



TRANSCRIPT: NIIT Technologies Ltd Q2FY2013 Results Conference Call
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FROM NIIT TECH:

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Moderator

Ladies and gentlemen good day and welcome to the NIIT Technologies Q2 FY 2013 Earnings Conference Call. As a reminder for the duration of this conference all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference please signal an operator by pressing *0 on your touch-tone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Abhinandan Singh, Head - Investor Relations, NIIT Technologies. Thank you and over to you sir.

Abhinandan Singh

Thank you and welcome everyone to our Q2 FY2013 earnings call. Present along with me today at this call are Mr. Rajendra S. Pawar, our Chairman; Mr. Arvind Thakur, our CEO; Mr. Lalit Dhingra, who is President, NIIT Technologies Inc and heads our North American business; and Ms. Pratibha Advani, our CFO. We will begin this forum today as usual with opening remarks by Mr. Thakur and after that the floor will be open for your questions. A transcript of this call will be available within a few days at our website, which is www.niit-tech.com. And now, I would like to request Mr. Arvind Thakur, CEO, NIIT Technologies, to initiate this call with his remarks. Thank you.

Arvind Thakur

I will begin by just commenting on the environment as we see it and what we see is that the sovereign debt crisis in the Euro zone is still unresolved and large western economies like the US and UK continue to be weak. Thereby the global macroeconomic situation continues to be uncertain. However, concerted efforts by respective governments and central banks are resulting in measures in facilitating a sustainable recovery which is very encouraging. Some positive signs that we have seen are the noticeable drop in the unemployment numbers that came in recently from the US and also a pickup in the service sector's activity in the UK. Very recently, as recent as last month, we saw the Chinese government announce plans to invest over \$150 billion in infrastructure development which could stimulate the economy.

Closer home we have seen the government taking some very serious measures at aiming to spur investment and growth as well as reducing the deficit. So, there is good amount of concerted effort by governments across the world in improving the economic situation. The demand environment in our target markets however still remained mixed and the travel space what we have seen is industry body IATA announcing an upward revision to its global aviation outlook not only for 2012 but also for 2013 so we would expect to see continued traction for technology services in the travel sector. BFSI continues to remain sluggish. The impact of last year's natural disasters are taking longer for reinsurers to recover in the commercial insurance space. So with this background let me talk a little bit now about our Q2 results.

We have seen strong sequential growth of 6.5% quarter-on-quarter in revenues to Rs.5001 million which also represents a 34.8% growth over the same period last year. In constant currency, the sequential growth has been 3%. Currency gain has been as a result of the weakening rupee and that contributed to 2.9% in gain and towards the end of the quarter we

saw the rupee appreciating which reduced the hedge losses for the quarter adding another 0.6% to the top line, so 3% has been the constant currency growth and 3.5% has been the currency gain. We saw the US record strongest growth with most accounts showing good traction, contributing to 38% of our revenues. EMEA continues to contribute to the largest share at 39% of revenues and the balance comes from APAC and India. We have seen continued growth in the Travel & Transport space which increased revenue share to 42%. BFSI contributes to 33% of our revenues and distribution and government businesses contribute to 6% and 5% respectively. Operating profits for the quarter stood at Rs.848 million which is 13% sequential growth and a 54.3% growth year-on-year.

Strong international revenues and also currency gains during the quarter have resulted in an improvement in operating margins to 17%. There has, however, been a significant loss in other income from revaluation of foreign currency assets and liabilities due to the rupee appreciation towards the end of the quarter and this has been the prime contributor to the decrease in net profits which stand at Rs.431 million for the quarter. We continue to have very steady intake of fresh new business. We secured \$93 million of fresh new business during the quarter. This includes \$20 million of new business from Morris. We also deepened our engagement with Sabre, one our top clients in the US, by acquiring their development centre in Manila. To talk in more detail about our large deal at Morris, the deepening relationship with Sabre, the impact of the enhanced delivery footprint in Manila, and the outlook in the US, I would like to call upon our president of US operations Mr. Lalit Dhingra to say a few words. Lalit joins us on this call from Atlanta, so Lalit would you like to just add to whatever I have said.

Lalit Dhingra

I will focus on two specific customers which Arvind talked about with whom we have secured additional large business and we have strengthened the relationship in that process. Now, these customers are Morris and Sabre Holdings. Let me first talk about Morris. So far, Morris has outsourced the infrastructure which includes the data center and the business processes both backend as well as customer facing. Now, Morris is making very aggressive moves to add additional channels for distributing their contents and that is digital, which means providing their contents on iPads. So, under this new additional contract NIIT Technologies will develop the digital platform and manage the content distribution for them. This new agreement is for four years and gives NIIT Technologies an additional business of \$20 million. Let me now give you a brief on our new business from Sabre. Sabre is NIIT Technologies' largest travel client in the US and under that contract we have been working on various engagements with them for last 10 years. In the month of September we acquired their development center in Manila. This center used to support two to three product lines of Sabre for various airlines. So, under this agreement we will now support those products from Manila and Sabre has committed additional business for the next three years. With this we have strengthened our relationship with Sabre as these products are very strategic to Sabre. And NIIT Tech now supports Sabre and its clients worldwide from India, US, and Manila. Now, Manila is very strategic location for NIIT Technologies and gives another option for our clients where they can get business processes and help from our services from that location.

Arvind Thakur

Manila as we all know is a proven destination for business process outsourcing services and as Lalit pointed out, NIIT Technologies will not only provide services to Sabre but also its other customers from this new facility in Manila, thus enhancing our global delivery capabilities. We added three new customers as well during the quarter, one in the US, two in EMEA. As a result of the fresh business that we acquired, the order book executable over the next 12 months now stands at \$253 million. We added 173 people during the quarter taking our total headcount now to 7,617. Our attrition stood at 12.67% and our utilization also improved a little to 79.8%. Cash and bank balances stood at Rs.2,320 million. This has been down by 349 million over last quarter due to the dividend payment that we have made during the quarter under review. Debtors at the end of the quarter was 79 days of sales outstanding, which has considerably improved over the various quarters.

Despite the weakness that we have generally seen in the environment, our international geographies grew by 8.9% sequentially during the quarter. As I mentioned earlier, the Travel & Transport space has shown the maximum traction. BFSI has shown some weakness and remained somewhat soft. Nevertheless, our order intake has continued to be healthy driven by aggressive moves in growing our customer base and this build up will continue to drive growth in the coming quarters as well. With these remarks I am happy to now open the call for discussion and I look forward to your questions.

Moderator

Thank you very much sir. We will now begin the question and answer session. The first question is from the line of Karan Taurani from IFCI Financial Services, please go ahead.

Karan Taurani

What is the volume growth this quarter?

Arvind Thakur

We do not compute the volume growth but we compute growth in constant currency and the constant currency growth is 3%.

Karan Taurani

Okay and in terms of pricing what is the scenario over there are you see any pressures or it remains to be flat.

Arvind Thakur

The pricing situation is becoming tight as we go forward, although we did not experience any pressures in the last quarter.

Karan Taurani

Okay but do you expect some kind of cuts going forward?

Arvind Thakur

Going forward we do expect pricing pressure to become a little more severe.

Karan Taurani

Sir, now coming to the margin basically despite the rupee depreciation and the positive impact of currency which you had of 3% approximately, your margins have expanded by merely 96 basis points. Given the utilization rate increasing, and even your FPP was probably higher this quarter, what is the reason for expansion of merely 90 basis points this quarter, your margin could have been could have expanded further?

- Arvind Thakur** Yes, we had very good growth in our international geographies and in fact they have contributed to the margin expansion. However, there are two areas where we saw decline in margins, one is in our GIS business. The GIS business typically gives us very good margins and in the last quarter we saw a decline in margins in that business. The other has been in NITL, which is NIIT Insurance Technologies business, where we did not conclude on the license revenues that we expected to conclude and therefore we saw a margin decline there as well.
- Karan Taurani** Okay so going forward what would be the levers you could say which would impact our margin positively?
- Arvind Thakur** Well, to begin with, both these businesses. Because GIS traditionally has been a very strong high margin business for us so we have to recover our margins in that business. And as we get license revenues in our NITL business, that too is a great margin lever.
- Karan Taurani** So, when do you see this recovering? In the next one-and-a-half quarters?
- Arvind Thakur** Probably in quarter four.
- Karan Taurani** The last question would be on the travel & transport vertical. Last quarter was at around 10% to 12% sequential growth and this quarter as well it was 10.5%. Revenue from the travel & transport vertical contributes like 42% of overall revenue right now, so what could drive the growth further from here? And to what extent is it likely to peak out or to what extent can you stretch your contribution from travel & transport space?
- Arvind Thakur** We have seen some encouraging signs in the industry per se. As I mentioned in my opening remarks, the latest IATA report has upped the outlook of the industry both in 2012 as well as 2013 which is a healthy sign for us as we expect more technology spend in this particular segment. We have seen all our top clients growing very well and that's another healthy sign in this particular segment. So we will continue to see growth in this particular segment.
- Karan Taurani** Are you comfortable with this going up to even 45% over the next three quarters approximately, if you could say?
- Arvind Thakur** That is if the other segments do not grow at the same rate.
- Moderator** Thank you. The next question is from the line of Dipen Shah from Kotak Securities, please go ahead.
- Dipen Shah** Had a couple of questions. First of all, can you just throw some more light or some more color on the platforms business, how they are doing? And on the whole non-linear initiative, are we seeing any traction there?

- Arvind Thakur** Our new policy admin platform in its full form has now finally got implemented at one of our clients with very good response; that is the ipf3. So that is creating a very good buzz in the marketplace. We already have enquiries from some of our other customers now to migrate to that platform. So we see good traction happening with that in the insurance space. I think that is very good news. Last quarter, I talked about a new platform that was gaining traction, which was in the risk aggregation space. That in fact is a platform which is not only used in the Lloyds market but also with global insurance. So with that platform, we can move globally with some of the global insurers, and so that's another great development that is taking place.
- Dipen Shah** Any further information we can get on Morris, how is it progressing and how is the profitability there? And also NIIT Insurance Technologies, that is Room, if possible.
- Arvind Thakur** Okay I can get Pratibha to talk about the profitability on Morris but in general let me just request Lalit to pitch in and talk about how is the Morris relationship moving ahead.
- Lalit Dhingra** So, Morris is proceeding pretty well. We have met all our SLAs which were there for the first year. We have moved to transaction-based pricing with them which was part of the SLA last month, so that has gone pretty well with them and all their customers are pretty happy with the arrangement so far. So the whole engagement is doing pretty well as this moment of time.
- Dipen Shah** And how many people would be there on the Morris JV?
- Lalit Dhingra** See, it is a total of around 230 people.
- Dipen Shah** Okay fair enough. And on NIIT Insurance Technologies?
- Arvind Thakur** I talked to you about the platforms now gaining traction, so that's good. But in this particular quarter under review we have seen a decline in their revenues because we have not acquired any new license sales. New license acquisition is getting impacted by the sluggish recovery of the reinsurance market. I anticipate that position to remain for another quarter and we see improvement from quarter four onwards.
- Moderator** Thank you. The next question is from the line of Srinivas Seshadri from CIMB, please go ahead.
- Srinivas Seshadri** Firstly, I just wanted to get some numbers on the GIS business. How much top line have we recorded for the quarter?
- Pratibha Advani** Our revenue for the quarter is Rs 229 million and our margins this quarter is 1%.
- Srinivas Seshadri** How has it been on a year-on-year basis?
- Arvind Thakur** Let us pull out the number, while you ask your next question.

Srinivas Seshadri Continuing on GIS, the second part of the question was, in which part of the GIS business have you witnessed weakness? Is it more driven by APDRP or in some other aspects of the business? If you could throw some color on what's it.

Arvind Thakur Yes, it is basically APDRP. In fact, the program is coming to closure but we found some deficiencies in the milestone and we had to invest significantly in the survey work that needed to be done to close the progress. And that has required this significant build up of cost during the quarter so, that basically what's happened.

Srinivas Seshadri So, is this is issue behind you now or will this kind of be there even in the next quarter?

Arvind Thakur It is mainly behind us. There would be a little tail which is left which we have to complete in this current quarter.

Srinivas Seshadri Okay. In terms of the revenue build-up, when do you expect it to start in the GIS business?

Arvind Thakur You know, what is happening is that there is a little bit of caution now in government spending. Things tend to get a little delayed. So while revenue will build-up in Q3, we expect Q4 really to be the quarter in which people can really be consuming all their budgets and that's really the peak as far as revenue is for GIS is concerned.

Srinivas Seshadri Okay, and on Morris, regarding the \$20 million new engagement. First, I just wanted to understand a few details like, what is the duration of this contract? And secondly, will this be similarly structured in terms of the takeover of employees and then moving to an offshore engagement over time? And based on that, what will be the margin profile for this particular deal?

Arvind Thakur This is a four-year contract, as Lalit explained, and it will begin with onsite and gradually start moving work offshore. So initially the margins will be low and then they will start picking up as work starts getting transitioned offshore.

Srinivas Seshadri Okay, so should we build in some kind of margin impact of this may be in the forthcoming quarter?

Arvind Thakur Yes, you should build up in Q3 and also in Q4 to some extent.

Srinivas Seshadri Okay. And the final question is on the government business. Can you again give us some numbers in terms of what has happened on the CCTNS deal? In terms of revenues it appears to have slowed down quite drastically, so was there any issue in any particular state in terms of execution and how do we see that going forward?

Arvind Thakur There has been slower activity in CCTNS in the quarter under review as compared to quarter one. The PFR (purchase-for-resale) has been only Rs 9 crore in this particular quarter and that is going to start picking up now in Q3 and in Q4.

- Moderator** Thank you. The next question is from the line of Pankaj Kapoor from Standard Chartered, please go ahead.
- Pankaj Kapoor** I just wanted to check, we have been speaking of growing ahead of the industry's 11% to 14% growth that NASSCOM has guided for this year. But if I look at our first half versus the second half we probably will need to grow at 4.5% at least in the next two quarters each to hit the industry mark. So firstly, are you still maintaining that view of growing ahead of the industry and secondly if so, then what do you think will be contributing to this?
- Arvind Thakur** Yes, I will be not seeing any issue on that front simply because we have been having a very steady intake of fresh business and if you look at our orders executable over the next 12 months, that's only improving. And as you know in our business, the revenues are derived out of the order book and that is quite healthy.
- Pankaj Kapoor** Okay and any comment on the pipeline of the deals? We have been talking about four-five deals being there in the pipeline for a while. We have seen a conversion in this quarter. Do you expect some more in the next couple of quarters?
- Arvind Thakur** Yes those things are happening. You are absolutely right, we saw conversion of one in this quarter and as and when things become more matured we will be in a position talk about the others as well.
- Pankaj Kapoor** Okay, and what's your sense on the margin for the second half? You spoke of onsite being high in Morris, and that will be probably impacting the margins in that revenue stream. But you had some one-time cost coming in, in this quarter because of the milestone that you spoke of in the GIS business. So, how should I look at the margin profile for the second half?
- Arvind Thakur** I do not know whether I talked about it earlier. Our focus has really been on order intake rather than on margins, and so in your models, you may want to take a conservative view of margins going forward.
- Pankaj Kapoor** Okay so you expect it to be flattish, any kind of a qualitative commentary you can give with that....
- Arvind Thakur** I think, that will be better to assume.
- Pankaj Kapoor** Okay. And sir if you can give some sense in terms of some specific numbers with regards to the hardware business this quarter.
- Arvind Thakur** As I mentioned, Rs 9 crore was the PFR in Q2 as compared to Rs 14 crore which was there in the previous quarter.
- Pankaj Kapoor** Okay, fair enough. Any update on the Eurostar deal, is that progressing well and any update in terms of numbers of the revenues, if possible, in Eurostar?

Arvind Thakur Yes in fact the customer is very pleased with the service that we provided during the Olympics. That was the real reason behind executing this particular program.

Pratibha Advani Actually we have done some additional work for them, Pankaj, around the Paralympics as well.

Arvind Thakur Yes that's also true. So, that engagement is happening well in terms of the way it is getting executed and it will continue to do well going forward as well.

Moderator Thank you. The next question is from the line of Atul Bhole from Tata Mutual Fund, please go ahead.

Atul Bhole Sir, you mentioned earlier about severe pricing pressure going forward. So can you share more light on this...whether existing clients are asking for some cost savings or is this related to new business and competition getting aggressive or are clients asking for sharing rupee depreciation-related gains?

Arvind Thakur It has to do with the competitive environment, particularly in the BFSI space, as that's an area which is somewhat sluggish and there are a large number of players in that particular space. So we are anticipating that for new business, there would be pricing pressure going forward.

Atul Bhole But existing clients are okay with the present set of pricing?

Arvind Thakur Existing clients, when they renew the business, that's the time we also expect that there would be pricing pressure.

Atul Bhole Okay and this is particularly for the BFSI sector and you are not experiencing in other verticals?

Arvind Thakur That is right, it is mainly in the BFSI sector.

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

Anurag Purohit Sir, if I look at the commentary, there are many margin headwinds like pricing and ramp up in some of the deals. So essentially, I wanted to understand the margin levers that you are looking at, because utilization has already moved up close to 80% levels. So what would be the margin levers that would allow us to maintain our margins at somewhere around 17% at EBITDA level, which is what we saw in Q2?

Arvind Thakur I think the first lever which I talked about was that some of our high margin businesses which have not delivered margins, like GIS because of a blip in a program that we are trying to conclude...so fixing those problems will automatically result in better margins. Second, our new project starts result in higher onsite revenues. Our onsite revenues during this quarter

under review has been 63% so there is scope of improving the offshore component of our revenue mix and that provides another lever that we can leverage. Thirdly, we are now bringing in a lot of freshers as intake, we did that in this particular quarter, and that will enable us to improve our delivery cost structure to some extent.

Anurag Purohit

Can you throw some more light on how much would be the recruitment, particularly on the fresher side that you are looking at in the second half of this financial year, and how many would be the campus offers that would have been given for FY14?

Arvind Thakur

Well, we are hiring about 100 people who would be joining us in this particular quarter, so that itself, when they become productive, will facilitate improvement in our margins. Typically, we have been hiring about 150 to 200 people a quarter and so there is a big intake of freshers that we have taken in into the organization.

Anurag Purohit

And my last question is to Pratibha. This quarter your current liabilities have dropped sharply and part of it would be because of dividend payout but it has dropped by Rs 90 crore. Apart from dividend payout, is there anything else which has led to a sharp drop in current liabilities?

Pratibha Advani

Yes, there was lower mark-to-market liability so that has come down by Rs 227 million. Both dividend and M-to-M together contributed to a sharp drop in liabilities.

Moderator

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

Manik Taneja

First of all a couple of bookkeeping questions. If we could talk about the revenues from Room in the quarter along with the margins from that side, and then a question for Pratibha regarding our total hedge position – what would be the average rate over there and given that we were doing a rethink on our hedging policy earlier, could you talk about that aspect? And finally, where exactly are you seeing pricing pressure? You mentioned that specific to Financial Services as of now, but are you seeing some pressure in terms of pricing within the top clients in Travel & Transportation segment as well?

Pratibha Advani

On your first question, the Room revenue for the quarter are Rs 366 million and our margin there is 19%. Your second question on hedge, the total forward covers that we have on date are US\$48.39 million and our average hedge rate is 55.69. On the third question, we changed the hedge policy last quarter and you have to give some time for a policy to see the results. As of now, we would continue with the same policy because we continue to see a lot of volatility in the rupee even today. Currently we are only covered 90% for following quarter, so that gives us an open position to be able to leverage some of the benefit that may come from this volatility. Also at this point we are getting a premium on the spot rates and as long as that continues we would continue to improve our hedge rate and in the new policy in Q4 earlier we

were just covered for about 25% now it has much as 60%. So we will continue with the current policy. On your pricing question, I will pass on to Arvind.

Arvind Thakur On pricing as I explained the sense is, it is more in the BFSI space. The other segment, which basically is the Travel segment, the issue is not as much as pricing as innovative methods of engagement with customers that provides cost advantage. So, traditional engagement models are being looked at in a new way which may be output based and SLA based with managed services. So it is not pricing but innovation in engagement that provides the customer with an overall improved cost structure.

Moderator Thank you. The next question is from the line of Sanjeev Hota from Sharekhan, please go ahead.

Sanjeev Hota Some bookkeeping questions. What is the revenue from Proyecta this quarter?

Pratibha Advani Rs 127 million.

Sanjeev Hota And what is it from the Morris?

Pratibha Advani Rs 264 million.

Sanjeev Hota And what is the total nonlinear revenue for this quarter in the term of percentage.

Pratibha Advani 21%.

Sanjeev Hota I missed out on the hedging total hedge position at the end of the quarter.

Pratibha Advani The current hedge, the forward covers that we have, are \$48.39 million.

Moderator Thank you. The next question is from the line of Madhu Babu from HDFC Securities, please go ahead.

Madhu Babu The net additions for this quarter under review, does that include Sabre?

Arvind Thakur Yes it includes Sabre as well and 61 people were added with the Sabre facility acquisition.

Madhu Babu What is the quantum of pricing drop we are seeing sir in the new deals from the current levels?

Arvind Thakur We are not seeing, we are anticipating.

Madhu Babu But any number to that, like is it 5% lower or 8% lower from the current levels, which you are expecting?

Pratibha Advani Could be in the range of 2% to 5%.

Madhu Babu Of the 230 people in Morris, how many are offshored currently?

Pratibha Advani About 100.

Moderator Thank you. The next question is from the line of Dipesh Mehta from SBI Caps Securities, please go ahead.

Dipesh Mehta Just one bookkeeping question about what would be the revenue from Managed Services.

Arvind Thakur 11% of the total revenue is from Managed Services.

Dipesh Mehta On tax rate, the tax rate this quarter appears to be lower. Can you give you some indication about what would be the ETR for the year.

Pratibha Advani The ETR for the year would be between 27% and 28%. Again, it depends upon our revenue composition but at this point we anticipate it to be in that range.

Dipesh Mehta And just to get a better understanding of the margin side...now, this quarter we have relatively lower hardware and we have seen improvement in international business, and hedge loss is also relatively lower. Still if I see margin improvement, it appears to be on the lower side so can you just guide us...you mentioned two reasons, GIS and ROOM, so I want to understand about GIS business, I missed the profitability for the quarter. And apart from GIS and ROOM, can you discuss any specific deals-related issues which impacted margin this quarter?

Arvind Thakur No, specifically these are the two services which have impacted.

Dipesh Mehta So, what would be the margin for GIS this quarter?

Arvind Thakur 1%.

Dipesh Mehta And what was it in the previous quarter?

Arvind Thakur 15%.

Dipesh Mehta So, this you mentioned is one of the reasons. And for correction, you expect it to recover again in Q3 – Q4?

Arvind Thakur That's what I mentioned. A tail-end of it will happen in Q3 but will recover completely in Q4.

Moderator Thank you. The next question is from the line of Abhishek Shindadkar from ICICI Securities, please go ahead.

Abhishek Shindadkar Could you give out the constant currency order book number for this quarter?

Arvind Thakur The order intake position is always computed and communicated in dollars and there has not been much cross-currency movement between the dollar and other currencies.

Abhishek Shindadkar Right sir. Actually we gave that number out in the transcript subsequently post Q1 call as \$254 million so I just wanted to understand what is the relative number to that?

Pratibha Advani We will come back to you on that number.

Abhishek Shindadkar And separately, if I reconcile the data it seems that the margins for ROOMS and GIS were down but the minority interest component this quarter was higher so could you just help us to understand which subsidiary between Proyecta and Morris is doing better and that has contributed to the incremental number on the minority interest.

Pratibha Advani The minority interest pertains to Morris which has done better. Proyecta is a 100% subsidiary.

Abhishek Shindadkar So last quarter we had said that 40 basis points improvement in margin was from Morris, and would continue for the subsequent quarters in FY13. So, could you help us to understand what is the margin right now.

Pratibha Advani For Morris?

Abhishek Shindadkar Yes.

Pratibha Advani 18.5%.

Abhishek Shindadkar And the same number for Q1 FY13?

Pratibha Advani For Q1 it was 13.6%.

Abhishek Shindadkar About the margin numbers, when you are talking of the margin pressure, the data points you are giving are irrespective of the appreciation in the currency and could have an additional headwind on the margin, is that understanding correct?

Arvind Thakur Currencies can have headwinds as well as tailwinds, so it all depends on which way it moves.

Abhishek Shindadkar Okay and lastly if you can tell us, has the Philippines subsidiary or Philippines acquisition been integrated into the numbers for this quarter under review both on the revenue and the margin impact?

Arvind Thakur Yes they have been integrated but it is a very insignificant amount.

Moderator Thank you. The next question is from the line of Vimal Gohil from Asit C Mehta Investments, please go ahead.

Vimal Gohil Just one data point, I just wanted the volume numbers for US and Europe separately?

Arvind Thakur 6% is US and 3.5% is Europe.

Moderator Thank you. The next question is from the line of Amar Maurya from IndiaNivesh, please go ahead.

Amar Maurya Sir, I wanted to know more about this fresh order intake, is this primarily coming from the additional deal which we won from Morris that is of \$20 million and two clients from India?

Arvind Thakur No, two are from Europe, one from the US.

Amar Maurya And then I believe we have won something in India as well, right?

Arvind Thakur Nothing significant.

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

Dipen Shah Yes Arvind just a follow up. This quarter we have seen that the revenue growth has come mostly from the Travel & Transport segment. May be you have just alluded to the fact that Insurance is kind of still troubled. Last quarter we had some issues on the BFSI front. Can you just give us some more comfort that in the next quarter or the couple of quarters going ahead, apart from Travel Transport, even the banking financial services could continue to do well? Or is it only Travel Transport which should carry the burden of growth?

Arvind Thakur It is definitely going to be Travel & Transport, and there will be some recovery in Insurance and we still have to execute a lot of business in our Government sector. So, these things will carry us through this financial year.

Dipen Shah But the troubled client in the Banking segment, are they on their way to recovery or not yet?

Arvind Thakur Not the large ones, but the new ones that we acquired are scaling up.

Moderator Thank you. The next question is from the line of Rahul Jain from Dolat Capital, please go ahead.

Rahul Jain If you can give the breakup of the minority interest.

Pratibha Advani The profit from Morris for the quarter is 45 million and the minority interest for that is 18 million.

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

- Ganesh Shetty** Yes, my first question is regarding our NIIT Healthcare Technologies and how that part of business is moving, can you please throw some light on that sir?
- Arvind Thakur** There is an interesting opportunity which is emerging in the Healthcare space which is of doing a code conversion of the international disease code from 9 digits to 10 digits, so in the Healthcare space we have secured our first client for doing that conversion exercise. And so now we have a reference site that will enable us to pursue that opportunity more aggressively.
- Ganesh Shetty** We are making substantial investment in Analytics, Mobility and Clouds; will it have significant revenue contribution in the coming quarters or year after? Can you please throw some light on this?
- Arvind Thakur** These are important areas where we are investing and in each one of them we have solutions that are being effectively deployed with our customers. So on Mobility, we have the whole suite of solutions that are being offered to in the Travel space and Mobility is very important in the travel space because all customers, our travel customers, now seek mobile solutions in that particular space. Likewise, customer experience is a big subject now across all industries, and both in the financial services as well as in the travel industry analytics has an important role to play in providing solutions that enable the experience of customers to be enhanced significantly. That is one space again where we are beginning to engage with our customers. And the Cloud is, as I had mentioned earlier, an area where we have put in solutions to open a new segment which is the SME segment and there again we are gaining some traction.
- Ganesh Shetty** My final question is regarding business from first time outsourcers and it is generally discussed that mid-tier companies are doing well and some new outsourcers are coming in and can you please explain this phenomena how this part of business can scale up in future?
- Arvind Thakur** Yes in fact given that the large customers in the Financial Services space are somewhat strained, we have started approaching the Tier-2 financial institutions and a lot of them are first time outsourcers and that gives us the opportunity of doing total outsourcing with these customers. So one is able to engage more deeply and strategically with these customers and that's a new segment that we see which is opening up well for us.
- Ganesh Shetty** My final question is regarding the Europe geography. Are we seeing any visible improvement in environment over there?
- Arvind Thakur** Europe continues to be somewhat stressed because the Euro zone issues have still not been resolved, so Greece and southern European countries continue to find solutions to solve their problems which are pretty complex because they are not just financial problems but political problems, so it will take a while before those issues can be resolved.
- Moderator** Thank you. The next question is from the line of Madhu Babu from HDFC, please go ahead.

- Madhu Babu** Could you talk about the large deals which we are currently pursuing? And secondly, SG&A is going up on an absolute basis, so is there any possibility of cutting SG&A expenses?
- Arvind Thakur** On an absolute basis probably but I think as a percentage we are showing an improvement in our SG&A and that is what the intent will be. As far as large engagements are concerned, we have seen sprinkling of them across those segments that we are focused on. Some of them are opportunities that we are cooking with our current large customers, which as I mentioned earlier has to do with new ways of engaging with our customers that provide them with better cost structures but enable you to provide them with a higher volume of service. So these are happening with both our existing customers as well as with new customers that we are pursuing.
- Moderator** Thank you. The next question is from the line of Shashi Bhusan from Prabhudas Lilladher, please go ahead.
- Shashi Bhusan** We spoke about possible pricing pressure that may surface in some of the new BFS contracts and if it comes for renegotiation as well. But for the existing order book there is not any, when it comes for execution. Is my understanding right?
- Arvind Thakur** Yes that is right. You are talking about pricing that we anticipate going forward looking at what is happening in the environment.
- Shashi Bhusan** So, these \$253 million order book that we are talking about, we are not seeing any pricing pressure for this order book?
- Arvind Thakur** Yes this is already in the hand.
- Moderator** Thank you. The next question is from the line of Ankit Pande from SBI Caps Securities, please go ahead.
- Ankit Pande** I just had a question around the CCTNS project. We had earlier highlighted our targets of about Rs 115 crore to 120 crore in this year, given in the first half you have hardly executed about Rs 25 crores? Can we indeed keep up with that target?
- Pratibha Advani** Our endeavor would be to keep up with the target. But I just want to explain the methodology of how we are recognizing revenue here. So, whilst we have been delivering pretty much on target, when we are recognizing revenue we ensure that is done only after we have a received a sign off. So that is why there is a bit of a lag which can go forward also in Q4.
- Ankit Pandey** Just one number on GIS, can you give me the margins YoY as well, like you gave for this quarter end.
- Pratibha Advani** 22%.

- Ankit Pande** And on the Eurostar project, when we announced the deal we highlighted that we may indeed do 17 transformation projects. So what is the execution stage on those, if at all we are executing them?
- Arvind Thakur** Well, right now we are basically executing the business as usual and whatever new requirements are coming. The transformation elements are being reworked at this point in time.
- Ankit Pandey** Okay so no real decisions have been taken on those fronts?
- Arvind Thakur** No.
- Ankit Pande** You did mention about ipf3 and other projects that give us the non-linearity benefit. Just want to understand if there are substantial revenue contributors to NITL itself. What would be the size of deployments of this particular one, if you can give us the example of the one particular client you have had for ipf3?
- Arvind Thakur** Yes, depending upon the size of the client you could get license revenues anywhere between 200k to a million dollars....
- Ankit Pande** So, these I mean there is no further work to be done on product and development, and expenses in those have already been incurred? I think ipf3 was introduced some while back.
- Arvind Thakur** Yes, but there is obviously continuous investments you have to make in IP, which is an ongoing process for which you recover maintenance cost from the customers to whom you sell your licenses to.
- Ankit Pande** Okay and on the other platform, if you can give us an idea of how many clients or how many...
- Arvind Thakur** The other is the Risk Aggregation platform and we would have at least half a dozen clients in that.
- Ankit Pande** Any idea of what percent of revenues of NITL they could be?
- Arvind Thakur** Not of risk aggregation, I would not have that number right now but you can assume 10% to 15%.
- Moderator** Thank you. As there are no further questions I would now like to hand over the floor to Mr. Arvind Thakur, CEO, NIIT Technologies for closing comments.
- Arvind Thakur** Well, thank you very much. I think we have seen a good quarter in terms of both revenues as well as operating profits and based on the fresh order intake that we have been securing consistently, we hope to continue with this growth momentum. Thank you for your questions and your deep understanding and support for this.

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

Note:

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(1 crore = 10 million)