NIIT Limited
Quarter Three Results Conference Call, Financial Year- 2007-2008
January 21, 2008

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 participant lines will be in a listen-only mode. I will be standing by for the question and answer session. I would now like to hand over the floor to Mr. Vijay Thadani. Thank you and over to you sir.

Vijay Thadani: Thank you. This is Vijay Thadani. First of all, my very very sincere apologies for the delay in starting the call. We did have a technical difficulty from the location from where we are making the call and I do want to apologize very profusely for keeping you waiting. I do know you all had other priorities and thank you for being with us even at this delayed hour. I have with me Rajendra Pawar, P. Rajendran, Chetna Khuller, Jitendra Mahajan, G. Raghavan, Ashish Basu, Dr. Dey, so most of the business heads as well as the CFO and Investor Relations, so we would be in a position to answer most of your questions. I would as usual spend a few minutes in going through the results and giving you some salient highlights and then we will open it for question and answers. I presume all of you have had access to the results presentation as well as the data sheets which would have been put up on the web a couple of hours ago. So, I will start with those. The first thing which I wanted to talk about for the business environment in the last quarter that we finished and that happened to be the third quarter of the year. So, there are four trends in the business environment which I thought were very significant, number one for their impact on our business as well as on the future. The first is the low employability of college graduates is triggering a substantial skills shortage and now it has become out in the open with most of the sectors whether it is banking, telecom, retail, IT, all clamoring of the massive skills shortage which is coming out of low employability of the graduate population. The second, this is also the time the Government of India is getting ready with their eleventh five-year plan and at one of the occasions, one of the government official shared with us that government is allocating five times the funds that they allocated in the previous five-year plan, and that is a three trillion rupee allocation for education and skills development. The third, the IT sector, the outsourcing companies are obviously affected by the currency devaluation of US dollars and last quarter the pound as well and they are mitigating the currency risk through two important strategies. One is improving the productivity of their current workforce and second moving up the value chain on to advanced technologies or getting into product development. The fourth trend which we witnessed was that technology ventures across the world, most of them from US, are looking at markets outside US to promote their technologies and promote global mass adoption. All these four have had significant impact in the quarter as well as in the times to come and I will share that with you as we go along. Just about this quarter, there were three things in this quarter, which are very significant which have had an impact on the way we function. The first that it is a seasonally weak quarter. It is always the weakest quarter of the year for us in all the years that NIIT has been around and which is led by the individual business and actually the seasonality scene in all parts of the business in some form or the other. The second, we had a 15% year-on-year rupee appreciation in this quarter and the third we had actually a very substantial contract in one of our school's businesses, the Andhra Pradesh contract, which got over in September and therefore this quarter did not have the benefit of that revenue. We did make up for it in some other forms, but these are three very substantial impacts which we had in this quarter's revenue. So, the highlights of the financial picture were net profit is up 30% year-on-year to touch 139 million rupees. Consolidated revenues grew 10%, net revenues grew 6% to reach 2.38 billion rupees. EBITDA was up 28% to 228 million rupees. The operating margin has improved by 164 basis points to reach 10%. Earnings per share were at 0.8 which if you do a pre-bonus split normalization will come to 6.3 rupees which is up 15% year-on-year and the system-wide order intake which is a positive element is at +13%, so if you take a stock of the nine-month position we have a net revenue growth of 36% and EBITDA growth of 28% and a PAT growth of 26% for the nine-month period over the same period last year. So, what contributed this quarter's results, first of all the individual learning solutions business which clocked a revenue growth of 13% year on year and improved its margin by 136 basis on an year-on-year basis. The second, the new businesses consisting of IFBI and Imperia recorded a revenue growth of 199% year on year and had a 50-million rupee turnaround in profitability. The 199% y-o-y came obviously on the basis of the fact that the previous year was their first year of operation and they were running at a massive loss, but the turnaround in profitability signifies substantial improvement in productivity and capacity utilization. Corporate learning solutions achieved a revenue of 1.37 billion and an EBITDA of 65 million with a record order intake of 39 million dollars which is 37% improvement over last quarter. Revenues and margins were further impacted by dollar depreciation and I will talk a little bit more about that. In the schools learning solutions which was going through a period of consolidation in the previous year, this quarter was fairly good with an order intake of 283 million, two significant wins in Himachal Pradesh and Tripura and we added 79 schools in the quarter. We also partially made up for the Andhra Pradesh contract closure, but still left a shortfall of 32 million for this quarter, could not make up for that kind of shortfall but the other businesses came in, and I will get into more details.

On the revenue of 2.388 billion rupees, if we take the Forex impact which means we assume the Forex to be the same as we had experienced same period last year, then our revenue would have been up by 183 million rupees more, which would have resulted in a 14% year-on-year growth and our EBITDA would have been improved by another 58 basis points which would have made it to an 11% operating margin, so as you can see the impact of currency on top line is something which could not be corrected for, but the impact on the bottom line to a large degree was managed through higher productivity and better management of expense. So, there were margin drivers. One was the growth in the individual learning business. Second was the margins in the Element K despite the fact that it is a dollar-based business, but Element K is substantially ahead on their margins in this quarter, and lastly the new business profitability where I talked about a turnaround of 50 million rupees in their profitability. So, if the Andhra Pradesh contract closure have had not happened in this quarter, we would have had an 8% positive growth in the institutional business; without the currency impact, the corporate business would have grown 7% with an EBITDA margin of 6% and overall as I mentioned the total revenue would have grown by 14% with an EBITDA margin of 11%. However, the businesses which were not affected by currency, individual grew by 30% and had an EBITDA margin of 18%, new businesses were at 76 million rupees with an EBITDA margin of 3% in this quarter. Overall, we had a net other income of 32 million rupees negative, essentially much better than last quarter to better management of foreign exchange hedging as well as lower interest because of better liquidity through cash inflows. The tax was at 15, the PAT of the standalone entity or the NIIT entity was 54, associates' profit were 85, thus resulting in a total profit of 139 million rupees in this quarter. Overall, in system-wise revenues, individual business now contributes 49%, corporate 42%, new business 35, and institutional or schools business 6%. On a net revenue basis, individual is 31%, corporate is 57%, new business is 3%, and institutional is 9%. Overall, if you looked at the geographic growth, India grew by 34% year on year, all India-based business, China grew by 25% year on year. US and Europe on the other hand had a –8%; however, if we take without the dollar impact, that could reflect a growth of +5%, so we had a 13% swing or 1300 basis points swing in the US-Europe growth because of the dollar impact. Going into a little bit more detail on the individual learning solutions, as I mentioned net revenues grew 30%, EBITDA grew 41%, EBITDA margin improved by 136 basis points to reach 18%. In the system-wide revenue, geographic mix was 65% India, 16% China, 19% rest of the world. India revenues grew 37% year on year, China grew 25% year on year. We had a capacity enhancement of 22% and had a revenue capacity utilization of 46%, so despite being at 46%, I think the 18% operating margin has come out of some strong productivity measures which were adopted, given the fact that this was a weak quarter. We also launched a technology partnership with Adobe in this quarter which will result in new products in gaming and animation. I think some of the lead indicators which are very positive for individual learning solutions confirmed growth in future quarters is enrollment, so overall enrollments have grown by 28%, India career enrollments grew by 29%, and China by 56%. We added 11 new centers, 4 in India, 7 in China, and therefore had a system-wide booking of 1.3 billion rupees and a closing net order book of 1.8 billion rupees, 68% of which is executable in the next 12 months. On the school learning solutions, while the revenue appears to be –6% over last year, one correction needs to be the closure of the large Andhra Pradesh contract which could be partially made up because of revenues growth in this year, but a large chunk still left. Non-GSA business contributed 28% of the revenues compared to 21% last year and it actually grew 22% year on year, so this is part of our consolidation strategy where we wanted to grow the non-government business substantially, at the same time be cautious and selective about the various government contracts. Given the additional money that government has now available for government schools and given the slightly better tender conditions that are emerging, we would see a larger participation of NIIT in the future tenders as is witnessed by the two wins that we had during the quarter which is Himachal Pradesh and Tripura. Significant wins were also recorded for the new product line we have for private schools where we could dislodge some of our strong competitors and this product line has also been strengthened with introduction of two important tie-ups, one is 'Math Lab', which is a very strong mathematics teaching product and the second is NComputing tie-up, which really brings down the total cost of ownership of the IT infrastructure for a school. Our order intake this quarter was 283 million rupees, pending order book of 895 million, 60% of which is executable over the next 12 months. In the corporate learning solutions, the growth written in rupees has been –5%, though if you were to see in dollar terms alone it would have resulted in a +7% growth and improved EBITDA than the one which is visible by 142 basis points. We added 10 new significant consumers, 7 in US, 1 in Europe, 2 in India. Major wins in EK content library, it is worth mentioning because that was a declared strategy of ours given the strong position in which Element K had got in in the content library business because the acquisition of NETg by SkillSoft. We have had substantial wins in this quarter which have contributed to a healthy order intake, of course the revenue benefits will come over the next year, year and a half. India order intake was up by 136 percent year on year and this is in line with the trend that I talked about the environmental trend I talked about at the beginning where high-tech training by IT companies and similarly workforce productivity and English language training were contributors to this order intake. Last week actually, we made two significant announcements. One was the acquisition of a company called Evolv Management Services, who are specialist in English language training and have a pan India presence with about 130 professionals. We acquired a management control in that company and that would give an accelerated push to our English language initiative. On the following day, we actually made the second very specific announcement which was the announcement of a global standard for testing your proficiency in English language which is a test given by ETS, the same people who have SAT, GRE, and such tests and this test is called TOEIC, Test Of English For International Communication, so we have launched that in India last week. Both these initiatives will give a significant push to our foray in English language training and communication market which we believe is as big as eight to ten billion rupees. Overall, with an order intake of 39 million dollars, the pending order book in the corporate learning solutions at 65 million, 66% of which is executable in the next 12 months. I already talked about the new business financials at 76 million rupees revenue and 2 million rupees EBITDA, but the important thing is IFBI gains universal acceptance amongst banking community with HDFC and Yes Bank added now as opportunities for their banking graduates and strong tie-ups with them. The other interesting part was the response, a surprisingly good response which we received for the financial planning curriculum, which has a wider coverage and wider acceptance in the banking and the financial community and we saw a very good response there. We piloted our courses with ICICI Prudential, now IFBI has given out 2,700 graduates which have got placed in the industry, 100% obviously. Cumulative enrollments have crossed 7,400 of which nearly 4,000 were sponsored by corporates, so the rest are the ones which we have an opportunity to place elsewhere. NIIT Imperia in this quarter tied up with Indian Institute of Foreign Trade as well as started the Imperia Leadership Series which are invited lectures by global leaders using the Imperia platform, which makes it a very interesting application. Cumulative enrollments of Imperia have also crossed 1200 number managers. Talking a little bit about the balance sheet, we had a fairly good quarter in terms of cash generation, we had 228 million rupees of cash generated, we reduced our debt by 100 million rupees, and our DSOs have improved to 85 days versus 95 days that they were in September 07, so fairly strong push on collections which have given good results. We added 84 million rupees of assets during the quarter, some of them for capacity addition and upgradation and the balance for new initiatives and products. Overall head count increased or actually kept at minimum given the fact that this is a low quarter and we were in the process of consolidating some of our businesses, so we added only 29 net head count. This actually summarizes all that I wanted to highlight out of the results. May I now request the operator to open it up for Q&A when we can address other areas.

Moderator: Thank you very much sir. We will now begin the Q&A interactive session. 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, we have Mr. Hitesh Shah from CitiGroup. Over to you sir.

Hitesh Shah: Congratulations on a good set of numbers. Just wanted to understand the revenue split of the individual business between India and international.

Vijay Thadani: Okay, the revenue split on…..

Hitesh Shah: Net revenue basis.

Vijay Thadani: Oh, net revenue basis, I will just pull it out. Thank you. Do you have another question, you can take that.

Hitesh Shah: Yeah, just wanted to understand what is happening on the corporate business. I understand that the stronger rupee has worked against us, but clearly I think there is something more to it than that, either organic growth has been slowing or the Element K performance has not been up to the mark, so just wanted to get a view on that.

Vijay Thadani: Yeah. You are right. In addition to the weakening of the dollar, we have also been selective in taking orders in US where we felt that there are likely to be margin pressures. Element K on the other hand has actually done substantially well. They are in fact a little ahead of their margin targets as well as just on or a little ahead of their revenue targets, so in dollar terms Element K had a 7% year-on-year growth and their margins were also substantially better in 5% to 6% range. In the organic part of the business, we actually improved our focus on India and we met with substantial success in India; however, Indian business to start with does not compare well in the same margins. Second, the impact of dollar is felt maximum on businesses which have a high offshore content and therefore the content development business was the one which was very severely affected. We were wanting to increase our price structure, but we were not able to get that as much, so in a sense we were not able to keep the level of momentum of growth in the organic business as much as we would have like to especially the one which had offshore initiative. Ashish you want to add a line to that?

Ashish Basu: Yeah, so I think there are a couple of things to note here. The first is that, I mean in the India part, even on the organic part of the business, there have been substantial new orders. That new order intake has happened at the kind of margin levels that we would like, so we are expecting to see improvement going forward and the India part of the business is looking up considerably.

There has been a very substantial increase in order intake there as well.

Vijay Thadani: Answering your first part of your first question, net revenues India was 82%, China was 7%, and the rest of the world 11%.

Hitesh Shah: Sure. Just if you could give us split of revenue between Element K and organic corporate business and the EBITDA, would that be possible?

Vijay Thadani: If we were to do on a like-to-like basis, which is what I have been doing, though as I told you that is a management accounting…

Hitesth Shah: Right.

Vijay Thadani: ….just to make sure that they get carried for the same business, I will just give you that breakup in a minute.

Hitesh Shah: Also Ashish if you could comment on, you know, training budgets by the US Corporate, have you seen any kind of a slowdown there because of training could be part of a discretionary budget and especially for the technology corporates, are we seeing any kind of slowdown there?

Vijay Thadani: Ashish can answer that while I pull out this data for you.

Ashish Basu: We are not yet seeing a slowdown in the training budgets, all the people who have received budgets that we know about seem to be in the same ballpark; however, there is a little bit of delay in the decision making process which actually happened more last quarter. This quarter, we did find that a lot more people were prepared to go forward on orders, so the order intake this time was actually better. So, while we were anticipating that there may be a downslide there has not been one which we have been able to evidence.

Vijay Thadani: Yeah, so after correcting for both dollar as well as movement of businesses between the two, we did a normalization exercise. The corporate business grew by 8% year on year and had an 8% margin and Element K grew by 7% year on year and had a 5% margin.

Hitesh Shah: Sure. And in terms of our corporate business, probably including Element K, how does the geographic split look like, US, India, and the rest of the world, do you have any cut on that?

Vijay Thadani: Yes, we would be having that cut, we will just pull it out. We just have to separate it out for India and non-India. We will just pull it out for you.

Hitesh Shah: Sure. And in terms of an institutional business, we said that probably 22% of it was a non-GSA revenue, how many schools do we have in non-GSA?

Vijay Thadani: 940.

Hitesh Shah: 940.

Vijay Thadani: We would have serviced 940 schools this year, yeah.

Hitesh Shah: Okay. And if you could provide the net cash and the debt numbers at the end of the quarter. The absolute number for cash, debt DSOs.

Vijay Thadani: 85 days DSOs and the absolute number of debtors was 2310, cash equivalent was 544 million rupees, and we retired a debt of 100 million rupees during the quarter.

Hitesh Shah: Now the debt would be 35 million dollars for Element K and apart from that we would have 269 million, is that right?

Vijay Thadani: We totally, yeah, we have 35 million dollars of Element K, we have 328 million of rupee loan and 363 of working capital.

Hitesh Shah: Okay sure.

Vijay Thadani: We reduced the working capital by about 50 million rupees and we reduced the rupee loan also by about 50 million rupees.

Hitesh Shah: Sure, and I will just wait for that geographic cut for both corporate….

Vijay Thadani: Yeah, it is 94% from US and Europe and 6% from India.

Hitesh Shah: Okay. Thanks a lot and all the best.

Vijay Thadani: Thank you.

Moderator: Thank you very much sir. Next in line we have Mr. Nitin Padmanabhan from ICICI Direct. Over to you sir.

Nitin Padmanabhan: Yeah, hello, hi.

Vijay Thadani: Hi.

Nitin Padmanabhan: In the institutional part of the business, you said we had 940 non-GSA schools. There was an end of a contract, Andhra government, am I right?

Vijay Thadani: Yes.

Nitin Padmanabhan: So how many schools would that be? That would be 773?

Vijay Thadani: 660.

Nitin Padmanabhan: 660.

Vijay Thadani: 663, sorry.

Nitin Padmanabhan: 663.

Vijay Thadani: Yeah.

Nitin Padmanabhan: And they would be off from this quarter onwards. Is it going forward or…?

Vijay Thadani: No, no, no. I mentioned that we could partially make up for that because we got an extension.

Nitin Padmanabhan: Okay.

Vijay Thadani: But only in the services part.

Nitin Padmanabhan: Okay.

Vijay Thadani: So, they used to give us a 75 million rupees a quarter revenue.

Nitin Padmanabhan: Okay.

Vijay Thadani: Now that is down to 38 million rupees.

Nitin Padmanabhan: Rupees no.

Vijay Thadani: And assets are already transferred to them. Yeah, it is 38 million rupees a quarter.

Nitin Padmanabhan: Okay.

Vijay Thadani: Versus 75 million rupees a quarter.

Nitin Padmanabhan: Right. So, I just have to sort of make this adjustment and that should be right. And, another thing, was with regard to let us say our Element K business..

Vijay Thadani: Yeah.

Nitin Padmanabhan: The corporate business..

Vijay Thadani: Yes.

Nitin Padmanabhan: When do you sort of see growth really you know picking up in terms of sort of may be, you know may be a 5% or 4% quarter on quarter, is that sort of a thing possible.

Vijay Thadani: Yes, and I will explain you in a minute why. 5% quarter on quarter at this point of time is a little out, but 4% quarter on quarter or 3% to 4% quarter on quarter is well within the firing range. There are three contributors to that. One is the growth which we are experiencing in India business. See, we also have to keep in mind one of the remarks which Hitesh made saying that if there is a slowdown in US…

Nitin Padmanabhan: Right.

Vijay Thadani: Then there is a chance that our US-dollar business, which is specially of discretionary spending, not committed spending, that may get affected.

Nitin Padmanabhan: Right.

Vijay Thadani: So, to make sure that we make up for that, there are three strategies we have. One is growing the India business and putting emphasis on India business. There are two good news in India, one the 9% GDP growth itself is causing a lot of traction in India trading business.

Nitin Padmanabhan: Right.

Vijay Thadani: And the second the whole outsourcing activity which gets further fueled if US goes in this fashion…..

Nitin Padmanabhan: Right.

Vijay Thadani: ….then Indian companies want to spend on training so that they can pitch and get most of those are also contributing to that and we actually saw the impact of that through the 136% order intake. So, we see India business to grow very very substantially; our strategy one. Second strategy is in Element K, they are less affected by changes in US economy because they are a number two player who suddenly have a huge opportunity to participate and take a part of the share from number one, given the changes which have taken place. We have invested in upgrading the sales force as well as upgrading the product line, both of which have helped. In fact, they have had had a very decent order intake once again visible in our corporate learning solutions which will contribute to their revenue growth in the coming year as well and in fact little bit of it in the quarter we are in. The third contributor is technology companies are now looking at the global market place as a market place which they need to develop for mass deployment, so when I am referring to global companies, I am referring to companies such as Hitachi Data Systems and

Computer Associates and EMC and Adobe, all of whom we are partnering with talking to us increasingly about increasing the delivery capability like delivery capability in rest of the world. During the quarter, we launched some of these initiatives and we will see more of those. These again protect us from let's say an impending US recession, so these three initiatives we definitely feel will contribute a great deal. There is of course in addition to that our organic and Element K's organic growth which will continue to contribute to the single digit growth that both of us have. That is why I feel that in the coming quarter you should be able to start seeing growth in the momentum that we are seeing in corporate business. One question which can come up is the last three quarters have actually seen a bit of choppy waters.

Nitin Padmanabhan: Right.

Vijay Thadani: And one of the reasons for that is we are integrating the two organizations, cleaning up our product range, also making sure that we shift our priorities as we keep experiencing newer challenges like dollar depreciation which has been far in excess of anything that we had planned for. This quarter alone is a 15% impact on the rupee and the second is the whole issue of US recession which is now getting, should I say contributed by the sup-prime crisis as well.

Nitin Padmanabhan: So, going forward, if were to divide it on you know LD content development, how do you see it really moving going forward, the product mix moving?

Vijay Thadani: We see the product mix will move heavily in terms of learning delivery, will move substantially in favor of the content library, which will form a part of the content and will once again move heavily in platform which is associated with these two.

Nitin Padmanabhan: Right. So, in terms of integrating the two platforms that we had, that is through?

Vijay Thadani: Ashish, you can talk about. It is in the process of being through. Ashish will just talk about it.

Ashish Basu: It is work in progress. We had a two-year plan to do the integration, we have done about a year or so of the integration itself. The first couple of customers are being shifted over this quarter and that will be completed actually for the third quarter of this year, second to third quarter of this year.

Nitin Padmanabhan: So, in terms of let's say last year we sort of came out and sort announced a few let's say corporate deals in the sense let's say like Philips or like Ford and few others, so is that something that would, we have not heard something like that for quite sometime. I was wondering is there something that we are missing there.

Vijay Thadani: Well, one thing which we are missing there is names of our customers…

Nitin Padmanabhan: Right.

Vijay Thadani: …..through experience, now you learn that you should not talk about your customer names very loudly, but other than that we have been adding customers.

Nitin Padmanabhan: Right.

Vijay Thadani: But let's say the training outsourcing or managed services deals, Ashish will talk to you about the traction that we are seeing, and also things like Ford and how they are growing further.

Ashish Basu: So, there are a couple of sort of industry segments that we have had a lot more increase, so Philips of course being one which has been talked about earlier. They in fact have a new initiative and they are integrating us into that fairly completely. This is part of the whole one Philips' plan and so on. As far as other organizations are concerned, we have added organizations which have fairly substantial order books. The trend that we are noticing is that earlier we would primarily be getting these content deals. Now, content deal by definition, once you get the first order you have to fight for the next one and so on. Increasingly we are moving up the value chain into curriculum design, so we go in and we look at a particular role and we say okay for that role you have to transform the curriculum, so we then get a much larger order size, and the big shift now is to integrate our deployment ability with that development, so we are not talking about that as much because we are still early days on that, we have a couple of contracts in those areas, but we are very hopeful that that would be a big step forward because the minute you do both development and deployment then you start to get integrated into the organization's complete process which is very encouraging.

Nitin Padmanabhan: Let's say before Element K and post Element K, how have you seen your average deal sizes in the corporate segment really move.

Ashish Basu: Okay, in the corporate segment our deal sizes have gone up, but that is somewhat independent of Element K because Element K in the US will be primarily doing you know their thing in terms of how they approach the market. As far as we are concerned on the integrated area, it is mostly the platform piece which we integrated right now in the corporate segment now. I am leaving out technology where the integration is very very strong, but in the corporation segment, the movement up the value chain that we are doing, we have done based on organic issue, but our deployment capability has been enhanced by the fact that we have Element K as part of it.

Nitin Padmanabhan: Okay, but in terms of, would you have some sort of may be figures just to put in perspective how these deal sizes have moved up.

Ashish Basu: Okay. See, for example, about a quarter ago and again these are now companies which we have been working with a little bit. A quarter ago, we got our largest ever corporate order, single order, because we went up the value chain and we integrated deployment as well, that was a very large insurance company, and I think as we are going forward this quarter as well we have seen one coming up and this present quarter we had very advanced discussions on one more, so we are seeing that coming up fairly regularly. These are 5-plus million dollar deals.

Vijay Thadani: But they are multiyear.

Nitin Padmanabhan: Right, right, right. So, how big can these deal sizes really be over a period of time, how large can these deals really be.

Ashish Basu: In our kind of business, if you are looking at, you know if you can talk about a complete deployment package then there is actually no limit, but to look at it from our current run rate on an ongoing annual basis, we can be looking at you know couple to three-four million.

Nitin Padmanabhan: Right.

Vijay Thadani: See, typically the space that we want to play in where we also have to be cautious of the fact that it is a space where we should not put substantial investment and there are some environmental changes which make us change gear. These pivotal job roles, job roles which you will invest in, in contrast to job roles which will be, you know may or may not, and in those played the full solution which we not only do the content development but also do the deployment.

Nitin Padmanabhan: Okay.

Vijay Thadani: So that we can do measurable result. If you do such a thing, then Ford like cases can give you a 2 to 3 million dollar over 18 months contract fairly easily.

Nitin Padmanabhan: Okay, wonderful. And there is another thing with the recent acquisitions that you have done.

Vijay Thadani: Yeah.

Nitin Padmanabhan: That is Evolv

Vijay Thadani: Yes.

Nitin Padmanabhan: And let's say even the tie-up that we have with

Vijay Thadani: ETS

Nitin Padmanabhan: ETS right. Now both these let's say on a total strategy prospective, how do you really see Evolv as a whole offering, is it that they are going to add it to your content library, create more content and have it as a part of the content library or is it that NIIT is going to leverage its let's say reach all over India and use it that way, how is going to be done?

Vijay Thadani: Yeah, so first of all let's just talk a little bit about Evolv. Evolv is about 130 professionals across the country. So, one asset they have is 130 trainers who are very good in their work. All 130 are not trainers, but I would say about 100 trainers. The second, they have about 50 odd courses which address different segments. So, we used to have may be four or five in English language training addressing different parts and we would customize the rest, but in their case since they have a library we would be able to leverage that. The third is, they are a small company and therefore they have a limit in dealing with large size customers within the country. So, we would be able to open doors even within the customers we are currently working with and that has already happened in some cases, even while as we were talking. So, what we are looking at is using Evolv to do work force productivity and a finishing school within the company. You know when you hire freshers, they lack communication skills, they lack various things, and even now for people to move up into the management ladder, management or even worker ladder, they need to improve their communication skills, so that is an area in which we are focusing on. We are specialized in that and we would use their capability and our reach to multiply that. Obviously, in addition to that, we know how to scale. We have the process capability to make sure that an operation which is run fairly tightly by a few individuals can now run by a process, so that the scaling that we are wanting to do gets de-risked when it comes to doing delivery. So, that will be our Evolv strategy.

Nitin Padmanabhan: Right.

Vijay Thadani: The important thing with ETS in a certain sense is that today there is no common or standard measure of what English communication should be. If you apply to an employer, he may have a way of judging of very different from another employer.

Nitin Padmanabhan: Right.

Vijay Thadani: And therefore, an individual's knowledge of English first of all is not a fungible commodity.

Nitin Padmanabhan: Right.

Vijay Thadani: Which means he cannot claim that to be an asset unless he is fully tested. TOEIC is a test which has a base of nearly 5,000 companies in 60 countries who accept TOEIC as a standard.

Nitin Padmanabhan: Right.

Vijay Thadani: In fact, in some of these places, when they hire foreigners, they insist that the person has a minimum TOEIC score for a certain job level.

Nitin Padmanabhan: Right.

Vijay Thadani: Our aim is to create that same global standard in India, so that number one, Indian companies can measure themselves or an Indian individual can measure himself against a common standard and second given that in times to come we are going to see an increased migration of Indian worker as part of the global workforce. The current thinking is one in every four global workers will be an Indian. This will become a standard which will come in useful at that time. So, we see TOEIC as a very very strategic move and beginning of a number of employability test that we would work on as we go forward.

Nitin Padmanabhan: Just one last question, then I will probably come for followup. With reference to TOEIC, you have to first you know get the Indian companies to really start using this as a basis for the measure.

Vijay Thadani: Yeah.

Nitin Padmanabhan: Right, and you would probably charge them per test per student right?

Vijay Thadani: Yeah.

Nitin Padmanabhan: So, going forward what is kind of targeting that you could do, how many companies could you really target over a year's perspective and what are the kind of revenues that one could look to from this, because this is a very scalable kind of thing right, once done it just grows.

Vijay Thadani: Yes. For example, it is highly scalable.

Nitin Padmanabhan: Right.

Vijay Thadani: And it has to do with the reach of the company that is doing the test, so we will start doing the testing in the first quarter of next year and we will open it in 2020 cities with 400 centers.

Nitin Padmanabhan: Right.

Vijay Thadani: And TOEIC as of now is a paper-and-pencil test but it is managed electronically but conducted as a paper and pen, so if that is what we have to do we will use our existing reach to first make sure that we do it in all the places. We see two target audiences. We see aspiring youngsters who would like to take TOEIC so that they carry an additional credential with them when they apply to a company and we see companies adopting TOEIC into saying their existing workforce or newcomers who are joining them should go through a TOEIC kind of a test. So, we see both these contributing. The market size for TOEIC or a test for English given the fact that we would have a million odd youngsters, I will just share with you some interesting statistics there, so we would target for example about half a million tests.

Nitin Padmanabhan: Okay.

Vijay Thadani: Or reach half a million tests in two years and we are looking at 20,000 to 30,000 tests in the first year itself.

Nitin Padmanabhan: Right.

Vijay Thadani: So, that is the size of the market.

Nitin Padmanabhan: And what is the kind of realizations you could probably look to from this.

Vijay Thadani: About a 1,000 rupees per test.

Nitin Padmanabhan: Okay, right, right. Thank you. I will come for followup.

Vijay Thadani: Yeah.

Nitin Padmanabhan: Thank you.

Moderator: Thank you very much sir. Next in line we have Mr. Sonaal Kohli from Aim Capital. Over to you ma'am.

Sonaal Kohli: Hello Mr. Thadani. Congratulations on good set of numbers.

Vijay Thadani: Thank you.

Sonaal Kohli: Couple of questions. Firstly on your individual business. What was the growth in GNIIT enrollment in India as well as the engineers' growth in India?

Vijay Thadani: Total career enrollments were up 29%, engineer enrollment within that was 14%.

Sonaal Kohli: And GNIIT enrollment growth?

Vijay Thadani: GNIIT enrollment growth will be in the order of 20….no, would be in excess of that, because 14 was a part of it. 36%.

Sonaal Kohli: Is there any particular reason why GNIIT enrollment has you know grown sharply this quarter while we did not see the same kind in the first two quarters.

Vijay Thadani: No, I think first of all the size of the denominator matters. Second, the timing of various campaigns matters. If you remember, at the end of last quarter we were discussing our BJS, the annual scholarship program where we give scholarships actually attracts a large number of non-scholarship earning students as well. The timing of that by a week here or a week there can sometimes do that, but if you look at a nine-month-to-nine-month basis, we have a fairly consistent track.

Sonaal Kohli: And enrollment in engineers were less this quarter, any particular reason or this is the reason.

Vijay Thadani: Same issue, which means the engineer, some campaign of that may have happened in the previous quarter. See the point is we have an artificial line dividing our campaign...

Sonaal Kohli: Okay.

Vijay Thadani: …which can happen. So, you should cumulative it, if you see a change then, then it makes a difference.

Sonaal Kohli: Okay. Secondly, how is the demand environment from IT companies considering that their margins are under pressure and are you seeing any possibility of a slowdown in your individual IT India business going forward let's say next year, are there any early signs of that?

Vijay Thadani: Okay. We have talked about this internally over extended period of time and we have looked at two elements. One is the employer, so even if we hear all the calls that this quarter's result's calls were there, I think IT outsourcing industry is in fact bullish on the back of a softness in US economy because I believe right now the strengthening of the outsourcing sector and its contribution to your P&L or contribution to its success derisking of outsourcing has had so much effect that people believe that if there is further softening, outsourcing will only increase or at least so is being said by everybody else. Irrespective of that, we were debating last time and we cannot forget last time, in 2001 the problem did not happen as much on the employer front as it happened on the consumer sentiment front, so we measure consumer sentiment very, very closely this time and there are two indicators which make you feel good. First indicator is the enrollment growth you saw in the last quarter, they are very good. In fact, they are good that you are asking us why they are better than what we have seen in the previous quarter. The second very interesting indicator is the NIIT aptitude test which we conduct every year. This happened yesterday. We had 142,000 applications compared to 108,000 applications last year. So, we are seeing a very robust demand increasing for that and why is that happening? I tend to feel that in a sense the IT sector having said that they will benefit a lot has contributed to may be the consumer sentiment also, but that is all I can say. So, at this time there is nothing for us to believe that that there may be an experiencing of slowness in growth in IT. Raghu, you want to add something? Raghu was not here, he has just walked in.

Mr. Raghu: Yeah, I think I agree with what Vijay says. We did not see any kind of a trend that is indicative of any kind of a slowdown. I think we probably are a good option to the Indian IT companies even when they are facing some slowdown, particularly because they do not have to increase their own inhouse infrastructure for their own training, they would rather turn to us and do the sourcing, so we do not find any slowdown and like Vijay said if the numbers of applicants to the NIIT aptitude test is any indication to go by, it has only been bullish and not weak.

Sonaal Kohli: Mr. Thadani, few more questions on the individual side of the business.

Vijay Thadani: Yes.

Sonaal Kohli: Was there a major variation in the region-wise growth? Did you see West India growing very substantially while South India saw a much lesser growth and was there any particular reason, either change of management in either of these two places or any you know nonseasonal kind of factor.

Vijay Thadani: That is a high level of granularity that normally gets handled. There was nothing significant to report on either sides. There have been changes of within people, portfolios have shifted, but that is all part of people moving around, rotation, and stuff like that.

Sonaal Kohli: Okay. Secondly on the China side of the business, would we see a similar kind of growth this year as we have seen in the individual business because past few quarters while your enrollment numbers have been substantially growing in China while the revenue number which is lagging, though the enrollment number has not been growing that significantly like the India business.

Vijay Thadani: That is again a timing issue frankly. See, that is why I said you have a new NIIT insight partnership and then that partnership itself we had announced a couple of quarters ago. By the time their paperwork gets done, by the time they allow their students to be approached, it can take time. So, I look at the cumulative effects of all these events.

Sonaal Kohli: Okay. But you would probably see China growing over a long term period in line with the India kind of growth you are saying.

Vijay Thadani: Yes. In fact, even though in China we get a very small pie of the overall revenue compared to India, I would tend to feel that China can offer in enrollment growth a larger potential.

Sonaal Kohli: In terms of the focus of the rest of the world, are we through or would we continue to reduce our presence in rest of the world like you have done in the last three quarters.

Vijay Thadani: No, I think what we are trying to do is to focus more on a few geographies and that continues. In fact, there we have strengthened our presence dramatically. Nigeria, Botswana, Ghana even in this quarter have done substantially well. South Africa, we have opened our office, but there is no revenue as such other than what we were getting which is not worth reporting. Vietnam, we continue to have a strong presence, so these are established. Indonesia being another geography. These are geographies where we are continuing to make progress, but then in the overall list of numbers they fall very low down in the priority, therefore they hardly get discussed.

Sonaal Kohli: Your China revenues increased due to the company acquired which is in English language and is that a substantial portion of your China revenues, teaching English…..

Vijay Thadani: No, no, no. First of all, the acquisition of the company has not contributed a penny of revenue in the last quarter. Number two, the acquisition of the company will not cause a penny of revenue's net quarter in China. So, that has nothing to with China.

Sonaal Kohli: No, I am talking over you know a reasonable period of time, not over next quarter. Would the Chinese revenue…

Vijay Thadani: Yeah, so the Chinese revenue can get contributed by three effects. One is obviously our IT product which is being offered in NIIT insight. The second is IT plus English product and the third which is again a modification of that is something like the AAE we have for engineers, similar product which we call the finishing school product, we have to give it a better name in China for aspiring college graduates.

Sonaal Kohli: Okay. In terms of you know since the cost structures are also increasing, do you think the payback period for individual course is as of now low or is it decent enough for you to increase prices to cover your cost going forward or you see a scenario where this could substantially impact your demand and you would not like to…..

Vijay Thadani: I am sorry, could you just repeat that, I got distracted by something. Sorry.

Sonaal Kohli: The payback period for your individual courses, like you know key courses like GNIIT,

Vijay Thadani: Yes.

Sonaal Kohli: You think they are as of now underpriced or is the payback period substantially long enough that would deter you to increase prices going forward as the cost structures increase.

Vijay Thadani: I think we are at an appropriate level at this point of time, but if the salary increases are as dramatic as they were last year, then we may have a further scope. Of course, as I mentioned, every increase or improvement that we do to the product is actually equipping the student with much more, so that he has a better chance of getting that salary.

Sonaal Kohli: Okay. In terms of your institutional business, you mentioned that government is going to allocate five times more money, what is your….is this incremental money going to go towards IT and whether you will be in a position to participate it fully because last few quarters you know, last few years your focus was not on that side of the business or your sense is the 5-year plan expenditure would go to some other side of the business, would you throw some light on that side.

Vijay Thadani: So, obviously government is going to spend money in multiple directions and five times money is first of all a lot of money, three trillion rupees and second it is going to be spent on a number of directions. Let us talk of the money that is going to be spent on public-private partnership, which is the area where we would like to focus on and once again there are three areas which are of importance as far as government is concerned. As you know, we have the lowest labor productivity in the world or specially in the area of the world in which we participate. An Indian labor's productivity is half that of a Thai worker and one-fourth that of a Mexican worker and one-seventh or one-eighth that of a US worker. So improving workforce productivity is an important investment which the government is making. The second is employability. We all know 10% of graduates only are employable. So, even if the current population of 2 million graduates from various colleges, if more than 10% could get employed and employed well, then that presents an opportunity. The third is dropouts. We have a huge school dropouts and specially nearly 60% of kids drop out after class nine and above and there is a program of the government to look at vocational education in school so that those who do not want to pursue higher studies can at least get a livelihood or get employment. These three areas in addition to the fact that school itself should run well are the areas which we are focusing on. Workforce productivity is something which is happening outside the college system. Employability is also happening outside the government system, but government would now like to partner and we would be very happy to do so in looking at areas in which we can participate with the government. Government will have a substantial amount of budget for school education and that school education will include IT and usage of IT to look at various problems such as shortage of teachers, etc., and we expect to continue to play in that place. In simple words, the work that we used to do many years ago where we are the pioneers and market leaders even today of using ICT in schools to teach ICT as well as other subjects is an area where government is now coming up with more interesting guidelines where a private sector participation will not get discouraged. Today, the capital intensity, the receivable risk, as well as the low profitability are the three major deterrents which forced us to look at this business differently. Given the new approach that the government is adopting which is visible in the new tenders and the fact that we won the last two tenders in Himachal Pradesh and Tripura, there are two things which are emerging. One, government is going to split orders and the other, the government is going to make sure that they reduce the capital intensity, give an assurance of receivables cover and make sure that there is little money left for the private participants. So, with that, given our strong situation, we expect to be much more aggressive in the coming quarter. In fact, in this quarter itself, we have a very solid pipeline which we are banking on.

Sonaal Kohli: Tripura and Himachal would be how big contracts for you?

Vijay Thadani: I beg your pardon.

Sonaal Kohli: Tripura and Himachal would be how big contracts for you in terms of order book?

Vijay Thadani: I do not have the numbers right now, but I know in terms of school. Himachal was 263, it was an all services order and Tripura was 150 schools which were divided between three people.

Sonaal Kohli: In terms of your new businesses, could you throw some light on your financial planning course and would the people joining this course also get employability from day one and what kind of fees do you charge for this course?

Vijay Thadani: The financial planning course is being done in partnership with I-SEC which is ICICI Securities, and they also have an employment possibility; however, we would like to do the financial planning course irrespective of the employment opportunity. In fact, self-employment opportunities in this space are also plenty, and I have Dr. Dey who would perhaps contribute further to the financial planning course, whether does it also have employment opportunities, I just said I think there is but in future they may have.

Dr. Dey: The financial planning program as we launched it now is with a pre-enrollment employment offer from ICICI Securities; however, the response that we are getting and that is why we said we are very happy with the response is from students who are already employed or prospects who are already employed and who would like to go through the program because of the content that is there and of course there is no need for employment guarantee for such students. Incidentally, we are also seeing parallely interest from other employers for this program, and we have been approached by some who saw possibilities in that area.

Sonaal Kohli: What is the duration and fees, are there large number of courses within this segment in financial plannin?

Dr. Dey: No, we not have one postgraduate diploma in financial planning as of now, which is a six-month program which includes three months of internship and it is prices at 60,000 rupees.

Sonaal Kohli: Would you like to change Mr. Thadani your guidance for the corporate business and Element K on the new environment as well as for the new business?

Vijay Thadani: As of now, we are on track for these two businesses. We are affected by dollars and that I guess you guys are making online correction as we go along. So, overall, we had projected a 25% odd growth in the corporate business year on year. If the dollar had remained at the previous quarter, we were okay with that. We would be a few basis points away if dollar remains at the level at which it is today. So, there is no change in our guidance on that. As far as the new businesses are concerned, once again we are on track as of now.

Sonaal Kohli: And last two questions. How is your online business growing in Element K and have you seen the pricing power getting back in that business and what to expect from that side of the business.

Vijay Thadani: At this time, I think there is a war on market share, so pricing power is not back, but the fact that we had seven significant wins in this quarter is a positive indication of how that will plan out.

That is an important part of our strategy going forward because in a sense it is recession proof.

Sonaal Kohli: And the last question pertains to is there any possibility of looking at you know financial destructuring of your four businesses because you know two are not shareholder's value in terms of either listing of China or Element K separately or you know some investor who wants to participate in retail as of now has to also participate on the corporate side or the institutional side of the business wise and still wants to participate in the institutional side of the business, has to participate in the businesses, so is there any possibility of you looking at a holding kind of structure wherein you could have different units you know listed separately to unlock value.

Vijay Thadani: I see this as a very positive development because you believe that the training business has now become so matured that there are people who would like to play in one part of that business and not the other and that certainly is a good feedback for us to work on. Obviously based on the feedback that we received from all of you, we continuously look at opportunities as to how we can create more shareholder value, so we will continue to remain doing that, but at this point of time there is nothing specific we have to share with you.

Sonaal Kohli: What is cash and net debt on the books?

Vijay Thadani: The cash is 554 million and the net debt is 2071.

Sonaal Kohli: Thank you so much.

Vijay Thadani: Oh I am sorry, it is the gross; that was the gross debt.

Sonaal Kohli: 207 million?

Vijay Thadani: 2071

Sonaal Kohli: Thank you so much.

Vijay Thadani: And –554 will be the net debt.

Sonaal Kohli: Thank you.

Moderator: Thank you very much sir. Next in line we have Mr. Pankaj Kapoor from ABN Amro. Over to you sir.

Pankaj Kapoor: Yeah, hi. Sir, couple of questions. First on the institutional business. What kind of an outcome do we have in that business. Are we still on track with our earlier sense of getting at least a double digit growth there.

Vijay Thadani: Yes.

Pankaj Kapoor: Okay, so no change in there.

Vijay Thadani: No.

Pankaj Kapoor: And in this business, if you can share some sense on how has been getting the private schools and that businesses coming in.

Vijay Thadani: Yeah, in the nongovernment schools business, as there are a number of local players, there are a number of regional players, and then there are a couple of national players. As you know, our focus in the past was mostly on IT curriculum, IT part of the school curriculum and over the last year we have launched our new product line which is called the e-Guru and we have had some very interesting wins against established players in this business in a sense in the last quarter and given the fact that we have a new and pedagogically much superior product line, I think we have a good traction coming up in terms of funnel. Having said that, I think the whole school education is in a certain sense in a set of transition where there are different kind of business models which are emerging and at this point of time in the private schools business, the focus is more to make sure that you increase the productivity of the school to be able to service the children that they are getting given the fact that schools by themselves are new, they do not have teachers, they do not have infrastructure, so that is the context in which we are working.

Pankaj Kapoor: Fair enough. Now on the individual business side, can you give some sense on the starting salaries that most of our engineering graduates who take up our program get in their first job and similarly for the GNIIT course, how does the starting salaries look like.

Vijay Thadani: Yeah, Raghu…

Mr. Raghu: Anything between 1.8 lakhs per annum to 2.4 lakhs.

Pankaj Kapoor: Is this for engineers?

Mr. Raghu: For engineering graduates starting salary.

Pankaj Kapoor: And for GNIIT?

Mr. Raghu: GNIITians, it is not substantially less. It is probably more in the region of 1.8 lakhs, 1.6 to 1.8 lakhs for GNIITians. For engineering graduates, anything between 1.8 to 2.4 depending on the organization and so on.

Pankaj Kapoor: Fair enough.

Vijay Thadani: When we are talking of average because there are obviously some cases where you get very high salaries given what kind of an organization it is.

Mr. Raghu: GNIITians right in their professional practice itself do earn about 1.2 lakhs a year anyway. When they finish their professional practice and get into their job, they can straight away jump to something like 1.8.

Pankaj Kapoor: Fair enough. How does the trend look like in the attrition among the instructors and teaching staff basically? Any noticeable trend was there?

Vijay Thadani: Overall we have seen the attrition trends very very favorably inclined, in the sense attrition has reduced by 400 to 500 basis points.

Pankaj Kapoor: On a year-on-year basis?

Vijay Thadani: Yes, perhaps nine months last time.

Pankaj Kapoor: Can you share the number please.

Vijay Thadani: Okay. What used to be an attrition of about 18% to 20% would now be running at 14% to 15% in a particular part of the organization in a particular job role.

Pankaj Kapoor: And how was the wage hike that we gave this year for our teaching staff?

Vijay Thadani: Would have the overall wage hike which was about 12%.

Pankaj Kapoor: Okay, fair enough. And just one book-keeping question on the number of individual centers, NIIT operated and among the franchise, how is breakup looking?

Vijay Thadani: Yeah, just one moment. You would perhaps be more interested in…… I will just give you. 473 are the total centers, of which 52 are own centers. These are education centers which are not part of any institution.

Pankaj Kapoor: Right, fair enough. Thank you so much and all the best.

Moderator: Thank you very much sir. Next in line we have Mr. Jamal from Lehman Brothers. Over to you sir.

Mr. Jamal: Good evening everyone. I have a couple of questions. First on the new businesses, now the revenue growth to quarter on quarter has been flat at 7.6 crores.

Vijay Thadani:	Yes.
Mr. Jamal:	So, now given that we are continuously expanding our centers and relationships, is not that a bit disappointment?
Vijay Thadani:	No, actually it is very encouraging because it is a seasonal business. In this part of the season, the revenue, if it had been a stabilized business, you would have seen a dip in the revenue.
Mr. Jamal:	Okay. How would the seasonality be for the new business sir, given that this is the first year, what should we expect, Q3 should be softer?
Vijay Thadani:	Q3 is soft always, because it is a holiday season, so let us say a working manager, that is not the time. That is the time you would perhaps be taking some time off or something else happening, so you would not be joining newer courses at this time.
Mr. Jamal:	Right.
Vijay Thadani:	And as far as the banking graduates, where we have graduates, most of the graduates have by now got settled and therefore you have the next round of people who are let's say underemployed who are kind of joining, so you have more miscellaneous population than the targeted population.
Mr. Jamal:	Okay. So, sir for the full year, we had guided for around 30 to 35 crores for new business and around 19 centers, so are we on track?
Vijay Thadani:	We are at 15 centers in 12 cities today.
Mr. Jamal:	Right.
Vijay Thadani:	And we are headed for a 30-crore odd revenue as we speak now, it can be higher depending on how courses get launched and stuff like that.
Mr. Jamal:	Right, right. Any change in guidance from next year sir, for this business, you are targeting something like 70% if I am not wrong.
Vijay Thadani:	Yes and in fact that looks very positive.
Mr. Jamal:	So, given the new relationships that you have established with HDFC and Yes Bank, so would not that change the guidance?
Vijay Thadani:	We had already effected in those in our growth, that we will have some growth.
Mr. Jamal:	Right.

Vijay Thadani: You can imagine that all the graduates that we were going to train next year, if ICICI Bank had been hiring all of them, then ICICI Bank would have to change their guidance.

Mr. Jamal: Correct, okay fine. Secondly sir, on the capacity utilization what would be the capacity added quarter on quarter sir, compared to September quarter.

Vijay Thadani: I have year on year, it is 22% and quarter on quarter 4%.

Mr. Jamal: 4%.

Vijay Thadani: We have been sharing with you the number of seat year, so that is 184,000.

Mr. Jamal: 184 seats.

Vijay Thadani: Yes.

Mr. Jamal: So, if the capacity has gone up 4% quarter on quarter and your capacity utilization was 66% last quarter and it was 46% this quarter, so how do you see this decline.

Vijay Thadani: No, no, that is the whole seasonality thing.

Mr. Jamal: Okay.

Vijay Thadani: That happens every year.

Mr. Jamal: Yeah, year on year it does not look bad, so seasonality has not I mean…..

Vijay Thadani: What happens you mean, are you asking what happens actually.

Mr. Jamal: Exatly.

Vijay Thadani: Yeah, see in the summertime there are a large number of courses which get conducted sometime in a fast track mode because there are people who want to complete their courses and get on with their job. Second, there are short term courses which people take and then they do not continue after that. It is only those who are in long-term courses continue right through the year.

Mr. Jamal: Oh okay, right. So, the summer season has more of the short-term courses and that is why…..

Vijay Thadani: Very true, very true.

Mr. Jamal: And sir lastly, on your stands on the government business, can you elaborate more as to what, I mean lots of change in the stands, I mean going forward will you be equally aggressive as the other guys in bidding for the Sarva Siksha Abhiyaan projects now.

Vijay Thadani: One, we would be aggressive, but we would be aggressive where we are in the stakes and in tenders which we believe are the ones we want to be aggressive in. So, therefore, we have three considerations. We have one consideration of capital intensity, second of receivables risk.

Mr. Jamal: Right.

Vijay Thadani: And the third of profitability.

Mr. Jamal: Okay.

Vijay Thadani: And even the businesses that we have not taken in the last year, many of them have been because one of those three considerations and these may vary from place to place and vary from let's say player to player as well, but the last two tenders were of the kind and when I say favorable conditions, I am talking of favorable conditions where the government promises number one, that they have funds on hand. The times when we had been rubbed on the wrong side was when government released orders and gave us work when they did not have funds on hand. It is like issuing a cheque which you did not have funds behind. So, it is to make sure they have funds on hand. Then the second is that the payment terms are in such a way that part of your investment is derisked which means there are mobilization fees and stuff like that and then the third is that their method of evaluation is both on technical as well as cost considerations, which means there is a benefit to you if you are technically superior.

Mr. Jamal: Right, right.

Vijay Thadani: So, when tenders have these three capabilities, then obviously they are more interesting to us.

Mr. Jamal: Correct. Okay fine. Thanks a lot sir. That's all.

Vijay Thadani: Thank you.

Moderator: Thank you very much sir. Yes sir.

Vijay Thadani: No, no, I mean if there are no more questions, then we could close, but if there are, then I will take one more, may be last question.

Moderator: Sure sir. That is Mr. Singhal from Kotak PMS. Over to you sir.

Mr. Singhal: Good evening Mr. Thadani and congratulations on a good set of numbers. Most of my questions have been asked, just some more clarity on NComputing.

Vijay Thadani: Yes.

Mr. Singhal: What exactly it is?

Vijay Thadani: NComputing is a technology which allows a PC to be used by a larger number of users than one. So, let us say most the PCs were created for a commercial data processing environment and they have a lot of fire power inside them, a lot of horsepower inside, which in a school learning environment you do not put to use, so therefore NComputing created a technology option where instead of one child four children could wok on a computer, and they will get the same experience as if they were working on their individual computer.

Mr. Singhal: Okay.

Vijay Thadani: Okay, so it could be four, it could be six, it could be any number. Now, that presents a very interesting cost of ownership reduction for a school, which means instead of servicing and infrastructure is a very large part of the cost for the school. So, if with the same infrastructure or with marginally additional investment, they can serve four children instead of one, their ability to provide IT infrastructure in the school improves dramatically.

Mr. Singhal: Okay.

Vijay Thadani: And we have been very successful with that approach.

Mr. Singhal: Thank you.

Vijay Thadani: A part of this technology also ahs some proprietary software and hardware environment that we have worked on.

Mr. Singhal: Second is on CLS, the Evolv acquisition which you have taken now.

Vijay Thadani: Yes.

Male Speaker: What is the total revenue with the company during last year for the first six months, if you could share that numbers with me.

Vijay Thadani: Their current run rate is about 80 million rupees a year.

Male Speaker: Now on the new business side sir. You mentioned of something called leadership series, could you spend some more light on that.

Vijay Thadani: Well, leadership series is when you have a celebrity speaker, who instead of collecting his audience in a hotel, uses the Imperia Center to talk to his audience and that is a very effective way because number one, he does not have to travel all over the country to make his speech or talk to people or interact with them and the second, it is less taxing on both sides. So, the first such series we did with the CEO of British Telecom while visiting India, and he had to have a conversation with his community of like say providers and vendors and partners and stuff, and we used our students on the future of telecom, so he talked about that.

Male Speaker: Okay. Can we use the same platform for executive workshops by foreign business schools or the security, which has been there outside.

Vijay Thadani: Absolutely. You can not only do that, you can use the same platform for doing investor calls.

Male Speaker: Okay. So are you planning get that used on that front.

Vijay Thadani: Well, right now our focus on this platform is for executive management education because that is prime time and that is high utilization and high realization part and therefore whenever you have a sophisticated subjected and an expert trainer or an expert speaker who cannot reach everywhere but wants to interact with an audience, this presents a very good opportunity.

Male Speaker: Thank you. That's all.

Vijay Thadani: Viswanathan Anand speaking to all the chess enthusiasts, example.

Moderator: Thank you very much sir. At this moment, I would like to hand over the floor back to Mr. Thadani for the final remarks. Over to you sir.

Vijay Thadani: Thank you. I once again want to apologize the fact that we started late and I will make sure that this does not happen in future. We respect the time that you gave us and appreciate the fact that you were patient to be with us. There were many more questions than the ones which we could handle. I wish we had a little bit more time. There are some commitments including catching a flight included in this evening's agenda which will prevent us from continuing this conversation. However, as usual, vijay@NIIT.com or kapil.saurabh@NIIT.com are the two e-mail addresses at which we would be happy to connect with you and schedule other times. If there are any questions which have remained unanswered, we think we answered all the questions, please do not hesitate to get in touch with us and thank you very much for your encouragement so far as well as the confidence you have in NIIT. Thank you and wish you all the best.

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