"NIIT limited Q4&FY13 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the NIIT Limited Q4 & FY13 Earnings 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. Should you need assistance during this conference, please signal an operator by pressing '*'and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vijay Thadani -- CEO, NIIT Limited. Thank you. And over to you sir.

Vijay K. Thadani: Thank you very much. Welcome everyone for joining us on the quarterly call but this is also the Annual Results Call. So I would immediately jump into the fray. I have Mr. Pawar – the Chairman of the company; Mr. Rajendran -- Chief Operating Officer; Director on the Board; Mr. Raghavan; Mr. Sapnesh Lalla, CFO - Mr. Rohit Gupta, Kapil Saurabh -- Investor Relations and other business leaders here available with us to answer all your questions.

I will quickly take you through the results and then we will open it up for Q&A. I am sure you will have a lot of questions after what we have to discuss today. Going back traditionally, I will describe the environment in which we work, you are most familiar with it but just to repeat, the economic volatility of last year did have its impact on India's GDP growth also, we had the lowest growth in last one decade. And why I raise this is because GDP growth and job creation are in many ways correlated. In fact, one feeds the other. On the other hand, economy is expected to pick up in FY14 and we are all looking forward to it. This definitely affected the hiring sentiment in India and there was a sharp decline in the employment outlook across sectors. Hiring in IT sector, as NASSCOM figure shared recently, has dropped over 20% in FY13 even though the industry showed a modest two-digit growth, what is important is that everybody was focusing on conserving resources and improving efficiencies to retain their margins. The Immigration Bill worries added to those woes, and to that extent, the consumer sentiment for IT training remained weak. Also contributed weakness was continuing delays in joining dates, by many IT industry companies who had given appointment letters to future graduates. On the other hand, I think the usage of IT has increased dramatically in the country and the user industry was very buoyant with requirement for IT workers or IT professionals.

Demand for banking jobs has been on an uptrend. As you know, banking jobs have a social status as well and with new bank licenses and new private banks opening branches as well as high retirement burden, which many public sector banks are facing, banking sector presents a great opportunity and I think the demand for that remains strong as you see in the numbers.

In School segment, the private schools continue to show strong preference to have differentiated products which are technology-based solutions to improve quality of teaching. On the other hand, the government segment was slow on decision-making which did not matter too much to us since we had anyway decided not to participate but government decision-making did hurt our collections drive which were better than previous year but could have been still better.

And lastly, on the global economic front, I think the outsourcing to specialist training firms, is catching momentum. We participated in many more RFPs and had very good successes. So that was the overall thing. Essentially, the macro headwinds continue to be there but 3 out of the 4 platforms of growth that we had identified showed very robust growth.

This brings me to the four growth platforms. The identified growth platform for the individual section is Cloud Campus which has now had 27,000 enrolments. During the last year, we also prepared ourselves for getting the infrastructure ready with all the features and benefits that the students will get and now we have 27,000 beneficiaries of that in terms of students and that with 50 courses has been rolled out to over 150 centres. Deployment will increase to about 300 centres and will spread across 100 courses by the end of FY14. So, a very good response and a very good methodology, which appreciated by our students.

In Managed Training Services for the corporate segment of the business, we added 5 new clients, have now 14 global customers and that business over a 2 or 3 year period has now built a revenue visibility of $143 million over the next few years. And the revenue of Managed Training Services saw 41% year-on-year growth.

In Schools, the Nguru Solutions found a lot of favor. While the nGuru platform is a very versatile platform, we introduced those products and services which we felt that we could add significant value to the customers without going through the blood bath of a commoditized interactive classroom offering which many other competitors have started, and that strategy also works out well. We have a 17% growth in non-GSA as we call them and they now are 43% of our School Learning Solutions offering. We obviously deemphasized government BOOT business, in fact we did not add another contract in the whole of last year and have decided not to participate in that space till the policy is conducive and is proven to be conducive. 817 private schools got added in FY13, which was a growth of 19% year-on-year.

And in Skills Development space, which is School to Job, NIIT Yuva Jyoti had 34 centres operational by the end of the year with nearly 4,800 enrollments.

If I was to share FY13 in a perspective, the Corporate Learning Solutions had the best year with a revenue growth of 19%, EBITDA of 339 million, up 111% year-on-year and EBITDA margin at 11% which was 485 basis points improvement. Within that MTS as I mentioned before, grew 41% and contributed 72% of Corporate Learning Solutions revenue. Q4 revenue was up 15%, EBITDA margin was up at 11% which was 110 basis points improvement year-on-year.

School Learning Solutions for the year FY13, revenues were up 16%, non-GSA was up 17% which means the government BOOT contracts did have a decline on a year-on-year basis which was expected since we have not been accepting new orders and we are only completing the existing orders which are there. Non-GSA contribution has improved to 43% for the year FY13.

It is in the Individual Learning Solutions where we had a mixed response, the largest part of Individual Learning Solutions where the consumer segment for IT Courses or the retail learning center, that is where we had the maximum problem but in all other parts which were non-IT, which is banking, financial services, business process management, management education, in each one of them we had a very decent and robust growth, and I will share those as we go along. Overall Individual Learning Solutions revenues were at 981 million, which was aided by non-IT enrolments which grew up by 45% in Q4. In FY13, the revenues were at 4582 million. Non-IT enrolments were up 48% year-on-year.

One very interesting feature which is the lead indicator for the trust turning in an IT career is our annual aptitude test which we call 'NIIT IT Aptitude Test.' This year we had 152,000 people appearing for this exam which is a growth of 22% on a year-on-year basis. In Skill Building Solutions, as I mentioned, we had 34 operational centers, in Q4 itself, we had 1,500 enrolments taking the total to over 4,800 over last year. All the comparative numbers that I am sharing with you are all on continuing business basis.

As you know last year we had the Element K divestment. Element K**'s** accounts were included in our accounts for the first six months and 13 days of the year and therefore for us to do a comparison would be unfair, therefore, I do a like-to-like comparison by excluding Element K and also pass-through revenues where for certain contracts we have to necessarily supply hardware and bill it to the customer immediately which normally does not have any margin.

Overall financials, if I look at Q4, our total revenues came at Rs.2.216 billion, with an EBITDA at the same level approximately of last quarter which is not good, in fact, it is very disappointing, which is at 71 million. Depreciation was at 223 million and after including share of profit from associates and taking the benefits of some taxation, we had reported profit after tax of 27 million which is an EPS of 0.2

For FY13, our total revenue was 9.608 billion and PAT of 263 million. So quite obviously, Q3 and Q4 have not had the benefit of the order book which Q1 and Q2 had. On the other hand, what is not visible in these results is that these enrolments shortfall which is essentially what has contributed to the decline in revenues was higher in Q1 & Q2 on a comparative basis than in Q3 & Q4, and I will share those details with you.

If I was to see the comparison on a continuing business basis, after excluding pass through revenue, we would have a revenue decline of 5% year-on-year, at an overall level. This is despite the fact that 3 businesses grew fairly robustly, but because their size was small compared to the large Career Building Solutions business. EBITDA, of course, was affected by operating leverage as well as the change in business mix. As luck would have it, it was the high volume as well as high margin business which were more severely affected, and that will be visible in the EBITDA walk which I will take you through in a minute. So we had 1198 million EBITDA in FY12. Operating leverage cost us 303 million which is essentially the additional cost we had to bear of not having our overheads spread over a larger revenue base. Business mix, which is lower profitability products doing better and higher profitability products doing worse, cost us 298 million. Cost inflation was 309 million. NIIT Yuva Jyoti which is a fledgling business and in the early years, given the large investments would have a loss was 44 million but cost management allowed us to recover at least 279 million so fairly aggressive cost management drive. And I must put the cost management drive in a perspective because it is reducing the cost of running the car while the car is in motion, when you have nearly 500,000 students enrolled with you and coming to you within that to reduce the cost structure can be a challenge, at the same time, I think we managed it fairly well by bringing down the cost structure quarter-on-quarter matching with time to the current level and overall benefit was 279 million.

The business mix (SWR basis); I think the Corporate business has, has now grown from 14 to 23%; Individual has declined from 74% to 64%; Schools have improved from 11% to 13%.

In terms of geography mix, US and Europe are now a larger percentage of the total share given the fact that Corporate business is predominantly in US and Europe, it has increased from 14% to 23%; India was at 54% compared to 57%, rest of the world saw severe drop because as we mentioned in the first quarter itself we had some severe problems of working with partners in Africa and in the process of resolution of those problems we stopped giving any credit and made sure that we focused on collections. So this did have an impact on our revenues this year but we are happy we did that because at least we would have better liquidity and better control over this emerging channel.

On continuing business basis, Individual growth was (-21%), Schools (+16%) Corporate (+19%). In EBITDA contribution Corporate contributed 177 million of EBITDA, Schools contributed 9 million, I am talking of more than what it was in FY12, Individual consumed 812 million, out of last year's EBITDA and Skill Building 43 million compared to last year.

If I go down to the level of detail of business on a continuing basis Corporate Learning Solutions grew 19% year-on-year, as I mentioned before, margin improved by 485 basis points, very robust performance, added 1 new customer in Q4, thus making it a total of 14 customers overall and 5 added in FY13. Customers added in the last part of the quarter was large oil & gas customer, which therefore now gets us at least 3 large customers in oil & gas segment. MTS contributed 74% in this quarter and 72% across the year. We had an order intake of $62.5 million in this business, up 16%. The way these contracts are accounted for order intake in case of an MTS kind of revenue typically looks at the work assured visibility but over the period of the contract, the overall visibility of these contracts was at $143 million as on March 31st. So a fairly strong year for Corporate Learning Solutions, a little ahead of the projections that we have made.

School Learning Solutions on the other hand grew by 16% year-on-year. Please remember there are two curves operating here. There is a government BOOT business which is downsizing as we are getting out of the existing contracts during the last quarter we completed one contract and closed it which is Maharashtra 500 schools and in the quarter in which we are in we will be closing another contract which is Andhra Pradesh which is a very large contract and therefore both these downsizing of schools has a positive impact on depreciation, positive impact on cash flow and obviously in future positive impact on profitability as we go along.

EBITDA for the schools in this quarter was 8% and for the year was at 9%. Non-government revenue in this quarter was up 23% as I mentioned before, we added 208 schools in Q4, bring the total to 817 schools for the year. We had a total order intake of 916 million for the year and the pending order book was at 5059 million. The declining EBITDA is essentially because of downsizing of government contract, where some expense streams will still remain and towards the last part of the contract. While you are not billing, you still have to keep the resources live to complete the closing formality.

In Individual Learning Solutions is where we had a mixed bag as I mentioned, mixed more negative than positive. Our enrolment at 97,078, overall was down 8% on a like-to-like basis. Within that, IT was down 11%, non-IT was up 45%. During the beginning of the year we had talked about defocusing on all kinds of government oriented businesses and one of the government job enrolment plan which used to give large students we had done a project last year, we did not continue with that during the year. EBITDA was down because of operating leverage as well as cost inflation but partially affected by very stringent cost control which did result in bringing down the impact of EBITDA. The positive feature in this business was placement. In Q4, placements were approximately the same level as last year this quarter, which is the first sign of bottom out that we are seeing. The second sign of this was the increased enrolments in net ads which is the "NIIT IT Aptitude Test" which grew up by 22%. The third was the non-IT enrolments growth, which has grown by 45% in this quarter and 48% across the year which shows a change in product mix as we have IT and non-IT and non-IT playing a larger role. Overall enrolment was 448,300. Enrolment was 17% down on a like-to-like basis. India IT was down at 19%. So 19% down for the year, 11% for the quarter. In many senses shows a deceleration in the declining trend. Non-IT was up 48%. Cloud Campus was a significant movement, where we were getting the infrastructure which we had invested in parts of FY12 and continued in FY13. The major part of that investment cycle was completed, and now as we are speaking we are into the softer elements of pedagogical as well as people engagement interaction where we conducted nearly '500 college connect programs' during the quarter where we talked about the new courses and new technologies. During the year, in consonance with what we had talked about introduced new age program, like in Applied Finance, Infrastructure Management, Digital Marketing and Specialized Sales Training Program for Banks. Our pending order book was at 1.733 billion, 66% executable in the next 12 months.

In Skill Building Solutions, while the revenue has moved by 5X, but it is on such a small base, it has not even yet figuring in. It is enough to say that they cross the 10 million mark in their revenues, have 34 centres operational, 4,800 plus enrolments. The placement of their first few graduates has been very well accepted by the employers, which is extremely encouraging.

I think the other focus area against the economic headwinds was strengthening of our balance sheet. Our balance sheet had two issues. One, we had a large working capital base and the second, a large fixed asset base. So our net fixed assets have reduced by 143 million in FY13 which means we have been able to deliver this revenue with less degree of fixed assets and there is an opportunity to do more. This actually happened by making sure that we did not add as many more assets as we were adding traditionally. We did have an asset addition of 772 million.

The other is the collection against bills receivable. As you know, most of our bills receivables are from state governments. There was a very strong drive, as you know, government itself had a liquidity issue with the current account deficit and fiscal deficit issues and therefore payments were very hard to come by, but even then despite the fact that we had lower margin products doing better we were able to maintain the working capital at the same level. Actually, Q4, we did get some good successes; we have actually been able to reduce our net debt from 733 million at the end of December to 462 million, and we have made nearly 193 million positive improvements in working capital in this Q4 itself. Q4 is typically a working capital guzzler given the peaking of revenues and government contracts and various other things but for us to have recovered capital actually shows that we were able to collect more than we were to give.

I talked to you about cost containment. We had to go on a very aggressive people sizing and we have had an overall reduction in head count of 403 on a base of 3727 which we started the year with. In this, maximum amount of net reduction in headcount is in the Individual Learning Solutions followed by Schools.

Future directions: Corporate is on a strong wicket. We have to improve our deal conversion rate, reduce our cost of delivery and therefore we have a strong business outlook, managed training services is the platform of growth; it is growing extremely well, we do have a forex benefit. Fortunately last year it had a tailwind, so that helped us, but in future we have to be cautious. Margin improvement is definitely a way forward in this business.

In Schools our focus is to remain on the private school business and grow the NGuru Solutions and ensure that the government business we make all the collections that are due. Our full management team is at this point of time completely focused on making sure that those overdue receivables get liquidated as quickly as possible. We have had a good success in the first 45 days as soon as they opened their purses after meeting the fiscal deficit number, and we are hopeful that in the next six months we would be able to collect a large chunk. We have a large opportunity for Cloud solutions in the schools space as well. So one underlying phenomenon you will notice is that all platforms of growth are leveraging the cloud technology, which actually allows synergy between functions as well as growth and strengthening of our core competencies.

We see growth in private schools; focus on IP and annuity-based revenues and assured annuity revenues coming from the existing order book.

In Individual Learning Solutions our business growth will come out of cloud campus because cloud campus will allow us to offer higher average realization or achieve higher average realization from our students and offer non-IT programs and proliferate them with new age and non-IT programs very, very, quickly. The cloud campus model has already started delivering results in terms of cost containment as you can see our variable costs are on their way down. So, our variable cost percentage has been lower as we go forward. We expect to recover margins through volumes as well as by ensuring that we offer a superior product mix with higher average realization. There is a minor price increase which has been implemented and that has been received well.

In Skills Building, our focus is on capacity utilization and making sure that we fill up the existing centers more and leverage our existing center base before we go further. So overall we remain very positive about the future. We do believe that in the Individual Learning Solutions the signs of Q4 have shown that the de-growth is bottoming out and we should be able to start seeing positive growth signs in the coming quarters.

First six weeks of the year have shown a good positive view, in terms of small growth over the same period for six weeks of last year. Now, it is only half way through and more action happens on the second half than on the first half but first half definitely shows an encouragement of better quarters than we having experienced before.

I would like to now open this for Q&A and encourage all my other colleagues to answer your questions. Thank you.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Kaushik Poddar from KP Capital Private Limited. Please go ahead.

Kaushik Poddar: Your CEO presentation ends up with this quote. “Steps taken to reallocate capital and to exit capital-intensive businesses to help company generate superior returns for all stakeholders.” What do you mean by the reallocation of capital and exiting capital-intensive business?

Vijay K. Thadani: The exiting capital-intensive business is the government schools business which we have been talking about.

Kaushik Poddar: How much capital will be freed up once you get rid of the government schools business?

Vijay K. Thadani: Actually, while this year’s results are not very indicative of that, but I want to show you through numbers, and thanks for asking that, for example, our interest cost last year has come down from 277 million to 177 million. We have been able to bring down the interest cost by 100 million. Obviously, earlier we had the overhang of the loan which we had on Element K that has been discounted but even then there has been reduction in interest cost. Second, even the working capital usage which also has an impact on our debt was also minimized. So as we are recovering this capital which is blocked in government bills receivables as we are freeing up the capital we are looking at newer opportunities to deploy that and Cloud Campus is one of them. Even in Cloud Campus we are now at the end of our investment cycle. So this year we do see an upswing in the cash availability.

Kaushik Poddar: So your net debt as on 31st March 2013 was in the range of 43 crores, right?

Vijay K. Thadani: Yeah.

Kaushik Poddar: What is the kind of debt you see at the end of next year, that is 31st March 2014?

Vijay K. Thadani: Our net debt situation at the end of 2014 to a large extent depends on how government behaves. Remember, this is the election year. While all our cylinders are firing as far as collections are concerned, and if that was to happen, we would perhaps get back to our debt free status. We do not have too much of CAPEX coming up, we are expecting EBITDA to grow and we have a much more robust base of customers who pay faster. So, growth is coming out of customers who pay faster, our EBITDA will grow, our CAPEX is going to be lesser than last year as well. So in that case you can see that there will be much more cash availability.

Moderator: Thank you. The next question is from the line of Amar Mourya from IndiaNivesh. Please go ahead.

Amar Mourya: My first question is, if I see the Individual Learning Solutions, the enrolment has come down significantly I believe, if I see per center enrolment which was average in the range of 140 students which had come down to 73 and now it is 94. So if I were to get a split of this enrolment per center what will be for IT and what will be the non-IT?

Vijay K. Thadani: If we were to do enrolment breakup on IT and non-IT base at a broad level, Mr. Raghavan will tell you the overall IT Vs non-IT enrolment mix.

G. Raghavan: In terms of number of enrolments, on a national basis, about little over 10% will be the enrolments on non-IT program. But to kind of answer your question, the whole concept of One-NIIT is a recent phenomenon. Therefore, as we go along in this concept, almost all centers will offer all programs. Currently, there is a mix of centers which are focusing on the financial management training business areas and there is a whole lot of other centers which are focusing on non-finance management or IT kind of programs. So to have an average number it will be quite difficult to look at it, that is something I wanted to say.

Amar Mourya: I believe last to last call we discussed like out of total 600 centers or 683 centers whatever we have, I think 150 centers we had converted into NIIT One World, right?

G. Raghavan: We had said that we had about 150 centers which we are offering the 50 programs

Vijay K. Thadani: We have at the end of this quarter 597 centers which are in India and offers the employability programs of the kind which Raghavan is talking about, which is IT and non-IT.

Amar Mourya: Out of these 597 centers, are all these rented or it owned also, few of them are?

Vijay K. Thadani: Owned and rented is one differentiation. Other than two centers in Mumbai, none of the centers are owned, they are all rented, two centers are owned by NIIT itself. The second differentiation is those which are rented by us of the 597 centers, when we say owned centers, we mean centers which are managed by us, the centers managed by us are 52 centers, which means all the expenses and all the revenue comes in our P&L. The balance centers are business partner centers where we only get a share of our revenue. Our revenue that you see in our P&L is our share of revenue which on an average works out to 35-40% of the gross revenue. That is why we use the term 'Systemized Revenue' also. So those centers the expenses do not come into our book of the center running expenses. The expenses required to support that centers, those expenses come in our books.

Amar Mourya: And remaining will be like, whatever our franchise…?

Vijay K. Thadani: Franchise centers and therefore business partner centers.

Amar Mourya: What is the outlook? What I was expecting that at least in 4th quarter there should be a recovery in enrollment primarily on the IT part and considering the outlook which is given by the IT companies, what is your expectation because considering that all IT companies are now looking for employee rationalization and primarily they are talking about nonlinearity and all those angles, so obviously the requirement of freshers or probably IT skilled employee is actually coming down. So what is your take on that and how is it going to recover from here?

Vijay K. Thadani: Yeah so first let me present to you a software industry spokesperson as well, a person who qualifies to be both in training and software industry spokesperson Mr. Pawar who is the Chairman, he wants to answer your question.

Rajendra S Pawar: Yeah so in NASSCOM's estimate of the people to be added that number has shrunk last year and will shrink a little more, so that is one area where people are hired but do not read that reduction coming only from non-linearity. That is coming from an attempt to squeeze the best out of interesting talent and therefore it will correlated with core to the capacity utilization. You will see that the lot of it is coming from companies becoming conservative in the light of uncertainty in the marketplace and therefore hiring less and having less on the bench and so on so forth. Nonlinearity as you know is something the industry is working hard on but does not happen overnight but please note that not all people employed in IT are in the software industry. There is a very large community in the user community as well. Companies who are using computers government departments, ministries, small companies, large companies so as you know the domestic market grew faster there are export business in IT and they continue to add talent. While it is correct that in the slow down people have been conservative in hiring that has happened in the past as well. It is also fair to say that with the NASSCOM estimate for next year's growth being a bit higher than this year, and if America comes back into full traction which is appearing to be so, then we will start seeing addition in talent in the future. Meanwhile domestic demand of IT continues to grow; government demand for IT, the expenditure on E-governance as we are watching continues to grow. So now that is reflected in a very important statistic, which is the placement of the number of young NIITians that we play. So while the IT industry's hiring went down about 20 odd%, the number of people that we placed this year is more or less the same number that we placed last year which is around 36, thousand. Because we are not only supplying to the software industry, but people are also going and working in the end user organizations. That is part one, part two I think is very important to see and here I want to take you back more that 10-years ago to 2002, which is the first time when our industry, both the corporate and particularly training industry faced the shock post the dot com bust. So two things happened at that time, one is the hiring came to an absolute stop at that time and as a consequence the training industry students studying in college wanted to do a course on the side, find it easy to postpone their decision. So the enrolment came to a grinding halt and we saw some of the postponement impacting our business last year as well but another thing that happened was that since the market was challenged we saw a very solid improvement in market shares of NIIT. So we are expecting the same phenomenon and this time around we are going to see something similar. In 2002 we used the opportunity of the slow down and acquired market to announce, we made big announcements. We announced 11 new courses that year, this year we are using the opportunity to make a very big makeover through the Cloud campus and we will be talking a bit about that if there are questions. It is a fundamental change is how we deliver and how people learn and we are doing it at a time when the market place is going to be quiet and therefore for us it will be a big thrust going forward. And that will deal not only with people who are joining the software industry, not only people who want to become IT professionals in domestic markets but increasingly for people beyond looking for IT jobs. So for us I think we see this as a moment for a very big change, really a moment for aggressive re-entry into the market and we are trying to do that through the Cloud Campus. Because you have to remember the young people coming into the work force are going to increase the time and the role of technology is going to increase this time and so we have to become more non-IT job focused, become more open, become more technology based in delivery and so we are looking at this moment as a moment to turn around when the market is quiet and we can make much more active intervention which will see us doing in the weeks and months to come.

Amar Mourya: Sir one more thing, now the IT courses which we are offering, are we offering new technologies like Cloud Enterprise, Mobility, Collaboration?

Vijay K. Thadani: See NIIT is traditionally known for its software engineering curriculum and over a period of time we added infrastructure management. We have now Mobility and Apps development courses which are coming up, and actually have been conduct. We are always the first to conduct programs in the new technologies such as Windows 8 or any other new technology with any of our partners. So these new age IT courses are definitely a part of the growth plan that we have for the future. May be Raghu would like to add a word or two.

G. Raghavan: Yeah I would add to that analytics as well and besides these what we call as new age IT, we will also be launching non-IT courses not only the banking courses that we are a little familiar with but courses like Applied Finance, Designs, Digital Marketing, Personality Development and courses like that, which required for youngsters who acquire employable skills.

Amar Mourya: Sir if you could share what was the revenue contribution on a yearly basis for the Cloud Campus?

Vijay K. Thadani: It will be across courses but may be a rough figure we will be able to give.

G. Raghavan: A good part of our Diploma courses, it will be about 5 to 7%.

Vijay K. Thadani: Now that is changing very rapidly because till last year we had only 3 programs, Raghu will tell you more.

G. Raghavan: I just want to say something more taking this opportunity, what we have done in the Cloud Campus so far is nothing in comparison to what we have lined up going forward. In terms of number of courses we today have about 50 courses and that has become 100 courses by the end of the year. We have about 150 locations, this is a little different from the GNIIT Cloud Campus that we had launched and we had talked about the number of centers. But this one we have 6 definitive features and Cloud Campus which completely changed the way students will learn. 150 centers have been equipped with that and that number will reach 300 by the end of the year. So we are talking about more features more locations and more courses which will give a material difference to our presence with the Cloud Campus as Mr. Pawar was saying before this is going to put a huge competitive advantage for us not only to deliver more efficiently what we have with us right now but also enable us to launch courses in new disciplines and new domains much faster than anybody can do. We recognize that the future going forward growth is going to be based on not only new age IT skills but also based on non-IT skills of which banking you are familiar with and there are many more discipline in which skills will be required. Having Cloud Campus will help us bring in quick partnership, bring in good expert quickly and be in a position to have a national launch with a phenomenal speed to market. That is our big plan and with one NIIT what will happen is that the front end customer acquisition locations mainly our centers will become more and more equipped to deal with the multiple set of courses, therefore no longer will a center be assigned just to do the IT course alone or banking course alone or for that matter a new set of courses that we will be launching. So see to market, efficiency of delivery, ability to participate in a wide variety of skills, these are going to be fundamental differences in the way we are going to present to the market with Cloud Campus. So that is the significance of which I think as you see you will get a larger and larger share of our revenue happening on the Cloud Campus as we go forward.

Amar Mourya: Sir considering that now for example if today the revenue share is 5% I am assuming that going forward 2-years time frame or 3-years time frame, significant portion like 20-25% coming from that, what will be the impact which we will see on the margin, assuming that the margin will also increase right because the cost will come down on the delivery part. Any flavor on that part sir?

Vijay K. Thadani By the way it is not going to be 5 to 25, it is going to be 5 to 75. Right now Raghu mentioned, this April onwards we have switched 50 courses, against 2 or 3 which were running so far because now this technology has stabilized and we can therefore scale. So that was answering that part but Raghu you may want to talk about the margin improvement possibilities.

G. Raghavan: Margin improvement possibility is even in the context of the coming year, we do see already in the courses to the variable cost reduction in the coming year will be in the region of about 250 basis points, something that they had spoken about when we had first talked about Cloud Campus and the potential impact in our own reckoning we can see that happening in the coming year.

Amar Mourya: One last question on individual learning solutions, considering that this year was not good for individual learning solution, assuming that the same trend continues and IT hirings whatever say it is muted and if it remains in the same situation and enrollments are likely to be in that range what will be the impact, how much offset can we see coming from the non-IT courses as well as Cloud?

G. Raghavan: I would like to look at this business going forward in 3-dimensions, one is traditional IT courses, second is the new age IT courses and third is the non-IT courses. If you look at the quarter 4 trends that we have seen, whether it is in placements, we were more or less same as last year where as the previous 3 quarters we were down about 5 to 3, if you look at the enrollments on a like to like basis for the year was 8.2% lower compared to about 19% lower in the 3 quarters preceding that. We also talked to you about substantial increase in test takers as well. So if you look at various indicators we are given to believe that the decline in the IT business is going down. We also have seen actual realization of good growth in the non-IT businesses; this is not a concept anymore. We have had 48% growth in the last year in the non-IT courses. So overall the serious business going by what we have seen in the last quarter as well as what we have seen in the first six weeks of this year, our comfort that the work is over is getting re-enforced. So for our own planning, we are not expecting a huge recovery in that pure IT fresher intake like we had 2-years back onwards. So it is not like our business is hinging upon substantial recovery on that. We have taken management actions which will look at new age IT courses like Mr. Pawar was saying segments which are recruiting in the country for domestic user side as well as domestic business, non-IT. So that is what we are looking at from a growth stand point.

Amar Mourya: Okay so assuming that even though the IT remains muted but we are still likely to see growth in individual learning solution, is that I should understand from this?

Vijay K. Thadani: Yes, because I think all the non-IT has also gained sufficient momentum so it has started making a difference.

G. Raghavan: I want to say that banking sector a phenomenal retirements is expected. Two licenses that are going to be given plus our entry into the training for the sales partner in bank, these three things are phenomenal in new opportunities that we are looking at and that explains why we grew in the first place in the last quarter itself with 45% in the banking enrollments. So we see that to persist for the coming couple of years for sure.

Amar Mourya: Now secondly about the school learning solutions, you had discussed many times that we are shifting from government to non-government, but somehow that traction in the margin per say is not seen and I understand the revenue trajectory could not be because we are coming out of the non-government business but it is also not seen in the margin part, any flavor on that part?

Vijay K. Thadani: On schools learning I want to mention something. I think first thing you should know in school is that we have the intersection of two curves. We have two businesses, one very large government business which is reducing; it has reduced over the same period last year. The second is a business which is growing and we therefore give that breakup. The NGSA business has grown 17% but the GSA business has down sized or has reduced in size, and Hemant will answer the question as to how margins are improving and will improve.

Hemant Sethi As you know we have gone through a transition year last year and there we have seen a decline in the revenue of government owned business. At the same time there has been an increase in the revenue of non-government business which is private school business. Just to give you a flavor of contribution of private school as to how it is moving, in the year FY-'12 we had a contribution from private school business on a revenue basis at 36% which has moved up to 43% in FY-'13 and it will move to 84% by FY-'16.

Vijay K. Thadani: Because there are contracts which we have to complete execution of in GSA, therefore its share in the total will keep reducing because of two reasons, non-government growing and government downsizing.

Hemant Sethi So that is one part and second thing is that, second transition we are doing is that we are moving in from an annuity based traditional classroom model to a Cloud delivery model wherein the business which we have done is now in the private school market, has been on an annuity based and revenue matured in 5-years' time. Now on the Cloud basis we will find a very comprehensive delivery of classroom solution which is going to the schools, at homes and also the schools ERP quick schools solution and other related solutions going on to the Cloud. And also mixed with license product will give us a very sharp increase in the revenue. In terms of operating margins, just to give you a flavor, a margin which is in the vicinity of 8 to 10% in the FY-'12 is moving up to 18% approximately by the year FY-'16 as per our trend what we are seeing today but that is how the margins will improve as affect over the years. Thank you.

Amar Mourya: Sir my question is I can understand this is possible in NGuru because last time when we discussed that NGuru we are launching on a retail level as well, so I understood that but considering that when we are talking about schools also we are now moving from annuity based model to a non-annuity based model, so how are we actually pitching over there?

Vijay K. Thadani: So actually, I do not think annuity and non-annuity is the issue. Let me explain, most of our learning solutions for schools are annuity based, most of them, some of them are on the other hand are license based. Just to differentiate from an existing should I say arrangement in the market place where everybody understands that school learning solutions means supplying content putting some hardware and collecting money over the 5-year period. We are not in that business or supply of hardware and we have seen what has happened to other players who were in that business. So we have an IP plus services based offering, so our IP plus services based offering can be bought on a license basis only for Math Lab and for ERP, that we offer, but for other products it is available on annuity basis only. So annuity based revenue will remain an important part even in the places where it is IP, where it is license based, there is a services revenue which we will continue to get over the 5-year period or three year period as the case may be.

Amar Mourya: So in general if you can share what will be the average revenue per school from a non-GSA, average revenue?

Vijay K. Thadani: Average revenue per school

Amar Mourya: For non-government.

Vijay K. Thadani: 1 to 1.5million per year.

Amar Mourya: Rupees right sir? Okay and the margin difference between the GSA and government school and non-GSA would be?

Vijay K. Thadani: I think margin at the gross margin level non-GSA has a much higher margin. GSA has a much lower margin, it is tender based but SG&A in non-GSA at this moment is high because we are ramping up. As soon as that SG&A we start getting the benefit of operating leverage then the margin will be so in steady state non-government schools should give a margin of 25%, I have always maintained. We are not getting it right now but we should get it.

Amar Mourya: Okay so currently margin would be in the same range of what government is having, right?

Vijay K. Thadani: No it is better because government in the last parts of the contract, see as you can see government contract you get the same revenue every year for 5-years that means your margin decreases as you go further in the line of the project because inflation catches up. So at this point of time since contracts are in the closing stages, our margins from private schools is better, however, the overhang of the government business as it is downsizing, is depleting the margin.

Amar Mourya: Sir last from the Corporate Learning Solutions, in terms of the revenue no doubt we actually did significantly well but still in terms of the margin I believe what we were expecting we did obviously from 90% I think we today at 89% or 88% of the operating expenditure but are we seeing what should be the margin I should see say for example from here 3-years and what should be the revenue that we are looking for. It should contribute like 50% of the revenue over the financial year '16 or how it is going to be?

Vijay K. Thadani: Okay. Mr. Sapnesh Lalla will answer first how this will grow, what percentage of revenue it will be I will try to answer.

Sapnesh Lalla: I think I had mentioned this earlier as well, we are going to continue to focus on growing this business at the current cliff, we think that we can sustain that cliff of 18 to 19 to 20%. There will be some incremental improvement in the margin as well, compared to where you see us today.

Vijay K. Thadani: So at this point of time, the corporate business, I am just looking at FY-'13 is about 30% of the total. We do believe that with a higher growth rate that this is clocking and by the way we believe individual learning solutions will also come back to its growth rate. So we believe it may be 40 to 43% in the coming years in FY-'16, I am just going by totality. Yeah it will be about 37-38%. And just in case people have to log off I just want to invite you for our investor meet in Mumbai tomorrow at 4 pm at Trident, BKC at 04:15 pm please do join us and we will all be there to answer all your question and more and also demonstrate to you, show you how we use Cloud Campus because we really believe Cloud is a new way of learning. Let me open this out for any more questions if people have.

Moderator: Thank you. So there are no further questions at this time.

Vijay K. Thadani: Okay, thank you very much in which case I would like to thank each one of you as usual we learn a lot from your questions and get new insights, we look forward to a very intense interaction with you tomorrow at Mumbai. Tomorrow as in 24th at Mumbai at 04:15pm at Bandra Kurla Complex at the Trident. Thank you very much for being here with us one more time. All the best.

Moderator: Thank you on behalf of NIIT Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.