NIIT LIMITED

Analysts/Investors Conference Call

January 19, 2007

Moderator

Good evening ladies and gentlemen, I am Rita the moderator for this conference. Welcome to the NIIT Limited conference call. For the duration of the presentation all participants' lines will be in the listen-only mode. After the presentation the question and answer session will be conducted for the participants connected to SingTel. After that the question and answer session will be conducted for participants in India. I would like to hand over to Mr. Vijay Thadani. Thank you and over to you sir.

Vijay Thadani

Thank you Rita. Good evening everybody, Vijay Thadani here from NIIT and I have with me on this call Mr. Pawar, the chairman, Mr. Rajendran, Chief Operating Officer, Chetna Khuller who represents the investor relations and finance function and then I also have the business leader Mr. Raghavan who runs the individual business, Ashish Basu who runs the corporate business, Dr. Dey who runs the strategic initiative and somewhere on the call we also have Mr. Balasubramaniam who looks after the schools and institutional business. I also have Mr. Jitender Mahajan, the CFO of the company, joining us on the call, so we have a large number of people ready to respond to your questions. What I will do is I will give you a quick brief of the Q3 results and what is going behind them and then we will open it for question and answers.

As usual I will start by talking about the environment that we faced last quarter. Firstly, given the seasonal nature of the education business, Q3 is typically a weak quarter compared to others and hence year-on-year comparisons are more appropriate. The second, the individual learning business which was the star of this quarter even as per the NASSCOM strategic review, we found that the IT and ITS people requirement continues to be on the rise and given the fact that large number of engineering graduates are graduating and are not functionally fully ready for their jobs in the IT industry, it opens up a new opportunity area which we have talked about before. The third, in China we are seeing the Indian software companies ramping up their recruitment which opened up new opportunities for us to place our Chinese graduates in Indian software companies. In US and Europe, we saw that the training activity is now moving from out tasking which was typically the activity, which was normally given to outside vendors to selective outsourcing and in many cases comprehensive outsourcing which opens up new opportunities for us.

Lastly, the services economy in the country is throwing open many sectors which are large requirements, which are competing for the same resources and therefore it is becoming very important for us to gear up for specific skills for specific service sector, so, in this environment the financial highlights of the quarter were net revenues grew by 114% year-on-year and 11% quarter-on-quarter to reach 251 million to billion 251 million rupees. Net profit grew up by 97% year-on-year to touch Rs. 107 million.

Global system wide revenues grew 111% year-on-year to reach Rs. 2970 million. It is important for us to understand what went behind this growth because it was contributed by 3 elements, one was the growth of the existing NIIT businesses, so the current businesses of NIIT put together grew which contributed to 56% of total have grown 20% year-on-year in this quarter and have generated an operating margin of 15% which is an improvement of 332 basis points over the same period last year. The new businesses contributed 25 million and of course this was their second quarter of operation and they had a negative operating margin which we talked about and element K which we had acquired in the second quarter and had 60 days of element K in our second quarter, this time got a full quarter and their growth was 36% quarter-on-quarter and they had an operating margin of 4%, so if you combine all these together, the net revenue growth of 114% gets explained by these three contributors and if we look at the operating profit of the current businesses which was at 15% this quarter which was normally seasonally a weak quarter, but it was surprisingly or was good because of number of operating efficiencies in case. This was in a certain sense compensated by the new business which had the early two quarters and therefore they were in a negative zone and element K which was in a very low operating margin zone, so combined effect of that was an operating profit of Rs. 178 million in this quarter which contributes to an operating margin of 8% and bringing it down to the operational net profit of NIIT, it was at Rs. 16 million compared to 10 million in the same quarter last year which represented a 66% growth.

NIIT Technologies whose results came in two days ago contributed 92 million to the bottom line and therefore the total PAT added up to Rs. 107 million in this quarter which is a growth of 97% year-on-year, so that is how the totals add up. Important part of this is to say that in the existing NIIT business, the individual business grew extremely well, had a 59% growth year-on-year and with an operating margin of 17%. This such a high margin is typically not expected in this part of the year but it came because of operational efficiencies as well as launching of from new businesses which gave them new price point and in this quarter they had launched two new businesses which I will talk about two new products, let us say, which I will talk about when I come to more details about their segment. The second was corporate, corporate grew by 18% and despite the fact that the business is dependent on US dollars because the lot of business comes from US and the weakening of dollar against rupee did contribute to about 3% loss in revenues, the overall growth was still 18% year-on-year.

Moving onto the revenue mix, I will talk about the revenue mix post element K consolidation, so now if we look at our total revenue mix, 43% of our total business, net revenues are coming out of element K, 21% are coming out of corporate which means between element K and corporate business of NIIT put together 64% business is now coming from activities which are servicing the corporate sector. Individual business is contributing 25%, new business contributed 1%, and institutional is now only 10% of the total. This is in line with the strategic direction that we had defined for ourselves for derisking the institutional business and increasing the size of the pipe for individual and corporate business.

Going one level deeper into the individual business financials, at a system wide revenue level the individual business grew by 81% year-on-year. Within the country, the India revenues recorded a growth of 67% and now contributes 60% to the total individual businesses provide revenue. China grew by 38% to contribute 15% and the rest came from the rest of the world. As an operating profit level, the operating profit of the individual business was Rs. 93 million which represents an operating margin of 17% and that is an year-on-year growth of 1682 basis points. Last year, same period this business had just broken even, so from there it is a major improvement in their

operating characteristics and much of that has come from the operating leverage that comes from the fixed cost structure that we have there. We had a 3% increase in capacity utilization, despite that our overall capacity utilization this quarter was 47% from 39% in the same period last year. What contributed to some of the individual business matrix was the success of a few programs, one, the career revenues went up by 68% year-on-year, the career registrations on a like-to-like basis were 19% up, and the engineering and computer science student enrollments were up by 45% year-on-year this quarter to reach 16642 this quarter alone.

We launched two new programs, the NIIT Network Labs which is a program addressed to infrastructure management services and networking and the second, the integrated ANIIT program for engineers which was received extremely well by the industry, in fact, on the launch of this program we had some of the industry major from IT services, sitting with us on the launch function and talking about the usefulness of the program and asking engineering students to join this program, so that they become better equipped to service the needs of the IT services industry.

We had a placement focused as usual and the placement did very well on focus given the fact we had lesser number of students to place this quarter was on focusing on top 20 companies in the IT services, so that we could get our students better salary and best strategy was well advanced, so over the quarter our individual business matrix are now that we have a closing order book and this is a concept we talked about last quarter, closing order book of Rs. 125 crores or 1 billion Rs. 254 million, 67% which is executable in the next 12 months.

In the corporate business which is what I would like to talk next. Our revenue growth was 18% year-on-year and in the revenue product mix, we had been working on improving this product mix to higher margin businesses and in this the content was 44%, learning deliveries were 36%, and learning technologies were 18%.

Litmus was the new activity, which was added into this business over the last two quarters, litmus has taken off well, they got their second customer in this case the income tax department where they participated in the tax return prepared a scheme, so in a sense it was a test for litmus itself to conduct the tax return prepared a entrance test for 47500 applicants in 100 cities on a single day and overall therefore litmus contributed 2% of the revenues this quarter.

Our corporate businesses focus continues to be technology vertical where they have added four new customers this quarter, with this, now they have six of the top 10 IT companies in the world as their customers and five of these large companies that they are working it and looking at significant role outs which open up training opportunities for the future. We added six new corporate clients in our corporate business. Europe recorded a fairly healthy revenue growth and this business was actively engaged in the element K integration as well. With the $10.8 million dollar order intake, the closing order book of this business is $39.1 million dollar of which 63% is executable in the next 12 months.

In the new businesses, both NIIT imperia and IFBI started with six centers in six cities and NIIT imperia launched six programs with the three IIMs, IIM Ahmedabad, IIM Calcutta, and IIM Indore and these programs have been received extremely well. In their first admission cycle, they had 496 registrations which is exactly the numbers that they were looking for and the purpose being to ensure that the first 500 students that we trained are to test our complete methodology as well and our working relationships with the IM.

IFBI also started their first admission cycle for the public were 423 students when they joined IFBI for their program also received provisional appointment letters from ICICI Bank for employment as officers if they rank upon successful completion of the program, so here also the classes have commenced at all the six centers with excellent feedback of the students.

Just a line on element K integration, element K integration has worked out very well and is going at the speed and paces which we were expecting it to. Element K second quarter results were better in terms of their operating margins compared to their first quarter and they continued to remain EPS accretive. The three integration directions that we were focusing on during the quarter was to do with working with large technology customers. We have already had our first success where we got an order to work together and there are about a dozen conversations which are at various stages of advancement in discussions, so that we can look forward to some successes in the coming quarter. In terms of their international threat, we have now 18 global distributors for element K products this quarter and there are discussions to add about 8 more, so these will also contribute to revenue streams as we go forward. The third strategy had to do with merging of the two platforms with both sides have been working. We expect this to be a 15 month long broad projects, so therefore we would see most of 2007 year being considered for this activity and as in each quarter we received greater and greater focus of moving towards a single platform. Overall, element K contributed 960 million in revenues and has an operating profit of Rs. 41 million. Overall from a cash flow view point while we did have positive operating income during the quarter, we also had assets additions and new businesses launch at the end of which we have a cash balance of Rs. 356 million of which 70 million is lying in element K account and 286 in NIIT's account.

In head count, while we did add head count in India in element K as a part of our plant drives for reduced head counts, overall net defect was an addition of 18 people in our head count and therefore the total head count now stands at 3146 at the end of the quarter. In terms of our center network, we now have 3138 centers in India and 768 centers as the individual centers across the world, and 3138 in terms of the institutional centers. With this briefing I have given you an idea of what contributed to this performance that we just shared with you, I will be very happy to answer questions and so will be my colleague. Rita, can you open it to questions please?

Moderator

Yes sir. Thank you very much sir. We will now begin the Q&A interactive session for the India participants. Participants who wish to ask questions, kindly press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, kindly press *1 now. First in line is Mr. Ruchit Desai from Pioneer Engineering Service.

Ruchit Desai

Hello.

Vijay Thadani

Hello.

Ruchit Desai

Yeah. Good evening. Congrats on good numbers. Just a first question on a new visit at the NIIT imperia and the IFBI, you mentioned you got 486 enrollments for imperia and 423 for IFBI, I just want to know what is the capacity of these two new causes, what is the capacity you can take it up to?

Vijay Thadani

This quarter, we were looking for about 500 of each one of them, so this is in line with that, but overall capacity I would ask Dr. Dey to talk about.

Dey

Yes, we have a total capacity of about 3000 seats at the moment and of course over the next 2 years we will be ramping significantly, but as of now the capacity is 3000 seats.

Ruchit Desai

3000 overall for IFBI and NIIT Imperia each or just.

Dey

No, together.

Ruchit Desai

Together and at what utilization level would you break even?

Dey

We would break even at little less than 50%.

Ruchit Desai

50%?

Vijay Thadani

Little less than 50%.

Dey

Little less than 50%.

Ruchit Desai

All right, all right, more like 45?

Dey

Yeah, right.

Ruchit Desai

Just a last question on the capacity utilization of your individual learning centers, if you would give it to us if you have it with you?

Vijay Thadani

Yes, I already talked about 47% this quarter.

Ruchit Desai

Sorry, I missed that. Anyway, that is from my end. Thank you.

Vijay Thadani

Yeah.

Moderator

Thank you very much sir. Next in line is Mr. Dipen Shah from Kotak Securities. Over to you sir.

Dipen Shah

Hi Vijay. Congrats on a good set of numbers and congrats to your team also.

Vijay Thadani

Thank you.

Dipen Shah

Vijay, I had couple of questions on the individual business, first of all, this capacity utilization of 40 odd percent which we said I have a question it was about 61% in the previous quarter, so has any calculations changed or you are calculating in a different manner or may be I have the drawn last time?

Vijay Thadani

No, no, no, you were absolutely right in what you said last quarter and it matches very well with what it is this quarter. As you know, our capacity utilization we measured as revenue capacity utilization. Correct, so our capacity over the quarter is more or less technique but our utilization has been less this quarter because even if you see our revenues between the two quarters it will be less, so the utilization is less in this part of the year.

Dipen Shah

Okay, okay, okay, and this utilization we do calculate over all the centers that is the 3100 institutes plus 768 individual centers?

Vijay Thadani

No, no, it is only over the individual centers.

Dipen Shah

It is only over the individual centers.

Vijay Thadani

Yeah.

Dipen Shah

Okay, and once again till what levels can it go in the peak quarter, like any go it up to 80-85%, is it possible?

Vijay Thadani

Yeah.

Dipen Shah

Okay, okay, and one final thing on the margins, Vijay, in talk of the individual business, hypothetically speaking if we have to reach 75 or 85% of margins utilization, right and when we see the margins going up in the individual business.

Vijay Thadani

I would say a stable margin to expect in this business at between 75 and 80%, let us take, 77% capacity utilization would be 25%.

Dipen Shah

Okay, it would be 25%. Okay, okay, okay, and now the average in a year if we have to take all the 4 quarters we will be averaging about how much can we average if we have to take an average for the full year?

Vijay Thadani

Well, it depends on, if you see it is, how do I define that, it is called the saw-tooth curve which means the capacity utilization increases in 3 quarters then drops in 1 quarter then again increases, but if you see the average it will keep increasing as it goes by, so if you see our these 3 quarters, if I remember right, it was 59, 61, 47, right so if the next quarter will be higher utilization, right, so you can then work out the averages.

Dipen Shah

Okay, okay, okay, and can you just may be make some qualitative comments on element K, how is the business progressing and how do we see the margins going up in the next couple of quarters or may be the next year?

Vijay Thadani

Yeah. Right now, the way the business has taken off is predominantly on as is basis. They have a running business and it is running in a stable mode, the same business was loosing money a year ago, so one of the reasons it is not loosing money is because of the cost reduction rise which we got in. The synergies are still being implemented. We have not seen a real result of synergy on the numbers. What is important is we have had a stable and enthusiastic team and they do not have the

burden of servicing the big debt or trying to meet some immediate need, so they are in the much more comfortable and happier situation. Our contact with them is nearly continuous, I think on an average, we are spending about a week in a month with them in some form or the other, so we have things working on both sides, so lot of our effort has gone on what I call the chemistry and so far all that has worked well. The impact that you see on the results so far is from the cost reduction initiatives which we did which was as I mentioned even at that time alone and improved because it was cost reduction waiting to happen, question was whether that cost reduction will cause some negative feelings in the minds of people. It did cause apprehension because people do not know when you will stop, but I think we could handle that and now we have reached a level of stability we believe. The team is very stable and they are in a bind position. The second important thing, which I must say is, in their business were they are very strong where they were No. 3, they are going to become No. 2 because the No. 1 is acquiring No. 2 that gives them a specific advantage in the next 6-12 months timeframe and as we are discussing we are looking at opportunities to see how we can take advantage of that and to that extent there may be additional investments involved or there may be newer strategies involved which we will be looking at, this, I think could complete the picture. Ashish, anything you would like to add.

Ashish Basu

Yes sir.

Vijay Thadani

Okay.

Dipen Shah

Okay, so if the cost rationalization drive already over and now we have to look at improvements only in terms of the synergies coming in?

Vijay Thadani

Yeah. Two issues it is the cost reduction drive happened over a four-month period, we have not seen the full impact of that over a full year, so that you will see as we go forward. The second is there is a revenue growth, which is happening with additional activity that they are contributing to. Third is the opportunity which has come up because of consolidation in the industry and we are looking at all these to see how we can get them to move at a faster phase.

Dipen Shah

Okay, okay. Thanks very much and all the very best.

Vijay Thadani

Thank you so much.

Moderator

Thank you very much sir. Next in line Mr. Nitin Padmanaban from ICICI Brokerage. Over to you sir.

Nitin Padmanaban

Hello.

Vijay Thadani

Hi.

Nitin Padmanaban

Hello Mr. Thadani. I want to know basically with regard to element K, what is that really pushed this growth this quarter over the last quarter has grown significantly?

Vijay Thadani

One very simple 60 and 90 days.

Nitin Padmanaban

No, but that would work out to around, it was Rs. 53 crores for 2 months, right?

Vijay Thadani

Yeah. Actually, it was Rs. 70 crores on the like-to-like basis, it was Rs. 70 crores and Rs. 96 crores this time, yeah so that is and they were there with us for 60 days last quarter and this year they were.

Nitin Padmanaban

They are getting a figure of Rs. 66 crores for the quarter that is why, okay.

Vijay Thadani

Yeah.

Nitin Padmanaban

And how about with regard last quarter you actually had this order book figure, which you were giving for the individual business.

Vijay Thadani

Yes, I have given it for this quarter also.

Nitin Padmanaban

So what is it? I think I probably missed it.

Vijay Thadani

Yeah, yeah. It is Rs. 1254 million and 67% executable in next 12 months and we will be giving you this number on time-to-time basis.

Nitin Padmanaban

Right, right. Fine. I will probably come for a followup.

Vijay Thadani

Oh! Yes, most welcome.

Nitin Padmanaban

Yeah. Thank you.

Vijay Thadani

Thank you.

Moderator

Thank you so much sir. Next in line Mr. Ashi Anand from Prudential ICICI.

Ashi Anand

Yeah, hi, Vijay congrats on a very good set of numbers.

Vijay Thadani

Thank you.

Ashi Anand

I have a few more questions on element K, I think we may require it. You were speaking of potentially getting EBITDA margins about 13% and 15% like some point in FY09, so one just want to assume that grabbing low hanging fruit is now done, what are the next steps we will taking in terms of revenue margins and how they would come in, and also if you could just elaborate a bit more in terms of when are you seeing we do not have the drive revenues faster, one, what are the steps we are taking which would help drive revenues faster and what are the numbers we should be working with?

Vijay Thadani

Yeah. Okay. First of all, I think whatever we mentioned last time, saying that we expect it to reach 13-15% operating margin by 2009, we hold by that and that obviously assumed #1 cost reduction, #2 an organic growth in element K own performance, and #3 our synergies that will come in together to give them a boost in their top line as well as bottom line. Let me hand you over to Ashish Basu, who will talk about specifics in each one of these.

Ashish Basu

So let me just start with discussing the way that element K can leverage and we also jointly can leverage what they have, element K has traditionally been in the intellectual property business which means they both have a technology and they have a content library which has a fixed cost for development and overtime the sales process will increase the opportunities and increase the revenues which can keep going in a straight line without necessarily additional or the same proportion of direct cost, so couple of things that we are looking at is around international sales, so

international sales as Vijay would have mentioned there are number of distributors who we already have a board and we are looking at adding to the number of distributors and that such to happen there is obviously a high variable cost of sales but there is associated high cost of salary, so obviously the margins will go up. The other part of it is we have a number of technology customers who are looking at taking on certain of element K technologies, specifically around virtual labs to deliver the training virtually over around the world, and as you start these virtual labs, much of these expenses are already in, so we did have to invest in infrastructure and that can be provision for the new organization, so fundamentally the principle of increasing margins is the fact that a lot of their revenues even is IT based and hence a lot of their costs are IT based and hence it is very much leverageable, so as the top line goes up, the bottom line will increase far more than you would expect based on the current margins and profits.

Ashi Anand

So, what should be we working with but in terms of, say, if the key drivers are actually driving the top line, what kind of a top line are we expecting over the next couple of years in terms of growth front?

Vijay Thadani

Okay. At this point of time, first of all, this year we have them only for 8 months of the year, so next year we have them for 12 months of the year, and if you annualize their growth then they have had a flat to negative year-on-year growth so far. We expect on an annualized basis a positive year-on-year growth this year, so it will be marginal, it will be 1 or 2%. Next year, we expect that to accelerate and that will depend very much on the result of the synergistic initiatives that we are taking.

Ashi Anand

Okay, any number?

Vijay Thadani

I think we will discuss these numbers as we go along. We had mentioned about the single digit growth that we see and what our focus right now is more on improving the margins and that is why I think we discussed the margins earlier.

Ashi Anand

Okay. Sir, and in terms of a new business initiative, I just want to understand what would a cost structure be on an annual basis for both IFBI and imperia?

Vijay Thadani

The cost structure would obviously depend on two things, one, the capacity that we invest in, the second is the level of enrollment that we need to service, so, at this point of time the cost structure that we have, Dr. Dey, would you be able to talk about on an annual basis, what would it be?

Dey

Perhaps, there is nothing.

Vijay Thadani

Okay. Perhaps, we do not have those numbers right away on an annual basis but by the end of this year you can talk about the two put together. By the way, there is one reason why we are talking about the two put together, one of them is that as a part of our launch as a conscious plant we found that actually they could share capacity very easily because NIIT imperia is typically an evening and weekends play and NIIT IFBI is a daytime weekdays play, so there is a natural that is why when we talk about this you asked capacity we gave you both numbers together, so similarly, when we talk about their cost structure, etc., also we will give you this two together but we cannot give you a separate if need be. Dey, can you just talk about how much would it be by the end of this year?

Dey

Yes. As you can see, currently we are at an capex of 102 and EBITDA of –64, we expect the EBITDA to.

Vijay Thadani

This is for the two quarters put together that they have been?

Dey

Yes, we expect the JFM quarter to have an EBITDA of around negative 10 millions and capex of somewhere around 50 million. The quarters have gone by, has had a significant component of launch and brand building cost which we expect as the one time presence and will not have in the first equal quarters. Therefore, our capex estimate is somewhere in the range of 50-55 million of the coming quarter.

Ashi Anand

Okay. 50 this quarter. Okay and that is it. Thanks a lot. I appreciate all the answers.

Vijay Thadani

Thank you.

Moderator

Thank you very much sir. Next in line Ms. Priya from Enam Securities.

Priya

Yeah. Good evening to the management and congratulations on good set of numbers. My first question relates to the corporate business margins, I mean, is it more to do with the fact that because of rupee appreciation, the margins had impacted also because of the flipness first quarter being there because elements have been in investment phase, right?

Vijay Thadani

Yes. I think there are three things which have contributed; exchange rate is definitely one of them. Exchange rate, as I said, it is an impact on the top line was about 3%, on the bottom line would have been about half that about 1.2-1.3% in operating margin.

Litmus being a start of phase was another one of them and the other which we have been talking about that the learning delivery business is in a ramp up mode and there for each technology partnership that we go in part we have to invest substantially in creating a bunch of trainers, that is an ongoing activity and as each one of the partnerships mature, those start generating profits, so right now that is also in the ramp up mode. It is not loosing money but it is not generating the margin it should generate in a steady state level.

Priya

It is even in the growth to 18-20% margins and this corporate training business about the year of time and litmus also becomes profitable?

Vijay Thadani

Yes. Once the stability to reach an 18-20% margin is what we have talked about in the past.

Priya

Sure. My second question relates to the pricing of the new programs, which you had in the individual business, the network labs, and IAE, if you could throw some light on that?

Vijay Thadani

Brightly? Yeah, okay. I had not talked about Mr. Raghavan, who is leading the individual business; he will be talking about that.

Raghavan

The network program called the network labs, the price is around Rs. 52,000 and this is above 30% or so on a premium compared to summer comparison program although the program itself is little beyond comparison for this quality as compared to this offers.

Vijay Thadani

How many months?

Raghavan

It is about 11 months in duration and about Rs. 52, 000 is the price. Coming to the integrated A90 for engineers, shortly known as IAE, the pricing is little less than Rs. 60,000, so that is the piloting that they have done at that price and to believe that on a steady state basis the pricing is at least about 20-30% lower than what the steady state prices are likely to be.

Priya

Sir, you missed it, 20-30% lower than?

Raghavan

20-30% lower than what I believe will be the steady state price for this quarter.

Priya

Okay, just because it is in the launch phase rather?

Raghavan

That is right. We have got piloted 20 in the south right now. We think that manufacturing each of the steady state which I mentioned a price is likely to be at the higher level.

Priya

Sure, and as you mentioned on responsing, if you could throw some qualitative comments on that sentence as well, I mean, while it is positive just you know.

Raghavan

We like every new movie, we look at the first week, first fortnight, first month inquiry pattern, so it is based on that.

Vijay Thadani

Qualitatively, I would like to add that if you look at the network labs program, we have a record inductance by companies like the likes of HCL component, HCL IBM, when we launched the integrated ANIIT for engineers living in the state along with us where recognition in some of the leading top 5 IT companies.

Priya

Sir, when you are going for marketing you are marketing directly to the corporate or it is added to individual effort as well?

Raghavan

This is individual level monitoring.

Vijay Thadani

This is only individual level as I said.

Priya

Right. Sure. Also, you gave the order book of 1254 million, is it possible to have a breakup in this itself?

Vijay Thadani

I think to reach this level itself has been.

Priya

Yeah, I appreciate the disclosures by given just to enable on large part of it, if you could just give us whether it is more on the new GNIIT side or old GNIIT side and that will be more helpful, that is the only reason I am asking.

Vijay Thadani

At this time, it will not be possible, sorry.

Priya

Sure. Not at all, sir.

Vijay Thadani

But these were two extracts.

Priya

Already because your new GNIIT is at the much better pricing, so just trying to understand more on the composition side rather.

Vijay Thadani

Okay. We will bring up that.

Priya

Thanks sir, and what are the debt you know on the balance sheet we have $10 million dollars of FCCB and you know if you give us the consolidated debt actually?

Vijay Thadani

Yeah. I will just give it to you in a minute. So, the total debt is $10 million of FCCB then the $35 million for the acquisitions and Rs. 525 million as well.

Priya

Okay, and on the capex plan, if you could give us some highlight for FY08 while might be a bit earlier quarter ahead, but given the momentum, which you are seeing in the business, if you could throw some light on that?

Vijay Thadani

Right now, we would stay with what we had mentioned earlier which we said would be between Rs. 60-100 crores.

Priya

Okay, that is helpful. Thanks very much and wish you all the best.

Moderator

Thank you very much mam. Next in line Mr. Dipen Mehta from Dipen Mehta Shares.

Dipen Mehta

Yes sir. Congratulations on good set of numbers.

Vijay Thadani

Thank you.

Dipen Mehta

I just wanted to understand that the interest expense in column of 34 million that is the acquisition cost that would the alone 34 million which we took to finance right?

Vijay Thadani

Yes. Actually, this very strictly speaking should be in the NIIT column but we had explained it in the last quarter that all ET related expenses and ETI revenues are put in one column, so that we understand whether ET is creative or not, so that is the reason 34 million interest which is on the EK acquisition loan that interest has been put in that column.

Dipen Mehta

Second question, last time you had said in the new businesses, last time that you were targeting 75-80 million of revenue and there was the negative EBITDA of 65-70 million and I observe that already we reached about 70 million negative EBITDA in the 2 quarters so far, that means that this particular guidance of whatever your estimate, will be slightly of the mark over it because the revenues are also slower in the EBITDA and return out to be higher to loss negative what is the high up for the current fiscal, is that a current.

Vijay Thadani

I think we are well within the range. We can may be explain it to you.

Dipen Mehta

Okay, getting you know to break even next quarter.

Vijay Thadani

No, no, no. As Dr. Dey already mentioned, next quarter we are looking at -10.

Dipen Mehta

You are looking at?

Vijay Thadani

EBITDA, and we are at 64, 62 to be precise actually. We have 62 to be precise, so that will make it 72 that is why I said we are in the firing range.

Dipen Mehta

Okay. Thank you, these were my questions for better term.

Vijay Thadani

Thank you.

Moderator

Thank you very much sir. Next in line Mr. Kashyap Desai from Enam Securities.

Kashyap Desai

Hi, Vijay. I just wanted to ask little on the taxation front again the tax, you know the tax however, I assume is very choppy, if you could break it up into your current and deferred FVT and what can we expect going forward.

Vijay Thadani

Okay. I reserve the answer to this question for sometime later if can pull out the data if I have it right away, otherwise, we can give it to you separately.

Kashyap Desai

Yeah, absolutely that is right. So, what do we expect going forward actually, you might be having some losses from element K, you know, accumulated losses and things like that?

Vijay Thadani

No, no. See, element K losses can only be setup against element K profit, so those we will not get. We have our own accumulated losses of the past which is how we have the tax asset available to us, so we will respond to you with this either today on this call or may be if we cannot get data right we will respond to you separately.

Kashyap Desai

Okay. Thanks a lot.

Vijay Thadani

Thank you.

Moderator

Thank you very much sir. Next in line is Mr. Sonaal Kohli from AIM Capital.

Sonaal Kohli

Mr. Thadani, congratulations on good set of numbers.

Vijay Thadani

Thank you.

Sonaal Kohli

Couple of queries, firstly, what was your India net revenue growth for this quarter?

Vijay Thadani

India net revenue growth for this quarter, would you have that? No, in India I have the individual learning business was 59% as we already shared. India business grew 67%, is that the number you are looking for?

Sonaal Kohli

No, no. I am looking for the number of 67% is for the system wide revenue; I am looking for the net revenue level.

Vijay Thadani

Okay. I will give it to you in a minute or if 48%.

Sonaal Kohli

Okay, so, basically the front IT growth was more than the own centers growth this quarter.

Vijay Thadani

Very right.

Sonaal Kohli

Okay, and is that the reason why overall system wide, revenue is growing at 81% while net revenue is growing at 59%.

Vijay Thadani

Yes, when the channel grows faster than us then system wide revenue grows faster.

Sonaal Kohli

And is this also partly contributing to your expansion in EBITDA margin?

Vijay Thadani

It will partially contribute to expansion in EBITDA margin as well but there is an operating leverage be straight away comes in any case.

Sonaal Kohli

What about the other geographies, has they grown at much faster rates because your overall system wide revenue growth is 81%.

Vijay Thadani

Yes. China, we mentioned is 38% and there will be other geographies, some geographies which perhaps did not have anything, would have had a major growth, so that would have contributed, so rest of the world in system wide revenue terms would have grown faster, but those are small numbers.

Sonaal Kohli

And rest of the world growth sustainable trend or one of.

Vijay Thadani

No, not necessarily sustainable, it depends on their admission factors. Since the numbers are so small, therefore, we do not consider those as consistent.

Sonaal Kohli

And what would be India's contribution to net revenues?

Vijay Thadani

India's revenue contribution to net revenues let us try to pull this out for you.

Sonaal Kohli

And GNIIT share of the total revenue of India?

Vijay Thadani

Not available.

Sonaal Kohli

Okay.

Vijay Thadani

Career revenue is increased by 68%.

Sonaal Kohli

Okay and GNIIT is accounted for that?

Vijay Thadani

Yeah, is accounted for that.

Sonaal Kohli

And, besides the new area you mentioned that you are looking at couple of areas for growth, could you highlight the growth opportunity and it is present in this segment and which are the areas are you examining?

Vijay Thadani

One in infrastructure management services and networking and infrastructure management services, so we believe there will be a massive growth given the way IBM, Accenture, EDS, and other large facilities management companies are ramping up operations including our own NIIT Technologies Limited, so we see this as a great opportunity and there is a large requirement there. The formal sector is not ready with any answers, so they are taking help of the engineers or diploma holders to solve these problems and we see this as a very important opportunity for us. There are three things in this, there is networking, there is security, and there is storage, and in all these three areas in US we worked with technology companies and do their

learning delivery, so we see this as a natural opportunity for us to take advantage of in India.

Sonaal Kohli

Would you like to maintain your corporate and institutional guidance because the first 9 months growth has been much lowest.

Vijay Thadani

We would like to retain our overall guidance. The product mixes are changing as you can see the business mixes are changing, so we are right now retaining our overall guidance.

Sonaal Kohli

Okay and in terms of the new courses which you have started targeting at engineering student, could you throw a light on what is the size of the opportunity and over couple of years what kind of numbers are you looking from that business?

Vijay Thadani

I will ask Raghu to talk about that, Mr. Raghavan.

Raghavan

Yeah. This program is edible qualification program that as you might remember about the GNIIT starting 7 years back, so GNIIT addressed the non-engineering students primarily, this is addressing the engineering students in colleges. If you look at the country, about 1.3 million students are there in the engineering colleges. Now, what we are adjusting is the students in the colleges starting from semester 2 of the engineering program and they will run along with them till they complete semester 6, that is we offer program a long set engineering program over 5 up to 8 semesters, so this program features core subjects this semester as well as development in the business oriented the subjects during this 5 semesters. They get opportunity to specialize in one or the other track, it could be Java, it could be dot net, it could be one of the platforms. They could get the specialization in TF4 and TF5 of the program, and the numbers over a period of 3 years we are looking at something like 50,000 students over the next 3 years.

Sonaal Kohli

50,000 students in 1 year or 2 years?

Raghavan

Over the next 3 years, we start up with smaller numbers in the first year and as we expand our preference to more and more colleges, we should be able to take numbers to that extent Similarly, to a number over the first 3 years, it is expected to be in the region of 50,000.

Sonaal Kohli

Okay, and could you throw some light on the private school outlook in terms of revenues growth and what kind of margins you seen a steady state in that business?

Vijay Thadani

Mr. Rajender, will you like to talk about this, go ahead.

Rajender

Yeah. In the private school, right now we have 39% growth.

Vijay Thadani

39% growth.

Rajender

39% growth. This is connected to our focus on increasing the private school business. Next quarter, it is difficult to say right now. It is safe to say only that this is the time when new schools sign up and get ready for the new academic year, which will to begin start April onwards. The new contracts get signed here but it is difficult to give the guidance right now.

Sonaal Kohli

Which is the key question of this private school business paring the teachers or providing content to the students?

Rajender

Right now it is giving the teaching services inside the school and providing content having the curriculum content and also content as in conclusion teaching contents for these teachers to teach inside the schools.

Vijay Thadani

And of course we train the teachers to be able to conduct it using that.

Rajendran

Right, right.

Sonaal Kohli

Could you also throw some light on the stealthy increases of your students do you track that number and what kind of increases have you seen this year as well as on your sign up business what was the average salary?

Vijay Thadani

Okay, we definitely track this primary increases, which our students get as we place them, so this year the average increase which we have seen is 24%.

Sonaal Kohli

Okay and for your banking training what was the average stealthy at which the students for the ICICI Bank?

Vijay Thadani

It was the same salary at which every student was placed and that is the unfortunately the employee would like to hold that number close to their share.

Sonaal Kohli

Okay, could you also throw some light on the outlook for depreciation and the sentence portion of the depreciation was on account of merger and demerger of NIIT tech in this IPR base, what kind of depreciation can we see over next 2 years?

Vijay Thadani

I think next year on the current set of assets that we have the depreciation will continue to be the same approximately.

Sonaal Kohli

It will not see that going up?

Vijay Thadani

No, no on the current asset block and new asset that depreciation will go up obviously.

Sonaal Kohli

Okay, thank you.

Moderator

Thank you very much sir. Next in line is Maithili Balakrishnan from JP Morgan. Over to you mam.

Maithili Balakrishnan

Good evening sir, congrats on a great set of numbers. I just wanted to understand this element K number a little better. I was wondering if there is any seasonality in the revenue in terms of other is there any particular quarter or this quarter exceptionally good, because if I remember rightly the run rate previously mentioned was around $66 million for the previous year and clearly the company seems to be running ahead of that.

Vijay Thadani

Okay, I will ask Ashish to respond to that.

Ashish Basu

There is a little bit of an uptake during this quarter primarily because of renewals of in the catalogue business, so there are number of companies who renew in the month of December, so while their revenue recognition process does require the recognition over the entire period because you are in the renewal time that is normally a small one time attached to it, so there will be a little bit of uptake around in the December period, but it is not all that significant.

Maithili Balakrishnan

Okay, but then the earlier revenue number which was mentioned which is around $66 million for the previous year.

Ashish Basu

Yeah, so I think let me clarify that part, $66 million is the revenue which we talked about in management accounting assuming the adopt the revenue recognition which we have and also mentioned about the 707 would have been normally $15.5 million, this $15.5 million is the revenue which is on their books. So if you want to compare versus what we do if you want to compare versus we do then their 21.34 multiplied by would have been about $85 million their gross revenue if you remember it was also if we had mentioned it was $83 or $84 million, so at a gross revenue they will match.

Maithili Balakrishnan

Okay, so if the run rate.

Ashish Basu

There will be nothing spectacular in the revenue just to mention that.

Maithili Balakrishnan

So on a YOY basis we should expect a similar growth result and the number we should look at is probably the 83 and 84 and not the 66.

Ashish Basu

Very right because 66 we were trying to align them to the way we do our accounting they do invest on thing and buy the US GAAP accounting we will have to recognize their number only as we go forward.

Maithili Balakrishnan

These are the component in this of reimbursements or license fees?

Ashish Basu

In their revenues?

Maithili Balakrishnan

Right.

Ashish Basu

No it is not reimbursement what tends to happen is that when they work with some of their technology companies, they are representing the technology company for the training center channel which they are servicing. The way we do our accounting in India is if we are in the Rs. 100 revenue of which 50 or 80 was to go away I mean 50 or

60 was to go away we would account for the balance 50 or 60 only whereas in the US GAAP they account for the whole of 100.

Maithili Balakrishnan

Okay. I also wanted to understand about the number of people who have left I mean what is the current head count?

Ashish Basu

Of NIIT 3146.

Maithili Balakrishnan

Of element K?

Ashish Basu

Element K 607 at the end of the quarter.

Maithili Balakrishnan

Okay, thank you, that is all from me.

Ashish Basu

Thank you.

Moderator

Thank you very much mam. Next in line a follow up question from Mr. Sonil Kohli from Deen Capital. Over to you sir.

Sonil Kohli

Mr. Thadani one pending question on NTRs contribution in the total revenue on the individual side.

Vijay Thadani

Yeah, Sonil we don't have the data readily available, we will give it to you separately please.

Sonil Kohli

And could you throw some light on FDI in education we have been hearing about it and how would you be in a position to comment on that.

Vijay Thadani

Same we have also been hearing about FDI in education and we have been waiting for the government policy, as you know it is a menting quarter that there are just forces acting in different direction.

Sonil Kohli

Okay, thank you.

Vijay Thadani

Thank you.

Moderator

Thank you very much sir. Participants are requested to press *1 to ask a question. Next in line we have Mr. Alok Agarwal, he is an individual investor.

Alok Agarwal

Yeah, good evening everybody.

Vijay Thadani

Good evening Alok.

Alok Agarwal

I have got 3 questions, although they are more broad in nature when do you see the companies ROC hitting 30% by which financial year that is one. Second when do you see the China business, the individual business growing to the size of India and thirdly when does the corporate business start growing at the rate of IT services 30% or 40% plus more on YOY basis at least or 10% on Q on Q basis if not a drop.

Vijay Thadani

Yeah, let me just point to the first one. The ROC of the company will steadily improve as we go along. As you know right now there are a number of things which are being commissioned to inject a high growth. If we were to take those away then obviously the ROC numbers would have looked very good and at the same time the growth rate perhaps could not have so right now the question is to balance ROC with growth and taking care of new opportunities. The new acquisition has also contributed to the same, so I think we need to see an improving ROC over the next few years is the best way I would like to say where it would reach 30% at this time I can only say on the basis of front sheet calculations because I think it is a couple of years definitely ahead of us before we can start looking at a 30% ROC. The second, you talked about China. China is right now growing at a rate which is faster than the rate at which Chinese industry is growing, so we believe that it is catching momentum. This quarter itself in the first 9 months, China has now become a double digit contributor to the overall individual running business which itself was a difficult thing to imagine. It can grow faster and we are looking at various opportunities. The new opportunity is the Indian software companies as they are increasing their recruitment momentum in China, we see that as a low hanging crude because we are training people who are fully equipped with the software engineering methodologies, which are valid in India and that is good for both us as well as China. We have tied up this some of the big ties in China to help them with their placements. We see all these things contributing to an accelerating momentum in China, so that answer to the second question. Can you repeat the third one.

Alok Agarwal

In corporate business, I mean unfortunately I mean what how do I put it growth is not really good FICs element K separately I think it can usually grow at the rate of IT services in terms of business modules, it is not much different.

Vijay Thadani

Yeah, so you are absolutely right. There are components of that business which are growing faster than the IT services for example, the learning technologies business. The learning technologies part which is closest to the IT services which it should actually track IT services is growing faster than IT services, is growing at 39 to 40%. On the other hand content which is worldwide a slower business, we are trying to make sure that we move from out tasking to out sourcing and thereby increased the run rate their. Those are some of the contributors which will help us. The third will be the delivery business there as soon as our technology partnership mature in each one of these and they have a sizeable set of trainers we will start seeing a steady growth, so you will see an improving growth and I do appreciate your desire to see a growing at rate faster than the IT services industry. It is such requirements of yours which help us move faster. Two years ago you asked us when will the individual business grow as fast as the IT services thanks to your nice projection today we are growing double the rate of the IT services industry hopefully we will able to fulfill this requirement as well.

Alok Agarwal

All the best.

Vijay Thadani

Thank you.

Alok Agarwal

Thanks.

Moderator

Thank you very much sir.

Vijay Thadani

Can we take the last question? I think we are running out of time.

Moderator

Yes sir. This is a follow up question from Mr. Dipen Mehta from Dipen Mehta Shares.

Dipen Mehta

Yes sir, the usual question, any thoughts on your investment in NIIT Technologies is standing in the right and its value also has gone up significantly from last quarter to this quarter, what are the options, I mean what are the thought processes which going on in the mind of the top management and how you can unlock huge derivatives on the books.

Vijay Thadani

Yeah, so since you mentioned it is usual question not appearing to be tongue in cheek but it is a usual response which is that as you know one of the reasons, one the stated reasons is that we are looking for a strategic partnership, which will help NIIT Technologies to move into the next orbit and we have made some partnerships in the past which have helped us acquisition of Room Solutions was one such thing in that direction and the JV at Echo was another one and we will continuously look for opportunities by which we can help NIIT Technologies grow at this time I think our shareholders should have something to redrive rather than regret such asset. We have NIIT technologies in our portfolio and in fact in this quarter they have contributed a great deal to our success, so in a sense right now but that cannot be done our long standing response for this question, so as we have mentioned before we will continue to look at strategic opportunities. I will ask Mr. Pawar to say something else well on this.

Pawar

Well nothing more, I think there is no new development except as various conversations which we have been doing somewhere has resulted in things like proposal conversations are going, but nothing unusual.

Dipen Mehta

I just want to understand bit more, when you say that you want to get a strategic investors to partner into NIIT Tech, do you mean as possibility that NIIT may just held that NIIT Tech to the strategic partner and it get out of it and then it becomes bit of a kind of you know existing promoters of NIIT Technologies and the strategic partner these are what you are employing it.

Pawar

Well all possibility that we are keeping.

Dipen Mehta

Okay sir because it is seen there for long time on our books and you know intact ROCs and other issues, anyways I hope you have some positive report for us sooner or later.

Pawar

Yes, we are working on it. It is not issue, which is neglected, we are working.

Vijay Thadani

Okay, thank you very much.

Moderator

Thank you very much sir. At this moment there are no further questions from participants. I would like to hand over the floor back to Mr. Vijay Thadani for final remarks.

Vijay Thadani

Thank you very much for your encouraging response to our discussions today and as usual from your questions we learnt many new things. There are new data elements which have been asked for some of which we could not provide. We will revert back to you with those and also put them on our transcripts, so that everybody has access to the same data and all that remains is not too. Thank you all for being here on this call and thank you for your cooperation, guidance, and support. Goodnight.

Moderator

Ladies and gentlemen, thank you for choosing WebEx conferencing service. That concludes this conference call. Thank for your participation. You may now disconnect your lines. Thank you.

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