"NIIT Limited Q1 FY13 Results Earnings Conference Call"

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Moderator: Ladies and gentlemen, good afternoon and welcome to the NIIT Limited Quarterly results conference call. As a reminder for the duration of this conference all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need any assistance during this conference, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time, I would now like to hand the conference over to Mr. Vijay Thadani, CEO, from NIIT Limited. Thank you and over to you, Sir.

Vijay Thadani: Thank you very much for joining this conference call, which is on the quarterly result. This is the result for the first quarter. One important thing, which I thought I should mention upfront, is that in the discussion of these results, I will be referring to the first quarter of the year in terms of continuing business. As you know, last year in the same quarter, we had Element K, our subsidiary as a part of our numbers and since then it was divested and now in this quarter we do not have the number of Element K obviously as a part of our financial agenda, so all comparisons that I will be doing will be on a continuing basis. The results of Element K separately are available along with the annual results that were discussed in the last quarter and it might be I can once again refer to them if required.

As usual, I will start with environment. This has been a challenging quarter on the number of counts. The global economy continue to be under heavy stress, in fact this period has been of very high volatility and turbulence. This has had a significant impact on the businesses across the world. We find we are no exception to that, and in fact have suffered in one part of the business due to some of these.

The Indian economy continues to be weighed down by both global as well as local head winds, lack of reforms, political and policy uncertainties, forex volatility, high inflation, high interest rate are continuing to haunt us. In this environment IT sector, because of weak outlook supported by slow hiring, deferring of joining dates, moderation of salary growth, definitely lead to low volume growth for IT sector and in trying to deal with this, much lower year-over-year hiring plans have been announced by IT majors. The increase in demand of managed training services as evidenced by substantial increase of

RFPs even in this quarter has been very positive; however, given the uncertainty in the environment, pace of decision making is relatively slow.

As an organization, we had anticipated these changes. We had, in fact, talked about some of these in our last quarterly results as well as in the annual call and had created a focused strategy of four platforms of growth, results of which have been very positive. Having said that there are, especially in the IT training sector while having factored in moderation of growth, we are quite surprised by the sharp decline in consumer sentiment in the last quarter especially in the month of June and this definitely has impacted our IT training part of the business.

Having said that when we look at the platforms of growth we realize that- the strategy set is very valid, it is quite aggressive and yet balanced as is evidenced by some of our results, so I will now get into a discussion on the details of what we saw in this quarter. First looking at the quarter in perspective, an overall view of each part of the business; in the individual learning solutions, the decline in student sentiment has affected student enrolments in Q1. Our Q1 enrolments are down by 8% on year-on-year basis. Our career enrolments in the IT part of the India business are down by 13% and to an extent is balanced by the 17% increase in non-IT, non-India enrolment, but overall impact given the size of IT was high is a negative 8% in enrolment.

In corporate learning solutions, the managed training services segment continues to do extremely well. It has grown 42% year-on-year in dollar terms and 72% in rupee terms and now managed training services contribute 72% of the corporate learning solution business. Overall growth in corporate learning solutions was 20% year-on-year. The QOQ volume growth was 2% in dollar terms.

In the school learning solutions business as we have shared before, the government side of the business continued to follow the strategy that we have agreed upon of getting out of that business or de-emphasizing it. Therefore, 400 schools of an old Assam contract, the term was completed and we did not go ahead with it further. And non-GSA the private schools business grows 22% year-on-year with an addition of 267 schools during the quarters, which was up 54% year-on-year.

NIIT Yuva Jyoti the fourth platform of growth, we have now eight centers operational with having added two more center during the quarter. The enrolment have ramped up with over 600 new enrolment in quarter one; however, this is too small to make any difference.

In addition to this, the survey by great place to work, NIIT was ranked 10th amongst the top 50 companies in the country as a place to work, which we feel is heartening. We move last year from 23rd place to 10th place, so this was overall an perspective. In case you do not have access to the gross number of last year, the net revenues last year first quarter was Rs.3,212 million, EBITDA was Rs.307 million, EBITDA margin was 10%, profit before tax was 16, profit after tax was Rs. 131 million and EPS was Rs. 0.8, but let me repeat this was after including the Element K performance.

If we exclude the Element K performance of last year then in Q1 last year, net revenue was Rs. 2,190 million, EBITDA was Rs. 167 million, EBITDA margin was 8%, Profit before Tax (PBT) was Rs. -60 million, Profit after Tax was Rs. 55 million and the EPS was Rs. 0.3. In contrast to that in this year in the first quarter, net revenues are up by 4% at Rs. 2,275 million, EBITDA is Rs. 114 million, which reflects a margin erosion of 265 basis points, Profit before Tax is negative and Profit after Tax is at Rs. 115 million which is after provision for write back of certain taxes, which I will explain later as well as the share of profit from associates. Overall earnings per share are Rs. 0.7 in terms of like-to-like continuing business terms.

Let me come down to a little bit higher level of detail, our operating expenses this quarter was up by 7% in contrast to revenue increase of 4%, having seen the headwinds at the early end of the quarter ,we have taken certain measures, which did result in our cost conservation, but that was only enough to look after the inflation as well as at the inflation related cost. There were impact of adverse revenue mix, foreign exchange and the new business, which all resulted in this additional operating expense.

Let me just talk a little bit about given the fact that EBITDA is at Rs. 114 million versus Rs. 167million, the net profit is up from Rs. 55 million to Rs. 115 million, I need to explain that, this is because of changes in operating other income as well as taxation as well as share of profits from associates.

Let me start in reverse order, share of profit from associates moved from 102 to 138, which was a Rs. +36 million , the taxation which was negative Rs. 13

million last year same quarter is negative Rs.341 million. This includes a write back of tax provision relating to Element K transaction, based on the formal opinion received during the quarter. We believe that there is still an opportunity for further reduction in the tax on the transaction, but for that certain confirmations are still awaited. In the meanwhile, this provision has been taken based on which the tax was paid.

The other thing is net other income, which was Rs.-64 million has gone up to – Rs. -276 million and this is coming out of certain post transaction provision, which include further legal and other expenses. In addition to that there is post closure development in terms of certain vendor claims rising out of change of control, which are under discussion and it was considered prudent to take and an additional provision to cover these. We are hopeful that we will be able to sort these out but at this point of time based on the practices or the norms within the company we have taken these provisions.

Moving on to the business mix individual learning, or may be let me talk about net revenue basis. The net revenue basis individual business has de-grown 9% from the same period last year. Schools have grown by 17% and corporate learning solution has grown by 20% on year-on-year basis.

The EBITDA contribution has primarily come from corporate because of better margin. Schools which have been at nearly the same level as last year and individuals which has had the substantial decline in the margin, which I will discuss when I go into individual business.

In the individual learning solutions, the net revenue has declined 9%. The system wide revenue has declined 11% in Q1. This is essentially caused by an overall reduction in enrolments, India based IT training enrolments have contracted by 13% due to adverse sentiments and fresh jobs uncertainties, non-India, non-IT enrolment on the other hand have grown 17% thus arresting the overall enrolments decline to 8%.

Career enrolment in the finance and management training business have grown 28%. In other words, the IT based enrolments and business has been affected, on the other hand the number of college going students, the number of graduate seeking jobs has only increased and therefore there is a higher interest in non-IT related career if this statistics could be used for that purpose.

NIIT Inside, which is working with the engineering colleges and introducing NIIT curriculum inside engineering college curriculum, we signed up seven new colleges during the quarter, which covers 6,000 more students taking the total colleges to 87.

We did realize that the new profile of the NIIT student and given the economic pressures it could be an interesting thing to launch an attractive student loan scheme. We have tied up with CREDILA to launch that scheme. It is too early to see the results, though we have seen some moderate success in Q1. We launched a new GNIIT product as well as have been tracking cumulative enrolments on the cloud campus which I have been talking to you since last one year, so the cumulative enrolment on the cloud campus have crossed 16,000 now, which I think is just confirmation of the soundness of the cloud campus strategy. The margin as we know in this particular business is very severe, it benefit when on its way up because of operating leverage, but, therefore, is always adversely affected if there is de-growth. So the operating leverage affected the margin by Rs. 66 million, adverse revenue mix contributed Rs. 10 million, cost inflations were Rs. 51 million which were partly offset by cost management initiatives, which came in to being since most of this happened towards the later part of the quarter in reduction in fixed expenses by Rs. 39 million. So overall impact on the margin to that extent was what we see here. The EBITDA margin has declined from Rs.113 million from last year same quarter to Rs.25 million in this particular quarter. Pending order book is at Rs. 1.73 billion, 71% of which is executable in the next 12 months.

In the school learning solution, the interesting part is that 400 government schools on completion of the project term has been handed over. We added 267 non-government schools during the quarter, which is up 54% year-on-year, and non-government revenue is up by 22% and it contributes 42% to the SLS business. We have an order intake of 256 million and have a pending order book of Rs. 5.9 billion.

In corporate learning solution, I think the growth story is completely aligned around the managed training services and managed training services part of the revenue has grown 72% and therefore being annuity based revenue is kind of unaffected by the economic volatility. We also saw sequential growth in terms of 2% QOQ in US dollar. Total order intake during the quarter was at same level as last quarter, about $12.9 million. We got a chance to participate in many more RFPs during the quarter; however, decision-making processes are slow and but at this point of time particularly slow given the economic condition. At this time, we have sufficient order book to look after our interest during this year; however, we are working on a few more contracts, so we do see that the corporate learning solutions is on a firm footing with an improving margin.

Skill building solutions on the other hand has added more centers. It is too early to take a call on this business and its impact on the total number, but just to share progress with you, we had 600 plus enrolments during the current quarter.

One of the important focus areas for us has been improving liquidity and improving our balance sheet, so the balance sheet is at Rs. 7.97 billion. We have added assets of 195 million, most of which are because of renewal of software licenses, which happens once in three years. The receivable are, commensurate with the growth in revenue, approximately at the same level, but little more in terms of in terms of number of days, 142 days against 138 days. While we did manage to get certain overdue payments from government during the quarter, by and large the government paying cycles has been by and large slower than previous year because of inactivity in government functioning in many places.

Our net debt was Rs. 272 million. Our cash and cash equivalent was Rs. 798 million at the end of the quarter. If we look at the overall progress of the platforms of growth, cloud campus has now done more than 16,000 enrollments. NIIT Inside has reached 87 colleges covering 31,000 students, managed training services has acquired nine global customers and built a revenue visibility of $109 million. Managed training services revenue itself has grown 72% year-on-year in rupee term and 42% in dollar term. nGuru has added 267 private schools this quarter and cumulatively 954 schools and Yuva Jyoti is at eighth centers.

In terms of headcount, the headcount during this quarter has reduced by 120; however, this is a headcount reduction in India, but there has been a headcount increase onsite and to that extent while there is a benefit in terms of overall people cost in terms of normalized salaries, the impact is to that extent not clearly visible, if we just compare the headcount numbers.

Overall, if one was to look at this quarter, the corporate learning solution business has done well and has been ahead of what we thought we would do, non-government schools have done as per what we thought and individual learning solutions has done worse than what we thought. I thought it would be important for me to talk about what is our recovery plan for the individual learning solutions business. So first of all from the results available of the first quarter and if I was to take the first three weeks of the second quarter, the first three weeks of the second quarter definitely show a much lower decline then what we saw in the first quarter; however, that it is not to say that we would be able to recover all that we have lost in the first quarter. We believe that because of the weak sentiment in IT, IT enrollments would continue to be weaker than last year, though not as weak as Q1, given certain amount of recovery that the number one foresee in the environment and number two, the measures that we would be taking.

Our best judgment at this point of time is it would take three to four quarters to fully recover to the size we were getting used to, and then from then onwards given the prognosis of the IT sector perhaps we would be back on the growth path. The non IT sector on the other hand, given the large number of youngsters, as well as large number of people pursuing engineering, as well as the normal graduation continues to increase and we do believe that there is an opportunity to take advantage of that. So there are four steps that we are taking to recover from the situation which we are in. We are redoubling our effort on NIIT Inside colleges and we started tapping the segment last year. It has ramped up well for us. I think we need to put increased focus on that. We need to continue on the cloud campus strategy which is seeing decent results. We should focus on advanced skills and high technology courses as far as IT is concerned, because Corporates are looking for just in time skills and would like advanced skills like business analytics, clouds computing and mobility, some of these are part of our curriculum, we need to make them much more intense and may be need to fast forward ourselves to those positions which we were planning to do.

Lastly we need to make sure that we focus on the non-IT segment in a very significant way based on the “One NIIT” concept that we were rolling out and we need to make sure that we accelerate the progress. These four parts of the business are the sub parts of the business, and have been doing well and we believe that with this we would be able to counter part of the slow down that we are seeing. Schools on the other hand, just require in increase focus on private school, most of our competition is not doing as well as they were, and it is an opportunity for us to improve market share and that is what we would work on.

In managed training services our focus will be on execution of current contracts, improving our margins. So this is our overall strategy to go forward in addition to very aggressive cost management measures that have been put in place and liquidity management, which is very important as we recover the money from government and other receivables that we have. It is important to note that while the operating performance has definitely been less than what we were aiming at and has been a surprise. We are definitely coming up with a set of actions, which we believe will help us go through this challenging time. The soundness of the strategy is visible from the fact that flagship product of the company while it suffered a decline overall the company could keep a positive revenue growth.

Of course we have had a good luck of benefiting from the Element K divestment transaction where some benefit of the other as the transactions is completing exposure is come into this quarter as well. So I will stop here and open the floor for Q&A.

Moderator: Thank you so much Mr. Thadani. We have a first question from the line of Amar Morya from India Nivesh Securities. Please go ahead.

Amar Morya: I wanted to know what was the prime reason if you can break it up- primarily for the school learning solution why the EBITDA margin has come down significantly in that particular segment?

Vijay Thadani: Are you referring to the operating margin in school learning solution?

Amar Morya: Yes, actually the break up like the similar break up I am looking for as you had given for the individual learning solutions.

Vijay Thadani: In school learning solutions, during the quarter first of all we closed one project. When you close one project you do not get the benefit of revenue of that quarter, but you still have some closing operations to do. Second is as you know, at EBITDA level the government business may have a higher EBITDA but a lower EBIT. On the other hand, the private school business, since it is in a ramp up phase, is at a lower profitability. Though each contract comes with 60% odd gross margins as we crossed the hump, then we will be able to make more and more profits. So there is a product mix issue and then there is an issue of closing government contract, but the resources still continuing to be deployed. I keep using the word closing it is the ending of a term of a contract.

Amar Morya: What I understood here is that in the private school business basically the operating leverages, which we were expecting are yet not visible?

Vijay Thadani: Are coming in, are better than before, but not yet there completely. Just for your benefit last year in this quarter the government part of the business was much higher as the number, non-government has grown 42% whereas the total has grown 17%, so obviously government was much higher. At an EBITDA level the government business appears higher on EBITDA but it is much lower on EBIT. Are you referring to QOQ or are you referring to same period last year?

Amar Morya: I am referring to same period last year?

Vijay Thadani: Same period last year, we had 12% EBITDA margin, which were Rs.49 million on revenue of Rs. 403 million. This year we have Rs.43 million margins on revenue of 470. Last year, the percentage of government business in this was higher which would have contributed higher part to the EBITDA though may not be to EBIT because that is very capital lead. That is the advantage.

Amar Morya: Secondly as we had mentioned depreciation is likely to come down as we close down these government businesses, but then it seems that depreciation as percentage of revenue largely remains same or it is in a way higher in this particular quarter as a percentage of revenue?

Vijay Thadani: I think it is more to do with revenue and less to do with depreciation, because if you see the trend in depreciation, last year same quarter our depreciation was Rs.164 million, Rs.179 million, Rs.198 million, Rs.197 million. The contract that we have closed which is the Assam was a BOT contract. In the BOT contract, the CapEx was a part of the purchase consideration, which would have got accounted much, much earlier. So we do not get a depreciation benefit in this case.

Amar Morya: When are we expecting that depreciation should moderate to say three to four years because that is the significant portion, I believe, of the total revenue. So when we are looking to moderate say probably a year after or probably after one-and-half year?

Vijay Thadani: I can revert back to you with this statistics if you would give us little bit of time. I would not have access to that, but I can definitely share that with you after a couple of days, I just have to pull out the next few years back.

Moderator: Thank you. We have the next question from the line of Kaushik Poddar from KB Capital Market Limited. Please go ahead.

Kaushik Poddar: This is bit of a lateral thinking sort of question, why are you not going retail, for example whatever extra marks is doing we see it on TV, why is not NIIT going retail, student of class 10, 11 or 9, why should not he be getting a software from NIIT, why should he not be buying the software from NIIT?

Rajendran: What we are doing now which we announced last year was a visual content going on the interactive classroom that is going on from one year. We now have the ICR 3.0, it is on a limited launch right now. The next is student from his house to the same cloud based digital content where he was in the class, he can book mark at that point, he can also get the additional assignments from his teacher etc. Right now, we have selected one or two schools where we are doing this as a control pilot and this you will see in the next couple of months taking off as a consumer with two to three kind of products.

Kaushik Poddar: Basically it is meant for retail students of class 9, 10 and 11. If my daughter is studying in class 9, she can buy the products?

Rajendran: She can either buy directly, but our thinking is we would work through the same school because, remember that what we are doing in school is very different from what other people are doing in the sense that when we go into the school, digital content is one part of the story, we are doing the Maths lab, establishing the Maths lab to increase the academic performance of the student dramatically. Besides that and also for the school the management software which is the education resource planning software. The whole thing, digital content is only one part of the story, so when the student accesses this from her house it will ultimately be connected in ERP process so that the teachers will also know where the student is, etc., and parents of course, so it is a larger solution, but we are taking this right now bit by bit process.

Kaushik Poddar: When the students get connect do you get incremental revenue from per student basis?

Rajendran: Absolutely, so step one would be the school will not make it mandatory, it will be voluntary that according to me will increase the good amount and effectiveness of those students who connect from home, and step two could be that some of the schools will also see for themselves if there is any revenue upside, so it can become mandatory, now our goal will be that, so that dealing with a school with 800 students then apart from the ICR in the classroom that also reaches all the 800 students.

Kaushik Poddar: When you planned to launch this, you are saying you are doing some pilot study?

Rajendran: I do not want to put a timeline to this right now, because we need to close out on some of the pricing issues, we need to close out on some of these process part from the cloud side in terms of dealing with single schools, multiple schools, chain schools and all those things. I would say as an indicator it would probably come out for mass development in the fourth quarter.

Kaushik Poddar: Just to clarify a point, this will be available to only students of schools in which NIIT already there or it can be available to any students?

Rajendran: Theoretically it can be available for any students, but our current thinking is that if you just make it available at large, there is one student sitting in Vizag who is buying this one thing from us, we have to give him a certain type of support, this is the cost per student. If we use at school, it is a captive 800, 400, 300 students, our ability to service them is dramatically higher at a lower cost.

Moderator: Thank you. We have our next question from the line of Amitabh Sonthalia from SKS Capital & Research. Please go ahead.

Shubankar: Just wanted to understand the other income item, can you give some idea to me, I heard that but I do not think I properly understood, want you to explain?

Vijay Thadani: I will explain that. The net other income in this quarter is negative Rs.276 million. This negative Rs.276 million has two major components, the largest component in that is the transaction related expenses and provisions which have got necessitated based on further legal scrutiny of taxation as well as other issues, as well as a certain vendor claim that we have received arising out a change of control, so as a prudent measure we have taken that claim as a provision. However, we are contesting that claim and discussing it and we do believe that, that claim will, perhaps, not be valid.

Shubankar: You have fully provided that claim or there are any other items, which needs to be provided in the subsequent quarters?

Vijay Thadani: Let me just explain to you. There are two issues relating to the transaction which is still work-in-progress. One, we are in the indemnity period, which expires in middle of October, so this is the last quarter of that and in this period we could receive a claim for which there is an upper limit for which we have taken a certain provision already. The second is the tax return, we had so far computed the tax and it is a fairly complex transaction from a taxation viewpoint and there are two or three experts. The good news is our original estimate of taxation was $27 million, which later on worked out to $17 million, all these supported by opinions and judgments given by people. The recent opinion that we have received is for $11.3 million and that is what has been provided for in the current quarter. The difference between what we had earlier provided minus what has now been paid. There is still a point under discussion of a certain section of the tax law which is under confirmation and we believe that confirmation may result in further write back of tax claim, but that will be visible not later than end of November. It can be anytime between now and then depending on when the final confirmation is received.

Shubankar: This tax provision that you just mentioned is with respect to this Element K business?

Vijay Thadani: I am only referring to Element K transaction. Just to remind you there was a sale of the subsidiary which we got $110 million gross and on which we had earlier provided for a tax claim of $17 million, which has now been brought down to $11 million based on the return of premium that we have received and the tax that we have paid.

Moderator: Thank you. We have a followup question from the line of Kaushik Poddar from KB Capital Markets Limited. Please go ahead.

Kaushik Poddar: On the school learning solution what is the kind of competitive landscape, are you able to quote your price or there is a good amount of price undercutting?

Hemant: In terms of competition landscape if you really see in the private school business I will be answering the context of, this market is highly fragmented,. There are only two or three leading players in the country who are basically focusing only on interactive classrooms solution for the private schools, whereas as a strategy for NIIT we are basically looking at nGuru platform which is holistic and very comprehensive in terms of the product suite. If we really look at the price competition from competition landscape we are not very highly affected because we have products like math lab and science lab at which school which we are focusing on, besides the interactive classroom. But having said that, in the space of interactive classroom, we do meet competition and in the competitive situations there are some cases which do come up in some price comparison, but nevertheless we focus more on holistic improvement of the school journey into IT penetration as a strategy.

Vijay Thadani: I think your question was very specifically related to the competitive landscape and price pressure, I think what the Hemant was trying to say, is the fact that in interactive classroom there can be intense competition, some of our competitors are not doing as well as they were and therefore there can be desperate moves from time to time, but in the rest of the space we do not have a very strong pricing pressure coming out of competition.

Kaushik Poddar: Do you charge on per school basis or per student basis?

Vijay Thadani: For interactive classroom it is per classroom basis, of course depending on the number of kids in the classroom there can be slabs, others are on per license basis or per activity basis, per school basis any of those features.

Kaushik Poddar: In this, when we will see the real operating leverage playing out another how many quarters?

Vijay Thadani: I think in each quarter it is improving and this quarter if I was to compare it, sequentially with last quarter it is definitely better because each new schools that we add brings 60% gross margin, give or take a few basis points and to that extent I think as we are touching the volume at this point of time we are at a volume of about 160 million per quarter. I think it will start getting decent margin, you can now imagine that as the volume grows you would get higher percentage points in terms of contribution to the bottomline.

Kaushik Poddar: In case of private schools you are not providing the hardware, it is just software solution part?

Vijay Thadani: There is sometime in some part of the solution, a very small part which is part of the hardware, but it is nothing like what used to happen in government contract where 30% to 35% of contracts value. There at all wherever this is done it would be 5% or 6%.

Kaushik Poddar: How many schools in nGuru and all this things are there right now?

Vijay Thadani: nGuru platform 954 schools and since we have been keeping a track of this platform from last April 1, number of private schools are nearly 3,000 overall.

Moderator: Thank you. We have a next question from the line of Amitabh Sonthalia from SKS Capital & Research. Please go ahead.

Shubankar: I just wanted number, you have got $110 million from Element K business, and so what was the gross borrowing number prior to that and what is gross borrowing number today? How have you basically utilized that cash? As in how has it helped you to reduce the borrowing? I was just looking for the gross debt number?

Vijay Thadani: We retired US $60.32 million of debt. This is 295 Crores or so.

Shubankar: So the current borrowing is Rs. 27 Crores which you have mentioned right? I was just looking for that particular number.

Vijay Thadani: The borrowing which we have one consists of NCDs, non-convertible debentures, which have due date, so our gross debt on our books is Rs. 1,070 million, cash in hand is Rs. 798 million and therefore there is a net debt of Rs. 270 million, part of this net debt is for NIIT Yuva Jyoti project which is the specific project getting a specific attention since it is in partnership with NSDC.

Vijay Thadani: I though I will ask Mr. Raghavan to explain in specific terms the future strategy, which we have for revival of the individual learning solution business, it would be more appropriate that we can cover some bit of details.

Raghavan: I just want to make sure that the core strategy, as well as what we are up to in the coming future is kind of talked about and mentioned to this team. Recently with the strategy of cloud campus as well as the “One NIIT” strategy, which we have been talking about, cloud campus, our investments during the last year is what has actually enabled us to be prepared to launch products in a very quick succession. The new GNIIT product that we launched last quarter with great ease and speed is a completely rejuvenated a product for the market, is an example of what cloud campus has enabled us and we have gone ahead and launched another product called PGPIT during the late part of June, which the batches have started already in the month of July, now this cloud platform is going to enable us to launch a new generation of product.

I wanted to take a couple of minutes to explain this new generation of products. This is going to be focused on non technology-based students in the colleges. If you look at the number of engineering students in the colleges as well as the technology oriented student let say B.Sc(IT), BCA etc., however, if you look at the number of nontechnology students such as Arts, Science and Commerce students, it is a much larger number. If you just take the commerce stream alone it is about 3.6 million students. So what we have put together is a plan of launching of employability program for these student and first off the ground will be a Diploma in Analytics for B.Com starting sometime in the middle of August and that will be first month the theories of products that we will launch to make the arts, science, commerce students much more employable. So it actually opens up completely new and important market, but I should say that what is really enabling us is the fundamental strategy of a cloud campus. Second is the "One NIIT" concept which makes our centers capable of dealing with multiple set of students, multiple sets of job skills, our preparedness over the last nearly a year is helping us to be able to repurpose our centers to not only continue to address the IT demand, but also the non IT demand. So I think in doing so we have opened up a significant area and of courses that we will be talking to you more and more as more and more products of them get launched. The second important part, which Vijay mentioned, is to ensure that we continue to leverage those areas of IT training that are still relevant and are growing such as the advance technologies in terms of Cloud, Big Data and Mobility and also some of the products in which we have been having great success in terms of job directed short-term diploma programs, even though overall enrollment declined, the sharpness of decline in this product was not as aggressive as the rest of the products and second is the institutional alliances business which we kicked off last year and we are making good progress and we are going to be redoubling our efforts in that and our success did continue during the course of last year with much larger average number of student per college that we signed up.

The important point is the full cycle of education delivery and learning technology in these colleges have happened and students and the colleges that we have associated with are extremely happy about this. I just wanted to mention that in the milieu of financial performance during the last quarter I want you to know that the fundamental strategy in terms of the cloud campus, "One NIIT" and the institutional alliances business is very much intact and is actually helping us to go forward with new plans. Opening up a new segment is going to help us, open up a larger suite of products for a larger population of student as far as I just shared this with you even though there was no specific question that could have given me a scope to share this with you.

Moderator: Thank you so much sir. We have a next question from the line of Jaiwant Dang from JHP Securities. Please go ahead.

Jaiwant Dang: How does the entire CLS segment look for this year, does it look different from the last quarter since we had some discussion in the last quarter also about this and also has there been any unexpected change and what would be your strategy for say one year?

Sapnesh Lalla: The segment looks quite same as it appeared about a quarter ago, while I think there are changes in market conditions, but I do not think are unexpected, there is substantial volatility, as Vijay pointed out, because of that there is uncertainty in terms of closure of deals, but I think we are reasonably confident about that segment doing well. The reason why we are confident is that in times of volatility and uncertainty, organizations choose to do what is core for their business. If there is an organization whose core business is to create software, they try to focus on creating and selling software rather than creating and selling training, and so the propensity to outsource non-core activities is likely to be higher, so we feel that while there might be uncertainty in decision making, the core value proposition still holds as it did a quarter ago and we believe that in long term it will continue to hold.

Jaiwant Dang: Any ballpark growth number that might be visible right now?

Vijay Thadani: We had already mentioned that we are tracking at a certain runrate in this quarter we are 20% year-on-year in terms of revenues and we had also given guidance for 18% to 20% for the year. At this time, we are in the upper end of that range. We think we will be in the upper end and based on how, of course, the dollar volatility was, it may fall a little bit there little bit.

Moderator: Well, we do not have questions at this time. I would now like to hand the conference over the Mr. Vijay Thadani from NIIT for closing comments. Please go ahead Sir.

Vijay Thadani: I do know that there are a number of conflicting priorities this afternoon since many results are being announced. First of all I want to thank you for being available with us on this call. Your presence, your questions and your support are extremely necessary for us to go through in some part of the business where we are facing challenges. I just want to repeat the fact that as a company we believe we are in a business, which has extremely favorable long-term dynamics. There are more students going to college, there are more colleges opening and there are more students seeking employability solution. We also believe that NIIT has the credentials, the brand name, the execution track record and the governance to deal with its customers and other stakeholders and we are ,therefore, very confident of creating significant value for all our stakeholders. We do have a period of volatility through which we are going through, we have an aggressive strategy to deal with them including the once in which we do have challenges, but overall we have an aggressive yet a balanced growth strategy and therefore we look forward to good times to return in overall term. Having said that at this point of time, we do have certain benefit of the divestment transactions, which will contribute in some positive form in the coming quarters as well. So with that I would like to close the call. We are of course available to you for any further discussions or questions. You may contact me or any of the business leaders or Kapil Saurabh at Investor Relations. We would be very happy to answer your questions. Thank you once again for being on the call.

Moderator: Thank you so much. On behalf of NIIT Limited that concludes the conference. Thank you for joining us.