



## NIIT TECHNOLOGIES LIMITED

### Q3, FY07 Analysts & Investors Conference Call

Wednesday, January 17, 2007, 05:00 p.m. IST

#### NIIT Technologies' Management Participants:

- R S Pawar, Chairman
- Arvind Thakur, CEO
- KTS Anand, CFO
- Gurpreet Singh, Head Investor Relations

#### Moderator

Good evening ladies and gentlemen. I am Rita, the moderator for this conference. Welcome to the NIIT Technologies Limited Conference Call. For the duration of the presentation all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would like to hand over to Mr. Arvind Thakur. Thank you and over to you sir.

#### Arvind Thakur

Thank you, Rita. Good evening everybody. At the onset let me wish you all a very Happy New Year. I would like to introduce the participants in the call. Besides myself we have Mr. Pawar, Chairman of NIIT Technologies Limited, and K.T.S. Anand who is our CFO, and I would like to introduce to you also Gurpreet Singh who is our new Head of Investor Relations and Treasury and who would also be now interacting with you in depth for your queries with respect to the company that impacts the investors.

I am pleased to share with you now the third quarter results for the financial year 2006-2007. As you would have probably seen from our press release this has been a very good quarter for NIIT Technologies. Net profit improved 92% year-on-year to 346 million. Revenues have grown 47% year-on-year to 2315 million. Within our operations, operating profits have also gone up year-on-year by 61% to Rs. 491 million, and we have seen an expansion in our operating margins from 19% last quarter to 21% in this quarter, and we have had a fresh order intake of \$56 million US in this quarter, which has been the highest ever we have had in any quarters since our inception.

Let me now give you a break up of our revenues & thereby do some analysis. As I mentioned earlier, consolidated revenues stood at Rs. 2315 million, which is up 47% year-on-year and a little over 5% quarter-on-quarter. IT solutions contributed to Rs. 2173 million while our BPO revenues were Rs. 142 million representing 6% of the total revenues. These consolidated revenues also include revenues from Room Solutions, which was an entity that we had acquired in May earlier this year to strengthen our position in the Insurance vertical. Revenues, as you may want to see it organically excluding Room Solutions represent a 28% growth year-on-year and a 5% quarter-on-quarter growth indicating a robust all round growth for NIIT Technologies.

Now look at the geography break up of our revenues. Europe accounts for 50% of our revenue, which is same as last quarter in terms of proportion of overall revenues. US accounts for 33% and the rest of the world including India is 17%. We have been consciously focusing on a few industry segments and as I have often been sharing with you our fundamental strategy has been to focus and differentiate and we have seen the share of revenues from the areas that we are focusing on also expand by a percentage point from 80 to 81% in this quarter.



The BFSI segment represents 44% of our total revenues and this grew 87% year-on-year. Travel and Transport, which represents 25%, grew 50% year-on-year, and the rest is in Retail and Manufacturing, which represents 12% of our revenues.

Now besides that also, we do some business with the government and some technology companies. Our top 5 clients have contributed to 40% of revenues and our top 10 clients have contributed to 51% of our overall revenues.

I think the more significant thing that has happened in the quarter has been the expansion in our margins. Operating profits during the quarter stood at Rs. 491 million, which is a 61% year-on-year growth and an 18% quarter-on-quarter growth. Prime mover of this expansion has been the completion of all transition and integration efforts in Room Solutions as well as improved margins in our BPO business and improvement in SG&A on account of increased revenues.

Net profit this quarter improved 92% year-on-year and 29% quarter-on-quarter to Rs. 346 million resulting in a net margin improvement from 12% last quarter to 15% in this quarter. \$56 million US worth of fresh orders were booked during the quarter taking the order book executable over the next 12 months to \$95 million US. We added 5 significant customers during the quarter and these were added in the areas that we are focusing on as a business.

We added 129 people in our software solutions business and there were 6 new additions to corporate functions to support the enhanced growth which we are experiencing. On the BPO operations, however, we reduced our head count by 84 people as the organization continued its focus on supporting the profitable businesses and processes within the BPO activities, so the BPO head count at this point is 862 people and the total head count for the company as a whole is 4199.

A significant business acquisition for NIIT Smart Serve, which is the BPO subsidiary of NIIT Technologies, has been a multimillion dollar, multiyear contract with a Global Fortune 500 company in the banking and insurance space, I am constrained from disclosing the name of the organization, that is a contractual requirement. However, I would like to mention that this is a very innovative contract which provides for management and support services with this company to establish and build offshore operations in respect of those processes which the company intends to move offshore. Our services here would include solution design, transition, service delivery in the offshore environment but the head count would be that of the company for whom we are providing these management support services. So for example, in this quarter we added 60 head count, but these head counts are not head count on NIIT Smart Serve rolls, but actually on the rolls of this company for whom we are providing these management services.

So with these opening remarks I will now open the session for Q&A. Over to you moderator for the Q&A session.

**Moderator**

Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions kindly please press \*1 on your telephone keypad. On pressing \*1 participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question please press \*1 now. I repeat participants are requested to please press \*1 now. First in line we have Mr. Amit Khurana from IL&FS.

**Amit Khurana**

Yeah, hi, thank you, this is Amit Khurana from IL&FS group. You mentioned about this contract for the BPO entity, could you give us further details as to what sort of engagement you would be involved into as to what would be your role and is this going to also involve your ownership of assets on the fixed side?

**Arvind Thakur**

Yes, our responsibility is to provide the complete infrastructure, management services, and all support services to ensure that the service levels are adhered to. The only difference between a normal BPO contract and this is that the head count would be on the rolls of the client organization, so it is their people and our management services and support services.

**Amit Khurana**

Okay, in such a scenario could you also comment a little more on the kind of margins that you would look at such contracts, and essentially I am trying to understand why would you go in for such a deal, is there any particular thought process behind doing such contracts?

**Arvind Thakur**

I think it stems from fundamental requirements that exist in the BPO industry, large corporations, if you look at for example; the BPO industry currently, majority of the business over here is captive. The large corporations would like to partner with companies who have a good understanding of the operations to partner with them in establishing their BPO activity, so it is stemming from that thought and the idea here is that we support them in establishing this, we scale it, and we make our revenues as well as our margins on the support services and the management services that we provide for this particular activity.

**Amit Khurana**

Okay and would you say the margins would be slightly better than considering that you are not investing on the resources side, they would tend to be better off?

**Arvind Thakur**

Yes, absolutely, because you know it is a management services contract, so you will obviously get better margin in that.

**Amit Khurana**

Okay, my final question actually relates to the improvement in the margin that we saw in the quarter, could you give us the revenues that would be there for Room Solutions and what sort of margins are there and how sustainable is this operating margin level in the quarters to come?

**Arvind Thakur**

Okay, let me first give you the Room revenues. Room revenues are Rs. 297 million.

**Amit Khurana**

Okay and what would be the margins there?

**Arvind Thakur**

Their margins on a standalone basis are 6.2%.

**Amit Khurana**

And how sustainable is the margin going forward for the consolidated numbers that we have seen?

**Arvind Thakur**

I think it is highly sustainable, because if you look at our margins, last quarter they were 19% and they were depressed because we are incurring these additional expenses associated with integration and transition. Now that is absolutely complete, and Room is completely integrated with NIIT and we have been able to deliver these margins now with Room being fully integrated with us. We see no reason why that should change in the coming quarters.

**Amit Khurana**

Okay, alright, thank you very much; I will come back in the second round.

**Arvind Thakur**

Alright.

**Moderator**

Thank you very much sir. Next in line we have Mr. Ganesh Shetty an individual investor.

**Ganesh Shetty**

Congratulations sir for great set of numbers.

**Arvind Thakur**

Thank you, Ganesh.

**Ganesh Shetty**

Yeah, sir, my first question is with the appreciating rupee and anticipated slow down in US markets a lot of software major are focusing on Europe markets. Do you see any challenges in our Europe business going forward?

**Arvind Thakur**

Ganesh, as I explained to you 50% of our revenues come from Europe and that has been a conscious focus of the company for many years now, so we have a good and deep understanding of that market, which is a difficult market to address, and I think we have been able to do that very very effectively. So what we are now seeing is other organizations also focusing their attention on Europe and for us it has been a growth market, we have steadily expanded our operations from the UK to the Netherlands to Belgium, Switzerland, Germany, and Austria, and at this point of time we are training a lot of our energies in I would say pretty much a virgin German market, and that is working to be good for us.

**Ganesh Shetty**

Yeah, sir my second question is regarding Room Solutions. We had acquired 51% stake in Room Solutions, are we in a position to acquire further 49% stake in the company to strengthen our Europe business, especially in insurance sector?

**Arvind Thakur**

Yes, in fact after acquiring Room on 8<sup>th</sup> May, where we acquired 51% of the company, we have taken a further stake in the company on 1<sup>st</sup> November and so now our stake in the company is 75%, and by June this year, June 2007, we should be acquiring the balance 25% as well and have complete ownership of that company.

**Ganesh Shetty**

Have you done any head count additions in the Room Solutions?

**Arvind Thakur**

We have added 6 people in Room Solutions.

**Ganesh Shetty**

Yeah, that is fine sir. Sir my next question is regarding our proposed SEZ, when we will be able to start our first phase of operations?

**Arvind Thakur**

The SEZ, as you know we have recently acquired the approval of the facility as SEZ. Currently, if you look at the activity, there is a boundary wall being built around our property over there. I anticipate it will take us 18 to 24 months before we can get it operational.

**Ganesh Shetty**

Yeah, Sir my last question is regarding our focus areas, right now we are focusing on Finance and Transport and are we expecting any substantial growth opportunities in GIS sectors, do you see any big national as well as international plan for GIS sector for accelerating further growth?

**Arvind Thakur**

Yes indeed, in fact GIS is a very special focus that we have. In fact starting tomorrow we are hosting the regional conference for GIS in the country here in Delhi, so whole Asia Pacific would be represented in that conference here in Delhi, about 700 people are expected to participate in that, and I think that will give us tremendous visibility in that community and we hope to utilize that to scale our business in that area.

**Ganesh Shetty**

Yeah, thank you very much sir, and congratulations once again sir. Thank you very much.

**Arvind Thakur**

Thank you, Ganesh.

**Moderator**

Thank you very much sir. Next in line we have Ms. Sheetal Shah from Kotak Management.

**Dipen**

Yeah, this is Dipen here from Kotak and congratulations to the management team on a very good set of numbers.

**Arvind Thakur**

Dipen thank you.

**Dipen**

Hi, how are you.

**Arvind Thakur**

Very well.

**Dipen**

I had a couple of questions; first of all it is on the employee addition side, correlation of it with the margins of the company in the current quarter we have added very few employees on the net, so it is probably because of the reduction in the BPO employees, but if I have to correlate this to the capacity utilization, which is right now at 82%, I don't know how far can we stretch that utilization and in that case will we have to start investing towards building a bench, and if so could there be any probable implications on the margins going forward?

**Arvind Thakur**

Okay, so let me first explain the head count because that may be a common question across all who are there on the conference call. As I mentioned we added 129 people in our software business, 6 in corporate function. We consciously reduced 84 people to improve the efficiencies and profitability of our BPO operations, that is an abnormal event, and we added 60 people for this new contract, which actually are people under management but not really on our rolls, so therefore we cannot count it as part of the head count. So if you add all these numbers it is actually the same intake that we would normally have, if this extraordinary event had not taken place, so that is just to put the net head count increase, why is it the number that you are seeing.

**Dipen**

Okay, and other part was in terms of the utilization, how far can we stretch it and do we need to now built up a bench, and if not whether this can constraint our future growth in terms of revenues?

**Arvind Thakur**

I think yeah, you are right, the utilization levels are somewhat optimal and you would have seen we increased it just by a percentage point in this quarter. We already hire to a bench, we also have one little advantage as you may be aware which is fairly unique for NIIT Technologies is that we take freshers from our own education centers, not our own but NIIT's education centers, while most of the other companies hire freshers and put them into their campuses for 6 to 9 months and they have a bench for training them. Our bench is work-in-progress in the education centers.

**Dipen**

Okay, okay, just to get an idea what proportion of employees could be recruited from the training arm?

**Arvind Thakur**

I don't have that figure off hand right now available.

**Dipen**

Okay, and other part is in case of, can you just give us some idea about the scale up in the top 10 and 20 clients because we see that the percentage revenues from these clients has grown.

**Arvind Thakur**

I can share that with you if you just give me a second.

**Dipen**

Just on qualitative aspects, on may be some of the major clients, which have scaled up and in which verticals are they?

**Arvind Thakur**

I will tell you , our top 5 clients have grown 7% quarter-on-quarter, 39% year-on-year, and top 10 clients have grown 6% quarter-on-quarter, and 38% year-on-year.

**Dipen**

Correct, yeah, so these figures are there in the update, but just wanted some qualitative aspects on what are you seeing in your top 5 clients in terms of future scalability in the coming few quarters?

**Arvind Thakur**

Qualitatively, I think we have excellent clients and each one of them is scalable, so I think they are all seeing the benefit of engaging with us particularly since we are very sharply focused, and when you are very sharply focused what you do is you provide both, the deep domain and industry knowledge as well as the technical capabilities, and that is something the customers value a lot.

**Dipen**

Okay, and lastly could you just for some book keeping purpose, what was the dollar revenue in our focus area that is the 3 verticals which we focus on, if you can just provide that figure?

**Arvind Thakur**

Okay, dollar, all my numbers are in rupees.

**Dipen**

The dollar revenue that is excluding the impact of the rupee.

**Arvind Thakur**

You want to understand the overall impact of the rupee appreciation, I can share that with you, but I am not able to give that to you industry wise.

**Dipen**

Okay, yeah, I think that figure can be derived from the sheet which you have provided, anyway thanks very much and all the very best.

**Arvind Thakur**

Thank you so much.

**Moderator**

Thank you very much sir. Next in line we have Mr. Nimesh Mistry from Man Financial.

**Nimesh Mistry**

Yeah, this is Nimesh Mistry from Man Financial, actually I have just one question pertaining to your BPO. Can you let me know about your plans in the BPO and how you are going to ramp up going ahead, which vertical you are going to focus, and particularly from the perspective of Room Solutions are we seeing work moving to offshore particularly to BPO?

**Arvind Thakur**

Okay, so, as you know, we are focused on 3 industry segments; Financial services, Travel and Transport, Retail distribution. Our BPO activities are also focused in these 3 segments, but where we are seeing maximum traction is in insurance, that is where we are seeing a lot of our business, lot of our activities, and that is also supporting the efforts that we are doing along with Room Solutions in acquiring BPO customers. Interesting thing is, number of those customers have visited us, we have identified the processes, in fact starting this quarter we would initiate also a pilot with one of them and once we see the impact & results of that pilot, I am sure there would be a significant number of customers who will engage with us from Room Solution in the BPO space as well.

**Nimesh Mistry**

And right now this 60 employees what you have added, employees on the client's roll, this is pertaining to what services?

**Arvind Thakur**

This is again Insurance.

**Nimesh Mistry**

Insurance and that is BPO or IT?

**Arvind Thakur**

It is absolutely BPO.

**Nimesh Mistry**

Right, okay, thanks a lot.

**Moderator**

Thank you very much sir. Next in line we have Ms. Sohini from ING Vysya.

**Sohini**

Hello sir, congratulations on a good set of numbers.

**Arvind Thakur**

Thank you so much.

**Sohini**

Sir, my question is that in terms of order book, you know the large contract that you talked of in the BPO, this multimillion, multiyear contract, have we included that in the overall order book?

**Arvind Thakur**

Yes.

**Sohini**

Okay, and excluding that what would be the growth in the order book?

**Arvind Thakur**

Beg your pardon?

**Sohini**

If one excludes that what would be the growth in the order book?

**Arvind Thakur**

No, we are not disclosing the amount of the value of that particular contract.

**Sohini**

Okay.

**Arvind Thakur**

It is a very substantial growth because if you look at intake last quarter, it is 42 million, this quarter it is 56 million.

**Sohini**

Right, what I would want to understand is that apart from this particular contract have you otherwise also received significant orders during the quarter?

**Arvind Thakur**

Can you just come again with your question?

**Sohini**

What I mean to ask you is that apart from this order also, we have got the significant order intakes in this quarter?

**Arvind Thakur**

Yes, yes indeed.

**Sohini**

Sir my next question is that in terms of the quarterly or a sequential revenue growth, in the first two quarters of course we have had a high growth because of the Room Solutions integration, but if one looks across 6 to 7 quarters, revenue growth on a sequential basis has not picked up organically in a big way, so do you see this improving going forward?

**Arvind Thakur**

No, I think it has picked up very well organically. If you really look at the previous quarters, let me just share with you the numbers.

If I look at first quarter of this year, that is 5%, second quarter 11%, I think that is a substantial increase QonQ.

**Sohini**

Okay and this is the organic growth?

**Arvind Thakur**

Yeah, this is organic growth.

**Sohini**

Okay, so basically sir, in terms of having a little larger picture, can we say that on a quarterly basis we can have a sequential growth in high single digit going forward?

**Arvind Thakur**

You have all the data points with you, I think you should be able to extrapolate from there because what we have seen is in this particular year we have demonstrated very significant YOY growth, and that has been quite consistent for the quarter. I think you should expect that consistency.

**Sohini**

Okay. Sir my other question is that, given the wage hikes, which would happen again in the April. Do we again have levers to maintain the margins at the current level despite the salary hike?

**Arvind Thakur**

You know, salary hike will happen in April. I think there are enough levers for us to deal with that when the issue comes. We don't expect any salary hikes to happen in this particular quarter, so we should not have any impact or any wage increase happening in this quarter.

**Sohini**

No, my question was pertaining to the next year that can we sustain the margins what we have done in this year during the next year as well, despite the salary hikes, which can happen?

**Arvind Thakur**

You know, salary hikes happen every year.

**Sohini**

Right.

**Arvind Thakur**

And you have seen us improving our margins consistently every year.

**Sohini**

Sure.

**Arvind Thakur**

18% year before last, 19% last year, and now we are moving on to 21% this quarter. So, you know, hopefully we should end up better than 19% this year, and there is no reason why we should not continue going forward.

**Sohini**

Yeah, that's very encouraging. And sir, another question is that we have huge cash on the balance sheet, so what kind of use are we looking at? Are we planning another acquisition or are you planning a higher dividend pay out or something?

**Arvind Thakur**

Cash generation would be used for internal investments, predominantly to create revenue-generating assets. So one of course, as you know, we are building our own campus outside in the Greater Noida area. That needs to be supported. Also, one important element of our strategy to scale and bring build strong capabilities is to pursue a strong inorganic program. So there will be cash required to support that program as well. So, that will be the areas where we will be utilizing the cash.

**Sohini**

Sure. Sir, any feel you can give that in what areas are you looking at the inorganic growth, what kind of companies you will look at?

**Arvind Thakur**

Exactly what you have been seeing in the past, areas where we are focusing on. So, we would like to add these initiatives essentially to support a fundamental strategy to focus and differentiate.

**Sohini**

Sure. Okay sir, thank you very much.

**Moderator**

Thank you very much mam. Next in line we have Mr. Ruchir Desai, from Pioneer Intermediary.

**Ruchir Desai**

Hi, good evening. I just had a question on Room Solutions. What is Room Solutions' contribution to the fresh order intake this quarter, if you can give that number?

**Arvind Thakur**

Sorry, can you just repeat your question again?

**Ruchir Desai**

Yeah, I just want to know, what was the Room Solutions' contribution to the fresh order intake this quarter, if you can give that number?

**Arvind Thakur**

That I will not have separately.

**Ruchir Desai**

Okay, and regarding the executable order book in the next twelve months, would you be able to give the split between software solutions and BPO?

**Arvind Thakur**

Just hold on for a second.

**Ruchir Desai**

Yeah, sure.

**Arvind Thakur**

Okay, I am just looking at the numbers. I want to just make a correction to an earlier statement I made where somebody asked me whether the BPO engagement has been taken in the intake. It has not been taken in the intake. It will be taken in this quarter. So, 90 million is in solutions and 5 million is in BPO.

**Ruchir Desai**

All right, fine. Next question on head count addition, what kind of head count addition have you planned for the next couple of quarters, considering the fact that you have quite a big order book position to implement. So, what kind of head count addition have you planned in the next 2-3 quarters?

**Arvind Thakur**

You are talking about head count?

**Ruchir Desai**

Yes, head count addition in the next two-three quarters.

**Arvind Thakur**

I think we should have run at rate of about 250 people.

**Ruchir Desai**

And what is the current seating capacity?

**Arvind Thakur**

I am just trying to see whether I can get that number for you.

**Ruchir Desai**

All right.

**Arvind Thakur**

I don't think that's a constraint.

**Ruchir Desai**

All right. Just a last question on the offshore onsite revenue mix, what kind of ratio are you comfortable with respect to offshore and onsite revenue mix?

**Arvind Thakur**

Right now it is running at 64:36. Obviously that needs to improve with lever of offshore.

**Ruchir Desai**

Correct. So, what would you be comfortable with..., how do you see it going forward in the next, say, 2-3 quarters?

**Arvind Thakur**

I would like to see a percentage point improvement happening every quarter.

**Ruchir Desai**

All right, fine. That's it from my end. Thanks.

**Moderator**

Thank you very much sir. Next in line Mr. Sanjeev Parekh from ASK Raymond James.

**Sanjeev Parekh**

Congratulations to the entire team, great set of results.

**Arvind Thakur**

Thank you so much.

**Sanjeev Parekh**

Yeah, I was just thinking that our revenues, excluding Room Solutions last quarter and this quarter, and the margins on that, and I think that it's a 240 basis points increase, 21% to 23.4%.

**Arvind Thakur**

240 or 182? Without Room.

**Sanjeev Parekh**

Yeah without Room. So, that's 21% to 23.4%. And 21 itself was a big rise if you compare the few quarters before that. So it's a really significant change which you have been sharing with us in the last few calls. But now, definitely we are into a different trajectory of margin. I want to know, what lead to this rise in the last quarter? If you can attribute it to the reasons and break it down. And second is do you think these are sustainable? And you said that they are going to rise, but if they will rise then why do you think they should rise from here on?

**Arvind Thakur**

Okay. So, I think a couple of things. If you recollect, one of the major overheads that we had in the last two quarters were the expenses associated with the acquisition of Room Solutions, and that involved a number of things. It involved integration, and it involved transition, because Room was doing business with other offshore vendors and that business needed to be transitioned to us, which meant that we had to setup the facility and the people and the resources while we were still making pay outs to the other partners of Room prior to the acquisition. So, there were these double costs that were being incurred during this transition phase. I think we have done a great job in transitioning that smoothly, not only smoothly but very efficiently. What is really happening is, two things. Number one, we are not paying out double for the same work, which you were doing in the last quarter and part of the quarter before that. And number two, the profits that were going for the offshore work to the other partners is now within the company. So that is one very significant margin expander in this particular quarter. Second, you would have seen our BPO margins also improving. Third, our SG&A is now below 20%. So, these are the three things, which have really contributed to the margin expansion that we see. And if we continue with the same efficiency levels, I don't see any reason why margin should be under pressure. And, in fact, one thing that, at least I feel extremely pleased about, when I look at the company at this point of time, is that we have been able to build a cost structure which, to my mind, is the best amongst all midsize organizations.

**Sanjeev Parekh**

Particularly in an unfavorable quarter from a forex point of view, in fact you have done better. So, I just wanted to know whether these are advantages which will sustain ahead or are there any one-time off?

**Arvind Thakur**

So, I think, let me just respond again, because whenever we talk on margin expansions, there is some skepticism, but I think now we have many years of data and a track record to support the fact that we have been able to build the efficiencies in the organization to continuously improve our margin.

**Sanjeev Parekh**

Great. One more thing, what is the status of Adecco joint venture now?

**Arvind Thakur**

The company has been formed. It is called Adecco-NIIT Technologies Private Limited. In this quarter we will operationalize it and we hope to start doing business in the company from the next financial year.

**Sanjeev Parekh**

Okay. And going ahead, since it's a huge organization, I suppose, it is a US\$23 billion company, can we see this joint venture turning out to be a 500 people organization in next year and even in '09 may be further ramp up?

**Arvind Thakur**

I would be disappointed if it doesn't happen.

**Sanjeev Parekh**

So, the plans there are, I mean could you just throw the numbers as to how these organization could look in terms of number of people two years from now?

**Arvind Thakur**

I think, once you operationalize the JV and they put their budgets in place, we will get a better fix on that. But just treat it as we are all in an engagement with the Fortune 500 company, which is serious about off shoring, and you have seen how they scale, when they are serious about off shoring.

**Sanjeev Parekh**

Right. And this would be for all the work that Adecco does for itself and its clients?

**Arvind Thakur**

That's right.

**Sanjeev Parekh**

Okay, and we as of now don't do any work for Adecco?

**Arvind Thakur**

We do.

**Sanjeev Parekh**

So, does that cannibalize?

**Arvind Thakur**

Right now, we have just started working with them. So, to that extent when the JV is formed that business will get rolled into the JV.

**Sanjeev Parekh**

Okay, but would it be substantial that we do right now?

**Arvind Thakur**

Less than a million dollar.

**Sanjeev Parekh**

Okay, fine. And what is the debt level right now? I mean cash flow, I am sorry.

**Arvind Thakur**

Rs. 190 crore.

**Sanjeev Parekh**

Okay, fine. And last thing is, as you grow ahead and the two major things that could be differentiators could be training the new guys and second is the capabilities as you scale up. Can you just elaborate on what you are doing in these two areas?

**Arvind Thakur**

In fact, I think on both the areas, if you look at capabilities, because of the sharp focus we have been able to bring in both the domain understanding as well as the specific technology needs of those industry segments, but I think that is an area which is now getting well recognized with our customers and potential customers.

On the supply side, where we are basically building on the inherent strengths that the organization has, which is its training capabilities. So, fresh hire, training them and making them project ready, using the capabilities of NIIT to support that is I think a significant differentiator. The other thing is when we are looking at the supply side is when you do lateral hires, are you getting good talent? One of the things that we find is that the NIIT brand per se is such a powerful brand that when you go to the market place for lateral hires, you get excellent talent wanting to engage with us. So, I think these are some of the, I would say, differentiators or advantages that we have on the supply side.

**Sanjeev Parekh**

Okay. And one more thing on rate hikes, for existing contracts & the new contract, give us some sense as to what is the situation?

**Arvind Thakur**

Let me just put it this way, there is no pricing pressure per se on bill rates

**Sanjeev Parekh**

But in case of hike, because typically most of the peers are getting rate hikes of 3% to 5%, do we get that on renegotiation or new contracts?

**Arvind Thakur**

Yeah, the reason why I am not talking about it specifically is that we have not computed that number.

**Sanjeev Parekh**

Okay fine. But that would be only a request that that's an very important indicator and if you can get that in the coming quarters that would be helpful.

**Arvind Thakur**

In fact, we have also observed a lot of companies talking about that. So, we have to get our data points in place with respect to that.

**Anuj**

Hi Arvind, this is Anuj

**Arvind Thakur**

Hello Anuj.

**Anuj**

Hi, just some sense on road map for margins for Room Solutions as to how they will move and when do we see that converging with the NIIT margins.

**Arvind Thakur**

See what is happening is currently when we talk of Room margin you know we are talking about the standalone entity, which is in the UK.

**Anuj**

Okay.

**Arvind Thakur**

But what we now need to see is the combined entity, which is Room onsite as well as the offshore activity work that is happening for them, that combined entity is what we would like to bring to the same margin levels as NIIT Technologies. Our attempt is to achieve that over the next financial year.

**Anuj**

By the end of FY08?

**Arvind Thakur**

That is right.

**Anuj**

Okay fine, thank you. Thanks I am done.

**Arvind Thakur**

Thank you.

**Moderator**

Thank you very much sir. Next in line we have Mr. Sanjeev Hooda from Emkay Shares.

**Sanjeev**

My questions have already been answered. Thanks.

**Arvind Thakur**

Okay Sanjeev thank you.

**Moderator**

Thank you so much sir. Next in line, we have Mr. Anup Bhaskar from Sundaram BNP. Over to you sir.

**Anup Bhaskar**

Good evening sir, congratulations on a very good set of numbers. I just had a question on the BPO contract that you signed with new customer on the new model. Sir I just wanted to understand how do we be billing them, normally we bill them on per person per day, so when you do not have the head count on you, so how does the billing happen on resources, some more light on that.

**Arvind Thakur**

There are actually three elements to that; one has to do with the whole infrastructure and support services that we have, so it is linked to that. Second has to do with the people engaged with them, you know, obviously there will be a lot of supervisors, team leaders, and managers who will be part of that organization, and the third has to do with the number of people under the management, so these are the elements.

**Anup Bhaskar**

Yeah, but you know since you do not have all the guys on your rolls.

**Arvind Thakur**

No, not guys on our rolls, guys been managed. If there are more people to be managed, you know, you will obviously increase your revenues, because there are more people to be managed. We will deploy more people to manage those people.

**Anup Bhaskar**

Yeah, fine, so you will be just charging based on the manpower that you have for managing the team basically?

**Arvind Thakur**

There are three elements, like I said; one is the infrastructure that is being setup. The other is the people who are engaged in providing support, and third is people under the management. So there is an overall fee, as the number of people increases the fee also increases.

**Anup Bhaskar**

Sir just to understand typically when the people engage in the project in terms of team leaders or project managers, how does this work in terms of ratio of the leaders to the number of BPO operators or the people who work on the team?

**Arvind Thakur**

That varies depending on the process.

**Anup Bhaskar**

Any ballpark kind of a number.

**Arvind Thakur**

There is nothing ballpark in this. It is very specific with specific process because at the end of the day SLA have to be delivered.

**Anup Bhaskar**

Yeah, you know the kind of work that is to be done, so what will be the kind of number?

**Arvind Thakur**

I do not have the number to give and share with you right now.

**Anup Bhaskar**

And in terms it a multimillion-dollar, multiyear contract, so you have about 60 guys on the project now.

**Arvind Thakur**

Yeah, we are ramping up to take on the first process, this will be in the annuity space, insurance, that will be the first process, and then many more will follow.

**Anup Bhaskar**

Okay, so any idea if you could just at least give some idea of when the deal matures what will be the kind of team size that you might have in this project with the client?

**Arvind Thakur**

You know if the first process is a runaway success we could just open the flood gates, so I think we will have to wait for the first process to get executed and then you know what is the size of Fortune 500 financial services BPO unit.

**Anup Bhaskar**

So when do you think you will be in a better position to give us some more data on this in terms of when do you think this first process, will you know I mean that milestones, could you just give some time line on that sir?

**Arvind Thakur**

You know as I have mentioned to you, on this particular contract we are constrained by contract to give too many data points, so till we get those permissions I may not be able to communicate that freely except for you know what I have been trying to discuss with you.

**Anup Bhaskar**

Sure. Sir, another question on your rates, could you just share with us your average billing rates on offshore and onsite in this quarter and how it has moved vis-à-vis the last quarter?

**Arvind Thakur**

You know we do not disclose our bill rates. There was a time when we used to, then we found that some of our customers who were giving us very good rates started pressurizing us to reduce their rate, but let me tell you one thing that our rates are completely in line with the industry, and we have not seen any decrease in those rates.

**Anup Bhaskar**

And are the new contracts coming at much higher rates than your average rates or are they in line with your average rates sir?

**Arvind Thakur**

I think that was the question asked earlier also, there was a request to put these data points together, so we will try to put the data points together and share with you in our subsequent discussion.

**Anup Bhaskar**

Sir in terms of your overall consolidated revenues, how did the Euro and the rupee dollar movement, you know, how does this affect you in the last quarter, if you could just share some details on that?

**Arvind Thakur**

We had a negative impact of foreign exchange of 2% in this quarter. So our growth was what we have shown is 5.3%, had there been no currency exchange impact it would have been 7.3%.

**Anup Bhaskar**

Okay and would more than 50% of your revenues would be Euro denominated sir?

**Arvind Thakur**

Pound or Euro.

**Anup Bhaskar**

Okay sir. Thank you very much sir.

**Arvind Thakur**

You are welcome.

**Moderator**

Thank you very much sir. Next in line Mr. Ashwin Mehta from Ambit Capital. Over to you sir.

**Ashwin Mehta**

Hi, most of my other questions have been answered, I just wanted a few data points in terms of what is the outstanding debt on your books, what is the receivable days, and what is the capex which you have planned for next year in terms of the new campus that is coming up?

**Arvind Thakur**

Receivable days is 73, debt is 800 million, and we are just actually going to be doing our budgeting for next year for our capex requirement, but we are typically looking at about Rs. 100 crores for our campus.

**Ashwin Mehta**

Sir just one more thing, in terms of the 75% acquisition of Room, how much have we paid for the whole thing.

**Arvind Thakur**

So, 75% of 25 million, approximately.

**Ashwin Mehta**

Okay, thanks.

**Moderator**

Thank you very much sir. Next in line Mr. Amish Khanani from JM Morgan Stanley. Over to you sir.

**Amish Khanani**

Good evening and congratulation on a very good set of numbers. A couple of questions from my side, largely others have been answered. One is this Room Solutions margin that you are mentioning on a standalone basis it is looking low, but you are saying that including the offshore what they are doing through you, may be the margins are much better and you are saying that as a combined thing Room & off shoring work that is being done here, you would like it to ramp up to the level at which the NIIT standalone, say around 20% kind of a number, so what is it right now you know current offshore work that Room is doing right now, that is one. And what is the improvement that can be possible going ahead, that is the first question. Second, on a standard on Room basis whether there is a significant growth or ramp up that is happening on the Room standalone sales you know on a quarterly basis, do you see a significant growth there post your acquisition out there. Is it something that if you can throw some color there? And basically you know attrition rate you have not being sharing in the tables, you know what is the percentage of attrition, if you can give some numbers there?

**Arvind Thakur**

Okay, I will have to be a little approximate on the combined entity. It would be between 13 to 14% somewhere in terms of margin.

**Amish Khanani**

So standalone is where you were referring is 6% to 6.5% & you were saying combined could be close to 13 and 14, which you are planning to ramp it to say close to 20.

**Arvind Thakur**

Yeah that is right.

**Amish Khanani**

Okay, and how do you do it, in the sense is it more of off shoring, more and more work being off shored from Room to here or the second part was you know shifting other vendors to NIIT, so what is it more to do with is it shifting more to NIIT or?

**Arvind Thakur**

No, shifting other vendors, that has already happened, so all the scaling up will happen offshore.

**Amish Khanani**

Okay.

**Arvind Thakur**

Also, we are going to be moving a lot of product development offshore, as you know Room has some intellectual property, it makes them leaders in the market that they are servicing, and a lot of that work happens onsite, there is a tremendous amount of cost arbitrage in moving that offshore, so we see that as a major lever on improving these margins.

**Amish Khanani**

Okay, and on a standalone growth of Room on a quarterly basis.

**Arvind Thakur**

7% QoQ.

**Amish Khanani**

Okay, do you see that significantly ramp up on that side as a standalone entity, since that entity is now having advantage of Indian delivery capabilities?

**Arvind Thakur**

I would expect to, because if there is a lot of opportunity to cross sell the services that we have into their customer base and there is also an opportunity to globalize because they are a local UK entity, there is a lot of opportunity to globalize their activity as well.

**Amish Khanani**

Sure, okay, and sir about attrition rates?

**Arvind Thakur**

Attrition we are running a little over 18%.

**Amish Khanani**

Okay and what was it say last quarter?

**Arvind Thakur**

It was the same.

**Amish Khanani**

Okay. Sir, was there any out of turn salary hike during the quarter? Since there is no mention to it, I am assuming there is no pressure on that in terms of out of turn salary hike?

**Arvind Thakur**

No, no we did not have any salary hike.

**Amish Khanani**

And sir what was the hike during the April last year and how do you see the pressure from there you know in the sense how do you see the pressure of you know NIIT Tech as an entity, which is mid-level entity, what are the kind of pressure that you will have in terms of retaining your employees, although you said that one of the advantages that you have is the NIIT associate entity supporting.

**Arvind Thakur**

Typically, we are going to expect around 15% as the offshore hike and may be anywhere between 3 and 5% as onsite hike.

**Amish Khanani**

Okay. So what you are saying is that was there in last year and you do not see any major changes out there going into the next year?

**Arvind Thakur**

Yes.

**Amish Khanani**

Okay, and sir one more thing is on the new order side, what I have been seeing table, the new order wins this year is in terms of number is coming from the rest of the world side, you know 4 out of 5 is rest of the world, whereas fresh order intake in terms of value terms is coming more from the Europe, \$36 million, so I was wondering whether one client which is a new client in the Europe and you know that \$36 million, is it something that one new client in Europe has added significantly or it is because of the Room Solutions there are lot of scaling up that has happened in the European entity, the fresh order from the European side?

**Arvind Thakur**

No, do not mix the two numbers, because you know when I talk about 56 million intake it includes the intake from existing customers.

**Amish Khanani**

Correct, yeah, sir my question is the scaling up happening out there on the old side or it is some new orders with the large ticket size have happened?

**Arvind Thakur**

Both are happening, but there is more happening in terms of scaling up, but I think we are acquiring some from very good customers in Europe, just to give an example, we have acquired DB Systems, which is the IT arm of Deutsche Bahn, which is the German Railways, now we are the exclusive partners providing service, so those are very very significant engagements that are opening up. Last quarter we had good intake in the US, I think there were three new customers we added. This quarter we do not see any in the US because you know lot were added last quarter, so there will be these ups and downs that will happen in different geographies, but if you look at our intake they have been more or less in the five or six new customers we have been adding every quarter.

**Amish Khanani**

Sir any change in the ticket size in terms of either the new order wins or in terms of scaling up which is happening, in the sense have you seen the average order ticket size has gone up and hence the margin improvement has happened?

**Arvind Thakur**

Margin improvement does not happen because of intake, it happens because of your ability to scale and bring about the operational efficiencies.

**Amish Khanani**

Okay, and lastly sir is there any update on what is you know I do not know whether you are the right person to ask in terms of NIIT's intention of the stake that NIIT has, is there any formal stand on what is happening on that side?

**Arvind Thakur**

I think the position on that is the same as you know what I have been explaining in every quarter.

**Amish Khanani**

Okay, thanks a lot sir.

**Moderator**

Thank you very much sir. Next in line Sheetal Shah from Kotak Management.

**Dipen**

Yeah Arvind Dipen here. Just a couple of follow-up of questions, just to clarify certain things. First of all in terms of the training of employees you said we get some employees trained from our training arm, now does this work in a way that we select employees and employ them and they are sent for training to NIIT Limited, or we directly get trained employees from NIIT Limited as per our instructions?

**Arvind Thakur**

It is the later, NIIT Limited has a program called the GNIIT program where the last semester is tuned with the requirements of the organization, so that is the dialogue we have with them, and so you get ready material coming out of their system into our system.

**Dipen**

Okay that is the one part, so in terms of training capabilities or training facilities how big a facility we have for training or it is totally done at NIIT Limited only?

**Arvind Thakur**

No we also have an in house training school, which is fully residential, and we run a continuous boot camp in that facility, so that is to basically fine tune the training to specific skill sets and technologies which are specific to a particular project.

**Dipen**

Okay and in terms of once again lot of questions have been asked, but about the new contract in the BPO side, does this in any way mean or imply that we have installed the platform which we have got from Room to this client and then we will be getting paid on a per employee basis the number of employees that we manage?

**Arvind Thakur**

No, this is a normal back office BPO operation.

**Dipen**

Okay, and in the future can we expect that the BPO business while it can have a slower growth in revenues the profitability will improve because we will have more focus on such kind of contracts?

**Arvind Thakur**

In fact that is the prime focus, because as I mentioned earlier our fundamental strategy is to focus and differentiate, and this is the reason why we are getting out of these non-profitable voice processes and there is more focus on back office processes which utilize the capabilities that we are building in those industry segments and then adding to that body of experience we have to position ourselves better for those businesses in future.

**Dipen**

And lastly, I was not very clear about the combined margins of the Room including the offshore business which they have, so currently you said Room has margins probably in the 5% to 6% range, but combined with the work we used to do offshore, it is about 13% to 14%, so pardon me for my ignorance but what is this work which we do for Room Solutions offshore?

**Arvind Thakur**

Okay, you know if we look at Room's business basically it is IPR based ADM (Application development and maintenance) so they have a framework which is suitable for commercial insurance, which they have deployed with underwriters and insurance companies in the UK, a very successful platform, 30% of the Lloyd's transaction happens around that, but every implementation has to be customized to the client's requirements. It is not a shrink-wrap product, so these elements have to be customized for specific customers. So that work was earlier happening with their offshore partners, now all that is happening with us. Right? So all that work goes to offshore margins.

**Dipen**

Okay, understood. Thanks very much and once again all the very best.

**Arvind Thakur**

Thank you Dipen.

**Moderator**

Thank you very much sir. Next in line is Ms. Mythili Balakrishnan from JP Morgan.

**Mythili Balakrishnan**

Good evening, I am afraid all my questions have been answered. Congrats for the great quarter and thank you.

**Arvind Thakur**

Alright Mythili. Thank you.

**Moderator**

Thank you so much mam. Next in line Mr. Ruchit Mehta from HSBC AMC.

**Ruchit Mehta**

Hello, congratulations on your results. I was just wondering you know you have different margins levers into your operations, but what would be sort of sustainable margin going forward may be say in the 6 to 7 quarters down the line, will we be able to sustain the margins at current levels?

**Arvind Thakur**

Well I think I tried to address that question earlier. You know we have many levers. One is very simply an onsite to offshore ratio. As we improve the offshore component you know it helps improving margins. Second, you have seen that our BPO operation is quite strained with respect to margins and we are coming out of that. Third, as we scale our business you know we keep improving our SG&A. Fourth, Room Solutions, you know the company that we have acquired, again off shoring and all the things I talked about, is another lever. So these are still fully not exhausted in terms of levers to improving margins, which is the reason why I think you also have been seeing us consistently improving our margins year on year on year, and in fact I think the whole analyst community perhaps need to view mid sized organizations some what differently from the margins perspective as compared to the scale organizations. I think they have exhausted most of the lever and so it becomes a concern.

**Ruchit Mehta**

Sir, if I could just discuss your growth strategy going forward a little bit more, excluding the inorganic aspect, I mean would you think that given your focuses on niche verticals and also on the European geography, you should be able to sustain a growth rate which would probably be the better than the industry over a 2-3 year timeframe?

**Arvind Thakur**

Again, you know you can refer to the data points. Even in the earlier period when our growth was not that significant, you know as a company we were growing 10-12%, I have been always sharing with you the growth in the areas that we are focusing on. There was you know at levels which were much higher than what the overall company growth was because we were exiting out of spaces we were not focusing on. Now that 80-81% of our business is coming from the areas we are focusing on we are seeing that momentum continue.

**Ruchit Mehta**

So by what time do you think you would have sort of completed your transformation and exited the non-focus areas?

**Arvind Thakur**

I think we have completed the transformation and probably we are just a few percentage point left of further focus. But by and large the transformation is complete.

**Ruchit Mehta**

Just a couple of book keeping question, what is your tax rate outlook going forward, because right now we are at about 16% at the PBT level?

**Arvind Thakur**

Yeah. I think that is what would be a safe assumption to take.

**Ruchit Mehta**

Even in for fiscal 08 as well?

**Arvind Thakur**

Certainly for the next quarter, '08 we will see what other efficiencies we can derive.

**Ruchit Mehta**

Okay and just on your acquisition strategy, I mean obviously that will be an integral part to grow the company faster, but would you be more comfortable paying cash or also be looking at equity dilution to acquire these companies?

**Arvind Thakur**

I think we prefer cash deals.

**Ruchit Mehta**

Okay, thank you sir. Wish you all the best.

**Arvind Thakur**

Thank you.

**Moderator**

Thank you very much sir. Next question is from Mr. Siddharth Purohit from Way2Wealth.

**Siddharth Purohit**

Thanks sir, most of my questions have been answered.

**Arvind Thakur**

Thank you very much.

**Moderator**

Thank you very much sir. Next is Mr. Amit Purohit from Motilal Oswal.

**Srinath**

Hello, good evening and congrats. This is Srinath here from Motilal Oswal. Just two questions; one strategic and one on the risk. On strategy, our vertical focus has really paid off. I mean that is one of the things which we have kind of sold the stock on. The second one which is more subtle, is the potential of offering integrated solutions to customers, end to end. Now we wanted to know whether in this quarter whether we made any headway on that front?

**Arvind Thakur**

Yes, in fact you are absolutely right that is the area that has again tremendous potential, and one of the things that we are very seriously putting together with our acquisition of Room is exactly this. Because you know with Room you have an industry-leading platform, you have deep domain understanding, you have software services and you have BPO services which can all be offered as an integrated service to our customers.

**Srinath**

Including infrastructure management?

**Arvind Thakur**

Including infrastructure management.

**Srinath**

Right, so any progress or what we call the higher share of wallet strategy with existing customers.

**Arvind Thakur**

We are beginning to get traction, in fact with some of our other customers, may not exactly be in the space I just talked about, but what we are doing is integrating our services with managed services and offering managed security services, that has been a tremendous success and in fact we have one large customer in that space and we are acquiring a few more.

**Srinath**

That was one. The second one was on risk, because each customer of ours is important to us, because each customer contributes a fairly significant share. So what we came across during this quarter was a couple of organizational changes in some of our customers.

Sabre, for example was taken over by a private equity firm, Texas Pacific, so we just wanted to know whether these kind of customer specific developments, could they have potential shocks on the business front. For example, Texas Pacific could have its own preferred vendors and when such deals come up for negotiations they may have some synergies in place or we just wanted to know what is your sense on this?

**Arvind Thakur**

I think our customers are very sticky, in fact we have relationships which go beyond 10 years and they have only grown from strength to strength. We see Texas Pacific\_ acquiring Sabre as a very positive move, because when a private equity organization acquires a company they want to drive cost and I think we are in a perfect position to provide that support to that organization.

**Srinath**

Finally, one of the specific data points, one is when do we expect the BPO deal billing to commence?

**Arvind Thakur**

It will start from this quarter.

**Srinath**

From 4<sup>th</sup> quarter, and finally, the European client we got was DB System, any significant names from the rest of the world clients, the four which we acquired during this quarter?

**Arvind Thakur**

A large insurance company in Australia, the Land Transport Authority in Singapore. These are two I can talk about.

**Srinath**

Okay, and just one final thing, it just came to me now that Singapore came in. Any progress or something on the DST tie up in Singapore?

**Arvind Thakur**

Yes, I think we have now built up a very good pipeline, but what we are still experiencing is perhaps we may need to change our model, because we have gone into the markets with a solution offering whereby I think the markets may require an offering which includes managed services in an ASP kind of mode, so tremendous interest, I think we have to just put together right solution to acquire some business.

**Srinath**

Okay, thanks a lot and congrats once again.

**Arvind Thakur**

Thank you, you are welcome.

**Moderator**

Thank you very much sir. Next is Mr. Ganesh Shetty, he is an individual investor.

**Ganesh Shetty**

Thank you very much for detailed conference call. I have just two request for you, one is revamping of website of Room Solutions company , and second is for the next conference call you will have to wait a very long duration because your annual results are only declared in the month of June, so may I request you to just slightly make it earlier so that it will be better for our investment as well as analyst community, any comments sir.

**Arvind Thakur**

Okay, we will consider both. Would you be happy if we declare our annual results in May?

**Ganesh Shetty**

Yeah, very much happy sir.

**Arvind Thakur**

Okay, we will consider that.

**Ganesh Shetty**

Thank you very much sir and all the best.

**Moderator**

Thank you very much sir. Participants are requested to press \*1 for the question. I repeat, participants are requested to press \*1 for question. We have Mr. Manoj from JP Morgan.

**Manoj**

Hi Arvind. Congratulations on a good quarter. I just have a couple of questions on the BPO business. Obviously, you have won this large contract in BPO and it should start to ramp-up. If I look at your company 1 or 2 years down the line, what will you think would be an optimal proportion of the BPO contribution to overall revenues, right now it is on 6%-7%, but what would you look at in a couple of years.

**Arvind Thakur**

Well we would expect our BPO business to scale more rapidly than our software solutions business.

**Manoj**

Any targets that you have in mind or what you think is achievable?

**Arvind Thakur**

Well we are driving our people pretty hard.

**Manoj**

Secondly, on the margins, obviously BPO margins are low and they are moving up. Your IT software margins today at 22% in fact, so where do you think you can move your BPO margins up to or what do you think is sustainable in the medium term?

**Arvind Thakur**

As I explained to you, our aim was to get a positive operating margin in this financial year, which is how we had planned for our BPO operations. If you recollect our first quarter we had negative margins, we improved that, we improved this, and our intent is that year end we should have a positive operating margin. Next year, we would like to have a positive net margin.

**Manoj**

But, Arvind if I look like the year after that what looking in dynamics with the business which you are pretty familiar with? What do you think would be attainable in that? Can it be same margin as the IT services? Would it be much lower?

**Arvind Thakur**

You know basically we have to then look at what is happening in the industry around and we are beginning to see companies who have been able to scale beyond a critical level to see margins which are even equivalent to IT services margins, so our aim would be to move in that direction only.

**Manoj**

Okay, and sir just one very last question from my side. There has obviously been a lot of discussion around IT services margins and how you would move them up. If you look 2-3 year out, what do you think is achievable for a company like NIIT Tech, because we are now getting very close to margins with some of the larger players, so do you think there is a lot of room left here or sustaining these margins over a 2 or 3 year period is a more realistic goal?

**Arvind Thakur**

Well all depends upon whether you are optimistic or conservative. Right? I mean our aim is to continuously improve margins. I do not know, may be I should do some data points to check myself, but my sense is if I am going to look at margin of the scale players over the last couple of years, perhaps reducing a percentage point every year, and if I look at margins of our company over the last couple of years we have been increasing it from a percentage point every year, but there will be a meeting point in between somewhere. May be around, I do not know where, but somewhere in the middle.

**Manoj**

But you are comfortable with atleast the trajectory over the coming one year, in terms of keeping the trajectory where you have them on the last two years?

**Arvind Thakur**

Yeah that is what I tend to feel.

**Manoj**

Sure, thanks a lot Arvind, and congratulations once again.

**Arvind Thakur**

Thank you.

**Moderator**

Thank you very much sir. Participants who wish to ask questions please press \*1 now. I repeat, participants who wish to ask questions please press \*1 now. At this moment, there are no further questions from the participants. I would like to hand over the floor back to Mr. Arvind Thakur for final remarks.

**Arvind Thakur**

Thank you very much. I think we had a fairly enlightening and lively discussion in this call and as always I am thankful to your suggestions and I look forward to your continued support in helping us build a strong organization. Thank you very much and good night.

**Moderator**

Ladies and gentlemen, thank you for choosing WebEx conferencing services. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.

---

**NOTE:**

*This is a transcription and may contain transcription errors although an effort has been made to ensure high level of accuracy & improve readability through editing.*