



“NIIT Limited Q4 FY15 Earnings Conference Call”
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Moderator: Ladies and Gentlemen, Good Day, and Welcome to the NIIT Limited Q4 FY15 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vijay Thadani – CEO of NIIT Limited. Thank you and over to you sir.

Vijay Thadani: Good afternoon, thank you very much. Good afternoon. Many thanks for joining this call which is a briefing of our financial results for FY15 as well as a coverage on Quarter Four. I do want to get into two or three important issues immediately and then I will also have one of my colleague talk about a few things and we will open it up for Q&A.

So the first agenda for today, which is beyond FY15 result, is to talk about the business transformation process and the journey we have had so far, I want to brief you all on that, as that will have an impact on the results and therefore we will move into the results and then I also want to talk about the future directions from where NIIT stands today.

So in the business transformation journey, and I would like us to go back to Quarter Two when we had started talking about the top management succession and strengthening the leadership team of NIIT and at that time, just to remind everybody, we had inducted a former NIITan Rahul Patwardhan to be the CEO designate at NIIT and also in addition to Sapnesh Lala who was the Group President for the Corporate Business, we had inducted Shivan Bhargava as the Group President for the Skills and Careers Group, which we have been talking about over the last two or three quarters and I think much of what we are discussing is the effort and the results of this team's effort as well as certain foundation that needed to be created to make sure that this team can realize a vision that they have built.

As a part of that, we had done an exercise in reassessment of our existing businesses, geographies and products which have been going on for a while and we have briefed everybody on this, in quarter two and quarter three of the business transformation process and then also you would recollect the scheme of arrangement that we had filed with the High Court for rationalization of subsidiaries and therefore put together forms the overall business transformation journey. The idea was to focus on asset light and growth oriented businesses going forward and now I will take you through the detail.

Working backward, the scheme of arrangement which we had filed with High Court, the High Court pronounced final order on 23rd of May, and the scheme has become effective and to remind everybody this meant that three of our subsidiaries EVOLV, SCANTECH, and NOLL which were created for a certain purpose at a certain time. Since they had stopped being valid for that purpose, we merged them back in NIIT and we transferred the School's Learning Solutions business of NIIT into a subsidiary HIWEL India and that transfer of school business is now also happened. Just to remind again, the purpose was to simplify the entity structure to

reflect the realigned business operations and create an enabling structure for more funding opportunities for schools.

The second part was the business reassessment of existing businesses, geographies and products and this is the work done by the team over the last six months which has resulted in a number of important and strong decisions, to make sure that we create a foundation which is strong enough to handle, to realize the vision that we have built for the future. And as a part of this we took some aggressive decisions of number one, exiting capital intensive government business, this is the decision which we had taken some time back but we added to that the fact that we would also exit CAPEX driven models both in private as well as government school and we took these decisions and implemented them over the last six months.

The second, to sharpen the focus on Skills and Careers business which as you know had many-many product lines and many-many geographies many of whom were not growing, they were either not growing enough or had low margins or in many cases had also issues to do with contracts and projects which were being done in the developing world, in the emerging countries and some of which were we had as shared before had difficulty in collecting our dues. So we decided that we would exit all those international geographies and create a stronger focus on India and China and in this process work on those centers and those geographies where we see a high growth opportunity, higher margin opportunity as well as on an overall basis we have an asset light business. This resulted in our closing down operations in certain African countries as well as making sure that all our people posted in these geographies were brought back into India. We do have some operation left there but that is on a cash and carry basis, and a profitable operation.

The third element of this was capacity and structure consolidation, predominantly in India and in China, of the Skills and Careers business, and the idea here was to make sure that the capacity utilization increases, and while the capacity reflects the convenience to the customer but does not impinge our ability to fill that capacity quickly. So capacity, consolidation resulted in nearly a reduction of ~33% in the seat capacity that we had in our own centers of NIIT. In addition to that, resulting from there as well as a move to delayer the organization structure and again a very bold step of structure consolidation of removing one management layer from within the management of Skills and Careers Group was taken and that has resulted that and other initiatives have resulted in a headcount reduction to the tune of 24%.

The fourth element was product portfolio rationalization and the idea was to go geography by geography, business by business, and product by product and the team has been in the process of implementing this over the last six months and have exited low margin products and those products which do not have strong growth opportunities. This transformation exercise which was predominantly affecting the Skills and Careers Group as well as the School Learning Solutions group obviously had its impact on the business on one hand, second in terms of certain expenses and accounting implications which I will just discuss. But very importantly created a very strong foundation for us to build the future on, and what I want to share with

you is the impact of the expense and accounting implication so that we are able to then move onto the results of operations on like to like basis.

On the business transformation – one impact of this was cleaning up the structure, making sure that we are a much more agile, as well as lean structure but it also meant reduction in our overall fixed expense every year to the tune of nearly Rs 25 crores. And this is coming out of 278 headcount rationalization, it is coming out of a 33% reduction in the seat capacity in our centers and it is also coming out of certain regional offices consolidation which is a layer which we have removed. This of course resulted in a one-time additional expense, which is visible in our operating expenses in quarter four, to the tune of Rs.134 million, but that is in our operational expenses. The net expenses and accounting treatment for the overall business transformation exercise was to the tune of Rs.1.36 billion, Rs.1363 million to be precise which consisted of Rs 452 million in terms of depreciation, Rs 134 million I already talked to you about the business transformation expenses and certain provisions for bills receivables and other similar entries made given the fact that we had exited certain geographies and businesses and while there may have been, while the efforts will be on to chase these receivables it was felt prudent to take provisions for these in a manner to strengthen the organization and give the opportunity to the incoming management team to really realize the vision that they have built for the organization.

So if I take the provision of these onetime exceptional expenses as well as the business transformation expenses, the rest of the results of it of NIIT reflect the operations of NIIT where just to remind everybody last year has been a volatile environment in many ways, specially the currency risk and in this particular quarter we did have a very interesting currency implication which did hurt our corporate learning business, and I will talk about that. On the other hand, our corporate learning business has been by and large doing very well in market which is also strengthening our reality position in that market, strengthening even better and I will talk more about that.

At India front, while the IT training continues to remain muted, but the government structural reforms on skill, policy, on a number of initiatives taken by the government as well as a demand for niche skills across sectors Beyond-IT had become very interesting and Beyond-IT continues to show robust growth as we would also discover during FY15 as we discuss the results with you.

In this backdrop, if I see the performance of NIIT, for the last three years every quarter have been reporting progress on the four growth platforms. So two things, one, we have made substantial progress on every platform, in Corporate, MTS now has 24 global customers and the revenue visibility of \$179 million, they added many more customers which I will talk about.

In the individual space, the cloud campus continues to do very well and as my colleague here will share with you, going forward cloud campus is a standard operating platform on which every NIIT product offering whether IT or Beyond-IT will be offered. And third, the skills

initiative as a part of NIIT Yuva Jyoti also has covered major ground and is right now poised to scale the length and breadth of NIIT network in terms of its reach. And therefore to that extent has a strong opportunity. The other thing which we had discussed last quarter also that the individual and the Skill Group put together are now known as Skills and Careers Group, SCG and in future in coming quarters we would be talking about SCG as we go forward.

In schools, our focus continues to remain on private schools and we have added more private schools and the NGSAs, non-government segment, now contributes to 62% of our overall business.

If I was to go into one level detail in terms of FY15 number, then the revenue at four then at each product group level in the corporate learning group which has been the star performer for them, it has grown 23% on year-on-year basis, with revenues of Rs 4878 million, this business has now become 51% of the total business of NIIT. So it is nice to know that more than half of our business has a very robust growth and a strong EBITDA margin of 12%. The focus of corporate learning group has been on managed training services which has grown by 35% year-on-year which means our focus on managed training services has improved even further. And we added four new MTS customers and had a scope expansion with three existing customers which is a very robust contract intake if one was to look at corporate learning solutions, how corporate groups work and I mentioned a revenue visibility of \$179 million.

At a quarter level the revenue though it appears to grow at 8% year-on-year, on a constant currency basis it has actually grown 14% and I would like you to make a special note of that. Because the business in its constant currency growth has had a robust growth based on a strong order book, however, Euro de-valued fairly substantially during the quarter and to that extent the revenue in rupees appears muted at 8%, muted is the term which we use when this business grows at less than 10%, so I would like to remind everybody the 14% growth with an EBITDA margin of 12%.

We added one new MTS customer and had a scope expansion with two existing customers. So overall corporate learning group today stands at a very strong position. Even in the first quarter, in the first 60 days which are not yet over, we already are clear about five new contracts which we have now got confirmed and are in the various stages of signing and others which we will report at the end of quarter one. But one significant one which we feel very proud of is the renewal of a five year engagement that we had and in this renewal we competed with the global majors on a global RFP and we have won that bid and have not only got a much larger scope of delivery of contribution to the customer but also a longer duration contract which is a 5+5, 10 years contract going forward and that we feel very good about because it reaffirms our commitment to our strategy as well as our conviction in our ability to service them.

On the School Learning Solutions, while we had an order intake of Rs 622 million in the year, we added 455 schools during the year. To an extent our private school business, while the IP based business continues to grow very well, we had purposely stopped doing the CAPEX

heavy part of the School Learning Solutions like the interactive classroom part of our offering. And to that extent therefore the revenue looks little muted, however, in actual terms the growth had been fairly good. The government schools are continuing at a favorable pace in terms of the completion of the contract, we completed some more contracts during the year as well as during the quarter and now the NGS part of the business is 62% of the revenue mix. And as the School Learning Solution gets into a new subsidiary, we have an opportunity to build the future of this business with more funding and partnership options than we had before.

That brings me to the Skills and Careers Group. Skills and Careers Group has been the real growth engine here is the Beyond-IT and the fact that we need to get into a more specialized kind of training areas while the Skills and Careers Group was pursuing these strategies, I think the other issue was business transformation makes sure that we get out of unprofitable products, we get out of unprofitable territories, we get out of unprofitable geographies and consolidate our centers. So the real brunt of the business transformation exercise has actually been felt by this group and in many ways this group is therefore on a very-very strong foundation. So while in visible sense, their performance is minus 18% year-on-year for the annual and 17% year-on-year in the quarter. What is not visible is the amount of effort that has gone behind the business transformation exercise as well as the revenue loss which would have taken place in short-term as we close down 33% of our capacity. So if that is considered as well as the future vision added, then I think we can build a strong case for stronger future as we go forward.

Overall, as I mentioned before, the PAT of the organization was not only affected, operational PAT was obviously affected by the considerations of business transformation which was Rs 1.36 billion as I mentioned before, but more than that even after operational PAT in the last quarter we did have a setback in terms of share of profit from associated company where again there was a onetime charge which had to be taken which affected their results and to that extent a slightly worse picture on consolidated PAT is visible in our statements which I am sure is available with you.

So overall, at the end of last year what we have been able to achieve. First, in terms of our business mix, 51% of our business is now coming from corporate and corporate has a very strong wicket, 23% growth and very good order book as well as good contracts as they have started the new financial year. Schools which contributes 15%, we have improvement in IP driven part of private schools business while government schools overhang will remain for some more time as we finish those contracts, but an important part is the fact that IP based school business is beginning to grow and now that they are in the different subsidiary, in a separate subsidiary their ability to build more partnership options and funding options has improved. And the third is the Skills and Careers Group which has now become trimmed down and very-very focused with those products which are valid and required for the purpose as well as those centers with higher capacity utilization and a lower fixed cost base which is very important to gain the benefit of operating leverage. So in many ways last year, with the fresh management team coming in, the focus especially in the last quarter was to create a very strong foundation, so that they can build the future of the organization with a vision that they have

and that's what we were able to achieve. We are also finishing the year with a very trimmed down balance sheet, our accounts receivable are 83 days as we complete the year at Rs.2.172 billion, the second is our net debt position is slightly worse than last quarter, it is at Rs.678 million and that is due to year end issues. As well as we have net fixed assets which have come down to Rs.1.147 billion, so in other words a trim down balance sheet which should therefore give us lower capital employed to therefore improve the return on that capital employed fairly substantially.

If you see the liquidity position of the company, over the quarters and I remind ourselves of when we had started working on improving the quality of our receivables and the extent of our receivables and from Rs.4.1 billion that our receivables were on at quarter one FY14, they are down to now Rs 2.17 billion which is a fairly strong and steady reduction in receivables. Our net fixed assets in terms of capital deployed have also reduced from Rs 2.23 billion to Rs 1.14 billion. Our CAPEX over these last eight quarters has been very-very controlled and lastly our net debt position which overall basis has been fairly low in the last couple of quarters due to various collection issues, timing of collection issues we do have a slight increase in the net debt. But overall, our debt situation is fairly comfortable.

Our headcount at the end of the quarter was 2786 which is overall headcount reduction of 242 in our worldwide headcount.

Let me talk about the top management succession one more time. Rahul Patwardhan, Pat as we call him joined us as a CEO designate on the 6th of October and was to take over as CEO at the end of this financial year and the signing of this board meeting. So based on that I have great pleasure in announcing to you that the board today confirmed the fact that from tomorrow morning onwards Rahul Patwardhan takes over as the Chief Executive Officer of NIIT Limited. And would be the person facing all of you as well as would be the person leading the charge on realizing the vision that he has built along with his team.

Pat joined NIIT way back in 1984 very coincidentally today and on 27th of May 1984 was with NIIT for 20 years and then for 10 years he was in Europem and 6th of October 2014 he joined NIIT again and in the last six months I think the amount of work which has been done by him and his team in terms of business transformation reflects number one, very high degree of clarity which you will just experience in his vision, very bold actions in terms of tough decisions as you saw me talking about in terms of the business transformation and also building a very strong, cohesive team of people with him to lead NIIT into what he calls the next frontier. So I present to you Rahul Patwardhan and he will talk to us on his vision for a few minutes and then we will open it for Q&A.

Rahul Patwardhan:

Thank you Vijay. I am excited to be here at this important phase of change and resurgence of the NIIT organization. I think the market for Corporate training, Skills and Careers training and Schools is immense. NIIT in the sector and in the spaces where it has chosen to play in has always been able to establish a leadership position and I am looking forward to with my team

making sure that as we move into the future, into the chosen spaces and businesses that we work in, we will continue to do the same.

The last six months, as you can imagine, have been very intense. With my team, we have very-very carefully assessed every part of the business, not a stone has been left unturned to examine opportunities for immediate short-term benefit but more importantly finding the right decisions to make sure that we set a very strong foundation, starting from this quarter, where we can drive NIIT, that is really “fit for growth”, forward.

So as Vijay has mentioned, and I would not go into those details again, a number of decisions were taken which were related to products that we got out of, geography that we got out of, organizational structure that we simplified and various things that we consolidated including some of the support organization functions being move to shared services which was not mentioned earlier. And in the process of course, hard decisions had to be taken about people, about space, about pet projects and pet products and these are things of course that over a period of 31-35 years one tends to collect along the way and I think as a team we have been able to take some very important decisions which I believe now has built a very strong foundation In terms of making NIIT fit for growth. But business transformation is not just about restructuring and exiting products in geographies, it is about building the future, and therefore there are two more phases that will follow and we have now should I say entered into the second phase of our business transformation process. In this phase we are moving into how do we drive business excellence, business operational excellence around the reshaped organization and product portfolio that we have chosen to move forward with. In this area there is a lot of hard work around improving efficiencies, productivity of sales force, of marketing function, of delivery organization and every aspect of how we operate the business including the support functions.

And the third phase which, I will talk about a little bit later, is while we drive improved business excellence and operational excellence in the reshaped organization which itself will translate into performance in the coming year, we are looking at a parallel set of activities which will look at remodeling of the business and technology platform of the organization going forward which, will provide the basis for rapidly scaling the business over the next few years.

So let me talk a little bit now about the coming year and what I call operational excellence focus of the coming year. As far as the CLG business is concerned, as Vijay mentioned and as you have seen over the last many quarters we have had very stable and steady growth, good growth levels. Of course on a larger base as we are moving forward but we have been able to maintain both growth percentages as well as margin percentage and we look forward to being able to achieve the same over next few more quarters.

We are making investments in number of areas in CLG business, for example in advisory services, in the whole new productivity program to improve the productivity of our delivery organization and also in terms of increasing the sales force to make sure that we can continue

to drive growth into the next year and beyond. But in spite of all these investments that we are making we are looking forward to being able to maintain roughly the same growth rate and roughly the same margins and our attempt of course is to look at opportunities to start driving that forward to higher levels in the coming years.

The two main focus areas that we are working on in the CLG business, one is how do we take what is currently a relatively less matured outsourcing industry in training outsourcing compared to BPO and IT outsourcing, and move it forward in terms of a lot more of mature outsourcing contracts where we want to drive larger annuity contracts and larger ticket size contracts, which also provide the opportunity for higher margins and higher value components in the service portfolio.

The example that Vijay just mentioned, that we have just picked up a contract which we renewed after working on the same customer for five years which is now being extended for another five plus five years, but more importantly it's being converted into a comprehensive contract covering the entire portfolio of the corporate learning services business. I think this is an example of the kind of deal that we would like to be doing more and more of as we go forward into this year and beyond.

The second area is of course how do we start driving up the margins, those who observe the BPO industry and the IT services industry obviously would have seen that in this phase of the industry the margins have been higher. However, this is a different industry, it is not exactly the same as BPO and IT services, but it does have cost arbitrage compared to many of the competitors who play in the local markets. So we are working on a number of areas where we would like to help contribute to improve the margins in this business going forward.

First is on productivity, we have appointed a productivity consultant, the study is already under way, we are expecting to get recommendations and that will follow into execution as we move into the second quarter onwards. The second area that we are working on is to look at our product mix, we have portfolio of services in this business, some of them are less profitable than the others, all of them are reasonably profitable but there are difference in profitability levels. We are examining our options in terms of being able to balance the portfolio a little bit more in favor of the higher margin businesses, to the extent that the market can support that. The third is we are looking at adding service components which can drive slightly higher margins, for example advisory services or domain centric services, currently our services are predominantly horizontal in nature, though we do play in certain specific sectors like the oil sector but our offerings are predominantly horizontal. So we are looking at adding domain centric services with perhaps embedded IP which would help us earn slightly higher margins in our business going forward. The last but not the least, we are also looking at how we can accelerate the growth even further and we are looking at all the possible avenues to be able to do that.

Now to move on into the schools business, this business as you have seen in the subsidiary reorganization, the whole purpose of creating a new subsidiary or moving the Schools

Business into the HiWEL subsidiary which is now called Mindchampion Learning Solutions Limited is to unlock the value of the immense potential that this business has both in terms of the market for this business but more importantly NIIT's heritage in this business and brand value which we believe is currently under leveraged in terms of our ability to fund this business which is essentially intrinsically a relatively higher capital intensive business. So by creating a subsidiary we are creating the opportunity to attract both investors and technology partners to enable us to realize the larger vision that we have for this business which extends beyond just the private schools, B2B business area, also into the direct business to consumer opportunity that is in schools which is much larger than the B2B sector.

In the short-run, this business we are expecting it to continue to grow as far as the private sector segment non-capital intensive private sector segment of the business is concerned at similar rates that it had previous year and with similar margins. We are giving specific focus to two or three things, sales, productivity, and penetration into the much larger private school market then we have currently tapped. Most importantly, cross selling because we have a portfolio of products, many of the schools we have a single product which we have sold into this school and with good feedback on that product, there is an opportunity to sell other product into that school segment.

In particular, MathLab which is a relatively new offering of NIIT is being received extremely well by the market and we have a very strong credentials in terms of real results in the improvement of math scores of school children in the schools where NIIT's MathLab has been implemented and we expect to be growing this business at roughly double the average growth rate of the rest of the private schools business.

Now we come to the Skills and Career Group business, clearly this business has had the most difficulties in the last few years. We have taken a few immediate decisions, the first is to refocus the business predominantly on India and China and exit the international geographies where we were too scattered and where we had bills receivable issues and other difficulties in being able to support the business. The second, we have reintegrated all the different brands on all the different outlets for imperia, for banking, for all the different domains in which we are offering Skills and Careers training into a single unified retail channel and most importantly apart from the efficiency that we have got by doing that in terms of reduced headcount, reduced space and reduced cost thereof, we have also now made available every product in every retail outlet which is very important because that itself, that one action will result in potential upside in revenues by significant amount.

The second thing that we are doing is in terms of expanding our portfolio of services. As you are aware, those skilling industry is going through tremendous upsurge right now especially with the government focus on the sector. We are deeply engaged with this sector because through our joint venture with NSDC called NIIT Yuva Jyoti, we are currently playing in about three or four of the sectors where there is opportunity for skilling in careers. And also we are playing mostly at the bottom end of the spectrum where we are talking about training people for entry into careers in these sectors.

Looking forward, what we are planning to do is to expand our portfolio into some of the much larger sectors that are available in the industry and we are also looking at focusing beyond the entry level into the more senior level and upskilling of in-company workforce which currently is relatively smaller part of our total business.

So with that I will just conclude and open up for questions by saying that in the CLG business our focus is on accelerating the business and working on a number of drivers to scale up the annuity nature of the business, the big ticket size of the business and more importantly the margins of the business. In the SLG business we seek to unlock the value that we have in this business through bringing in investments and technology to realize our vision and in the Skills and Career business we want to move back to profit and back to growth in this year and thereafter scale up through moving to a new technology based, 360 degree market ecosystem, market place model. Back to you, Vijay.

Vijay Thadani:

Thank you Pat. I just wanted to tell everybody that this time our briefing has been longer, A, because of the number of issues we wanted to discuss and I was very keen that you get to hear Pat's vision. So I will be very happy if we extend the call by another 15 minute to handle additional questions. Having said that, just to remind everybody that tomorrow at 4 PM we have an investors meet at Four Seasons Hotel at Prabhadevi and I invite each one of you to please join us for that. Just to let you know, Pat, Shivan, Sapnesh in addition to Rohit Gupta who is the CFO, Kapil Saurabh, Rajendra Pawar, Chairman, myself, P. Rajendran, all of us will be available from 4 o'clock there and we are available for as long as you would like us to talk to you and explain to you more if you would like. So I just thought I will mention this so that you do not feel constrained to ask questions and we are here to now answer any and every question that you may have.

Moderator:

Thank you very much sir. Participants, we will now begin the question-and-answer session. We have the first question from the line of Ganesh Shetty, an Individual Investor. Please go ahead.

Ganesh Shetty:

I appreciate the hard work taken in transformation journey of NIIT Limited. When I listened to all your comments, it is major part of it is revolving around corporate learning business where we are predominantly in a powerful position and our performance has also been better, but the in IT learning solution which is a major part of disappointment for last two years is not showing any sort of improvements and our traditional franchise model of business which we do is also a lot of constraint I see. So this transformation will result into revenue de-growth during this quarter or rest of the year for IT learning solutions. Can you please explain this sir?

Vijay Thadani:

Yes. So I think one two parts, one part I will answer, one I will request Pat and team to answer. The first, while I fully appreciate the fact that our individual learning performance should have been better, we have to look at this in the overall economic condition and especially those in the IT services industry and I am sure you are an active follower of those trends as well. And Beyond-IT was a strategy that we had come out with, Beyond-IT has now become 33% of our revenues and this whole transformation exercise, the amount of work that is involved and the

detail and the rigor which has gone through has actually created the organization like Pat likes to call it “fit for growth” and having that strong foundation and strong focus coming out of the product as well as the business strategy that they have, they have a certain confidence in the future. So I would like Pat to enumerate that so that your concern as well as question gets addressed.

Rahul Patwardhan:

Yes. I think the first thing is the “fit for growth” program, the restructuring that we have done has been aimed essentially at two things, one is bringing the cost base in line for the SCG business to give us confidence to be able to say that we will bring this business back to profitability in this year. The second but more important is to put a reshape model in place which provides an engine for getting growth back into the business across the entire skills and career segment, not just IT. What we want to be able to assure our investors is that as a business overall there will be growth, irrespective of whether there are ups and downs in different segments of the skill demand market. Looking at IT in particular, if you are watching what is going on in the industry and I am sure you are, NASSCOM has itself indicated that they are expecting to see a decline in growth in hiring in the coming year, but that reflects largely the hiring that happens in the large IT services firms. What is happening in parallel however, there is a huge emerging mass of small IT companies who require a lot of niche talent, and secondly, there is a whole user community in non-IT companies who are also growing. So I think what we are seeing in this sector is a stratification and diversification of the need for skills and therefore the model needs to be enabled to address the different segments. Having said that, we definitely see that the kind of decline we have seen in IT growth over the last three years will be nowhere near that level, we are not in a position to give a very accurate figure on the growth percentage for the IT sector going forward but it will be much, much better than it has been in the last three years, that is something we are very confident of. But our own focus as SCG business is to de-risk by making sure that we have a wide enough portfolio available in every center across the country so that we are able to as a business overall, at a business partner level, at an own center level and at NIIT level be confident of growth overall for the business. Shivan, would you like to add anything on that?

Shivan Bhargav:

So just to add, our strategy has been to ensure that large portion of our centers which belong to our channel partners, that is one area where we are going to immensely focus on. So as Pat and Vijay already pointed out, all products for all channel partners has been a strategy. We have already rolled out a lot of these actions during the past quarter and we will see a lot of it emerging. Plus, as Beyond-IT is a huge focus area, we have already planned for a higher percentage growth as far as Beyond-IT is concerned in the next financial year and we have got some confirmed orders which surely will bring us cheer as far as the next financial year is concerned.

Ganesh Shetty:

Hi sir. My question is regarding School Learning Solution, sir our other listed companies of Core Education, Educomp, Everonn Systems, all this companies are facing lot of problems, in execution as well as operation level as well as financial level. And sir is this providing us any better opportunities to get their business or get pie of their business? And secondly, lot of new start-up companies in education technology are also coming up and they are also crating heavy

competition for us and in this position are we in a position to create or demand higher pricing power in School Learning Solution. Can you please explain this phenomena sir.

Vijay Thadani:

Okay. I will request Pat to talk about it.

Rahul Patwardhan:

Yes, you are very right. That on the one hand the market for schools related Edutech is substantial and is growing and not just in volume but as you rightly pointed out the pricing per unit is likely also to be moving upwards. On the other hand, we have the situation as you pointed out where we have a number of players who were very successful for a period of time but are now in difficulty. There is an opportunity of course to take market share away from some of these companies and that is something we are of course extremely focused on. As you know, NIIT for the third year running has been awarded the "Most Trusted Education" brand and this is something important to keep in mind when it comes to making a long-term deals with the schools. One of the reasons that we have moved to school business into the subsidiary as mentioned is to be able to leverage the kind of funding that will be required to capitalize on the opportunity that is available in this segment and the usage of those funds could be in many areas, it could be in buying technology, it could be in acquiring some firms. So right now obviously there are many possibilities which I cannot get into, but it is a space which is going to see a lot of change not just among the large players but also as you rightly pointed out a number of startups in this space offering interesting new solutions, maybe well formed but with inability to take them to the market where a brand like NIIT which has immense trust, immense penetration in to the market will be able to make them successful either as a part of our ecosystem or as part of NIIT.

Moderator:

Thank you. We have the next question from the line of Chetan Vaidya from JHP Securities. Please go ahead.

Chetan Vaidya:

My first question is on the Skills and Career Group, what kind of changes, in the revamped skills and careers group will be made in the cost content, in the delivery pattern and the tenure of the courses in FY16 and beyond?

Vijay Thadani:

What kind of changes are we making in products, delivery methods in Skills and Careers Group for FY16 and beyond, that's the question.

Rahul Patwardhan:

So as far the first the product portfolio and let me start first by saying that currently we are playing in only three or four sectors of the entire skills and career demand market place in India and those by the way if you were to look at the report of NSDC, you will find that those are some of the smaller sectors in the economy, there are much larger sectors where the demand is much higher. So we are carefully evaluating the opportunities in number of other sectors and we have entered some of them, for example retail training, telecom training and there are few other areas we have already entered and those offer immense potential for additional numbers.

The second is in terms of the product portfolio changes that we are making within the existing portfolio that we have, we have carefully as part of business transformation looked at every single product that we have in our portfolio today and we have taken some important decisions to rationalize the portfolio and move out many obsolete products which we believe were either not generating enough demand or not generating profits so that we now have again “fit for growth” healthy reduced set of products which we believe all can generate significant volumes and margins.

In terms of the product content in IT, as you have seen we have been offering new programs in security, in digital marketing and we have a recent program with IIEEE and we will constantly be offering more such programs like the recent one that we launched with eBay to offer the different emerging segments in what we call SMAC, social, mobile, analytics and cloud computing and this is an area we are getting into. In terms of delivery models, we will be moving more and more into a blended delivery model but it will also depend on the segment that we are trying to cater to, there are certain parts of the skill segment where we need to be in 300 cities around India or even 600 cities around India offering training to at a level where classroom training might be the only option. On the other hand we have segments like management training where the entire training is done through synchronous learning. We also have cloud campus offerings and the percentage of students who are doing courses which are delivered through cloud classrooms is constantly increasing going forward.

Shivan, would you like to add any specific comments to this?

Shivan Bhargav:

To all the points Pat that you mentioned, one of the bigger point that I think we should mention over here is that while we were painting always the entire country as one and therefore we have rationalized our product portfolio basically the profitability of the products, at the same point in time we have also gone ahead and empowered our business partners that if they want a certain product in a localized manner to be given to them, they should be empowered enough to go ahead and launch their product. So basically what we are trying to say is, any vacant spaces that we have left in the market place at the local levels, we will try and get those vacant spaces back for the period of time that possibly we would have vacated.

Chetan Vaidya:

Sir just one related question, in terms of financial performance for the skill and career group, do you see that you have hit a kind of a bottom in terms of the margin per se and we can only see some kind of positive trend from here on?

Vijay Thadani:

Short answer, yes.

Chetan Vaidya:

Alright. And sir my second question of the School Learning Solution group, I believe in the last concall Mr. Thadani had said that you will be providing a breakup between the total government schools left in the book which you are still serving and gradually they will go off the book. So what is that number?

Vijay Thadani: Number of schools left to be serviced. I will just get you that number and I will also tell you expiry dates of those contracts in a few minutes if we can just allow some other question to come in, I will meanwhile pull out that data.

Chetan Vaidya: Okay sir. One last question sir, sir what are the new value-added services for the School Learning Solutions, what are the value-added services that you are likely to add in the years ahead so as to sign more contracts with the private schools?

Vijay Thadani: Okay, Pat will answer that.

Rahul Patwardhan: I think the important directional shift that we are making as an organization is to adopt the ecosystem model much more strongly than we have perhaps been doing in the past. When it came to the Skills and Careers Group, we did have an ecosystem model which was to use partners to extend the NIIT reach into many-many cities in towns around the country. But in terms of the offering themselves, every offering that NIIT has so far been offering has largely been something that we have built ourselves and offered to the market. Now in the School segment, we go into a school, we make an IT Wizard sale or we make a MathLab sale, we generate extremely good confidence in NIIT, there is lot of trust. We now have a window into that school to offer everything that school might want which involves education and technology. So what we are looking at is actually building an ecosystem of partners, best-in-class partners who have offerings which can service the entire portfolio of needs of a school but many of them really have no reach of the kind of NIIT where we are available in every state and district across the country and therefore we will become a channel through whom many-many offerings that can service all the schools are concerned.

In addition of course we are building additional products of our own, so we are moving into new sectors apart from MathLab. We are now creating a new offering called Math-in-Class which permits schools who are not willing to make substantial asset investments in a separate laboratory to bring our Math-in-Class offering into the classroom and therefore make it easier for them to engage with us. And there are a number of new offerings around related spaces that we will be rolling out in the coming year which for competitive reasons I am not in a position to disclose.

Chetan Vaidya: Okay sir. And one reason for hiving off the division was to attract strategic investors for School Learning Solution, any headwinds in that direction?

Vijay Thadani: No, the subsidiary is just got formed yesterday, I do not think it is even, the court order is yet to be fully implemented, it has just been filed with Registrar of Companies. I will share with you as times progress, but thank you so much. Like you we also expect similar level of speed from the team.

Moderator: Sure sir. Thank you. We will take the next question from the line of Ravi Menon from Elara Securities. Please go ahead.

Ravi Menon: I see that from the Q-o-Q results for the Skills and Careers Group, it is clear that the other streams have cost restructuring but seems like the revenue slide has been a little more than anticipated. So next year turning this segment profitable, will we have to rely on little more cost cutting, is this more planned or you are looking at revenue revival here?

Vijay Thadani: I will ask Pat, Pat has already answered it twice or thrice, but maybe everybody wants a reaffirmation. Go ahead Pat.

Rahul Patwardhan: The SCG business will be back to growth and profit in this financial year that is the first statement I want to make. And we believe that we have taken all the necessary actions that provide the right cost level to support that, of course that means that we had estimated what we believe are the possible range of performance levels on the revenue side and calibrated our restructuring exercise accordingly. What is important to see is that the Q4 results perhaps hide a couple of important points, probably one important point that when we are in a process of very substantial restructuring, 278 people on a base of about 1000 people is a pretty substantial number of exits in a very short period of time, effectively it is about 3.5 to 4 months from start to finish which meant that many-many roles disappeared, many-many people had to double add, triple hat, and there was a substantial pressure on transformation in the last quarter and that as you would expect would have some impact on the performance on the operating business, usual business and that is something we knew before we took these actions because that will happen when you do this kind of restructuring., but we carefully have picked the quarter where you have the lowest performance anyway in this business to take these actions. The other important point is that we did exit a number of centers and consolidated a student population from those centers into nearby centers, but that does have some impact on a certain residual new registrations who might not have come to us because we were not available in those locations and we have estimated a certain amount of loss of revenue which we had planned for and we are roughly on line with what we had expected. So from our view point these numbers actually do not reflect any surprise for how SCG business has performed in the quarter four.

Ravi Menon: Thank you sir. And if I might have a follow-up to that, what do you think should be the enrolment numbers for you to at least break even in this segment?

Vijay Thadani: If I may answer this on behalf of Pat, I think the enrolment numbers that we used to earlier use to figure out the level of performance and capacity utilization, this yardstick will have to be reconfigured because the product mix has changed, we have a product in which one student who uses less than one seat twice a week and pays us Rs.2.5 lakhs over a year, we have another student who for the same capacity pays 1/10th. So I think the product mix and changes are happening and therefore I would not like you to bank on the enrolment number as a yardstick, I think it is an overall order intake revenue as well as margin I think which will be really our capacity utilization which will really be the driving force. So I would urge you not to look at the enrolment number going forward because I think our focus is also on creating high margin product and creating a larger focus with high margin products.

- Ravi Menon:** Thank you sir. So if I understand correctly the enrolment figures now include what used to be called Yuva Jyoti, is that right?
- Management:** That is right, because now it is one - Skills & Careers Group, One SCG is the name of this.
- Ravi Menon:** Alright. Sir it would help if you actually could break it out because for us it would be easier to compare and to model.
- Vijay Thadani:** I am sure if it is difficult for you. So what we will do is we will sit down and work with your model to tell you how we are managing it so then you can then decide how you want to manage. And just to let you know, tomorrow we are in Mumbai and if you would like to spend time with Kapil later tomorrow evening or day after, he will be very happy to, the whole management team is there till tomorrow late night.
- Moderator:** Thank you. Our next question is from the line of P Sachdev from P&Y. Please go ahead.
- P Sachdev:** Hi. Could you just explain the rationale of not announcing any dividend for last fiscal?
- Vijay Thadani:** Yes. The operating performance of the organization as you know has not been good. In addition to that there have been substantial business transformation activity which also has contributed and the third is I think organization is now just got the right foundation and is getting "fit for growth" and the Board of Directors had an extensive discussion on this subject and felt that it would be in the best interest of our shareholders if we skip dividend this year and instead use that amount to contribute to building growth which is a very-very important requirement of the company.
- P Sachdev:** Yes. I asked this question because on one side you mentioned that going towards asset light model going forward and not much CAPEX was required, so can we safely assume that the company will get back to the same dividend policy going forward?
- Vijay Thadani:** Most certainly, it should get back to that or better dividend policy, but really the important issue is that we need to right now work with you and I know you as a very important and strong shareholder where together we would like to take a decision that we would like to right now invest in growth and market development and I think this will be the opportune time to do that and then we could get back. As you know in 22 years of the track record of NIIT, it is only in an exceptional case like this that we have had to miss this opportunity to service our shareholders.
- Moderator:** Thank you. We have the next follow-up question from the line of Chetan Vaidya from JHP Securities. Please go ahead.
- Chetan Vaidya:** Sir you were to give the numbers between the government and non-government schools sir.
- Vijay Thadani:** No, no you wanted the number of government schools which are balance and when will they be getting over.

- Chetan Vaidya:** Yes sir, that is the number.
- Vijay Thadani:** There are about 3400 balance schools, one moment, I will give it to Mr. Rajendran, he will explain.
- P Rajendran:** So the balance, so this year we will close two projects, 468 schools and 230 schools which are happening in this June-July. Next year which is FY17, the Maharashtra project will close which is about 1000 odd schools. FY18 is Assam-6 which is again about 1100 schools and FY19 is Chhattisgarh which is again 650 odd schools. So in FY19 will be the last tail of this GSA business which will close.
- Chetan Vaidya:** And sir in terms of private school addition, what kind of growth have you expected for yourself?
- Vijay Thadani:** Sorry, in private schools what kind of a growth are we looking at?
- Chetan Vaidya:** Yes.
- Vijay Thadani:** Okay. I will ask Pat to respond to that, but just to let you know again, the business mix is changing from a CAPEX intensive to an IP intensive model, just for my benefit.
- Rahul Patwardhan:** Yes. We are expecting to see growth in similar levels for the private non-capital intensive segment as Vijay mentioned in similar range of last year which is somewhere in the range between 10% and 15% is what we can tell you.
- Chetan Vaidya:** So what are the total number of private schools at this point in time?
- Rahul Patwardhan:** About 2500 odd.
- Moderator:** Thank you. We have the next question from the line of Jay Daniel from Corporate Database. Please go ahead.
- Jay Daniel:** Beyond-IT in the Skills and Careers Group has been stagnant at around 23 crores to 24 crores since quarter June 2013. Any reason for the lack of growth here because NIIT has always held this out as a growth area.
- Vijay Thadani:** I am just trying to figure out how you might be coming to that conclusion. Do you have that number?
- Jay Daniel:** I worked it out based on the percentage you gave that it is certain percentage of IT revenue, that ILS revenue in the past.
- Vijay Thadani:** I am sure Shivan would be happy to correct that impression of yours. So maybe the best would be he would not have that number in that format, so Kapil would like to get back to you. Are you based in Delhi, Bombay, where?

- Jay Daniel:** I am based in Mumbai.
- Vijay Thadani:** Mumbai, so tomorrow or day after we can meet up and please join us tomorrow evening, we will answer that question in fact in public, not a worry.
- Jay Daniel:** Okay. There is one more thing, there appears to be some sort of large scale reskilling happening in the IT space move into analytics, big data etc. What is the company's view on this and what kind of growth this has contributed in the Skill group?
- Rahul Patwardhan:** Well, the first thing as I said earlier, we are focused on the reality that there are two things happening in this sector. One is there is the shift in demand from the large IT services firms which are slowing down their hiring to a lot of smaller start-up firms, so that is one big shift, that is pressing a demand on a different kind of IT professional. When you have a workforce of 100,000 people then you can work in a different model where each individual does a limited amount of work so they are very limited in their programming versatility while you have companies which are very small then the capability of the programmer has to be much more versatile which is called full stack programming depending on the domain that the person is working in. So that is one shift that we are engaged in and we are looking at, the second of course is the fact that the whole market is moving towards a lot more wider range of niche skills and the vanilla programmers of the past is should I say a dying breed and we need to be moving more and more into catering to these segments. The third important shift is, with the volume of fresh intake in the large IT services firms starting to get more muted as expected with automation and all other directions that people are talking about that you would be aware, there is a huge reskilling opportunity within these IT services firms and you will be aware that NIIT also has a business in India which caters to the corporate segment directly in this space and we are seeing good traction in this space too. So we are engaged in all these areas and you will see more of that as we go into this year.
- Jay Daniel:** My concern only is that is NIIT missing out on this opportunity because you have someone like Koenig Solution saying that they are growing 50% year-on-year and hope to increase this to 100% in the current year. So there seems to be a pretty decent opportunity but going by numbers one cannot really figure out that.
- Management:** Okay. So just to add couple of things to what Pat has said, yes, new age IT products currently is contributing to 13% of our revenues, but we are also right now also evaluating various other new technologies in which we are launching products, new technology, new age products like HADOOP, testing, all of these are going to get launched within the next couple of quarters. So we are definitely looking into all these newer set of products.
- Jay Daniel:** So you are relevant in it or it is an area that you are looking-at at the moment?
- Rahul Patwardhan:** No, we are playing in all these spaces, we have a program on analytics which has been in place for quite some time, and we have a program on security. But the important thing is that many of these companies are growing on a very small base with a couple of centers that is very easy

to project 50% growth, 30% growth when you just have a couple centers. You must remember that we are talking about network of more than 300 centers all across India. So when we launch a product, for us that product remains a very small percentage of our total revenue for quite some time and that is a nature of this business because it is now more of a long tail of multiple products servicing multiple niche areas, each one of them will contribute in the overall NIIT revenue kitty, a relatively small percentage. But we are playing in the space that is something that I can assure you.

Vijay Thadani: And I must point out, recently we just signed a very huge MoU with a Province in China to train large number of people in big data, so big data and business analytics is an area which we have been very good at for a while.

Moderator: Thank you. That was the last question from the participants. I now hand the floor back to Mr. Vijay Thadani for any closing comments. Thank you and over to you sir.

Vijay Thadani: Yes. Thank you very much. The closing comment will come from Pat, not from me. However, let me right now first thank all the investors and people who were there on the call for your understanding and as well as your support and cooperation as well as your internalizing our strategy going forward. Your questioning has always helped us tune our strategy more towards the market requirements and we appreciate one more time the contribution you made today. Tomorrow, at 4 PM we have at Mumbai, Worli, Four Seasons an investor meeting and we invite each one of you to please join us. And at this point of time I would like to hand over to Pat to just make a closing comment.

Rahul Patwardhan: Thank you Vijay. So as I said in the beginning, NIIT is embarking on a three phased business transformation program, restructure which we have done, reenergize - driving operational excellence, and renewal where we will be looking at new models both for delivery and technology platforms. I am also looking forward to constant conversations with all of you, you have been watching our segment very carefully, and your insight into this segment obviously is extremely valuable to me and my team. I look forward to interacting with all of you. Thank you very much.

Management: Alright. Operator, thank you very much and we close this call right now.

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