NIIT Limited
Investors/Earnings Conference Call
(July 30, 2007)

Moderator: Good evening ladies and gentleman. I am Suresh, the moderator, for this conference. Welcome to the NIIT limited conference call. For the duration of presentation all participants' line will be in a listen-only mode. I will be standing by for the question and answer session. I would like to handover to Mr. Vijay, thank you and over to you sir.

Vijay: Good evening. This is Vijay Thadani and I have a number of my colleagues including Mr. Rajendra Singh Pawar – Chairman, Rajendran – Chief Operating Officer; Mr. Raghavan, The Individual Earning Solution; Ashish Basu of Corporate Learning Solutions; Jitendra Mahajan, CFO; Mr. Vijayakumar from investor relations and M&A; and Kapil as well as Chetna. So, what I would do is give you a quick overview of the first quarter's results and then open it up for question and answers. I just want to make one point before I start and that is the fact that I do believe that some of people who wanted to attend the call have a conflicting appointment at this time and may disconnect in a short while, I just want to tell you that we have made sure that the recording of the call is available at 7 p.m. onwards in case somebody would like to listen to that and the dial in number for that I would be giving you once again in a couple of minutes. Not only that if anyone would like to have either more detailed look at the results on www.NIIT.com or set up individual calls, we will be happy to address those. With that let me get into the results for this quarter.

As usual, first I would talk about the environment. In the environment other than the newspaper report this morning where we said that 2006-2007 the economy growth may actually start touching 10%, we have seen a robust growth in the economy led by IT outsourcing as well as other servicing sector and that continues to fuel the demand for talent across all sectors. In IT outsourcing – India remains record of destination with demand for IT professionals now slated at 2.2 million by 2010. Banking, insurance, and other financial services sector are also demonstrating a large demand as is visible by our estimate of 1 million requirement by 2010. The strong growth of the Indian corporate sector is creating a demand for higher level of skills and the trend is moving from out-tasking to outsourcing. These trends are very similar if at all a bit extenuated in this quarter as we go forward and therefore, the impact of all these was visible in the results of this quarter as well as our efforts in going forward.

Within this environment NIIT just to take stock of the situation has enhanced its leadership position in the IT training market as per the Data Quest report which is just available NIIT is now two times the size of the next 6 players which is phenomenal increase in the organized sector in terms of market share and with the successful launch of new businesses during last few quarters I think NIIT is now well-positioned to become a major source of skill work for sectors other than IT as well and lastly the successful integration of Element K as will be visible from Element K results has also positioned NIIT as a dominant learning solution provider globally.

During the quarter in the other calls we talked about the positioning change which NIIT is going through from an IT training to a global talent development organization and we see that as the new charter for NIIT and this is build into our plans as we go forward and in terms of the products and growth that we would be looking forward too.

Coming down to the highlights of the quarter before I get into financials the individual learning solution continued to witness high growth. We had a growth in excess of 30% and in India 34% and I will get into the detail of that. The other interesting part is the institutional learning business, which is now called School Learning Solution, the institutional learning business after a period of de-growth in FY2007 and we have talked about it many times has registered fresh growth albeit small; however, that is a very positive trend and behind that there are other aspects that I will be talking about.

The integration of Element K with NIIT corporate business has happened on track and from this quarter onwards like I had mentioned at the end of last financial year's results we are now presenting corporate learning solution as a combination of Element K and NIIT's organic business together and we will discuss that in detail, for analysis purposes we would still get on to the details of looking at Element K separately, that had very good quarter in terms of record order intake of $38.5 million and we would talk a little bit about that.

The new businesses IFBI and Imperia have been on a strong growth part both of them are on track and in fact subsequent events to this quarter ending has shown and enrolment growth to more than 100% over the previous enrollment period which is a strong indicator of this and the success of these products. Having said that our revenues and margins have been both threat the impact of the rupee appreciation and I will talk into details about the rupee appreciation and where all has it impacted and as I go deeply into numbers.

Highlights of financial performance consolidated system wide revenues have grown 79% year-on-year and they are at Rs. 2935 million, Rs. 2.935 billion. Net revenues have grown 104% year-on-year to reach 225.4 crores, Rs. 2.254 billion. The difference between system wide and net is obviously coming largely from the larger share of the corporate business now, now that Element K is part of NIIT. The net profit has increased by 17% and has touched Rs. 154 million. The basic EPS and this is after considering the FCCB conversion which Intel capital did during the quarter, into equity shares, so this is after that dilution is at Rs. 7.0 during the quarter.

We have started talking about a new data point called System Wide Intake. System wide intake is the system wide order intake we have of all the businesses which should give you a visibility of performance on NIIT over the next few quarters and in this system wide intake in each business line we will also talk about the percentage executable over the next one year.

Let us get down to the consolidated financials in a little more detail. Net revenues are at 2.254 billion rupees representing 104% and I will now get down to the operating profit EBITDA level. At EBITDA levels we have an EBITDA of Rs. 145 million. This is the place where we see the impact of the rupee appreciation and I will get down to the three drivers to this. The first driver to this is the fact that given Element K as a part of our portfolio our dollar-denominated revenue is fairly large, therefore the impact of rupee appreciation on revenues itself is to the tune of 5% which is Rs. 115 million and the impact on EBITDA is 13% which is to the tune of Rs. 19 million if we do a year-on-year comparison. Besides that in case of Element K as we know we inherited a business which was making loss and we have been able to convert that into profit over the year and while Element K has had a fairly strong quarter this time as you would hear. Their smaller margin is visible apart in the overall margins of the business as well and last, but not the least corporate solutions while they had a very good order book, one of their major orders for which they were preparing for revenue that is the order got delayed one of those quarterly blips because of which I have seen they have a nominal impact on their revenues and we will talk about that once again when we get into the details. All those contributed to reaching an EBITDA of Rs. 145 million and then with depreciation other income which was negative because of the number of considerations, exchange loss once again visible in the other income, as well as the higher interest as you know we are taken a loan for Element K acquisition, so the interest on that loan which would not have been there in the same period last year as well as the impact of higher interest rate would be visible in the other income being negative. We did have some deferred tax asset building up this quarter given the fact that Element K had losses which were available to them; however, we were able to take them this quarter after Element K have proven the fact that they can be profitable and based on the test which is applied for recognizing the deferred tax affect, so Element K as well as our US subsidiary has some deferred tax assets which have been visible in this and after including all that we have a PAT of Rs. 154 million which as I mentioned before represents an EPS of 7.00.

I would like to talk about the mix of this revenue in the FY2007 so at a net level our 45% of revenue is coming Element K and 28% from individual business, 17% from corporate, 8% from institution, and 2% from new business. What you would notice is the substantial reduction in the institutional share of the business having said that institutional was a conscious re-prioritization of the portfolio and now that the re-prioritization has happened we are beginning to see growth and we will see that as we will go forward as well.

Let us go down to a level deep into each of the businesses. In individual learning solutions the system wide revenue grew by 27%, net revenues grew by 30%, and EBITDA grew by 38%. So overall we have 103 basis points improvement in the operating margin on top of the 30% top line growth which we experienced this quarter. The primary contributor to that is India at 74%. India has grown 34% and followed by China which is at 13% and ROW contributing the balance 13%. Interesting thing in this is that we had a 16% increase in capacity year-on-year and at the same time our utilization is at the same level as it was in the previous sequential quarter which is 52% and thereby we have a higher operating margin of 17% in the individual learning solutions business. Going little behind these numbers to look at what caused it, the first and the foremost thing is engineering and IT enrollment. Our overall engineering and IT enrollment was up by 30% this quarter. Our career revenues are up by 33%, our China registration are up by 21%, our placements overall were up by 38% and one more piece of data which I would like to share is the fact that all our new technology partnership that we talk about and anticipate in this case some of those have to do with EMC, Sun, Microsoft, CompTia, and Oracle, they have contributed more than 5000 enrollment in the last 3 months alone. Overall system wide booking was Rs. 1.787 billion and we had a closing net order book of Rs. 1.558 billion, 66% of which is executable over the next 12 months.

In the institutional business, which we now call the school learning solution, we have a modest growth albeit positive which is 4% year-on-year therefore, the revenues is 177 million rupees and as expected with the better product mix coming from non-GSA school our margin has increased substantially from 7% to 13% and therefore, we see a margin of 23 and EBITDA of Rs. 23 million this quarter. We have added 100 schools in the non-GSA segment in the quarter that is in line with the status strategy of working with the private school as luck would have it we could also add about 500 other low-risk government schools which would have contributed more to the order intake, but we would see the impact of that revenue as we go forward. So overall order intake of Rs. 156 million, pending order book 995 million rupees 57% executable in the next 12 months.

In corporate learning solution while on the accounting basis, we have a 219 % growth, but we have to remember that Element K was not part of NIIT status in AMJ 2006 and therefore if we take away the Element K part of the revenue from this side and did a like to like comparison then we have a minus 3% in terms of revenue on the organic corporate business. To this we have to add the impact of the two parameters which I mentioned, one is the loss of the revenue because of dollar depreciation and the other is the fact that one of the major orders and their execution could not be taken up for the execution during the quarter given the delay in receiving the order. The good news is the order is with us, the execution has started and we will see the recovery of that part at least in the next three quarters. Overall, order intake in the corporate learning solution was $38.5 million, pending order book is 71.4 million, 6% is executable in next 12 months. Between Element K and NIIT 14 new customers were added during this quarter and Element K has contributed 73% of the revenues in AMJ07. Overall in the integration of Element K is on track and on schedule in fact we have had four new wins together this quarter, impact of which will be fair in the next few quarters. Element K's financial on a stand alone basis will show an EBITDA of 48 million rupees and a net revenue of 1018 which is an operating margin of 5% and order intake of $25.3 million.

Let us talk about the new businesses, the new businesses have had a fairly robust quarter, net revenues are Rs. 44 million though EBITDA is negative 35 million rupees and one of the reasons contributing to this is the large marketing campaign which I think you may have seen which we have launched as there is a strong demand and strong acceptance of the product that we have seen in the market. First batch of 403 bankers of IFBI joined the ICICI bank and have been received extremely well. We have added three new leading banks, one private, one public, and one foreign bank into our portfolio. We have commenced Finacle training in partnership with Infosys and Finacle has a large reach in the banking sector and that will open a few more doors for us. In NIIT Imperia, we launched some new programs for retail management and other aspects of HR management including a very unique program in management of software development industry and we have received good feedback. What I do want to mention is that in the 30 days since the end of the quarter we completed the enrollment process for the new batches which will start during this quarter and I am pleased to inform you that the results of the marketing campaign have shown more than 100% growth each in IFBI and Imperia enrollments, so that should put us in good stead in the future quarter. Referring to a few balance sheet articles we added assets of about 52 million rupees during the quarter primarily on new products and initiative 36 million normal CAPEX 16 million. Our DSOs have reduced to 91 days from 101 days on LTM revenues, last twelve months revenues and our ROC of 14% is in line with what we had in Q1 2006. Talking of head count and capacity our total head count and whatever numbers I am sharing with you all include consolidation of Element K results is now at 3443 and in terms of the number of location where NIIT training is now made available that is now 4437 institutional centers, 448 individual centers, direct centers in India and 315 direct centers overseas.

Talking a little bit about the future we continued to see and going from new businesses backward we continued to see a strong ramp of both IFBI and Imperia, we ramped up the number of centers from 6 to 10 in IFBI and Imperia during last quarter. We expect that to become 14 during this quarter and we expect that to reach 20 by the end of FY'08. We are adding new products this quarter, we are launching training in insurance, we are launching training in wealth management, asset management, and management of retail business in Imperia. In individual learning solution we had launched new products in terms of network lab. Network lab has reached by the end of this month a reach of 50 centers. It was at 10 centers I think at the end of last quarter when we spoke, and has been received very well. We see network lab, GNIT engineers and IT segment and are strong vendor based portfolio to partnership being the leading forces in driving our top line growth. Our higher fee structure has resulted in better realization and has been accepted pretty well by the market. So we are quite encouraged by the response that we have received both for new products as well as the pricing structure or fee structure that accompanies them. We look forward to improving our margin as we continued to build strong volume growth. In institutional learning solution the first quarter success with non government schools is profiling us to look at growth in line with what we had talked about and we would look forward to also some of the dealers government orders to chip in terms of making the overall contribution to draw. So this year we do see institutional learning solution to be growing in the positive domain with margins which is of the kind that we have experienced this quarter. In corporate learning solutions while on one hand Element K and NIIT combination put together are a very compelling proposition for customers and are receiving good acceptance. We do have an issue to do with rupee appreciation and the margin pressure that had coming out of the differential guidances in which we operate and the impact of that on the margin. So we do see that the growth rate in Element K and corporate solution to be affected by the strange rate this short dip that we have experienced in this quarter because of the delayed order, we do not expect that to continue with us for the rest of the year and in fact the effect to make that over the next few quarters in any case. So with that I would like to close this discussion in terms of my brief and I would like to open it for question and answers and as I mentioned to answer these questions I have a number of colleagues who would help us in answering these questions, moderator.

Moderator: Thank you very much sir, we will now begin the Q&A interactive session. Participants who wish to ask questions please press *1 on your telephone keypad. On pressing *1 participant will get a chance to get their question on a first in line basis. Participants are requested to use only handsets while asking a question, to ask your question please press *1 now. So the first question comes from Mr. Apoorva Shah from DSP Merrill Lynch.

Apoorva: Hello, good evening to the management. My question is regarding the corporate business, could you please throw some light on what was the impact because of rupee appreciation?

Vijay: Okay in the total corporate business, the impact of rupee appreciation on the top line was 110 million rupees which is 8% and EBITDA of 17 million rupees 33% this is assuming the exchange rate had remained the same

Apoorva: After including Element K or excluding Element K?

Vijay: After including Element K because now corporate is come up Element K and NIIT put together. I can give it to you of excluding Element K as well.

Apoorva: Could you please give me those numbers?

Vijay: Yes that was 26 million rupees.

Apoorva: Okay pardon please.

Vijay: 26 million rupees in top line and Rs. 11 million in bottom line, 17 was the total.

Apoorva: Okay thank you and one more thing Mr. Thadani regarding the individual business what is the kind of margins we are expecting for the whole year we have been flattish for the quarter and going forward do we see them improving the next two quarters?

Vijay: We have seen an improvement of 103 basis points over last year same quarter, so there has been an improvement in margin and margin in individual business is function of top line obviously, but also of capacity utilization so we have added 16% capacity and if you see the trend in the previous year and the same quarter, quarter 1 margin will typically be lower comparable to the other quarters in any case because quarter 1 is the time that all the major campaigns break and all the major marketing expenses takes place, so that impact. The benefit of that we get spread out over the rest of the year so in the future quarters we definitely see better margins than that because of number on reduced expenditure on, comparatively reduced expenditure as well as capacity utilization.

Apoorva: Thank you that is all from my side.

Vijay: Thank you.

Moderator: Thank you very much sir. Next in line is Mr. Rehan from SBI capital market.

Rehan: Very good evening sir, I would just like some clarification on the EK corporate break up, as far as my numbers go EK would be about 100 crores out of the total chunk and corporate should be about 38 crores, right in the top line?

Vijay: Yes.

Rehan: And if, correct me if I am wrong you said 48 million came from EK and the EBITDA, so that means just 3 million for corporate?

Vijay: No that is why I first paraphrased by saying if I do a like to like comparison now Element K and corporate are together, so if I have to split it then I have to bring them back to their original position, so if I do that and assuming Element K as it own then it would have look like something like 968 and 28.

Rehan: 968 and 28.

Vijay: Yes.

Rehan: Okay so the corporate margins in the organic corporate margins are maintained or?

Vijay: No they are lower, they are lower and are affected by as I mentioned both the parameters.

Rehan: The rupee and delay of the order.

Vijay: Yes.

Rehan: What was the size of the order that got delayed in rupees?

Vijay: Well the size of the order is visible in the order intake right now, which is 13.5 million dollars is our dollar intake which as you know is one of the highest we have had so far and but the amount that we got missed which will get recovered over the next two or three quarters is close to Rs. 45 to Rs. 50 million.

Rehan: Okay and my second question is what was the interest cost for this quarter? Just the outflow.

Vijay: Just the outflow, Rs. 56 million.

Rehan: 56 million rupees, okay that is all from my side.

Moderator: Thank you very much sir. Next in line we have Dipen Mehta from Dipen Mehta Stock Broking. Mr. Dipen your line is getting disturbed. Sir we will take the next question. Next question from Mr. Sonaal Kohli from AIM Capital.

Sonaal: Hello Mr. Thadani congratulation on your results.

Vijay: Thank you.

Sonaal: A couple of questions, firstly I could not follow the margins you are talking about corporate business on a like-to-like would it be possible for you to repeat the same?

Vijay: So what I am saying, Element K and corporate learning business, our corporate learning business which for the NIIT organic we were to look at them in stand alone basis which means they have not integrated together, then you would have in Element K a revenue of 968 and an EBITDA of 28.

Sonaal: Okay and what about corporate?

Vijay: It would be 427 and EBITDA of 23, if you do a like to like comparison, because as you know some of the product lines like the platform business is now with Element K and therefore to that extend is not recorded in our corporate business.

Sonaal: Has that related to some change in the margin component of corporate business?

Vijay: It would lead to some temporary change that is why I am drawing that line for just explanation purposes, the best would be to understand both the businesses together, but if you go by the accounted number Element K and we have shown those accounted numbers is 1018 and the margin EBITDA is 48, but we are mentioning here of that a margin of 20 and a top line of 50 is attributable to a business which got shifted from the corporate learning solutions and Element K.

Sonaal: And in terms of you know the EBITDA that you have mentioned in the currency impact is about 1.7 CR combined from these two, am I right?

Vijay: Rs. 17 million on the combined of which 11 million is on the organic part, 6 million on Element K.

Sonaal: So even one was to adjust for these factors it appears that margins are on a decline with corporate business?

Vijay: The margins in corporate business are lower for two reasons, I mentioned one is exchange rate and the second is the order that we are just talking about.

Sonaal: So that order would be around Rs. 50 million and what push out you know the first put you are accounted for the same?

Vijay: I would say it would have contributed may be another Rs. 30 million in operating margin.

Sonaal: My next question pertains to the individual business, we grew 30% in this business this year with India business growing at 34%, what was the mix of volume versus value considering the fact that we took a sharp price hike in last year?

Vijay: About 22% can be attributed to volume and about 11%. I have the break up for India, because price hike was in India. About 11% can be attributed to higher realization. By the way higher realization is also because of new products, better margin products and so on and so far.

Sonaal: You know if one goes by the shortage of man power in the industry 22% volume growth was still lesser than the growth of major IT companies since the industry growing rate about 30% to 35%.

Vijay: Yes, that was not a measure for that enrollment is a good measure of that, revenue is not a good measure of that because revenue as a derivative of how the student finished their semesters and then we get the chance to recognize the revenue, so that means the things to recognize there to correct think to look at that is enrollment. So the enrollment growth as you see has been fairly robust.

Sonaal: What would that number be?

Vijay: The total enrollment growth in the engineers and IT segment I mentioned is 30%, I have two or three cuts of that, I will just give it you. Engineering and IT enrollment are 30%, I can share them with you separately, but engineers and IT enrollments are one important pointer.

Sonaal: Okay with a lag the same should catch up, if we have a time horizon?

Vijay: I think we are on track on the kind of enrollments that we were looking forward to and the kind of plan and programs that we had.

Sonaal: Okay and secondly coming on to you know your capacity utilization is at around 54%, right.

Vijay: 52.

Sonaal: 52% and this was the same figure in Q1 last year also?

Vijay: Q1 last year was 54%. Remember the capacity utilization when we refer to is revenue capacity utilizations with if there is a fee hike then the capacity goes up for the same number of this, I hope you appreciate that, sorry it is 59% last year.

Sonaal: Okay and in terms of the increase in employee cost and advertising cost for this quarter for the individual business would it be possible to share that in terms of percentage of what kind of increase has happened because you would have ramped up the number of centers that related to?

Vijay: So our total payroll increase is 2.6% this quarter, the overall increment are about 14% per annum and you wanted the additional marketing increase.

Sonaal: Yes what would have been the market increase last year?

Vijay: Yes just a moment, sorry. Yes we have a 16% increase in marketing expenses, no I am sorry, just a moment let me just give it to you. If you can just give me a minute I can just take some other question to just pull out that please.

Sonaal: In terms of this capacity addition you mentioned about is on year-on-year or quarter-on-quarter?

Vijay: Year-on-year.

Sonaal: And how does it compare to quarter-on-quarter.

Vijay: Quarter-on-quarter is 2%.

Sonaal: Initially few years back you needs to talk about the numbers Q1 was typically reasonably good quarter and with in comparison with Q3 for the individual business, so because of the price increases has the mix change over, the quarter as increases comes toward the later part of the quarters and the first quarter.

Vijay: Well there are two phenomena which are happened, one the introduction of engineer product has definitely changed the seasonality pattern a little bit, you tend to do better in JFM than you tend to do in AMJ because in JFM you never used to have a product, now engineer is a very interesting at that time as you know engineers finished their courses around that time and therefore they are available. So if you see last year as well as this year, last two years if you see Q1 is slightly weaker compared to previous year's Q4. So it in line with that trend.

Sonaal: And a couple of questions on your new business initiatives, you mentioned about starting a retail course, also intending to start an insurance course and wealth management and asset management. Could you throw some light on what kind of courses you are looking at launching in retail, wealth management and asset management whether it is for the masses or for a limited segment of the market, and in terms of your guidance for this business, which you mentioned was between 900 million to 1000 million, would these courses be included in that guidance or you would like to change that guidance.

Vijay: First of all the courses that we are referring to, when we launch a program and we do development of a product for that then when I am referring to that, I am talking of first of all the masses, so insurance as a training will be available to individuals like banking was available as a training during this quarter end or early next quarter and same is the case with asset management or wealth management. Both these sectors, our results have shown an increase of requirement because as we have been going and talking to the bank, so we have introduced these as curriculum. We always knew that we would be adding insurance and we would be adding other financial services product, so those are big into our numbers already, but I am just informing you from the point of you of launching a new product.

Sonaal: Have we tied up for insurance in retail ventures in the same pattern which we have done with the ICICI Bank and I am sure all the other products.

Vijay: As you know, ICICI has an equity participation in that venture already, so the content, the subject matter expertise for these also are being developed in similar fashion.

Sonaal: So prudential insurance would be involved in the insurance products and.

Vijay: Yes, and others, insurance, as you know, has a little wider coverage.

Sonaal: And in terms of retail also for sourcing of the product, have you tied up with somebody and similarly for asset management and.

Vijay: As far as asset management is concerned, yes, very similar, the same expertise is available within the system, but as far as retail is concerned. In retail, we are adopting a strategy of going top down because at the bottom there is a lot of confusion as to who is the target segment, what does the target segment need to get trained, and we are studying that, but we have meanwhile started programs in association with IIM Calcutta and we already have the retail management program where we are actually talking of the management of the retail business in contrast to creating the masses which are required as of now.

Sonaal: In this insurance kind of ventures would it be a similar model where the placement would be presented like in case of the banking business or would it be of shorter duration courses.

Vijay: It will be very similar to banking as a first product, so it requires much more training, so the duration of the course etc., is still to be finalized.

Sonaal: Are we looking at increasing our capacities since we are launching these courses in the existing six centers.

Vijay: No, we are already in ten centers, six have already become 10. As I finish speaking to you maybe it would have become 14 because four more centers are just getting launched during this quarter, so we will be using this capacity and to launch all these products, so under the IFBI umbrella which is the IFBI capacity which we have. We are launching in addition to banking, insurance, in addition to insurance asset management and wealth management.

Sonaal: We had increased our fees in the middle of this quarter in some of the individual courses including GNIIT.

Vijay: Yes.

Sonaal: Would it be possible to quantify whether there any impact of the same has come in these quarterly results or.

Vijay: It will be very small in this quarterly result because only the enrolment, which have taken place, and those enrolment whose courses have started would be visible, I think next quarter will be a better indicator then we would be able to talk about these, though when I mentioned to you the volume and fee increase issue, in the fee increase, we also have the new products.

Sonaal: And would it be fair to expect our realization increase per student.

Vijay: Overall going forward.

Sonaal: Yeah.

Vijay: As the mix become more and more current, yes. Raghu, do you want to comment on that?

Raghu: The ongoing impact of the last year GNIIT seat changes, this year GNIIT fee changes, last year as well as this year has product fee changes. We will continue to have an upward impact on the realization for student going forward.

Sonaal: Last year, we had started a new initiative in which we would be targeting the engineering students from starting with the course. Could you throw some light on the progress and how big that opportunity could be for us going forward?

Vijay: Yeah, actually the response has been very good. We have totally, as I said about 38,000, registrations this quarter alone in the engineer segment and they are combinations of what they come to us for after engineering as well as during engineering, so we have a good response, but it is still the beginning stages of that product, I think there is much more to go. We have nearly 1.4 million engineering students on roll, so our coverage is miniscule even now in the country.

Sonaal: And could you throw some light on e-Gurucool, what kind of registrations are there. What kind of revenue does it make and where do you account for in your segmental result.

Vijay: E-Gurucool is the part of our schools' offering. It is offered at two schools and it is available in our schools' results.

Sonaal: This is not on web or this is school specific program, e-Gurucool.

Vijay: It is a school specific program, we also have some web-based individual, but that is more on validation. It is not a mass program. Majority of the revenue comes from the institution sector.

Sonaal: Press release also mentioned that we have added 100 private schools over this quarter.

Vijay: Yeah.

Sonaal: That would be over and above Q4 or that would be more on a year-on-year basis.

Vijay: No, it is over and above Q4. We had 806 schools at the end of the Q4. We have now 906.

Sonaal: These are private schools.

Vijay: Yes.

Sonaal: And what do we charge per school considering that, you know, it is 100 schools you added and the revenues are still in the private business, if I recall correctly about 30%, which is the revenue.

Vijay: Yeah, Sonaal we would like to have a more detailed discussion with you. I am going to answer this question more certainly. I am trying to make sure that everybody gets a chance to ask a question.

Sonaal: I will be through after this question**.**

Vijay: Okay, so in our private schools, we have a subscription model, and therefore, a typically school's pay on per student, per month basis over a two year or a three year period.

Sonaal: Okay, thank you.

Vijay: Okay and we would love to have a separate or another round of questions from you. I did not want to interrupt you.

Sonaal: Sure.

Vijay: Your questions were interesting. Thank you so much.

Moderator: Thank you very much sir. Next in line, Mr. Jameel Ansari from Brics Securities.

Ansari: Hi, good evening everyone. Even most of the questions were answered, but still I would like to just get a re-inform we have booked 4.4 Crores in new business in this quarter.

Vijay: That is right.

Ansari: And do you still maintain a guidance for 30 to 35 Crores in 2008 and 90 in 2009.

Vijay: Yes.

Ansari: Okay, fine, so I mean, have not booking been a bit slow given that you added 4 more centers in this quarter compared to last time?

Vijay: Yeah, but center get added during the quarter and they do not fill up the day they open, so you see a cumulative effect of these issues. These results are in line with our own internal projections.

Ansari: What has been the capacity utilization in the new business?

Vijay: I do not have that number. As the rule for the first 8 or 9 quarter, we do not worry about capacity utilization and then we worry about volume.

Ansari: Okay.

Vijay: But I will be able to share that with you if you are keen to understand because it also depends on the timing of the new center, how many days in the quarter it was available and you know stuff like that since we are measuring in transition.

Ansari: Right.

Vijay: Yeah.

Ansari: Sir, would you like to share GNIIT enrollment numbers for this quarter?

Vijay: We have the total career enrolment growth which we have already shared with you.

Ansari: Okay and just wanted to understand, actually there has been an dual impact of the fee hike that you taken in this quarter along with your competitors revamping their career course, so I mean, if you can just quantify as what is a kind of impact on GNIIT or your career courses due to that, both of these impacts?

Vijay: We have launched new products. We have new products at new fee structure. Most certainly, I agree that they have been accepted very well. We have a 30% growth in enrolment in engineering, IT sector as I already mentioned to you, so that part one of the question. What was the part two, which I could not understand, our competitors?

Ansari: Yeah, your competitors also revamping their career courses, so I mean, what the kind of impact that you see from that front?

Vijay: As of now, the impact is marginal-to-nothing as you can see we have nearly four times or five times the size of our nearest competitors, so.

Ansari: Right.

Vijay: I think that too in India, I think, It will be even a larger number than that. We have not felt that much, but there has been more activity in the market, there is no doubt about it, I think you see much more advertising.

Ansari: That is right.

Vijay: Which is definitely the case, but we are not sensing any competitive pressure as such.

Ansari: Okay, I think I would have missed on this, but you said that there is a 16% increase in advertising expenses in this quarter?

Vijay: No, I am sorry, actually that question has corrected 16% is the percentage of revenue.

Ansari: Okay.

Vijay: The advertising expense increases to 27%.

Ansari: Okay, and what is the absolute cost, if that is possible?

Vijay: This is the total marketing spend.

Ansari: Right.

Vijay: Is Rs. 133 million.

Ansari: Rs. 133 million, okay, and during the quarter you announced the Intel tie up, so would you like to quantify so what is the size of the opportunity and how you would pan off?

Vijay: Well, it is difficult to put a number around it, but just to give you a small feel of the situation, every programmer we need to get retrained because every programmer anybody who writes software today write what they call a single-thread software because each computer is a single computer, multi-core computer is a core computer that 2 computers or 8 computers working simultaneously.

Ansari: Right.

Vijay: That requires a new programming discipline, so frankly everybody needs that, however, there are some who learn on their own, but all the new comers would any way need it, which they would have learnt anyway something new or the other, so I think the opportunity is very large. The other important thing is the tight relationship which we have with Intel given the fact that we contributed to this process right from conceptualization and have contributed to the development of the curriculum and now rolling it out worldwide. We see a lot of opportunity, but of course it will depend on how the marketplace sees whether people need to invest money in learning multi-core programming.

Ansari: Correct.

Vijay: Current indications are "yes", but we would have to go along and see that.

Ansari: Okay, and you have added as many as 631 educational centers in this quarter, so can you just break it off so where these additions have come from?

Vijay: I beg your pardon.

Ansari: There is an addition.

Vijay: Yeah, yeah, so there are institution centers, there are 100 new private schools we have added.

Ansari: Right.

Vijay: There are about 525, the Sarva Shiksha Abhiyan Centers, we added.

Ansari: Okay.

Vijay: And the rest will be the net increase in domestic and international number if they are on the presentation.

Ansari: Right, and sir just last question and given that there have been vast changes in your margin picture for your corporate business, I mean, do you still maintain your margin expectation for FY08 for these business?

Vijay: The margin expectation for exchange rate, we cannot correct.

Ansari: Right.

Vijay: Our budgeted exchange rate for Rs.44 for corporate business.

Ansari: Okay.

Vijay: If I go by today's exchange rate of 40.5.

Ansari: Right.

Vijay: That Rs. 3.5 is not recoverable completely from the business.

Ansari: True.

Vijay: So we are looking at, and of course you can get a part out of hedging a part, but that if you go below the line that will not come here and the balance through other means of better product mix as well as a larger volume as well as if there are increase rate that you can get out of customers. What we are trying to see is that we try to neutralize the impact of exchange rate on margin as much as we can and we believe that 75% or so is recoverable.

Ansari: Okay, so going forward do you see that this severe impact to kind of coming down in the next few quarter and will it be as severe in the next quarter also?

Vijay: Well, it will depend on the comparative movement of the dollar.

Ansari: Right.

Vijay: So, now if next quarter the exchange rate differential or the exchange rate impact will be only between the two quarter, so if it moves only by rupees then what it is whereas in this quarter we are seeing a movement of nearly Rs. 4.8, but on a year-on-year basis, the differential will be, for example, Q2 to last year, the exchange is how much, 45 and this quarter we are talking of 40.5, so year-on-year you will see an impact.

Ansari: Right sir, thank you a lot sir.

Vijay: Thank you.

Moderator: Next in line we have Mr. Pankaj Kapoor from ABN Amro.

Pankaj: Yes, sir, congratulations for this quarter.

Vijay: Thank you Pankaj.

Pankaj: Initial questions on some number, can you give me the numbers of the NIIT operated centers in the individual business and total number for the individual business, number of centers?

Vijay: The number of centers.

Pankaj: That is right.

Vijay: We have 52 out of total 448.

Pankaj: Fair enough and next sir we had seen almost like 2.5% increase in the quarter-on-quarter increase in the seat capacity, what kind of addition you are looking at for the full year?

Vijay: Yeah. Raghvan may elaborate on that.

Raghvan: Yeah, we are looking at 12% capacity, seat capacity addition for the year, it so happened that last quarter, quarter-to-quarter we have added more than what on the average is 12%, but for the year the guidance is about 12%.

Pankaj: Okay, and talking about institution, I mean, we had a very strong first quarter, now based on what will happen in this quarter, do we still see a lesser possibility of de-growth happening on a year-on-year basis, as the government business moves so.

Vijay: No, in the institutional business given the current status we have, we should see a positive movement going forward.

Pankaj: Should we be looking at yea-on-year growth in the institutional business despite the impact of less focus on the government business yet?

Vijay: Yes, our non-government business, as you know, is picking up very fast.

Pankaj: Okay.

Vijay: And that is the idea, so I think when we add up it may not match every quarter because in those previous quarter which government business contributed at that time depending on the order may change, but I think on the full year basis, we definitely see a growth in the institution business and we have said so at the beginning of the year so it is in line with that.

Pankaj: And, sir, a couple of what is the U.S. Dollar revenue for the Element K business?

Vijay: $24.8 million this quarter.

Pankaj: And few things on the balance sheet, what was our cash position?

Vijay: Rs. 601 million.

Pankaj: And in terms of the loans outstanding, we have equated the FCCB what is the total outstanding loan for this?

Vijay: The total outstanding loan is now down to 2317.

Pankaj: Okay and in terms of any outlook or guidance you will have for the full year 2008 and now in terms of top line or bottom line. Last year we had given out this numbers, so do we have something similar for this year also?

Vijay: This year we had talked about individual businesses and how they will fair. I just want to repeat, individual business in on track and is in line with the guidance that we had given and which was a 30% plus revenue growth rate during the year and an improvement in margin. The institutional business we have talked about 5% to 10% growth in top line and a better operating margin which is by the way visible in this quarter's performance. In new business, we had talked about the number and we have talked about the next 2 years target as well, so we are in line with that in this quarter and lastly in the corporate business we had talked about certain growth rate and that the Element K, if you take away the exchange rate impact on that assuming that we had planned that Rs. 44 then to that extent it will change which would according to me make a difference of 3 to 4 percentage point in growth over across the year assuming dollar remains at 40.5 and therefore a corresponding impact will be there on that margin as well, so over all I would say in all the other businesses we are on track. In corporate, we would recover the margin, but we would not be able to recover the impact on top line.

Pankaj: On a consolidated basis should we look at margin being flattish yea-on-year or you think that we can easily target at 10% to 12% growth that we were initially targeting for the last year?

Vijay: In which margin?

Pankaj: At operating level, last year we were targeting for 10% to 12% kind of growth for the full year. We actually came up with about 9.79 to 9.8%.

Vijay: Are you referring to net margin?

Pankaj: I am referring to the EBITDA margin last year.

Vijay: Growth of 10% in the margin between 100 to 200 basis point.

Pankaj: Right.

Vijay: Yeah. I see an improvement in margin over last year.

Pankaj: Okay, fair enough. Thank you so much.

Moderator: Thank you very much sir. Next in line is Mr. Nitin Singhal from BVS Capital.

Nitin: Hi, guys, question on the individual business, just looking at your incremental margin, if I just look at the EBITDA growth and net revenue growth it looks like incremental margins were only about 20% versus 35% to 50% in the last 3 quarters. I know, you have an impact of adverse marketing or increased marketing expenditure. In the cost of the break up, if you add that fact what would margin growth have been?

Vijay: I have a comment, we can definitely do that exercise and we do it in another way so therefore we are not able to respond to you straightaway, but may I recommend that if you want to see that then I think we need to look at the given the seasonality of this business and given what happens to the business in each one of the quarter, it may be a good idea to also look at yea-on-year in contrast to a quarter-on-quarter.

Nitin: That is the number I am talking about just looking at year-on-year your results in the individual segment.

Vijay: Yeah.

Nitin: And I am saying, so you have operating profit grown from 76 to 106:

Vijay: Yeah.

Nitin: And that revenue become 490 grew to 638.

Vijay: Yeah.

Nitin: Just sort of incremental profit versus incremental revenue, those margins look a lot lower than they have been in the last few quarters. I know, because you are spending marketing dollars and adding capacity, so you know, it should be. I am trying to understand if the incremental contribution margins that have historically been in the 35% to 50% range when looked at an year-on-year basis. This is something unusual that came or just marketing spend that getting that expenses is up from this quarter and so the later half of the year the incremental margin should actually revert within 40% plus range but there should not be the incremental standard, the utilization gets up?

Vijay: The number of parameters which contribute to that is more than just a fact that there is marketing spend. It is easy for me to say that this marketing spend which is contributing to hit this quarter, but before I comment on how it will effect in the next few quarter, I think it is important we do a little bit of an exercise. I do want to point out one or two more important statements. A 14% increase in people's cost is about 40% higher than what we did in the same period last year. Last year, our average increase in people cost was about 10.0% odd and this time we have an average of 14%, so that the question is that will be the same right through the year, so we have to therefore put some of these off chain delta revenue and delta margin increase, will that be in a 35% to 40% rate or not, we can do that exercise and revert to you.

Nitin: Yes sir, may be I will ask you a sort of different way, you said over all capacity utilization was 52% for this quarter and that includes the fact that you raised capacity 16%.

Vijay: Yes.

Nitin: Is there a way to look at what capacity utilization is on old capacity versus new capacity, if we look at, I guess, organic increase in capacity utilization because the last year same quarter you were 59%, so you know if you had held capacity the same, would utilization have been in the 65% to 70% range.

Vijay: Quite obviously, yes, because the additional volume on the same capacity would have definitely meant a higher utilization.

Nitin: And then my last point is that is as you said seat capacity growth was slow significantly because you added more in this quarter than you have full year capacity growth numbers and you have previously stated that steady state margin in this business is around 25% and you would get there when you have a sort of run rate 60% to 65% utilization.

Vijay: Very right.

Nitin: You also said that in the peak quarter, which is next quarter you can get to 80% to 85% utilization. Can you provide some color on when those numbers would be added, in this quarter, September quarter achievable, is that utilization achievable or is that further add?

Vijay: Okay, so first, I want to reiterate the fact that yes at 65% or 65% to 70% range of capacity utilization on an average you should have an operating margin of 25%. I maintain that. The 80% to achieve in one quarter, when you achieve 80% at any point of time in any center then you have started saying no to incoming students because that means they are not able to get a course of their choice. When you are 80% utilized you are not able to give a choice to everybody. Typically, we add capacity, so that we do not reach that level. Now mathematically, it may be possible to calculate that and say there are some centers that do reach such numbers, but I do not think at any point of time we would like to re-add that 80% because then that means in peak time you are saying no you are stock out equivalent of a stalk out, that is the way I would like to say.

Vijay: Raghvan, you want to add to that?

Raghvan: Yeah, I think that is correct. We are constantly trying to balance between growth of the total business similarly to give the student the choice of the courses as well as choice of slots. Some of the peak slots are always in very, very high demand and balance the operating margins from capacity addition, capacity utilization, and then for the revenue and margins standpoint, so we are constantly balancing these out, what we want to ensure is the continued growth in the top line and continued growth in the overall bottom line.

Nitin: Correct that also, then move into the corporate business just to make sure and understand all the one times that you add back, so I think you said if you had reported separately, you would have been 23 million in margins, operating profit excluding Element K and to that if I have to say 30 million from a contract that was missed and then 11 million foreign exchange impact that gets to maybe 60 million of EBITDA, so that is what the true organic business would have been without all the one time issues in the quarter. Is that fair, Vijay.

Vijay: Yes, absolutely, you got it absolutely right, having said that just the writer on that is that these are all additions which we are saying we missed.

Nitin: Yeah.

Vijay: Yeah, you are absolutely right.

Nitin: Then my last question is, as you mentioned about the before tax asset in the tax rate, when can we normalize tax rate, I think it is only maybe in 15% range is that still the case and when would be that fixed up?

Vijay: Okay, tax rate in our particular case, yes, should be normalized tax rate should be 15% on domestic tax, right, now overseas typically when we make profit, you pay tax, but we have two so standard situation, one we brought Element K and Element K came with tax loses which is an asset as far as we are concerned. Now, that asset is what one of the many we have talked about this asset before also except one of there was a question, two quarters ago why are we not considering that, we said “no” you have to first have a proven performance of profit before you can recognize part or whole of that asset, so that also there is a norm by which it is allowed so that norm which has been applied as far as this is concerned. Second when the demerger took place between NIIT USA and NIIT Technology USA, again NIIT USA inherited that tax asset, which again could not be applied because they had to have a profitable performance as a subsidiary, so both those conditions got mixed**.** As far as these tax assets were concerned, as of now, they will continue for the rest of the year and will provide us that cover.

Nitin: So what is your actual amount that is the tax asset in the timeframe, so when you can use them.

Vijay: The actual amount of tax asset?

Nitin: Yeah just total dollar amount or rupee amount that is available to offset your element K?

Vijay: We could pull that out, right now I have with me what we have considered, but we could pull that out, but we have more is all I am trying to say and that can be utilized only by a certain norm**.**

Nitin: I have few more but which I will think take time so I will call you offline some another time.

Vijay: Thank you so much, I will be happy to take a call.

Nitin: Thanks.

Vijay: We are at about 75 minutes in the call, just to be respectful of everybody who had allocated time. We could keep our questions short. I can always get into one-on-one after the call and give everybody a chance, so with that, moderator, may I see other questions.

Moderator: Yes, thank you very much sir. Next in line is Mr. Alok Agarwal, Individual Investor.

Alok: Hello, good evening everybody.

Vijay: Good evening Alok.

Alok: My question is that the new business that we started, that hardware training.

Vijay: Yeah.

Alok: And mention is 40 centers to begin with. Can you tell me like that what supposed to be the size that you have in mind when you started this 40 centers and how do you see panning out to next 3 years that is by 2010.

Vijay: Yeah. Raghu will answer that in greater detail, but let me just give you. Network Lab is the name of the curriculum. We had introduced it in 10 centers as on March. We have increased that to 40 centers, so first of all these are 40 new centers. This is introduced in 40 centers, but that does involve an investment and an upgradation of an existing center to be able to run in the network lab's curriculum. There may be a couple of new centers which are a part of the overall number of centers which is already provided. The size of the opportunity is very large because infrastructure management services is considered as the next generation of outsourcing and India has a much smaller share of the global market in this compare to even software development or application development services, so the size of the market is huge and separate numbers are actually available over the NASSCOM site. Having said that let me hand you over to the Raghu and talk to you about what our plans.

Raghu: Hi, Alok, good evening.

Alok: Good evening Raghu.

Raghu: Basically, right now we have 40 centers, 6 of them are part of our own centers and 34 are business partner centers. It is our plan to take this number to as many as 100 centers, the net of 40 and 100, refer to centers which offer carrier programs in network lab arena. In addition to these centers, we also have today about 100 centers which offer the short-term modular program that number we expect to take it to something like 250 center, therefore if we look at the scenario or footprint. In about a year time, we will have about 250 centers offering modular program of which about 100 will be offering career programs. Now, the career program are about a year in duration, about Rs.50,000 in fees and modular programs are much shorter to probably about 6 weeks in total, about Rs. 10,000 in fee value. Coming to potential, Vijay correctly said, the anticipated shortage in their networking infrastructure management arena is very large. If I remember the number correct, the projection is about 300,000, in 2010. So we are getting into a full-fledged play in an area of significant demand and we expect to ramp it up and take market shares as significant as opportunities present and as significant as we have shared the rest of the carrier programs.

Alok: Raghu, can you be bit precise in terms of revenue side. I am not asking for this since you are ramping up. At 2009, can it be 100 Crore sort of opportunity or am I thinking like in terms of numbers.

Vijay: Alok, you never think crazy first of all.

Alok: No, my expectations are higher and I am not very with the results, I will be frank.

Vijay: No, I think we worked worthy to make you happy, and if you are not happy, we will work harder next quarter, probably.

Alok: But still in terms of numbers what you think of this time?

Vijay: Yeah, know the size of the opportunity in terms of given the fact that we are now running a 300 or 350 Crore size IT training business, which get us a revenue of 350 Crores out of training about 300,000 or 450,000, students on an average of a year. If you look at that, and you say 100,000 students what we would like to train in infrastructure management services, it is doable that in 2009-2010 time frame that you have a quarter of this business coming out of a quarter of our current size coming out of infrastructure management training. 100 Crore is not outside the realm of possibility

Alok: That is for financial year 2009-2010?

Vijay: 2009-2010, yes.

Alok: And what I am asking this is why I am asking because of these kinds of new course whether it is hardware or software, the new course what you have launched and extended the curriculum and then still worried, how come the operating leverage is not just kicking in. I mean the margins, maybe, I think this is the build up phase, where is the realistic basis, I mean, I would rather be conservative if you can be like more conservative by let us say 2009 in this speed including the hardware business, what you can see the average margins for the year, forget about the quarter, for the year, full year for that 2008?

Vijay: Margin is an indicator; margin is a function of volume and capacity utilization.

Alok: Sure.

Vijay: If we were to take a bold decision saying this business is a cash cow, let us not invest any more; let us try to get maximum out of this. Margins will shoot up to 25% to 30% in this year itself.

Alok: Okay.

Vijay: The question is we want to keep the top line momentum going as well for which we have to add more capacity.

Alok: Right.

Vijay: You cannot grow, 40%, 30%, 40%, and we at 50% to 55% capacity utilization and not add any capacity, I mean, it is not possible mathematically.

Alok: Okay, that is fair.

Vijay: So, therefore, if you are continuously adding capacity and you are at 55% to 60%, our game plan has been increase capacity to the extent that you can continue to protect and improve on the margin and keep doing that till you have the chance to improve your market share. While I appreciate the fact that you would like to see a better margin, but then soon we would have to live with lower growth and I think the choice is to keep a combination of both.

Alok: Sure.

Vijay: That is the context we talk about each time and I am continuing to say the same.

Alok: Okay, so another question on the cost on learning side.

Vijay: Yeah.

Alok: I mean we have seen over the last, let say, 8 quarter to 12 quarters a dip from 18%, 19% kind of margin to the, I mean, whatever margins in this current quarter are**.**

Vijay: Yes**.**

Alok: Can on realistic basis by 2009, including Element K we can come back to 15% kind of it. I am sure, next 8 quarters or 6 quarters, are good enough to recover from the dollar kind of scenario. Let assuming the remains of 40.5, I mean, the productivity and so many things rate hikes, and everything we will get build in, it will like be fair to assume?

Vijay: The organic part of the business.

Alok: I mean I am talking of.

Vijay: I think you need to understand that you are carrying a huge denominator and a huge ship which have to turnaround, I think what is missing in the process is a 10 percentage point swing which has been brought upon in a business which was stagnant and loosing money for 5 years, so obviously the fact that you have this is the momentum which you have to take advantage of. Whether it can be converted into a momentum, which will start reaching 15% to 20% immediately given the fact that 90% of the business costs are still in US, I think this is impossibility if I was to say. The important thing which we have to do is change the business mix which we are doing and we have, therefore, talked about the Element K projection over the next few years. We have checked that in 3 to 4 years' time it is possible to bring it to 10% to 15% margin level. We hold on to that. In fact, right now the only thing which I can say is we are doing a little better than what we thought in Element K and what we said. I do appreciate your desire to reach there faster and it will be our endeavor to work towards the same, but I think it is not reasonable to expect a cost structure of that kind and a revenue structure of that kind can turn around that fast.

Alok: No, no, I appreciate Element K part, but I am more worried on the existing learning solutions of the corporate business, which is showing like plummeting margin from 18% to 19% six quarters back.

Vijay: I think now we should look at the two together as we go forward.

Alok: No, I mean. It will not be fair Vijay, either you take Element K separately or combined, okay, combined ship also I appreciate, but if you try to like segregate the two, the average should be fairly, I mean, it should be far better.

Vijay: I do not deny it. It should be far better. I do not deny that at all and I am also saying that in addition to everything, as we have the exchange rate to reckon with.

Alok: Right, anyway, I appreciate that. Thanks a lot for your answers.

Vijay: Thank you for your comment.

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

Kashyap: Could you breakup your other income line into interest income and interest outgo, forex loss, etc.

Vijay: Just for a moment. Okay, the interest earned 7.8 million.

Kashyap: Yeah.

Vijay: Net, impact of exchange is 1.85 million negative. Other non-operating income 3 million, interest 57 million.

Kashyap: It adds up**.**

Vijay: Beginning from the same page.

Kashyap: And your provisions for taxation, how much current and FBT does it have.

Vijay: FBT is about Rs. 5 million a quarter.

Kashyap: Okay. Thanks.

Vijay: Thanks.

Moderator: Thank you very much sir. Next in line Mr. Sonaal from AIM Capital.

Sonaal: Hello.

Vijay: Okay, sorry let me just complete. Our CFO just gave me the number. 5 million is FBT, 12 million is the current tax it is balanced by the deferred tax, asset which was the larger than both

Moderator: Next in line Mr. Sonaal from AIM Capital.

Sonaal: Two questions, you mentioned about your capacity addition of 2.5%, just wanted to understand in terms of your capacity addition plans of 12% for the year. Is this going to be franchisee based or company based? And what portion of your revenues would be coming from franchisees and what portion from your own centers?

Vijay: Raghu, can you share that?

Raghu: Okay, capacity addition will be kind of in the same ratio as our current capacity. If you look at the current number of centers out of the 448 centers, 52 are our own and in terms of revenue capacity about 60% of the capacity is coming out of franchisee's and about 40% is from our capacity, so that kind of ratio will be maintained going forward.

Sonaal: Okay, so there would not be any change in terms of composition of revenue coming from own centers versus?

Raghu: We do not anticipate it and that is not designed as well.

Sonaal: Thanks.

Vijay: Can we take the last question now, Moderator?

Moderator: Sure sir, thank you very much sir. Next in line is Mr. Devender Singhal from Kotak MF.

Devender: Hello.

Vijay: Hello.

Devender: Yeah, good evening gentlemen.

Vijay: Good evening.

Devender: I just wanted to know something more on your Netvarsity?

Vijay: Yeah. Netvarsity is a portal which NIIT has, it is actually better known now as an NIITstudent.com and it is now available to, it was launched in 1995-96 and was to promote e-learning and we actually did a lot of experimentation with that. It continues to remain in existence as netvarsity.com and does offer e-learning program, but it does not contribute anything significant to the commercials of the company and it now a part of our individual offering in any case. When you go to NIITstudent.com then also you reach the same place.

Devender: Thank you very much.

Vijay: Thank you Devender.

Moderator: Thank you very much sir. At this moment I would like to announce back to Mr. Vijay Thadani for the final remark.

Vijay: Thank you very much for your question as usual your question give us a lot of input into planning for our future and taking appropriate corrective action. We tried our best to answer all the question, I think, we did, in fact, there was one question which had got missed out, which somebody else asked so that also got looked after the marketing cost. I do not have any on my list which is not answered, but if there is any please do not hesitate to revert back to us at our e-mail addresses or on our telephone number. Once again, I am repeating the telephone number on which this call will be replayed and re-playable for the next 3 days and that is +91-22-67763826 from 7 p.m. onwards today, this is to accommodate all those who may have missed the call right now and also in case any one of you want to listen to the call again. Of course, we are always available to you for one-on-one discussions or any other questions that you may have, thank you once again and good night.

Moderator: Ladies and gentleman, thank you for choosing the WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your line, thank you and have a pleasant evening.