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Ladies and gentlemen, good day and welcome to NIIT Technologies Q4 FY2012 earnings conference call. As a reminder all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need any assistance during this conference call, you may 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.

Welcome everyone to our Q4 & FY’12 conference call. Present along with me today at this call are Mr. Rajendra S. Pawar – our Chairman; Mr. Arvind Thakur – our CEO; Ms. Pratibha K. Advani – our CFO, and Mr. Deepak Khosla – our Global Head of Sales and Marketing.

We will begin this forum today with opening remarks by Mr. Thakur, and after that the floor will be open for your questions. But, before I hand over the floor to Mr. Thakur, I would like to make one more announcement. We are organizing a Fund Manager and Analyst Meet next week on Thursday, May 10 at 4 P.M. in the RoofTop of the Trident Hotel at Nariman Point, Mumbai. You may already have received an invitation to that but I wanted to take this opportunity to invite you to next week’s Analyst Meet. So, look forward to seeing you there, and now with that I would like to request Mr. Arvind Thakur, our CEO, to initiate this call with his remarks. Thanks.

Welcome to this call on which we will discuss our annual results and more importantly, our Q4 results for the Financial Year 2011-12. As you would have seen, our annual results are reflecting the company’s continued strong growth momentum. During the year, revenues improved by 27.9% to Rs. 15,765 million. Growth has come on the back of fresh large engagements which we discussed during the year in different quarters and also, the scaling up of our top accounts. Our top ten accounts have grown 39% during the year and we have seen US$453 million of fresh business being secured during the year; this is a 70% increase over the previous year. And so, you would have observed that despite a revenue gap created by the successful closure of a large turnkey assignment in the previous year FY2011, which was that of BSF, the company has been able to clock handsome growth in FY2012 as a result of these initiatives. Operating profit has grown 11.7% to Rs. 2,684 million with an operating margin of 17.02% for the year. The margins are down 248 basis points as a result of the one-time cost and transition cost associated with the transformational engagements secured during the year. Net profit improved by 8.2% to Rs. 1,972 million. Net margins have declined due to the significant increase in taxation as a result of the sunset on the tax benefits for STPI.

There have been all round growth in every industry segment of focus but the most significant traction has been in the Travel and Transport space which grew 68% during the year. Revenues from BFSI have also grown well at 28% during the year. All in all, another good year with an aggressive push to build an order book to sustain growth. I would like to now invite Deepak Khosla who was introduced to you by the Abhinandan; he is our Head of Sales and Marketing, to share with you and give you a flavor of the sales and marketing efforts during the year.
Good afternoon, ladies and gentlemen. During the year we have strengthened our sales organization. In the past one year we have increased our sales and marketing headcount by over 25%. We have added domain experts and field practitioners to help us create deals rather than respond to RFPs. This has enhanced our ability to open new accounts as well as grow existing accounts. I am sure you are aware as per ISG TPI, there is a broader market shift towards smaller contracts which is typically deals in the US$ 25 million to 100 million which is actually a sweet spot for us. We have set up a deal team which is crossfunctional across verticals, horizontals and sales, and that is working in a very focused manner on select opportunities. At this point of time we are actively chasing few deals; i.e., transactions which are typically in the potential of 25 million plus over multi-years.

Over the last few quarters, as you are aware, we have had a good momentum in Travel, Aviation segment and now we are seeing traction in the BFSI space. APAC, as you are all aware, has seen good momentum in the last two quarters. Going forward we see momentum building in US as well. Overall, the pipeline is healthy and well-balanced across key geographies.

Deepak will be available for more questions if you have on the sales and marketing efforts. But, very clearly, the organization has been investing for the future in the front-end to continue this growth momentum. The environment, of course, as you all know, continues to be turbulent. The Eurozone’s sovereign debt crisis and concerns around contagion persists and other large economies in the region like the UK is also showing signs of weakness. Germany appears to be the only key economy in the continent that is recovering. The UK economy has been alternating between growth and contraction but now seems to be slipping into recession. Encouragingly, the US economy is demonstrating a relatively higher degree of stability, staying on a gradual recovery path, and we believe it is likely to sustain through the current calendar year as well. Emerging economies, particularly, in the Asia-Pacific region, are comparatively in a better shape, although sustained inflation and lack of visible reforms has been weighing heavily upon the sentiment in the domestic market.

With this background, I would like to talk to you about the quarterly results for the fourth quarter. Growth continued during the quarter on the back of a strong order book and new orders. Revenues were up 2.4% QoQ and 40.5% YoY at Rs. 4,435 million. During the quarter, we experienced a currency loss of 2.4% in revenue terms as a result of weak Dollar and even greater weakness in the Pound and the Euro. In constant currency terms, however, our sequential growth was 4.8%.

The quarter experienced increased revenues in the domestic market with new Government programs kicking in and the US also continued to grow. Both the US and the EMEA region now contribute to 37% of our revenues whereas APAC in India contribute to 13% of the revenues each.

Among the verticals, the Travel and Transport segment continued to exhibit maximum traction, growing well and now represents 39% of revenues. So, this is the largest segment of
industry focus. BFSI contributes 34% of revenues while the revenues from government are accounting for 7% of the total. Onsite revenues were 63% of the total revenues while 37% came from offshore activities.

Operating profits for the quarter stood at Rs. 745 million which is up 15.1% YoY but dropped 4.5% QoQ. Currency losses during the quarter has resulted in the sequential decline resulting in an operating margin of 16.8%. However, if you look at our margins in constant currency we have actually improved 50 basis points to 18.5%. Net profits for the quarter stood at Rs. 462 million which had a 27.8% decline QoQ. Primarily, this has been on account of loss in other income from devaluation of assets and liabilities. We had US$92 million of fresh business that was secured during the quarter. This includes a renewal from an insurance client in the US of US$17 million and another significant contract from the State of Uttar Pradesh for the CCTNS program resulting in an order book executable over the next 12 months of US$243 million.

We added four new customers during the quarter; two in the Travel space; one in the BFS and one in Government which is the Uttar Pradesh CCTNS program.

In building for the future, we added 384 people and those are the net additions done during the quarter leading to a total headcount of 7,362 people. We saw further improvement in attrition to 12.08%. Utilization of direct resources during the quarter was 79%.

We improved our cash position with cash and cash equivalents for the quarter being Rs. 2,871 million. Debtors at the end of the quarter were 81 days of sales outstanding.

And looking at our target markets going forward, we see the financial industry- the insurance industry seems to be more robust as compared to other segments of financial services. However, I have shared with you in our last call, some insurers did get impacted by the natural calamities in Asia during the last financial year and this is impacting near-term demand. We however expect efforts by insurers to modernize their distribution channels and integrate that with underwriting and policy systems to act as demand drivers for IT solutions.

Although financial institutions and banking institutions are in a better shape to face the current situation, there still continues to be an overhang of uncertainty that is impacting the BFS industry. We have begun to focus on mid size financial institutions which have been relatively less exposed to outsourcing and beginning to see good traction in the space which we hope to exploit.

In the Travel segment, IATA, which is the industry body, in its revised outlook as recently as March 2012 has taken a policy view maintaining that while the Aviation industry has been affected by higher oil prices, macroeconomic conditions appear to have improved and they expect an improvement in this year rather than decline in their load factors. This bodes well for our already strong presence in this particular space.
We see significant investments in technology by Government agencies on various IT-enabled initiatives where we have a presence by way of both System Integration services as well as GIS offering. Such engagements will provide us with a more predictable revenue stream during these turbulent times.

In a period of uncertainty, when the environment is volatile we felt it was prudent to secure the future by building a strong order book. The year has shown strong deal flows and firm orders executable over the next 12 months are up 44% over the previous year which provides the confidence of growing significantly ahead of industry as communicated by NASSCOM during the coming financial year. And with the transition complete for our large engagements we also hope to improve our margins for the full year ahead.

With these remarks, I would like to open the call for your questions. Thank you.

**Moderator**

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Shradha Agarwal from B&K Securities. Please go ahead.

**Shradha Agarwal**

What was the hardware revenue booked during the quarter?

**Arvind Thakur**

About 12 crores.

**Shradha Agarwal**

And this is solely on the CCTNS deal, right?

**Arvind Thakur**

Mainly yes CCTNS, that is right.

**Shradha Agarwal**

Could you give us a breakup of volume and pricing growth?

**Pratibha K. Advani**

The volume growth is 4% and the pricing is about 0.3%.

**Shradha Agarwal**

I just needed a clarification on the fact sheet which you sent across. Is it like-to-like comparable for both the quarterly operating metrics and the yearly operating metrics? Because until now when you used to give the quarterly operating metrics and if I do the weighted average of it, I do not arrive at the same yearly number which has been published in the fact sheet. So, is there any difference in the reporting structure between the quarterly and the annual numbers?

**Pratibha K. Advani**

No, there is no difference.

**Shradha Agarwal**

I think on the vertical split, if I am not mistaken, you have quoted your BFSI revenue mix to be broadly the same for both Fiscal ’11 and ’12. But if I look at your quarterly operating metrics I believe that over fiscal ’11, fiscal ’12 revenue contribution from BFSI has shown a decline of close to 3% to 4% contribution. So, is there any difference in the reporting structure between the quarterly and the annual numbers or was it because of the BSF deal in which your quarterly operating metrics excluded BFS in the quarterly….?
Pratibha K. Advani: That is right.

Arvind Thakur: I think you got it. Last year we were reporting numbers without the hardware component for a like-to-like comparison between ‘10-11 and ‘09-10. Whereas now we are reporting the full numbers.

Shradha Agarwal: Would it be possible for you to give us those numbers which are more like-to-like compatible on an annual basis or probably I can take this offline?

Arvind Thakur: You can take it offline, but going forward we will now be giving full numbers.

Shradha Agarwal: Could you also quantify the deal size of the CCTNS state project which was added during the quarter?

Arvind Thakur: This was 109 crores.

Shradha Agarwal: And you have kind of broadly alluded to the BFSI space, but are there any specific concerns in the top ten clients for you in that vertical?

Arvind Thakur: No, not for us. Our focus in BFSI is on the mid sized banks and also in the insurance sector, we are beginning to see traction in the mid size insurance. And interestingly, what we are seeing is we have a preference of engaging with the mid size players rather than the scale players. So, that is an interesting sweet spot that we have identified to grow and scale our business in the space.

Shradha Agarwal: And would it be right to assume that this turn profitable on our Morris deal?

Arvind Thakur: We will turn profitable in this financial year.

Shradha Agarwal: Because looking at minority interest I got the impression that probably we have turned profitable already in Morris deal.

Arvind Thakur: In this quarter, yes. But not in the full year.

Shradha Agarwal: Would it be possible for you to give us the broad revenue split of what was the revenue recognized on Morris and Eurostar?

Arvind Thakur: I will tell you the Morris number. We do not disclose the financials of Eurostar. Morris is Rs 245 million.

Shradha Agarwal: I think the number was slightly below our expectations. So, was it due to the season impact of the GIS business? And if yes, could you give us the revenue for both GIS and ROOM Solutions?
Arvind Thakur

GIS is Rs 281 million and ROOM Solutions is Rs 355 million. If you recollect in the last call and even in our conversation we have been sharing with you that ROOM Solutions numbers are likely to decline in this quarter because of the issues with the reinsurer have been experiencing as a result of the calamities. So, that is the reason why you are seeing a decline in the ROOM Solutions numbers.

Shradha Agarwal

But GIS seems to have grown quite strongly?

Arvind Thakur

GIS always grows in Q4.

Moderator

Thank you. The next question is from the line of Manik Taneja from Emkay Global. Please go ahead.

Manik Taneja

Just wanted to get a sense on if you could talk about the demand within your top clients specifically to a couple of insurance clients because that is where the pressure point has been for us within BFSI, if I understand correctly? Secondly, if you could talk about -- and the question is for Pratibha the reason for increase in our current liability on a sequential basis and if you could talk about your headcount addition stands for FY13?

Pratibha K. Advani

I will take that question on the increase in current liabilities and Arvind will answer the other two questions. The increase has been because as you would have read we declared 80% dividend, so there is a provision for dividend and dividend tax for about 56-odd crores. That led to pressure.

Manik Taneja

And what would be the OCI balance sitting on our balance sheet and the hedge position if you can give?

Pratibha K. Advani

That is currently $49.59 million.

Manik Taneja

And what is the average rate for these hedges will be?

Pratibha K. Advani

50.90.

Manik Taneja

And this would be over next 6 to 8 quarters?

Pratibha K. Advani

These are over the next four quarters.

Arvind Thakur

As far as demand environment is concerned, as I mentioned, our focus is moving on to the Tier II financial institutions who are relatively new to outsourcing and offshoring, particularly offshoring. I think we are seeing traction over there. What I think the rest of the industry is experience is a slowdown in the large financial institutions, whereas this is a new segment which is opening up, and interestingly, this is the segment as I mentioned earlier which is core amenable to engaging with all our specialist players. So, that is our approach and that is where we are seeing traction. That is as far as our take on BFSI is concerned. As far as headcount is concerned, we have added 383 people this quarter. Of that 100 are freshers we have just taken
in from the campus. So, basically that is in preparation for the growth that we are going to be seeing going ahead. So, if you look at headcount additions, typically they have been in the last couple of quarters in this range of 250 to 300, I think that is what you can see going ahead.

Manik Taneja  
And your thoughts on the wage increments for FY13?

Arvind Thakur  
We are planning an average wage increase of 8% offshore and 2 to 4% onsite.

Manik Taneja  
And when would this be implemented?

Arvind Thakur  
From this quarter.

Manik Taneja  
The entire impact will happen in Q1?

Arvind Thakur  
That is right.

Manik Taneja  
So, in that case, Pratibha, would you mind sharing on a constant currency basis what could be the impact on margins sequentially?

Pratibha K. Advani  
As you know we do not give formal guidance but over the years whenever we have been giving wage hikes we actually are able to set it off with the incremental revenue. But during Q1, we expect a minor blip in the margin but thereafter it will smoothen up.

Moderator  
Thank you. The next question is from the line of Neerav Dalal from Sharekhan. Please go ahead.

Neerav Dalal  
A few questions. If you could give us the components of the other income for the quarter?

Pratibha K. Advani  
The breakup of other income for Q4: income from mutual funds is 10.76 million, we have had FX loss on account of revaluation of assets and liabilities of 70.80 million, other non-operating income is 8.96 million and net interest income is 4.61 million. So, our total other income which is a lot this quarter is Rs 46.47 million.

Neerav Dalal  
And my second question is on the margin side. Where do we see the margins going into FY13 and how the strategy of offshore shift is happening in our running additional growth and deal?

Arvind Thakur  
Large engagements that we were transitioning has been through the years mostly onsite, which is the reason why you see larger component of our revenues coming from onsite activities. But going forward, and having transitioned these businesses offshore, we will start to see a greater percentage of revenues coming from our offshore business. So, obviously, if you do more work offshore that will improve our margins going forward.

Neerav Dalal  
We will see that reflecting in our numbers by Q2FY13?
Arvind Thakur Yes, we will start seeing reflecting in Q2. Q1, because of the wage hikes, margins will remain subdued.

Neerav Dalal And if you could give us what kind of tax rate we can build in for FY13?

Pratibha K. Advani Of course, the tax rate is determined by the composition of our revenue. We anticipate that for full year the tax rate would be in the range of 26% to 27% and for Q1, again around 26.5%.

Neerav Dalal What would be the CAPEX for FY13?

Pratibha K. Advani We are looking at spend of 140 crores and this also includes spend on expansion of our Phase II of the campus. So we envisage about 70 to 80 crores of spend there.

Neerav Dalal And last question is on CCTNS deal. The hardware component how much will be there in Q1FY13?

Pratibha K. Advani The hardware would be about 15 to 18 crores.

Moderator Thank you. The next question is from the line of Dipen Shah from Kotak Securities. Please go ahead.

Dipen Shah Most of the issues have been solved, just a couple of things on some data. What would be the non-linear revenues including Morris in the current quarter?

Arvind Thakur If you look at the servicewise revenues, IP assets is 11% and Managed Services is 13%. So currently the non-linear component is 24%. As far as Morris is concerned, we are yet to move into a transaction-based pricing. So when that happens we will start treating it as non-linear revenue.

Dipen Shah And the other thing is if we can get the margins for ROOM? Obviously, the revenues were down by about 7-8 million or maybe about 20%, but, however the margins in this quarter…

Pratibha K. Advani The margins for ROOM for this quarter was 20%.

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

Amar Mourya One question primarily related to the tax rate. As you have mentioned the tax rate is primarily the function of onsite and offshore revenue, but if I see the onsite and offshore revenue in the current quarter is constant despite the tax rate has come down from 26% to 18.9%, any specific reasons for this?

Pratibha K. Advani The reason is that we have taken the benefit of deferred tax assets this quarter. That is what has dropped the tax rate down.
Moderator: Thank you. The next question is from the line of Sanjeev Hota from Sharekhan. Please go ahead.

Sanjeev Hota: I missed out on the projector revenue for this quarter?

Pratibha K. Advani: Projector revenue for this quarter is 144 million.

Moderator: Thank you. The next question is from the line of Apoorva Oza from Standard Chartered. Please go ahead.

Apoorva Oza: I understand that you do not give any numbers regarding the Eurostar deal, but just wanted to understand how the deal is progressing if you could throw light on that?

Arvind Thakur: There are two components of the deal. One is the running of this data center and its operation and the other is a transformational project. We have taken over the activity of running the data center but the transformational projects are being deferred because the Olympics is now around the corner and so to that extent the engagement is currently involved only in terms of providing them with services which is of a business as usual nature.

Apoorva Oza: I missed out on the GIS and ROOM revenues that you shared. If you could just help me with those again?

Pratibha K. Advani: ROOM revenue for the quarter was 355 million and the GIS revenue was 281 million.

Apoorva Oza: Finally, I think earlier you spoke in your opening remarks about the deals being followed. If you could just help in terms of how many large deals we are pursuing right now and if you could give any color regarding that?

Deepak Khosla: At the moment, we are chasing about four transactions which we mentioned have a TCV of more than 25 million across US and APAC. So, these deals are at different stages of evolution, some were intense, conversations are on and others where we have engaged in a joint business case development with the customer. And these are different fields where the customer is trying to consolidate with the fewer suppliers, either to get better bank for the buck or unhappy with the current suppliers. But I think more importantly, most of these deals which we are chasing are outside our existing customers, therefore they all represent new customers to us.

Moderator: Thank you. The next question is from the line of Ganesh Shetty, individual investor, please go ahead.

Ganesh Shetty: With the Manufacturing vertical showing impressing growth worldwide, do you expect stronger growth in this sector to? This vertical is not keeping pace with other focused verticals. So, are you looking for any acquisition to fill the gap or more capability building and more marketing effort to bring this vertical back into growth part? Can you please comment on this particular issue?
Arvind Thakur

You are absolutely right in your observation. It is only 6% of our revenues and our activity is little volatile in this segment because it is still small. So, when you get new engagement business scales up quite significantly and when you close a project it is quite down significantly. We are very sharply focused only in the distribution part of the Manufacturing activity and primarily around complete IT outsourcing which is basically infrastructure management and associated activities. The other thing is that this is not really global activity. The activity in this business is more sharply focused around Asia-Pacific region and also the Middle East. So, that is the reason why it is not of the same scale and size of our other industry segments which is BFSI as well as TTL.

Ganesh Shetty

Regarding our Healthcare vertical, can you throw some light on this, how this vertical is progressing and are we finding new customers and how we are scaling up in this particular vertical?

Deepak Khosla

In Healthcare again, we are very sharply focused in looking at opportunities which are more specific to the US geography, in particular, we are making good progress. As you know, it is a very small vertical at the moment, but if you look at the traction which we are building over there particularly, there is a significant opportunity which is there in the marketplace towards the ICD 9-10 conversion, and that is an area overall overall are tracking well. We are engaging in some fairly serious conversations with our customers. The only thing is as you probably know that the ICD 9-10, 8 has got delayed or pushed down from 2015 where the momentum is but however fairly strong.

Moderator

Thank you. The next question is from the line of Aishwarya K from ICICI Direct. Please go ahead.

Abhishek

This is Abhishek. A couple of questions. The first one is you alluded to the fact that there is a trend where you see banking and insurance customers are engaging, mid-tier companies like you. Could you help us elaborate on that with some data points as what you are seeing in the market?

Deepak Khosla

We are seeing spends in insurance go up, particularly in the P&C segments. This is excluding the commercial which Arvind talked about. So, if you look at P&C segment, particularly, if you look at the western geographies, US and Europe, there are several customers who are coming forward and adopting offshoring which they actually have avoided till now. If you look at even the Banking sector, there is a significant pressure for cost takeout and which is actually a good news for us. However, these pressures for cost takeout is resulting in us pricing deals in a particular way and these do take a little bit of time. But if you look at net-net I think the pipeline and we are seeing momentum in BFSI which is good and as Arvind mentioned these are smaller companies who feel comfortable with organization like us. So, we have been engaging right from deal structuring with them to actually looking at how we can transform the work. Hence, if you look at the BFSI segment, particularly, in the western geographies, it is tracking well. This is beyond commercial insurance I must state which Arvind talked about.
which is as you know because of natural calamities and all that we see some softness over there.

Abhishek

That is interesting. If I understand correctly then would these deals lead to pressure on the EBITDA margins going forward?

Deepak Khosla

Not at all. Typically, these organizations were not so open for offshoring, but because of the pressures they have they are willing to engage. And if you look at the price points which we are discussing with them as a typical customer which is in itself a very significant change for them. So, we do not see that pricing being under any pressure whatsoever.

Abhishek

So, these deals are coming at the company pricing levels, right?

Deepak Khosla

Absolutely.

Abhishek

And separately, you also mentioned that you are winning some market share vendors, just second part of the first question, so are you winning against Tier I vendors or this is basically Tier II vendors in your space?

Deepak Khosla

So, as I had mentioned earlier see, what we have done is, we have added domain experts, experts to help create deals rather than react to RFPs. So if you see the movement in some of these places, the good news is that we are actually creating these transactions along with the customers as opposed to responding to RFPs and thus I think we are hoping to have better strike rates in these kind of spaces and hence in some cases you do not have intense competition, and where ever we see competition which is around consolidation, they have multiple vendors, where we are engaging with them where they are unhappy with the existing vendors and they want to consolidate from there, typically they are not Tier-1 vendors, they are Tier-2 vendors.

Arvind Thakur

Let me just give you some other flavors on this question, if you look at some of the large deals that we have won, in the last year whether it is Morris, whether it is Eurostar, whether it is Scissors each one of these in the ultimate final shortlist it was us, against one of the Tier-1 vendors and a different one in each case, and we won the business against them. So two things are happening, number 1 Morris or Eurostar or Scissors they are not large customers, all right they would be in the 1 billion to 10 billion range, so they are not Fortune 50 or Fortune 500. So one very clear message here is that the smaller organizations want to engage with even smaller players, that’s an important thing. Second which, Deepak talked about, in his opening remarks, was what TPI has presented that deals sizes are becoming smaller and the number of deals in the $25 million range is increasing quite significantly, and Europe that is a sweet spot because for those kind of deals, you are equally poised and competitive against a scaled player. Some of these are some dynamics that we are seeing in the market place perhaps also explaining why some of the mid-size players are doing better than the scaled players in terms of their growth.

Abhishek

Interesting. So this trend, are you witnessing for the first time, since you have been in this business or this has happened earlier.
Arvind Thakur  
This is what we have been seeing, last year.

Abhishek  
And that’s the first time, you are seeing this trend?

Arvind Thakur  
No, it’s not that. It is just that we have been creating these specific sweet spots, based on our specialization.

Deepak Khosla  
So based on the momentum which we got over the last year and the investments we have made in the sales and marketing as I mentioned in the start, that we have invested in sales and marketing over the last 3-4 quarters, we are able to go out in the market and also with that the investors in the front end domain and experts we are able to plan these much more than we were able to do in the past. So in that sense yes it is, and they are now at a stage where either the study has been done or the customers have to find the agenda, and there are those stages where they are bubbling up now.

Abhishek  
Okay, and I will just break the question into three parts. First you said that you would likely beat the NASSCOM guidance, so would the seasonality be different in this year than in any of the years leaving H1 stronger; I mean the seasonality usually being H1 stronger than H2. Are you seeing anything different? Second part of the question is that you suggested that you would spend 70 crores for the capex of the Greater Noida facility, so the remaining 70 crores, are you allocating it for acquisitions? Is that the case? Is that being built into the revenue guidance that you are suggesting, and third, if you can just share if there is any historical empirical evidence which suggests that your order book as a percentage of the next 12 months revenue, have you ever looked at that metric and if yes, then what it is this year and what it was last year.

Arvind Thakur  
So let us go backwards as that will answer most of the questions. Yes in fact empirically if you look at the orders executable for the next 12 months, it gives a sense of how much is the revenue likely to be in the next 12 months. So, if you look at last year the order executable was 169 million and I think we have done about 328 million. Similarly if you look at numbers in the earlier year you will find the range of 1.7-1.9 is typically the range in which we have been able to execute. So that’s why I said Europe with 243 million orders book executable, there are firm orders in our hands which are going to execute over the next 12 months, gives a lot of comfort that we will do much better than the NASSCOM estimates. That was part 1. The other question was around campus and capex, so as you know we have already moved into our campus which is in SEZ, where we had constructed the first block which has a capacity of 3500. We are building the second block which will have a capacity of 4500, but it will take over 24 months to construct that. So we are going to start with construction now so that, that capacity is available 2-2½ years down the line and we have earmarked 80 crores spend in this coming year for that. The balance 60 crores is basically a normal CAPEX that we deploy in the business for acquiring assets, data centers, tech refresh, various other things, software and so on.

Abhishek  
Okay, last one could you share just the free cash flow generated for FY12?

Pratibha K. Advani  
The free cash flow this year was Rs 152 crore.
Abhishek
Could you compare it on a YOY basis?

Pratibha K. Advani
Last year was 150 crore. This is same as last year despite a much higher tax outflow.

Moderator
Thank you. The next question is from the line of Anurag Purohit from Systematix. Please, go ahead.

Anurag Purohit
I want to understand bit more on the margin front, if you could breakdown the decline in margins in this quarter between the currency component as well as I’m sure there will be some amount of impact that would have come from non-linearity on margin with a negative impact so if you could breakdown this two impacts it would be better.

Pratibha K. Advani
As Arvind mentioned to you, the FX impact due to the appreciation of the dollar, Euro and GBP has been in the range of 1-3.3%. And this has contributed to a margin decline of 167 basis points. Of course we have been able to offset this margin improvement, if we look at a constant currency basis that’s 47 bps and that’s how the improvement he mentioned.

Anurag Purohit
Okay, if am not wrong, last quarter ROOM Solutions had a margin of 27% and this quarter 20%, so that non-linearity is it built in the currency impact or is it a separate impact all together?

Pratibha K. Advani
No, while ROOM had much higher margins what has happened is GIS has off-set that impact for us this quarter.

Anurag Purohit
Okay and second question is that despite having almost more than $90 million of new orders in the quarter, the executable order book is flat QoQ. So, is it because that most of the $90 million are more long term in nature rather than project based kind of orders?

Arvind Thakur
That’s correct. They are spread over a longer period.

Anurag Purohit
And lastly did I get the Proyecta figure correct of $144 million in revenue?

Pratibha K. Advani
That’s in Rupees.

Anurag Purohit
Last quarter was it Rs.370 million?

Pratibha K. Advani
No, it was Rs 151 million.

Moderator
Thank you. The next question is from the line of Srivatasa Venkat from UTI Mutual Fund. Please, go ahead.

Srivatasa Venkat
I just have two questions, one is what is your outlook on airline space within transportation, do you any scope of improvement there and the second one is that there has been a sharp rise in the SG&A expenses if I compare on a year-on-year basis for a whole year. Can you just throw a light on where you have made the investments and whether this ratio can come down in the coming years?
Arvind Thakur  
Let me just take the second question first, so I think Deepak talked about investments that we have been doing in the front end so that is one element which has contributed to the increase in SG&A and the other is we have also made investments in the back-end which has to do with the campus as well as the people that we have hired to take care of our growth for the future. So, basically these are the two elements which have contributed to the increase in SG&A in a sense we feel that we made investments for the future and those investments are complete, and so as we go forward and our revenues improve you will see the percentage of SG&A improving.

Srivatasa Venkat  
On the campus front, will you be consolidating all your centers in to the campus? Will there be some savings in the rent which would be substantial or that is already built-in in the current year?

Arvind Thakur  
The important thing to understand is that the campus is in SEZ, so you get tax benefits only on new contracts and new business. So only new contracts and new business can be put into the campus and therefore we have not really consolidated all our existing facilities into the campus otherwise you will lose the capacity to execute business from which you can get tax benefits. So from that point of view you cannot reduce any rentals because all our other facilities remain as they are. So these are like I said investments for the future for the long term but over a period of time as we start filling capacity in the campus you will find that the other costs will start reducing and you will also see an improvement in our tax rate.

Srivatasa Venkat  
Just your views on the Airline Sector.

Arvind Thakur  
Yes. So, as I mentioned earlier in my comments the segment is showing a positive outlook. In fact if you travel you will find all the flights are normally full. So, it’s not something that is going to decline. The problem with the Airline Sector is the volatility in the oil prices. That’s the biggest problem that they have but we have seen the IATA report which says that even despite that they have a positive view on the sector. For us we are seeing good amount of traction because some of our top clients are in this space, and they are growing and they are consolidating and when you consolidate, you have many opportunities for post-merger integration and other such activities. It’s a space in which the NIIT Tech brand is well-recognized. As you know many surveys has shown that NIIT Technologies is the first choice in this particular space. So, I think it is the space in which we are very strong, it’s the largest segment and we hope to see good amount of traction here going forward.

Srivatasa Venkat  
You have done some very good work on the railways front, with Eurostar and all, so do you see a good opportunity to leverage that in other fields such as US or any other part of the world?

Arvind Thakur  
Yes in fact, we have a very strong relationship with German Railways, Deutsche Bahn where we are one of their best off-shore partners. So that is an activity which is scaling up well. We of course are leveraging that to position ourselves with other railroads and that can be another good opportunity for us for growth.

Srivatasa Venkat  
And what would be the breakup between Airlines and Non-Airlines, if you just give us a very broad figure in your transportation vertical?
Arvind Thakur

Let me give you a very rough idea, because I don’t have those numbers in front of me. Our transportation space is split into 4 segments, you have Airlines which should be about 30%, then you have travel distribution which is all the travel portals and people who book tickets and so on and so forth, that would be another 25%. Then you have airports where we provide cargo ground handling solutions and all another 25%, and my balance I guess is surface transport which includes railways and other logistic companies that we have. Very rough, not accurate.

Moderator

Thank you. The next question is from the line of Srinivas Sheshadri from RBS Equities. Please, go ahead.

Srinivas Sheshadri

Congratulations to the management and also thanks for improving on the reporting metrics, my first question pertains to the CCTNS deals, just wanted to understand this particular quarter how much of revenue has been booked on account of the deal?

Pratibha K. Advani

We booked 8 crores of revenue this quarter.

Srinivas Sheshadri

Was it largely hardware revenues for the current quarter?

Pratibha K. Advani

Yes primarily.

Srinivas Sheshadri

Okay, and if you could give more longer term outlook in terms of how it is going to be executed? If am not wrong the overall order book on account of CCTNS deals is about 300 crores. So how is it going to be executed say in FY13, how much are you expecting to come and may be for a overall time period how much, over what time period it can be executed completely?

Arvind Thakur

First of all I just want to make a comment, that in the CCTNS deal we have pretty good margins on hardware, okay the reason being that unlike BSF where we were stuck with one vendor and really could not negotiate, in CCTNS when we got the contract we were able to negotiate with different vendors and get good terms. So, just knocking off hardware may be difficult to do in this particular program that’s point #1. Point #2 is, this is going to be spread across multiple years and we expect about 100 crores in this financial year from the CCTNS deal.

Srinivas Sheshadri

Okay and if you could give some more color in terms of if there are any substantial post-implementation revenues in these projects, to what extent it is there and also would by FY14 the entire implementation phase be over for the deal?

Arvind Thakur

No, it will go on till FY19. All right because there is 2 years for implementation then you got to maintain it for 5 years, so 2 years is the system integration part and then it is maintenance and all that which goes on for the next 5 years.

Srinivas Sheshadri

Also, how much would be the maintenance component in the overall project revenue?

Arvind Thakur

I would assume about 20%. We don’t have an exact number.
Srinivas Sheshadri

Okay, sure. And the second question is pertaining to GIS, though I appreciate that the QoQ there has been a fairly good growth, but typically this is a business which tends to peak in 4th quarter and looking at the year-on-year numbers it looks like it has come off a bit. If you could explain whether there is some challenge in terms of any particular segments like APDRP or something else in the business which is driving this and may be if you could give an outlook in FY13 on a full year basis, just some rough indication of how much the business can grow.

Arvind Thakur

APDRP is definitely a challenge. So it’s slipping actually. So I think some of the revenue loss is because of the slippage that is happening in that particular program. It seems to be plaguing all the system integrators involved in this particular engagement. So, other than that I think I cannot see any other difficulty in the GIS business. In some of the states there was political changes for example UP had a new Government and so on, so some of the programs over there had got deferred because of the change in Government. But I would say other than that there are no difficulties.

Srinivas Sheshadri

Okay so do we expect a fairly reasonably healthy growth from next year? This year on a full year basis we kind of closed it at a marginal growth. So is the expectation that the growth should accelerate or next year also would be kind of transitional year because of these issues?

Arvind Thakur

No, I think it will be much better next year.

Srinivas Sheshadri

The other question is on clarification on Eurostar. There you mentioned that some of the transformational engagement has been for the time being put off because of the London Olympics, so when can we expect that to restart. Will it be like immediately after the Olympics or is the transformational aspect of the deal being reviewed, could you give some clarification?

Arvind Thakur

Well I think that is what is under review right now. I think the focus right now is only on the operational aspect.

Srinivas Sheshadri

Okay, so one should not head this stage build in transformational component and a scale up based on the current visibility.

Arvind Thakur

Correct. In fact when am talking about the orders executable over the next 12 months, that element is not there.

Srinivas Sheshadri

And the other question is on ROOM, obviously this quarter we have seen some impact in fact as you mentioned about the capex, etc. So, would you call this as a tough quarter based on growth or do you expect things to be where they are for the near term or if you could give some qualitative color on the outlook for the next year.

Arvind Thakur

It will be better next year. I would say, it will pick up after another quarter so may be from Q2 onwards is when we will start seeing some recovery. I don’t expect a decline but recovery is what I see from Q2 onwards.
Okay and the other question is on the capex and the depreciation. This quarter we have seen the depreciation cost increase quite a bit because of the capitalization which has happened during the current quarter. So, just wanted to understand and right now we don’t have too much of capital work-in-progress so I presume that most of the Phase-1 expansion has been capitalized already. So for the next year should one presume that the depreciation will be based on the current capitalization as well as the 60-70 Crore of additional normal capex which you are going to build? Can you give some color and if there could be some quantification that would be helpful.

That is right. The 70-80 odd Crore that we intent to spend on the SEZ, that will lie in CWIP and the depreciation would be on the businesses as usual spend.

And on the current quarter was the increase for the entire quarter or was it a part of the quarter because of which the next quarter can also see some increase?

It was for the entire quarter because we capitalized one of the floors at our campus.

Okay that was done at the start of the quarter.

Absolutely, that’s right.

Okay and finally just one question on forex loss on the balance sheet, what exactly is sitting right now, the unrealized forex loss?

The hedge reserve is currently 68 million. It’s a loss of 68 million. There is a (-85) million movement over last year.

Okay, so right now it is at (-68) million.

That’s right.

Thank you. As there are no further questions I would like to hand the floor over to Mr. Arvind Thakur, CEO of NIIT Technologies Ltd for closing comments. Over to you Sir.

In fact let me ask Rajendra Pawar, our Chairman, to give the closing comments.

Thanks to all of you who have been with us on the call. I guess the high points as you have noticed are to do with the growth momentum and as Deepak Khosla our Sales and Marketing manager outlined, not just this fact that the investments in Sales and Marketing over the last couple of years are paying off, but also some new approaches which are being used not just to get larger customers but also to get protection for our margins going forward. So, I guess that momentum will continue; we want to drive that hard. We also had transitions in the last one year and those will start giving us gains. We have gone into higher tax regime that has impacted EPS this year. We have to now get it out of volume going forward. So overall I think the company is positioned extremely well. We have to execute on what we have in our hands at one level, and at another the theme we have been working on internally which we call “Being The First Choice”
for customers. In the Airline vertical for three years running now we have continued to be a leading choice and we are becoming stronger we want to do that in other verticals as we go forward. So overall I think the team has done a very good job and has positioned the company for growth going forward.

Arvind Thakur

Thank you Rajendra and thank you all for being on this call. And we look forward to meeting you here in Mumbai, on the 10th as Abhinandan pointed out. Thank you very much and good-bye.

Moderator

Thank you. On behalf of NIIT Technologies Limited that concludes this conference call. Thank you for joining us.

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(1 crore = 10 million)