2007-2008       | 2008-2009       | 2007-2008       | 2008-2009     | 2007-2008     | 2008-2009     |
| Date of Grant  | August 02, 2005 | August 02, 2005 | August 11, 2005 | August 11, 2005 | June 05, 2007 | June 05, 2007 | July 28, 2008 |
| Date of Vesting  | August 02, 2006 | August 02, 2006 | August 11, 2006 | August 11, 2006 | June 05, 2008 | June 05, 2008 | July 28, 2009 |
| Live options at the beginning of the year (Nos.)                 | 667,180         | 799,373         | 34,125          | 34,125          | 750,000       | 862,500       | -             |
| Granted during the year (Nos.)                                   | -               | -               | -               | -               | -             | -             | 1,282,050     |
| Forfeited/ lapsed till vesting period (Nos.)                     | -               | -               | -               | -               | -             | 112,500       | 7,500         |
| Options Vested (Nos.)  | -               | -               | -               | -               | -             | -             | -             |
| Forfeited/ lapsed post vesting (Nos.)                            | 294,627         | 3,375           | -               | -               | 302,121       | -             | -             |
| Options exercised (Nos.)   | 280,123         | 128,818         | -               | -               | -             | -             | -             |
| Outstanding/ exercisable at the end of the year (Nos.)           | 92,430          | 667,180         | 34,125          | 34,125          | 447,879       | 750,000       | 1,274,550     |
| Exercise Price (Rs.)   | 24.00           | 24.00           | 31.60           | 31.60           | 121.62        | 121.62        | 88.70         |
| Remaining Contractual Life (Days)                                | 123             | 488             | 132             | 497             | 795           | 1,160         | 1,214         |
| Fair value of the options based on Black and Scholes Model (Rs.) | 13.15           | 13.15           | 9.63            | 9.63            | 37.23         | 37.23         | 32.09         |
| Intrinsic Value of the options granted (Rs.)                     | 7.35            | 7.35            | -               | -               | -             | -             | -             |

\*During the year, the Compensation/ Remuneration Committee at its meeting held on July 28, 2008 has approved 170,940 options (1,282,050 options post bonus and split) (Grant-IV) out of the options under ESOP 2005, to Senior Managerial Personnel of the Company.

The assumptions used by independent valuers, for determination of fair value of a share of Rs. 10/- each fully paid up as per the Black & Scholes Model are as follows:

| Particulars                            | Grant I        | Grant II       | Grant III | Grant IV |
|--|----------------|----------------|-----------|----------|
| Market price considered (Rs.)          | 235.15         | 237            | 912.15    | 665.25   |
| Exercise price (Rs.)                   | 180            | 237            | 912.15    | 665.25   |
| Dividend yield                         | Not considered | Not considered | 2.79%     | 2.04%    |
| Volatility                             | 14%            | 14%            | 45.47%    | 51.81%   |
| Average life of the options (in years) | 2.5            | 2.5            | 2.5       | 2.5      |
| Risk free rate                         | 7%             | 7%             | 7.93%     | 9.24%    |

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

Other information regarding employee share based payment is as below:

(Amount in Rs.)

| Particulars   | Grant I |         | Grant II |         | Grant III |            | Grant IV   |
|---|---------|---------|----------|---------|-----------|------------|------------|
|   | 2008-09 | 2007-08 | 2008-09  | 2007-08 | 2008-09   | 2007-08    | 2008-09    |
| Expense amortised during the year on the basis of intrinsic value of the options  | -       | -       | -        | -       | -         | -          | -          |
| Less: Amount attributable to employees of the subsidiaries  | -       | -       | -        | -       | -         | -          | -          |
| Expense accounted for during the year   | -       | -       | -        | -       | -         | -          | -          |
| Additional expense had the Company recorded the ESOP Expense based on fair value of the options [Net of amount attributable to the employees of the subsidiaries Rs. 5,008,418/- (Previous year Rs. 4,016,610/-)] | -       | -       | -        | -       | 4,498,765 | 18,935,445 | 23,143,506 |

For impact on basic and diluted EPS, had fair value of the option been used for determining ESOP expense, refer Note 30 below.

### 15. EMPLOYEE BENEFITS

#### A) Defined Contribution Plans

Company makes contribution towards Provident Fund, Superannuation Fund and Pension Scheme to the defined contribution plans for eligible employees.

The Company has charged the following costs in the Profit and Loss Account:

|   | <u>Year ended</u><br><u>March 31, 2009</u><br>(Rs. Lacs) | <u>Year ended</u><br><u>March 31, 2008</u><br>(Rs. Lacs) |
|---|--|--|
| • Employers' Contribution to Provident Fund Trust | 247.04   | 228.34   |
| • Employers' Contribution to Superannuation Fund  | 99.95  | 107.04   |
| • Employers' Pension Scheme                       | 136.93   | 132.63   |

#### B) Defined Benefit Plans

##### 1. Provident Fund

In respect of Company's obligation towards guaranteed returns on Provident Fund Contributions made to the NIIT Limited Employees Provident Fund Trust, as the overall interest earnings and cumulative surplus are more than the statutory requirements, there is no liability of employer for the year ended March 31, 2009. Therefore, no additional provision for the year has been recommended by the actuary.

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

### II. Compensated Absences

(Amount in Rs. Lacs)

| Particulars  | As at<br>March 31, 2009 | As at<br>March 31, 2008 |
|--|-------------------------|-------------------------|
| <b>i) Change in Present value of Obligation:</b>             |                         |                         |
| Present value of obligation as at the beginning of the year  | 1,002.44                | 841.59                  |
| Past Service cost  | -                       | -                       |
| Current service cost**                                       | 119.07                  | 165.91                  |
| Benefits Paid  | (10.57)                 | (5.06)                  |
| Actuarial (gain)/ loss on Obligations                        | -                       | -                       |
| <b>Present value of obligation as at the end of the year</b> | <b>1,110.94</b>         | <b>1,002.44</b>         |

\*\* Current service cost is gross of recoveries/ (net of credits) from/ (to) Associates & Subsidiaries [Current year Rs. (19.90) Lacs, Previous year Rs. 9.43 Lacs]

| Particulars   | As at<br>March 31, 2009 | As at<br>March 31, 2008 |
|---|-------------------------|-------------------------|
| <b>ii) Assumptions used in accounting for Compensated Absences:</b> |                         |                         |
| Discount Rate (per annum)   | 8.00%                   | 8.00%                   |
| Future Salary Increase  |                         |                         |
| - For First 5 Years   | 10.00%                  | 10.00%                  |
| - Thereafter  | 7.00%                   | 7.00%                   |

### III. Gratuity Fund

In accordance with Accounting Standard 15 (revised 2005), an actuarial valuation was carried out in respect of contribution to Gratuity Fund.

(Amount in Rs. Lacs)

| Particulars  | As at<br>March 31, 2009 | As at<br>March 31, 2008 |
|--|-------------------------|-------------------------|
| <b>i) Change in Present value of Obligation:</b>                     |                         |                         |
| Present value of obligation as at the beginning of the year          | 643.56                  | 457.79                  |
| Interest Cost  | 51.49                   | 36.62                   |
| Current service cost   | 87.37                   | 73.54                   |
| Benefits Paid  | (91.49)                 | (101.95)                |
| Actuarial (gain)/ loss on Obligations                                | 33.51                   | 177.56                  |
| <b>Present value of obligation as at the end of the year</b>         | <b>724.44</b>           | <b>643.56</b>           |
| <b>ii) Change in Plan Assets:</b>                                    |                         |                         |
| Fair value of Plan Assets as at the beginning of the year            | 595.93                  | 488.38                  |
| Expected return on Plan Assets                                       | 55.72                   | 44.44                   |
| Contributions*   | 108.37                  | 165.48                  |
| Benefits Paid  | (91.49)                 | (101.95)                |
| Actuarial (loss)/ gain on Plan Assets                                | (2.62)                  | (0.42)                  |
| <b>Fair value of Plan Assets as at the end of the year</b>           | <b>665.91</b>           | <b>595.93</b>           |
| * Contributions include Recoveries from Associates and Subsidiaries. |                         |                         |

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

(Amount in Rs. Lacs)

| Particulars   | As at<br>March 31, 2009 | As at<br>March 31, 2008 | As at<br>March 31, 2007 |
|---|-------------------------|-------------------------|-------------------------|
| <b>iii) Amount of Asset/ (Obligation) recognised in the Balance Sheet:-</b> |                         |                         |                         |
| Fair value of Plan Assets as at the end of the year                         | 665.91                  | 595.93                  | 488.38                  |
| Present value of obligation as at the end of the year                       | 724.44                  | 643.56                  | 457.79                  |
| <b>Asset/ (Liability) recognised in Balance Sheet</b>                       | <b>(58.53)</b>          | <b>(47.63)</b>          | <b>30.59</b>            |

(Amount in Rs. Lacs)

| Particulars  | As at<br>March 31, 2009 | As at<br>March 31, 2008 |
|--|-------------------------|-------------------------|
| <b>iv) Net Gratuity Cost recognised in Profit &amp; Loss Account:-</b>   |                         |                         |
| Current service cost   | 87.37                   | 73.54                   |
| Interest cost  | 51.49                   | 36.62                   |
| Expected return on Plan Assets   | (55.72)                 | (44.44)                 |
| Net Actuarial (gain)/ loss recognised during the year  | 36.13                   | 177.98                  |
| Expense recognised in Profit & Loss Account*   | 119.27                  | 243.70                  |
| Actual return on plan assets   | 53.10                   | 44.02                   |
| *Gross of Recoveries from Associates & Subsidiaries (Current year Rs. 5.79 Lacs, Previous year Rs. 11.06 Lacs) |                         |                         |

| <b>v) Assumptions used in accounting for gratuity plan:-</b> |       |       |
|--|-------|-------|
| Discount Rate (per annum)                                    | 8.00% | 8.00% |
| Future Salary Increase                                       | 5.00% | 5.00% |
| Expected Rate of return on plan assets                       | 9.35% | 9.10% |

**vi) Investment details of Plan Assets:**

The plan assets are maintained with Life Insurance Corporation of India Gratuity Scheme. The details of investment maintained by Life Insurance Corporation of India are not available with the Company and have not been disclosed.

The expected return on plan assets is determined considering several applicable factors mainly the composition of plan assets held, assessed risk of asset management, historical result of the return on plan assets.

### 16. DETAILS RELATING TO OPENING STOCK, PURCHASES, REVENUE AND CLOSING STOCK

- a) The Company is engaged inter-alia in the production and development of computer software. The production and sale of such software cannot be expressed in generic unit. Hence, it is not possible to give quantitative details as required under paragraph 3 of Part II of Schedule VI of the Companies Act, 1956.

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

b) The details relating to traded items are as under:

i. Software and Hardware:

| Particulars                                      | Year ended<br>March 31, 2009<br>(Rs.) | Year ended<br>March 31, 2008<br>(Rs.) |
|--|---------------------------------------|---------------------------------------|
| Opening stock                                    | 13,087,184                            | 19,558,081                            |
| Purchases  | 162,423,826                           | 160,868,050                           |
| Stock written off/ provision for<br>obsolescence | 9,284,957                             | 3,152,025                             |
| Sales  | 173,435,372                           | 169,153,879                           |
| Closing stock                                    | 3,369,474                             | 13,087,184                            |

The Company deals in a number of software and hardware items whose cost and selling price vary for different items. The revenue from the different kind of software and their related costs individually constitute less than 10% of the turnover and costs of the Company respectively. Accordingly, no quantitative information relating to software and hardware traded is being given.

ii. Education and training material:

| Particulars  | Year ended March 31, 2009 |                | Year ended March 31, 2008 |                |
|--|---------------------------|----------------|---------------------------|----------------|
|  | Quantity<br>(Nos.)        | Value<br>(Rs.) | Quantity<br>(Nos.)        | Value<br>(Rs.) |
| <b>Opening stock</b>   |                           |                |                           |                |
| - Courseware   | 1,031,979                 | 98,136,738     | 1,682,632                 | 100,205,431    |
| <b>Purchase/ printed</b>   |                           |                |                           |                |
| - Courseware   | 7,798,015                 | 600,690,204    | 7,370,429                 | 555,360,722    |
| - Technical Information<br>& Reference<br>Material (Produced/<br>Duplicated) | -                         | 5,867,049      | -                         | 6,119,334      |
| <b>Stock written<br/>off/ provision for<br/>obsolescence</b>                 |                           |                |                           |                |
| - Courseware   | -                         | 9,125,437      | -                         | 6,097,873      |
| <b>Sales</b>   |                           |                |                           |                |
| - Courseware*  | 7,840,911                 | 2,581,114,627  | 8,021,082                 | 2,204,961,402  |
| - Technical Information<br>& Reference Material                              | -                         | 368,512,816    | -                         | 136,387,307    |
| <b>Closing Stock</b>   |                           |                |                           |                |
| - Courseware   | 989,083                   | 89,050,728     | 1,031,979                 | 98,136,738     |

\* Sales quantity has been adjusted for shortage/ excess during the year.

Quantitative information in respect of technical information and reference material is not being given separately as the related revenue and costs are less than 10% of total revenue and costs of the Company.

c) Revenue includes income from services rendered Rs. 2,333,105,859/- (Previous year Rs. 2,163,332,396/-).

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

### 17. MANAGERIAL REMUNERATION

Calculation of Managerial Remuneration under Section 198 of the Companies Act, 1956

| Particulars   | Year ended<br>March 31, 2009<br>(Rs.) | Year ended<br>March 31, 2008<br>(Rs.) |
|---|---------------------------------------|---------------------------------------|
| Profit before taxation as per Profit and Loss Account (after exceptional items)   | 635,187,264                           | 431,273,756                           |
| Add/ (Less) : Loss/ (Profit) on sale of undertakings/ investments   | (102,229,975)                         | (3,500,000)                           |
| Less: Bad debts written off net of provision for doubtful debts and advances  | 18,122, 994                           | 50,384,560                            |
| Add: Depreciation included in books of accounts   | 402,413,434                           | 358,190,976                           |
| Less: Depreciation specified under section 350 of the Companies Act, 1956   | (331,942,667)                         | (324,047,804)                         |
| <b>Net Profit under Section 349 of the Companies Act, 1956</b>  | <b>621,551,050</b>                    | <b>512,301,488</b>                    |
| Add: Directors' Remuneration (Including Non Executive Directors' remuneration)  | 33,355,755                            | 42,116,822                            |
| <b>Net Profit under Section 198 of the Companies Act, 1956</b>  | <b>654,906,805</b>                    | <b>554,418,310</b>                    |
| Maximum remuneration allowable under section 198 of the Companies Act, 1956, restricted to 11% of Net Profit  | 72,039,749                            | 60,986,014                            |
| Out of the above maximum commission allowable to Non executive Directors under section 309 of the Companies Act, 1956, restricted to 1% of Net Profit | 6,549,068                             | 5,544,183                             |

#### a. Whole time Directors' remuneration

As approved by the Shareholders subject to the limits prescribed under Schedule XIII to the Companies Act, 1956

| Particulars                                    | Year ended<br>March 31, 2009<br>(Rs.) | Year ended<br>March 31, 2008<br>(Rs.) |
|--|---------------------------------------|---------------------------------------|
| Salary, perquisites and allowances             | 25,272,267                            | 25,851,782                            |
| Contribution to provident fund and other funds | 5,043,488                             | 8,245,040                             |
| Performance Linked Bonus                       | -                                     | 5,000,000                             |
| <b>Total</b>                                   | <b>30,315,755</b>                     | <b>39,096,822</b>                     |

#### b. Non Executive Directors' Remuneration

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| Commission to Non Executive Directors | 2,000,000        | 2,000,000        |
| Sitting Fees                          | 1,040,000        | 1,020,000        |
| <b>Total</b>                          | <b>3,040,000</b> | <b>3,020,000</b> |

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

18. During the year, the Company acquired and sold units of mutual funds on various dates as follows:

| Scheme                   | No. of units at the beginning of the Year | Opening Value (Rs.) | No. of Units Purchased | Purchase Value (Rs.) | No. of Units Sold | Sale Value (Rs.)   | No. of units in hand at year end | Value of units in hand at Weighted Avg cost method (Rs.) | Market Value of Units in hand (Rs.) |
|--------------------------|---|---------------------|------------------------|----------------------|-------------------|--------------------|----------------------------------|--|-------------------------------------|
| Prudential ICICI MF      | -   | -                   | 8,175,211              | 100,000,000          | 8,175,211         | 100,100,555        | -                                | -  | -                                   |
| Franklin Templeton Funds | -   | -                   | 81,332                 | 100,000,000          | 81,332            | 100,135,591        | -                                | -  | -                                   |
| HDFC MF                  | -   | -                   | 3,008,894              | 50,000,000           | 3,008,894         | 50,074,922         | -                                | -  | -                                   |
| <b>TOTAL</b>             | -   | -                   | <b>11,265,437</b>      | <b>250,000,000</b>   | <b>11,265,437</b> | <b>250,311,068</b> | -                                | -  | -                                   |
| Previous year            | -   | -                   | -                      | -                    | -                 | -                  | -                                | -  | -                                   |

Profit from sale of units Rs. 311,068/- (Previous year Nil) is included in Other Income in Schedule 14.

## 19. RELATED PARTY TRANSACTIONS AS PER ACCOUNTING STANDARD 18

### A. Related party relationship where control exists:

#### Subsidiaries

1. NIIT Online Learning Limited
2. Hole-in-the-Wall Education Limited
3. Scantech Evaluation Services Limited
4. NIIT Multimedia Limited
5. NIIT Institute of Finance Banking and Insurance Training Limited
6. NIIT Institute of Process Excellence Limited (w.e.f. April 02, 2008)
7. Evolv Services Limited
8. NIIT Limited, UK
9. NIIT Antilles NV, Netherlands Antilles
10. NIIT Middle East LLC, Bahrain (Under Liquidation)
11. NIIT Malaysia Sdn. Bhd, Malaysia
12. NIIT GC Limited (formerly NIIT TVE Limited, Mauritius)
13. NIIT China (Shanghai) Limited, Shanghai
14. NIIT Wuxi Service Outsourcing Training School, China
15. Chongqing NIIT Education Consulting Limited, China (w.e.f. May 13, 2008)
16. PCEC NIIT Institute of Information Technology, Shanghai
17. NIIT (USA) Inc., USA
18. NIIT Ventures Inc., USA
19. Element K Corporation, USA
20. Element K India Private Limited, India
21. Element K (UK) Limited, United Kingdom
22. Element K, Canada
23. PT NIIT Indonesia, Indonesia (Under Liquidation)
24. Imperia China (Shanghai) Limited (w.e.f. February 16, 2009)



## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

### B. Other related parties with whom the Company has transacted:

- a) Associates (Parties in which Company has substantial interest)
  - 1. NIIT Technologies Limited
  - 2. NIIT GIS Limited
  - 3. NIIT Smart Serve Limited
- b) Key Managerial Personnel
  - 1. Rajendra S Pawar (Chairman and Managing Director)
  - 2. Vijay K Thadani (Chief Executive Officer and Whole-time Director)
  - 3. P Rajendran (Chief Operating Officer and Whole-time Director)
- c) Relatives of Key Managerial Personnel
  - 1. Renuka Thadani (Wife of Vijay K Thadani)
  - 2. Veena Oberoi (Sister of Vijay K Thadani)
- d) Parties in which the Key Managerial Personnel of the Company are interested
  - 1. NIIT Institute of Information Technology
  - 2. NIIT Education Society
  - 3. Pace Industries Private Limited
  - 4. NIIT Network Services Limited

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

### C. Details of significant transactions with related parties described above carried out on an arms' length basis:

| Nature of Transactions                        | Subsidiaries                 | Associates                 | Key Managerial Personnel   | Relatives of Key Managerial Personnel | Parties in which Key Managerial Personnel of the Company are interested | Total                        |
|---|------------------------------|----------------------------|----------------------------|---------------------------------------|---|------------------------------|
|   | (Rs.)                        | (Rs.)                      | (Rs.)                      | (Rs.)                                 | (Rs.)   | (Rs.)                        |
| Purchase of Goods (Note 2)                    | 9,790,734<br>(1,782,701)     | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | -<br>(-)  | 9,790,734<br>(1,782,701)     |
| Sale of Goods (Note 3)                        | 120,000<br>(-)               | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | 2,695,405<br>(1,758,331)  | 2,815,405<br>(1,758,331)     |
| Purchase of Fixed Assets (Note 4)             | 10,152,602<br>(2,234,047)    | 8,992,473<br>(301,999)     | -<br>(-)                   | -<br>(-)                              | -<br>(27,903,943)   | 19,145,075<br>(30,439,989)   |
| Sale of Fixed Assets (Note 5)                 | -<br>(34,176)                | 373,477<br>(150,022)       | -<br>(-)                   | -<br>(-)                              | 214,004,013<br>(-)  | 214,377,490<br>(184,198)     |
| Rendering of Services (Note 6)                | 507,134,865<br>(533,897,447) | 5,993,065<br>(17,881,274)  | -<br>(-)                   | -<br>(-)                              | -<br>(-)  | 513,127,930<br>(551,778,721) |
| Receiving of Services (Note 7)                | 26,110,177<br>(1,756,960)    | 7,446,152<br>(7,571,497)   | -<br>(-)                   | -<br>(-)                              | -<br>(196,630)  | 33,556,329<br>(9,525,087)    |
| Recovery of expenses from (Note 8)            | 37,779,341<br>(32,466,241)   | 11,693,209<br>(9,774,649)  | -<br>(-)                   | -<br>(-)                              | 8,617,772<br>(7,546,793)  | 58,090,322<br>(49,787,683)   |
| Recovery of expenses by (Note 9)              | 3,971,162<br>(11,315,311)    | 10,860,791<br>(39,244,715) | -<br>(-)                   | -<br>(-)                              | 1,336,490<br>(2,012,734)  | 16,168,443<br>(52,572,760)   |
| <b>Finance:</b>                               |                              |                            |                            |                                       |   |                              |
| Investments made (Note 10)                    | 63,000,000<br>(28,000,182)   | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | -<br>(-)  | 63,000,000<br>(28,000,182)   |
| -Loans Given (Note 11)                        | 421,900,000<br>(50,800,000)  | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | 179,500,000<br>(83,500,000)   | 601,400,000<br>(134,300,000) |
| -Loans Given Received Back (Note 12)          | 43,800,000<br>(110,060,000)  | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | 57,000,000<br>(46,200,000)  | 100,800,000<br>(156,260,000) |
| -Loans Taken (Note 13)                        | 96,500,000<br>(126,500,000)  | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | -<br>(-)  | 96,500,000<br>(126,500,000)  |
| -Repayment of Loan taken (Note 14)            | 220,300,000<br>(48,000,000)  | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | -<br>(-)  | 220,300,000<br>(48,000,000)  |
| -Interest Income (Note 15)                    | 28,608,529<br>(13,957,088)   | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | 46,603,507<br>(23,905,752)  | 75,212,036<br>(37,862,840)   |
| - Interest expenditure (Note 16)              | 12,618,145<br>(15,934,670)   | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | -<br>(-)  | 12,618,145<br>(15,934,670)   |
| -Conversion of loan into equity (Note 17)     | -<br>(55,000,000)            | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | -<br>(-)  | -<br>(55,000,000)            |
| -Assignment of Loan (Note 18)                 | -<br>(-)                     | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | -<br>(273,800,000)  | -<br>(273,800,000)           |
| Remuneration (Note 19)                        | -<br>(-)                     | -<br>(-)                   | 30,315,755<br>(39,096,822) | -<br>(-)                              | -<br>(-)  | 30,315,755<br>(39,096,822)   |
| Other Expenses (Note 20)                      | -<br>(-)                     | -<br>(-)                   | -<br>(-)                   | 1,396,000<br>(1,101,000)              | 450,000<br>(180,000)  | 1,846,000<br>(1,281,000)     |
| Other Income (Note 21)                        | 100,085,869<br>(97,387,801)  | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | 1,103,631<br>(-)  | 101,189,500<br>(97,387,801)  |
| Dividend Income (Note 22)                     | 78,289,000<br>(188,290,000)  | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | -<br>(-)  | 78,289,000<br>(188,290,000)  |
| Advance/ Security Deposit Recovered (Note 23) | -<br>(-)                     | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | 24,058,720<br>(-)   | 24,058,720<br>(-)            |

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

### Notes:

1. Previous years figures are given in parenthesis.
2. Includes purchase of goods from:
  - Element K Corporation, USA Rs. 8.20 Lacs (Previous year Rs. 16.23 Lacs )
  - NIIT (USA) Inc. Rs. 89.71 Lacs (Previous year Nil )
  - NIIT Antilles NV, Netherlands Antilles Nil (Previous year Rs. 1.59 Lacs )
3. Includes sale of goods to:
  - NIIT Institute of Finance Banking and Insurance Training Limited Rs. 1.20 Lacs (Previous year Nil )
  - NIIT Institute of Information Technology Rs. 26.95 Lacs (Previous year Rs. 17.58 Lacs )
4. Includes purchase of Fixed Assets from:
  - NIIT (USA) Inc. Rs. 94.28 Lacs (Previous year Rs. 14.95 Lacs )
  - Evolv Services Limited Rs. 7.25 Lacs (Previous year Rs. 7.39 Lacs )
  - NIIT Technologies Limited Rs. 89.92 Lacs (Previous year Rs. 3.02 Lacs )
  - NIIT Institute of Information Technology Nil (Previous year Rs. 279.04 Lacs )
5. Includes Sale of Fixed Assets to:
  - NIIT (USA) Inc. Nil (Previous year Rs. 0.34 Lacs )
  - NIIT Technologies Limited Rs. 3.73 Lacs (Previous year Rs. 1.50 Lacs )
  - NIIT Institute of Information Technology Rs. 2,140.04 Lacs (Previous year Nil )
6. Includes Rendering of services to:
  - NIIT (USA) Inc. Rs. 3,875.64 Lacs (Previous year Rs. 4,215.46 Lacs )
  - NIIT Antilles NV, Netherlands Antilles Rs. 492.66 Lacs (Previous year Rs. 370.08 Lacs )
  - NIIT Limited, UK Rs. 519.35 Lacs (Previous year Rs. 598.06 Lacs )
  - NIIT Technologies Limited Rs. 53.11 Lacs (Previous year Rs. 159.59 Lacs )
  - Evolv Services Limited Rs. 38.09 Lacs (Previous year Nil )
  - NIIT Institute of Finance Banking and Insurance Training Limited Rs. 97.19 Lacs (Previous year Rs. 113.06 Lacs )
  - NIIT Malaysia, Sdn. Bhd Rs. 48.14 Lacs (Previous year Rs. 42.31 Lacs )
7. Includes Receiving of services from:
  - NIIT (USA) Inc. Rs. 176.70 Lacs (Previous year Rs. 17.57 Lacs )
  - NIIT GIS Limited Rs. 18.23 Lacs (Previous year Rs. 12.24 Lacs )
  - NIIT Smart Serve Limited Rs. 74.46 Lacs (Previous year Rs. 63.47 Lacs )
  - NIIT Institute of Information Technology Nil (Previous year Rs. 1.96 Lacs )
  - Evolv Services Limited Rs. 66.17 Lacs (Previous year Nil )
8. Includes recovery of expenses from:
  - Hole-in-the-Wall Education Limited Rs. 33.27 Lacs (Previous year Rs. 35.5 Lacs )
  - NIIT (USA) Inc. Rs. 41.17 Lacs (Previous year Rs. 26.94 Lacs )
  - NIIT Institute of Finance Banking and Insurance Training Limited Rs. 184.26 Lacs (Previous year Rs. 150.09 Lacs )
  - NIIT Technologies Limited Rs. 88.36 Lacs (Previous year Rs. 67.41 Lacs )
  - NIIT GIS Limited Rs. 28.01 Lacs (Previous year Rs. 28.09 Lacs )
  - NIIT Institute of Information Technology Rs. 86.18 Lacs (Previous year Rs. 75.47 Lacs )
  - NIIT Institute of Process Excellence Limited Rs. 70.76 Lacs (Previous year Nil )
  - Element K Corporation, USA Rs. 43.59 Lacs (Previous year Nil )

**SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)**

- NIIT Limited, UK Rs. 4.75 Lacs (Previous year Rs. 0.71 Lacs )
- 9. Includes recovery of expenses by:
  - NIIT Technologies Limited Rs. 108.61 Lacs (Previous year Rs. 379.21 Lacs )
  - NIIT Smart Serve Limited Nil (Previous year Rs. 13.24 Lacs )
  - NIIT Institute of Information Technology Rs. 8.02 Lacs (Previous year Rs. 20.13 Lacs )
  - NIIT (USA) Inc. Rs. 39.70 Lacs (Previous year Rs. 3.95 Lacs )
  - NIIT Limited, UK Rs. 5.35 Lacs (Previous year Nil )
- 10. Represents investments made in:
  - NIIT Multimedia Limited Rs. 180 Lacs (Previous year Rs. 550 Lacs )
  - NIIT Institute of Process Excellence Limited Rs. 450 Lacs (Previous year Nil )
  - Evolv Services Limited Nil (Previous year Rs. 280 Lacs )
- 11. Loan given relates to:
  - Hole-in-the-Wall Education Limited Rs. 292 Lacs (Previous year Rs. 238 Lacs )
  - NIIT Institute of Finance Banking and Insurance Training Limited Rs. 135 Lacs (Previous year Rs. 185 Lacs )
  - NIIT Multimedia Limited Rs. 50 Lacs (Previous year Rs. 85 Lacs )
  - NIIT (USA) Inc. Rs. 3,605 Lacs (Previous year Nil )
  - NIIT Education Society Nil (Previous year Rs. 535 Lacs )
  - NIIT Institute of Information Technology Rs. 1,795 Lacs (Previous year Rs. 300 Lacs )
  - Evolv Services Limited Rs. 137 Lacs (Previous year Nil )
- 12. Loans Given Received Back relates to:
  - NIIT (USA) Inc. Nil (Previous year Rs. 933.60 Lacs )
  - Hole-in-the-Wall Education Limited Rs. 133 Lacs (Previous year Rs. 167 Lacs )
  - NIIT Multimedia Limited Rs. 85 Lacs (Previous year Nil )
  - NIIT Education Society Rs. 100 Lacs (Previous year Rs. 462 Lacs )
  - NIIT Institute of Information Technology Rs. 470 Lacs (Previous year Nil )
  - NIIT Institute of Finance Banking and Insurance Training Limited Rs. 185 Lacs (Previous year Nil )
  - Evolv Services Limited Rs. 35 Lacs (Previous year Nil )
- 13. Loans taken from:
  - Scantech Evaluation Services Limited Rs. 965 Lacs (Previous year Rs. 1,265 Lacs )
- 14. Repayment of loan taken:
  - Scantech Evaluation Services Limited Rs. 2,203 Lacs (Previous year Rs. 480 Lacs )
- 15. Interest Income from:
  - NIIT (USA) Inc. Rs. 227.70 Lacs (Previous year Rs. 67.42 Lacs )
  - Hole-in-the-Wall Education Limited Rs. 29.36 Lacs (Previous year Rs. 15.84 Lacs )
  - NIIT Multimedia Limited Rs. 5.91 Lacs (Previous year Rs. 44.90 Lacs )
  - NIIT Education Society Rs. 4.79 Lacs (Previous year Rs. 239.06 Lacs )
  - Evolv Services Limited Rs. 11.07 Lacs (Previous year Nil )
  - NIIT Institute of Information Technology Rs. 461.24 Lacs (Previous year Nil )
  - NIIT Institute of Finance Banking and Insurance Training Limited Rs. 12.04 Lacs (Previous year Rs. 11.40 Lacs )
- 16. Interest Expenditure includes:
  - Scantech Evaluation Services Limited Rs. 126.18 Lacs (Previous year Rs. 159.35 Lacs )

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

17. Conversion of loan into equity includes:
  - NIIT Multimedia Limited Nil (Previous year Rs. 550 Lacs )
18. Assignment of loan includes:
  - Assignment of loan from NIIT Education Society to NIIT Institute of Information Technologies Nil (Previous year Rs. 2,738 Lacs )
19. Includes transactions for the year mainly with:
  - Rajendra S Pawar Rs. 109.84 Lacs (Previous year Rs. 124.14 Lacs )
  - Vijay K Thadani Rs. 111.63 Lacs (Previous year Rs. 174.71 Lacs )
  - P Rajendran Rs. 81.70 Lacs (Previous year Rs. 92.12 Lacs )
20. Other Expenses includes:
  - Renuka Thadani Rs. 9 Lacs (Previous year Rs. 8.25 Lacs )
  - Veena Oberoi Rs. 4.96 Lacs (Previous year Rs. 2.76 Lacs )
  - Pace Industries Private Limited Rs. 4.50 Lacs (Previous year Rs. 1.80 Lacs )
21. Other Income includes:
  - NIIT (USA) Inc. Rs. 88.71 Lacs (Previous year Rs. 110.62 Lacs )
  - NIIT Antilles NV, Netherlands Antilles Rs. 728.84 Lacs (Previous year Rs. 772.99 Lacs )
  - NIIT Institute of Finance Banking and Insurance Training Limited Rs. 114.89 Lacs (Previous year Rs. 61.86 Lacs )
  - NIIT Institute of Information Technology Rs. 11.04 Lacs (Previous year Nil )
  - NIIT Institute of Process Excellence Limited Rs. 40.71 Lacs (Previous year Nil )
  - NIIT Limited, UK Rs. 6.81 Lacs (Previous year Rs. 11.01 Lacs )
  - Hole-in-the-Wall Education Limited Rs. 9.59 Lacs (Previous year Rs. 10.07 Lacs )
22. Dividend Income includes:
  - Scantech Evaluation Services Limited Rs. 782.89 Lacs (Previous year Rs. 1,882.90 Lacs )
23. Advance/ Security Deposit Recovered
  - NIIT Institute of Information Technology Rs. 240.59 Lacs (Previous year Nil )

### D. Outstanding balances (in respect of related parties in A & B above):

| Particulars   | As at March 31, 2009 |             | As at March 31, 2008 |             |
|---|----------------------|-------------|----------------------|-------------|
|   | Recoverable          | Payable     | Recoverable          | Payable     |
|   | (Rs.)                | (Rs.)       | (Rs.)                | (Rs.)       |
| Subsidiaries  | 904,384,974          | 154,684,333 | 594,797,087          | 249,040,437 |
| Associates  | 1,024,072            | 16,607,962  | 1,977,852            | 1,415,744   |
| Key Managerial Personnel  | -                    | -           | -                    | 7,990,521   |
| Relatives of Key Managerial Personnel                                   | -                    | -           | -                    | -           |
| Parties in which Key Managerial Personnel of the Company are interested | 457,190,712          | 1,860,039   | 318,524,128          | 1,581,655   |

20. During the year, the Company has disposed off the balance part of its holding in Mindshaper Technologies Pvt. Ltd. of 32,111 fully paid up Equity Shares of Rs. 10/- each for a consideration of Rs. 65 Lacs. The investment was fully provided, for the permanent diminution in its value in the previous years and the provision has been written back proportionately.

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

21. The Company has loans recoverable amounting to Rs. 35 Lacs as on March 31, 2009 from NIIT Education Society, a society registered under Societies Registration Act, 1860, which has an objective to set up university and sponsoring other societies for setting up of universities. The Society is at present financed by the loan given by the Company and other sources [Donations of Rs. 804 Lacs (Previous year Rs. 398 Lacs)] which have primarily been utilised by the Society for giving donations to another society, namely, NIIT Institute of Information Technology, for the purpose of setting up of a university.

During the previous year, loan advanced by the Company to NIIT Education Society amounting to Rs. 2,738 Lacs had been assigned to NIIT Institute of Information Technology from NIIT Education Society. In the current financial year the company has granted a loan of Rs 1,795 Lacs (Previous year Rs 300 Lacs) to NIIT Institute of Information Technology. After considering a loan repayment of Rs 470 Lacs (Previous year Nil), the loan balance as on March 31, 2009 stands at Rs. 4,363 Lacs including the loan assigned during previous year (Previous year Rs. 3,038 Lacs). The rate of interest on such loans has been revised to 12% p.a. with effect from April 01, 2008 and the repayment of the principal amounts of the loan by NIIT Institute of Information Technology (over and above the loan amount subordinated to bank loan to the extent of Rs. 2,743 Lacs) is scheduled to start from September, 2014 in 20 quarterly installments.

22. Disclosure pursuant to Clause 32 of Listing Agreement in respect of loans given to subsidiaries and other parties in which Key Managerial Personnel are interested:

| Name of Company  | Outstanding                      |                                  | Maximum balance during the year |                    |
|--|----------------------------------|----------------------------------|---------------------------------|--------------------|
|  | As at<br>March 31, 2009<br>(Rs.) | As at<br>March 31, 2008<br>(Rs.) | 2008-09<br>(Rs.)                | 2007-08<br>(Rs.)   |
| NIIT Multimedia Limited  | -                                | 3,500,000                        | 8,500,000                       | 58,500,000         |
| Hole-in-the-Wall Education Limited                               | 36,200,000                       | 20,300,000                       | 36,200,000                      | 22,500,000         |
| NIIT Institute of Finance Banking and Insurance Training Limited | 13,500,000                       | 18,500,000                       | 18,500,000                      | 18,500,000         |
| Evolv Services Limited   | 10,200,000                       | -                                | 13,500,000                      | -                  |
| NIIT (USA) Inc.  | 406,891,520                      | -                                | 406,891,520                     | 80,122,200         |
| NIIT Education Society   | 3,500,000                        | 13,500,000                       | 13,500,000                      | 311,000,000        |
| NIIT Institute of Information Technology                         | 436,300,000                      | 303,800,000                      | 483,300,000                     | 303,800,000        |
| <b>Total</b>   | <b>906,591,520</b>               | <b>359,600,000</b>               | <b>980,591,520</b>              | <b>794,422,200</b> |

23. During the year, the Company has further invested a sum of Rs. 180 Lacs in the equity share of Rs. 10/- each in its wholly owned subsidiary NIIT Multimedia Ltd.

24. The Company has invested a sum of Rs. 450 Lacs in the equity shares of Rs. 10/- each in the newly established subsidiary company, NIIT Institute of Process Excellence Limited. This Company was incorporated on April 02, 2008 vide board resolution dated March 17, 2008.

25. The Company is internally developing software tools, platforms and content/ courseware. The management estimates that this would result in enhanced productivity and offer more technology based learning products/ solutions to the customers in future. The Company is confident of ability to generate future economic benefits out of the abovementioned assets. The costs incurred towards the development is as follows:

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

| Description                        | Year ended<br>March 31, 2009<br>(Rs.) | Year ended<br>March 31, 2008<br>(Rs.) |
|------------------------------------|---------------------------------------|---------------------------------------|
| Salary and other employee benefits | 99,113,691                            | 75,565,690                            |
| Direct Production Overheads        | 27,191,021                            | 10,656,428                            |
| Rent                               | 5,271,116                             | 5,953,141                             |
| Electricity and Water              | 3,379,313                             | 4,467,412                             |
| Other expenses                     | 7,163,327                             | 8,107,614                             |
| <b>Total</b>                       | <b>142,118,468</b>                    | <b>104,750,285</b>                    |

26. The Company's wholly owned domestic subsidiary Scantech Evaluation Services Limited has declared dividend amounting to Rs. 782.89 Lacs (Previous year Rs. 1,882.90 Lacs) in respect of which dividend distribution tax would be paid by the subsidiary. In terms of provisions of sub-section 1A of section 115O of the Income Tax Act, 1961, dividend distribution tax payable by the Company, is net of the dividend distribution tax paid by the subsidiary company amounting to Rs. 133.05 Lacs (Previous year Rs. 320 Lacs).

### 27. SEGMENT INFORMATION

#### Primary Segment Information – Business Segment

The sub businesses are fully aligned to global learning business of the Company and the same are being viewed by the management as a single primary segment, i.e. learning business segment.

#### Secondary Segment Information – Geographical

The secondary segment information in relation to the geographies is as follows:

(Amount in Rs. Lacs)

| Particulars  | Revenue from<br>customers by location<br>of customers | Carrying amount of<br>segment assets by<br>location of the assets | Additions to fixed<br>assets |
|--------------|---|---|------------------------------|
| India        | 49,627<br>(41,512)                                    | 79,368<br>(60,799)  | 11,566<br>(2,916)            |
| America      | 4,368<br>(4,586)                                      | -<br>(-)  | -<br>(-)                     |
| Europe       | 48<br>(88)  | -<br>(-)  | -<br>(-)                     |
| Asia Pacific | 519<br>(552)  | -<br>(-)  | -<br>(-)                     |
| <b>Total</b> | <b>54,562<br/>(46,738)</b>                            | <b>79,368<br/>(60,799)</b>  | <b>11,566<br/>(2,916)</b>    |

Previous year figures are given in parenthesis.

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

### 28. TAXATION:

- (a) Upon finalisation of income tax return of Assessment year 2008-09 an amount of Rs. 10.25 Lacs (Net) has been charged as tax expense during the year.
- (b) Break up of deferred tax assets/ liabilities and reconciliation of current year deferred tax credit is as follows:

(Amount in Rs. Lacs)

| Deferred Tax Assets/ Liabilities   | Opening<br>As on<br>01.04.2008 | Charged/<br>(Credited) to<br>Profit & Loss<br>Account | Closing<br>As on<br>31.03.2009 |
|--|--------------------------------|---|--------------------------------|
| <b>Deferred Tax Liabilities:</b>   |                                |   |                                |
| a) Tax impact of difference between carrying amount of fixed assets in the financial statements and as per the income tax calculation.                               | 356                            | 603   | 959                            |
| <b>Total (A)</b>   | <b>356</b>                     | <b>603</b>  | <b>959</b>                     |
| <b>Deferred Tax Assets:</b>  |                                |   |                                |
| a) Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:  |                                |   |                                |
| -Provision for doubtful debts and advances   | (895)                          | (62)  | (957)                          |
| -Provision for Inventory   | (26)                           | (24)  | (50)                           |
| -Provision for Leave Encashment, Bonus, Gratuity and other timing differences  | (360)                          | (38)  | (398)                          |
| <b>Total (B)</b>   | <b>(1,281)</b>                 | <b>(124)</b>  | <b>(1,405)</b>                 |
| <b>Net Deferred Tax Asset (A+B)</b>  | <b>(925)</b>                   | <b>479</b>  | <b>(446)</b>                   |
| Add: Deferred tax asset related to fair value loss on derivative instruments not charged in the financial statements but taken to Balance Sheet (Refer Note 9 above) | (30)                           | (148)   | (178)                          |
| <b>Net Deferred Tax Asset</b>  | <b>(955)</b>                   | <b>331</b>  | <b>(624)</b>                   |

- i. Deferred tax assets and liabilities are being offset as they relate to taxes on income levied by the same governing taxation laws.
- ii. Long term capital loss has not been considered in absence of virtual certainty of availability of Long term capital gains.



## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

### 29. MOVEMENT OF PROVISION FOR DOUBTFUL DEBTS

| Particulars                        | Year ended<br>March 31, 2009<br>(Rs. Lacs) | Year ended<br>March 31, 2008<br>(Rs. Lacs) |
|------------------------------------|--|--|
| Opening Provision                  | 2,506.38                                   | 2,029.31                                   |
| Add: Additional Provisions created | 395.15                                     | 477.07                                     |
| Less: Provision written off        | 217.76                                     | -  |
| Closing Provision                  | 2,683.76                                   | 2,506.38                                   |

### 30. EARNINGS PER SHARE

| Particulars  | Year ended<br>March 31, 2009 | Year ended<br>March 31, 2008 |
|--|------------------------------|------------------------------|
| Profit attributable to equity shareholders (Rs.) - (A)   | 472,105,955                  | 327,699,892                  |
| Weighted average number of equity shares outstanding during the year (Nos.) - (B)  | 164,827,249                  | 161,921,655                  |
| Nominal Value of Equity Shares (Rs.)   | 2/-                          | 2/-                          |
| Basic Earnings per Share (Rs.) - (A/ B)  | 2.86                         | 2.02                         |
| Add : Effect of potential dilutive shares (being employee stock options-Refer note 14 above) (Nos.)                            | 1,476                        | 590,227                      |
| Weighted average shares outstanding considered for determining diluted earning per share (Nos.) - (C)                          | 164,828,725                  | 162,511,882                  |
| Profit after considering increased earnings of dilutive shares (Rs.) - (D)   | 472,105,955                  | 327,699,892                  |
| Diluted Earnings per Share (Rs.) (D/ C)  | 2.86                         | 2.02                         |
| <b>EARNINGS PER SHARE {had fair value method been employed for accounting of employee stock options (Refer Note 14 above)}</b> |                              |                              |
| Particulars  | Year ended<br>March 31, 2009 | Year ended<br>March 31, 2008 |
| Profit attributable to equity shareholders (Rs.) -(E)  | 444,463,684                  | 308,764,447                  |
| Profit attributable to equity shareholders for diluted (Rs.) -(F)  | 444,463,684                  | 308,764,447                  |
| Basic Earnings per share (Rs.) (E/ B)  | 2.70                         | 1.91                         |
| Diluted Earnings per share (Rs.) (F/ C)  | 2.70                         | 1.90                         |

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

### 31. LEASES

#### a) Operating Leases

All operating leases entered into by the Company after March 31, 2001 are cancelable on giving a notice of 1 to 6 months.

Aggregate payments during the year under operating leases are as shown hereunder:

| Particulars                | Year ended<br>March 31, 2009<br>(Rs.) | Year ended<br>March 31, 2008<br>(Rs.) |
|----------------------------|---------------------------------------|---------------------------------------|
| In respect of Premises*    | 292,338,598                           | 237,660,045                           |
| In respect of Equipments** | 35,475,853                            | 64,967,365                            |
| In respect of Vehicles     | 6,208,491                             | 3,360,160                             |

\* Includes payment in respect of premises for office and employee accommodation

\*\* Includes payment in respect of computers, printers and other equipments.

#### b) Finance Leases

- i. Assets acquired under finance lease comprise of plant & machinery and furniture & fixtures. There are no exceptional/ restrictive covenants in the lease agreements.
- ii. The minimum lease payment outstanding and their present value at the Balance Sheet date in respect of plant & machinery and furniture & fixtures that have been capitalised are as follows:

| Particulars                                  | Minimum lease payments<br>(Rs.) | Present value of lease payments<br>(Rs.) |
|--|---------------------------------|--|
| Not later than 1 year                        | 3,624,000<br>(2,349,765)        | 3,365,768<br>(2,255,626)                 |
| Later than 1 year but not later than 5 years | 300,000<br>(-)                  | 295,559<br>(-)                           |

| Particulars                     | Amount<br>(Rs.)          |
|---------------------------------|--------------------------|
| Minimum Lease Payments as above | 3,924,000<br>(2,349,765) |
| Less : Finance Charges          | 262,673<br>(94,139)      |
| Present Value of Lease Payments | 3,661,327<br>(2,255,626) |

Previous year figures are given in parenthesis.

## SCHEDULE '20': Notes to Accounts for the year ended 31st March, 2009 (Contd.)

32. Parties covered under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) for the year ended March 31, 2009 have been identified on the basis of information available with the company. Disclosures as per Section 22 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 are as follows:

(Amount in Rs. Lacs)

| Particulars  | 2008-09 | 2007-08 |
|--|---------|---------|
| a) the principal amount and the interest due thereon remaining unpaid to any supplier  |         |         |
| i) Principal amount  | 0.10    | 14.01   |
| ii) Interest thereon   | 0.02    | Nil     |
| b) the amount of payment made to the supplier beyond the appointed day and the interest thereon, during an accounting year (Principal only)  | Nil     | Nil     |
| c) the amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act | Nil     | Nil     |
| d) the amount of interest accrued and remaining unpaid at the end of each accounting year  | Nil     | Nil     |
| e) amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small investor                                     | Nil     | Nil     |

33. Certain overdue debtors balances aggregating to Rs. 1,623.90 Lacs relating to government customers are not provided for based on confirmations/ acknowledgment for services rendered. The management is taking appropriate action for recovery of the amounts and is confident of recovery of the same.
34. During the year, the Company has reviewed the estimated useful life of certain class of fixed assets which has resulted in increase of depreciation for the current financial year by Rs 129.20 Lacs with a corresponding impact on the profit before taxes.
35. During the year, the Company has sold 75 Acres of land and the project cost incurred on this land to NIIT Institute of Information Technology for a sum of Rs. 1,056 Lacs and Rs. 1,082 Lacs respectively. The profit on sale of land and project cost, amounting to Rs. 957 Lacs has been shown as other income for the year.
36. Previous year figures have been regrouped/ recast to conform to current year classifications.

Signatures to the Schedule `1' to `20' above

**Rajendra S Pawar**  
Chairman and Managing Director

**Vijay K Thadani**  
CEO & Whole-time Director

**Ashok Arora**  
Group Chief Financial Officer

**Jitender Mahajan**  
Chief Financial Officer

**Parveen Jain**  
Company Secretary  
& Legal Counsel

Place : New Delhi  
Dated : May 27, 2009

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## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### REGISTRATION DETAILS

Registration No. 

|  |   |   |   |   |   |
|--|---|---|---|---|---|
|  | 1 | 5 | 8 | 6 | 5 |
|--|---|---|---|---|---|

 State Code 

|  |   |   |
|--|---|---|
|  | 5 | 5 |
|--|---|---|

Balance Sheet Date 

|  |   |   |   |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|---|---|---|
|  | 3 | 1 | - | 0 | 3 | - | 2 | 0 | 0 | 9 |
|--|---|---|---|---|---|---|---|---|---|---|

### CAPITAL RAISED DURING THE YEAR (AMOUNT IN Rs. THOUSANDS)

Public Issue 

|  |  |  |   |   |   |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|
|  |  |  | N | I | L |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|

 Right Issue 

|  |  |  |   |   |   |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|
|  |  |  | N | I | L |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|

Bonus Issue 

|  |  |  |   |   |   |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|
|  |  |  | N | I | L |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|

 Private Placement 

|  |  |  |   |   |   |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|
|  |  |  | N | I | L |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|

Conversion of Bonds 

|  |  |  |   |   |   |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|
|  |  |  | N | I | L |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|

 Employees Stock Option 

|  |  |  |  |  |  |  |   |   |   |
|--|--|--|--|--|--|--|---|---|---|
|  |  |  |  |  |  |  | 5 | 6 | 0 |
|--|--|--|--|--|--|--|---|---|---|

### POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN Rs. THOUSANDS)

Total Liabilities 

|  |  |  |   |   |   |   |   |   |   |
|--|--|--|---|---|---|---|---|---|---|
|  |  |  | 5 | 8 | 3 | 4 | 7 | 4 | 5 |
|--|--|--|---|---|---|---|---|---|---|

 Total Assets 

|  |  |  |   |   |   |   |   |   |   |
|--|--|--|---|---|---|---|---|---|---|
|  |  |  | 5 | 8 | 3 | 4 | 7 | 4 | 5 |
|--|--|--|---|---|---|---|---|---|---|

### SOURCES OF FUNDS

Paid up Capital 

|  |  |  |   |   |   |   |   |   |
|--|--|--|---|---|---|---|---|---|
|  |  |  | 3 | 2 | 9 | 9 | 7 | 2 |
|--|--|--|---|---|---|---|---|---|

 Reserves & Surplus 

|  |  |  |   |   |   |   |   |   |   |
|--|--|--|---|---|---|---|---|---|---|
|  |  |  | 3 | 5 | 1 | 7 | 3 | 6 | 0 |
|--|--|--|---|---|---|---|---|---|---|

Employees Stock Option Outstanding 

|  |  |  |  |  |  |  |   |   |   |
|--|--|--|--|--|--|--|---|---|---|
|  |  |  |  |  |  |  | 6 | 8 | 0 |
|--|--|--|--|--|--|--|---|---|---|

 Secured Loans 

|  |  |  |   |   |   |   |   |   |   |
|--|--|--|---|---|---|---|---|---|---|
|  |  |  | 1 | 2 | 6 | 5 | 8 | 7 | 2 |
|--|--|--|---|---|---|---|---|---|---|

Unsecured Loans 

|  |  |  |   |   |   |   |   |   |
|--|--|--|---|---|---|---|---|---|
|  |  |  | 7 | 2 | 0 | 8 | 6 | 1 |
|--|--|--|---|---|---|---|---|---|

### APPLICATION OF FUNDS

Net Fixed Assets 

|  |  |  |   |   |   |   |   |   |   |
|--|--|--|---|---|---|---|---|---|---|
|  |  |  | 1 | 9 | 5 | 2 | 4 | 2 | 4 |
|--|--|--|---|---|---|---|---|---|---|

 Investments 

|  |  |  |   |   |   |   |   |   |   |
|--|--|--|---|---|---|---|---|---|---|
|  |  |  | 1 | 8 | 4 | 7 | 9 | 7 | 3 |
|--|--|--|---|---|---|---|---|---|---|

Deferred Tax Asset (Net) 

|  |  |  |  |  |   |   |   |   |   |
|--|--|--|--|--|---|---|---|---|---|
|  |  |  |  |  | 6 | 2 | 3 | 4 | 3 |
|--|--|--|--|--|---|---|---|---|---|

 Net Current Assets 

|  |  |  |   |   |   |   |   |   |   |
|--|--|--|---|---|---|---|---|---|---|
|  |  |  | 1 | 9 | 7 | 2 | 0 | 0 | 5 |
|--|--|--|---|---|---|---|---|---|---|

Miscellaneous Expenditure 

|  |  |  |   |   |   |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|
|  |  |  | N | I | L |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|

 Accumulated Losses 

|  |  |  |   |   |   |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|
|  |  |  | N | I | L |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|

### PERFORMANCE OF COMPANY (AMOUNT IN Rs. THOUSANDS)

Turnover 

|  |  |  |   |   |   |   |   |   |   |
|--|--|--|---|---|---|---|---|---|---|
|  |  |  | 5 | 7 | 9 | 5 | 2 | 7 | 1 |
|--|--|--|---|---|---|---|---|---|---|

 Total Expenditure 

|  |  |  |   |   |   |   |   |   |   |
|--|--|--|---|---|---|---|---|---|---|
|  |  |  | 5 | 1 | 6 | 0 | 0 | 8 | 4 |
|--|--|--|---|---|---|---|---|---|---|

Profit/ (Loss) before Tax 

|  |  |  |   |   |   |   |   |   |
|--|--|--|---|---|---|---|---|---|
|  |  |  | 6 | 3 | 5 | 1 | 8 | 7 |
|--|--|--|---|---|---|---|---|---|

 Profit/ (Loss) after Tax 

|  |  |  |   |   |   |   |   |   |
|--|--|--|---|---|---|---|---|---|
|  |  |  | 4 | 7 | 2 | 1 | 0 | 6 |
|--|--|--|---|---|---|---|---|---|

Earning per share (in Rs.) 

|  |  |  |  |  |  |   |   |   |   |
|--|--|--|--|--|--|---|---|---|---|
|  |  |  |  |  |  | 2 | . | 8 | 6 |
|--|--|--|--|--|--|---|---|---|---|

 Diluted Earning per share (in Rs.) 

|  |  |  |  |  |  |   |   |   |   |
|--|--|--|--|--|--|---|---|---|---|
|  |  |  |  |  |  | 2 | . | 8 | 6 |
|--|--|--|--|--|--|---|---|---|---|

Dividend (%) - Equity 

|  |  |  |  |  |   |   |   |   |   |
|--|--|--|--|--|---|---|---|---|---|
|  |  |  |  |  | 6 | 5 | . | 0 | 0 |
|--|--|--|--|--|---|---|---|---|---|

### GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

1. Item Code 

|   |   |   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| N | O | T | A | P | P | L | I | C | A | B | L | E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|

  
Product Description 

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| L | E | A | R | N | I | N | G | S | O | L | U | T | I | O | N | S |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

2. Item Code 

|  |  |  |   |   |   |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|--|--|--|--|--|--|--|
|  |  |  | N | / | A |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|--|--|--|--|--|--|--|

  
Product Description 

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

3. Item Code 

|  |  |  |   |   |   |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|--|--|--|--|--|--|--|
|  |  |  | N | / | A |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|---|---|---|--|--|--|--|--|--|--|--|--|--|--|

  
Product Description 

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

**Rajendra S Pawar**  
Chairman and Managing Director

**Vijay K Thadani**  
CEO & Whole-time Director

**Ashok Arora**  
Group Chief Financial Officer

**Jitender Mahajan**  
Chief Financial Officer

**Parveen Jain**  
Company Secretary  
& Legal Counsel

Place : New Delhi  
Date : May 27, 2009

## Financial Summary of Subsidiary Companies as at 31st March, 2009

### (Pursuant to exemption received under Section 212(B) of the Companies Act, 1956)

(Amount in Rs.)

| Name of the Subsidiary Company   | Currency # | Share Capital<br>(Refer Note 2 below) | Reserves<br>(Refer Note 3 below) | Total Assets<br>(Refer Note 4 below) | Total Liabilities | Details of Investment<br>(Except in case of<br>Investment in Subsidiary)<br>(Refer note 5 below) | Turnover<br>(Refer Note 7 below) | Profit/(Loss) before<br>Taxation | Provision for Tax/<br>Deferred tax charge/<br>(credit) | Profit after Tax | Proposed Dividend |
|--|------------|---------------------------------------|----------------------------------|--------------------------------------|-------------------|--|----------------------------------|----------------------------------|--|------------------|-------------------|
| NIIT Online Learning Limited   | INR        | 4,387,998                             | 1,799,955                        | 6,278,220                            | 85,477            | 4,600,000<br>(Refer note 5 below)  | -                                | (386,049)                        | -  | (386,049)        | -                 |
| Hole-in-the-Wall Education Limited   | INR        | 86,000,070                            | 97,832,288                       | 41,665,221                           | 53,497,539        | -  | 34,321,482                       | (327,376)                        | 232,291  | (559,667)        | -                 |
| Somesh Evolution Services Limited  | INR        | 99,100,000                            | 29,757,973                       | 220,787,492                          | 91,929,519        | 98,198,200<br>(Refer note 6 below)   | -                                | 103,014,731                      | 4,214,674  | 100,800,057      | 78,289,000        |
| NIIT Multimodal Limited  | INR        | 73,300,000                            | (2,601,105)                      | 98,274,210                           | 27,375,315        | -  | -                                | (659,498)                        | (27,640)   | (631,838)        | -                 |
| NIIT Institute of Finance Banking and Insurance Training Limited                     | INR        | 50,000,000                            | 55,829,454                       | 112,485,608                          | 118,515,062       | -  | 236,986,905                      | 40,060,192                       | (1,720,271)  | (36,339,471)     | -                 |
| NIIT USA Inc., USA   | USD        | 1,136,130,656                         | 429,253,021                      | 3,090,888,133                        | 2,384,010,439     | -  | 1,282,482,641                    | 179,324                          | 20,073   | 159,251          | -                 |
| NIIT Ventures Inc., USA  | USD        | 4,661                                 | (29,729,242)                     | 1,510,368,335                        | 1,750,022,916     | -  | -                                | (40,383,461)                     | -  | (40,383,461)     | -                 |
| ElementK India Private Limited   | INR        | 300,170                               | 79,488,634                       | 99,419,626                           | 19,610,872        | -  | 160,444,538                      | 18,459,387                       | 2,608,000  | 15,851,387       | -                 |
| ElementK Corporation, USA  | USD        | 466,151                               | (1,565,941,421)                  | 1,755,864,584                        | 3,320,339,854     | -  | 3,861,592,767                    | 27,556,649                       | 4,468,361  | (17,117,12)      | -                 |
| ElementK (UK) Limited  | GBP        | 77,771                                | 27,082,752                       | 24,032,087                           | 2,871,564         | -  | 54,159,043                       | 3,323,263                        | 132,968  | 3,190,295        | -                 |
| ElementK Canada Inc.   | CAD        | 388                                   | (45,635,792)                     | 40,844,139                           | 86,481,543        | -  | 164,902,730                      | (19,874,188)                     | -  | (19,874,188)     | -                 |
| PT NIIT Indonesia, Indonesia   | IDR        | 7,560,000                             | (6,785,512)                      | 774,488                              | -                 | -  | -                                | -                                | -  | -                | -                 |
| NIIT Antilles NV, Netherlands Antilles   | USD        | 1,644,127,480                         | (1,125,482,026)                  | 729,047,121                          | 210,401,647       | -  | 547,592,435                      | 4,507,870                        | 379,742  | 4,128,128        | -                 |
| NIIT Middle East WLL, Bahrain  | BHD        | 5,946,457                             | (2,197,221)                      | 3,749,136                            | -                 | -  | 154,180                          | (696,885)                        | -  | (696,885)        | -                 |
| NIIT Malaysia Sdn Bhd, Malaysia  | MYR        | 71,096,787                            | (28,891,342)                     | 57,092,118                           | 14,884,693        | -  | 25,322,675                       | 8,314,099                        | -  | 8,314,099        | -                 |
| NIIT GC Limited, Mauritius   | USD        | 97,181,720                            | (75,787,186)                     | 61,533,333                           | 40,188,799        | -  | 8,829,674                        | (1,645,597)                      | -  | (1,645,597)      | -                 |
| NIIT China (Shanghai) Limited, Shanghai  | CNY        | 10,250,891                            | 71,947,367                       | 208,805,461                          | 126,606,603       | -  | 236,716,375                      | 5,435,276                        | 2,742,201  | 2,693,075        | -                 |
| PCCF NIIT Institute of Information Technology, Shanghai                              | CNY        | 33,144,672                            | (92,403,469)                     | 41,449,849                           | 40,908,696        | -  | 30,982,044                       | (4,772,478)                      | -  | (4,772,478)      | -                 |
| NIIT Vaa Service Outsourcing Training School   | CNY        | 4,503,360                             | (2,376,694)                      | 8,130,600                            | 6,003,934         | -  | 15,798,559                       | (1,039,584)                      | (119,404)  | (920,180)        | -                 |
| NIIT Limited, UK   | GBP        | 12,649,466                            | 3,961,345                        | 141,334,427                          | 124,723,616       | -  | 186,479,659                      | 11,843,391                       | 2,263,458  | 9,580,303        | -                 |
| Evoh Services Limited (Formerly known as "Evoh Management Services Private Limited") | INR        | 11,009,933                            | (1,474,320)                      | 45,145,675                           | 49,110,062        | -  | 82,189,053                       | (15,428,567)                     | 759,288  | (16,187,355)     | -                 |
| NIIT Institute of Process Excellence Limited   | INR        | 60,000,000                            | (92,863,986)                     | 68,909,908                           | 61,773,894        | -  | 25,084,750                       | (52,692,071)                     | 171,915  | (52,863,986)     | -                 |
| Chengyang NIIT Education Consulting Limited  | CNY        | 3,681,180                             | 4,132,947                        | 15,978,877                           | 8,164,750         | -  | 9,416,926                        | 3,591,837                        | 1,117,229  | 2,474,608        | -                 |

#### Notes:

- Amount in foreign currency in the Financial Statement of the subsidiaries mentioned above have been converted in Indian Rupee equivalent as per the generally accepted accounting principles in India.
- Includes Employee Stock Option Outstanding and share application money
- Reserves include Currency Translation Reserve.
- Total asset includes miscellaneous expenditure to the extent not written off.
- Amount represents investment in Mutual Funds.
- Amount represents investment in NIIT Technologies Limited Rs. 97,748,200/- and Rs. 700,000/- in Mutual Funds.
- Turnover does not include Other Income.
- The entities in USA, namely, ElementK Corporation, NIIT Ventures Inc. and NIIT USA Inc., would be assessed for federal taxes on a consolidated level. Therefore deferred taxes have been determined only at consolidated level.

Indian rupee equivalents of the foreign currencies mentioned in the above table as on March 31, 2009 is as follows:

|                     |                     |                      |
|---------------------|---------------------|----------------------|
| 1 USD = 50.8614 INR | 1 IDR = 0.4400 INR  | 1 BHD = 1.350688 INR |
| 1 CNY = 7.4435 INR  | 1 GBP = 72.7136 INR | 1 MYR = 13.9513 INR  |
| 1 CAD = 40.3642 INR |                     |                      |

### REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF NIIT LIMITED

1. We have audited the attached consolidated Balance Sheet of NIIT Limited and its subsidiaries and its associates (the "Group"), as at 31st March, 2009 and the consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year ended on that date together with notes thereon and attached thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the NIIT Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs 13,853 lacs and total liabilities of Rs 7,585 lacs as at 31st March, 2009 and total revenue of Rs 12,016 lacs, and total expenses of Rs 12,543 lacs and total cash flows of Rs.140 Lacs (net) for the year ended on that date considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of other auditors. Also, we did not audit the financial statements of one associate whose share of net loss aggregating to Rs.1.32 lacs for the period upto December 31 2008 has been considered in these financial statements. The share of net loss has been considered based on unaudited financial statements provided by the Company.
4. We report that the consolidated financial statements have been prepared by NIIT Limited's management and as per information and explanations given to us, in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements" and Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of the reports of the other auditors on separate financial statements and unaudited financials statements provided by the company (refer Paragraph 3 above) and on other information of the components, in our opinion and to the best of our information and explanations given to us, the attached consolidated financial statements together with notes thereon and attached thereto, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31st March, 2009;
  - (ii) in case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and
  - (iii) in case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flows of the Group for the year ended on that date.

H. Singh  
Partner

Membership No. F – 86994

For and on behalf of

**Price Waterhouse**

*Chartered Accountants*

Place : New Delhi  
Date : May 27, 2009

## CONSOLIDATED BALANCE SHEET as at 31st March, 2009

|  | Schedule No./<br>(Note Reference) | As at<br>31st March 2009<br>Rs. | As at<br>31st March 2008<br>Rs. |
|--|-----------------------------------|---------------------------------|---------------------------------|
| <b>SOURCES OF FUNDS</b>                                  |                                   |                                 |                                 |
| <b>SHAREHOLDERS' FUNDS</b>                               |                                   |                                 |                                 |
| Share Capital  | '1'                               | 329,971,972                     | 329,411,726                     |
| Employees Stock  |                                   |                                 |                                 |
| Option Outstanding                                       | '1A'                              | 679,662                         | 4,905,992                       |
| Reserves and Surplus                                     | '2'                               | 4,163,872,632                   | 3,728,765,511                   |
| Currency Translation Reserve/<br>(Debit Balance)         | '2A'                              | <u>280,583,954</u>              | <u>(43,027,957)</u>             |
| <b>MINORITY INTEREST</b>                                 | '3'                               | 6,119,550                       | 14,591,124                      |
| <b>LOAN FUNDS</b>  |                                   |                                 |                                 |
| Secured Loans  | '4'                               | 2,520,939,252                   | 1,833,169,304                   |
| Unsecured Loans  | '5'                               | <u>960,224,261</u>              | <u>221,078,846</u>              |
|  |                                   | <b><u>8,262,391,283</u></b>     | <b><u>6,088,894,546</u></b>     |
| <b>APPLICATION OF FUNDS</b>                              |                                   |                                 |                                 |
| <b>FIXED ASSETS</b>                                      |                                   |                                 |                                 |
| Gross Block  | '6'                               | 7,842,875,434                   | 5,813,972,702                   |
| Less: Depreciation                                       |                                   | <u>2,728,678,186</u>            | <u>2,308,806,445</u>            |
| Net Block  |                                   | 5,114,197,248                   | 3,505,166,257                   |
| Capital work-in-progress<br>(including Capital Advances) |                                   | 616,130,708                     | 475,838,882                     |
| <b>INVESTMENTS</b>                                       | '7'                               | 1,066,354,811                   | 892,386,195                     |
| <b>NET DEFERRED TAX ASSETS</b> '23[1 (xiv) & 28]'        |                                   | 343,982,815                     | 250,004,856                     |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>                |                                   |                                 |                                 |
| Inventories  | '8'                               | 96,694,395                      | 126,356,071                     |
| Sundry Debtors   | '9'                               | 2,903,698,119                   | 2,047,674,080                   |
| Cash and Bank Balances                                   | '10'                              | 747,394,937                     | 796,248,349                     |
| Other Current Assets                                     | '11'                              | 440,603,392                     | 300,579,063                     |
| Loans & Advances   | '12'                              | <u>1,499,837,686</u>            | <u>1,304,094,364</u>            |
|  |                                   | <u>5,688,228,529</u>            | <u>4,574,951,927</u>            |
| <b>Less : CURRENT LIABILITIES AND PROVISIONS</b>         |                                   |                                 |                                 |
| Current Liabilities                                      | '13'                              | 4,122,456,874                   | 3,193,677,413                   |
| Provisions   | '14'                              | <u>445,062,089</u>              | <u>416,883,095</u>              |
|  |                                   | <u>4,567,518,963</u>            | <u>3,610,560,508</u>            |
| <b>Net Current Assets</b>                                |                                   | 1,120,709,566                   | 964,391,419                     |
| <b>MISCELLANEOUS EXPENDITURE</b>                         | '15'                              | 1,016,135                       | 1,106,937                       |
| (To the extent not written off or adjusted)              |                                   |                                 |                                 |
|  |                                   | <b><u>8,262,391,283</u></b>     | <b><u>6,088,894,546</u></b>     |
| <b>NOTES TO ACCOUNTS</b> '23'                            |                                   |                                 |                                 |

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.  
This is the Consolidated Balance Sheet referred to in our report of even date.

H. Singh  
Partner

Membership No. F-86994  
For and on behalf of

Price Waterhouse  
Chartered Accountants

Rajendra S Pawar  
Chairman and Managing Director

Ashok Arora  
Group Chief Financial Officer

Jitender Mahajan  
Chief Financial Officer

Vijay K Thadani  
CEO & Whole-time Director

Parveen Jain  
Company Secretary  
& Legal Counsel

Place : New Delhi  
Date : May 27, 2009



## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st March, 2009

|  | Schedule No./<br>(Note Reference) | Year ended<br>31st March, 2009<br>(Rs.) | Year ended<br>31st March, 2008<br>(Rs.) |
|--|-----------------------------------|---|---|
| <b>INCOME</b>  |                                   |   |   |
| Revenue from Operations                                    | '16'                              | 11,485,591,665                          | 10,068,283,071                          |
| Other Income   | '17'                              | 203,366,905                             | 73,472,453                              |
|  |                                   | <b>11,688,958,570</b>                   | <b>10,141,755,524</b>                   |
| <b>EXPENDITURE</b>   |                                   |   |   |
| Personnel  | '18'                              | 3,339,384,805                           | 3,053,618,714                           |
| Development, Production and Execution                      | '19'                              | 4,281,544,581                           | 3,615,674,739                           |
| Administration and Others                                  | '20'                              | 1,784,973,449                           | 1,557,484,528                           |
| Selling and Marketing                                      | '21'                              | 894,265,523                             | 806,329,898                             |
| Interest and Finance Charges                               | '22'                              | 248,765,482                             | 177,915,288                             |
| Depreciation and Amortisation                              | '6'                               | 646,765,293                             | 529,355,790                             |
|  |                                   | <b>11,195,699,133</b>                   | <b>9,740,378,957</b>                    |
| <b>Profit before Tax and share of Associates' profit</b>   |                                   | <b>493,259,437</b>                      | <b>401,376,567</b>                      |
| <b>Tax Expense</b>   | '23[(1(xiv) & 28)']               |   |   |
| - Current  |                                   | 155,438,406                             | 144,855,775                             |
| - Deferred charge / (credit)                               |                                   | (79,154,758)                            | (165,462,322)                           |
| - Fringe Benefits Tax                                      |                                   | 27,519,419                              | 25,690,065                              |
| - MAT Credit Entitlement                                   |                                   | -                                       | (25,543,761)                            |
| <b>Profit after Tax before share of Associates' profit</b> |                                   | <b>389,456,370</b>                      | <b>421,836,810</b>                      |
| Share of Associates' net profit                            | '7'                               | 283,176,236                             | 333,774,649                             |
| <b>Profit after Tax after share of Associates' profit</b>  |                                   | <b>672,632,606</b>                      | <b>755,611,459</b>                      |
| Add : Net Loss attributable to Minority                    | '3'                               | 24,969,807                              | 809,479                                 |
| <b>Profit attributable to Equity shareholders</b>          |                                   | <b>697,602,413</b>                      | <b>756,420,938</b>                      |
| Balance brought forward from previous year                 |                                   | 2,558,389,120                           | 2,104,103,286                           |
| <b>Balance available for appropriation</b>                 |                                   | <b>3,255,991,533</b>                    | <b>2,860,524,224</b>                    |
| <b>APPROPRIATION</b>                                       |                                   |   |   |
| Proposed Dividend on Equity Shares                         |                                   | 214,477,882                             | 214,142,582                             |
| Corporate Dividend Tax for Current Year                    | '23(16)'                          | 36,450,516                              | 36,393,533                              |
| Transferred to General Reserve                             |                                   | 57,290,602                              | 51,598,989                              |
| Transferred to Debenture Redemption Reserve                |                                   | 52,063,492                              | -                                       |
|  |                                   | <b>360,282,492</b>                      | <b>302,135,104</b>                      |
| Balance Carried to Balance Sheet                           |                                   | 2,895,709,041                           | 2,558,389,120                           |
|  |                                   | <b>3,255,991,533</b>                    | <b>2,860,524,224</b>                    |
| <b>Earnings per Share</b>                                  | '23(30)'                          |   |   |
| - Basic  |                                   | 4.23                                    | 4.67                                    |
| - Diluted  |                                   | 4.23                                    | 4.65                                    |

### NOTES TO ACCOUNTS

'23'

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account. This is the Consolidated Profit and Loss Account referred to in our report of even date.

**H. Singh**

Partner

Membership No. F-86994

For and on behalf of

**Price Waterhouse**

Chartered Accountants

**Rajendra S Pawar**

Chairman and Managing Director

**Vijay K Thadani**

CEO & Whole-time Director

**Ashok Arora**

Group Chief Financial Officer

**Jitender Mahajan**

Chief Financial Officer

**Parveen Jain**

Company Secretary  
& Legal Counsel

Place : New Delhi

Date : May 27, 2009

## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March, 2009

|  | Year Ended<br>31st March, 2009<br>(Rs.) | Year Ended<br>31st March, 2008<br>(Rs.) |
|--|---|---|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>                         |   |   |
| <b>Profit before Tax and share of Associates' profits</b>              | <b>493,259,437</b>                      | <b>401,376,567</b>                      |
| Adjustments for:   |   |   |
| Depreciation and Amortisation  | 646,765,293                             | 529,355,790                             |
| Interest Expenses  | 242,954,713                             | 190,304,653                             |
| Interest Income  | (53,249,033)                            | (31,758,195)                            |
| (Profit)/ Loss on Fixed Assets sold                                    | (93,760,212)                            | 4,716,680                               |
| (Profit)/ Loss on sale of Investments                                  | (7,059,757)                             | 1,486,234                               |
| Miscellaneous Expenditure written off                                  | 90,802                                  | 90,802                                  |
| Provision for Doubtful Debts   | 157,040,477                             | 68,725,676                              |
| Provision for Doubtful Advances  | 384,400                                 | 2,677,110                               |
| Provision for slow/ non-moving Inventory                               | 27,485,951                              | 8,385,103                               |
| Inventory Scrapped   | 8,205,582                               | -                                       |
| Advances written off   | 2,116,456                               | 1,507,283                               |
| Liabilities/ Provisions no longer required written back                | (45,059,903)                            | (62,232,859)                            |
| Provision for Gratuity & Leave Encashment                              | 28,954,804                              | 33,657,655                              |
| Foreign Exchange Adjustments   | (24,126,942)                            | (20,957,570)                            |
| Employees Stock Option Expenses  | (2,055,546)                             | (29,958)                                |
|  | <b>888,687,085</b>                      | <b>725,928,404</b>                      |
| <b>Operating profit before working capital changes</b>                 | <b>1,381,946,522</b>                    | <b>1,127,304,971</b>                    |
| <b>Add/ (Less): (Increase)/ Decrease in operating working capital:</b> |   |   |
| Trade receivables  | (1,006,964,547)                         | 161,983,901                             |
| Loans and Advances & Other Current Assets                              | (178,383,157)                           | (94,228,436)                            |
| Inventories  | (6,029,858)                             | (2,418,376)                             |
| Current Liabilities and Provisions                                     | 953,475,850                             | 301,013,380                             |
|  | <b>(237,901,712)</b>                    | <b>366,350,469</b>                      |
| <b>Cash generated from operations</b>                                  | <b>1,144,044,810</b>                    | <b>1,493,655,440</b>                    |
| Taxes paid (including TDS)   | (224,869,887)                           | (199,424,710)                           |
| Interest paid - Others   | (38,775,756)                            | (38,972,841)                            |
| <b>Net cash from Operating activities (A)</b>                          | <b>880,399,167</b>                      | <b>1,255,257,889</b>                    |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>                         |   |   |
| Purchase of fixed assets (Net of Capital Work-in-Progress)             | (1,862,323,054)                         | (847,668,114)                           |
| Investment in subsidiaries   | -                                       | (28,000,182)                            |
| Proceeds from Sale of fixed assets                                     | 221,007,486                             | 9,624,745                               |
| Miscellaneous Expenses incurred  | -                                       | (487,500)                               |
| Proceeds from Sale of Investments                                      | 272,059,757                             | 3,500,000                               |
| Purchase of Mutual Funds   | (250,000,000)                           | (15,118,038)                            |
| Dividend received  | 94,207,620                              | 62,805,080                              |
| Loan to NIIT Institute of Information Technology                       | (179,500,000)                           | (83,500,000)                            |
| Loan given to NIIT Institute of Information Technology received back   | 47,000,000                              | -                                       |
| Loan given to NIIT Education Society received back                     | 10,000,000                              | 46,200,000                              |
| Interest Received  | 40,786,053                              | 48,213,936                              |
| <b>Net cash used for Investing activities (B)</b>                      | <b>(1,606,762,138)</b>                  | <b>(804,430,073)</b>                    |

## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March, 2009 (Contd.)

|   | Year Ended<br>31st March, 2009<br>(Rs.) | Year Ended<br>31st March, 2008<br>(Rs.) |
|---|---|---|
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>                            |   |   |
| Receipt from issue of Shares in subsidiaries incorporated during the year | 16,498,233                              | 1,801,344                               |
| Proceeds from fresh issue of Share Capital (including Share Premium)      | 6,722,952                               | 3,107,352                               |
| Proceeds/ (Payments) from term borrowings                                 | 600,000,000                             | (1,997,924)                             |
| Loans repaid during the year  | (179,708,061)                           | (422,423,740)                           |
| Proceeds from Working Capital Borrowings                                  | 89,766,813                              | 240,366,600                             |
| Vehicle Loans repaid during the year                                      | (11,337,029)                            | (11,091,110)                            |
| Proceeds/ (Payments) relating to Cash Credits (Net)                       | (81,123,862)                            | (28,072,938)                            |
| Issue of Non Convertible Debentures                                       | 1,000,000,000                           | -                                       |
| Interest Paid (including financing charges on finance lease arrangements) | (193,686,321)                           | (160,276,287)                           |
| Dividend Paid   | (214,149,458)                           | (143,439,549)                           |
| Dividend Tax Paid   | (36,388,628)                            | (24,245,016)                            |
| Government Grants received during the year                                | 8,997,836                               | -                                       |
| <b>Net cash from Financing activities ( C )</b>                           | <b>1,005,592,475</b>                    | <b>(546,271,268)</b>                    |
| <b>Net Increase/(Decrease) in</b>   |   |   |
| <b>Cash &amp; Cash Equivalents (A) + (B) + (C)</b>                        | <b>279,229,504</b>                      | <b>(95,443,452)</b>                     |
| Adjustment on account of Foreign Exchange Fluctuations                    | (328,082,916)                           | 133,433,573                             |
| <b>Cash and Cash Equivalents as at the beginning of the year (Note 1)</b> | <b>796,248,349</b>                      | <b>735,902,157</b>                      |
| Cash and Cash Equivalents Acquired on Acquisition                         | -                                       | 22,356,071                              |
| <b>Cash and Cash Equivalents as at the end of the year (Note 1)</b>       | <b>747,394,937</b>                      | <b>796,248,349</b>                      |

### Notes:

|  | 31st March, 2009<br>(Rs.) | 31st March, 2008<br>(Rs.) |
|--|---------------------------|---------------------------|
| <b>1. Cash and Cash Equivalents as on</b>  |                           |                           |
| Cash, Cheques & Drafts (in hand) and Remittances in transit                          | 298,538,750               | 303,051,642               |
| Balances with banks  | 448,856,187               | 493,196,707               |
| [Includes Rs. 43,047,754/- (Previous year Rs. 26,069,500/-) pledged as margin money] | <b>747,394,937</b>        | <b>796,248,349</b>        |

- The above Cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 as notified under Section 211(3C) of The Companies Act, 1956.
  - The schedules from 1 - 23 form an integral part of the Cash Flow Statement.
  - Previous year figures, to the extent feasible, have been regrouped/ recast wherever necessary to conform to the current year's classification.
- This is the Cash Flow Statement referred to in our report of even date.

**H. Singh**

Partner

Membership No. F-86994

For and on behalf of

**Price Waterhouse**

Chartered Accountants

**Rajendra S Pawar**

Chairman and Managing Director

**Vijay K Thadani**

CEO & Whole-time Director

**Ashok Arora**

Group Chief Financial Officer

**Jitender Mahajan**

Chief Financial Officer

**Parveen Jain**

Company Secretary  
& Legal Counsel

Place : New Delhi

Date : May 27, 2009

## SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009

| Schedule No.   | As At<br>31st March 2009<br>(Rs.) | As At<br>31st March 2008<br>(Rs.) |
|--|-----------------------------------|-----------------------------------|
| <b>1 SHARE CAPITAL</b><br>[Refer Notes 1(ix) and 8 on Schedule 23]   |                                   |                                   |
| <b>Authorised</b>  |                                   |                                   |
| 250,000,000 Equity Shares of Rs. 2/- each<br>(Previous year - 250,000,000 Equity Shares of<br>Rs. 2/- each)  | 500,000,000                       | 500,000,000                       |
| 2,500,000 Redeemable Preference Shares of<br>Rs. 100/- each  | <u>250,000,000</u>                | <u>250,000,000</u>                |
|  | <b><u>750,000,000</u></b>         | <b><u>750,000,000</u></b>         |
| <b>Issued</b>  |                                   |                                   |
| 164,988,986 Equity Shares of Rs. 2/- each<br>(Previous year - 164,708,863 Equity Shares of<br>Rs. 2/- each)  | <u>329,977,972</u>                | <u>329,417,726</u>                |
|  | <b><u>329,977,972</u></b>         | <b><u>329,417,726</u></b>         |
| <b>Subscribed</b>  |                                   |                                   |
| 164,982,986 Equity Shares of Rs. 2/- each<br>(Previous year - 164,702,863<br>Equity Shares of Rs. 2/- each)  | <u>329,965,972</u>                | <u>329,405,726</u>                |
|  | <b><u>329,965,972</u></b>         | <b><u>329,405,726</u></b>         |
| <b>Paid-up</b>   |                                   |                                   |
| 164,982,986 Equity Shares of Rs. 2/- each<br>(Previous year - 164,702,863 Equity Shares of<br>Rs. 2/- each)  | <u>329,965,972</u>                | <u>329,405,726</u>                |
| Add : Forfeited Shares (Amount originally paid-up)<br>Note : Issued Share Capital includes<br>142,176,960 Equity Shares of Rs. 2/- each<br>(Previous year - 142,176,960 Equity Shares of<br>Rs. 2/- each) allotted as fully paid up bonus shares<br>by way of Capitalisation of<br>General Reserve/ Share Premium account/<br>Capital Redemption Reserve in 2007-08,<br>1998-99, 1994-95, 1992-93 and 1987-88. | <u>6,000</u>                      | <u>6,000</u>                      |
|  | <b><u>329,971,972</u></b>         | <b><u>329,411,726</u></b>         |
| <b>1A EMPLOYEES STOCK OPTION OUTSTANDING</b><br>[Refer Notes 1(ix) and 8 on Schedule 23]   |                                   |                                   |
| Employees Stock Option Outstanding   | <u>679,662</u>                    | <u>4,905,992</u>                  |
|  | <b><u>679,662</u></b>             | <b><u>4,905,992</u></b>           |

## SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 (Contd.)

| Schedule No. |   | As At<br>31st March 2009<br>(Rs.) | As At<br>31st March 2008<br>(Rs.) |
|--------------|---|-----------------------------------|-----------------------------------|
| <b>2</b>     | <b>RESERVES AND SURPLUS</b>   |                                   |                                   |
|              | [Refer Notes 1(xi), 6, 8, 28(ii) and 36 on Schedule 23]   |                                   |                                   |
|              | <b>Share Premium</b>  |                                   |                                   |
|              | As per Last Balance Sheet   | 524,160,493                       | 159,776,818                       |
|              | Add: Additions during the year on account of FCCB Conversion  | -                                 | 415,720,000                       |
|              | Add: Additions during the year on account of exercise of ESOP's   | 8,222,545                         | 3,804,188                         |
|              | Less: Utilised for Issue of Bonus Shares  | -                                 | (55,140,513)                      |
|              |   | 532,383,038                       | 524,160,493                       |
|              | <b>Capital Reserve</b>  | 55,999,900                        | 55,999,900                        |
|              | <b>General Reserve (Note 1 below)</b>   |                                   |                                   |
|              | As per Last Balance Sheet   | 595,959,131                       | 544,360,142                       |
|              | Add : Transferred from Profit and Loss account  | 57,290,602                        | 51,598,989                        |
|              |   | 653,249,733                       | 595,959,131                       |
|              | <b>Hedging Reserve Account (Debit Balance)</b>  |                                   |                                   |
|              | Hedging Reserve   | (52,310,874)                      | (8,700,398)                       |
|              | Defferred Tax Asset on Hedging Reserve  | 17,780,466                        | 2,957,265                         |
|              |   | (34,530,408)                      | (5,743,133)                       |
|              | <b>Debenture Redemption Reserve</b>   |                                   |                                   |
|              | As per Last Balance Sheet   | -                                 | -                                 |
|              | Add: Transfer from Profit and Loss Account  | 52,063,492                        | -                                 |
|              |   | 52,063,492                        | -                                 |
|              | <b>Government Grant</b>   | 8,997,836                         | -                                 |
|              | <b>Profit &amp; Loss Account</b>  | 2,895,709,041                     | 2,558,389,120                     |
|              | <b>Note :</b>   |                                   |                                   |
|              | 1. General Reserve above represents General Reserve as per the Indian Companies Act, 1956 in respect of Indian Companies.   |                                   |                                   |
|              | 2. General Reserve, if any, of overseas Companies are included as part of the Profit & Loss Account balance as it is not practical to give movement thereof.  |                                   |                                   |
|              |   | <b>4,163,872,632</b>              | <b>3,728,765,511</b>              |
| <b>2A</b>    | <b>CURRENCY TRANSLATION RESERVE</b>   |                                   |                                   |
|              | [Refer Note 1(x) on Schedule 23]  |                                   |                                   |
|              | As per Last Balance Sheet   | (43,027,957)                      | 22,905,619                        |
|              | Increase/ (Decrease) during the year on translation of balances   | 323,611,911                       | (65,933,576)                      |
|              |   | <b>280,583,954</b>                | <b>(43,027,957)</b>               |
| <b>3</b>     | <b>MINORITY INTEREST</b>  |                                   |                                   |
|              | [Refer Notes 1(i), 15, 19, 20, 22 and 23 on Schedule 23]  |                                   |                                   |
|              | As per Last Balance Sheet   | 14,591,124                        | 3,870,495                         |
|              | Add : Minority share in the Capital (current year addition)   | 16,498,233                        | 11,530,108                        |
|              | Add : Minority share in the result of current year [Minority share of loss of the subsidiary companies in excess of their interest of Rs. 4,263,074/- (Previous year Rs. 973,266/-) has been absorbed by the Majority Shareholders] | (24,969,807)                      | (809,479)                         |
|              |   | <b>6,119,550</b>                  | <b>14,591,124</b>                 |

## SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 (Contd.)

| Schedule No.   | As At<br>31st March 2009<br>(Rs.)                    |                      | As At<br>31st March 2008<br>(Rs.) |
|--|--|----------------------|-----------------------------------|
| <b>4 SECURED LOANS</b>   |  |                      |                                   |
|  | <b>[Refer Notes 2(iii), 5 and 10 on Schedule 23]</b> |                      |                                   |
| Loans from Banks*  |  |                      |                                   |
| - Rupee Term loans   | 122,916,662  |                      | 286,805,553                       |
| - Working Capital Loan in Foreign Currency   | -  |                      | 40,061,100                        |
| - Other Term Loans   | 1,246,105,480  |                      | 1,261,924,650                     |
| - Cash Credit  | 144,879,748  |                      | 226,003,610                       |
| - Vehicle Loans  | 7,037,362  | 1,520,939,252        | 18,374,391                        |
|  |  |                      | 1,833,169,304                     |
| *[Loans due within one year<br>Rs. 483,996,944/-<br>(Previous Year Rs. 453,319,148/-)] |  |                      |                                   |
| Non Convertible Debentures<br>(Refer notes below)                                      |  | 1,000,000,000        | -                                 |
|  |  | <b>2,520,939,252</b> | <b>1,833,169,304</b>              |

### Notes:

(i) 12% Non Convertible Debentures to Life Insurance Corporation of India amounting to Rs. 500,000,000/- are redeemable at par as follows:

| <u>Redemption Date</u> | <u>Value to be redeemed</u><br>(Rs.) |
|------------------------|--------------------------------------|
| 20th October 2013      | 166,666,667                          |
| 20th October 2014      | 166,666,667                          |
| 20th October 2015      | 166,666,666                          |
|                        | <b>500,000,000</b>                   |

(ii) 11.25% Non Convertible Debentures to Indian Overseas Bank amounting to Rs. 500,000,000/- are redeemable at par as follows:

| <u>Redemption Date</u> | <u>Value to be redeemed</u><br>(Rs.) |
|------------------------|--------------------------------------|
| 17th March 2012        | 100,000,000                          |
| 17th March 2013        | 200,000,000                          |
| 17th March 2014        | 200,000,000                          |
|                        | <b>500,000,000</b>                   |

### 5 UNSECURED LOANS

**[Refer Notes 1(xii), 2(iii), 5(v), 5(vi) and 31(b) on Schedule 23]**

|                             |                    |                    |
|-----------------------------|--------------------|--------------------|
| Working Capital Borrowings  | 330,133,413        | 200,305,500        |
| Short term Loans from Banks | 600,000,000        | -                  |
| Short term Loan from Others | 8,000,000          | 8,000,000          |
| Deferred Lease Obligations  | 22,090,848         | 12,773,346         |
|                             | <b>960,224,261</b> | <b>221,078,846</b> |

**SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 (Contd.)**
**6. Fixed Assets**  
**[Refer Notes 1 (ii), (iii), (iv), (x), (xi), (xii), (xiii), 3, 26, 31 (b), 32 and 33 on Schedule 23]**  
**(Amount in Rs.)**

| Description of Assets                            | GROSS BLOCK           |                           |                              |                        | DEPRECIATION AND AMORTISATION |                     |                              |                         | NET BLOCK              |                      |                      |
|--|-----------------------|---------------------------|------------------------------|------------------------|-------------------------------|---------------------|------------------------------|-------------------------|------------------------|----------------------|----------------------|
|  | Cost as on 01.04.2008 | Additions during the Year | Sales / Adj. during the Year | Total as on 31.03.2009 | As on 01.04.2008              | Charge For the Year | Sales / Adj. during the Year | Transition Adjust- ment | Total as on 31.03.2009 | As on 31.03.2009     | As on 31.03.2008     |
| <b>Tangible</b>                                  |                       |                           |                              |                        |                               |                     |                              |                         |                        |                      |                      |
| Land   |                       |                           |                              |                        |                               |                     |                              |                         |                        |                      |                      |
| - Freehold                                       | 39,515,082            | -                         | -                            | 39,515,082             | -                             | -                   | -                            | -                       | -                      | 39,515,082           | 39,515,082           |
| - Leasehold                                      | 70,076,199            | 557,370                   | 19,564,875                   | 51,068,694             | -                             | -                   | -                            | -                       | -                      | 51,068,694           | 70,076,199           |
| Building   | 208,891,024           | -                         | -                            | 208,891,024            | 20,309,207                    | 3,403,533           | -                            | -                       | 23,712,740             | 185,178,284          | 188,581,817          |
| Plant & Machinery                                |                       |                           |                              |                        |                               |                     |                              |                         |                        |                      |                      |
| - Owned  | 1,442,171,190         | 782,392,592               | 367,692,583                  | 1,897,422,120          | 965,705,978                   | 253,877,500         | 364,998,801                  | 25,068,097              | 879,652,774            | 1,017,769,346        | 476,465,212          |
| - Leased   | 11,193,824            | 14,436,916                | 1,413,615                    | 2,580,538              | 5,779,773                     | 5,863,029           | 1,413,535                    | 549,318                 | 10,778,585             | 16,019,078           | 5,414,051            |
| Lease Hold Improvements                          | 253,488,526           | 144,306,260               | 4,863,972                    | 394,204,856            | 123,794,769                   | 71,577,738          | 4,119,529                    | 798,024                 | 192,051,002            | 202,153,854          | 129,693,757          |
| Furniture & Fixtures                             |                       |                           |                              |                        |                               |                     |                              |                         |                        |                      |                      |
| - Owned  | 165,558,599           | 62,551,891                | 18,932,350                   | 215,766,408            | 99,225,405                    | 23,881,761          | 18,320,569                   | 3,027,967               | 107,814,564            | 107,951,844          | 66,333,194           |
| - Leased   | 6,282,779             | 505,754                   | 413,904                      | 5,718,434              | 5,220,252                     | 231,340             | 413,841                      | (656,184)               | 4,381,567              | 1,336,867            | 1,062,527            |
| Vehicles   | 56,873,693            | 1,659,790                 | 8,941,752                    | 50,575,876             | 16,992,126                    | 5,308,866           | 3,875,803                    | 834,113                 | 19,259,302             | 31,316,574           | 39,881,567           |
| <b>Sub Total (a)</b>                             | <b>2,254,050,916</b>  | <b>1,006,410,573</b>      | <b>471,823,051</b>           | <b>2,889,860,157</b>   | <b>1,237,027,510</b>          | <b>364,143,767</b>  | <b>393,142,078</b>           | <b>29,621,335</b>       | <b>1,237,650,534</b>   | <b>1,652,309,623</b> | <b>1,017,023,406</b> |
| <b>Intangible (Educational Content/Products)</b> |                       |                           |                              |                        |                               |                     |                              |                         |                        |                      |                      |
| Software   |                       |                           |                              |                        |                               |                     |                              |                         |                        |                      |                      |
| - Acquired                                       | 1,280,165,077         | 80,142,479                | 40,307,037                   | 1,492,880,211          | 911,502,376                   | 218,590,195         | 40,284,300                   | 148,013,875             | 1,237,822,146          | 255,158,065          | 368,662,701          |
| - Internally Generated                           | 68,473,340            | 546,252,115               | -                            | 661,040,678            | 67,266,825                    | 59,938,565          | -                            | 5,144,377               | 132,349,767            | 528,690,911          | 1,206,515            |
| - Leased   | 6,678,514             | -                         | -                            | 8,479,002              | 742,057                       | 2,541,466           | -                            | 484,920                 | 3,768,443              | 4,710,559            | 5,936,457            |
| Patents  | 12,599,915            | -                         | -                            | 12,599,915             | 5,959,643                     | 1,551,300           | -                            | -                       | 7,510,943              | 5,088,972            | 6,640,272            |
| Goodwill on Consolidation                        | 2,105,696,906         | -                         | -                            | 2,668,239,118          | -                             | -                   | -                            | -                       | -                      | 2,668,239,118        | 2,105,696,906        |
| Goodwill   | 86,308,034            | -                         | -                            | 109,576,353            | 86,308,034                    | -                   | -                            | 23,268,319              | 109,576,353            | -                    | -                    |
| <b>Sub Total (b)</b>                             | <b>3,559,921,786</b>  | <b>626,394,594</b>        | <b>40,307,037</b>            | <b>4,952,915,277</b>   | <b>1,071,778,935</b>          | <b>282,621,526</b>  | <b>40,284,300</b>            | <b>176,911,491</b>      | <b>1,491,027,652</b>   | <b>3,461,887,625</b> | <b>2,488,142,851</b> |
| <b>Total (a+b)</b>                               | <b>5,813,972,702</b>  | <b>1,632,805,167</b>      | <b>462,130,088</b>           | <b>7,842,875,434</b>   | <b>2,308,806,445</b>          | <b>646,765,293</b>  | <b>433,426,378</b>           | <b>206,532,826</b>      | <b>2,728,678,186</b>   | <b>5,114,197,248</b> | <b>3,505,166,257</b> |
| <b>Previous Year</b>                             | <b>5,702,053,561</b>  | <b>512,656,886</b>        | <b>183,346,701</b>           | <b>5,813,972,702</b>   | <b>1,988,868,926</b>          | <b>529,355,790</b>  | <b>169,007,276</b>           | <b>(42,509,636)</b>     | <b>2,308,806,445</b>   | <b>3,505,166,257</b> | <b>475,836,882</b>   |

Capital Work in Progress  
(including Capital Advances)

**Notes:**

- (i) Gross Block of Building includes 10 shares of Rs. 50/- each in the Guru Vidya Co-operative Housing Society Ltd.
- (ii) Out of the total land as above, 25 acres of land amounting Rs. 6,521,625/- at Tehsil Behror, District Alwar is allotted for education purpose. This land cannot be transferred without the approval of the allotment authority.

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 (Contd.)

## Schedule

No.

### 7 INVESTMENTS

[Refer Notes 1(i), (v) and 15 on Schedule 23]

#### A Trade, Long Term Investments

(Amount in Rs.)

| Particulars   | As at<br>01.04.2008 | Dividend            | Share of<br>Profit/(Loss) in<br>associates | As at<br>31.03.2009  |
|---|---------------------|---------------------|--|----------------------|
| <b>In Associates</b>  |                     |                     |  |                      |
| Aesthetic Technologies Private Limited                        |                     |                     |  |                      |
| - Net Assets Value  | 9,108,462           | -                   | (132,918)                                  | 8,975,544            |
| NIIT Technologies Limited (formerly NIIT Investments Limited) |                     |                     |  |                      |
| - Capital Reserve   | (415,866,458)       | -                   | -  | (415,866,458)        |
| - Net Assets Value  | 1,278,844,191       | (94,207,620)        | 283,309,154                                | 1,467,945,725        |
| <b>Total Investment in Associates</b>                         | <b>872,086,195</b>  | <b>(94,207,620)</b> | <b>283,176,236</b>                         | <b>1,061,054,811</b> |

| Particulars   | As at 01.04.2008   | As at 31.03.2009     |
|---|--------------------|----------------------|
| <b>B Non - Trade short term investments</b>   |                    |                      |
| In mutual fund, debts and money market securities<br>[Fair market value as on 31st March, 2009<br>Rs. 6,387,334/- (Previous year Rs. 21,027,942/-)] | 20,300,000         | 5,300,000            |
| <b>C Others</b>   |                    |                      |
| Nil (Previous year 32,111) Equity Shares of Rs. 10/- each<br>fully paid-up in Mindshaper Technologies Pvt. Ltd.                                     | 3,544,789          | -                    |
| Less: Provision for diminution in the value of investment<br>(Refer Note 15(2)(b) on Schedule 23)   | (3,544,789)        | -                    |
| <b>Total A+B+C</b>  | <b>892,386,195</b> | <b>1,066,354,811</b> |

|  | As At<br>31st March 2009<br>(Rs.) | As At<br>31st March 2008<br>(Rs.) |
|--|-----------------------------------|-----------------------------------|
|--|-----------------------------------|-----------------------------------|

### 8 INVENTORIES

[Refer Note 1(vi) on Schedule 23]

|                                    |                   |                    |
|------------------------------------|-------------------|--------------------|
| Raw Material                       | 9,495,824         | 9,104,740          |
| Finished Goods                     |                   |                    |
| - Education and Training Material* |                   |                    |
| - Traded                           | 78,416,086        | 100,369,284        |
| - Manufactured                     | 5,236,334         | 83,652,420         |
| - Software**                       | 3,546,151         | 9,493,758          |
|                                    | <u>96,694,395</u> | <u>109,863,042</u> |
|                                    |                   | <u>7,388,289</u>   |
|                                    |                   | <u>126,356,071</u> |

#### Note :

\* Net of provision for non-moving inventories of Rs. 15,048,969/- (Previous year Rs. 5,233,078/-)

\*\* Net of provision for non-moving inventories of Rs. 12,436,982/- (Previous year Rs. 3,152,025/-)



## SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 (Contd.)

| Schedule No.  | As At<br>31st March 2009<br>(Rs.) | As At<br>31st March 2008<br>(Rs.) |
|---|-----------------------------------|-----------------------------------|
| <b>9 SUNDRY DEBTORS</b>   |                                   |                                   |
| [Unsecured]   |                                   |                                   |
| [Refer Notes 29(a) and 34 on Schedule 23]   |                                   |                                   |
| Outstanding over six months :   |                                   |                                   |
| - Considered good   | 684,911,532                       | 666,516,227                       |
| - Considered doubtful   | 830,832,158                       | 639,092,519                       |
| Other debts :   |                                   |                                   |
| - Considered good   | 2,218,786,586                     | 1,381,157,853                     |
| - Considered doubtful   | 16,981,344                        | 15,985,850                        |
|   | <u>3,751,511,620</u>              | <u>2,702,752,449</u>              |
| Less : Provision for Doubtful Debts   | 847,813,501                       | 655,078,369                       |
|   | <u><b>2,903,698,119</b></u>       | <u><b>2,047,674,080</b></u>       |
| <b>10 CASH AND BANK BALANCES</b>  |                                   |                                   |
| Cash and Cheques in Hand  | 298,538,750                       | 303,051,642                       |
| Balances with Banks in :  |                                   |                                   |
| - Current Accounts  | 389,807,134                       | 441,870,340                       |
| - Dividend Accounts   | 3,954,217                         | 3,989,953                         |
| - Fixed Deposit Accounts  | 54,299,162                        | 46,709,700                        |
| [(Includes Rs. 43,047,754/- (Previous year<br>Rs. 26,069,500/-) pledged as margin money)] |                                   |                                   |
| Exchange Earners' Foreign Currency Account  | 795,674                           | 626,714                           |
|   | <u><b>747,394,937</b></u>         | <u><b>796,248,349</b></u>         |
| <b>11 OTHER CURRENT ASSETS</b>  |                                   |                                   |
| (Unsecured, considered good)  |                                   |                                   |
| (Refer Notes 1(vii) and 25 on Schedule 23)  |                                   |                                   |
| Unexecuted Subscription   | -                                 | 131,243,073                       |
| Interest Receivable   | 13,761,167                        | 1,298,187                         |
| Unbilled Revenue (Net)  | 426,842,225                       | 168,037,803                       |
|   | <u><b>440,603,392</b></u>         | <u><b>300,579,063</b></u>         |

## SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 (Contd.)

| Schedule No.  |  | As At<br>31st March 2009<br>(Rs.) | As At<br>31st March 2008<br>(Rs.) |
|---|--|-----------------------------------|-----------------------------------|
| <b>12 LOANS &amp; ADVANCES</b>                                    |  |                                   |                                   |
| <b>(Unsecured, considered good except where otherwise stated)</b> |  |                                   |                                   |
| <b>[Refer Notes 1(xiv), (xvi), 10(b) and 18 on Schedule 23]</b>   |  |                                   |                                   |
|   | Loan to NIIT Education Society   | 3,500,000                         | 13,500,000                        |
|   | Loan to NIIT Institute of Information Technology                       | 436,300,000                       | 303,800,000                       |
|   | Deferred Expenses  |                                   |                                   |
|   | - Royalty  | 168,555,273                       | 158,469,839                       |
|   | - Commission   | 76,824,064                        | 71,109,541                        |
|   |  | <u>245,379,337</u>                | <u>229,579,380</u>                |
|   | Advances recoverable in cash or in kind<br>or for value to be received |                                   |                                   |
|   | - Considered Good  | 382,973,134                       | 417,092,537                       |
|   | - Considered Doubtful  | 13,105,659                        | 12,157,038                        |
|   |  | <u>396,078,793</u>                | <u>429,249,575</u>                |
|   | Less : Provision for Doubtful Advances                                 | 13,105,659                        | 12,157,038                        |
|   |  | <u>382,973,134</u>                | <u>417,092,537</u>                |
|   | Security Deposits  |                                   |                                   |
|   | - Considered Good  | 354,533,168                       | 290,059,261                       |
|   | - Considered Doubtful  | 733,449                           | 733,449                           |
|   |  | <u>355,266,617</u>                | <u>290,792,710</u>                |
|   | Less : Provision for Doubtful<br>Security Deposits                     | 733,449                           | 733,449                           |
|   |  | <u>354,533,168</u>                | <u>290,059,261</u>                |
|   | Advance payment of Fringe<br>Benefit Tax                               | 96,926,342                        | 67,027,623                        |
|   | Less: Provision for Fringe benefit Tax                                 | (95,018,742)                      | (65,001,033)                      |
|   |  | <u>1,907,600</u>                  | <u>2,026,590</u>                  |
|   | Advance Tax  | 598,958,547                       | 466,521,772                       |
|   | Less : Provision for Tax   | (525,464,100)                     | (420,235,176)                     |
|   |  | <u>73,494,447</u>                 | <u>46,286,596</u>                 |
|   | MAT Credit entitlement   |                                   |                                   |
|   | - Opening Balance  | 1,750,000                         | 13,724,220                        |
|   | - Reversal of MAT credit   | -                                 | (2,885,095)                       |
|   | - Created during the year  | -                                 | 25,543,761                        |
|   | - Utilised during the year   | -                                 | (34,632,886)                      |
|   |  | <u>1,750,000</u>                  | <u>1,750,000</u>                  |
|   |  | <u><b>1,499,837,686</b></u>       | <u><b>1,304,094,364</b></u>       |

SCHEDULES annexed to and forming part of the Consolidated Balance Sheet as at 31st March, 2009 (Contd.)

| Schedule<br>No.  | As At<br>31st March 2009<br>(Rs.) | As At<br>31st March 2008<br>(Rs.) |
|--|-----------------------------------|-----------------------------------|
| <b>13 CURRENT LIABILITIES</b>  |                                   |                                   |
| <b>(Refer Notes 1(vii), (xi), 6 and 25 on Schedule 23)</b>   |                                   |                                   |
| Sundry Creditors   | 2,412,298,106                     | 1,854,998,710                     |
| Advances from Customers  | 391,955,875                       | 173,403,946                       |
| Unearned Revenue   | 54,940,104                        | 96,792,595                        |
| Security Deposits  | 7,647,360                         | 7,636,411                         |
| Interest accrued but not due on Loans  | 24,443,975                        | 13,951,339                        |
| Deferred Revenue   | 1,018,151,677                     | 914,405,875                       |
| Unclaimed Dividend *   | 3,954,217                         | 3,989,953                         |
| Unclaimed Fractional Share Payment   | 236,652                           | 239,273                           |
| Other Liabilities  | 156,518,034                       | 120,341,630                       |
| Derivative Instrument Fair value Liability   | 52,310,874                        | 7,917,681                         |
| * There are no amounts due for payment to the Investor Protection Fund under section 205C of the Companies Act, 1956 as at the year end. |                                   |                                   |
|  | <u>4,122,456,874</u>              | <u>3,193,677,413</u>              |
| <b>14 PROVISIONS</b>   |                                   |                                   |
| <b>(Refer Notes 1(viii), (xvii), 9 and 29(b) on Schedule 23)</b>   |                                   |                                   |
| Proposed Dividend on Equity Shares   | 214,477,882                       | 214,113,722                       |
| Tax on Proposed Dividend   | 36,450,516                        | 36,388,628                        |
| Provision for Rent (Onerous Contracts)   | -                                 | 1,201,858                         |
| Provision for Gratuity   | 12,858,093                        | 9,917,590                         |
| Provision for Compensated Absences   | 181,275,598                       | 155,261,297                       |
|  | <u>445,062,089</u>                | <u>416,883,095</u>                |
| <b>15 MISCELLANEOUS EXPENDITURE</b>  |                                   |                                   |
| <b>(to the extent not written off or adjusted)</b>   |                                   |                                   |
| <b>(Refer Note 1(xv) on Schedule 23)</b>   |                                   |                                   |
| <b>PRELIMINARY EXPENSES</b>  |                                   |                                   |
| Opening Balance  | 1,106,937                         | 710,239                           |
| Add : Incurred during the year   | -                                 | 487,500                           |
| Less: Written off during the year  | (90,802)                          | (90,802)                          |
|  | <u>1,016,135</u>                  | <u>1,106,937</u>                  |

SCHEDULES annexed to and forming part of the Consolidated Profit and Loss Account for the year ended 31st March, 2009

| Schedule No.  | As At<br>31st March 2009<br>(Rs.) | As At<br>31st March 2008<br>(Rs.) |
|---|-----------------------------------|-----------------------------------|
| <b>16 REVENUE FROM OPERATIONS</b><br>[Refer Note 1 (vii) on Schedule 23]                              |                                   |                                   |
| Courseware Revenue  | 5,886,436,771                     | 5,114,930,936                     |
| Services Revenue  | 4,367,961,680                     | 3,905,712,557                     |
| Subscription Revenue  | 1,231,193,214                     | 1,047,639,578                     |
|   | <b>11,485,591,665</b>             | <b>10,068,283,071</b>             |
| <b>17 OTHER INCOME</b><br>[Refer Notes 1 (vii), (x), 15(2)(b) and 33 on Schedule 23]                  |                                   |                                   |
| Profit on sale of   |                                   |                                   |
| - Short Term Investments (Net)  | 559,757                           | 81,962                            |
| - Fixed Assets (Net)  | 93,760,212                        | -                                 |
| Profit on sale of long term non trade investments   | 6,500,000                         | 3,500,000                         |
| Provision/ Other Liabilities written back   | 45,059,903                        | 65,198,722                        |
| Gain on Exchange Fluctuation (Net)  | 44,230,728                        | -                                 |
| Miscellaneous   | 13,256,305                        | 4,691,769                         |
|   | <b>203,366,905</b>                | <b>73,472,453</b>                 |
| <b>18 PERSONNEL</b><br>[Refer Notes 1 (viii), (ix), 4, 8, 9, 26 and 28 on Schedule 23]                |                                   |                                   |
| Salaries and Benefits   | 3,161,365,895                     | 2,870,938,870                     |
| Contribution to retirement benefit funds  | 109,459,419                       | 107,941,429                       |
| Employees Stock Option Expenses/ (write back)   | (2,055,546)                       | (29,958)                          |
| Welfare and other expenses  | 70,615,037                        | 74,768,373                        |
|   | <b>3,339,384,805</b>              | <b>3,053,618,714</b>              |
| <b>19 DEVELOPMENT, PRODUCTION AND EXECUTION</b><br>[Refer Notes 1 (xvi), 4, 13 and 26 on Schedule 23] |                                   |                                   |
| Material Consumed:  |                                   |                                   |
| Opening Inventory   |                                   |                                   |
| - Raw material  | 9,104,726                         | 8,702,865                         |
| - Finished goods  | 9,493,758                         | 7,809,789                         |
|   | 18,598,484                        | 16,512,654                        |
| Add: Purchase of Material   | 153,677,826                       | 134,108,661                       |
| Less: Closing Inventory   |                                   |                                   |
| - Raw material  | 9,495,823                         | 9,104,726                         |
| - Finished goods  | 5,236,334                         | 9,493,758                         |
|   | 14,732,157                        | 18,598,484                        |
| Courseware and Manuals  | 157,544,153                       | 132,022,831                       |
| Bought out Packages/ Products   | 826,834,315                       | 695,388,617                       |
| Course Execution Charges  | 292,186,236                       | 235,299,281                       |
| Professional Charges  | 713,355,067                       | 339,226,434                       |
| Equipment Hiring  | 661,956,426                       | 643,110,687                       |
| Royalties   | 151,119,456                       | 123,758,822                       |
| Freight and Cartage   | 1,337,759,501                     | 1,309,882,017                     |
| Others  | 132,552,928                       | 114,756,665                       |
|   | 8,236,499                         | 22,229,385                        |
|   | <b>4,281,544,581</b>              | <b>3,615,674,739</b>              |

SCHEDULES annexed to and forming part of the Consolidated Profit and Loss Account for the year ended 31st March, 2009 (Contd.)

| Schedule No. |   | As At<br>31st March 2009<br>(Rs.) | As At<br>31st March 2008<br>(Rs.) |
|--------------|---|-----------------------------------|-----------------------------------|
| <b>20</b>    | <b>ADMINISTRATION AND OTHERS</b>  |                                   |                                   |
|              | [Refer Notes 1(x), (xi), (xii), (xv),<br>4, 6, 7, 26, 29 and 31 on Schedule 23] |                                   |                                   |
|              | Rent (net of recoveries)  | 446,145,337                       | 345,880,360                       |
|              | Rates and Taxes   | 23,072,387                        | 20,021,248                        |
|              | Electricity and Water   | 126,190,511                       | 125,280,900                       |
|              | Communication   | 120,253,448                       | 116,612,036                       |
|              | Legal and Professional  | 178,917,806                       | 185,143,227                       |
|              | Traveling and Conveyance  | 428,714,174                       | 419,048,852                       |
|              | Bad debts and provision for<br>doubtful debts                                   | 157,040,477                       | 77,296,654                        |
|              | Less: Provision for doubtful debts<br>written back                              | -                                 | (8,570,978)                       |
|              | Provision for doubtful advances   | 384,400                           | 2,677,110                         |
|              | Advances Written off  | 2,116,456                         | 1,507,283                         |
|              | Insurance Premium   | 24,299,914                        | 25,059,464                        |
|              | Repairs and Maintenance:  |                                   |                                   |
|              | - Plant and Machinery   | 78,397,450                        | 70,665,649                        |
|              | - Buildings   | 15,928,519                        | 11,838,407                        |
|              | - Others  | 45,773,668                        | 43,893,560                        |
|              | Loss on exchange fluctuation (Net)  | -                                 | 627,108                           |
|              | Loss on Sale of Fixed Assets (Net)  | -                                 | 4,716,680                         |
|              | Security and Administration Services  | 44,719,602                        | 38,977,216                        |
|              | Miscellaneous expenditure written off   | 90,802                            | 90,802                            |
|              | Sundry Expenses   | 92,928,498                        | 76,718,950                        |
|              |   | <b>1,784,973,449</b>              | <b>1,557,484,528</b>              |
| <b>21</b>    | <b>SELLING &amp; MARKETING</b>  |                                   |                                   |
|              | [Refer Notes 1(xvi) and 4 on Schedule 23]                                       |                                   |                                   |
|              | Advertisement and Publicity   | 611,854,276                       | 581,862,557                       |
|              | Sales Commission  | 214,972,594                       | 184,086,567                       |
|              | Discount  | 137,556                           | 772,282                           |
|              | Others  | 67,301,097                        | 39,608,492                        |
|              |   | <b>894,265,523</b>                | <b>806,329,898</b>                |

SCHEDULES annexed to and forming part of the Consolidated Profit and Loss Account for the year ended 31st March, 2009 (Contd.)

| Schedule No.   | As At<br>31st March 2009<br>(Rs.) | As At<br>31st March 2008<br>(Rs.) |
|--|-----------------------------------|-----------------------------------|
| <b>22 INTEREST AND FINANCE CHARGES</b>                         |                                   |                                   |
| <b>[Refer Notes 1 (xii), (xiii), 10 and 31 on Schedule 23]</b> |                                   |                                   |
| Bank, Discounting and Other Financial Charges                  | 59,059,802                        | 19,368,830                        |
| Interest Expense:  |                                   |                                   |
| - Fixed Loans  | 173,017,998                       | 151,331,812                       |
| - Non Convertible Debentures                                   | 31,160,959                        | -                                 |
| - Others   | 38,775,756                        | 38,972,841                        |
|  | <u>242,954,713</u>                | <u>190,304,653</u>                |
| Less : Interest Received (Gross) :                             |                                   |                                   |
| - Deposits   | (5,455,552)                       | (5,330,120)                       |
| - Loans  | (47,792,461)                      | (26,423,760)                      |
| - Others   | (1,020)                           | (4,315)                           |
|  | <u>(53,249,033)</u>               | <u>(31,758,195)</u>               |
|  | <u>189,705,680</u>                | <u>158,546,458</u>                |
|  | <u><b>248,765,482</b></u>         | <u><b>177,915,288</b></u>         |

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009

### 1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared to comply in all material aspects with the applicable accounting principles in India, the applicable Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956 on an accrual basis, under historical cost convention. The disclosure requirements of Schedule VI of the Companies Act, 1956, have been complied with to the extent applicable. The significant accounting policies adopted by the Group are detailed below:

#### i. Basis of consolidation

The consolidated financial statements include accounts of NIIT Limited, its subsidiary companies and associates ("The Group") (Refer Note 15 below). Subsidiary companies are those companies in which NIIT Limited, directly or indirectly, has an interest of more than one half of the voting power or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All material inter-company transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated. Consistency in adoption of accounting policies among all Group companies is ensured to the extent practicable. Separate disclosure is made for minority interests.

Investments in associates (entities over which the company exercises significant influence) are accounted for using the equity method.

#### ii. Fixed Assets, Depreciation and Amortisation

Fixed Assets are stated at acquisition cost except where fixed assets are taken over pursuant to an acquisition at a consolidated price. Individual fixed assets taken over pursuant to acquisition are recorded at their fair value on the date of acquisition based on valuation carried out by independent valuers.

Expenses incurred on internal development of courseware and products are capitalised either individually or as a knowledge bank in the form of software, once their technical feasibility and ability to generate future economic benefits is established in accordance with the requirements of Accounting Standard 26 "Intangible Assets" as notified under section 211(3C) of the Companies Act, 1956. Expenses incurred during the research phase till the establishment of commercial feasibility is charged to the Profit and Loss Account.

Depreciation and amortisation is provided on a pro-rata basis on the straight-line method over the estimated useful lives of the assets determined as follows:

|   |  |
|---|--|
| Buildings   | 58 years   |
| Leasehold Improvements  | 3-5 years or lease period, whichever is lower                  |
| Computers, Printers and related accessories (Included under Plant & Machinery)          | 2-5 years  |
| Office Equipment and Electronic Equipments  | 8 years  |
| Air Conditioners  | 10 years   |
| Furniture, Fixtures and Vehicles  | 7-10 years   |
| Assets under employee benefits scheme except vehicles                                   | 3 years  |
| Assets acquired under lease (Included under Plant & Machinery and Furniture & Fixtures) | Lease Period   |
| Computer Software, Educational Contents, Products and Patents (Intangibles)             | 3-5 years  |
| Goodwill (other than arising on consolidation - Refer note iv below)                    | 5 years  |
| All other assets  | Rates prescribed under schedule XIV to the Companies Act, 1956 |

**SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)**

Fixed Assets purchased for utilisation and implementing the contractual obligations with the customers under the project are depreciated over the period of contract.

Further, educational content, computer systems and software are technically evaluated each year for their useful economic life and the unamortised depreciable amount of the asset is charged to Profit and Loss Account as depreciation/ amortisation over their revised remaining useful life.

**iii. Impairment of Assets**

All assets other than inventories, investments and deferred tax assets are reviewed for impairment, wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount.

**iv. Goodwill on Consolidation**

The excess/ deficit of the cost of the investment in its subsidiaries over its share of net worth (residual interest in the assets of the subsidiaries after deducting all its liabilities) of the subsidiaries at the date of investment in the subsidiaries is treated as Goodwill/ Capital Reserve in the consolidated financial statements. The value of Goodwill arising on consolidation is reviewed for impairment at the end of each accounting year.

**v. Investments**

Long-term investments other than those in associates are valued at their acquisition cost. Any decline in the value of the said investments, other than a temporary decline, is recognised and charged to Profit and Loss Account. Short-term investments are carried at cost or their market value, whichever is lower. Investments in associates are accounted for based on equity method in accordance with provisions of Accounting Standard 23 as notified by Section 211(3C) of the Companies Act, 1956.

**vi. Inventories**

Inventories are valued at lower of cost or net realisable value. Cost is determined using weighted average method or FIFO, as the case may be, and includes applicable costs incurred in bringing inventories to their present location and condition.

**vii. Revenue Recognition**

The revenue in respect of sale of courseware including technical information and reference material and other goods are recognised on dispatch/ delivery of the material to the customer whereas the revenue from the tuition activity is recognised over the period of the course programmes or as per the terms of agreement, as the case may be.

The revenue from time and material contracts is recognised on a man month basis. In respect of fixed price contracts, including certain contracts requiring significant usage of contents capitalised as education software relating to courseware and products (Intellectual Property Rights), revenue is recognised based on the technical evaluation of utilisation of courseware and products and as per the proportionate completion method. The foreseeable losses on completion of contract, if any, are provided for. Revenue from education delivery also included under fixed price contracts is recognised over the period of the respective contracts.

Revenue derived pursuant to content hosted on customers' server for a definite period is recognised on delivery of the content. Subscription fee for content hosted on the companies server is billed on the respective invoicing dates as per the agreement and revenue for the same is recognised ratably over the term of the subscription.

Deferred Revenue represents unamortised amounts billed to customers in advance for products, services or subscriptions.

Revenue from recruitment services is recognised on placement of candidate with the client as per the terms of the contract. Revenue from assessment of personnel is recognised on completion of the assessment as per the terms of the contract.

Revenue is net of discounts and applicable taxes.



**SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)**

Dividend income is recognised when the right to receive dividend is established. Interest income is recognised on accrual basis.

**viii. Employee Benefits****Gratuity**

NIIT provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Company's liability is actuarially determined at the end of the year using projected unit credit method. Shortfall in the fund size maintained by the trust set up by the Company with Life Insurance Corporation of India for employees of certain entities within the group is additionally provided for.

Liability for certain entities which are not funded through trust maintained with Life Insurance Corporation of India, is actuarially determined and provided for.

Actuarial gains, if any are recognised in the Profit and Loss Account and disclosed as an asset in the Balance Sheet.

**Compensated Absences**

Liability in respect of compensated absences is provided for both encashable leave and those expected to be availed. The Group has defined benefit plans for compensated absences for employees, the liability for which is determined on the basis of an actuarial valuation at the end of the year using projected unit credit method. Any gain or loss arising out of such valuation is recognised in the Profit and Loss Account as income or expense as the case may be.

**Superannuation**

The Group makes defined contribution, in respect of employees based in India, to the trust established for the purpose by the Parent Company towards superannuation fund maintained with Life Insurance Corporation of India. Contribution made during the year is charged to Profit and Loss Account.

**Provident Fund**

The Group makes contribution to the "NIIT LIMITED EMPLOYEES' PROVIDENT FUND TRUST" for certain entities in India, which is a defined benefit plan to the extent that the Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. The Company's obligation in this regard is actuarially determined and provided for if the circumstances indicate that the trust may not be able to generate adequate returns to cover the interest rates notified by the Government. The Company's contribution towards Provident Fund is charged to Profit & Loss Account.

For other entities, Provident Fund contributions are made to the Regional Provident Fund Commissioner in accordance with the Employee Provident Fund rules and are accounted as defined contribution plans.

**Pension Fund**

The Group makes defined contribution in respect of employees based in India, to a government administered pension fund. The Company's contribution towards Employee Pension Scheme is charged to Profit & Loss Account.

**Overseas Plans**

In respect of the Companies incorporated outside India, where applicable, the companies make defined contributions on a monthly basis towards the respective retirement plans which are charged to Profit and Loss Account. These Companies have no further obligation towards the respective retirement benefits.

**ix. Employees Stock Option Plan (ESOP)**

The stock options granted under "NIIT Employee Stock Option Plan 2005" are accounted for as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999, issued by Securities and Exchange Board of India, whereby the intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its

**SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)**

exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Profit and Loss Account on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and credit to deferred employee compensation expense equal to the unamortised portion. The balance in employee stock option outstanding account, net of any un-amortised deferred employee compensation, is shown separately as part of shareholders' funds.

**x. Foreign Currency Transactions/ Translation**

Transactions in foreign currency (currency other than companies' reporting currency) are booked at standard rates determined periodically, which approximates the actual rate, and all monetary assets and liabilities in foreign currency are restated at the end of the accounting year. Gain/ Loss arising out of fluctuations on realisation/ payment or restatement is credited/ charged to the Profit and Loss Account.

Foreign Currency assets/ liabilities covered by forward contracts are stated at the forward contract rate and difference between the forward rate and the exchange rate at the inception of the forward contract is recognised to the Profit and Loss Account over the life of the contract except to the extent on which accounting policy on derivative instruments and hedge accounting as detailed in (xi) below and further explained in note 6 below.

For the purposes of consolidation, in case of subsidiaries for which operations are considered as non-integral in nature, the assets and liabilities are translated at the year-end exchange rate and income and expenditure items are translated at predetermined rates that approximate the exchange rate prevailing on the date of the transaction. The resultant translation adjustment is reflected as a separate component of Shareholders' Funds as 'Currency Translation Reserve'. Upon dissolution/ disposal of non-Indian subsidiaries, the balance in Currency Translation Reserve in relation to those subsidiaries is transferred to Profit and Loss Account.

In case of subsidiaries for which operations are integral in nature, financial statements are translated as if all its transactions had been entered into by the parent company itself. Non monetary assets and income and expenditure items are translated at the rates that approximate the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities are translated at year-end exchange rate. The resultant translation adjustment is charged to the Profit and Loss Account.

**xi. Derivative Instruments and Hedge Accounting**

In accordance with its Risk management policies and procedures, the Group uses derivative instruments such as foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions. The derivatives that qualify for hedge accounting and designated as cash flow hedges are initially measured at fair value and are remeasured at a subsequent reporting date and the changes in the fair value of the derivatives i.e. gain or loss (net of tax impact) is recognised directly in Shareholders' Funds under hedging reserve to the extent considered highly effective. Gain or loss on derivative instruments that either does not qualify for hedge accounting or not designated as cash flow hedges or designated cash flow hedges to the extent considered ineffective are recognised in the Profit and Loss Account.

Hedge accounting is discontinued when the hedging instrument expires, sold, terminated, exercised or no longer qualifies for hedge accounting. The cumulative gain or loss on the hedging instrument recognised in Shareholders' Funds under hedging reserve is retained there until the forecasted transaction occurs subsequent to which the same is adjusted against the related transaction. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in Shareholders' Fund is transferred to Profit and Loss Account in the same period.

**xii. Leases**

The Lease rental in respect of operating lease arrangements are charged to expense when due as per the terms of the related agreement.

**SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)**

Finance lease transactions are considered as financing arrangements in accordance with Accounting Standard 19 and the leased asset is capitalised at an amount equal to the present value of future lease payments and a corresponding amount is recognised as a liability. The lease payments made are apportioned between finance charges and reduction of outstanding liability in relation to the leased asset.

**xiii. Borrowing Cost**

Borrowing costs are recognised in the Profit and Loss Account in the period in which it is incurred, except where the cost is incurred during the construction of an asset that takes a substantial period to get ready for its intended use in which case it is capitalised. Ancillary costs in connection with the arrangement of borrowings are amortised over the period of respective loan.

**xiv. Taxation**

Tax expense, comprising of both current tax (including fringe benefits tax) and deferred tax is included in determining the net results for the year. Deferred tax reflects the effect of timing differences between the assets and liabilities recognised for financial reporting purposes and the amounts that are recognised for current tax purposes. As a matter of prudence deferred tax assets are recognised and carried forward only to the extent, there is reasonable/ virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Current tax (including fringe benefits tax, where applicable) is determined based on the provisions of the Income Tax Laws of the respective countries. Minimum Alternate Tax (MAT) paid in excess of normal income tax is recognised as asset (MAT Credit entitlement) only to the extent, there is reasonable certainty that the Company shall be liable to pay tax as per the normal provisions of the Act in future. MAT Credit is utilised in the year when normal income tax is higher than the Minimum Alternate Tax (MAT).

**xv. Miscellaneous Expenditure (to the extent not written off or adjusted)**

Preliminary Expenses are written off over a period of 5 to 10 years of commencement of commercial operation of the concerned subsidiary.

**xvi. Deferred Charges**

Deferred royalties, sales commissions and referral fees are amortised over the term of the license or subscription associated with the related revenue.

**xvii. Provisions and Contingencies**

The Group creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made. Further, the proportionate share of contingent liabilities of associate companies are recognised as per the provisions of Accounting Standard 23 as notified under section 211(3C) of the Companies Act, 1956.

Disclosure of show cause notices are made on merits of the matters where management foresees possibilities of outflow of resources.

**2. CONTINGENT LIABILITIES**

- i. Guarantees issued to bankers outstanding at the end of accounting year Rs. 29,924,812/- (Previous year Rs. 44,853,381/-).
- ii. Corporate Guarantee Rs. 150,000,000/- given on behalf of NIITian Welfare Trust for loan availed by Trust (Previous year Rs. 150,000,000/-).
- iii. Corporate Guarantee Rs. 178,014,900/- [USD 3.5 Million (Net of Loan outstanding USD 29.50 Million)] given to ICICI Bank on behalf of NIIT (USA) Inc. (Previous year Rs. 140,213,850/-) [(USD 3.5 Million (Net of Loan outstanding USD 36.50 Million)]. (Refer Note 5(vii)(b) below).
- iv. Guarantees issued to bankers outstanding at the end of accounting year Rs. 208,874,229/- (Previous year Rs. 216,531,068/-).

**SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)**

- v. Corporate Guarantees outstanding at the end of accounting year Rs. 142,871,864/- (Previous year Rs. 125,505,640/-).
- vi. Claims against the Group not acknowledged as debts Rs. 83,527,765/- (Previous year Rs. 82,329,765/-).
- vii. Sales Tax 'C' forms outstanding Nil (Previous year Rs. 5.28 Lacs)
- viii. Andhra Pradesh works contract tax demand Rs. 74,601,827/- (Previous year Rs. 81,080,962/-). Management does not foresee any financial implication based on the advice of the legal consultant.
- ix. Service Tax demand amounting to Rs. 104.89 Lacs (Previous year Nil) and equal amount of penalty i.e. Rs 104.89 Lacs (Previous year Nil) raised by Commissioner of Service Tax, Delhi. Management does not foresee any financial implication based on the advice of the legal consultant.
- x. In case of leasehold land, finance charges including interest amounting to Rs. 10,243,144/- (Previous year Rs. 10,243,144/-) demanded by Greater Noida Industrial Development Authority on account of installment payment on land not acknowledged as debt.
- xi. The transfer pricing analysis in relation to transactions between two foreign subsidiaries, subsequent to August 02, 2006 is under process. Management does not foresee any financial implication on these statements of accounts upon completion of such analysis.

In respect of the transactions for the period prior to August 02, 2006, any implications arising out of the tax assessment, the Company is indemnified by the seller or its representatives, and therefore, does not expect any impact on the future profitability and cash out flows.

- 3. Estimated amount of contracts remaining to be executed on capital account (Net of advances) not provided for Rs. 315,834,043/- (Previous year Rs. 483,547,618/-).
- 4. Certain common resources are shared by the Group and NIIT Technologies Limited and its subsidiaries (NTL Group). This resulted in the Group recovering Rs. 8,880,084/- (Previous year Rs. 18,514,825/-) from NTL Group and NTL Group recovering Rs. 15,936,732/- (Previous year Rs. 42,774,724/-) from the Group which have been included/ netted off against the relevant head in the Profit and Loss Account viz. Personnel, Development, Production and Execution, Administration & Others and Marketing Expenses.
- 5. i). Working Capital Limits are secured by hypothecation of stocks and book debts of the Parent Company. The Group has utilised the cash credit (fund-based) limits to the extent of Rs. 144,879,748/- (Previous year 266,064,710/-) as at year end.
  - ii). In case of Parent Company, Rupee Term Loan from bank is secured by way of first charge created on all movable assets, both present and future and specified immovable properties, subject to first charge created on stocks and book debts of the Parent Company in respect of working capital limits above.
  - iii). 12% Non convertible Debentures issued to Life Insurance Corporation of India are secured by way of first charge on pari passu basis on the immovable and movable fixed assets of the Parent Company.
  - iv). 11.25% Non convertible Debentures issued to Indian Overseas Bank are also required to be secured by way of first charge on pari passu basis on the immovable and movable fixed assets of the Parent Company. The process of creation of charge in respect of such debentures is under process, as at the year end.
  - v). NIIT (USA) Inc. had entered into an Agreement with ICICI Bank Limited and its affiliates on January 27, 2008 for a loan of Rs. 254,307,000/- (USD 5 million) towards working capital requirements. The loan had an initial validity period of 1 year with interest payable quarterly and the validity of the loan was extended during the year, for another year. The loan is secured by a Corporate Guarantee by NIIT Limited, the Parent Company.
  - vi). During the year, Element K has received a working capital line of credit from the Bank of West for a total of Rs. 152,584,200/- (USD 3 million) with a present validity till October 31, 2009. The line of credit of Element K is covered by a Stand by Letter of Credit issued by BNP Paribas in favor of Bank of West, USA on behalf of the Parent Company. The outstanding balance under the line of credit is Rs. 75,826,413/- (USD 1.5 Million) as at the year end.

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

- vii). Other Term Loan is secured by
- First pari-passu charge over (or with respect to the Company's assets located in the United States, a first priority perfected security interest in) all the present and future immovable and movable assets of NIIT (USA) Inc., USA.
  - A corporate guarantee extended by the Parent Company [Refer Note 2(iii)].
  - Scantech Evaluation Services Limited, a wholly owned subsidiary of the Parent Company has also created a negative lien on the shares of NIIT Technologies Limited held by it. As at the year end, the Company is in the process of completing the formalities for pledge of shares.
- viii). Vehicle loans from banks are secured by way of hypothecation of the vehicles financed.

### 6. DERIVATIVE INSTRUMENTS

- a) The following table summarises the movement in designated forward covers during the current year:

| Particulars                                 | Designated Forward Covers (USD Mn.) |
|---|-------------------------------------|
| Opening Balance as at beginning of the year | 13.25                               |
| Additions during the Current year           | 9.75                                |
| Matured during the year                     | 12.50                               |
| Closing Balance as at end of the year       | 10.50                               |

During the current year, Loss of Rs. 823 Lacs has been debited to Revenue account on maturity of the designated forward covers and Rs. 523 Lacs have been debited to Hedging Reserve Account on the designated forward covers outstanding as at the year end.

- b) Mark to Market loss on undesignated forward covers amounting to Rs. 524 Lacs has been recognised as loss on exchange fluctuation in the Profit & Loss Account.

### 7. PAYMENT TO AUDITORS

- a) Payment to Parent Company auditors:

| Particulars                                       | Year Ended<br>March 31, 2009<br>(Rs.) | Year Ended<br>March 31, 2008<br>(Rs.) |
|---|---------------------------------------|---------------------------------------|
| Audit fee   | 9,670,640                             | 14,026,094                            |
| Tax Audit fees                                    | 727,231                               | 840,814                               |
| Others  | 2,847,835                             | 2,571,143                             |
| Reimbursement of expenses (including Service Tax) | 2,602,665                             | 3,944,398                             |

- b) Payment to other auditors amounting to Rs. 5,039,413/- (Previous year Rs. 5,047,707/-)

### 8. EMPLOYEES STOCK OPTION SCHEME

During the year 2005-06, the Parent Company had established NIIT Employee Stock Option Plan 2005 "ESOP 2005" and the same was approved at the General Meeting of the Company held on May 18, 2005. The plan was set up so as to offer and grant, for the benefit of employees (excluding promoters) of the Parent Company, who are eligible under "Securities Exchange Board of India (SEBI) (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999", options of the Company in aggregate up to 1,925,000 options under ESOP 2005, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board, in accordance with the provisions of law or guidelines issued by the relevant authorities in this regard. As per the plan, each option is exercisable for one equity share of face value of Rs. 10/- each (Rs. 2/- each post bonus and split) fully paid up on payment to the Parent Company, for such shares, at a price to be determined in accordance with ESOP 2005.

During the previous year, the Parent Company had issued bonus shares in the ratio of 1:2 i.e. one additional equity share for every two equity shares and also sub-divided 1 equity share of Rs. 10 each into 5 equity shares

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

of Rs. 2 each fully paid up as on the record date. ESOP information is therefore given for the number of shares after sub division and bonus issue and previous year information has been restated accordingly.

The summary of options granted is as follows:

| Particulars  | Grant I         |                 | Grant II        |                 | Grant III     |               | Grant IV*     |
|--|-----------------|-----------------|-----------------|-----------------|---------------|---------------|---------------|
|  | 2008-2009       | 2007-2008       | 2008-2009       | 2007-2008       | 2008-2009     | 2007-2008     | 2008-2009     |
| Date of Grant  | August 02, 2005 | August 02, 2005 | August 11, 2005 | August 11, 2005 | June 05, 2007 | June 05, 2007 | July 28, 2008 |
| Date of Vesting  | August 02, 2006 | August 02, 2006 | August 11, 2006 | August 11, 2006 | June 05, 2008 | June 05, 2008 | July 28, 2009 |
| Live options at the beginning of the year (Nos.)                 | 667,180         | 799,373         | 34,125          | 34,125          | 750,000       | 862,500       | -             |
| Granted during the year (Nos.)                                   | -               | -               | -               | -               | -             | -             | 1,282,050     |
| Forfeited/ lapsed till vesting period (Nos.)                     | -               | -               | -               | -               | -             | 112,500       | 7,500         |
| Options Vested (Nos)   | -               | -               | -               | -               | -             | -             | -             |
| Forfeited/ lapsed post vesting (Nos)                             | 294,627         | 3,375           | -               | -               | 302,121       | -             | -             |
| Options exercised (Nos)  | 280,123         | 128,818         | -               | -               | -             | -             | -             |
| Outstanding/ exercisable at the end of the year (Nos)            | 92,430          | 667,180         | 34,125          | 34,125          | 447,879       | 750,000       | 1,274,550     |
| Exercise Price (Rs.)   | 24.00           | 24.00           | 31.60           | 31.60           | 121.62        | 121.62        | 88.70         |
| Remaining Contractual Life (Days)                                | 123             | 488             | 132             | 497             | 795           | 1,160         | 1,214         |
| Fair value of the options based on Black and Scholes Model (Rs.) | 13.15           | 13.15           | 9.63            | 9.63            | 37.23         | 37.23         | 32.09         |
| Intrinsic Value of the options granted (Rs.)                     | 7.35            | 7.35            | -               | -               | -             | -             | -             |

\*During the year, the Compensation/ Remuneration Committee at its meeting held on July 28, 2008 has approved 170,940 options (1,282,050 options post Bonus and split) (Grant-IV) out of the options under ESOP 2005, to Senior Managerial Personnel of the Group.

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

The assumptions used by independent valuers, for determination of fair value of a share of Rs. 10/- each fully paid up as per the Black & Scholes Model are as follows:

| Particulars                            | Grant I        | Grant II       | Grant III | Grant IV |
|--|----------------|----------------|-----------|----------|
| Market price considered (Rs.)          | 235.15         | 237            | 912.15    | 665.25   |
| Exercise price (Rs.)                   | 180            | 237            | 912.15    | 665.25   |
| Dividend yield                         | Not considered | Not considered | 2.79%     | 2.04%    |
| Volatility                             | 14%            | 14%            | 45.47%    | 51.81%   |
| Average life of the options (in years) | 2.5            | 2.5            | 2.5       | 2.5      |
| Risk free rate                         | 7%             | 7%             | 7.93%     | 9.24%    |

Other information regarding employee share based payment in respect of Parent Company is as below:

(Amount in Rs.)

| Particulars   | Grant I |         | Grant II |         | Grant III |            | Grant IV   |
|---|---------|---------|----------|---------|-----------|------------|------------|
|   | 2008-09 | 2007-08 | 2008-09  | 2007-08 | 2008-09   | 2007-08    | 2008-09    |
| Expense amortised during the year on the basis of intrinsic value of the options                        | -       | -       | -        | -       | -         | -          | -          |
| Less: Amount attributable to employees of the subsidiaries  | -       | -       | -        | -       | -         | -          | -          |
| Expense accounted for during the year   | -       | -       | -        | -       | -         | -          | -          |
| Additional expense had the parent company recorded the ESOP expense based on fair value of the options. | -       | -       | -        | -       | 4,972,945 | 22,952,055 | 27,677,744 |

Other Subsidiaries have granted stock options to its employees. Information regarding employee share based payments is as below:

### Element K Corporation

(Amount in Rs.)

| Particulars   | Tranche 1                | Tranche 2              |
|---|--------------------------|------------------------|
| Expense amortised during the year on the basis of intrinsic value of the options                  | -                        | -                      |
| Additional expense had Element K recorded the ESOP expense based on the fair value of the options | 2,235,207<br>(3,705,219) | 3,369,206<br>(248,225) |

### NIIT Institute of Finance Banking and Insurance Training Limited ("NIFBIT")

(Amount in Rs.)

| Particulars   | Tranche 1        |
|---|------------------|
| Expense amortised during the year on the basis of intrinsic value of the options                | -                |
| Additional expense had NIFBIT recorded the ESOP expense based on the fair value of the options. | 164,891<br>(Nil) |

For impact on basic and diluted EPS, had fair value of the option been used for determining ESOP expense, refer Note 30 below.

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

### 9. Employee Benefits

#### Retirement Benefit Plans

##### A) Defined Contribution Plans

The Group makes contribution towards Provident Fund, Superannuation Fund and Pension Scheme to the defined contribution plans for eligible employees.

The Group has charged the following costs in the Profit and Loss Account:-

|  | As at March<br>March 31, 2009<br>(Rs. Lacs) | As at March<br>March 31, 2008<br>(Rs. Lacs) |
|--|---|---|
| • Employers Contribution to Provident Fund Trust | 306.49                                      | 270.54                                      |
| • Employers Contribution to Superannuation Fund  | 104.15                                      | 110.61                                      |
| • Employers Pension Scheme                       | 322.04                                      | 217.77                                      |
| • Contribution to 401(K) plans                   | 224.42                                      | 227.08                                      |

##### B) Defined Benefit Plans

###### 1. Provident Fund

In respect of Company's obligation towards guaranteed returns on Provident Fund Contributions made to the NIIT Limited Employees Provident Fund Trust as the overall interest earnings and cumulative surplus are more than the statutory requirements, there is no liability of employer for the year ended March 31, 2009. Therefore, no provision for the year has been recommended by the actuary.

###### 2. Compensated Absences

|  | As at March<br>March 31, 2009<br>(Rs. Lacs) | As at March<br>March 31, 2008<br>(Rs. Lacs) |
|--|---|---|
| i) <b>Change in Present value of Obligation</b>                    |   |   |
| <b>Present value of obligation as at the beginning of the year</b> | <b>1,552.62</b>                             | <b>1,294.10</b>                             |
| Present value of obligation on the date of acquisition             | -   | 7.28  |
| Interest Cost  | 7.93  | -   |
| Current service cost **  | 293.90                                      | 289.18                                      |
| Benefits Paid  | (20.03)                                     | (16.21)                                     |
| Actuarial (gain)/ loss on Obligations                              | (21.66)                                     | (21.73)                                     |
| <b>Present value of obligation as at the end of the year</b>       | <b>1,812.76</b>                             | <b>1,552.62</b>                             |

\*\* Current service cost is gross of recoveries/ (net of credits) from/ (to) other entities Rs. (12.21) lacs (Previous year Rs 3.90 Lacs)

###### ii) Principal actuarial assumptions used in accounting for Compensated Absences:-

###### For entities in USA:

|                           |       |       |
|---------------------------|-------|-------|
| Discount Rate (per annum) | 6.00% | 6.00% |
| Future Salary Increase    | 3.00% | 3.00% |

###### For entities in Malaysia:

|                           |       |        |
|---------------------------|-------|--------|
| Discount Rate (per annum) | 7.50% | 7.50%  |
| Future Salary Increase    |       |        |
| - For First 5 Years       | 7.65% | 10.00% |
| - Thereafter              | 7.65% | 7.00%  |



## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

|   | As at March<br>March 31, 2009 | As at March<br>March 31, 2008 |
|---|-------------------------------|-------------------------------|
| <b>For entities in Netherlands:</b>   |                               |                               |
| Discount Rate (per annum)   | 8.00%                         | 8.00%                         |
| Future Salary Increase  |                               |                               |
| - For First 5 Years   | 5.00%                         | 10.00%                        |
| - Thereafter  | 5.00%                         | 7.00%                         |
| <b>For Evolv Services Limited:</b>  |                               |                               |
| Discount Rate (per annum)   | 8.00%                         | 8.00%                         |
| Future Salary Increase  | 5.50%                         | 5.50%                         |
| <b>Other than entities in USA, Malaysia, Netherlands and Evolv Services Ltd.:</b> |                               |                               |
| Discount Rate (per annum)   | 8.00%                         | 8.00%                         |
| Future Salary Increase  |                               |                               |
| - For First 5 Years   | 10.00%                        | 10.00%                        |
| - Thereafter  | 7.00%                         | 7.00%                         |

Note: There are few subsidiaries for which the actuarial valuation was not considered necessary in the previous year as the number of employees in these subsidiaries were not significant.

### 3. Gratuity Funds

In accordance with Accounting Standard 15 (revised 2005), an actuarial valuation was carried out in respect of Gratuity.

#### I. Funded

|  | As at March<br>March 31, 2009<br>(Rs. Lacs) | As at March<br>March 31, 2008<br>(Rs. Lacs) |
|--|---|---|
| <b>i. Change in present value of Obligation:</b>                               |   |   |
| <b>Present value obligation as at beginning of the year</b>                    | <b>652.27</b>                               | <b>461.39</b>                               |
| Add: Transferred from Non- Funded  | -   | 0.14  |
|  | <u>652.27</u>                               | <u>461.53</u>                               |
| Interest cost  | 52.18                                       | 36.92                                       |
| Current service cost   | 100.26                                      | 75.41                                       |
| Benefits Paid  | (91.49)                                     | (101.96)                                    |
| Actuarial (gain)/ loss on Obligations  | 34.96                                       | 180.37                                      |
| <b>Present value of Obligation as at the year end</b>                          | <b>748.18</b>                               | <b>652.27</b>                               |
| <b>ii. Change in Plan Assets:</b>  |   |   |
| <b>Fair value of Plan Assets as at beginning of the year</b>                   | <b>605.53</b>                               | <b>495.63</b>                               |
| Expected return on Plan Assets   | 56.62                                       | 45.10                                       |
| Contributions  | 117.17                                      | 167.16                                      |
| Benefits Paid  | (91.49)                                     | (101.96)                                    |
| Actuarial gain/ (loss) on Obligations  | (2.44)                                      | (0.40)                                      |
| <b>Fair value of Plan Assets as at the year end</b>                            | <b>685.37</b>                               | <b>605.53</b>                               |
| <b>iii. Amount of the Asset/ (Obligation) recognised in the Balance Sheet:</b> |   |   |

|   | As at March<br>March 31, 2009<br>(Rs. Lacs) | As at March<br>March 31, 2008<br>(Rs. Lacs) | As at March<br>March 31, 2007<br>(Rs. Lacs) |
|---|---|---|---|
| Fair value of Plan Assets as at the year end              | 685.37                                      | 605.53                                      | 495.63                                      |
| Present value of obligation as at the year end            | 748.18                                      | 652.27                                      | 461.39                                      |
| <b>(Assets)/ Obligation Recognised in Balance Sheet *</b> | <u><b>62.79</b></u>                         | <u><b>46.74</b></u>                         | <u><b>(34.24)</b></u>                       |

\* Net of Assets recognised in Balance Sheet Rs. 2.98 Lacs (Previous year Rs. 1.79 Lacs)

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

|  | As at March<br>March 31, 2009<br>(Rs. Lacs) | As at March<br>March 31, 2008<br>(Rs. Lacs) |
|--|---|---|
| iv. <b>Net Gratuity Cost recognised in Profit &amp; Loss Account:</b>  |   |   |
| Current service cost   | 100.26                                      | 75.41                                       |
| Interest cost  | 52.18                                       | 36.92                                       |
| Expected return on Plan Assets   | (56.62)                                     | (45.10)                                     |
| Net Actuarial (gain)/ loss recognised during the year  | 31.29                                       | 180.77                                      |
| <b>Expense recognised in Profit &amp; Loss Account *</b>   | <u>127.11</u>                               | <u>248.00</u>                               |
| <b>Actual return on plan assets</b>  | <b>53.98</b>                                | <b>44.70</b>                                |
| * Includes Recovery from Associates amounting to Rs. 3.82 Lacs (Previous year Rs. 7.82 Lacs)   |   |   |
| v. <b>Assumptions used in accounting for gratuity plan:</b>  |   |   |
| Discount Rate (per annum)  | 8.00%                                       | 8.00%                                       |
| Future Salary Increase   | 5.00%                                       | 5.00%                                       |
| Expected Rate of return on plan assets   | 9.35%                                       | 9.10%                                       |
| vi. <b>Investment details of Plan Assets:</b>  |   |   |
| The plan assets are maintained with Life Insurance Corporation of India Gratuity Scheme; the details of investment maintained by Life Insurance Corporation of India are not available with the group and have not been disclosed. |   |   |
| The expected return on plan assets is determined considering several applicable factors mainly the compensation of plan assets held, assessed risk of asset management, historical result of the return on plan assets             |   |   |

## II. Non Funded

|   | As at March<br>March 31, 2009<br>(Rs. Lacs) | As at March<br>March 31, 2008<br>(Rs. Lacs) |
|---|---|---|
| i. <b>Change in Present Value of Obligation:</b>                      |   |   |
| <b>Present value of obligation as at beginning of the year</b>        | <b>50.64</b>                                | <b>21.10</b>                                |
| Less : Transferred to Funded  | -   | (0.14)                                      |
|   | <u>50.64</u>                                | <u>20.96</u>                                |
| Present value of obligation on acquisition                            | -   | 16.45                                       |
| Interest cost   | 4.00  | 1.87  |
| Current service cost  | 17.05                                       | 9.74  |
| Benefits Paid   | (9.13)                                      | (2.60)                                      |
| Actuarial (gain)/ loss on Obligations                                 | 0.24  | 4.22  |
| <b>Present value of obligation as at the year end</b>                 | <u>62.80</u>                                | <u>50.64</u>                                |
| ii. <b>Net Gratuity Cost recognised in Profit &amp; Loss Account:</b> |   |   |
| Current service cost  | 16.37                                       | 9.74  |
| Interest cost   | 4.00  | 1.87  |
| Expected return on Plan Assets  | -   | -   |
| Net Actuarial (gain)/ loss recognised during the year                 | 0.24  | 1.62  |
| <b>Expense recognised in Profit &amp; Loss Account</b>                | <u>20.61</u>                                | <u>13.23</u>                                |
| iii. <b>Assumptions used in accounting for gratuity plan:</b>         |   |   |
| Discount Rate (per annum)   | 8.00%                                       | 8.00%                                       |
| Future Salary Increase  | 5.00%                                       | 5.00%                                       |

**SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)**

10. a. NIIT (USA) Inc, USA, a wholly owned subsidiary had entered into a facility agreement with ICICI Bank Limited and its affiliates on July 28, 2006 for a loan of Rs. 1,631,528,500/- (USD 35,000,000) . The purpose of the loan was to acquire all the stock of Element K Corporation, a company incorporated under the laws of United States of America, through its step down newly incorporated subsidiary NIIT Venture Inc., USA. The principal amount is repayable in ten half-yearly installments by July 31, 2012.
- b) Loans and advances include unamortised balance of Rs. 39,671,892/- (Previous year Rs. 40,505,938/-) pertaining to ancillary costs incurred in connection with the loan.

11. The Net Worth of Hole-in-the-Wall Education Limited ('HIWEL') is eroded as at March 31, 2009 and the company has incurred cash losses in the current year.

During the year, HIWEL has entered into fresh contracts and MOUs for project implementations, some of which are under implementation and others are ready to be initiated. The Company expects to achieve significant growth in terms of revenue and profits in 2009-10 on the basis of new contracts including certain material Government contracts, secured during the year.

The development of a new product named as "Next Generation Learning Stations" the work for which had started in 2007-08 is scheduled to be completed by November 2009 and will help generate additional revenues in 2009-10.

Based on the existing contracts and the business projections available with HIWEL, the accounts have been prepared on a going concern basis keeping in view of these contracts and plans which would enable HIWEL to generate sufficient funds to carry out its operations. In view of this, HIWEL is expected to generate profit in the coming years, henceforth improving its net worth position.

12. The net worth of NIIT Institute of Finance Banking and Insurance Training Limited is eroded as at March 31, 2009. The Company has made plans to improve its financials by introducing new products and extending its new as well as current product offerings to undergraduate sector as well. The Company is also focusing on acquiring new corporate customers.

Given these plans along with plans for further infusion of equity, the company is expected to improve both its financial performance and its net worth position.

13. a) The course execution charges include payments to licensees, business partners, channel partners and other agencies for execution of education and training business.
- b) Course execution charges includes Rs. 45 Lacs pertaining to previous years.

14. Pursuant to the sale of main business of NIIT Online Learning Limited ('NOLL') to the Parent Company, NOLL has not yet undertaken any further business activity. Due to this reason, basic assumption of going concern of NOLL becomes doubtful. The management of NOLL is not contemplating liquidation and is evaluating business options though at present there is no concrete plan, but have represented that they shall take up suitable business at an opportune time. The assets and liabilities of NOLL are stated at realisable value and thus no further adjustments to the same are considered necessary.

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

### 15. DETAILS OF ENTITIES IN CONSOLIDATION

1. (a) Details of NIIT Limited's subsidiaries, which have been considered in these consolidated accounts are as follows:

| Subsidiary  | Percentage of ownership interest (%) | Country of incorporation |
|---|--------------------------------------|--------------------------|
| Hole-in-the- Wall Education Limited   | 89.99                                | India                    |
| NIIT Institute of Finance Banking and Insurance Training Limited                  | 80                                   | India                    |
| Scantech Evaluation Services Limited  | 100                                  | India                    |
| NIIT Multimedia Limited   | 100                                  | India                    |
| NIIT Online Learning Limited  | 90                                   | India                    |
| Evolv Services Ltd. (Formerly known as Evolv Management Services Private Limited) | 47.87                                | India                    |
| NIIT Institute of Process Excellence Limited                                      | 75                                   | India                    |
| NIIT (USA) Inc.   | 100                                  | United States            |
| NIIT Antilles NV  | 100                                  | Netherlands              |
| - NIIT Middle East WLL (under liquidation)<br>[Refer Note 15(1)(b) & 24 below]    | 99.9                                 | Bahrain                  |
| - NIIT Malaysia Sdn Bhd   | 100                                  | Malaysia                 |
| - NIIT GC Ltd. (Formerly NIIT TVE Limited)  | 100                                  | Mauritius                |
| * NIIT China (Shanghai) Limited   | 100                                  | China                    |
| * NIIT Wuxi Service Outsourcing Training School                                   | 60                                   | China                    |
| * Chongqing NIIT Education Consulting Limited<br>(Refer Note 19)                  | 60                                   | China                    |
| * PCEC NIIT Institute of Information Technology                                   | 100                                  | China                    |
| PT NIIT Indonesia (Under Liquidation)   | 100                                  | Indonesia                |
| NIIT Limited, UK  | 100                                  | UK                       |
| NIIT Ventures Inc.  | 100                                  | United States            |
| Element K Corporation   | 100                                  | United States            |
| Element K India Private Limited   | 100                                  | India                    |
| Element K (UK) Limited  | 100                                  | United Kingdom           |
| Element K, Canada   | 100                                  | Canada                   |

- (b) The financial statements of the above entities considered as on March 31, 2009 for the purpose of consolidation, except for NIIT Middle East WLL (under liquidation), for which financial statement has been considered for the period ended on February 15, 2009 i.e., date of liquidation.

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

- 2) (a) The details of associate companies (companies over which the Parent Company exercises significant influence, which have been consolidated on equity method) are as follows: -

| Name of Associate Companies                    | Description of business | Percentage of ownership interest and voting power | Cost of Investment (Rs.) | Reporting dates used for consolidation |
|--|-------------------------|---|--------------------------|--|
| Aesthetic Technologies Private Limited         | Software                | 22.94%  | 20,000,584               | December 31, 2008                      |
| NIIT Technologies Limited and its subsidiaries | Software                | 24.67%  | 97,498,200               | March 31, 2009                         |

- b) During the year, the Parent Company has disposed off the balance of its holding in Mindshaper Technologies Private Limited of 32,111 fully paid up Equity Shares of Rs. 10/- each for a consideration of Rs. 65 lacs. The investment was fully provided, for the permanent diminution in its value in the previous years and the provision has been written back.

16. The Parent Company's wholly owned domestic subsidiary Scantech Evaluation Services Limited has declared dividend amounting to Rs. 782.89 lacs (Previous year Rs. 1,882.90 lacs) during the year. In terms of provisions of sub-section 1A of Section 115 O of the Income Tax Act, 1961, liability for dividend distribution tax payable by the Parent Company, is net of the dividend distribution tax paid by the subsidiary company amounting to Rs. 133.05 lacs (Previous year Rs. 320 Lacs).

### 17. Related Party Disclosures as per Accounting Standard 18

- a) **Related parties with whom the Group has transacted:**

#### Associate Companies

1. NIIT Technologies Limited
2. NIIT Technologies Inc., USA
3. NIIT Technologies Pte Limited, Singapore (formerly NIIT Asia Pacific Pte Limited, Singapore)
4. NIIT GIS Limited
5. NIIT Technologies Limited, UK (formerly NIIT Europe Limited, UK)
6. NIIT Smart Serve Limited
7. NIIT Technologies Pty Limited
8. NIIT Technologies KK, Japan

#### Key Managerial Personnel

1. Rajendra S Pawar (Chairman and Managing Director)
2. Vijay K Thadani (Chief Executive Officer and Whole-time Director)
3. P Rajendran (Chief Operating Officer and Whole-time Director)

#### Relatives of Key Managerial Personnel

1. Renuka Thadani (Wife of Vijay K Thadani)
2. Veena Oberoi (Sister of Vijay K Thadani)
3. Sudha Rajendran (Wife of P. Rajendran)

#### Parties in which the Key Managerial Personnel of the Group are interested

1. NIIT Institute of Information Technology
2. NIIT Education Society
3. Pace Industries Private Limited
4. NIIT Network Services Limited

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

### b) Details of significant transactions and balances with related parties on an arms' length basis:

| Nature of Transactions                           | Associates                 | Key Managerial Personnel   | Relatives of Key Managerial Personnel | Parties in which Key Managerial Personnel of the Group are interested | Total                       |
|--|----------------------------|----------------------------|---------------------------------------|---|-----------------------------|
|  | (Rs.)                      | (Rs.)                      | (Rs.)                                 | (Rs.)   | (Rs.)                       |
| Sale of Goods<br>(Note 2)                        | -<br>(2,992,074)           | -<br>(-)                   | -<br>(-)                              | 6,065,915<br>(1,758,331)  | 6,065,915<br>(4,750,405)    |
| Rendering of services to<br>(Note 3)             | 10,221,005<br>(17,881,274) | -<br>(-)                   | -<br>(-)                              | 4,271,004<br>(-)  | 14,492,009<br>(17,881,274)  |
| Receiving of services from<br>(Note 4)           | 52,443,464<br>(35,458,223) | -<br>(-)                   | -<br>(-)                              | 202,349<br>(196,630)  | 52,645,813<br>(35,654,853)  |
| Purchase of Fixed Assets<br>(Note 5)             | 8,992,473<br>(301,999)     | -<br>(-)                   | -<br>(-)                              | -<br>(27,903,943)   | 8,992,473<br>(28,205,942)   |
| Sale of Fixed Assets<br>(Note 6)                 | 373,477<br>(150,022)       | -<br>(-)                   | -<br>(-)                              | 214,004,013<br>(-)  | 214,377,490<br>(150,022)    |
| Recovery of expenses from<br>(Note 7)            | 48,839,426<br>(80,156,523) | -<br>(-)                   | -<br>(-)                              | 8,617,772<br>(7,546,793)  | 57,457,198<br>(87,703,316)  |
| Recovery of expenses by<br>(Note 8)              | 17,044,871<br>(43,481,812) | -<br>(-)                   | -<br>(-)                              | 1,336,490<br>(2,012,734)  | 18,381,361<br>(45,494,546)  |
| Loans Given<br>(Note 9)                          | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | 179,500,000<br>(83,500,000)   | 179,500,000<br>(83,500,000) |
| Loans Given Received Back<br>(Note 10)           | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | 57,000,000<br>(46,200,000)  | 57,000,000<br>(46,200,000)  |
| Interest Income<br>(Note 11)                     | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | 46,603,507<br>(23,905,752)  | 46,603,507<br>(23,905,752)  |
| Dividend Income<br>(Note 12)                     | 94,207,620<br>(62,805,080) | -<br>(-)                   | -<br>(-)                              | -<br>(-)  | 94,207,620<br>(62,805,080)  |
| Remuneration<br>(Note 13)                        | -<br>(-)                   | 30,315,755<br>(39,096,822) | -<br>(-)                              | -<br>(-)  | 30,315,755<br>(39,096,822)  |
| Other expenses<br>(Note 14)                      | -<br>(4,853,654)           | -<br>(-)                   | 1,396,000<br>(1,101,000)              | 1,133,269<br>(180,000)  | 2,529,269<br>(6,134,654)    |
| Other Income<br>(Note 15)                        | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | 1,103,631<br>(-)  | 1,103,631<br>(-)            |
| Advance/ Security Deposit Recovered<br>(Note 16) | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | 24,058,720<br>(-)   | 24,058,720<br>(-)           |
| Assignment of Loan<br>(Note 17)                  | -<br>(-)                   | -<br>(-)                   | -<br>(-)                              | -<br>(273,800,000)  | -<br>(273,800,000)          |
| Loan Received<br>(Note 18)                       | 138,189,666<br>(-)         | -<br>(-)                   | -<br>(-)                              | -<br>(-)  | 138,189,666<br>(-)          |
| Loan Received Repaid<br>(Note 19)                | 138,189,666<br>(-)         | -<br>(-)                   | -<br>(-)                              | -<br>(-)  | 138,189,666<br>(-)          |
| Interest Paid<br>(Note 20)                       | 1,013,540<br>(-)           | -<br>(-)                   | -<br>(-)                              | -<br>(-)  | 1,013,540<br>(-)            |

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

### Notes:

1. Previous year figures are given in parenthesis.
2. Includes sale of goods to:
  - NIIT Institute of Information Technology Rs. 60.65 Lacs (Previous year 17.58 Lacs)
  - NIIT Technologies Pte Limited, Singapore Nil (Previous year Rs. 29.92 Lacs)
3. Includes rendering of services to:
  - NIIT Technologies Limited Rs. 55.39 Lacs (Previous year Rs. 159.59 Lacs )
  - NIIT Technologies Pte Limited, Singapore Rs. 31.65 Lacs (Previous year Nil)
  - NIIT Institute of Information Technology Rs. 42.71 Lacs (Previous year Rs. 12.86 Lacs)
4. Includes receiving of services from:
  - NIIT Smart Serve Limited Rs. 416.12 Lacs (Previous year Rs. 291.76 Lacs)
  - NIIT Technologies Pty Limited Rs. 39.91 Lacs (Previous year Nil)
  - NIIT Technologies Pte Limited, Singapore Rs. 68.41 Lacs (Previous year Rs. 50.58 Lacs)
  - NIIT GIS Limited Nil (Previous year Rs. 12.24 Lacs)
5. Includes purchase of Fixed Assets from
  - NIIT Technologies Limited Rs. 89.92 Lacs (Previous year Rs. 3.02 Lacs )
  - NIIT Institute of Information Technology Nil (Previous year Rs. 279.04 Lacs)
6. Includes Sale of Fixed Assets to:
  - NIIT Institute of Information Technology Rs. 2,140.04 Lacs (Previous year Nil )
  - NIIT Technologies Limited Rs. 3.73 Lacs (Previous year Rs. 1.50 Lacs)
7. Includes recovery of expenses from
  - NIIT Technologies Limited Rs. 180.26 Lacs (Previous year Rs. 511.23 Lacs )
  - NIIT GIS Limited Rs. 28.01 Lacs (Previous year Rs. 28.09 Lacs )
  - NIIT Institute of Information Technology Rs. 86.18 Lacs (Previous year Rs. 75.47 Lacs )
  - NIIT Technologies Inc. Rs. 132.36 Lacs (Previous year Rs. 259.15 Lacs)
  - NIIT Technologies Limited, USA Rs. 147.20 Lacs (Previous year Nil)
  - NIIT Smart Serve Limited Nil (Previous year Rs. 2.24 Lacs)
8. Includes recovery of expenses by:
  - NIIT Technologies Limited Rs. 108.61 Lacs (Previous year Rs. 421.58 Lacs )
  - NIIT Institute of Information Technology Nil (Previous year Rs. 20.13 Lacs)
  - NIIT Smart Serve Limited Nil (Previous year Rs. 13.24 Lacs)
  - NIIT Technologies Limited, UK Rs. 58.29 Lacs (Previous year Nil)
9. Loan given relates to:
  - NIIT Institute of Information Technology Rs. 1,795 Lacs (Previous year Rs. 300 Lacs )
  - NIIT Education Society Nil (Previous year Rs. 535 Lacs)
10. Loans Given Received Back relates to:
  - NIIT Education Society Rs. 100 Lacs (Previous year Rs. 462 Lacs)
  - NIIT Institute of Information Technology Rs. 470 Lacs (Previous year Nil )
11. Interest Income from
  - NIIT Education Society Rs. 4.79 Lacs (Previous year Rs. 239.06 Lacs )
  - NIIT Institute of Information Technology Rs. 461.24 Lacs (Previous year Nil )
12. Includes Dividend Income from:
  - NIIT Technologies Limited, India Rs. 942.07 Lacs (Previous year Rs. 628.05 Lacs)

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

13. Includes transactions for the year mainly with
- Rajendra S Pawar Rs. 109.84 Lacs (Previous year Rs. 124.14 Lacs )
  - Vijay K Thadani Rs. 111.63 Lacs (Previous year Rs. 174.71 Lacs )
  - P Rajendran Rs. 81.70 Lacs (Previous year Rs. 92.12 Lacs )
14. Other Expenses includes:
- Renuka Thadani Rs. 9 Lacs (Previous year Rs. 8.25 Lacs )
  - Veena Oberoi Rs. 4.96 Lacs (Previous year Rs. 2.76 Lacs )
  - Pace Industries Private Limited Rs. 4.50 Lacs (Previous year Rs. 1.80 Lacs)
  - NIIT Institute of Information Technology Rs. 6.83 Lacs (Previous year Rs. Nil)
  - NIIT Technologies Limited, UK Rs.Nil (Previous year Rs. 48.54 Lacs)
15. Other Income includes:
- NIIT Institute of Information Technology Rs. 11.04 Lacs (Previous year Nil )
16. Includes Advance/ Security Deposit Recovered from:
- NIIT Institute of Information Technology Rs. 240.59 Lacs (Previous year Nil)
17. Assignment of Loan includes
- Assignment of loan from NIIT Education Society to NIIT Institute of Information Technology Nil (Previous year Rs. 2,738 Lacs)
18. Includes Loans received from:
- NIIT Technologies Pte Limited, Singapore Rs. 581.53 Lacs (Previous year Nil)
  - NIIT Technologies Inc., USA Rs. 343.01 Lacs (Previous year Nil)
  - NIIT Technologies KK, Japan Rs. 228.68 Lacs (Previous year Nil)
  - NIIT Technologies Limited, UK Rs.228.68 Lacs (Previous year Nil)
19. Includes Loans received repaid to:
- NIIT Technologies Pte Limited, Singapore Rs. 581.53 Lacs (Previous year Nil)
  - NIIT Technologies Inc., USA Rs. 343.01 Lacs (Previous year Nil)
  - NIIT Technologies KK, Japan Rs. 228.68 Lacs (Previous year Nil)
  - NIIT Technologies Limited, UK Rs.228.68 Lacs (Previous year Nil)
20. Includes Interest paid to:
- NIIT Technologies Pte Limited, Singapore Rs. 5.82 Lacs (Previous year Nil)
  - NIIT Technologies Inc., USA Rs. 1.44 Lacs (Previous year Nil)
  - NIIT Technologies KK, Japan Rs.1.92 Lacs (Previous year Nil)
  - NIIT Technologies Limited, UK Rs. 0.96 Lacs (Previous year Nil)

### c) Balances as on March 31, 2009

| Nature of Transactions | Associates                | Key Managerial Personnel | Relatives of Key Managerial Personnel | Parties in which Key Managerial Personnel of the Group are interested | Total                        |
|------------------------|---------------------------|--------------------------|---------------------------------------|---|------------------------------|
|                        | (Rs.)                     | (Rs.)                    | (Rs.)                                 | (Rs.)   | (Rs.)                        |
| Receivable             | 7,392,485<br>(8,385,926)  | -<br>(-)                 | -<br>(-)                              | 446,598,630<br>(318,524,128)  | 453,991,115<br>(326,910,054) |
| Payable                | 25,767,598<br>(8,839,330) | -<br>(7,990,521)         | -<br>(-)                              | 1,860,039<br>(1,581,655)  | 27,627,637<br>(18,411,506)   |



## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

18. The Parent Company has loans recoverable amounting to Rs. 35 Lacs (Previous year Rs. 135 Lacs) as on March 31, 2009 from NIIT Education Society, a society registered under Societies Registration Act, 1860, which has an objective to set up university and sponsoring other societies for setting up of universities. The Society is at present financed by the loan given by the Parent Company and other sources [Donations of Rs. 804 Lacs (Previous year Rs. 398 lacs)] which have primarily been utilised by the Society for giving donations to another society, namely, NIIT Institute of Information Technology, for the purpose of setting up of a university.
- During the previous year, loan advanced by the Parent Company to NIIT Education Society amounting to Rs. 2,738 Lacs had been assigned to NIIT Institute of Information Technology from NIIT Education Society. In the current financial year the Parent Company has granted a loan of Rs 1,795 Lacs (Previous year Rs. 300 Lacs) to NIIT Institute of Information Technology. After considering a loan repayment of Rs. 470 Lacs (Previous year Nil), the loan balance as on 31st March 2009 stands at Rs. 4,363 Lacs including the loan assigned during previous year (Previous year Rs. 3,038 Lacs). The rate of interest on such loans has been revised to 12% p.a. with effect from April 01, 2008 and the repayment of the principal amounts of the loan by NIIT Institute of Information Technology (over and above the loan amount subordinated to bank loan to the extent of Rs. 2,743 Lacs) is scheduled to start from September 2014 in 20 quarterly installments.
19. During the year, Chongqing NIIT Education Consulting Ltd. ("Chongqing Consulting") was jointly set up by NIIT China (Shanghai) Limited ("NIIT China") and a local partner. NIIT China owns 60% of the equity interest by contributing Rs. 2,208,708/- (CNY 360,000). The approved business scope of Chongqing Consulting is providing consulting and training service on education, career development, professional skills etc.
20. During the year, Chongqing NIIT Education Consulting Ltd. set up an education centre, Chongqing Shapingba NIIT Software Service Outsourcing Education School, by investing Rs. 1,938,180/- (CNY 300,000) in the education centre. Chongqing Training Center's approved business scope includes non-diploma education of information technology on development of software, database, website and e-games.
21. NIIT China (Shanghai) Limited ("NIIT China") has extended loans aggregating to Rs. 7,119,000/- (RMB 1,000,000) to two Chinese nationals who have invested in newly set up entity "Imperia China (Shanghai) Limited" ("Imperia"). Through various captive agreements, NIIT China controls the management and operations of Imperia. However, as the economic benefits relating to ownership are not flowing to NIIT China (Shanghai) Limited due to prevailing ownership restrictions as per applicable laws, this entity has not been considered for consolidation in current year.
22. As on January 15, 2008, the Parent Company acquired controlling interest in "Evolv Services Limited" (Formerly known as "Evolv Management Services Private Limited"), for a cash consideration of Rs. 28,000,182/-. Pursuant to this acquisition, the Parent Company has purchased 107,934 shares of Rs. 10/- each from its promoters at Rs. 55.59 per share for a consideration of Rs. 6,000,051/- and further the Company has subscribed to additional 395,757 equity shares issued at a price of Rs. 55.59 per share for a consideration of Rs. 22,000,131/-, resulting in the Company acquiring 47.87% of share capital of Evolv Services Limited (Evolv). Further the Company has been issued 359,780 warrants, each warrant gives right to acquire one share of 'Evolv' at an exercise price of Rs. 48.20 per warrant. These warrants remain unexercised as at March 31, 2009.
23. During the year, the Parent Company invested a sum of Rs. 450 Lacs in the newly established subsidiary company, NIIT Institute of Process Excellence Limited. This Company was incorporated on April 2, 2008 vide board resolution dated March 17, 2008. The parent company holds 75% of the paid up capital with balance being held by Genpact India Holdings.
24. During the year, in the extraordinary general meeting of shareholders of NIIT Middle East WLL held on January 31, 2009, it was resolved to place the company under voluntary liquidation w.e.f. February 15, 2009. As a result, the company ceased all commercial operations from that date. Hence, the financial statements of the Company have not been prepared on going concern basis.

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

25. Until March 31, 2008, subscription contracts to the extent pending invoicing to the customer, were recorded as unexecuted subscriptions under 'Other Current Assets', with a corresponding balance in deferred revenue under 'Current Liabilities'. This resulted in no impact on the net current assets. This practice has been discontinued in the current year and accordingly, 'Other Current Assets' are lower by Rs. 97,406,498/- (USD 1,915,136) with a corresponding impact under 'Current Liabilities'.
26. The Group is internally developing software tools, platforms and content/ courseware. The Investments would expand the business of the Group in existing and new markets, enhance capabilities of its products and software and offer more technology based learning products/ solutions to the customers in future. The Group is confident of ability to generate future economic benefits out of the above mentioned assets. The costs incurred towards the development is as follows:

| Particulars                        | Year ended<br>March 31, 2009 (Rs.) | Year ended<br>March 31, 2008 (Rs.) |
|------------------------------------|------------------------------------|------------------------------------|
| Salary and other employee benefits | 393,913,964                        | 278,933,373                        |
| Professional Charges               | 138,125,728                        | 95,694,671                         |
| Rent                               | 19,202,816                         | 16,658,549                         |
| Electricity and Water              | 3,379,313                          | 4,467,412                          |
| Direct Production Overheads        | 30,185,434                         | 10,656,428                         |
| Other expenses                     | 23,400,522                         | 17,228,294                         |
| <b>Total</b>                       | <b>608,207,777</b>                 | <b>423,638,727</b>                 |

## 27. SEGMENT INFORMATION

### Primary Segment information – Business Segment

The sub businesses are fully aligned to global learning business of the Group and the same are being viewed by the management as a single primary segment, i.e. learning business segment.

### Secondary Segment information – Geography

The secondary segment information in relation to the geographies is as follows:

(Amount in Rs. Lacs)

| Particulars          | Revenue from<br>Customers by<br>location of<br>customers | Carrying amount<br>of segment assets<br>by location of the<br>assets | Additions to fixed<br>assets |
|----------------------|--|--|------------------------------|
| India                | 53,334<br>(44,155)                                       | 66,819<br>(48,350)   | 11,992<br>(4,035)            |
| America              | 51,204<br>(50,361)                                       | 53,086<br>(42,874)   | 4,241<br>(1,003)             |
| Europe               | 7,203<br>(3,981)   | 6,077<br>(4,042)   | -<br>(1)                     |
| Rest of Asia Pacific | 3,115<br>(2,187)   | 2,307<br>(1,747)   | 95<br>(88)                   |
| <b>Total</b>         | <b>114,856<br/>(100,683)</b>                             | <b>128,289<br/>(97,013)</b>  | <b>16,328<br/>(5,127)</b>    |

Previous year figures are given in parenthesis

## 28. TAXATION

- i. Upon finalisation of income tax return of the Parent Company for the Assessment Year 2008-09 an amount of Rs. 10.25 Lacs (Net) has been charged as tax expense during the year.

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

ii. Break up of deferred tax assets/ liabilities and reconciliation of current period deferred tax credit is as follows:

### GEOGRAPHY - INDIA

(Amount in Rs. Lacs)

| Deferred Tax Assets/Liabilities  | Balance as at<br>01.04.2008 | Balance as<br>on the date of<br>acquisition | Charged/<br>(Credited) to<br>Profit & Loss<br>Account | Balance as at<br>31.03.2009 |
|--|-----------------------------|---|---|-----------------------------|
| <b>Deferred Tax Liabilities:</b>   |                             |   |   |                             |
| a) Tax impact of difference between carrying amount of fixed assets in the financial statements and as per the income tax calculation  | 373                         | -   | 592   | 965                         |
| <b>Total (A)</b>   | <b>373</b>                  | <b>-</b>                                    | <b>592</b>  | <b>965</b>                  |
| <b>Deferred Tax Assets:</b>  |                             |   |   |                             |
| a) Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:  |                             |   |   |                             |
| - Provision for doubtful debts and advances  | (895)                       | -   | (86)  | (981)                       |
| - Provision for Inventory  | (26)                        | -   | (24)  | (50)                        |
| - Provision for Leave Encashment, Bonus and Gratuity and other timing differences  | (363)                       | -   | (44)  | (407)                       |
| b) Carry forward unabsorbed losses/ depreciation   | (14)                        | -   | 14  | -                           |
| c) Tax impact of difference between carrying amount of fixed assets in the financial statements and as per the income tax calculation which originate during the tax holiday period but which reverses after the tax holiday period. | (21)                        | -   | (5)   | (26)                        |
| Add: Deferred tax asset related to fair value loss on derivative instruments not charged in the Profit and Loss Account but taken to Reserves.   | (30)                        | -   | (148)   | (178)                       |
| <b>Total (B)</b>   | <b>(1,349)</b>              | <b>-</b>                                    | <b>(293)</b>  | <b>(1,642)</b>              |
| <b>Net Deferred Tax Liability/ (Asset) (A+B)</b>   | <b>(976)</b>                | <b>-</b>                                    | <b>299</b>  | <b>(677)</b>                |
| <b>Previous year</b>   | <b>(784)</b>                | <b>(9)</b>                                  | <b>(134)</b>  | <b>(957)</b>                |

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

### GEOGRAPHY - USA

(Amount in Rs. Lacs)

| Deferred Tax Assets/Liabilities  | Balance as at<br>01.04.2008 | Charged/ (Credited)<br>to Profit & Loss<br>Account | Balance as at<br>31.03.2009 |
|--|-----------------------------|--|-----------------------------|
| <b>Deferred Tax Liabilities:</b>   |                             |  |                             |
| a) Tax impact of difference between carrying amount of fixed assets in the financial statements and as per the income tax calculation. | 285                         | (140)  | 145                         |
| b) Impact of expenses prepaid in financial statements but allowed as deduction in current year   | 1,017                       | 135  | 1,152                       |
| <b>Total (A)</b>   | <b>1,302</b>                | <b>(5)</b>   | <b>1,297</b>                |
| <b>Deferred Tax Assets:</b>  |                             |  |                             |
| a) Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:            |                             |  |                             |
| - Difference in carrying amount of Goodwill  | (142)                       | (20)   | (162)                       |
| - Provision for doubtful debts and advances  | (61)                        | (1)  | (62)                        |
| - Provision for Leave Encashment, Bonus and Gratuity and other timing differences  | (483)                       | 198  | (285)                       |
| - Deferred Revenue   | (817)                       | (505)  | (1,322)                     |
| b) Carry forward unabsorbed losses/ depreciation   | (1,241)                     | (920)  | (2,161)                     |
| <b>Total (B)</b>   | <b>(2,744)</b>              | <b>(1,248)</b>                                     | <b>(3,992)</b>              |
| <b>Net Deferred Tax Liability/(Asset) (A+B)</b>  | <b>(1,442)</b>              | <b>(1,253)</b>                                     | <b>(2,695)</b>              |
| <b>Previous year</b>   | <b>(-)</b>                  | <b>(1,442)</b>                                     | <b>(1,442)</b>              |

### GEOGRAPHY - CHINA

(Amount in Rs. Lacs)

| Deferred Tax Assets/Liabilities   | Balance as at<br>01.04.2008 | Charged/ (Credited)<br>to Profit & Loss<br>Account | Balance as at<br>31.03.2009 |
|---|-----------------------------|--|-----------------------------|
| <b>Deferred Tax Liabilities:</b>  |                             |  |                             |
| a) Others   | -                           | 34   | 34                          |
| <b>Total (A)</b>  | <b>-</b>                    | <b>34</b>  | <b>34</b>                   |
| <b>Deferred Tax Assets:</b>   |                             |  |                             |
| a) Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax: |                             |  |                             |
| - Provision for doubtful debts and advances   | (29)                        | (13)   | (42)                        |
| - Provision for Leave Encashment, Bonus and Gratuity and other timing differences   | (53)                        | (5)  | (58)                        |
| - ESOP Expenses   | (1)                         | -  | (1)                         |
| <b>Total (B)</b>  | <b>(83)</b>                 | <b>(18)</b>  | <b>(101)</b>                |
| <b>Net Deferred Tax Liability/ (Asset) (A+B)</b>  | <b>(83)</b>                 | <b>16</b>  | <b>(67)</b>                 |
| <b>Previous year</b>  | <b>(22)</b>                 | <b>(60)</b>  | <b>(82)</b>                 |

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

### Notes:

- i. Deferred tax assets and liabilities are being offset to the extent they relate to taxes on income levied by the same governing tax laws.
- ii. Long term capital loss has not been considered in absence of virtual certainty of availability of Long term capital gains.
- iii. Deferred tax Assets arising from unabsorbed depreciation/ loss is considered certain of recovery.

### 29. a) Movement of Provision for Doubtful Debts during the year

(Amount in Rs. Lacs)

| Particulars  | Year ended<br>March 31, 2009 | Year ended<br>March 31, 2008 |
|--|------------------------------|------------------------------|
| Opening Provision as at the beginning of the year            | 6,551                        | 6,536                        |
| Opening Provision on acquisition                             | -                            | 21                           |
| Add: Additional Provisions created                           | 1,570                        | 773                          |
| (Less): Provision written back                               | (9)                          | (86)                         |
| (Less): Provision utilised                                   | (610)                        | (261)                        |
| Add/ (Less) : Restatement on account of Exchange Fluctuation | 976                          | (432)                        |
| Closing Provision as at the year end                         | 8,478                        | 6,551                        |

### b) Movement of provisions against onerous contracts.

(Amount in Rs.)

| Particulars  | Year ended<br>March 31, 2009 | Year ended<br>March 31, 2008 |
|--|------------------------------|------------------------------|
| Opening Provision as the beginning of the year               | 1,201,858                    | 63,918,989                   |
| (Less): Written back during the year                         | -                            | (58,090,216)                 |
| (Less) : Provision Utilised                                  | (1,201,858)                  | (190,404)                    |
| Add/ (Less) : Restatement on account of Exchange Fluctuation | -                            | (4,436,511)                  |
| Closing Provision as at the year end                         | -                            | 1,201,858                    |

The above amounts pertain to vacated office premises and were provided for (Net of estimated recoveries) based on the recommendations of the financial consultant.

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

### 30. Earnings Per Share:

| Particulars  | Year ended<br>March 31, 2009 | Year ended<br>March 31, 2008 |
|--|------------------------------|------------------------------|
| Profit attributable to Equity shareholders (Rs.) - (A)   | 697,602,413                  | 756,420,938                  |
| Weighted average number of Equity Shares outstanding during the year (Nos.) - (B)  | 164,827,249                  | 161,921,655                  |
| Add: Effect of potential dilutive shares (being Stock options) (Nos.)  | 1,476                        | 590,227                      |
| Weighted average shares outstanding considered for determining dilutive earning per share (Nos.) - (C)                         | 164,828,725                  | 162,511,882                  |
| Nominal Value of Equity Shares (Rs.)   | 2/-                          | 2/-                          |
| Basic Earnings per Share (Rs.) (A/B)   | 4.23                         | 4.67                         |
| Diluted Earnings per share (Rs.) (A/C)   | 4.23                         | 4.65                         |
| <b>EARNINGS PER SHARE [had fair value method been employed for accounting for Employee Stock Options (Refer Note 8 above)]</b> |                              |                              |
| Profit attributable to Equity shareholders (Rs.) - (D)   | 659,182,420                  | 729,515,439                  |
| Basic Earnings per share (Rs.) (D/B)   | 4.00                         | 4.51                         |
| Diluted Earnings per share (Rs.) (D/C)   | 4.00                         | 4.49                         |

### 31. LEASES

#### a) Operating Leases

Total of future Minimum Lease Payments under non-cancelable leases in case of premises:

| Particulars                             | Amount (Rs.)            |                         |
|---|-------------------------|-------------------------|
|   | As at<br>March 31, 2009 | As at<br>March 31, 2008 |
| Amount payable within the next 1 year   | 144,055,630             | 103,626,743             |
| Amount payable in the next 2 to 5 years | 324,339,714             | 266,360,502             |
| Amount payable beyond 5 years           | 249,621,394             | 246,777,378             |

Aggregate payments during the year under operating leases in respect of equipments, vehicles and premises for office and employees accommodation amounting to Rs. 532,924,255/- (Previous year Rs. 430,510,866/-).

Total of future minimum sublease payments (in respect of premises) expected to be received under non-cancelable subleases at the closing of the Balance Sheet amount to Rs. 19,570,500/- (Previous year Rs. 25,956,668/-). Sub lease payments recognised in the statement of Profit and Loss for the year amounted to Rs. 13,895,253/- (Previous year Rs. 10,960,471/-). The sublease has been netted off against the respective lease rental expenses in the Profit and Loss Account.

#### b) Finance Leases

- i. Asset acquired under finance lease comprising of plant & machinery and furniture & fixtures. There are no exceptional/ restrictive covenants in the lease agreements.

## SCHEDULE '23': Notes to Consolidated Accounts for the year ended 31st March, 2009 (Contd.)

- ii. The minimum lease payment outstanding and their present value at the balance sheet date in respect of plant and machinery and furniture & fixtures that have been capitalised are as follows:

| Particulars                                  | Minimum lease payments<br>(Rs.) | Present value of lease payments<br>(Rs.) |
|--|---------------------------------|--|
| Not later than 1 year                        | 14,554,166<br>(6,795,946)       | 12,538,688<br>(2,255,659)                |
| Later than 1 year but not later than 5 years | 11,331,278<br>(8,171,663)       | 9,552,160<br>(10,517,687)                |

| Particulars                     | Amount (Rs.)               |
|---------------------------------|----------------------------|
| Minimum Lease Payments as above | 25,885,444<br>(14,967,609) |
| Less : Finance Charges          | 3,794,596<br>(2,194,263)   |
| Present Value of Lease Payments | 22,090,848<br>(12,773,346) |

32. During the year, the Group has reviewed the estimated useful life of certain class of fixed assets which has resulted in increase of depreciation for the current financial year by Rs 140.40 Lacs with a corresponding impact on the profit before taxes.
33. During the year, the Parent Company has sold 75 Acres of land and the project cost incurred on this land to the NIIT Institute of Information Technology for a sum of Rs. 1,056 Lacs and Rs. 1,082 Lacs respectively. The profit on sale of land and project cost amounting to Rs. 957 Lacs has been shown as other income for the year.
34. Certain overdue debtors balances aggregating to Rs. 1,623.90 Lacs relating to government customers are not provided for based on confirmations/ acknowledgment for services rendered. The management is taking appropriate action for recovery of the amounts and is confident of recovery of the same.
35. The Parent Companies namely, NIIT (USA) Inc. and NIIT Ventures Inc., are supporting the subsidiary, Element K Corporation, USA, in the form of granting additional loans during the year, as well as extending the repayment of the principal amount of the loans that existed at the beginning of the year. Further, the additional working capital loans obtained during the year by Element K Corporation and its plans to diversify businesses across geographies, newer product launches and those under development, would enhance the liquidity and improve the financial position of Element K Corporation, USA in the near future.
36. During the year Chongqing NIIT Education Consulting Limited has received government grants amounting to Rs. 7,456,200/- (CNY 1,000,000) and Rs. 1,541,636/- (CNY 206,759) from Chongqing Fiscal Bureau for incentive of NIIT Chongqing's establishment and Wuxi National Hi-tech Industrial Development Area Administration Committee to encourage and support NIIT Wuxi's development.
37. Previous year figures have been regrouped/ recast to conform to current year classifications.

**Signatures to the Schedule `1' to `23' above**

**Rajendra S Pawar**  
Chairman and Managing Director

**Vijay K Thadani**  
CEO & Whole-time Director

**Ashok Arora**  
Group Chief Financial Officer

**Jitender Mahajan**  
Chief Financial Officer

**Parveen Jain**  
Company Secretary  
& Legal Counsel

Place : New Delhi  
Date : May 27, 2009

# NOTES

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# NIIT

## NIIT Limited

Regd. Office : B-234, Okhla Ind. Area, Phase-I, New Delhi 110020

### PROXY FORM

Folio No. \_\_\_\_\_ DP-ID No. \_\_\_\_\_ Client ID No. \_\_\_\_\_  
 I/We \_\_\_\_\_ of \_\_\_\_\_  
 in the district of \_\_\_\_\_ being a member/members of NIIT Limited,  
 hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
 in the district of \_\_\_\_\_ or failing him/her  
 \_\_\_\_\_ of \_\_\_\_\_ in the district of  
 \_\_\_\_\_ as my/our Proxy to vote for me/us on my/our behalf at the Annual  
 General Meeting of the Company to be held at 11.00 A.M., at FICCI Auditorium, 1 Tansen Marg,  
 New Delhi 110 001, on Monday, the 27th day of July, 2009.

|                                |
|--------------------------------|
| Affix<br>Revenue<br>Stamp here |
|--------------------------------|

Signature of Proxy

Signature of Member(s)

*Note : Proxies, in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.*



# NIIT

## NIIT Limited

Regd. Office : B-234, Okhla Ind. Area, Phase-I, New Delhi 110020

### ATTENDANCE SHEET

(This attendance sheet duly filled in, to be handed over at the meeting)

Folio No. \_\_\_\_\_ DP-ID No. \_\_\_\_\_ Client ID No. \_\_\_\_\_

Name of the attending member (in block letters) \_\_\_\_\_

Name of Proxy(s) (in Block Letters) (to be filled in, if a proxy attends instead of the member) \_\_\_\_\_

No. of Shares held \_\_\_\_\_

I hereby record my presence at the Annual General Meeting being held at 11:00 AM., at FICCI Auditorium, 1 Tansen Marg, New Delhi 110 001, on Monday, the 27th day of July, 2009.

Member's/Proxy's Signature  
(to be signed at the time of handing over this sheet)

*Note: 1. Please bring this form with you to the Annual General Meeting  
2. The Registration Counter shall open at 10.00 A.M.*



# GLOBAL PRESENCE



25% earth, 75% water, 80% NIIT

## Americas

Brazil  
Cuba  
Mexico  
Peru  
USA  
El Salvador  
Honduras  
Nicaragua

## Europe

Kazakhstan  
UK  
Serbia

## Asia

Bangladesh

Cambodia  
China  
India  
Indonesia  
Malaysia  
Nepal  
North Korea  
Sri Lanka  
Turkey  
Vietnam

## Middle East

Iran  
Oman  
Yemen

## Africa

Botswana  
Ghana  
Libya  
Nigeria  
Senegal  
Sudan  
South Africa  
Zimbabwe

## Australia/Oceania

Fiji

## AMERICAS

### United States of America

#### Principal Office:

#### NIIT (USA) Inc.

1050 Crown Pointe Parkway  
5th Floor  
Atlanta, GA 30338, USA  
Phone: +1 770 551 9494  
Fax: +1 770 551 9229

#### Element K Corporation

500 Canal View Blvd  
Rochester, NY 14623, USA  
Phone: +585 240 7500  
Fax: +585 240 7760

#### Cognitive Arts

500, Davis Drive, Suite 650  
Evanston, Illinois 60201, USA  
Phone: +1 847 425 8500  
Fax: +1 847 425 8510

#### Netherlands Antilles

#### NIIT Antilles N.V.

Landhuis Joonchi  
Kaya Richard J. Beaujon Z/N  
P.O. Box 837, Curacao  
Netherlands Antilles  
Phone: +599 9 736 6277  
Fax: +599 9 736 6161

#### Canada

#### Element K Canada, Inc.

199 Bay Street, Suite 2800  
Toronto, ON M5L 1A9, Canada  
Phone: +585-240-7500  
Fax: +585-240-7760

## EUROPE

### United Kingdom

#### NIIT Limited

Wallbrook Building 5th Floor  
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E14 9SG United Kingdom  
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Fax: +44 0 1494 539444

#### Element K (UK) Limited

12B Talisman Business Centre  
Bicester, Oxon OX26 6HR, UK  
Phone: +585 240 7500  
Fax: +585 240 7760

## ASIA

### China

#### NIIT China (Shanghai) Ltd.

12C, Long Life Mansion  
1566, Yan An West Road  
Shanghai -200052, PRC  
Phone: +86 21 52581540  
Fax: +86 21 52581541

## INDIA

### Registered Office

#### NIIT Limited

B-234 Okhla Ind. Area  
Phase-1, New Delhi 110020  
India  
Phone: +91 11 41407000  
Fax: +91 11 26817344  
Website: www.niit.com

### Corporate Office

#### NIIT Limited

85, Sector 32, Institutional  
Gurgaon 122 001, India  
Phone: +91 124 4293000,  
Fax: +91 124 4293333

### Element K India Pvt Ltd.

4th Floor, RR Chambers-II  
Thiru-vi-ka Industrial Estate, Guindy  
Chennai 600032, India  
Phone: +91-44-22318606, 42454000  
Fax: +91-44-52120375

### Evolv Services Ltd.

A-11, Sector 2  
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Phone: +91 120 2535055  
Fax: +91 120 2535058

## Malaysia

### NIIT Malaysia Sdn Bhd

Suite G02  
2310 Century Square  
Jalan Usahawan  
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Selangor, Malaysia  
Phone: +60 3 83135200  
Fax: +60 3 83135201

## MIDDLE EAST

### Bahrain

#### NIIT Middle East WLL

5th Floor, Chamber of Commerce  
Building  
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Kingdom of Bahrain  
Phone: +973 17 224807  
Fax: +973 17 227443

## AFRICA

### Mauritius

#### NIIT GC Ltd.

Level 6, One Cathedral Square  
Jules Koenig Street  
Port-Louis  
Mauritius  
Phone: +230 207 1000  
Fax: +230 208 7949

**NIIT**  
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**Licimus**

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**SWIFT**

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CENTRE FOR PROCESS EXCELLENCE  
BY NIIT GROUP VENTURE

# NIIT