"NIIT Limited Q3 FY2016 Investors Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and welcome to the NIIT Limited Q3 FY2016 Investors 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, 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 – Managing Director and Vice Chairman, NIIT Limited. Thank you and over to you, sir.

Vijay Thadani: Thank you and welcome everyone to the Third Quarter Results Call. I just have one statement to make, seasonally quarter three is the weakest quarter for us and it is with that backdrop that I now request Rahul Patwardhan, Chief Executive Officer to make his presentation.

Rahul Patwardhan: Thank you Vijay, good afternoon Ladies and Gentlemen. I am happy to share with you the results for our quarter three of NIIT FY16.

I would start by saying, another good quarter, well on track as promised at the beginning of the year. We continue to see traction and overall growth in profitability of NIIT. Our revenue is up 6% YoY and more important, quarter one to quarter two to quarter three has grown 4%, 5%, 6%, so we are beginning to accelerate the growth rate as we move forward in the business. Go forward business, if we exclude the businesses that we had planned to exit in quarter four is actually a 9% YoY growth.

EBITDA is 6.2% for this quarter compared to 2.3% same quarter last year, that is a growth of 185% YoY. PAT has grown seven folds, not 17 fold as Bloomberg mistakenly reported from 18 million last year same quarter to 137 million for this quarter.

In terms of our profile of businesses, as we stand today our international business for quarter three, international means all businesses outside India contribute 70% of our revenue and the rest is India business. And between three lines of business CLG contributed in quarter three 60% of our revenue, SNC remains at 32% which it was same quarter last year and schools is down from about 13% than it was last year same quarter to 8% as expected because we are getting out of the government schools contract.

Our net debt increased from 965 million to 1168 million on account, primarily, of a slightly lower government collection than we expected and also the CLG capacity expansion expenses which I talked about in the last quarter.

If I go into the businesses in particular, the CLG business has grown 17% YoY on revenue, slightly better than our 15% outlook that we have been talking about, our EBITDA margin stayed at 12%, it is 60% of our total NIIT revenue compared to 55% that we were last year same quarter.

We started as I mentioned in previous calls to give more emphasis to the life sciences and the BFSI sector and that is starting to show traction both in terms of revenue and in terms of the pipeline. So in spite of the fact that there is obviously a little bit of uncertainty on the oil and gas sector we have more than adequately performed as you can see. What is very important to highlight is that in quarter one as I had mentioned last quarter we consumed most of our big pipeline deals, in quarter two and quarter three we have been building up our pipeline so right now we probably have the richest pipeline that we have had in the last few quarters.

We added one new MTS customer in this quarter and we have now reached 27 MTS customers overall. If you recall we signed a Citibank contract last quarter. Our order intake is up 28% YTD and our revenue visibility is up from 191 million to 195 million. In parallel, we have been spending time enhancing our capability portfolio, also our productivity program as progressed significantly from when we started it in July and Sapnesh perhaps can talk about it later. More importantly, we have also started focusing on larger ticket deals, longer annuity deals as I had laid out at the beginning of the year and we are also making traction there especially when you look at our pipeline.

Finally, I would just like to close to CLG to say that we remain well on track to deliver the 15% growth and 12% margin for the year as we had laid out in May. On the SNC business, as Vijay mentioned this is the weakest quarter historically for many, many years and it is no different for this year. Having said that, SNC overall grew 3% YoY in this quarter and I want to emphasize that we had said back the growth, in the first quarter we were (-3%), in second quarter we are plus (+1%) and in this quarter we are (+3%) in what is the weakest quarter, so I believe and I am very satisfied that we are moving very much in the right direction, perhaps a little bit ahead of what we had laid out in the beginning of the year.

Our EBITDA margin also backed to profit was our promise at the beginning of the year, we have 1% EBITDA for this quarter but it is a weak quarter so EBITDA has historically always been low in this quarter, often just breakeven. It was (-13%) same quarter last year, so a big swing in the EBITDA for this business in this quarter.

Beyond IT, portfolio has grown well. Our international retail business has also grown well in this quarter. Our order intake was also up by 23%, we also had a number of new partnerships, we tied up with Hewlett-Packard for automated testing, we are getting very good response to these programs that were launched in this quarter. We also tied up with Metascale for big data and related training, and again there is very good response to that product. And we also had a launch of a new product in the finance and accounting space called FinAdvantage. So I think maybe a number of new initiatives in the product space in the SNC business.

And last but not the least, the StackRoute initiative that we kicked off in August last year is making very good progress and we are getting a lot of interest among more and more corporates in the large IT companies, more than just the start-up. And NIIT TV just completed 100 days from its launch, we have reached about 150,000 registrations, some 140 countries and from a start of only 20 courses at the beginning of the launch, we today have more than 1500 courses on the portal. So probably one of the fastest ramp ups of e-learning portal that we have seen in the Indian market place.

In the schools business, as you know we restructured and the time that was spent in quarter two and quarter three was largely around search for a new leader for the business, I am happy to announce Gavin Dabreo who is sitting in on this call and I will ask him to introduce himself in a little while. So now we are in the process of developing the plans for the business going forward, this has been the weak quarter for schools, it is lowest revenue normally every year so this is no different this year. The GSA business ramp down happened therefore the business also de-grew vis-à-vis last year, focus really now is about how we take the business forward. And from what I am told by Gavin we have a very strong pipeline going into the two most important quarters for this business linked to the seasonality of the school academic calendar.

I would also like to mention that we strengthened the B2B business leadership team with Amit Kaul joining us from SAP who is a very senior corporate business leader there and he will help us drive the growth rate of the corporate business in the Indian market which actually did quite well, but on a small base and we see a lot of potential to create a larger business in this space.

So finally I would like to say that a three-point program of restructuring in quarter four, re-energization over the last two quarters and renewal which we started in this quarter are all moving well on track and I would say slightly ahead of where we would like to be, so I am looking forward to comfortably meeting the goal that we lead out at the beginning of the year. And as we go into the next weak we have a very detailed perspective planning discussion with the board which we will follow-up with the budget finalization for next year and I am looking forward to being at appropriate time sharing with you our direction for next year.

I would now like to hand you back to Vijay.

Vijay Thadani: Well, I think we would now like to get your questions and comments on results as well as anything that you would seek to clarify. I have the whole management team as well as the Chairman – Mr. R. Pawar, Joint Managing Director – P. Rajendran, Chief Financial Officer – Rohit Gupta, Heads of Business – Sapnesh, Prakash Menon, Gavin and then I also have Shivan as well as Amit Kaul available and Udai Singh.

So open it up for questions please.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Abhishek Kumar from JM Financial. Please go ahead.

Abhishek Kumar: My question is on corporate learning group, like we see in IT services this is a time when clients usually finalize their budget, so is it the case even for the training budgets? And if that so, what are the early trends that we are seeing in terms of training budgets for CY16?

Sapnesh Lala: Yes, a couple of months ahead of January is typically the time when they do budgets and I think we are seeing small increases in the budgets, compared to last year there is growth in training budget, notwithstanding some of the crises in the energy segment or the commodity segment, there I am sure the budgets are going to get cut, but outside of that so far what we have heard is the budgets are going to be up more specifically in the United States. That said, I think what is important to note is the growth in budgets is not necessarily what drives our business, what drives our business is the fact that more organizations are starting to outsource. So while there may be a single-digit growth or a low double-digit growth in budgets, what is more important is that there is substantial growth and opportunities where organizations are looking at moving away from in-sourcing this work to outsourcing this work.

Abhishek Kumar: Just wanted to take this forward especially in the context of oil and gas, so continued pressure on oil prices, is that sort of pushing the clients to outsource more of the training, are we being approached by those clients to take over some of the training that they do?

Rahul Patwardhan: As you would have seen in the IT outsourcing sector often the pressure on costs that industry faces or a client faces leads to higher outsourcing and more important higher off-shoring, because they are looking for cost savings and we do see those conversations becoming more common. At the same time, oil and gas, we are watching what is going on and we have been watching what is going on for the last nine months, so we had consciously started doing our pipeline development in BFSI and life sciences to make sure that we are not hit in any way by the possible impact in this industry. And as you have seen from our results, we have done a good job on that. But there could be opportunities where because you have been able to demonstrate saving for five years on a substantial scale for a customer they could come back and say can you save us a lot more money and we are trying to have those conversations and we are getting some traction in terms of interest.

Abhishek Kumar: So that basically brings me to my next question which is expanding our footprint outside of oil and gas, so one of the strategy that we had was in organic strategy or acquisitions into pharmaceutical or BFSI, so if you could update us on where we have sort advanced in those talks?

Rahul Patwardhan: Nothing specific to report in terms of any event, we have number of discussions going on, as you know this December and January is not particularly active time in the US market and the European market for these kinds of discussions. We have homed in on a much smaller set of organization with whom we are having discussions but nothing specific to report at this point of time. But maybe Sapnesh you can talk a little bit about the kinds of organizations that we are talking to in terms of looking at capabilities set and so on.

Sapnesh Lala: So as Pat pointed out, no event to report as such but we are, as mentioned earlier, looking at improving our strength in the banking, in the pharma segments and also looking at expanding our capability set, so those are the discussions that are currently going on.

Abhishek Kumar: My last question actually is, I know it might be a little too early to talk about FY17, but if I were to ask how do you feel at this point versus what you felt at the beginning of last year getting in to the next fiscal, would you say that we are as confident or more confident for this momentum to continue especially in the corporate learning group? Thank you, that is it from my side.

Rahul Patwardhan: Well, I would say that as the year gone by our confidence about achieving what is laid out for the year has gone up and that has continued to go up and I would say that is true even today. FY17 is a different story but what we did indicate that the corporate learning business at the sale it exists today we do see that it should be possible to continue to deliver the numbers that we have been delivering so far. Having said that, we need to watch and see what is happening in the market, it is a little bit of uncertainty in the market, it has not impacted us so far but we have a budgeting and planning cycle so I will be able to give you a better idea after that.

Moderator: Thank you. Our next question is from the line of HR Gala from Panav Advisors. Please go ahead.

HR Gala: Congratulations for a reasonably good set off numbers. Just wanted to know that the major downward trend that we are seeing in the total EBITDA percentage QoQ and not YoY, YoY there also has been growth, so is it mainly to do with the seasonally weak quarter as compared to Q2 FY16?

Rahul Patwardhan: Yes, if you were to study our Q2 to Q3 EBITDA trend over the last many, many years it has always been a substantial difference all the way from 1982 onwards, there has always been a substantial EBITDA change from Q2 to Q3 because of seasonality and that has what has happened in this year too. But often in the past we have actually gone negative on EBITDA, as I mentioned last year we were minus 13% on EBITDA in this quarter.

HR Gala: It has become sort of nil, 0.6%.

Rahul Patwardhan: Yes.

HR Gala: What does our net other income expense comprise of, because it has turned negative as compared to positive in Q3 FY15.

Rohit Gupta: So our net other income consists of interest income and any other below the line income or expense which we record. Last year we had a positive write-back of some of the provisions that we had taken in the past and that resulted in the overall income becoming positive.

HR Gala: This time any major one-off item is there which would not be getting repeated?

Rohit Gupta: Yes, so it includes one is the interest cost which is there and as you aware there is an amendment which has come in the bonus act and we had to have a provision which is retrospective from 1st April 2014, so there is an impact of 6.8 million which we have taken into our books in this quarter and that is part of the…

HR Gala: Rs.6.8 million?

Rohit Gupta: That is right, yes.

HR Gala: Because even if you see from the nine months' perspective I think our total other expenses have increased to 13.2 crores from 7 crores, so there has been a substantial jump of Rs.6 crores.

Rohit Gupta: So the other element is there is a quarter-on-quarter FOREX loss and the interest expenses is also higher in this quarter.

HR Gala: In nine months how much has been the interest expense?

Rohit Gupta: So we are tracking on a quarter-on-quarter basis roughly around 4.5 crores to 5 crores.

HR Gala: So how do you see the overall outlook, this is a question for Mr. Patwardhan for the full year?

Rahul Patwardhan: I started the year by saying CLG will do 15% top-line growth and 12% EBITDA, I think we are looking comfortably be able to close on that or better. We also said that our SNC business will definitely be back to growth and back to profit and we are quite clear to say that we did not want to give any number above that statement, but clearly we are doing better than that and I expect that also to be a little better. The third business which was schools which has obviously become a much smaller business as the government schools are starting to end, so in quarter one the Andhra Pradesh and Telengana contracts for over which was a substantial reduction in the revenue, but the IT-based Schools business we have had a leadership transition, we have done little bit not as good as I would have liked it to be but we more than made up on that by the improvement in the other two businesses. So for the overall company we are where we wanted to be so far and I expect to be closing at that or slightly better for the full year.

HR Gala: And sir have we been able to recover this account receivable which we were stuck with the government schools?

Rahul Patwardhan: We continue to be able to recover parts of it, obviously it is moving slower than we would like it to be and that is reflected in our net debt. The important point here is that nothing is changed in the status and quality of those BR, it is just the process of extracting the money from the government especially in states where funding is coming partly from the state government and partly from the central government, there is no status change on the risk of the any of those debts, they are all things that we will definitely be collecting.

HR Gala: How much is the total amount recoverable from government schools as of now?

Rohit Gupta: So roughly around 103 crores.

HR Gala: Last question from my side, how much was the consolidated debt as on 31st December?

Rohit Gupta: Are you talking about the gross debt?

HR Gala: Yes.

Rohit Gupta: Yes, so our gross debt at the end of this quarter is 198 crores.

HR Gala: And this includes long-term and short-term both?

Rohit Gupta: Yes, this includes the overall debt borrowings which is long-term and any other.

HR Gala: And how much was the net debt?

Rahul Patwardhan: And net debt was 1168 million.

Moderator: Thank you. Our next question is from the line of Chetan V from JHP Securities. Please go ahead.

Chetan V: Sir, can we have the initial remarks from Mr. Gavin on the school business?

Gavin Dabreo: I have been in the industry for the last 24 years and brief background will show that I was one of the founding members of a taxi company in India called Meru Cabs. Subsequently did an entrepreneurial venture in education and then sold it. In the last one year prior to joining NIIT I was with Varsity Education where we ran close to 250 schools across India. From NIIT perspective I think Pat has spoken with you about the current status of the business, I think going forward we are hitting the peak season and this peak season will be fir six months and I think there is good visibility on that particular piece.

Chetan V: Just to continue on that, what is your assessment of the current business model and your product offering by NIIT and what kind of structural change you are thinking of so that to bring in more kind of aggressiveness in the business so that it comes back to growth in double-digit?

Gavin Dabreo: I think I have just moved in a couple of months back and I think we are in the planning phase as we speak and in the next 60 days this will get closed and we shall be able to share some of those details with you around that time.

Chetan V: And sir if I may ask you, what are your views on the opportunity within the school learning business in India?

Gavin Dabreo: I think it is huge, the school business is probably one of the few recession proof businesses, there is demand and hence it is about us putting our plans together and figuring out what we want to do.

Chetan V: Sir my question now is on the CLG business for Mr. Amit Kaul, what are the initiatives have you taken so far to kind of ramp up with India operations for the business?

Rahul Patwardhan: Amit, you might want to introduce yourself and just some observation for the last 30 days, few days that you have joined the company.

Amit Kaul: So I come from a very strong B2B background. I have spent about 19 years in the industry in multiple companies doing multiple roles. My last stint was at SAP. I had a eight years sit in SAP, I did multiple roles in SAP. I was the vertical head for the BFSI industry, I was the mobile head for the business, I was the head for CRM business of SAP. So I come with a very strong background. I have joined NIIT a month back and the initial thoughts on the business with India is I think we have just scrapped the surface, there is a lot that we can do with India, the demand is pretty high. While we are in the planning cycle right now I cannot discuss too much but I definitely see a very strong positive outlook for India with its business next year.

Chetan V: And final question to Mr. Rahul, compared to the global customer what kind of size of business per client that you have been looking out for in India?

Rahul Patwardhan: That is a good question. As you know, even in our global business we have been extremely selective about the profile of customers, we basically try to focus on the Fortune 1000 profile, large multi-nationals who need support worldwide or at least on a large part of the world because that seems to be the sweet spot where they value a company like us better. So we are looking at really a small group of companies who are really the leaders in their respective industries, probably mirroring the same vertical sectors that we have internationally that we focus on but may be a few more that may be relevant in India. So two groups of companies, obviously multi-nationals who have large footprints in India and second would be Indian companies who are multinationals in their own right who need support in not just India but in multiple countries, but also could be Indian companies who have very large distributed geographical presence in India and therefore only a company like NIIT with a huge training footprint can service them properly like we do for ICICI Bank for example.

Moderator: Thank you. Our next question is from the line of Ganesh Shetty. Please go ahead.

Ganesh Shetty: Sir I have one question that is regarding our SNC growth that you have recently introduced stay group program and some other specialized program and how these programs are continuing and how is the margin picture over there and do you see that these programs will in a more relevant way we can introduce in other parts of the country, can you please throw some light on this sir.

Shivan Bhargava: I will handle the second part of the question wherein you asked for certain projects that we have launched. Yes we have launched testing in partnership with HP, we launched this product in the month of December. The product is gaining traction in the market place, we specifically launched in Pune, in Bangalore market. Initial response from the market has been very positive on this product. Second product that we launched in partnership with Metascale was Hadoop, Hadoop in fact the first batch also got launched about two weeks back, it is where the future possibly lies for all of us, it is a requirement for the market place, this product is also done well. The third product which we launched at the end of the last quarter was Python, this has also gained tremendous amount of traction during this quarter and we are doing decently well even on this product.

Rahul Patwardhan: And to add to that on StackRoute, we are working very-very closely with some of the largest Indian IT services majors who also have digital subsidiaries focused on the whole digital phenomenon and are also focused on converting their companies from services organizations into IP based organizations. The interest in StackRoute is only increasing everyday from the time we launched it. We are already into our third group of students who are going through the StackRoute program. A feedback from the students and the employers is very-very good, we have in fact very senior executives of the employers wanting to come and visit the center themselves. And what is more important is that original intent of StackRoute was, if you remember to help spawn full stack programmers who will be adding the ability to build IP and new businesses in the market. The feedback we are starting to get now that some of the first two batches are starting to reach their end of the program, is the work that they are doing in these programs itself is looking like a set of IP that the employers who sent these people for these programs want to take forward into a business for the future. So I think the program has really achieved exactly what we wanted it to achieve and now our task is to scale up the business. The opportunity is huge because as you know Infosys, TCS all the large companies have clearly said that if you listen to the results form Infosys, Vishal Sikka said 40,000 employees would be obsolete if they are not retrained in digital skills. So the positioning that we have been able to do with StackRoute, I think we are very well poised to be able to exploit some of that opportunity. Having said that, we are very focused on quality and we are not going to let this program run to scale and reduce in quality so we will calibrate the scaling up of this program.

Ganesh Shetty: Sir my second question is regarding our initiative that is NIIT.TV and as I see there is a lot of interest being generated in NIIT.TV, but one of my suggestion is if we are going for a little marketing of this particular initiative like amongst student communities where it would be low cost and high penetration marketing that would add to multiple number of students who are actually observing or who are actually participating in that new initiative. Can you please guide us whether we are in a position to make some marketing expenses for the success of this particular initiative sir?

Rahul Patwardhan: In fact that is a very good point and observation. Obviously our focus is on threefold in NIIT. TV, one is the platform, I think we have done some good work on building a technology platform by studying all the other platforms in the market Indian as well as multinational or American and I believe our platform has many other features and some features that many of those platforms do not have. The second area is content, we started with 20 courses and now have 1500 courses, so we made tremendous progress in the last 100 days. The third is how do we get more users and while I would have liked the number to be much larger but the reality is that from a start in 100 days to get 150,000 registered users is rare, I do not think there is any other e-learning portal in India that has grown to 150,000 users in 100 days. So I think we have done well but we need to do a lot more. So I am going to ask the person who is the brain behind NIIT TV to talk about it himself, Udai Singh who is our Chief Strategy and Technology Officer. Over to you, Udai.

Udai Singh: So two or three points that I would like to add, one is that we visualize NIIT TV as a very important engagement platform. Over the years when students have a very specific need and they pay for and register for those courses there is a high degree of engagement as part of the natural course of the delivery with NIIT. But what we have seen is that in between courses or once they have met their immediate objectives our engagement is considerably lower. NIIT TV is predicated on the fact that training is no longer an event, it is a lifelong progress, it is important at the school stage, it is certainly important at the under graduate stage when people are looking for their first job but increasingly during the stage that they are actually working. There is a lot of pressure to remain current in terms of domain or technical expertise in almost 10, 15 years into the career and we feel that NIIT TV will thread all the various initiatives and offerings of NIIT and be one common engagement platform. So specifically in terms of the marketing spends we see us working very closely with our Schools business and our skills and careers business so that NIIT TV is integrated into their offering. I do want to emphasize that we took a bold decision that NIIT TV will be free to our users, that is where they get started and businesses have their own paid and premium offerings. In terms of users therefore we are taking steps to engage with each of these segments, so we are working with our schools business, this is the time when children are preparing for their board exams and so we said that we are actually offering a preparation program which will help them quickly recap their syllabus and then prepare for the actual exams and this is focused on class 10 and class 12, we expect to do something similar for the undergraduate segment and that is how we see this engagement journey rapidly growing.

Rahul Patwardhan: Another thing that I do want to emphasize is that you should have no worry that we will be trying to blow up millions of dollars on marketing, we have achieved 150,000 registrations at probably the lowest cost per registration in any of the e-learning companies in India and are intent to keep it that way. We will form smart partnerships with people who already have a large customer base, so for example the announcement we made recently with tutorialspoint.com, they have more than a million users from all over the world every month visiting them to access IT content and they were very eager to partner with us and we saw value in working with them and as a mutual benefit. So now we have access to another million users and we will form more and more partnerships with organizations like this and other kinds of organizations so that we create an ecosystem that can drive much larger engagement volumes at very low cost per incremental user and that is our plan. No doubt there will be an increase in the marketing spend at an appropriate time, we also have to focus right now on improving the user experience before we go too high on the registration numbers.

Ganesh Shetty: Sir my last question is regarding CLG business that we have now established two delivery centers at Europe and Europe headquarters some of the biggest chemical companies like BASF and Bayer, they now have good staff who are multi-lingual in nature. So can we target these companies or can we engage in more marketing efforts with these companies so that we can get some clients from this region sir? Thank you very much.

Rahul Patwardhan: Absolutely, we are targeting Europe quite significantly and that was the prime reason for setting up near shore operations there.

Moderator: Thank you. Our next question is from the line of Harsh Vijay Shah from Crescita Investments. Please go ahead.

Harsh Vijay Shah: You just announced our new facility in Norway, could you just throw some light on what kind of growth opportunity are we trying to capture from the European market?

Sapnesh Lala: About four years ago Europe was about 20% of our overall business, today notwithstanding what is happening to Euro or GBP it is pretty close to 50%. The business in Europe has grown faster while our overall business has grown reasonably, the business in Europe has grown faster than the business in the United States and our feeling is that that is going to continue and that is really the reason why we opened the two delivery centers one in Bergen Norway which supports some of the Nordic customers as well as the one in Ireland which is there to support some of the customers in UK as well as in continental Europe.

Harsh Vijay Shah: Another question would be, we recently launched Finvantage, could you just throw some light on that please?

Shivan Bhargava: So Finavantage is a two months' certificate program in global finance, it takes care of the backend BP and finance operations. It comes out with Rs.35,000 as a price point for 214 hours of education that we are providing in this. This is our first venture into the B2B space that we want to take into the retail space right now. We have been running a similar kind of a program for Genpact as a customer, that was B2B deal that we had worked out with Genpact, now we are taking absolutely similar kind of program into the retail space.

Harsh Vijay Shah: And sir last question would be, what is our current consolidated and net gross block as on December?

Rahul Patwardhan: We will tell you in a minute, our CFO just stepped out of the room. We can take the next question in the meanwhile, I will answer it as we get the number.

Harsh Vijay Shah: And going forward what is going to be our debt profile, like currently you said we have a net debt of around Rs.116.8 crores, so going forward it is going to be on a steady stream?

Rahul Patwardhan: Yes, at a top level I would say that it increased because GSA collections were a little slower but we are expecting some of those collections to happen in this quarter. Second, we also invested in building capacity for our CLG business, so that is a planned increase, so that is not something which has happened this quarter, it was already known it is going to happen. We are expecting that if the government debt collection happens at the pace that we would like it to happen in this quarter then this number would go down, but given that we do know that there is uncertainty in government payments so at point of time it would not go up but we are hoping it will go down.

Harsh Vijay Shah: What is our interest cost consolidated as on December?

Rohit Gupta: So the gross block is 683 crores and net block is 100 crores. Interest is around 5 crores for the quarter.

Harsh Vijay Shah: Per quarter, that you can say around Rs.14 crores to Rs.15 crores?

Rahul Patwardhan: Yes, roughly about 13 crores to 14 crores over nine months.

Harsh Vijay Shah: And sir from our school business we are just moving into a CAPEX like model that we had discussed last time, so going forward what kind of changes do we see in our CAPEX spending?

Rahul Patwardhan: Number one, in the schools business we do not have any intention of doing further CAPEX spending, that is very clear, we continue to remain with the same strategy. And similarly even in our SMC business we are focused on getting more and more asset light and that will continue. So essentially NIIT as an organization therefore will become more and more CAPEX light in keeping with our overall strategy. But is there any specific point that you were trying to ask which I missed out?

Harsh Vijay Shah: Yes, see currently you said the current gross block is around 683 crores, so going forward apart from our normal operating CAPEX and other CAPEX that we incur while expanding we would not be seeing any major CAPEX coming up, right?

Rahul Patwardhan: You are right.

Moderator: Thank you. Our next question is from the line of Chetan V from JHP Securities. Please go ahead.

Chetan V: Sir I just wanted an update on our tie-up with NSDC, in terms of the kind of agreement that we have signed to educate a million students so where have we reached by now, I know you do not say the numbers but where do you think you have been so far?

Rahul Patwardhan: Well, we have had a tie-up with NSDC in the form of a joint venture NYJ for the last roughly four years and the intent was as the largest training company in India we have a role to play in skilling of India and we have done that for 35 years and we will continue to do that as long as we exist as a company. Having said that, if you are aware that NSDC is going through some changes and we would like to understand what those changes would be and we remain committed to supporting the skilling program of India working with NSDC.

Moderator: Thank you. Our next question is from the line of Ravi Menon from Elara Securities. Please go ahead.

Ravi Menon: If I could get some color on how does your current breakup in terms of verticals for the corporate learning business?

Sapnesh Lala: The current verticals we operate are in our technology and telecom, banking, life sciences and energy and commodities, those are the segments that we operate in predominantly. I think about 85 or so percentage of our revenue comes from those verticals.

Ravi Menon: So within that would you say that any of these would account for say over 25%, 30% or it is kind of an even split that is across all four of these?

Sapnesh Lala: Yes, I mean technology and telecom and energy are the larger of the four and they are split in the middle I think both lower than the 25% number that you mentioned and the other two are the balance.

Ravi Menon: And in your confirmed order book is that similar or is that more weighted towards any of the specific verticals?

Sapnesh Lala: I think it is reasonably weighted, weighted in the line with revenue.

Ravi Menon: I was trying to understand if we need to invest specifically in any more domain skills because you have talked about diversifying more and focusing on banking and life sciences, so what do you think would be necessary, I mean do you need specific trained sales personnel for these verticals or what other forms of investment would we need?

Sapnesh Lala: I think verticalization is part of the strategy and that involves not just training the sales folks but as well as investing in delivery capabilities and those are incremental investments that we do from time to time. We made certain investments last year and over the last year they are starting to show some results. But I do not see any major or material investments in these segments other than filling capability gaps that we talked about a little earlier.

Ravi Menon: Do you also think acquisition would be a possibility to look at to fill out some gaps about folio especially from any specific vertical?

Sapnesh Lala: Yes, that is what I was referring to.

Moderator: Thank you. Our next question is from the line of Kaushik Poddar from KB Capital Market. Please go ahead.

Kaushik Poddar: I just want to understand what is the revenue model for the NIIT TV?

Rahul Patwardhan: Good question, as Udai had shared NIIT TV itself is not intended to be a commercial revenue generating platform, it is an engagement platform to widen the funnel of access to a much much larger pool of people who will interact with NIIT through this platform because of availability of quality but free services. But through that platform we will have therefore a lot of market information about much larger pool of people which will get fed in into commercial platforms that we have for our businesses and what we are also working on. If you were to recall, if you were there at the NIIT investor meet at May we had presented a vision of a multi-modal platform and an ecosystem which we will build around that platform where NIIT would offer a mechanism for people who want to do a course coming on to a platform, selecting which form in which they want to do the course. So that platform is also being built in parallel. So there is a phased rollout of NIIT's Edutech strategy, what you have just seen is the tip of iceberg in NIIT TV and there is more to come.

Kaushik Poddar: I remember I guess in your first interaction with analysts you had talked about this NIIT TV being something like Uber or something, is my thinking right, I mean it is a platform for all kinds if training program, if I know cooking for example I can upload my cooking program or something, that was the impression I have. I mean can you elaborate on that?

Rahul Patwardhan: Well, in one aspect right, we do want to make it a 360-degree ecosystem model which very much like an Airbnb or Uber except that the kind of partners who come on to it will not just be one kind of partner like a taxi driver but it would be content providers, course developers, faculty, infrastructure providers, certification agencies and placement agencies and in fact the employers themselves, so that is the vision in terms of an overall platform. NIIT TV is not that platform, NIIT TV is an engagement platform which will drive a creation of a much greater interaction between NIIT and a large population, but the commercial platform is the one you are talking about which the work is going on on-building that platform and hopefully in the near future we would be to talk more about it and even announce and demonstrate what we are planning. And that will be a commercial platform which will offer a lot of value added services while NIIT TV will always remain free because it's objective is to catch and bring in many many more people into an interaction with NIIT.

Kaushik Poddar: And when does this commercial platform see the light of the day?

Rahul Patwardhan: Well, it would be during this financial year but more details in that I am not going to share at this stage. What I also do want to emphasize that this platform is not going to be as wide as you defined, it is going to remain very focused on careers and skills for the age group of young people entering career and for the working professionals in the age group of 25 to 34.

Kaushik Poddar: And as far as your engagement with National Skills Development Corporation go, I mean when do you see the light of the day for that piece of your company?

Rahul Patwardhan: Just to correct, in case I give the wrong message when I said the new platform will be launched in this financial year I was already into FY17 in my mind, so it is between April and March FY17. But NSDC, we are already engaged with NSDC, we do many things with NSDC, we have worked with a number of central and state governments in skilling. Right now we are trying to understand and I guess NSDC and the Skills Ministry themselves are reworking their engagement model and their plans and the policy is under changed, so we are waiting to see what that is. And once it is clear we will continue to participate as we have done before.

Moderator: Thank you. Our next question is from the line of HR Gala from Panav Advisors. Please go ahead.

HR Gala: Sir a little while ago in a answer to a question you spoke about three products, can you repeat if you do not mind, which are those three products we are talking about?

Rahul Patwardhan: I think you are talking about the skills and careers retail business, so we launched a product which is basically automated testing around HP tool, the software belongs to HP and we have a partnership alliance with them through which that tool is available to all our centers and therefore we can offer automated training. It is the first time it is being offered in India, so that is something that is going to be exciting and it is new age. The second one is Hadoop training in the big data space working with Metascale one of the leaders in terms of software in this space. Both these just got launched very recently but traction is already very good. And the third is nothing to do with IT, it is FinAdvantage, this is a program which we had crafted together with Genpact, perfected the program over the last year, this trains people to become BPM professionals in the F&A space and now we are offering it to the open market.

Moderator: Thank you. We have no further questions in the queue, would you like to add any closing comments?

Rahul Patwardhan: Yes. Thank you again for your participation on this conference. It gives us confidence to see so many of you on this call, increase confidence hopefully in NIIT as a company. I would also like to say that the team has been working very hard to the plan that we laid out at the beginning of the year. It looks like we have made good progress against what we promised the investment community and our shareholders and ourselves as NIITians and look forward to continuing to interact with you in these conferences going forward and share a positive result and I would like to hand over now back to Vijay to make any closing comments.

Vijay Thadani: I think the team has covered all the questions as well as has briefed sufficiently on what we have achieved this quarter as well as our going forward plans. Thank you very much for your very insightful questions. As usual I would like to mention that your questions opened many, many doors in our own minds and opened new possibilities and we look forward to your continued guidance, cooperation and continued association with NIIT. So Thank you very much for joining the call.

Moderator: Thank you very much members of the management. On behalf of NIIT Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.