Moderator

Good evening ladies and gentlemen. I am Parimala the moderator for this conference. Welcome to the NIIT Technologies 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 now like to hand over to Mr. Arvind Thakur of NIIT. Thank you and over to you sir.

Arvind Thakur

Good evening everybody. I am Arvind here and along with me I have Mr. Pawar, Chairman of NIIT Technologies and Mr. Anand, the Chief Financial Office as well Ms. Nidhi Aggarwal who supports in investors relation. Highlights of the Q1 results for the financial year 2006-2007 is essentially our net profits are up 56% at Rs. 218 million. Our revenues are up 40% at Rs. 1910 million. Our operating profits are up 41% at Rs. 363 million and we had a fresh order intake during the quarter of US $38 million. As we had briefed you in the annual result conference, in April–May we had acquired a majority stake in a UK based insurance related technology company and that was a significant event that happened in the quarter. Let me try to share with you analysis of revenues margin and order book situation. As mentioned, consolidated revenues from operations for the quarter were at Rs. 1910 million, which while being up 56% year-on-year are up 15% quarter-on-quarter. IT solutions contributed to Rs. 1789 millions, while BPO revenues were at Rs. 121 million representing about 6% of the total revenues and since we acquired a majority holding in Room Solutions during part of this quarter, so from 8th may, 2006, their revenues have also been consolidated in the result of the quarter. Organic revenues excluding revenues form Room Solutions during the quarter represented a healthy 27% year-on-year growth over the same quarter last year. A geographic spread in terms of revenues from Europe now accounts for 46% of our total Europe revenues, USA represents 34%, and rest of the world, which includes India, is 20%. Share of revenues from the industry segments that we are focusing on was 76% and obviously the highest growth has been in the financial services segment, which grew 60% and partly that has been contributed due to the consolidation of revenues from Room Solutions. So financial services segment, which is the BFSI, now represents 39% of our business, followed by strong organic growth of 38% in transportation, which now represents 25% of our total business. Retail and manufacturing grew 20% year-on-year accounting for 12% of the overall business. Our top five clients contribute to 41% of revenues and our top ten clients contribute to 52% of revenues.

Looking at the margins, operating profits during the quarter stood at Rs. 363 million, which is up 41% year-on-year and 9% quarter-on-quarter. Overall operating margins have remained steady at 19%, which were at the same level as the margins of financial year 2005-2006. Our margins in Q4 of 2005–2006 were at 20%. Margins have declined due to lower margins in Room Solutions, to 19% in this quarter. At the organic level margins remained at 20% primarily on account of improved SG&A and the reduction through 19% has really been because Room Solutions margins are lower than NIIT Technologies’ margins. The onsite-to-offshore ratio also increased to 63% of the revenues coming from onsite activities and 27% from offshore activities again this increase is on account of the revenues of Room Solutions, which are predominantly
onsite currently. The BPO operations, which had broken even at the operating level last quarter, incurred a marginal loss of Rs. 6 million on account of increased salaries. Net profit for the quarter improved 56% year-on-year, which is 30% quarter-on-quarter growth and this is on the strength of you know improved quarter-on-quarter operating margins as well as some gain in the exchange rate and increase in other income. Net profits remained at 11% in spite of increased taxes, which are now at 16% of PBT and these were at about 15% in Q4.

We added four new significant customers during the quarter and these were in the segments that we focus on, three were in the travel and transport space and one in retail an existing client of ours in the transport space extended their relationship with an order intake for us of over US $20 million during the quarter, taking the fresh order intake for the quarter to US $38 million. US $90 million of firm orders are now executable over the next 12 months.

We added 305 people during the quarter taking the total head count to 3848. 840 of these are engaged in BPO activities, 26% of our direct staff are now engaged in onside activities and 74% in offshore activities.

Our total outstanding receivables stand at Rs. 1402 million representing 67 days of sales outstanding, which is an improvement from the previous period, which was at 72 days last quarter. Cash and bank balance stood at Rs. 1325 million, which was earlier at Rs. 1573 million in Q4. Cash were consumed on account of the acquisition that we made of Room Solutions and also in retiring the NCDs, non-convertible debentures, which we did during this quarter.

The acquisition of Room Solution has been a major move for the company in positioning itself strongly in the insurance space. The company is already positioned well in the travel and transport space being among the top three providers of offshore services in IT and with this we hope to create a consistent growth momentum that we have seen in the past few quarters. Margins in the next quarter would be a little stressed on account of the integration and transition costs associated with Room Solutions. We expect this to be of a very temporary nature and in the balance quarters we hope to recover our margins for the balance part of the year. So with these opening remarks, I would now open the floor for discussion and I would be happy to seek your questions. So moderator if you can open the call for discussions.

Moderator

Sure sir. We will now begin the Q&A interactive sessions. Participants who wish to ask questions may 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 for asking a question. To ask the question please press *1 now. First in line we have Mr. Ruchir Desai from Pioneers, over to you sir.

Ruchir Desai

Hi good evening. I just have two small questions. One is, what is your outlook on the BPO solutions front, when do you see the margins improving going forward?. And #2 is you have mentioned that you have an executable order book of $90 million in this quarter for the next 12 months. So could you give the break up of this executable order book, how much is from software solutions and how much is from BPO, if possible?
Okay. Just to clarify that what we have an executable business of $90 million (for next 12 months) from firm orders in hand. I am going to give you a break up of BPO or otherwise, but 82% of this order book is in the areas that we are focusing, which are the three industry verticals that I talked about right. Regarding BPO our current focus is on its margins. In Q4, we were able to bring the margins to an operating break even level. This quarter we have just gone marginally below, but our plan is to have an operating margin at the end of the financial year for that business.

Ruchir Desai

Positive operating margins?

Arvind

That is right.

Ruchir Desai

Alright fine, thank you.

Arvind

You are welcome.

Moderator

Thank you sir. Next we have Mr. Aakash Singhania from Prudential ICICI, over to you sir.

Aakash Singhania

Sir my question is what impact has there been on your margins on account of salary and wage increases this quarter?

Arvind

We have had an increase of 17% in our offshore salary and we have had I think about 5% to 6% on our onsite salary.

Aakash Singhania

Okay. This has been effective from first of April?

Arvind

That is right.

Aakash Singhania

Okay. Thanks a lot, thank you sir.
Moderator

Thank you Mr. Aakash Singhania. Next we have Mr. Ganesh Shetty a private investor, over to you sir.

Ganesh Shetty

Congratulations sir for decent numbers. Sir I just wanted to know, can you please tell me approximate number of software professionals left during Q1 and also attrition rate during Q1 sir?

Arvind Thakur

You will have to do a computation, our attrition is 18%.

Ganesh Shetty

Yeah. Sir is it much higher than the industry average?

Arvind Thakur

Well you know the scale companies have a lower attrition rate. If I am not mistaken, they are in the range of about 10 to 12%, which are the larger players, but the mid size and smaller players are typically in the range that I just talked about.

Ganesh Shetty

Sir going forward with large companies including ours having a large expansion plans, how we can cope up with the human resources requirement in future, can NIIT Limited be any help to us sir?

Arvind Thakur

In fact this is a major activity, which is engaging the organizations. In the current situation, the supply side of the business is beginning to become more important than the demand side and of course the company has many programs and HR practices in place that supports enabling individuals to build a carrier with the organization and I am sure that we have the right talent and place. On the supply side where NIIT Limited supports us, well I would not say support us, where we dig into the capabilities of NIIT Limited are the student base that it generates through their education centers and so a good amount of intake that we have in the company as trainees is, you know, from this inductive capability that exists within the group.

Ganesh Shetty

Yeah that is all sir. Thank you very much.

Moderator

Thank you Mr. Ganesh Shetty. Next we have Mr. Dipen Shah from Kotak Securities, over to you sir.
Dipen Shah

Yeah. Hi Arvind how are you?

Arvind Thakur

Very well Dipen.

Dipen Shah

Okay, congrats on a good set of numbers.

Arvind Thakur

I am glad you are happy.

Dipen Shah

Yeah I am. A couple of questions from my side. I just wanted to know about what could be the probable impact, this is a book keeping question, what can be a probable impact of this consolidation and integration with Room in the next quarter in terms one of expenses if you can, and the second one was more related to the US revenues, when we look at the data sheet we see that in terms of significant addition in customer as well as order intake there has been decline from the US, should be we be reading more into it or we can just treat as a one off phenomena?

Arvind Thakur

Well actually if you look at the US, it has grown, but in terms of its proportion to total revenues, you will see a reduction simply because you know the acquisition we have done and the revenue that we have consolidated are in the UK and it is accounted for in Europe.

Dipen Shah

I understand that, but if you look at the customer addition we did not add any significant customers in the US and also the fresh order intake was lower as compared to the previous quarter. So I just wanted to know whether there is anything which has changed or we should be reading more into it or?

Arvind Thakur

No, no I do not think you should read anything into that. We have an excellent pipeline and good traction with our existing customers, which are sailing the business as well.

Dipen Shah

Okay. Now if we just look at the revenues over the past year over the year ago period as well as in the previous quarter, we have shown good amount of growth year-on-year as well as on a quarter-on-quarter basis for the past couple of quarters now at least three to four quarters, but now if we look at the executable order book and the additions in order, which we have, fresh order intake, these have almost kind of remained stable. In fact, if we remove this $20 million addition from one client in the current quarter
there has been a significant dip in both the figures. So just wanted to know as to what could be the probable reasons why the order intake or the executable order book is not growing in proportion to revenues and probably any impact, which can be had on the revenue growth going ahead?

Arvind Thakur

Okay. So I think first of all you would have seen consistent growth quarter-on-quarter growth of 5 quarters, so I think we have been able to demonstrate good consistency as far as growth is concerned and if you look at the orders which are the business that is executable over the next 12 months you would have seen a substantial increase in this quarter, it was about $77 million in most of last year and now it has reached up to $90 million and so I think that is another healthy sign because it shows that you know there is annuity activity which is happening in the company, our all short term business comes from existing clients. New clients really start giving you business you know 12 months down the line because you basically make an entry, you just growing those accounts. So once again, you should not be concerned that, in fact, it is a good sign that we have been able to get such a significant engagement with our existing clients because that further strengthens you know the relationship with our existing accounts.

Dipen Shah

Okay. And some more light on what were we doing for this client till date and now since it is a significant big order, any additional services you will be providing to this client, particular client who has given this $20 million kind of an order intake?

Arvind Thakur

Yeah. We have a few large clients in the travel and transport space and we engage with them in different areas. I think this is really an extension of our engagement in those areas to provide people supports. So it is really, I would say, a re-affirmation of the ongoing relationship and it is getting strengthened.

Dipen Shah

So, I just wanted to know like what are the services we are providing till date and is there any new service any cross selling of new services because of which this client has given this big order?

Arvind Thakur

I would say it is really more of the same in the current context.

Dipen Shah

Okay. That is one part and right thanks very much and all the very best.

Arvind Thakur

You are welcome Dipen.

Moderator
Thank you Mr. Dipen Shah. Next we have Mr. Taneja calling from Dolat Capitals, over to you sir.

Taneja

Hello sir, my question in regards to Room Solutions could you be able to share the operating margins that you have with Room Solutions as well as how do you intend to improve your margins going forward?

Arvind

Okay, you have to derive that number. Organically our margins are 20%, but for the consolidated numbers in the quarter is 19%. So if can do a quick calculation you get to know.

Taneja

Okay. And sir correct me if I am wrong? I think you mentioned that your organic revenues have grown by 27% year-on-year.

Arvind

That is right.

Taneja

Okay. Thank you.

Moderator

Thank you sir. Next we have Mr. Apoorva Shah from DSP, over to you sir.

Apoorva Shah

Yeah, congratulations on a good set of numbers. I have some three, four small questions. First of all the wage hike, could you please tell me what has been the impact, you mentioned, but what has been the impact on the bottom line?

Arvind Thakur

Well. I think the net impact of everything that we have done is an operating margin of 19%. So it is very difficult to isolate you know what has caused what.

Apoorva Shah

And the gains from FOREX, will it be possible for you to share what gains have been because of the FOREX?

Arvind Thakur

Yes. If you look at our other income Rs. 17 million of that other income is the gain from FOREX.
Apoorva Shah

Okay and what is the order book from Room Solutions, is it gain from $77 million to $90 million because of the order book for Room or has it been an organic increase in the order book?

Arvind Thakur

No, it also includes the orders which Room has acquired.

Apoorva Shah

I mean how much is the contribution from Room Solutions?

Arvind Thakur

We don’t have that, but it would be you know less than 10%.

Apoorva Shah

It’s an 10% of the gain.

Arvind Thakur

Yeah, it will be less than that.

Apoorva Shah

Okay. And how is the SGNA changed because It seems that the company has been able to make for the wage hike because of SGNA improvements?

Arvind Thakur

Yes. In fact as I have always been communicating, we really have three levers of margin improvement. One is, you know, our onsite to offshore ratio, as we have more offshores we have better margins, but in this case because of Rooms additions our onsite to offshore ratio has actually gone the other way round. The other is improvement in BPO margins, again in this quarter what we have seen is from an operating breakeven level we have marginally become a little negative and the third lever that we have is the SGNA which was 22% in the last quarter and that has improved to 20% in this quarter.

Apoorva Shah

So expected to sustain at current levels or do you think it can go down further?

Arvind Thakur

I think we have probably reached the bottom that is my own feeling, but one of the things that we have planned for in the company is to enhance our visibility. I think the very important area that the company needs to focus on, now that it has set on a path where it is establishing itself in the areas that it is focusing on is to enhance its visibility
and that would mean a little more spend in sales and marketing and so I would not anticipate further drastic reduction in SGNA.

Apoorva Shah

Thank you Arvind. Congratulations again on a good set of numbers.

Arvind Thakur

You are welcome.

Moderator

Thank you sir. Next we have Ms. Mansi from Crisil Research, over to you.

Mansi

Sir I just wanted an idea on the total debt figures for the quarter end?

Arvind Thakur

Sorry. Could you repeat your question?

Mansi

Yeah, I just wanted an idea on the total debt numbers for the quarter end?

Arvind Thakur

268 million.

Mansi

Right, thank you. Hello.

Arvind Thakur

Yes, yes Rs. 268 millions.

Mansi

Average debt numbers right, which should be around 40 crores.

Arvind Thakur

Yes. We have repaid. As I have mentioned we have repaid part of our NCDs in this quarter to the extent for about 150 millions.

Mansi

Right. Okay, thank you.

Moderator
Thank you mam. Next we have Mr. Srivatsa from UTI Mutual Fund, over to you sir.

Srivatsa

Yeah, congrats for a good set of number. I just had a question Room Solutions, the margins are lower than the company margins, now what is the road map, I mean do you think margins will remain at these levels or will be at par with the company level and if so what would take the margins from the current level to the company level margins?

Arvind Thakur

Yeah. I think over the period of a year, we will see margins improving in Room. So I think you will have to give us at least a year to get those margins to the level of the company.

Srivatsa

Okay. And secondly what is the progress in integrating as far as the cross selling of services of NIIT is concerned, basically trying to get an entry into the clients of Room Service, have you made any in roads into that or will that take some time?

Arvind Thakur

No. In fact we are already very active. We have had client visits of Room customers who have visited facilities over here. We are extremely positive with our ability to cross sell because that is certainly a value proposition that we have in this particular space, but you will see the benefits of this towards the end of the financial year.

Srivatsa

Okay. And have you lost any customers of Room Service because of this acquisition in the last two months?

Arvind Thakur

None at all.

Srivatsa

Okay. Can you give us an update on the FOREX hedges, I mean what is the hedge you have at present or are you unhedged as far as the FOREX position is concerned?

Arvind Thakur

As of June 30th we have a hedge of about US $16 million.

Srivatsa

Okay. Now given the fact that half your business roughly comes from Europe will it be fair to assume that those are billed in pound or Euros, or?

Arvind Thakur
Absolutely correct, yeah. That business is all in Euros and pounds.
Srivatsa
Okay.

Chinmaya

Sir this is Chinmaya here. Could you just clarify whether the entire salary hike for the year is done with or there will be a further hike going forward?

Arvind Thakur

I just hope there is no further requirement of a salary hike. I believe we have done what the rest of the industry has done, but obviously you will have to keep observing and watching as we go forward because in this business you got to maintain your compensation levels in line with what is happening in the industry.

Srivatsa

Sir, just to follow up like what would be your composition of freshers in your total employee mix, or in terms of your intake what would be the approximate composition of Freshers?

Arvind Thakur

We will have to get back to you on that.

Srivatsa

But do you see an improvement in that mix, I mean I do not know, are we at industry wide levels or we have a very big pyramid where we have a huge lot experienced people. I mean if you can just give a color on that?

Arvind Thakur

Yeah, certainly there is scope of creating a better pyramid, if I were to just give you a qualitative view on that I tend to feel we have as a proportion more experienced people in our organization than what the scale players would have.

Srivatsa

Okay. Sir in terms of margins for the rest of the year barring this Room, are we confident of maintaining at the current level barring the impact of the Room acquisition?

Arvind Thakur

Yes, it is really the impact of the Room acquisitions, which we have to deal with in this year.

Srivatsa

Okay.
Chinmaya

Sir could you just give us revenue in dollar terms for this quarter and the quarter and the last quarter?

Arvind Thakur

In dollar terms?

Chinmaya

Yeah.

Arvind Thakur

Do we have in dollar terms. I do not think we have in dollar terms. Okay you may want to use a conversion of 45.61.

Chinmaya

Fine. Thank you.

Moderator

Thank you sir. Next we have Mr. Neelang Mehta from HSBC Mutual Fund, over to you sir.

Neelang Mehta

Sir you did mention about the hedge are 16 million, at what rate it has been, can you just give that also and the second question is what is quarter-on-quarter revenue growth organic in dollar terms and the rupee effect on the revenue growth quarter-on-quarter?

Arvind Thakur

Okay. I think I can tell you the rate at which we are hedging, which is 45.5, now I have already told you the conversion rate to convert rupees to dollars 45.61 and we have already communicated that organic growth has been 27% year-on-year.

Neelang Mehta

Sir I wanted to quarter-on-quarter.

Arvind Thakur

You do calculations as I have done. You know your number that you looking for?

Neelang Mehta

Sir quarter-on-quarter how much would it be?
Arvind Thakur

I mean, you will have to calculate that because you are asking me the calculation we do not really have. Okay in rupee term it will perhaps be about it will be 5% quarter-on-quarter. Yeah.

Neelang Mehta

Organic 5% on?

Arvind Thakur

Yeah.

Neelang Mehta

Okay, thank you very much.

Moderator

Thank you Mr. Mehta. Next we have Mr. Anuj Sharma from ASK Raymond James, over to you sir.

Sanjay Parekh

Yeah this is Sanjay Parekh sir. Sir just to take this point again I am just not getting the maths right, our total revenue this time was Rs. 191 crores. Last year first quarter the total net sales revenues were Rs. 28 crores. If I take a 27% increase I get Rs. 162 crores and that means that 29 crores comes from Room Solutions. If I take a margin of 20% on this Rs. 162 crores then I get a 13% margin on Room Solutions, whereas that is how I get my average margin 19%. So I am right here or and if this is right then that means that we actually de-growth this quarter as compared to fourth quarter last year, am I right or going wrong somewhere?

Arvind Thakur

No. You are wrong somewhere because we have grown organically 5%. Just tell me what your last time number is?

Anuj Sharma

You said 27% year-on-year growth from organic, last year number I have it Rs. 128 crores.

Arvind Thakur

Oh I think that is where you are wrong. It is Rs. 136.5 crores.

Anuj Sharma

Okay fine. So I think that is where the... And the Room Solution margins. Okay fine, we will just derive that.
Arvind Thakur
Yeah.

Anuj Sharma
Thank you.

Moderator
Thank you sir. Next we have Mr. Sheetal Shah from Kotak, over to you sir.

Sheetal Shah
Yeah Hi, what kind of change are you seeing in the billing rates?

Arvind Thakur
Actually for us they have been stable and you know actually the room integration there is going to be a substantial increase because, it is a very specialized focused organization, we have not really incorporated that into a data point as yet.

Sheetal Shah
And no if you look at the standalone company NIIT Tech, how are the billing rates changing, are they increasing or?

Arvind Thakur
Very marginally. Very marginally increasing.

Moderator
Mr. Shah you are through with your question sir.

Sheetal Shah
Yeah.

Moderator
Okay, thank you very much. Next we have Mr. Pratish Krishnan from Emkay Shares, over to you sir.

Pratish Krishnan
Yeah hi. This $20 million contract from transportation company, I mean like, this is a existing client?

Arvind Thakur
That is right.
Pratish Krishnan

And what is the current billing from this client. I mean like this includes the current billing or something new that you have got?

Arvind Thakur

Yeah that is new.

Pratish Krishnan

Complete new, and what is the time frame for this? I mean say about two year or three years?

Arvind Thakur

Yeah it is about two years.

Pratish Krishnan

Two year contract. And what is will be the margin impact from next quarter mainly because you know for integration cost of Room Solutions, is it possible to quantify that?

Arvind Thakur

Difficult to quantify, but basically the idea is to communicate to you that margins may be less than 19%, marginally less than 19%.

Pratish Krishnan

And you know we increasing minority interest for this quarter, I mean is it largely because of Room Solutions or its something else include also?

Arvind Thakur

Yes it is because of Room Solutions.

Pratish Krishnan

Okay. Thanks a lot.

Arvind Thakur

Your are welcome.

Moderator

Thank you sir. Next we have Mr. Gaurav Dua from Share Khan, over to you sir.

Gaurav Dua

Yes sir hello. Sir your software growth has been slowing down over the past quarters, if you see there is a sequential growth in quarter two was around 8%, which dropped
down to this 7% and then quarter 4 it was around less than 5.2% and now the organic growth is down to 4.3%. Why is that sir?

Arvind Thakur

Well. Let me just put it the other way round. If you look at our year-on-year growth it has improved from 7% in Q1 to 8% in Q2 to an 11% in Q3 to 21% in Q4 in March 27% in the Q1 of this year.

Gaurav Dua

I am only talking about the software side of the business, I am not including this thing BPO revenue sir?

Arvind Thakur

Well if you look at the software side it is 5% in Q1, 6% in Q2, 11% in Q3, 21% in Q4, and 27% in Q1 of this year, it has increased even on software year-on-year.

Gaurav Dua

Yeah but on these terms quarter-and-quarter side there has been a fall for past four quarters that is a?

Arvind Thakur

Yeah I mean that is visible, but all I am trying to say is every quarter has its own issues and if you look at you know the whole year we will be seeing an improvement year-on-year on every quarter.

Gaurav Dua

Okay, Thank you.

Moderator

Next we have Mr. Hitesh Shah from ABN Amro, over to you sir.

Hitesh Shah

Hi, congratulations on a good set of numbers. I just wanted to understand a few things. First India Business, we usually have a seasonality in this business where in it drops in first quarter every year, this year it was kind of a flat. I just wanted to understand what went there, did we get any order or was it something on a GIS space, if you could throw some light there?

Arvind Thakur

Yeah okay on the India Business, we have actually secured from good business. One of them is the extension of an existing relationship that we have, which is with Holcim and now we are providing you know complete managed services to ACC and that is you know giving this boost for the revenues that we have in the India Business. This is around you
know implementation of SAP in the organizations and creating and running the data center for the organizations.

Hitesh Shah

Okay. If you could throw some light on our GIS revenue and how much it has contributed in the current minority interest?

Arvind Thakur

Just give me a second, I will just dig it out. GIS revenue for Q1 is 125.

Hitesh Shah

Okay. How much were the minority interest subtracted from our profits for the subsidiary. We had a minority interest of around Rs. 14-15 million?

Arvind Thakur

Yeah, yeah, if you look at Q4, there is a minority of about 5 that is typically from GIS.

Hitesh Shah

No. I just wanted minority interest of Rs. 14 million broken between the GI subsidiary and the Room Solutions.

Arvind Thakur

Yeah that is what I am saying, so you can assume 4 to 5 for GIS and the balance of the Room.

Hitesh Shah

Okay, well thanks. Also wanted to understand if Room Solution has some seasonality in that business and how does it pan out over the four quarters?

Arvind Thakur

Yeah. Actually room does have some seasonality and you know we are trying to get a better understanding of that. As you know Room is in the business of providing commercial insurance and as a result of which there are few elements of seasonality that emerge, one is you know they are also providing license and support services. So there is period in which there is a renewal of these support services and licenses which happen and that is typically in the November-December time frame. We also have a seasonality associated with external factors which they call the Hurricaine seasons that is where their customers get more actively involved in dealing with all the plans that emerge out of these kind of events and they are less focused on you know IT and IT sales. So there is a little bit of seasonality in this business that we see. I think we will get a better understanding as we engage a little more with this organization.

Hitesh Shah
Okay well. Also if you could quantify some one time cost that you spoke about earlier in the call in next quarter, what would be the quantum of that?
Arvind Thakur

There are two types of costs that we are dealing with here, one our integration cost you know which has to do putting systems in place getting them aligned to the operations of the organization, which includes implementation of SAP and you know things like that. And then there is another kind of cost which has to do with transitioning and the transition cost are really the cost where NIIT Technologies is taking over the support and applications, which are currently being handled by some of Rooms other vendors. These are two kinds of costs that we are going to see in the next quarter.

Hitesh Shah

Sir, can we expect the transition of outsourced product engineering work to happen in two Q of 07 is that safe to assume?

Arvind Thakur

Which Q you are telling.

Hitesh Shah

You said the work would transition from the Room’s vendor to NIIT.

Arvind Thakur

Yeah. That will happen in Q3.

Hitesh Shah

That would happen in Q3. Okay.

Arvind Thakur

So there is an overlap in Q2-Q3 where you know vendors also being used plus we are incurring cost of transitioning.

Hitesh Shah

Okay. Alright. The third question that I had was on the BPO business there you mentioned on the margin outlook, I wanted some view of management on how the growth would be. This business we were growing around 8% to 10%, but somehow over the last two three quarters the growth has been kind of little lower than my expectations. So wanted to understand where do we see this business going, also we did not have much of hiring over the last 12 months. So?

Arvind Thakur

Yeah, as I mentioned earlier our focus right now is to create an operation, which is profitable and hiring will happen when business comes in to the organization. As you know, BPO business is large and has long lead times and you know that is the reason why you have not seen substantial growth because we have not reported any significant large business that this organization has got as yet.
Hitesh Shah

Okay, alright thanks and all the best.

Moderator

Thank you very much sir. Next is a follow up question from Mr. Anuj Sharma of Ask Raymond James, over to you sir.

Anuj Sharma

Sir, I missed this part, what is the dollar quarter-on-quarter growth and year-on-year growth and what is the FOREX part in this?

Arvind Thakur

I did not give dollar quarter-on-quarter and year-on-year. I talked only about the rupee quarter-on-quarter and year-on-year. Rupee year-on-year is organically. Are you talking about organic or inorganic or both?

Anuj Sharma

Yeah both, both would be fine.

Arvind Thakur

Okay one second, organically year-on-year is 27%, with Room it is 40% year-on-year.

Anuj Sharma

What would be the volume part in this?

Arvind Thakur

This is all volume.

Anuj Sharma

Okay, fine thank you.

Moderator

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

Thakur

Right. Thank you very much once again to all of you for participating in the call and giving us your thoughts and views as well as the having this discussion with us. As I mentioned earlier, very significant activity for us to this quarter has been the acquisition of Room Solutions and this is in line with our overall strategy to bring further focus and
create a differentiations by building strong capabilities in the industry segments and solutions that we are focusing on. We hope that this integration which truly set us on a path of consistent growth that all of you are expecting from the organization. Thank you very much. I look forward to talking to you again.

Moderator

Thank you sir. Ladies and gentlemen, thank you for choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice evening.