NIIT Limited
Quarter Three Earnings Conference Call - Financial Year 2009
January 20, 2009

Moderator: Good evening ladies and gentlemen. I am Manjula, the moderator for this conference. Welcome to the NIIT Conference Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would like to hand over to Mr. Vijay Thadani. Thank you and over to you sir.

Mr. Vijay Thadani: Good evening. Thank you for joining this conference call. This is Vijay Thadani and joining me on the call today, we have fairly large team, Chairman Rajendra Pawar, all the presidents of the businesses, the CFO, investor relations, so what I would do is get started with the results of the third quarter. I will give a quick brief for the first 15 odd minutes and then we will leave sufficient time for Q&A. I just want to say two things in the beginning of this call, one that we have a very seasonal business and quarter three has traditionally been the lowest quarter of the year and therefore the results of quarter three has to be read in that context and that is the reason we prefer that the comparisons are more valid year on year. The second thing, I don't think we all need an introduction or an update to the deteriorating condition in the global economy and things which are happening all over the place. People believe that the last quarter has been more volatile than any quarter they have seen any time. We ourselves have seen swings in oil prices, foreign exchange, and various other issues, but overall I think low liquidity, tight market, and extreme risk aversion are the highlights of this. Corporate sector therefore is operating in a great state of uncertainty. We do see consumer center, its sentiment affected adversely across the sectors and we do see governments across the world stepping in with fiscal monetary measures as well as to boost measures to improve infrastructure and that on one hand suddenly banks dry out on cash and then suddenly they have liquid cash but do not know where and how to have the confidence to invest with and overall I think in this whole confusion people believe coming out of this recession there are expectations of a long and painful process before we can see a recovery. So, in this backdrop which has been by and large quite gloomy, we have had a mixed set of results in this quarter and one good thing we feel all good about is we have been able to adopt some successful strategies on one hand and been able to cope with some adversities quite uniquely. In the Indian economy, our GDP growth, the estimates have dropped down to now 6% to 7%. We have had lot of money being pulled out of Indian equities in this year, nearly 13 billion dollars. We have had corporate growth in profitability which is a mixed bag but overall slower in the short and medium term. We have inflation which was a concern area middle of the year suddenly becoming a nonissue at 5% to 6%.

We have forex which is becoming a very dangerous area from people to positions and the reverse is happening at this point of time and government is moving in with a lot of policy measures to boost the economy. In our education and training business coming one step lower, we do see that global slowdown is affecting hiring plans and by and large across the board, across the world. On the other hand, within the countries, I think India continues to remain the most bullish and most optimistic in terms of future recruitment. There was a recent survey in which…of the employer's survey, 22% expect an increase in staffing levels, 4% a decrease, and 63% expect no change in the fourth quarter. IT sector which is an important sector for our business, growth has slowed down but there is positive growth, there is recruitment. We see need for certain specializations and we also see some of the industry leaders like Infosys and TCS now beginning to increase their hiring guidance. We have ourselves seen a growth in placements which is fairly strong and in fact are quite contrary to the many, many college graduates who are otherwise waiting for the job. So, in a way it proves that specialization is becoming a very important necessity. We do see that banking and financial services sector within the country has kind of frozen in terms of hiring, in terms of future action, mostly in private banks and that does affect one part of our business, new part of our business. So, overall, a lot of confusion, but a lot of opportunity as long as we focus ourselves on that lot of opportunity in the education training business. We always believe that education is countercyclical. Training, however, is not, but education is a countercyclical business. Training with a gap should also play the same path and that is what we are seeing playing out. So, in this context, the financial highlight of the quarter, our system-wide revenue is up 19% year on year and all numbers I am referring to are year on year for the same reason that seasonality, to have a better understanding of the fundamentals and take account of seasonality and year on year comparison will be best. System wide revenues are 19% up 3898 million. Net revenues are 17% up to 2789 million. EBITDA is flat at 229 million, it is just 1 million more than last year and it is at 8%. It is down 134 basis points and one of the explanations of this is the full quarter that the new joint venture we have with Genpact, NIIT Uniqua had their first full quarter, so obviously they got very little revenue but had lots of expenses and that was planned and we had talked about it in the last call as well. PAT, we have had the impact of two or three issues. First, before I say that, you know, one more line on EBITDA and that is that while we have had this extra expense in medium to long term, this would benefit us significantly since NIIT Uniqua is meant to be a high growth venture. So, it is more or less like an investment for the future. In profit after tax, we are at 55 million and that is also impacted if we compare ourselves against the same period last year. Three components, one the EBITDA obviously not having this because of NITT Uniqua. Second, because of the depreciation, the higher depreciation we have because of new school projects which we added this year and third because of our associates company, NIIT Technologies Limited where we have 25% stakes, they had a negative, a PAT, a much lower PAT because of volatility and we get to absorb the 25% impact of that and that is the reason our share of profit from associates is reduced. So, that kind of contributes to PAT. If one had added back these three, then our PAT growth would also have been fairly decent. Two out of these are noncash entries and I thought that is another thing which I should mention. NIIT Uniqua has commenced operations and has clocked 10 million revenues during this quarter. We will talk a little more about that when I reach that part of the presentation. Overall, we did see positive traction in the individual learning solutions, IT solutions part of the business where enrolments are up by 23%. In school learning solutions, we had an order intake of 249 million rupees. So, once again we won some government tenders as well, one government tender as well as fair amount of success in the private school business. In corporate learning solutions, again we had an order intake of 31.78 million dollars in this slow and challenging environment. If you look at our overall financials, at an operating expense level, you would see actually a net decrease in fixed expenses. So, if you did an analysis of our fixed and variable expenses, you would see a net decrease in our fixed expenses which is despite the fact that we have a negative impact in expenses because of appreciating dollar. So, if we take that impact out, then we have had a fairly strong reduction in expenses and that is in line with the guidance we had given at the beginning of the quarter when we had said that the impending recession would require us to have three strategies, one of acceleration, second of prudence, and this is in line with that prudence strategy where we have an active cost control measure being executed in the company. Deprecation as I mentioned earlier was higher at 184 million compared to 127 same period last year, essential increase of new projects, new centers, new businesses as well as a large amount coming out of the government schools business. In other income, just an additional interest which was to an extent balanced by some gains in foreign exchange, the appreciating dollar has some benefits in other income. Overall, the impact flows down to profit before tax, provision for tax, and then therefore share of profit from associates which was also lower this quarter compared to the same period last year and that kind of explains the PAT of 55 million rupees. To that 55 million PAT, if you were to do a like to like situation comparison, perhaps one would add a 34 million of share of profits from associates, one would write back the 60 million of deprecation and one would add the 35 million of NIIT Uniqua and that would perhaps explain what happened to the part of the business which is in stable operations. In terms of…if we compare our performance versus the last year, we have a net increase of 410 in revenues, most of it is contributed by ILS IT business which is 152 million. Secondly, by SLS business, which is 157 million. Sorry, there were comparables…and CLS which is 90 million. Others are small. In EBITDA, the single largest contributor to increase….sorry, for the flat EBITDA, first the increases were caused by ILS and SLS and ILS FMT was at a flat level, new businesses contributed -35, and even the CLS business had negative 22 million impact in EBITDA compared to the same period last year. In system wide revenues in terms of revenue mix, ILS IT grew 23%, FMT 4%, schools 74%, and corporate 7%. So, ILS IT is now 51% of the total, schools 9%, corporate 38%, net businesses 0, and FMT 2%. So, 51% of the business had a very…60% of the overall business had a very robust growth year on year during the quarter. Corporate which has been challenged for a while also saw a 7% growth and FMT which was actually having a very solid growth record this quarter froze because of hiring freeze in the banking sector and we will talk more about it.

Going forward, getting into details of each of the business, in individual learning solutions, IT as I mentioned top line grew 20% and the margin was at 19%. The software SW, our geography mix was India 59%, China 21%, and the rest of the world 20%. So, now you can see that China is becoming an important part and the rest of the world put together, essentially led by Africa and Vietnam are contributing…Africa-AS and Vietnam are contributing quite a bit to the overall size of the business. China revenues have grown 71% year on year. In terms of enrollment across the world overall, growth in enrollment is 23%, Edgeineers within India which is predominantly in India grew 20%. Our job focus short-term program that we launched in India and China have been accepted well, that what has contributed to China and India growth in a small way. Overall, in the nine months, ILS IT revenues have grown 26% and EBITDA has grown 34% over the same period last year. In the FMT space, we have had an interesting quarter in the sense that the staple product which was assuming FMT business which was for the banking series of products where we used to train retail bankers had a massive degrowth because of the hiring freeze adopted initially by ICICI Bank but now extended to all other private banks. So, in that environment, it was a test of their tenacity and response and I think they rose very well to the fore by launching two very interesting products, one was a program in personal finance given the current bad situation of everybody's personal finances and a second in a diploma program for college graduates to get into financial services. Both these have taken off and it is too early to say how successful they will be but we see good traction. They could salvage lot of that degrowth by growth in their management and other programs on one hand, corporate programs on the other, and then of course these new programs which will help in the future. In many ways, this business was in the eye of the storm and given the fact that banking series was most affected part of our business. We do believe that this situation will continue for a quarter or two more till the banking sector recovers and they have a number of strategies in place to overcome the negative that are happening in the current times. We do see that recovery should be initiated in later part of this year when licenses for new bank branches which have been issued would expire and banks would be in a rush to add large number of people. Moving on to school learning solutions, a robust quarter for them with 74% growth in top line and 76 basis points improvement in EBITDA margins, primarily driven by GSA which contributed 79% of revenue. However, non-GSA also grew 30% year on year. We launched some very interesting and…interesting products which have been received very well in the market place. The eGURU interactive classroom product, the web and multimedia curriculum on Adobe Creative Suite, all this led to a fresh order intake of 249 million rupees and we finished the quarter with a pending order book of 2.689 billion rupees, 33% of which is executable in the next 12 months. Total school service in this quarter increased by 3,000 or so over the same period last year. Overall, SLS revenues for this year have grown 39%, EBITDA has grown 53%. Moving on to corporate, in corporate, overall growth was 7% in top line. We did have a degrowth in EBITDA and we will talk about that in a minute, but the degrowth in EBITDA was to the extent of 183 basis point. The positive in this business was the India revenues which were growing at 29% on the back of continued spending by the government. We did face lot of difficulties in our sales cycles with Indian IT and ITeS companies, but the government orders made up for that and more. On the other hand, in the outsourcing part of our business which is US and Europe, the training outsourcing and learning product revenues were strong at 12% YOY growth. However, we saw degrowth in custom learning solutions part of our business, a thought which we have…or a trend which we have shared with you in the past quarters as well. Given the recessionary trends in the market, the discretionary part of people's budget just disappear. We saw a very difficult quarter in terms of the early, actually November was the most difficult month of the quarter because people were not willing to spend on their budgets because they had freezes and towards the end there was a little bit of relief, but I think going forward also getting new budgets is becoming a challenge and training is considered one of those discretionary activities which can be done without in case it can be avoided. Our strategies have been very aggressive. We have aggressively pushed our learning products as well as training outsourcing part of the businesses. That strategy is yielding success on one hand and on the other hand, we have also been looking at how we can grow the India revenues, how we can grow the India revenues faster. We added an order intake of 31.8 million orders. Our pending order book at the end of the quarter was at 81 million which is up 24% YOY, of which 66% is executable in the next 12 months. From a revenue term, corporate learning solution had grown faster than any other time during the year and the CYD revenues have now grown 3% and EBITDA we are still recovering from. So, this is the part of the business where we are continuously looking at how we keep our cost structure low so that we can brace the impact of the recession and the longer sales cycles and the time it is taking to get new orders.

Moving on to new businesses, we launched the NIIT Genpact joint venture which is called NIIT Uniqua. It is being launched across 9 centers for the B2C product and we have offered 7 different courses. This quarter bore the brunt of all the hiring of new people, their training, their settling down as well as courseware development as well as marketing and launch expenses on one hand. On the other, we also had revenue coming out of our B2B side of the business where we provided more than 900 hours of training to the Genpact employees as, you know, Genpact has outsourced a large part of their training activity, inhouse training activity to us, so that was the beginning of that which generated some revenue for us. The interesting part is that…the interesting achievement I should say in this business has been the placement partnership that we have been able to build with leading players in the industry. So, as we speak, we now have 6 partners, Genpact, HCL, MphasiS, WNS, 24/7, and Wipro who are going to be hiring from NIIT Uniqua. We see very interesting possibilities for this business as we go along. Of course, at this point of time, the industry itself is going through a little bit of challenge in terms of much lower attrition and therefore lower number of replacements, much lower growth, therefore less number of hires, but their need to get highly trained people who can get productive immediately continues to remain and in fact has become higher, and we see that as an opportunity for us to create a unique niche for ourselves.

Moving on to some financials of the balance sheet, in terms of our balance sheet, the cash generated from operation was minor, 212 million in this quarter because of working capital absorption given the large working capital government projects that we started implementing. Our fixed asset spend was 361 million. Our DSO were steady at 85 days. Our LTM revenues were the same that we had in September 08. Our overall debt is at 3412 million rupees now which also includes a forex impact on dollar borrowings which is a technical entry that we have to provide for. Our cash in hand was 630 million at the end of this quarter. Overall, in terms of headcount, we started the quarter at a headcount of 4044 and ended the quarter at a headcount of 3850, thus indicating an overall reduction of 194 people. This is in line with a policy of prudence that we followed. This is also in line with our statements that we would not be adding more centers this quarter overall, but we would like to see if we can consolidate capacity across various businesses and thirdly, obviously out of making sure that we be selective in what kind of roles and positions do we want to replace as people…as natural attrition happens. So, all these things contributed to overall reduction. We added some people in the new joint venture, nearly 122 people, so that was the positive recruitment and there was more in addition to that. I think I have covered all the data points that I thought were worth sharing. I would now like to open this call for Q&A and given the fact that we started a little late, we will continue for as long as you would like us to based on the questions you have. So, operator, may I request you to open it for Q&A please.

Moderator: Sure sir. Thank you very much. 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, 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, please press *1 now. First in line, we have Mr. Sumit from Birla Sun Life. Please go ahead with your question.

Mr. Sumit Poddar: Yeah, hello sir, this is Sumit Poddar here. First of all, I just had a question in terms of the new business that we have, Uniqua, when do you expect it to kind of be EBITDA positive and making money as other businesses are making?

Mr. Vijay Thadani: Okay. Typically our experience with businesses of this kind, it is about three to four quarters before they become EBITDA neutral.

Mr. Sumit Poddar: Okay, okay. And what is the kind of investment that we have made in Uniqua as such?

Mr. Vijay Thadani: Overall, at the beginning of the project, we had agreed on an investment of 20 crores for this project over a three-year period. However, we have invested at this point of time about 6 crores.

Mr. Sumit Poddar: 6 crores only?

Mr. Vijay Thadani: Yeah.

Mr. Sumit Poddar: Okay, okay. Okay, and on the corporate…

Mr. Vijay Thadani: And remember our contribution will be 75% of 6 crores because Genpact is 25% owner.

Mr. Sumit Poddar: Sure, sure, sure. And given the fact or given the fact that IT industry is also seeing slower growth, how do you see this panning out for Uniqua?

Mr. Vijay Thadani: Okay. Yeah, as far as the first quarter is concerned, in terms of testing of the product in B2C area which is where we have to try something new, we did see the impact of the following three things. One, it is itself a slow quarter. Second, it is a slower quarter because of the slower recruitment, but we saw a lot of interest in youngsters to get formally trained in case they could get themselves a good job because now people are able to differentiate between "a good company and a not so good company." So, we see an interest in the product; however, we do see that the impact of this will mean a slower offtake, but that may just delay the ramp-up by a quarter or so, but we do see interest and ramping up.

Mr. Sumit Poddar: Okay, okay. And on the corporate learning side, what would have been the impact of foreign currency to our business as such?

Mr. Vijay Thadani: Foreign currency would have benefited our business.

Mr. Sumit Poddar: By how much as such?

Mr. Vijay Thadani: Yeah, so the overall benefit of foreign currency to this business would have been of the order of about…if we see on a YOY basis, it would be to the tune of 270 million rupees.

Mr. Sumit Poddar: Okay, that is what has been added because of the foreign currency?

Mr. Vijay Thadani: Yes, in the revenue.

Mr. Sumit Poddar: In the revenue, okay.

Mr. Vijay Thadani: Yeah.

Mr. Sumit Poddar: And how about the EBITDA impact?

Mr. Vijay Thadani: EBITDA impact will be small because we have a lot of forex expenses also.

Mr. Sumit Poddar: Right.

Mr. Vijay Thadani: So, I would say somewhere like 28-29.

Mr. Sumit Poddar: Okay, 28-29 million rupees.

Mr. Vijay Thadani: Yeah.

Mr. Sumit Poddar: Okay.

Mr. Vijay Thadani: Because about 10% of our expenses are…

Mr. Sumit Poddar: Sure, sure. And what is the outlook overall given the fact that custom learning solutions are on a decline as such?

Mr. Vijay Thadani: Yeah, so the first thing is we had in the beginning of the year given an outlook to which many things went wrong. The business went slower, the currency went…the rupee currency became strong.

Mr. Sumit Poddar: Right.

Mr. Vijay Thadani: And now the dollar currency is stronger and the business continues to remain slow, but the net effect of all this is still a positive growth. We do see that we will maintain this momentum and perhaps improve upon it next quarter.

Mr. Sumit Poddar: Okay, okay. And we saw a huge uptake in depreciation. If you could I mean elaborate more on it like which businesses have actually contributed to the increase in deprecation.

Mr. Vijay Thadani: Yeah, so one any…last year if you know we were investing in the FMT part of the business which would have added to more depreciation if I compare it to the same period last year.

Mr. Sumit Poddar: Right.

Mr. Vijay Thadani: Second, the most…the single largest part will be the schools, new projects. As you know, we got 2005 schools in Andhra Pradesh and we got 500 schools in Maharashtra and we got 400 odd schools in Bihar as well.

Mr. Sumit Poddar: Okay. So, I mean the schools would be the larger part as such?

Mr. Vijay Thadani: Yeah, yeah, they would be the largest part.

Mr. Sumit Poddar: Because even sequentially our depreciation has gone up by almost what 40 million rupees.

Mr. Vijay Thadani: Yeah, yeah, 38 million rupees.

Mr. Sumit Poddar: Right.

Mr. Vijay Thadani: The sequential is very easy to understand. There would be a forex impact of the depreciation of asset which are in dollar, which will be about 7 to 8 million dollars.

Mr. Sumit Poddar: Okay.

Mr. Vijay Thadani: There would be an impact…7 to 8 million rupees, I am sorry.

Mr. Sumit Poddar: Okay.

Mr. Vijay Thadani: There would be…our Andhra project which was partly executed in last quarter and is fully executed this quarter, they would have an additional deprecation of 22 million rupees. Schools, I mean Andhra and the other projects put together. And then we would have had capitalization of other assets, I mean other CAPEX which would have got in, which was 9 million rupees.

Mr. Sumit Poddar: Okay, okay. That is great. I had further questions, I will join in the queue sir.

Mr. Vijay Thadani: Most certainly, thank you.

Mr. Sumit Poddar: Yeah, thank you so much.

Moderator: Thank you very much sir. I request the participants to ask two questions at the initial round and then come back for the followup question. Next in line, we have Ms. Vidya from JM Financial. Please go ahead.

Ms. Divya Nagarajan: Hi, this is Divya here.

Mr. Vijay Thadani: Hi.

Ms. Divya Nagarajan: Just wanted to check what is your capacity utilization in the ILS IT training segment please?

Mr. Vijay Thadani: 46%.

Ms. Divya Nagarajan: Right. We have added centers here, both in India and abroad, what is the rationale for that because I recall in the earlier conversations that we had we were talking about going slow on the expansion front?

Mr. Vijay Thadani: Yeah, two issues. One, there are some activities in motion and there are unaddressed parts of the market which we would like to address and the third…the second is that all these are franchise centers where our risk levels are much less.

Ms. Divya Nagarajan: So, is this a change from our earlier strategy of improving capacity utilization across the centers for ILS?

Mr. Vijay Thadani: No, it is in line with that strategy. At the same time, it is in this time of the year if you see we have had an overall growth in revenue, we have had an improvement in operating profit and operating margins. So, the purpose of improving capacity utilization was to improve the operating profit and operating margin and we are able to do that as well.

Ms. Divya Nagarajan: Right. What was the addition in the private school space this time?

Mr. Vijay Thadani: The number of schools?

Ms. Divya Nagarajan: Yeah.

Mr. Vijay Thadani: I will just give it to you. 22 in this quarter, new schools which started billing were 22.

Ms. Divya Nagarajan: And were looking at a target of 400 for the full year right?

Mr. Vijay Thadani: We were looking at an overall target for the full year which we have now done till the end of the quarter nearly 200 plus.

Ms. Divya Nagarajan: Okay.

Mr. Vijay Thadani: Or 172 I think…172.

Ms. Divya Nagarajan: Right. So, will that mean that we will not be able to meet the full year target that we were looking at earlier.

Mr. Vijay Thadani: Actually what has happened is our realization per school has improved quite substantially if you can see. So, the benefit that we are getting because of that is helping us a lot. Given the next quarter and the two quarters, it is possible that we would be able to make up that number, but it is difficult to say, we have to see as we go along.

Ms. Divya Nagarajan: I am sorry, you are saying that you are still maintaining your 400 number for the full year?

Mr. Vijay Thadani: No, 400 was an indicative number, so I must point out that because it is a 400 school equivalent given a current revenue size, but as I mentioned our realizations have improved.

Ms. Divya Nagarajan: Right.

Mr. Vijay Thadani: Okay, so…

Ms. Divya Nagarajan: So, what is the indicative number that we are looking at for the full year now?

Mr. Vijay Thadani: In the next quarter…I can share with you in a few minutes, if you would give me a few minutes.

Ms. Divya Nagarajan: Right. And I would also like to understand what the strategy here is, are we planning to go slow on the addition and focus on better realizations or are we looking at faster penetration here?

Mr. Vijay Thadani: No, I think we are looking at both. Our aim will obviously be to get both volume and higher realization and the good news is that the product launches we had during the quarter which were in the space of math lab and science lab, these are very sophisticated products and give us much better margins and we did see the smaller…smaller number of large schools getting more interested in them. So, that is why when I say realization per school is important, it is also the size of the school which comes in.

Ms. Divya Nagarajan: Right. Just a couple of more questions. On the corporate learning front if you were to look at a dollar basis…

Mr. Vijay Thadani: Yes.

Ms. Divya Nagarajan: …we are actually looking at about a 15% decline year over year, is that right?

Mr. Vijay Thadani: 10%. It will be 10% decline year on year if you look at dollar terms.

Ms. Divya Nagarajan: What would be the dollar number in December 07 versus December 08?

Mr. Vijay Thadani: One moment, I will tell you, it will be 28.73 million…

Ms. Divya Nagarajan: Right.

Mr. Vijay Thadani: …is this quarter and 32 million was last quarter.

Ms. Divya Nagarajan: Sure, sure. And on the new businesses front which is Uniqua, Imperia, and IFBI, these…

Mr. Vijay Thadani: One moment, one moment, I need to correct you also.

Ms. Divya Nagarajan: Yeah.

Mr. Vijay Thadani: That is just the US part of the business. The India part of the business if converted into dollars would give a further reduction. So, I can tell you that. We had 32 million in the US part of the business last year.

Ms. Divya Nagarajan: Right.

Mr. Vijay Thadani: And 85 million rupees in the India side of the business. We have 28.3 in the US part of the business and we have 117 million rupees in the India side of the business. So, if you take the impact of all that, the volume growth…degrowth will come to I think 9.4 or some percent.

Ms. Divya Nagarajan: Fair enough, fair enough. And you expect a similar decline in the US in the next quarter as well given that US has gone from bad to worse over the last few quarters?

Mr. Vijay Thadani: It is very difficult to comment on that, but given whatever we saw in October, November, December and whatever…especially November, most of the people believe that situation would be very different from JFM onwards, definitely much better going forward. However, it is difficult to say.

Ms. Divya Nagarajan: Right. And you were saying your new business if you were to look at it, Uniqua, IFBI, and Imperia…

Mr. Vijay Thadani: Yeah.

Ms. Divya Nagarajan: …they have also, you know, reported sequential dip, I mean year over year dip as well, about 77 million rupees.

Mr. Vijay Thadani: That is not a dip, it is flat.

Ms. Divya Nagarajan: It is flat, yeah. We were earlier looking…what are the expectations in this business going forward, is that…

Mr. Vijay Thadani: Yeah, so I want to go back to the first quarter where we grew 101%... 105%, by second quarter we were at 35% and by third quarter we are at flat and the single contributor to this is the freeze in hiring in the banking sector. It started by a slower hiring by ICICI as you know, I mean if you plot the last nine months. In September, it had become slower hiring and we had still commitments from many of the banks, in fact, I would say the whole variety of private banks, but in the third quarter which is OND, there has been a total freeze on hiring. If there is a freeze on hiring, that part of the business just does not have any piece to survive. So, they had a negative growth and that negative growth was compensated by new products and maybe I will ask Dr. Dey to say more on the new products as well as his strategy.

Dr. Smarajit Dey: Yeah, hi. Yes, so on the flagship part of the business which contributed about two-thirds of the revenue the previous year is the area where we were most seriously impacted and we had a degrowth of about 23% and we compensated that by first the other parts of the business which include the management series programs, programs on core banking solutions and so on that we run, which part actually grew and then more important and as you know, in quarter two, we had launched a masses product which was a personal finance product and this quarter we launched the…we addressed the college segment with longer duration programs which are diploma programs and these two new introductions have added about 5% to the revenue. One part of your question was about sequential dip. As you know, this is a seasonal business and traditionally our quarter three has been weak. So, the sequential dip is in line with what has been in the past. We expect that in the coming quarter we should be able to achieve revenues of around 100 million and therefore it will be higher than what we had achieved this time and going forward we expect that the diploma programs for college graduates will pick up much more as the college enrollment season picks up and a little later we expect that the banking series programs will come back as there are…as the hiring picks up there.

Ms. Divya Nagarajan: Thanks. I am aware I am hogging the time space…

Mr. Vijay Thadani: No, no, but…

Ms. Divya Nagarajan: …but one last question. You said that Uniqua would probably take about three-four quarters to break even. So, you expect the quantum of losses to remain more or less at current levels over the next three-four quarters?

Mr. Vijay Thadani: No, they taper down as the experience has shown us.

Ms. Divya Nagarajan: Right.

Mr. Vijay Thadani: However, I wanted to correct one more impression. You mentioned about our talking about 400 schools, private schools. So, I was trying to get back to that statistic since I told you so. First of all, I think the 400 number that you are referring is perhaps a meeting, the road show that we had in Bombay at the end of quarter two at Churchgate and when…I think maybe you or somebody else had asked me this question and I had referred that to the eGURU launch which we were doing that time and I had mentioned that we expect to get…add 400 schools in the next one year. So, first of all, that 400 schools was meant for that one year from then as far as my explanation and understanding is concerned. Second, as far as this year is concerned, we have added 172 private schools so far. We have had better realization than what we had planned, so therefore we feel that we are in fact little ahead. As you know, our guidance for school was 40 odd percent growth, we are at 73%, and I think over the nine months we are well beyond 50%. So, that is what I meant by saying we have better realization. In the next quarter, we do see the momentum of adding new schools building up, so at a run rate level of…if we had to achieve a 400 per year run rate in this year, then we will be well beyond the 400 level run rate per year in the coming quarter.

Ms. Divya Nagarajan: Right, thanks.

Mr. Vijay Thadani: Thank you.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Ankur Rudra from Nobel. Please go ahead.

Mr. Ankur Rudra: Hi, good evening gentlemen. Just on the demand side for ILS, could you remind us which companies tend to hire mainly from the GNIIT and the Edgeineer programs. As we understand, you have alluded to TCS and Infosys at the beginning of the call and as I understand these companies tend to hire directly from colleges and the second part of the question would be when do you expect the current hiring freeze in the rest of the universe to impact your enrolment growth?

Mr. Vijay Thadani: Okay, we will answer both the questions, Mr. Raghavan will do that.

Mr. G. Raghavan: Okay, hi. Our graduates get placed in a wide variety of companies, the top companies whose names you mentioned included. However, the numbers that we currently place in these large companies is not in absolute term significant, although it is growing at a significant level. Our graduates get placed in a broad listing of companies, the top 5, the next 15, and the remaining companies, both in pure IT industry as well as IT support and MIS kind of functions and business analytics kind of functions. So, it is a very wide basis of customer base for us.

Mr. Vijay Thadani: Having said that, let me add to Raghu's comment, the number of students we will place in a TCS or Infosys will be more than what any other engineering college would be placing.

Mr. Ankur Rudra: And I think the second part of the question was when do we expect the current hiring freeze exclusive of TCS and Infosys hiring plans to impact the enrolment growth over the next few quarters?

Mr. Vijay Thadani: Okay, so first of all the current…see, I think there is a hypothesis, let me put it in those words which we believe in and we are seeing it roll out is first of all the hiring freeze has lesser correlation to the number of people who will get trained. The number of students graduating and not getting jobs has a higher correlation to the number of students who will get trained. I think it stands to reason that if you would earlier get a job without training, then you would bank on the employer providing with that training. Now, if the employer is more selective, it is better that you train yourself and be in line for a better job and that is very visible in the growth that we see in Edgeineer enrollment. What you are mentioning could happen if suddenly people lost faith in this sector or this sector became "tainted" for social reasons or any other reasons. In such a case, it is quite likely. For example, the number of people training themselves to do an MBA have not reduced, in fact have increased even though the community of investment bankers or bankers which is what the dream job of most of the MBAs was may exist, may not exist, or may change as the case may be. So, I think overall the sector is very robust, it has positive growth. There is a shortage of trained people across the world. TCS, Infosys (and other top tier) are now talking of 120,000 people to be recruited between them. They may not hire directly from us all the 120,000 or for that matter a very large chunk of that, but it is certain that they will hire them from somewhere and when they hire them from somewhere, they would prefer an experienced person and that will create a vacancy for an experienced person or a new person to fill their slot. There are a number of ways this system works. Having said that, let me again go back to Raghu and he wants to add a word.

Mr. G. Raghavan: Yeah, I think when large companies tend to go lower for the campuses, we end up being the preferred hunting ground because they can get people just in time with minimal bench stay in the companies. Second thing is if you look at the number of Edgeineers enrollment as an indicator, it has grown 20% in the last quarter. Second is the 99 days, 'Get job ready in 99 days' diploma program that we launched last quarter has been met with a great amount of enthusiasm and success and we did enroll as many as we planned to do. These are extremely early days for the program, but it has the making of a great and a significant product portfolio going forward.

Mr. Ankur Rudra: Enrollments between short-term and long-term courses?

Mr. Vijay Thadani: Sorry, beg your pardon.

Mr. Ankur Rudra: Could you break up the enrollments between short-term and long-term courses for the quarter?

Mr. Vijay Thadani: Raghu…

Mr. G. Raghavan: Basically the composition of short-term courses has gone up to something like 80% compared to 76% same quarter last year.

Mr. Ankur Rudra: Okay, okay. Just finally on the redundancies carried out in the business in the quarter, was this limited to the US training outsourcing division or was it also across the board and what should we expect going forward and also the growth we saw on the sales and marking headcount, was this also around only the Uniqua business or also other parts?

Mr. Vijay Thadani: Okay, two ways by which I would like to respond. First of all, we made a…we talked about it last quarter that we have looked at the current times with an eye of prudence and we are therefore looking at any and every possibility by which we can improve the productivity of the enterprise. To do that, we are restructuring ourselves, we are combining functions, we are combining centers, we are reducing costs, and within that, it is possible that there are redundancies, so the bottom of the pie is not replaced when there is an attrition or redundant roles are not replaced. We would continue with this exercise as long as we can continue to improve our productivity and the revenue levels at which we are growing and we would and we have the luxury to have just in time recruitment given the fact that we have around any given day 1500 managers studying with us, 2000 bankers studying with us or 4000 bankers studying with us, 15,000 working IT professionals studying with us, so we can align ourselves to just timed recruitment. The first part of your question was, was it in any one function or across the board? It was across the board. A lot of it in the corporate learning solutions where, as we have mentioned before, custom content development or custom learning solution is a part which is very people intensive and is degrowing.

Mr. Ankur Rudra: Second part was on the sales and marketing growth, it was again similarly on one function or across?

Mr. Vijay Thadani: Yeah, so there are a few functions on which there is a special thrust. Uniqua obviously is a new function, so you need new sales and marketing people. Our NIIT eGURU offering, we created a new set of field force and are expanding that very, very fast because the product has been very well accepted, and we are wanting to accelerate as quickly as we can and third would be basically generally in line with the requirement of each business.

Mr. Ankur Rudra: Just specifically on eGURU, what is the current…could you share the current sales headcount there?

Mr. Vijay Thadani: We will tell you…we will tell you in a short while, maybe in between I will just interrupt and tell you.

Mr. Ankur Rudra: No problem, I will join back the queue. Thanks.

Mr. Vijay Thadani: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Vishal Agarwal from Citigroup. Please go ahead.

Mr. Surendra Goyal: Good evening, this is Surendra here.

Mr. Vijay Thadani: Hi Surendra.

Mr. Surendra Goyal: Yeah, hi. Okay, on the individual learning solution side, how do margins for India and non-India businesses compare?

Mr. Vijay Thadani: I would not have that breakup because at the backend the two businesses are integrated, so at a gross margin level perhaps it may be easier to work out, but we don't measure at that level. We measure at the EBITDA level across the ILS function.

Mr. G. Raghavan: That's right, yeah.

Mr. Surendra Goyal: Okay. And again for the India individual learning business…

Mr. Vijay Thadani: Yeah.

Mr. Surendra Goyal: …how much of your total cost in the third quarter would be fixed?

Mr. Vijay Thadani: How much would be fixed, I would say about 65%...

Mr. Surendra Goyal: Okay.

Mr. Vijay Thadani: …of the revenue, no, hold on, no, no…sorry, of the cost, yes, 65%.

Mr. Surendra Goyal: Okay. And also could you talk about trends in GNIIT or the longer term training courses in terms of enrollments, dropout rates, pricing discounts, or any other thing which you think is important.

Mr. Vijay Thadani: Raghu will…

Mr. G. Raghavan: Okay. Overall enrollment growth you heard, 23% globally and 18% for India. I also mentioned about between short-term courses and long-term courses, there is a preference for short-term courses. It is about 80% this quarter compared to same quarter last year and if you look at some of the specific product categories, Edgeineers has grown at 20% and you might remember that we have made a decisive entry into the networking space under the global net plus product category. We have grown pretty nicely in that group as well. In this last quarter, enrollments were about 109% and on a CYD basis we are at about 67% in terms of enrollment growth, so that business is going on well as we actually expected. This is an important space that we are occupying. As far as GNIIT specifically to your question, GNIIT, this is not exactly a season for us to really consider GNIIT as an important product. However, what we do at this point of time is to actually talk to the student who are in the centers already doing a lower level of the GNIIT, like let's say for the six months or one year only and we talk to them about upgrading and during this quarter we had phenomenal success in the upgrading of the existing students to higher levels, some of them all the way up to the full GNIIT, so it has been pretty good. So, if you look at overall, it has been kind of flat if you look at the overall performance on the GNIIT enrollments year over year as we include both the years, the upgrades that we do and so on. You asked me a question about pricing. We haven't made any changes in the fee structure lately, but we are at the very, very tail end of the fee changes that we made a couple of years back and last year some time we had made some rationalization for the Edgeineers product module, so that is where we are and dropout rate you asked, there has not been and significant change in the dropout rates in the recent past or on a comparative basis and like I said there is in fact existing students within our system, particularly the GNIIT part, GNIIT students, there is a greater eagerness for them to go ahead and complete all the way through their full GNIIT. So, these are the trends I can share with you.

Mr. Surendra Goyal: Sure. I last question for Vijay. How much is the cash flow generated from operations and the CAPEX figure for the first nine months of this year?

Mr. Vijay Thadani: CAPEX for the first nine months of the year and capital generation from operations also nine months of the year?

Mr. Surendra Goyal: Yeah, yeah, that's right.

Mr. Vijay Thadani: Okay, I will get back to you. Meanwhile, I have answer to one more question. Somebody had asked what is the total number of sales people in the schools learning solution, it is 120. Okay, let's move on to the next question.

Moderator: Thank you very much sir. I request the participants to ask one or two questions at the initial round and then come back for the followup question. Next in line, we have Mr. Sonal from AIM Capital. Please go ahead.

Mr. Sonal Kohli: Hello Mr. Thadani. Couple of questions, firstly on, you know, your employee side you mentioned that you have reduced the total headcount, could you mention Y-on-Y decline or increase in employee cost and also Q-on-Q at the consolidated level?

Mr. Vijay Thadani: Y-o-Y decrease in employee cost as well as Q-on-Q, I don't think that is a data limit we have shared in the past.

Mr. Sonal Kohli: You know you will appreciate that, you know, your employee is the biggest, you know, statement for us to be able to analyze what is…

Mr. Vijay Thadani: Yeah, or I said was we haven't shared this in the past, so I don't have it with me right away, I am sure we monitor that. So, maybe I can revert back to you, perhaps it will not be just now.

Mr. Sonal Kohli: But would it be an increase or a decline, you know, Y-on-Y, would you have some sense on that?

Mr. Vijay Thadani: It is definitely a decline Y-o-Y.

Mr. Sonal Kohli: And, you know, as far as the manpower rationalization has happened, it has happened at which part of the business, is it individual, is it corporate, is it institutional?

Mr. Vijay Thadani: It is, let me say it will be lowest in schools. We would have added people in Uniqua. We would have had reductions in CLS predominantly.

Mr. Sonal Kohli: Okay. And on your marketing and advertising spend in the individual business, could you throw some light whether that is…where the growth was, whether you cut the expenditure there or the growth was higher than, you know, the sales increase?

Mr. Vijay Thadani: In the quarter…in the third quarter, it is a very low spend quarter for marketing in any case.

Mr. Sonal Kohli: No, what I meant was on Y-on-Y, so it will be fairly comparable.

Mr. Vijay Thadani: Whether we saved money on marketing?

Mr. Sonal Kohli: Yeah, as a percentage of your, you know, sales increase in individual business?

Mr. Vijay Thadani: Sonal, today you have very intricate questions, I have to check. Percentage marketing of sales in individual, okay, we will give you these answers.

Mr. Sonal Kohli: On depreciation, you know, you mentioned that your Andhra order led to an increase in depreciation of 22 million.

Mr. Vijay Thadani: In between the two quarters.

Mr. Sonal Kohli: You know, while the profit growth would be what, you know, in that business, on Q-on-Q, what is the growth in the institution profit?

Mr. Vijay Thadani: Andhra revenue would be…for the same quarter would be 84 million approximately.

Mr. Sonal Kohli: So, what would be the increase Q-on-Q in the institutional business…

Mr. Vijay Thadani: No, that is what I am saying, the Andhra business increase Q-o-Q would be, I mean because of this will be 84 million.

Mr. Sonal Kohli: 84 million?

Mr. Vijay Thadani: Yeah. I am going by the simple logic of the fact that the CAPEX is typically in this case 25% or so.

Mr. Sonal Kohli: Because, you know, if I look at Y-on-Y numbers, your depreciation increase has 2.2 crores while the profit increase in this business has been only 2.5 crores. So, I am at loss to understand whether it is the private side of the business which has made a loss in this quarter or what is it that the depreciation is disproportionate to the increase in profits?

Mr. Vijay Thadani: We are discussing the increase in quarter on quarter. You are referring to quarter on quarter….

Mr. Sonal Kohli: Yeah, even if I look at Y-on-Y, you know, it will give you some sense.

Mr. Vijay Thadani: But Y-on-Y, that business didn't exist, Andhra order was not there last quarter, I mean last year sorry.

Mr. Sonal Kohli: Okay.

Mr. Vijay Thadani: So, I have a feeling you have to add up different parameters to do the measurement.

Mr. Sonal Kohli: Okay.

Mr. Vijay Thadani: Maybe you would like to sit with us and we can explain in detail or discuss whichever way you would like to or if there are questions, then I can answer them.

Mr. Sonal Kohli: On, you know, you also mentioned about some depreciation due to, you know, the currency movement leading to higher depreciation. Could you throw some more light on that and also…

Mr. Vijay Thadani: If you owned assets in dollars, then the depreciation of those when you consolidate accounts, the depreciation has to get the impact of dollar increase or decrease. So, between the two quarters, the dollar increased by 6 rupees, 43.20 to 49.20. So, that depreciation would have got multiplied by 6 rupees and the depreciation multiplied by 6 rupees was 7 million rupees impact in this quarter's depreciation.

Mr. Sonal Kohli: Okay.

Mr. Vijay Thadani: Because we have that as a separate line item, that is why I have it readily available.

Mr. Sonal Kohli: And you would have a corresponding increase in your liability side, you know, because of the fact that you also have a, you know, foreign currency loan and…

Mr. Vijay Thadani: Yes.

Mr. Sonal Kohli: Okay. On the…and there has also been a 9 million depreciation increase in…

Mr. Vijay Thadani: Other assets.

Mr. Sonal Kohli: …other assets. Which part of the business would this be?

Mr. Vijay Thadani: All over the place. It would mostly be, let's say if Uniqua centers there would have been a capitalization which would have been there, there would be some products which would have been launched, their capitalization would have been there.

Mr. Sonal Kohli: Okay.

Mr. Vijay Thadani: Yeah.

Mr. Sonal Kohli: Could you also throw some light on your interest cost and other income for this quarter?

Mr. Vijay Thadani: Our other income is -36 million this quarter, net other income. I can give you a breakup of that. Okay, net interest expenses were 62 million, difference in exchange positive was 20.9, other nonoperating income 5.

Mr. Sonal Kohli: Okay. What would be the debt and cash on the books?

Mr. Vijay Thadani: I had shared, 3412 million debt on the books which is recast in line with the new dollar and that was one of your questions in between.

Mr. Sonal Kohli: And the cash on the books?

Mr. Vijay Thadani: Yeah, 630.

Mr. Sonal Kohli: Also on your…could you throw some light on what has been your growth in India net revenue in the individual side of the business?

Mr. Vijay Thadani: India net revenue, it would be of the same rate.

Mr. Sonal Kohli: Because your China has grown by 70%.

Mr. Vijay Thadani: Yes.

Mr. Sonal Kohli: And your overall growth is 20. So, I suspect it would be, you know, a much lower number or…

Mr. Vijay Thadani: It would be…yes, it is, in fact, let me just take the breakup. So, the India growth in revenues this quarter is 11%, China is 70%, the rest of the world is…

Mr. Sonal Kohli: This is system wide or net revenue in India?

Mr. Vijay Thadani: This is net.

Mr. Sonal Kohli: Okay. And going forward, you know, what kind of growth do you expect in China and whether this is some one off growth or how to read this number?

Mr. Vijay Thadani: I think the way to read China growth is because China is a very instance and event driven, so best is to look at China growth in and across the year because there will be quarters when they have admission cycles and certain decision gets taken or we get a provincial government.

Mr. Sonal Kohli: Okay.

Mr. Vijay Thadani: But hey typically have two admission cycles, March and September. However, many times the March admission cycle enrollments we get in April, so if I tell you it will be in JFM, you will find it in AMJ some days. On other hand, sometimes….so that is what, if you aggregate it over a period of time, these things go away.

Mr. Sonal Kohli: Okay. Considering that, you know, your India revenue growth is only 11%, what to expect going forward in the individual business or was there something one off or, you know, holidays or something which has impacted your growth and…

Mr. Vijay Thadani: No, so you must know that in India we did not even get full production days to deliver. In OND this year, we had the maximum number of disruptions. Bombay was closed twice for a few days. Chennai was closed because of flood. Assam, Guwahati which is a large center was closed for some other activities and Delhi for some other activities, assembly polls somewhere. So, this also depends on the number of production days we get. I think in the overall enrollment growth and stuff like that, those are pointers to a consistent revenue.

Mr. Sonal Kohli: Okay. Lastly, coming back to the depreciation numbers which we were discussing…

Mr. Vijay Thadani: Yes.

Mr. Sonal Kohli: …if I look at Y-on-Y, you know, on school learning revenues, your EBITDA is up 25 million…

Mr. Vijay Thadani: Yeah.

Mr. Sonal Kohli: …while overall your depreciation is up, you know, 55 million and I would presume a significant portion even Y-on-Y would have happened because of the institutional business.

Mr. Vijay Thadani: No, not necessarily. As I mentioned, at that time, last year same time, FMT was in the process of investing. We were launching new products in Element-K and there were a number of things. In fact, at that time, we did not have too many BOOT projects. So, the BOOT projects, most of the BOOT projects that we got were in this year. So, the impact of depreciation, we can work out between year to year, but my aim is that it would tally with that same principle.

Mr. Sonal Kohli: Okay.

Mr. Vijay Thadani: Let me see, I can perhaps even figure that out for you. Yeah, last year in SLS, we had a revenue of 213 and EBITDA of 30. So, if you see the revenue increase over the year, we have now this quarter a revenue of 370.

Mr. Sonal Kohli: Right.

Mr. Vijay Thadani: And margin is only 55. So, a large part is coming from depreciation to be contributed to that.

Mr. Sonal Kohli: Okay. Lastly on, you know, any thoughts in how to increase shareholder value, any corporate structuring or any measures which you think could lead to enhancement of the capitalization?

Mr. Vijay Thadani: So, first of all, I want to assure you that we worry about shareholder value 24 hours a day, 7 days a week. So, we are always looking for ways and means to increase shareholder value. Second, yes, we are looking at various opportunities. Times are very volatile, one has to be careful in taking steps which do not become irreversible, so all those that you mentioned and more are continuously under discussion and as soon as there is something which we can share with you, we will share with you.

Mr. Sonal Kohli: Okay, thank you.

Mr. Vijay Thadani: Thank you Sonal.

Moderator: Thank you very much sir. Next in line, we have Mr. Ruchir from Pioneer Invest. Please go ahead.

Mr. Ruchir Desai: Hi, good evening. Just a couple of questions on the CLS business. I was wondering if you can give me the breakup for the training outsourcing and the custom learning solution percent of revenue as of this quarter.

Mr. Vijay Thadani: Just a moment, I will just pull it out if I have. Ashish…

Mr. Ashish Basu: Okay, the…you are wanting specifically the training outsourcing revenue right?

Mr. Vijay Thadani: No, training outsourcing and learning products.

Mr. Ashish Basu: Okay. So, the increase in revenue of training outsourcing and learning product on a Y-on-Y basis would be about 12%.

Mr. Ruchir Desai: No, I was wondering what is the contribution of training outsourcing currently to your overall CLS revenue?

Mr. Vijay Thadani: He wants the contribution to total.

Mr. Ashish Basu: Okay. So, that would be around 30%.

Mr. Ruchir Desai: Alright. And also if you can touch upon your quarter-on-quarter growth rates for the CLS business, it has been a 1% growth rate, I was wondering if you can talk about what is the quarter-on-quarter growth rate for training outsourcing over Q2?

Mr. Ashish Basu: Yeah, we have been sharing in the past as well, both on training outsourcing as well as on learning products, there has been a continuous growth in the business. The numbers haven't been…they have been typically in the region of 20% to 25% Y-o-Y over the last three or four quarters. So, both of these are doing reasonably well where we have little bit of challenges in the custom business, the custom content business specifically which is extremely soft given the fact that the spending is mostly discretionary.

Mr. Ruchir Desai: Okay fine. And…

Mr. Vijay Thadani: Yeah and may I request everybody, we are available to you for as long as you would like us to; however, just to keep the overall time in control, may I request that each of the 8 at least get to ask one question each and then we can perhaps schedule another call or do something else in case we need to. So, operator, could you please help us with that.

Moderator: Sure sir. Thank you very much. Next in line, we have Mr. Pawan from Dipen Mehta. Please go ahead.

Mr. Pawan: Sir, there has been a sharp increase in your development production and execution expenses. Could you please throw some light on that.

Mr. Vijay Thadani: So, first of all, I have a feeling you are picking up these numbers from the standalone.

Mr. Pawan: Yes sir.

Mr. Vijay Thadani: Yeah, okay. So, my recommendation would be that the consolidated accounts give a better understand, however, just to answer on standalone itself, product mix and our large schools orders that we are executing would be responsible for this.

Mr. Pawan: Sir, product mix and the large school orders right?

Mr. Vijay Thadani: Yeah, see there is a larger product mix where development and production efforts are required and the fact that schools contribute a large part of that.

Mr. Pawan: Okay. And sir, can you please quantify the enrollments for IT aptitude exam conducted recently?

Mr. Vijay Thadani: I do not have them, but the last I counted the applicant, it was in excess of 110,000.

Mr. Pawan: And sir, what was it…

Mr. G. Raghavan: 123,000.

Mr. Vijay Thadani: Hundred and…

Mr. G. Raghavan: 123,000.

Mr. Vijay Thadani: 123,000 enrollments.

Mr. G. Raghavan: No, no, applications.

Mr. Vijay Thadani: Applications, I am sorry.

Mr. Pawan: Sir, what was it last year?

Mr. Vijay Thadani: What was the number?

Mr. G. Raghavan: 142.

Mr. Vijay Thadani: 142,000.

Mr. G. Raghavan: But there is a little change in the character of the applicant this year versus last year.

Mr. Vijay Thadani: Yeah.

Mr. G. Raghavan: The character is that this time around everybody has paid the entrance fees.

Mr. Pawan: Okay.

Mr. G. Raghavan: Processing fees. Last time, we were very liberal. Many of the colleges which were open requested us and then we let a lot of youngsters take the test, but this time around every one of them was a serious applicant.

Mr. Pawan: Okay. Thank you sir.

Mr. G. Raghavan: Welcome.

Moderator: Thank you very much sir. Next in line, we have Mr. Yogesh from Alchemy Capital. Please go ahead.

Mr. Yogesh Parekh: Good evening sir.

Mr. Vijay Thadani: Good evening.

Mr. Yogesh Parekh: Sir, my first question is what is the CAPEX for the ICT in the quarter?

Mr. Vijay Thadani: CAPEX for?

Mr. Yogesh Parekh: ICT, that school learning.

Mr. Vijay Thadani: School learning, 162 million.

Mr. Yogesh Parekh: 162 million.

Mr. Vijay Thadani: Yeah.

Mr. Yogesh Parekh: Sir, and second question was why it is showing…in the individual learning business, why the absolute term, our cost has dropped quarter on quarter by around some 250 million?

Mr. Vijay Thadani: That is the overall, as I mentioned, restructuring, consolidation, cost control exercise as well as control on discretionary expenses.

Mr. Yogesh Parekh: Sir, can you explain a bit about the levers in the individual learning business because we thought that majority of the costs are the fixed cost and employee cost and the content cost formed a major part of the business.

Mr. Vijay Thadani: Okay, Raghu you want to…

Mr. G. Raghavan: See, first of all the margin, I mean what you are asking is really the margin drivers in the business, correct?

Mr. Yogesh Parekh: Right, right.

Mr. G. Raghavan: Okay. Basically the enrollment growth, the volumes going up creates opportunity for improved margins. Second is improved capacity utilization on a steady state basis, even though this last quarter we have been kind of flat, vis-à-vis the previous year, the truth is that we have posted improvements in capacity utilization and when we look at the whole year, we are looking at a couple of percentage points improvement in the capacity utilization. Third is some of the international businesses have come with margin levels better than the rest of the businesses and definitely there has been an active containment of expenses, both from a seat productivity and marketing spend productivity. You might see us use the web and mobility lot more than we have used in the past. So, these things have contributed to the productivity of cost and thereby drive margins. That is why you will find that even though the capacity utilization is static at 46, you will find about 106 basis points improvement in the margins.

Mr. Vijay Thadani: Yeah, the second thing which I thought I should interrupt and mention here, I think you are doing a Q-o-Q comparison whereas a Y-o-Y comparison is more appropriate, but all the arguments that we gave you are valid for Y-o-Y.

Mr. Yogesh Parekh: But sir in absolute term, why the cost is falling, I was trying to gauge at that point, that view?

Mr. Vijay Thadani: Yeah, though we answered you that question.

Mr. Yogesh Parekh: Yeah, yeah.

Mr. Vijay Thadani: Okay, so let's move on. I am sorry, I am trying to make sure that everybody gets a chance because everybody has been on the call for a while.

Mr. Yogesh Parekh: Just a last thing on just the eGURU business, what is the status of that business, how many schools you have added and the CAPEX required for these schools?

Mr. Vijay Thadani: Okay. The status of the business is we have a very good response. We have had a large number of interesting…schools which are interested in it. We have been able to close a few orders. We added 22 new schools during the quarter.

Mr. Yogesh Parekh: Okay.

Mr. Vijay Thadani: Typically there should be no CAPEX involved in implementing an eGURU program, but in case the school would like us to, then we have a way by which we could do that, but our aim is to supply the content and services as well as…yeah, content and services and not focus on the hardware side as much.

Mr. Yogesh Parekh: Sir, but last time we visited your company, you were very much intent that Kapil and Mr. Vijay Kumar that we will be providing the hardware on the lease and we will be shifting our overall business model from just being a content provider to the hardware on the lease plus content.

Mr. Vijay Thadani: Yeah, I think what we are understanding…you are absolutely right that if a school would like us to provide, include the hardware, we would like to provide…

Mr. Yogesh Parekh: Okay.

Mr. Vijay Thadani: But it is better margin for us if the school has their own hardware because we are actually looking for a more profitable side of the business.

Mr. Yogesh Parekh: Okay. And what is the response of these 22 schools, how many were with the hardware and how many without hardware?

Mr. Vijay Thadani: I would not have that detail and most of them were math lab where by the way we provide the whole math lab, I mean including the tiles on the floor.

Mr. Yogesh Parekh: Okay sir.

Mr. Vijay Thadani: Yeah, yeah.

Mr. Yogesh Parekh: Thank you, thank you sir.

Mr. Vijay Thadani: Thank you.

Moderator: Thank you very much. Next in line, we have Ms. Subhashini from JM Financial. Please go ahead.

Ms. Subhashini Gurumurthy: Hello…

Mr. Vijay Thadani: Yes Subhashini.

Ms. Subhashini Gurumurthy: Hi. Yeah, I just had a couple of questions. Firstly, I just wanted to know why is the tax rate so high in this quarter and what is our expectation for FY09?

Mr. Vijay Thadani: Okay. Tax rate has only FBT at this time.

Ms. Subhashini Gurumurthy: Okay.

Mr. Vijay Thadani: Yeah. And I think we had given you a guidance if I am not mistaken of tax rate being 14% to 16%.

Ms. Subhashini Gurumurthy: It was actually 12% to 15%.

Mr. Vijay Thadani: 12 to 15, okay. 12% to 15% in the same range and perhaps that is where we would end up being and why are you saying tax rate is so high, it is only 6.

Ms. Subhashini Gurumurthy: Yeah, no, I was just looking at it a percentage of PBT, yeah. If it is…

Mr. Vijay Thadani: No, no, no, percentage of PBT doesn't make because…

Ms. Subhashini Gurumurthy: Yeah.

Mr. Vijay Thadani: …that much we would have got the depreciation. You saw such a huge depreciation…

Ms. Subhashini Gurumurthy: Right.

Mr. Vijay Thadani: So, it is only FBT.

Ms. Subhashini

Gurumurthy: Right. Just one more question, during the call you mentioned that ICT had a CAPEX of 162 million, is that the right figure which I heard?

Mr. Vijay Thadani: Yeah, I said the Andhra Pradesh tender in this quarter we had a CAPEX of 162 million.

Ms. Subhashini Gurumurthy: Okay. The Andhra Pradesh schools I mean would not be shown in the number of, you know, school centers being serviced, will it be shown?

Mr. Vijay Thadani: They would be.

Ms. Subhashini Gurumurthy: Okay, so we have actually added in that case 38 centers in government schools?

Mr. Vijay Thadani: No, no, no, we added 22 centers.

Ms. Subhashini Gurumurthy: In the non-GSA side?

Mr. Vijay Thadani: In the non-GSA.

Ms. Subhashini Gurumurthy: On GSA, we have added 38.

Mr. Vijay Thadani: Okay.

Ms. Subhashini Gurumurthy: So, if I just work back with the 162 million which you have given, that actually throws up a very high CAPEX figure of around 42…4.2 million.

Mr. Vijay Thadani: No, no, no, 162 is not for 38 schools. The school becomes a part of…as soon as we start providing a service which means as soon as the first person reaches, the hardware may reach one month after that. So, from the day we start providing the service, I think we started implementing the order in the last quarter if I am…

Ms. Subhashini Gurumurthy: No, shouldn't the CAPEX have come in the last quarter in that case?

Mr. Vijay Thadani: Only when the CAPEX happens will the CAPEX happen.

Ms. Subhashini Gurumurthy: No but…

Mr. Vijay Thadani: You book it only when it is installed, commissioned, and they start producing.

Ms. Subhashini Gurumurthy: Which is what you said that last quarter you actually started booking the revenues and…

Mr. Vijay Thadani: Yes, so that last quarter's CAPEX was linked to last quarter and this quarter's CAPEX is linked to this quarter.

Ms. Subhashini Gurumurthy: So, how many schools is this 162 million related to?

Mr. Vijay Thadani: It will be difficult to say how many schools. It will depend on the number of items because many times all the inverters land up simultaneously, all the UPS's land up simultaneously for all the schools, for 50% of schools, for as many number of schools. So, it is not that for each school there is a kit.

Ms. Subhashini Gurumurthy: Okay.

Mr. Vijay Thadani: But overall I can tell you for the project…overall for the project, the total CAPEX is 55 crores.

Ms. Subhashini Gurumurthy: Okay.

Mr. Vijay Thadani: Yeah.

Subhashini Gurumurthy: Sure.

Mr. Vijay Thadani: Of which we have now finished…by the way, now the whole project is implemented, so all the 55 crores are spent.

Ms. Subhashini Gurumurthy: Okay, sure. Thank you.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Raj from Helix. Please go ahead.

Mr. Raj Shastri: Yeah, good afternoon gentlemen. The first question which I have is a number, which is what is the domestic seat year number for this quarter, at the end of the quarter?

Mr. Vijay Thadani: Sorry, domestic?

Mr. Raj Shastri: Seat years, the number which you used to share before.

Mr. Vijay Thadani: Seat years, oh, okay. It is 200 and…one moment, I have it right here. It is 204,862. 204,862.

Mr. Raj Shastri: On the domestic side of the business, in the ILS segment…

Mr. Vijay Thadani: Yes.

Mr. Raj Shastri: If there was, you know, less interruptions as you mentioned in this quarter, what is the growth rate you are expecting, you would have expected and what should we take the growth rate going forward. That is number one and number two is are you facing any pressure from the franchisees, you know, in terms of, you know, revenues, the slowdown in revenues in the ILS segment?

Mr. Vijay Thadani: Okay, let me ask Raghu to respond, maybe second question first.

Mr. G. Raghavan: Okay. There have not been any issues with respect to franchisees. They are all continuing with the businesses. As you know, the volume since the last few years has grown up substantially, so they have a lot of meat to chew at this point of time. So, there has not been an issue. And your question about what should we expect, I think we are looking at between 22 and 24%, we expect to end the year between 22% and 24% of ILS revenue growth.

Mr. Raj Shastri: Can you share what will be the EBITDA margin for the own centers?

Mr. G. Raghavan: We haven't traditionally shared that because there are a lot of goes-ins and goes-outs. We share the overall numbers at this point of time.

Mr. Raj Shastri: Okay, thanks.

Mr. Vijay Thadani: Thank you.

Moderator: Thank you very much sir. Next, we have a followup question from Mr. Sumit of Birla Sun Line. Please go ahead.

Mr. Sumit Poddar: Yeah, hello sir. This was regarding the margin, overall margin, what is the outlook now, I mean going forward?

Mr. Vijay Thadani: We are…as you know, this quarter has been…we have had a margin degrowth in a certain sense, but for the year we would still like to maintain an improvement in overall margin.

Mr. Sumit Poddar: Okay. So, I mean we would be able to improve from here on, that is what is our goal…

Mr. Vijay Thadani: No, we would like to improve over what we did last year. What we would not…

Mr. Sumit Poddar: For the full year you mean to say?

Vijay Thadani: Sorry…

Mr. Sumit Poddar: For the full year?

Mr. Vijay Thadani: For the full year, yeah.

Mr. Sumit Poddar: Okay, okay. Right, thank you sir.

Mr. Vijay Thadani: Thank you.

Moderator: Thank you very much. Next, we have a followup question from Mr. Ankur Rudra of Nobel. Please go ahead.

Mr. Ankur Rudra: Hi. Just a followup on the new business, could you highlight (a) the current enrollments in the Uniqua business and (b) what sort of enrollments you would need for this to break even. I know you highlighted it will take about four odd quarters, but just to bring this business on a EBITDA neutral stage and EBITDA margin level maybe of the ILS IT business. How much should the enrollment scale by?

Mr. Vijay Thadani: Okay. The number of B2C enrollments, currently Ashish is a little far away, so I will go ahead and answer, is about 100. So, it is a rounding off error, but I think what is important is that it is greater than 0 and we have 100 interested students whose careers we will make. So, that is just a starting point. If your question is how many enrollments it will take, my feeling is that this business will break even at a revenue level of about 3000 a quarter.

Mr. Ankur Rudra: That is revenue level or enrollments?

Mr. Vijay Thadani: No, no, number of students.

Mr. Ankur Rudra: Okay. Which would mean at the current…I think current centers are about 9 odd centers, so about…

Mr. Vijay Thadani: No, no, the centers would increase because we would add. 9 are our own centers, we would add franchises and others as well. The idea was to first stabilize the product in off season and then go for a massive growth in the season.

Mr. Ankur Rudra: Alright, fair enough. Thanks a lot.

Moderator: Thank you very much sir. Next, a final followup question comes from Mr. Sonal of AIM Capital. Please go ahead.

Mr. Sonal Kohli: Mr. Thadani, two questions. First on the, you know, for the levers to cut cost, are there any further levers, especially on the corporate side or you have already, you know, during the quarter been able to reduce cost to the extent it was possible?

Mr. Vijay Thadani: Well, there was work in progress which would spill over into this quarter, so you would not have seen the impact of the full quarter last year, so to that extent you would benefit, I mean we would benefit and therefore you would benefit. The second question is it would also be dependent on how the situation presents itself in this quarter. As you know, most of the IT companies and in our case, we are waiting for all the companies with abated breath to come up with their budgets and release their budgets for their people to start spending, and we are already on 20th of the month and not too much of that has started happening in US.

Mr. Sonal Kohli: Okay. And on your outlook on margins, you know, in this business, what kind of outlook would you have now on the corporate side of the business?

Mr. Vijay Thadani: See, in a volatile environment, I must admit the environment is much more volatile than we thought it would be and it has turned out to be much more volatile in the last three months and I am sure you will agree with me on that. So, I have maintained and we would like to be optimistic that we would like to have a sub 5% margin and that is what our aim and goal is.

Mr. Sonal Kohli: Okay. Coming to the school business, you know, we were discussing Q-on-Q numbers, I have the numbers with me. The school side of the business saw revenues growth Q-on-Q from 32 million to 37 million.

Mr. Vijay Thadani: Yes.

Mr. Sonal Kohli: Which is an increase of 5 million.

Mr. Vijay Thadani: 50 million…50 million.

Mr. Sonal Kohli: Yeah, 50 million, while the EBITDA grew 110 million, right.

Mr. Vijay Thadani: Correct.

Mr. Sonal Kohli: Corresponding to this 110 million increase in EBITDA, sorry, 11 million increase in EBITDA…

Mr. Vijay Thadani: Yeah, yeah.

Mr. Sonal Kohli: …we saw a 22 million increase in depreciation.

Mr. Vijay Thadani: Yes.

Mr. Sonal Kohli: Which implies a EBIT degrowth of, you know, 11 million.

Mr. Vijay Thadani: Provided you can attribute all the EBITDA to only one business. Remember, the number of private schools we service in this quarter were less than what we did in last quarter.

Mr. Sonal Kohli: Okay. So, you mean to say the number of private schools has…

Mr. Vijay Thadani: Not degrown, but the number of…amount of revenue we got from private schools, if we see the mix to mix, you would see that there is a mix change. We were at 6733 in quarter two and we are 7921 in quarter one…quarter three.

Mr. Sonal Kohli: But has the private school revenues Q-on-Q in absolute terms decreased because your growth rate has been…

Mr. Vijay Thadani: Not GSA, yes.

Mr. Sonal Kohli: Any particular reason, was it from school…

Mr. Vijay Thadani: No, it depends no milestones and billings and revenues recognition.

Mr. Sonal Kohli: Okay, thank you Mr. Thadani.

Mr. Vijay Thadani: Thank you.

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

Mr. Vijay Thadani: Thank you very much. Thank you very much for your very enthusiastic response and very detailed questions. As always, we discover new data points that we should be ready with and it will be our endeavor to make sure that we provide you with those data points. We were able to handle most of the questions. Just in case there were any data points which we did not respond to or could not respond to, we would endeavor to get in touch with you and respond to them on phone…on phone or email. The last thing which remains is to thank you for (a) your confidence, (b) your cooperation, (c) your guidance, and we look forward to your continued support as we try to continue to grow through these choppy times. Many parts of our business are very strong, stable, and growing. Some of the starting operations are having trouble given the choppy environment and some of the geographies are challenged as I discussed about US and we look forward to your support and guidance as we go through these periods. Thank you once again for your very participative…for a very participative discussion this time and good night.

Moderator: Thank you very much sir. 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.