NIIT Technologies Ltd
Q1FY12 Post-Results Conference Call

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MODERATORS:

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Moderator Ladies and gentlemen good day and welcome to the NIIT Technologies Q1FY2012 Earnings Conference Call. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Abhinandan Singh, Head, Investor Relations, NIIT Technologies. Thank you and over to you sir.

Abhinandan Singh Thank you and welcome everyone to our Q1FY2012 conference call. Present along with me today at this call are Mr. Rajendra S. Pawar – our Chairman, Mr. Arvind Thakur – our CEO, Mr. Sunil Surya – who heads our European business, and Ms. Pratibha Adwani – our CFO.

We will begin the forum today with opening remarks by Mr. Arvind Thakur and Mr. Pawar, and after that, the floor will be open for your questions. Transcript of this call will become available within a few days on our website ww.niit-tech.com. Now I would like to request Mr. Arvind Thakur, CEO, NIIT Technologies to initiate this call with his remarks. Over to you Mr. Thakur.

Arvind Thakur Thank you Abhinandan and good evening everybody. Welcome to this earning call discussion. We will be talking about our first quarter results for the financial year 2011-12. I would like to first briefly comment on what we are seeing in the environment.

During the quarter under review, the economy has been witnessing mixed strength with some peripheral Southern European economies still mired in uncertainty. While larger ones like Germany and UK faring relatively better. The US economy is gradually recovering, although still with high unemployment and I would say slow progress on the increasing issue around debt ceilings. Asia Pacific however, has been maintaining a good growth rate, but is faced with issues around rising interest rates and inflationary pressures. However, this is not impacting the demand environment for IT and technology services, particularly in the industry segments that we are addressing. In the BFSI sector, we are seeing greater investments in IT operations in response to both the regulatory changes as well as improved economic conditions. The other segment that we focus on is the travel and transport segment, where the aviation industries were facing some headwinds primarily because of the higher oil prices, but has not seen demand reduce. We just saw recently IATA talking about 5%-6% growth in traffic in the second half of 2011. Manufacturing distribution after a slow start during the first half of this calendar year, we are seeing Asia's key manufacturing center appearing to regain momentum and some of the issues that caused disruption in wake of the Tsunami in Japan have been dealt with and Japan seems to have recovered on the supply chain side of this industry. So while we continue to see healthy deal flows and an improved pipeline, causes for concern are the volatility and exchange rates, inflation and rising interest rates.

The other issue which we have been talking about through most of last year has been the eminent discontinuance of the benefits from the STPI and we would be experiencing increased taxation during this year as a result of that. So with this background, let me just run through with the results of our first quarter. Revenues for the quarter stood at Rs. 3,288 million which is up 4.15% sequentially and 12.8% over the same period last year. What is significant to understand over here is that our international revenues have grown by 10% sequentially. So growth in this particular quarter has come on the back of strong growth in the US and Europe, both of which now account for 37% each of our revenues.

Domestic revenues typically decline in the first quarter on account of the seasonality in our government business where we predominantly provide a lot of GIS services. In addition, we have also seen decline as a result of our major programs with BSF nearing completion, we are now only a small value associated with data entry is required to be completed before commissioning. So, one of the good things that you will observe in our quarterly results is that despite a big engagement like BSF nearing completion, we have shown growth during the quarter and grown 12.8% year-on-year.

Each of our industry segments and here I am talking about our global industry segment experience robust sequential growth. BFSI which contributes to 41% of our revenues grew 8% quarter-on-quarter. Travel and transport, which now contributes to 35% of our revenues grew 9% quarter-on-quarter. And manufacturing distribution also had 23% surge in sequential growth, but it contributes to a smaller percentage of 8% of revenues. Our top clients also scaled during the quarter, our top five clients now contribute to 31% of revenues and top 10 to 47%. But what is also good to point out is that we are also broad-basing our clients and the number of our million dollar clients have also increased to 48 in this quarter from 43 in the previous quarter.

We had a very good intake of fresh orders during the quarter; $86 million of fresh orders were secured during the quarter, leading to an order executable over the next 12 months to $200 million. We added 7 new customers during the quarter, these included 5 in the travel and transport space and one each in the BFSI and manufacturing space. This also includes a multimillion pound managed services and infrastructure managed services contract from Eurostar. As you are aware, Eurostar provides high speed passenger services between UK and mainland Europe and our agreement with them is to provide infrastructure management services for its core business applications. Now we secured this deal amongst stiff competition from global IT consulting giants and I would like to invite Sunil Surya, who is our President of our European operations and who has joined us in this call to share with you some more insights of this deal that we have done with Eurostar. So Sunil, may I request you to update everybody on this transaction.

Sunil Surya Sure. Thank you Arvind and good afternoon everybody. It's a pleasure to share with you some of the details of the Eurostar contract that we have recently engaged into. Eurostar as you are aware is one of the most important train line between UK and the continental Europe and it kind of operates into multiple stations from London, down to Paris, Brussels, Lille and other parts of the continent.

One of the major requirements were for Eurostar to gear themselves up for the Olympics that are going to be held in London in 2012. And they floated out a global RFP and that RFP was addressed by about 35 odd vendors, who were trying to bid for this particular engagement. Being a very prestigious brand, I think they attracted several global players apart from of course tier 1 and Indian players as well. And then process of RFP went through and we were there shortlisted among the top three companies who where shortlisted. There was an Indian giant; there was of course an international global company besides NIIT Tech. And Eurostar has chosen us for multiple reasons, the chief among them was our capability that we can demonstrate in the managed services front, our capabilities of continuing to deliver value to what they were trying to obtain and achieve in their gearing up of the infrastructure for the London 2012 Olympic. Eurostar is now setting up its own new facilities and they wanted to get a full transformation happening in the particular engagement. So what was important was to set up a state of art infrastructure for them as well then do a transformation project which is evolved about 17 applications, 17 projects that have to be aggregated within a given time. And how we will go about doing this that we will be delivering this entire thing on an SLA-based arrangement, both for remote infrastructure services as well as hosting of the critical applications that are very, very prime drivers to the Eurostar business itself.

And our solutions include creating an infrastructure and provisioning it to them to be charged under utility basis. And this involves apart from setting up the infrastructure also designing and setting up latest state of the art wide area networks connecting multiple offices of Eurostar. One of the key requirements was also to support their businesses across the continent in multiple languages and this included French skills, a bit of Flemish, and of course English to be supported to as well alongside. Also since they were kind of recreating their newer infrastructure, they work a good amount of resources that we had to absorb from Eurostar under a two-pay arrangement. Now all this was where we were kind of far (a) competitive (b) compelling in our solutions and (c) enthusiastically delivering the services on the very tight SLAs that Eurostar had suggested in their RFP, were the criteria that NIIT Tech was chosen for this multi-million pound deal that we are now engaged in. The engagement started off in early May and we have already passed through the first stage of our deliverables. We are on track delivering our next few bits of milestones that are now coming over the next two to three weeks. That is some substantive engagement that NIIT Tech has now won at Eurostar.

Arvind Thakur Thank you Sunil, thanks for the insight. So as Sunil explained, this is an important transformational engagement which builds on the focus that we have been having in developing and evolving our non-linear businesses. Of course, we also signed up another managed services engagement which is an integrated IT and BPO deal with Morris Communications in the US. Now this intake is not part of the intake that I just shared with you of $86 million, because this transaction happened in the first week of this quarter and so it's not being included in the intake number that I have just shared with you. But I think since it's another significant transformational deal, I will elaborate a bit on what we are doing with Morris Communications. Morris Communications of course is a privately held media company with diversified holdings in newspapers, magazine, publishing, radio broadcasting etc. And they had shared services center, which is called MStar**,** which used to provide technology and business process services to companies in that group. Basically, the group is headquartered in Augusta, Georgia. Augusta as you know is famous for the Masters Tournament, golf tournament that is. But it has presence not only across US; it has offices in the UK, France, as well as in Asia. The group required a partner who could help them and improve their cost structure. But they were not looking in a pure outsourcing engagement because they would be partying with their crown jewel, which is their complete infrastructure on which the business is run. And so we started evolving a joint venture solution, where there would be a skin in the game for everybody and also provide an opportunity for value creation in upside by having a platform that can service other media companies in the US.

I would like emphasize again over here as with the situation in Eurostar, this was again a hard-thought competitive bid where unlike Eurostar which had many, many participants, there was a limited tender, which was floated and it included some of the Indian players in the ultimate shortlist.

We won against one of the significant scale players providing infrastructure services, so it gives us confidence that we have the ability, capability to compete effectively and secure these large transformational deals. Now the joint venture is going to be called NIIT Media Technologies will be the majority partner in this joint venture, owning 60% of the company, for which we will be investing USD 3.2 million.

Morris will own 40% and transfer all the IT asset and about 100 people into this joint venture. Currently MStar has about 240 people, only 100 of this 240 will be transferred to this joint venture, because the joint venture will then leverage NIIT Technologies offshore facilities to provide there with value and therefore, if you really look at the way this deal has been structured, it's a 5-year deal to provide end-to-end integrated IT and BPO services, which will deliver finance account, HR, procurement, and the whole host of processes associated with their business like advertising and so on. And revenue stream committed over this 5-year period is USD 85 million. The JV will incur a one-time charge of USD 2.5 million for professional fees and transition costs. So there would be an upfront expense that will be incurred, but as you can see it's insignificant considering the size of the engagement that we have entered into.

Now NIIT Media Technologies which is the name of this joint venture will take over the existing Morris Shared Services Center in Augusta and provide these services to the Morris Group. As I mentioned, it will leverage NIIT Tech’s offshore capabilities and this is an important point, because the offshore facilities are not the joint venture’s offshore facilities, but NIIT Technologies offshore facilities, so the offshore profits will remain with NIIT Tech. And what we will have, we will landscape, which is infrastructure, software and processes to provide services to other media companies in North America. And so if we acquire new customers, revenue stream would be beyond $85 million. What's a byproduct of this deal is that NIIT Technologies will have a nearshore facility, well actually I won't call it nearshore, it's an onsite facility in a low-cost destination, but for the sake of our discussion we just call it a nearshore facility, through which we can offer services to other customers as well. Typically, when you are looking at infrastructure business, customers sometime demand services to be provided in the same time zone.

As you are aware, given the high unemployment, there is political sensitivity around off-shoring of jobs and industry as well as ourselves are experiencing issues around visas and visa rejections. And a way to address some of those issues in the long term is to invest and set up capabilities in low cost destinations in the location itself. So this gives us a headstart to enable us to do that, so from I think many, many perspectives, we see this as a very important strategic initiative of the organization.

Of course, I will be happy to answer more questions around this transaction in the Q&A, but just to wrap up the quarter one results, let me just touch a little bit on our margins. The operating profits during the quarter stood at Rs. 608 million which is up 12.5% year-on-year, but there is decline sequentially quarter-on-quarter of about 6%. Operating margins are at 18.5% which are at the same levels as the same quarter last year, but down 200 basis points Q-o-Q. The decline in margins is primarily on account of wage hikes during the quarter and the salary increases as a result of that. Net profits have also remained at the same levels as the first quarter last year, but have declined by 17.6% to 412 million in this quarter. This is purely on account of increased taxation as a result of withdrawal of tax incentives on STPIs. So consequently tax as a percentage of PBT has risen to 27% in this quarter as compared to 11.5% last quarter and 14.5% in the first quarter of last year. So this is something I think we have been expecting and financial year would be a year where we will be transitioning to a period in which we will be operating without STPI benefits. But going forward, as we enhance our business in the special economic zone, which we operationalize the campus, the incidence of tax will reduce in the subsequent periods going forward. We added 459 people to our net additions during the quarter, taking a total headcount to 6265. Our utilization was 80% during the quarter, but we saw our attrition improved further to 15.8%. We have strong cash on our balance sheet Rs. 1946 billion of cash and our debtor days have also improved to 78 days of sales outstanding. So with these opening remarks, what I would like to do is to ask Mr. Pawar to give a summary and his views on the results.

Rajendra S. Pawar

Thanks Arvind and once again welcome and good afternoon to all of you. I don't want to repeat anything that Arvind has said, except to say that we did see a very strong momentum coming from last year. This year, in the first quarter itself, US and Europe both grew upward of 10% quarter-on-quarter, among verticals BFSI, Travel & Transportation grew close to 10% quarter-on-quarter. The drag of course was because of the successful BSF project, of which the major part is over. But I think this growth will get supported by the growth that will kick in as we go forward into the next quarter and beyond by the two new transformational deals, which will give us significant growth.

Other things to note are the facts that the order intake during the quarter under review was more than double of what it was same quarter last year. And the order book executable in next 12 months is up 18% quarter-on-quarter and 34% year-on-year. And I think, as Arvind mentioned, the 459 people we had is the highest we have done in any quarter. So all in all, I guess we are gearing up for good growth. This has come about, and we have spoken of this in the past, as a result of a lot of actions in the last 12 months to strengthen the sales organization, to strengthen those geographies we operate in. Sunil is on the line, the Europe head; he has added a new head for marketing person in Europe. We have country heads added in Holland, Germany, Brussels, and of course also seen a significant increase in the headcount of the overall sales-force.

On one side, we are gearing up for a very strong growth, getting a good funnel and as we mentioned, we have just started moving into our new SEZ campus. So while we deal with the tax issues in the transition, we are gearing up in the near to medium term see improvement in the tax levels as well. So with that, I would hand back to Arvind.

Arvind Thakur Thank you Raji. So operator, we can open the line now for questions.

Moderator Thank you very much. The first question is from Sahil Shah from HSBC. Please go ahead.

Mehul Bhat Yes, this is Mehul Bhat. I wanted to check, first quarter generally tends to be amongst the four quarters on the lower side, so I wanted to know what does the year FY2012 look like for NIIT Tech?

Arvind Thakur I think you are right in your observation, first quarter has typically been a small quarter for us at NIIT Tech, particularly since we have 10% of our revenues coming from the domestic market and that typically declines in the first quarter. So I think going forward, you can see better growth in the coming quarters.

Mehul Bhat Considering the fact that the tax rates have gone up and we have had a fairly strong quarter, I wanted to understand in a little more granular detail, how does the year look in terms of new orders that you are looking at or new bids that you have submitted, and also in terms of translation of that into revenues etc. if you can just give some color on that?

Arvind Thakur Yes sure, I think as I just pointed out earlier, we had an intake of $86 million in the first quarter. If you look at our quarterly order intake, it has typically been $40 million. So in a sense, we are kicking off the year with a very strong order book position and that obviously is going to pan out with strong growth in revenues through the year.

Mehul Bhatt Okay thanks.

Moderator Thank you. The next question is from the line of Srinivas Seshadri from RBS. Please go ahead.

Srinivas Seshadri I have a few data point related questions and then maybe I will come back for followup. Firstly, what was the forex gains reported in the top line?

Arvind Thakur There is a currency gain of 0.4%.

Srinivas Seshadri 0.4% of the revenues?

Arvind Thakur Yes that’s the currency gain.

Srinivas Seshadri Okay. And then maybe if you can just share the breakup of other income in terms of the interest income expense and the forex?

Pratibha K Advani So income from mutual fund is 7.57 million and exchange, we benefited by 10.16 million, other non-operating income is 11.72 million, interest income is 9.42 million, and this would add up to 38.87 million.

Srinivas Seshadri Okay, great. And then secondly, what were your GIS revenues for this quarter?

Arvind Thakur 199 million.

Srinivas Seshadri Okay. And the entire decline, is it because of seasonal factors or is this also because of some APDRP related revenues have kind of come off on a quarter-on-quarter basis?

Arvind Thakur No, it's purely seasonal. Last quarter, we had 304 if you remember. And typically if you look at GIS revenues for the past many years, you would have seen a decline between quarter four and quarter one.

Srinivas Seshadri Right. I mean on a full year basis, would you be able to give some rough indication of what is the growth potential for the GIS business, like last couple of years, you have been growing at 40% plus rate, so does it look feasible this year or would the growth rate be substantially lower?

Arvind Thakur I think in that range, because the government has many programs which require GIS support, so we are pretty bullish on the GIS market in the domestic marketplace.

Srinivas Seshadri Okay. And then what are the SG&A cost during the quarter?

Arvind Thakur We had 20% SG&A.

Srinivas Seshadri Do you have an absolute number in terms of the cost?

Pratibha K Advani Yes it's 664 million.

Srinivas Seshadri Okay yes. And would you be able to give some kind of color in terms of the guidance or rather at least qualitatively in terms of your plan for adding staff, I mean this is apart from the people you will be taking over for the large deals, but would you be looking to maintain a kind of 400 plus addition on a quarterly basis or was this like more of a fresher type of intake this quarter which may not really sustain?

Arvind Thakur Yes I think a lot of this is fresher intake, 38% is fresher intake. I would tamper it to about 400.

Srinivas Seshadri 400 on a quarterly basis.

Arvind Thakur Yes.

Srinivas Seshadri And then finally, your depreciation has come off a bit quarter-on-quarter and at the same time, you announced that the SEZ has been operationalized this quarter, so I was surprised by this number, so would you be able to give some color on what we should build on a run rate basis from next quarter onwards?

Pratibha K Advani Seshadri, your observation is right and if you could recall in the last quarter, we had mentioned that we had taken one-time hit on some of our assets which had reached the end of life. So this quarter, we have got a retrieve from that and some SEZ capitalization. There is 9 million additional depreciation impact, so for the full year, the SEZ depreciation impact would be close to about 6 odd crores.

Srinivas Seshadri Okay. So in a sense, there will be some bit of uptick next quarter, but maybe so you had about 7.8 crores, so it will be somewhere around 8.5 to 9 crores on a stable basis, would that be the right assumption?

Pratibha K Advani Yes, but we would also be adding assets, so there would be a little more additional depreciation impact from those additions.

Srinivas Seshadri Okay. And finally, can you give me some sense on the tax rate expectation on effective rate for the year basis?

Pratibha K Advani So for the current quarter as Arvind mentioned, 27%, to be exact 26.5%. We estimate that it will close to between 26.5% and 26%, but again depends on the ratio of our domestic and international revenue. This quarter international revenue had been good, so that is why we have been able to get some tax benefit. And as we move to the SEZ, we will see a lower tax rate.

Srinivas Seshadri Okay thanks, I will come back for follow-up later.

Moderator Thank you. The next question is from Vimak Gohil from Asit C. Mehta. Please go ahead.

Vimak Gohil Well I would want to add some more color on the two big deals that you won this quarter, have you started seeing revenues from Eurostar and Morris Communications and what would be the distribution of the $85 million of Morris Communications? What would be the general breakup of those revenues? Will it be equitable over five years?

Arvind Thakur Yes as far as Eurostar is concerned, as Sunil explained; we have started the engagement towards the end of the last quarter. So I would say very insignificant revenues would have come in the last quarter, but the engagement is started, so we can expect that to start delivering revenues in the current quarter and going forward. As far as Morris is concerned, this quarter we will be doing the transition. Revenues really will start kicking in towards the end of this quarter or early next quarter. And the exercise that that we have done really is to take over their entire infrastructure and provide them with services. So that is assuming the current volume of business, you can assume an equal run rate over the next five years.

Vimak Gohil Right, and if it's possible for you to give me the answer to this question, what will be the volume growth in the geographies that you operate in especially to the geography that you operate in because the last con-call you had given us color on that, so if you could just give me a color on that, if the information is available or else I will come back for follow-up?

Arvind Thakur Okay Europe is 10%, and the US is 8%.

Vimak Gohil Okay great. And is there any possibility for you to give me the breakup of the QonQ margin dip of 200 basis points? It predominantly is dominant by wage hikes, but is there anything else that has affected the margins apart from wage hikes?

Arvind Thakur Basically, it's the wage hikes.

Vimak Gohil Okay right, thank you so much, that’s all from my side.

Moderator Thank you. The next question is from Sonaal Kohli from AIM Capital. Please go ahead.

Sonaal Kohli I have a couple of queries. Firstly, if I look at your order book minus the hardware, order book that you had last year, as far as I remember, it increased from $120 to $200 million, is my understanding correct?

Arvind Thakur What have you eliminated…?

Sonaal Kohli I am investing 30 to the order book is equitable over the next four quarters, what you have reported in the presentation is 140 going up to $200 million. If I remember, this would include $20 million last year pertaining to the BSF order.

Arvind Thakur Yes you are absolutely right. So this orders executable in next 12 months is services. Last year, we had a component of hardware.

Sonaal Kohli So considering your order book has increased from $120 to $200 million executable over four quarters, is there any change in the way you do business in the sense that now you have much more visibility than what maybe you used to have before or your revenue growth would be significantly higher than we are expecting.

Arvind Thakur Well I don’t know what you are expecting, but I do know in my conversation, most of you were very concerned what will happen after the BSF contract gets over. So I think one clear answer that you get is even if the BSF contract gets over, there is sufficient order book to help us grow and scale our business and as I have always been mentioning, our intent is to grow ahead of the industry.

Sonaal Kohli So let me rephrase my question, your order book executable over four quarter has increased by 67% as far as pure IT services are concerned. While the manpower you plan to add is about 28% so in that line what kind of revenue growth does one see now, are be expecting upwards of 25%

or even if your order book is going up at 70% why should your revenue growth be significantly lower? Is there some change in the nature of the business or was it that last year our revenue visibility over four quarters were much less than what normally the nature of the business?

Arvind Thakur I am not saying it will be lower. You only suggesting it is lower but you know we don't give specific guidance, I can only point you in the direction which is what I did last quarter when I was telling you to explore and examine our orders executable over the next 12 months and that's empirically related to the revenues that we generate in every year, that will give you a sense of growth.

Sonaal Kohli But there was no base impact because of any weak base in last year?

Arvind Thakur I am not able to understand your question.

Sonaal Kohli Sir you know your order book has increased by 70% and if I simply extrapolate this order book growth to revenue growth it means your revenues growth should be 70% which as per my understanding is concerned won't be the case. So I'm trying to understand was there any low base last year in Q1 of your order book because of which the base growth is the growth which has been shown is quite high?

Rajendra Pawar One is you can't remove BSF when you are doing the percentage.

Sonaal Kohli Sir I'm only talking about IT services revenue growth minus the BSF?

Arvind Thakur If you exclude the BSF hardware yes that is the growth that you're seeing.

Sonaal Kohli 70%?

Arvind Thakur I don't know whether 70% or not and but if you're removing the hardware because what we're talking about is orders executable over the next 12 months where last year we had included the hardware.

Sonaal Kohli Was there any sort of one-off in terms of India business decline or it is purely in line with the past trend?

Arvind Thakur No there is a one-off because the BSF contract is nearing completion.

Sonaal Kohli And minus the BSF contract?

Arvind Thakur No other than that there is only seasonal.

Sonaal Kohli It is purely in line with what your experience in the past?

Arvind Thakur Yes.

Sonaal Kohli As far as your onside offshore mix is concerned what is your offshore mix be on these lines or your onsite mix include by 200 basis points. So would it increase further, what does one expect?

Arvind Thakur When we absorb some of 100 people in Europe in Maurice the onsite mix is going to increase.

Sonaal Kohli And sir as far as your cash is concerned does that include the amount and is it before distributing the dividend amount or is it after distributing the dividend amount?

Arvind Thakur Before, we have not yet distributed the dividend amount.

Sonaal Kohli And does the order book include any of the two deals you mentioned about?

Arvind Thakur It includes only Eurostar.

Sonaal Kohli You mentioned about $2.5 million expenses on one of these two deals, when would this come through the P&L and over what time period would you recognize this?

Arvind Thakur This will come into the P&L in this quarter in Q2.

Sonaal Kohli The entire thing you would recognize upfront?

Arvind Thakur Yes.

Sonaal Kohli Could I have the ROOM services revenue for the quarter?

Arvind Thakur 382 million.

Sonaal Kohli Thank you so much.

Moderator Thank you. The next question is from Dinesh Kumar from Aditya Birla Money. Please go ahead.

Dinesh Kumar I have couple of queries. Just to touch upon this onside offshore mix again. Would our off-shore mix able to rise from 20% to 22% only so it comparing with top companies anywhere between 40 to 50, so by going with the concerns of visa and all those things what will be NIIT Tech's strategies to cope up with this problem and how we can see this onsite from 22% to anywhere between in next 2 or 3 years?

Arvind Thakur The endeavor is always to see how do we improve our offshore mix as we all know we have better margins offshore and then what we get onsite. However, as you noticed that our business is scaling up quite dramatically and when you get new engagements in new business typically work starts onsite and then it starts moving offshore. So you will see a little increase in onsite revenues in the short-term but over the long-term offshore revenues will start increasing and in fact that provides us with a very important lever to improve our margins going forward.

Dinesh Kumar So this visa and all those related things are not affecting us, are they?

Arvind Thakur Well, it is affecting, in the sense that it is a little troublesome. If you send of 10 people for visas and only 5 get it, it is troublesome but it is not impacting business.

Dinesh Kumar Are we planning to shift our strategy and focus more on onsite basis or will you continue to concentrate only on your offshore basis?

Arvind Thakur As I mentioned it is in point to have a near shore strategy and on-shore strategy at a low-cost location. So one of the things we have been able to accomplish through our partnership in Morris is to establish an onsite delivery facility at a low-cost destination.

Dinesh Kumar Another one is regarding this SEZ location, should be shift our organization to SEZ how this will have impact on tax rate say for example for FY12 or FY13 level right from current levels to 26.5?

Pratibha Advani We are looking at FY12-13 at a rate of about 24.5 to 25. And all our revenue mix it's a component of domestic revenue.

Dinesh Kumar This is for this year FY12?

Pratibha Advani I am talking about FY12-13.

Dinesh Kumar What about for this year sir?

Pratibha Advani This year would be between 26% to 26.5%.

Dinesh Kumar It will be same as this quarter more or less?

Pratibha Advani That's right.

Dinesh Kumar And how much contribution is non-linearity is contributed to NIIT Tech right now?

Arvind Thakur 27% comes from non-linear business lines.

Dinesh Kumar So how do you see this panning also and basically we are investing a lot on cloud computing and all those things, so how do you see this panning out with managed services all those things?

Arvind Thakur By the end of the year our plan is to have 30% our revenues coming from this business line.

Moderator Thank you. The next question is from Sanjeev Hota from ShareKhan. Please go ahead.

Sanjeev Hota First question is on margin side, what will be the entire wage-hike is affected the further quarter or is that going to follow some part in the next quarter?

Arvind Thakur No the entire wage-hike is happened in this quarter.

Sanjeev Hota And this $2.5 million, one-time charges for the transition of the JV is going to be reflected in Q2?

Arvind Thakur Yes.

Sanjeev Hota And what kind of margin impact could we expect, because of the transition that is going to be there in the next two quarters; if you could give some sense of that?

Arvind Thakur The sense I can give you is you have to first transition the work from existing organization into the JV that is going to happen now and then once we have taken the work over we have to move it offshore. So quarter three and quarter four will have a very little component of offshore, it will be only in Q1 of next year that the component of offshore will start increasing dramatically.

Sanjeev Hota So Q2 there will be impact of $2.5 million of the transition onetime charges and Q3-Q4 the onsite rupee side and the offshore will be come into FY13 first quarter?

Arvind Thakur That's right.

Sanjeev Hota And the second question is pertaining to ROOM solution, what is the margin for this quarter?

Arvind Thakur 28%.

Sanjeev Hota And if you could give the non-linear part, what is the IMS contribution to the non-linear revenue?

Arvind Thakur That's 13% IMS.

Sanjeev Hota If you can give some color on the partnership Hitachi-Asia as in the last con-call we spoke about. So how is it panning out?

Arvind Thakur It is moving a little slow and we have acquired a customer but I'm hopeful that it will pick up. The interesting thing that we have done for our cloud business is something which I didn't talk about, is we have now set up a platform whereby we can provide services to cooperative banks in India. So that is an interesting platform and in fact we have acquired a first customer as well and so we will be able to deliver services on the cloud for one of the cooperative banks which we hope to scale across the country.

Sanjeev Hota That's all from my side.

Moderator Thank you. The next question is from Rahul Jain from Dolat Capital. Please go ahead

Rahul Jain My question is what is the total expected operational expenditure and capital expenditure for the Morris communication?

Arvind Thakur The investment that we have done is 3.2 million and that's the only investment that we will be doing in a JV.

Rahul Jain So this is basically to acquire the assets and infrastructure?

Arvind Thakur No this is basically for running the operation, the working capital and expenditure. The entire infrastructure is being put in by Morris as part of their 40% ownership of the JV.

Rahul Jain So they are providing the infra, we are taking care of the operation so this $3.2 million goes for the regular running, this is the regular requirement in terms which we need to be put invested in, right?

Arvind Thakur Yes basically we take care of the expenses and this will also take care of the initial onetime expense that I talked about.

Rahul Jain And then how does the sharing of the profits are calculated because then this is what we are investing, so are these items taken care from our share of profits or they are expensed out first and then our profit is calculated?

Arvind Thakur They expensed out in the JV and it's a 60-40 JV where we own 60%, Morris owns 40% so the profits of the JV will be shared 60-40.

Rahul Jain So let's assume there is no other kind so we possibly hit an 85 million run rate for next 12 months. So you mean to say whatever our expenses are then first taken care of and then 60-40 is what we get?

Arvind Thakur First of all 85 million is over next five years, right? So if you look at the operating expenses of the JV there are revenues let's say 85 divided by 5, $15 to $16 million per year and is the revenue. There will be some expenses so revenue minus expenses the profit in the JV that will be shared 60-40. However the JV is not going to be running just onsite, the JV will be doing lot of off- shoring and that off-shoring will happen in NIIT Technologies, in its offshore facility and there is no sharing of those profits. Those profits are entirely NIIT Tech's profits.

Rahul Jain So in a way the $16 million is the revenue for example JV and then it is further outsourced to NIIT Tech?

Arvind Thakur That's right.

Rahul Jain So the profit which we get on that will directly come to the parent and this JV will get the residual share of the 60%?

Arvind Thakur Yes.

Rahul Jain And you are saying that 240 is the number of people who are deployed right now and 100 you will retain and 140 in a way will be outsourced to hour straightway.

Arvind Thakur 140 will remain on the rolls of Morris.

Rahul Jain But will they work on the same set of work?

Arvind Thakur Initially yes but as we keep off shoring directly deployed to other things.

Rahul Jain So that's our plan goes?

Arvind Thakur That is right.

Rahul Jain Those 140 will be gradually replaced by the NIIT Technologies?

Arvind Thakur That's absolutely correct.

Rahul Jain And that is possible expected over what will be the timeframe?

Arvind Thakur That is what is going to happen from Q1 next year.

Rahul Jain So this particular year we are not expecting any so-called profits on these as such assuming that there is no great deal of margin in the onsite space?

Arvind Thakur That's what I was just explaining earlier. The real off-shoring will start happening next year because the first task is to take over the infrastructure and provide Morris with the service level that they are getting right now. Once that is established then we start off-shoring and including the cost structure.

Rahul Jain That's it from my side thanks a lot.

Moderator Thank you. The next question is from Abhishek Shindadkar from ICICI Securities. Please go ahead.

Abhishek Just two questions, first it is difficult to reconcile that your European growth relative to what is happening on the economic front. So could you just elaborate some of the data points which could lead you to some weakness in the IT outsourcing market from Europe and two could you just add color on your BFSI practice and why are you seeing some differential growth, is it is because of the base or you're seeing some traction in different parts of the BFSI market?

Arvind Thakur As I explained the weakness in Europe is in the Southern European countries and we are not operating in those countries. We are predominantly operating in Benelux and the dark region as far as the continent is concerned and the UK. Germany by the way has bounced back very strong, if you go to Germany now Europe Audi, BMW everybody has got 3 to 6 months waiting for their cars. So the economy has really bounced back and we are seeing no signs of weakness as far as that is concern. Naturally, as far as IT spending is concerned in the markets that we are focused on and addressing, we are not seeing that weakness. However, having said that if there is a catastrophic event like a sovereign default we don't know what the situation is and therefore we need to be cautious. That is as far as Europe is concern. The other thing is as Mr. Pawar shared with you we have strengthened our sales organization in Europe and perhaps if Sunil is still there on the call Sunil would you want to just share how we are strengthening the sales organization which is helping us grow?

Sunil Surya Our entire plan and our entire strategy here has been to build a robust sales engine going forward. And this we are doing all the geographies that we are operating in within Europe which is in the UK, which is in Belgium, Netherland, and the DACH region. Now to augment our sales team we have added up a lot more 'feet on the ground', if I may, in terms of hiring a few different types of hunters that we have. Now we have added up total team of around 16 we have added up quite a few of them as new hunters. This has been in UK as well as in the other geographies that I just mentioned. Now in the UK apart from getting our work skill alignments to the corporate strategy we have also have had our services being augmented through the hunting sales efforts. And this is on the sales effort side as far as the hunting new business logo acquisition plans are concerned. But what we have also done is some very creative and innovative means of ring centering our accounts that we already participating by doing some very creative account mining. So there have been quite a few things that we have augmented even in our account that we are currently servicing and hence you see our order book improvement as well as our wallet share increase as we going into this thing. To support the sales engine and accounts management teams what we also created is a marketing engine around us. Now this marketing engine is supplemented by a corporate market engine base out of India while we have new marketing manager sitting out in the country here so that our lead generation program, our branding, our visibility and our overall coverage of the latitude in this market is improved. Those are some of the measures and then we have also gone ahead and aligned our entire focus areas to the verticals that we operate in and we kind of segmented our approach going again the main account approach way so that we know these are the accounts that we have to have at must have names in the verticals that we operate in. And given the fact that there are fairly long and elaborate lead times we kind of geared our team accordingly. That probably should give you a fair sense of what we're trying to do here in Europe to continue to create the momentum that we are already experiencing right now.

Arvind Thakur Thank you Sunil.

Moderator Thank you. The next question is from Shraddha Agarwal from B&K Securites. Please go ahead.

Shraddha Agarwal Just a couple of questions. The first question was basically the ForEx gain or loss you recognized at the top-line and you mentioned close to 0.4% of currency gain. I was referring to the 55 million amount, which you recognized in the last quarter versus tax of 55 million loss what is the amount this time around?

Arvind Thakur You are talking about the hedge?

Shraddha Agarwal Yes.

Arvind Thakur We have had a gain of 11 million.

Shraddha Agarwal And in the Eurostar deal what would be the quantum of infrastructure in related investment in terms of hardware if at all?

Arvind Thakur We will be investing about £3 million infrastructure.

Shraddha Agarwal And in the Morris deal would our investment be limited only to $3.2 million or there could be some upward revision in the investment as we moved to….

Arvind Thakur It is not envisaged to increase that.

Shraddha Agarwal And looking at the recent two deals which we have added as it is kind of indicated that we were looking at 19.5% for the full year last quarter. So where do we stand in terms of any indication on margins now given that we have to invest in Morris deal next quarter?

Arvind Thakur Yes our endeavor is to meet those numbers.

Shraddha Agarwal So 19.5% is what we're looking at?

Arvind Thakur That's our endeavor.

Shraddha Agarwal And we have also kind of indicated that we want to leverage the landscape of Morris deal to service other media companies. So are we in discussion or it is just the initial statement we have indicated in the press release and we will try and explore opportunities going forward?

Arvind Thakur No, in fact that was one of the strong propositions and Morris themselves have very strong relations in that industry and in fact they have already initiated some discussions in this respect. So I'm very hopeful that pretty soon we should be having some serious discussion but most of the people will wary to engage till we have successfully transitioned. So I'm very hopeful that we will build and grow our business in this particular space.

Shraddha Agarwal From what I understood till now the real cream of the Morris deal is the offshore component which NIIT Tech would look to explore in fiscal 2013. So the fiscal 2012 it would be margin neutral kind of an engagement with Morris?

Arvind Thakur Yes.

Shraddha Agarwal Thanks a lot.

Moderator Thank you. The next question is from Sachin Kasera from Lucky Securities. Please go ahead.

Sachin Kasera My question is regarding the attrition levels seen a reduction in the last 4-5 quarters where do we see it to be stabilizing, do you see further reduction there or you see we are more or less stabilized?

Arvind Thakur Our endeavor is always to improve but frankly these are very good levels because as an industry we know how to deal with the attrition levels that 18% to 19% and it is just 15.8% that is very comfortable and good.

Sachin Kasera You hope to be able to sustain this or you see probably turning it a bit upwards mix going forward?

Arvind Thakur We hope to improve it but we don't know what happens in the environment.

Sachin Kasera The second question was on utilization, this is reduced from 84.5 in December quarter to 80%, where do you see it headed for next 2-3 quarters?

Arvind Thakur It has come down from 83.6% to 80% and the real reason for that is the ramp up that we are doing to support the growing business pipeline that we are seeing. We have optimal, good, comfortable levels.

Sachin Kasera Do you see it's reducing further or you see you should be able to……?

Arvind Thakur I think this is the level at which we should be running now.

Sachin Kasera One question is regarding the CapEx now that SEZ CapEx is more or less over what is the type of that you could look for the remaining for this fiscal as well as for FY13?

Arvind Thakur Let me just explain to you. We have created a capacity of 3000 people in the SEZ; we should be prepared to start investing in the second phase as well because it takes 18 months to 24 months to reach the facility. So I anticipate towards the end of the year we will be making further investment in the campus. So 60 crores is what we have planned of CapEx during the year.

Sachin Kasera In the remaining part of FY12?

Arvind Thakur Full year.

Pratibha K Advani And till now we have spent 263 million.

Sachin Kasera And how about FY13?

Arvind Thakur We have not yet given that a thought.

Sachin Kasera One question regarding the tax statement you mentioned that this 27 should be probably declined to around close to 24 level?

Arvind Thakur That is FY13.

Sachin Kasera Do you see the substantial reducing in the post that is in the next two to three years once you have a full ramp up in SEZ as well as you have the Phase II?

Arvind Thakur I think it should further improve beyond that.

Sachin Kasera Thank you.

Moderator Thank you. The next question is from Amar More from India Nivesh. Please go ahead.

Amar More Sir my question is probably pertaining to regarding this onsite and offshore mix now since when we are talking about the new business which is coming in from Europe and other part of region so are we seeing the onsite part likely to go up?

Arvind Thakur Yes in this year it is likely to go up.

Amar More So is it going to impact the margin as well?

Arvind Thakur Yes, if the onsite goes up, our margins are less onsite as compared to offshore.

Amar More So what kind of pressure we are seeing on the margin?

Arvind Thakur That's exactly what I just discussed. The pressure is really coming from more work happening onsite. On the other hand just for your information our new contracts we are getting better prices.

Amar More So the pricing is going to help the margin?

Arvind Thakur Yes.

Amar More Thank you sir.

Moderator Thank you. The next question is from Rajiv Gosh from Wealth Management. Please go ahead.

Rajiv Gosh Can you project the 19.5% margins for the full year on the operating basis, is that possible?

Arvind Thakur As I mentioned earlier that is our endeavor but it's up to you whether you want to project even 19.5%.

Rajiv Gosh Another question is the Eurostar deal equal in size to the Morris deal in terms of 12 months run rate?

Arvind Thakur I cannot comment on the size of the deal because I'm not authorized to do that from the customers.

Rajiv Gosh But is it similar?

Arvind Thakur If you look at our order intake……

Rajiv Gosh It should be lower than that if it is a five year deal or so.

Arvind Thakur Yes so you can see that from the order intake, right.

Rajiv Gosh Okay and what is the projection in terms of non-linear growth? How big it can be going forward and can it cross 35% or so in next year?

Arvind Thakur Next year definitely possible. This year we are looking at 30%.

Rajiv Gosh Okay, thank you sir.

Moderator Thank you. The next question is from Anand Sharma from ASK Investment Managers. Please go ahead.

Anand Sharma I have a question from the annual report on the loans and advances section. There is a provision for doubtful advances to the extent of 2.7 crores that is roughly 11.5% of that segment's advances. Now this number is repeated back in 2010. So I would be keen to understand, what are these advances where we are losing 11.5% on a two consecutive year basis?

Pratibha K Advani I will just answer that for you. This is pertaining to salary recoverable from our employees.

Anand Sharma So these are then credited back into the accounts next year.

Arvind Thakur Once recovered it gets credited.

Pratibha K Advani These are the employees who have resigned and gone. So once we are able to collect it, it will be credited back.

Anand Sharma Alright, okay, thank you so much.

Moderator Thank you. The next question is from Rajni Ghildiyal from Asit C Mehta. Please go ahead.

Rajni Ghildiyal As you said that the billing rates have been increasing in this quarter and we have seen that onsite billing rates have grown but has the offshore billing rates grown this quarter or has it declined?

Arvind Thakur Like I said, there is no pressure on pricing.

Rajni Ghildiyal Going forward, what would be the pricing, stable from this level or could it increase further.

Arvind Thakur I think it is definitely stable as it is and our intention is and we hope that we will be able to increase pricing levels going forward as well.

Rajni Ghildiyal Okay and the performance in the manufacturing segment has been laggard in past few quarters. So what turned up positive in this segment in Q1 and how would the segment shape up going forward?

Arvind Thakur Manufacturing as you noticed is a small percentage only, 8% of our revenues. If a client starts scaling it shows dramatic improvement on a smaller base.

Rajni Ghildiyal If I am right the major client here would be Toyota?

Arvind Thakur Toyota is one of the large clients. Holcim is another client, so we have many large clients in this particular space.

Rajni Ghildiyal So now can we expect that the growth will start coming up in the coming quarters?

Arvind Thakur Yes, that is our expectation.

Rajni Ghildiyal Okay that's all from my side. Thank you.

Moderator Thank you. The next question is from Ankit Pande from SBI Caps Securities Ltd. Please go ahead.

Ankit Pande I just had one question about Eurostar. Given that the management is not still ready to decide…. but can you give me breakup of the hardware and software specially regarding sort of infrastructure you mentioned in the van connections in different cities so on. Can you give me a breakup there?

Arvind Thakur I already shared that. I said we will be investing £3 million.

Ankit Pande Yes, that is the initial investment but what about the ….

Arvind Thakur That is the investment in this contract.

Ankit Pande Total contract completely, overall?

Arvind Thakur We cannot disclose the commercial of the contract. So what we are doing is we are creating the infrastructure and then we will be offering the services in the utility mode so that is why it is nonlinear. It is a nonlinear deal.

Ankit Pande Alright. I am a little bit confused. You mentioned offshore leverage and you also mentioned that all the offshore profits will be retained by NIIT Technologies. So can you give some work clarity there especially the off shore profits that are over and above the assured revenues, is that so?

Arvind Thakur Okay let me help you understand. Currently the shared services facility has 240 people. When we take over this facility all the assets, which means the hardware, the SAP, the applications, they will all become part of the JV and 100 people will also move to the JV but the balance 140 will continue to provide the same service but they will be on a professional services mode to the JV. So because you are taking lower running applications on which the business is dependent you have to make sure all 240 people are providing that service. However, only 100 will be on the rolls of the JV. The balance 240 will actually move offshore and when they move offshore they will move into a NIIT Tech facility offshore within NIIT Technologies in India. There is a contract already in place between the JV and NIIT Tech which provides for this transition.

Ankit Pande Currently and for the next year, what kind of onsite and offshore mix would pertain to this JV?

Arvind Thakur In the current year for the next two quarters it will be onsite. Only from next year we will start moving offshore and these 140 will gradually disappear so that is about 60% of the work will move offshore.

Ankit Pande So that 60% in FY13.

Arvind Thakur That's right.

Ankit Pande Okay sir thank you.

Moderator Thank you. The next question is from Ganesh Shetty, an individual investor. Please go ahead.

Ganesh Shetty Sir I just want to know one thing the media was never a focused vertical for us. Why you go into such a big transformation deal to start with? Can you please throw some light on this?

Arvind Thakur You are actually right. Media was not an area focus. However, managed service was an area of focus. So this deal essentially is a managed services deal. Now having done the deal with a company which is in the media segment and as I just explained, 100 of our people will be part of this organization. This will become a vehicle to arrest the media segment. So had we not done this deal we would not have been in the media segment and if not that we are not servicing media customers. In the UK we have the largest private TV channel as our large customer which is Channel-4. At some part of the time will bring all the synergies together and henceforth is a 10-year relationship that we have we will see how we leverage that to address the media segment.

Ganesh Shetty Sir my second question is regarding our newly started healthcare vertical. Can you please give some update on that, sir?

Arvind Thakur This is a new segment that we are addressing and as I shared with you last time, we are focused on the provider side of the business which we have created at the cloud platform. It is an initiative that will help us and hence it will increase our cloud business. So at this point in time we are in the process of setting up the sales organization. We acquired a few customers but they are not significant in size so there is something significant happening in the space. We will be talking about this segment.

Ganesh Shetty Sir just a last question. Had a JV with Adecco few years back and what is the status of that JV and are we getting revenues from that particular JV, can you please throw some light on this.

Arvind Thakur Yes so about a year ago we had dissolved the JV by buying out the shares and converted that JV into an outsourcing contract and in fact that contract is doing extremely well. So instead of servicing Adecco through a JV now we are directly servicing Adecco. We have now over 80 or 90 people engaged in providing them with different services.

Ganesh Shetty That's all from me sir. Thanks a lot sir.

Moderator Thank you. The next question is from Srinivas Seshadri from RBS. Please go ahead.

Srinivas Seshadri Despite your elaborate explanation there are just a couple of areas where I am still not clear pertaining to the large deals. One is when could we see both the large deals coming to a stable runrate in terms of revenues?

Arvind Thakur I think as far as Eurostar is concerned in this particular quarter and as far as Morris is concerned from next quarter.

Srinivas Seshadri From third quarter. So basically the first full quarter of delivery will be at a stable revenue run rate.

Arvind Thakur That's right.

Srinivas Seshadri And Arvind you mentioned that during the period where the engagement with Morris would be onsite heavy the margins are expected to be lower. But just wanted to understand would it be extremely low like in single digits or would it be still double digit margins during this phase of transition?

Arvind Thakur No, it will be low, single digits.

Srinivas Seshadri So from that perspective...

Arvind Thakur The onsite activity yes.

Srinivas Seshadri Okay but in terms of your economics what are you looking at in terms of margins over a five-year period for this deal?

Arvind Thakur That is very good because 60% of that activity will be offshored and all those margins will be retained in NIIT Technologies. So even if you retain margins the JV actually you are sharing 60:40, right. So it is better to have the margins in your own entity.

Srinivas Seshadri So it will be a transfer pricing arrangement, is it in terms of the offshore part?

Arvind Thakur Yes, that is right but not transfer pricing; this is a contract between the JV and NIIT Tech.

Srinivas Seshadri Okay. So the JV will make profit on the onsite part and that gets split but the offshore entire profits will be retained by you.

Arvind Thakur Yes.

Srinivas Seshadri I understand. Okay. The other question is again going back to just the business environment. Have you seen any kind of change in the decision cycle making in any of your geographies or verticals as has been reported by some of your peers so far?

Arvind Thakur You know what we are seeing is greater rigor on ROI and the decision maker is shifting from the CIO to the CFO and so therefore the earlier mode of tell us what to do and we will do it for you in giving way to, how can we engage you to give the business value. That is a significant shift.

Srinivas Seshadri I understand that is a kind of driver which is emerged out of the recession but this purely from where we were a quarter back. Are we seeing any slow down in terms of the decision time for any engagements or even the spending levels of any of your clients, important ones?

Arvind Thakur We are not observing that.

Srinivas Seshadri Okay. And in terms of the large deal pipeline obviously these two deals are pretty landmark in nature and in the last few years I think apart from the BSF deal these stand out in terms of size. Just wanted to understand in the pipeline are there any other such deals which are there which could potentially convert into deals?

Arvind Thakur Yes, in fact, I think we have a pretty strong pipeline and interestingly the pipeline now started having larger size deals as what we had earlier.

Srinivas Seshadri Okay and are there like any more deals in the late stage where we may be in the last stage of bidding kind of situations or fairly significantly?

Arvind Thakur Well yes. I think it's a very interesting situation where what we are finding is that we are in a number of situations where we are in the final shortlist.

Srinivas Seshadri Okay and the size of these deals would be comparable to what you have just announced in terms of Eurostar?

Arvind Thakur Well I would not say the same size as Morris but certainly Eurostar.

Srinivas Seshadri Okay. And just couple of other questions sir one is on the BSF collection. Just wanted to understand how much you have accounted in terms of revenue and how much money we have collected on that contract?

Pratibha K Advani This quarter we have booked a revenue of 1.2 crores and we have recovered close to 41 crores from the BSF.

Srinivas Seshadri Okay would you be able to give a cumulative sum just for our understanding how much is left to be collected?

Pratibha K Advani Left to be collected about 35 odd crores.

Srinivas Seshadri 35 odd crores which you have already recognized as such. And would they come in the next quarter.

Pratibha K Advani Yes. Our endeavor would be to collect it by next quarter.

Srinivas Seshadri Okay and then the hedge position if you can just share what it is now?

Pratibha K Advani Our current hedge is 26.75 million is what we hedged and we are continuing with our short-term outlook on it.

Srinivas Seshadri What period are these hedges spread over?

Pratibha K Advani This would be over a period of 12 months but typically we cover ourselves 100% for the next two quarters.

Srinivas Seshadri And what is the effective rate of these hedges.

Pratibha K Advani 46.85.

Srinivas Seshadri Alright thanks that's all from my side.

Moderator Thank you. We have a follow up question from Sonaal Kohli from AIM Capital. Please go ahead.

Sonaal Kohli Arvind I had just one query talked about beating the NASSCOM rate of growth. When you talk about your growth, are you talking in terms of reported revenues or revenues adding losses or revenues excluding the hardware revenue, which number are you referring to?

Arvind Thakur I always refer to reported revenue. My numbers are reported revenue.

Sonaal Kohli Okay, thank you.

Moderator We have a follow question from Neerav Dalal from Sharekhan. Please go ahead.

Neerav Dalal Realized rate for the quarter rupee-dollar.

Pratibha K Advani 44.56.

Neerav Dalal 44.56. Thanks a lot.

Moderator Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor over to Mr. Arvind Thakur, CEO, NIIT Technologies for closing comments.

Arvind Thakur Okay thank you very much for the very lively and thought provoking discussion that we had in the conference today. As you can see NIIT Technologies is in a threshold of major transformation in the way it is engaging with the market place and I hope all of you will be pleased with the results that you see from the company going forward. Thank you very much for your participation and bye.

Moderator Thank you. On behalf of NIIT Technologies that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.

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