

"NIIT Technologies Ltd Annual Results Conference Call"

May 5, 2010

MODERATORS Mr. RAJENDRA SINGH PAWAR - CHAIRMAN, NIIT

TECHNOLOGIES LIMITED

MR. ARVIND THAKUR - CEO, NIIT TECHNOLOGIES LIMITED MR. K.T.S. ANAND - CFO, NIIT TECHNOLOGIES LIMITED

MR. VIKAS JADHAV - HEAD, INVESTOR RELATIONS.



Moderator

Ladies and gentlemen good evening and welcome to the NIIT Technologies Ltd. Annual Results for the year ended 31st March, 2010. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the call, please signal an operator by pressing "*" and then 0 on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Arvind Thakur CEO - NIIT Technologies Limited. Thank you and over to you sir.

Arvind Thakur

Thank you and good evening everybody. I would like to welcome you all to this earnings call, where we will discuss our fourth quarter results for the financial year 2009-10 as well the full year annual results. Along with me, I have Mr. Pawar - our Chairman, K.T.S. Anand, who is our CFO and Vikas, who heads our Investor Relations.

To look at the environment, I believe the improving macro environment is beginning to reflect in increased technology spending and the offshore market share gains continue as corporates seek both for less coming out of the downturn. Globally, we are beginning to see the overall market in the US stabilizing with concern remain in Europe, particularly on account of the emerging threat from some countries in the region on the quality of their sovereign debt. Emerging markets have shown strong resilience and I believe now, a big opportunity for the industry. Domestic market in particular has matured with increased technology adoption and government is emerging as one of the most attractive segments in this space.

If you look at our quarter four results, revenues have grown sequentially 4% quarter-on-quarter to Rs. 2392 million. We had a volume growth of 7% in this quarter but there was loss in revenues on account of currency losses mainly because of the weakening of the pound, sterling and euro, which contributed to a reduction in revenue by 3%. There was also hedge loss on account of crystallization of effective hedges to tune of Rs. 125 million during the quarter. Looking at different geographies, we experienced a moderate growth in the US reflecting our view on the increased stability in the region.

The US contributed to 33% of revenues in the quarter. On the other hand, Europe declined to a share of 38% but we saw very significant traction in APAC and India. APAC now contributes to 15% of our revenues and India to 14% of our revenues in the quarter.

There was big boost in domestic sales due to increased traction in the government sector. Government revenues in fact are now assuming a sizeable proportion of our revenues and in this quarter represented 8% of total revenues. We saw our top 5 clients contributing to 32% of our revenues and our top 10 clients contributed to 48% of our revenues. Offshore revenues increased in this quarter contributing to 44% of the



overall revenues. As a result operating profits were up 4% quarter-on-quarter to Rs. 529 million, this is a 31% increase over the same period last year. Improved revenues with consistent improvement in efficiency from good utilization which was 82% in this quarter and increased offshore business as resulted in improved profits.

Operating margins stood at 22% which is an improvement of 7 basis points over the last quarter. Net margins stood at Rs. 413 million which is up 17% quarter-on-quarter and 57% year-on-year. Our hedge position at this point in time is, we have outstanding effective hedges of 99 million US dollars at an average rate of Rs. 43.04 to a dollar. Fresh orders worth USD 124 million were booked during the quarter. This includes the turnkey engagement with the Border Security Force to implement complete solutions for managing their operations human resource and finance worth 228 crores.

For us, this is a game-changing engagement as it is establishes the company as a significant player capable of competing and winning end to end turn-key solutions in the large government segment. In addition, 5 new international customers were added, one in the transportation segment, one in insurance, and two in manufacturing and there were also fresh orders for another client in the remote infrastructure management area. Total value of the order good executable over the next 12 months is USD \$147 million. We will continue to add people in this quarter. 362 net additions of people were made during the quarter, taking a head count to 4476 people. 22% of our direct resources are engaged in onsite activities and 78% in offshore activities. Attrition levels in the quarter were at 16.1%.

If you look at the full year, the impact of a slowdown was visible in the environment through 2009, customers were more focused on resetting their operating costs, which led to a decline in their technology spending. This impact actually was majorly visible hardware spending which is declined by good 8%. IT services however remained flat with some decline visible in the Europe market as well as the BFSI segment. Spend on compliance requirements remain steady. Manufacturing also saw a dip in spend as far as technology spending is concerned.

Global sourcing did better than the overall IT spend and it led to a resurgence in the second half of the calendar year 2009. We saw a stronger services play by hardware vendors with many pure play hardware vendors acquiring services companies across the globe and non-linear delivery and new revenue models gain substantial momentum.

As coming out of this crisis, such disruptive technologies will be deployed by vendors to augment their delivery capabilities. Our industry showed significant resilience in maintaining margins during the downturn despite the pressure on pricing. Now the slowdown in the wake of the sub-prime crisis resulted in business declining in the second half of the previous year, which is 2008-09 and so the financial year 2009-10



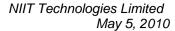
started on a lower base for us with Q1 revenues being 11% lower YOY. However, thereafter there was steady increase quarter-on-quarter through the year showing a slow but sure recovery even though full year revenues were down by 7%.

So full year revenues for NIIT Technologies for the year 2009-10, were at Rs. 9137 million. On the other hand, operating profits improved by 7% at Rs. 1888 million. Sustained efforts by the company to improve efficiencies in the face of adversity ensured that margins improved and in fact they improved by 266 basis points for the year to 21%. Net profits were up 10% at 1264 million rupees. Cash and cash equivalent for the end of the year stood at Rs. 1895 million and that's also substantial improvement, it was Rs. 1585 million at the end of the previous year. Sundry debtors were at Rs. 1851 million representing 74 days of sales outstanding. The hedge loss reserve which was at Rs. 1515 million at the end of last year is now down to only Rs. 248 million at the end of this financial year which is a change of Rs. 1266 million during the year. We spent 413 million on capital expenditure during the year, which is inclusive of Rs. 237 million as capital work in progress for the campus that we are creating at Greater Noida.

Our approach to build specialization by sharply focusing on select segments has resulted in bringing growth back to the business and has been recognized through independence specific industry surveys. Data monitor and a survey published in the black book of outsourcing ranked NIIT Technologies once again as the number one outsourcer for the travel industry. More recently NIIT Technologies ROOM solutions featured among Europe's top 7 insurance solution providers in Gartner's report titled "7 Vendors Dominate The European Market For General Insurance Policy Administration Systems" that was released in February of this year.

Our GIS business subsidiary, NIIT GIS received the Best Software Company of the Year Award at the Map India 2010 Conference. In the last decade, the industrial established itself as a dominant provider of services through a value proposition which is predominantly that of cost arbitrage. As we move into the next decade, while cost will be important, the focus will need to shift to greater value add. Our companies move to embrace non-linear services which include managed services, intellectual property asset based services, and cloud services are step in this direction. 27% of the revenues during the year were derived from such services.

During the year, we entered into partnership with many organizations to support these initiatives; significant among them is a partnership with Hitachi Information Systems for cloud services. These services are expected to be launched in this quarter. Further we entered into a partnership with SATS to offer solutions around cargo ground handling based on the work that we have been doing for them. Such partnerships enhanced the organization's ability to offer IT-led solutions in addition to its own intellectual property.





We will continue to seek more of such assets to support our non-linear growth model. So with these opening remarks, I would like to open the line for your questions and me and my team over here would be happy to answer.

Moderator Thank you. Ladies and gentleman, we will now begin with the question and answer

session. The first question is from the line of Srinivas Seshadri from RBS Equities.

Please go ahead.

Srinivas Seshadri Hi Arvind, congrats on a great quarter. Firstly, if I may just ask a few data points to

understand the result data and I will come back with some more questions on the

results. Firstly, I just wanted to check on the GIS revenues for the quarter?

Arvind Thakur GIS is 252 million.

Srinivas Seshadri Okay, right. And SG&A cost again for the quarter?

Arvind Thakur SG&A is 19%.

Srinivas Seshadri Okay. Of the reported revenues?

Arvind Thakur Of the reported revenues.

Srinivas Seshadri Okay. And then can I have the breakup of the other income line as well?

K.T.S. Anand Hi Srinivas. Other income is, we have a difference in exchange of minus 49 and other

miscellaneous income is 16 and interest income is 9 and expense is 1, so net income

is minus 25.

Srinivas Seshadri Okay, great. And then I missed the comment on the hedge position currently and the

effective exchange rate on those?

K.T.S. Anand USD 99 million at an average rate of Rs. 43.04 per dollar.

Srinivas Seshadri Okay. And any other ineffective hedges apart from these?

K.T.S. Anand Very insignificant, it's around 1 million dollar.

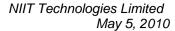
Srinivas Seshadri Okay. And the financials of ROOM basically in terms of standalone revenues in

market?

K.T.S. Anand For the quarter or for the year?

Srinivas Seshadri Yeah for the quarter will be...

K.T.S. Anand 268 million for the quarter. That's revenue. And what is it that you want?





Srinivas Seshadri The margins on a standalone basis.

K.T.S. Anand On a standalone basis, it's 16%.

Srinivas Seshadri And finally, the realized exchange rate in terms of rupee, dollar for the quarter?

K.T.S. Anand Average is 46.25 for the quarter.

Srinivas Seshadri Okay, great. Sir I will come back in a follow-up on some more questions.

Arvind Thakur Alright Seshadri, thank you.

Moderator Thank you. The next question is from the line of Madhu Babu from Systematix Shares

& Stocks. Please go ahead.

Madhu Babu Sir, could you talk about the opportunities for the next financial year, where are the

areas where we are seeing an uptake or huge amount of project flow?

Arvind Thakur As you know, we are focused on few industry segments, we are beginning to see a

recovery in the BFSI segment that was the segment that was challenged the most during the slowdown. We hope to see growth even on that segment because program that had been halted during the period of the downturn is beginning to get revived. We will see uptake in the travel and transport segments because this is another industry segment that had been very severely challenged. But the industry as a whole is looking at technology to improve the efficiency of the entire supply chain to deal with their cost structures, so we expect to see significant uptake in this segment as well. The other area where NIIT would be seeing growth would be in the domestic market particularly in the government segment. These are areas of, what

should I say focused where we see uptake going forward.

Madhu Babu Okay sir. And sir retail has shown an uptake in this quarter, is it at one-off or could

we expect some circular recovery in the vertical again, retail and manufacturing?

Arvind Thakur In fact retail has declined, it's manufacturing that has seen an uptake, so I think

that's another area which is coming back.

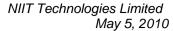
Madhu Babu Okay. Sir margins have been fantastic, I mean looking ahead wage hikes are going to

come into the picture, so what would be the sustainable operating margins and could

you talk about the wage inflation impact on you?

Arvind Thakur Yeah I think you know the wage increase is like businesses usual, I think we have

been through a difficult period and have been able to handle that difficult period extremely well and come out with even better margins. So I think going forward I would not be that concerned about the wage increases, because that is part of the





normal cycle of business. And there are many, many, I think levers that are available to us, that can help us deal with that. So for example, while we are adding head count back, so the head count can be added at lower levels, therefore we improve our overall cost structures. We are looking at more revenues from businesses that are non-linear, thereby you don't have to add people as your revenues increase. We are also seeing the proportion of our business improving towards fixed price contract, fixed price contracts typically gives better margins, of course they are high risks, assume that we will be able to execute well and deal with those risks. So I think there are many levers which are available to help us deal with margins going forward.

Madhu Babu

Sir, and last question, I mean apart from the BSF deal which we have won, any other new contracts which are in the pipeline in India which you can share with us?

Arvind Thakur

Many, many, I think there is a good traction in the space as you know the domestic market is one of the markets which has not really been as impacted by the slowdown as the rest of the world. So there are segments in this market which are strong, manufacturing, travels, and of course the government. The government has huge programs which are technology based and I think we have recognized that they will be using technology to help them with their whole program of inclusive growth. So we will see tremendous traction from the domestic market going forward.

Madhu Babu

Okay sir, thanks a lot.

Moderator

Thank you. The next question is from the line of Shraddha Agarwal from B&K Securities. Please go ahead.

Shraddha Agarwal

Yeah couple of questions, especially on your India business, I assume there has not been any revenue contribution coming in from BSF in this quarter?

Arvind Thakur

That's true.

Shraddha Agarwal

So I mean what were the reasons of such a spurt in India business, was there any component of hardware sale?

Arvind Thakur

No, it's just that we did put business, and quarter four is always a good quarter. You see that our domestic always peaks in quarter four.

Shraddha Agarwal

Right.

Arvind Thakur

And a good proportion of that business is with the government and government does maximum spending in the last quarter.

Shraddha Agarwal

Okay so this is a seasonal trend which is kicking in?



Arvind Thakur That's true.

Shraddha Agarwal Okay. And sir, secondly on your Hitachi business proposition, has there been any

meaningful progress on that front and when can we see some amount of revenue

upside kicking from that end?

Shraddha Agarwal Yes, I think we have been able to consider a product, we have an intention of

launching the service in this quarter, I think those were details that are being

worked out along with our partners.

Shraddha Agarwal Right.

Arvind Thakur So not in this quarter, but maybe from next quarter, we should start seeing some

revenues coming from that relationship.

Shraddha Agarwal Okay sure. Sir thirdly on data point, I mean you said you have some 99 million dollar

of hedges outstanding, so what timeframe is this spread?

Arvind Thakur This is over the next year where we will see, the first two quarters would be 100%

covered.

Shraddha Agarwal Right.

Arvind Thakur And the balance two are the proportion of the quarters coming.

Shraddha Agarwal So are you taking a re-look at currency now and are you also planning to take further

hedges for covering FY12 revenue?

Arvind Thakur We will certainly do that. Our hedge policy is to have a 100% cover for this, 50% for

the third quarter, 25% for the fourth quarter.

Shraddha Agarwal Okay. If you stick with this policy, I mean you are not taking additional hedges for

fiscal 12 as of now?

Arvind Thakur No.

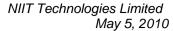
Shraddha Agarwal Okay. Sir secondly another data point, what was the proportion of non-linear

business in this quarter?

Arvind Thakur 27%.

Shraddha Agarwal 27%. And what can we assume for tax rate in fiscal 11?

Arvind Thakur 13%.





Shraddha Agarwal Okay sure, that's helpful. Thank you.

Moderator Thank you. The next question is from the line of Nirav Dalal from Capital Market.

Please go ahead.

Nirav Dalal Good evening sir. Sir I wanted an update on ROOM solutions when will you break that

30 crores mark, we have been hovering it on 25...

Arvind Thakur Let's do that in the next financial year.

Nirav Dalal And an update you know on what's happening there.

Arvind Thakur Many things, I think one of the most significant thing that has happened over there is

what I mentioned in my opening call, which was ROOM's positioning has been enhanced dramatically by this report which has been done by Gartner where they studied the general insurance market, as you know ROOM is in the non-life space. And in the general insurance market, they look all the providers in Europe and found that there are 7 vendors who dominated, ROOM being one of them and in fact ROOM was number three in terms of the number of installations. So that positions ROOM

very dramatically in that market.

Nirav Dalal Okay. Sir what is the proportion of the order book from the ROOM of the ...?

Arvind Thakur Do we have the number? To my mind, to the tune of approximately about 10 million

pounds,

Nirav Dalal Okay. And how has that moved over the last four quarters?

Arvind Thakur I don't have that much detail.

Nirav Dalal But just offhand?

Arvind Thakur Maybe you will have to take this offline.

Nirav Dalal Okay. And what is your addition plans for next year?

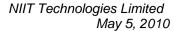
Arvind Thakur Well we don't give a number, but as you would have seen in last three quarters we

have been adding people.

Nirav Dalal Okay, thank a lot.

Moderator Thank you. The next question is from the line of Deepak Radhkrishnan from Unifi

Capital. Please go ahead.





Deepak Radhkrishnan

My first question is on the margins, in spite of adding around 300 employees, how do we manage the increased margins? And the second question is on the hedges, you said you have around \$100 million of hedges, so what we are trying to gain if dollar

appreciates?

Arvind Thakur So talking about margins, I think a couple of things which I alluded to as you

> understand how are margins have moved first of all you know revenues are improving and if you have this improved, your SG&A comes at lower percentage. Also we have been instituting our off-shoring, so that also as you know offshore component of business has much better margins. And the third is we have been getting more fixed debt contract as compared to T&M contract and fixed debt provides better margins

than T&M. So these are three contributors to the improvement in margin.

Deepak Radhkrishnan And hedges, don't you stand to gain sir?

Arvind Thakur I didn't understand your question.

Deepak Radhkrishnan Your hedges are at \$43. So don't you stand to gain, I mean this quarter or we have

seen a rupees declining.

Arvind Thakur No, you will not gain because currently I think the rupee is at 44-50 or something,

right.

Deepak Radhkrishnan 45 today.

Arvind Thakur So when it comes below the average rate, you will not gain, however, we have been

having hedge losses throughout last year, so if any strengthening of the rupee, we

will reduce the amount of losses, so to that extent that we will have a gain.

Deepak Radhkrishnan Okay so, how much is, I mean what is it for this quarter? Does it reflect in the other

income?

Arvind Thakur No, these are effective hedges, so if your revenue reduced by the amount of hedge

loss, in this quarter we had a loss of 125 million and it was the same last quarter, we

had 128 million in the last quarter.

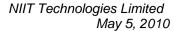
Deepak Radhkrishnan Okay. Thank you sir, all the best.

Moderator Thank you. The next question is from the line of Karan Taurani from PINC Research.

Please go ahead.

Karan Taurani Sir, can I have the breakup of the laterals and freshers on net addition this quarter?

Arvind Thakur I will have to give an approximately number.





Karan Taurani No problem sir, in percentage also it will do.

Arvind Thakur About 45% freshers.

Karan Taurani Okay. And balance laterals?

Arvind Thakur Yeah.

Karan Taurani Okay sir in terms of margin levers, where we see the offshore part going like it

becomes 44% now, so in terms of comfort level, how much more would you stretch

the offshore percentage?

Arvind Thakur You know we have been doing about a percentage improvement, I think quarter or

every two quarters, sometimes it's quarters, sometimes its two quarters.

Karan Taurani Okay.

Arvind Thakur So I think we should look at year off.

Karan Taurani Where it could exactly peak out or something?

Arvind Thakur I think you can look at another 2% during this year.

Karan Taurani 2% during this year, okay. And in terms of utilization sir?

Arvind Thakur Utilization is quite optimal, you know we were at 82%, it can go to 83%. We have

even had at 84% in the past, but I think utilizations are at optimal levels at this point

of time.

Karan Taurani Okay. Thank you so much sir, that's helpful.

Moderator Thank you. The next question is from the line of Sangam Iyer from Alpha Accurate

Advisors. Please go ahead.

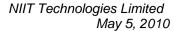
Sangam lyer Good evening sir, congratulations on a good set of numbers. My question is regarding

the outlook for the next financial year and in particular for the next quarter, I mean we have seen a very strong surge in the order backlog and also new order booking that we have seen in this particular quarter. Could you just give us some idea on what to expect going forward, because this has been a significant surge from what

the order booking we have been seeing in last four quarters?

Arvind Thakur No, I think it is very good, it caps a year which has been fairly difficult, so we are

opening the year with a good order book. I think going forward that will ease the pressure as far business in the year is concerned, typically if you look at the past, our





orders executable over the next 12 months had been in the range of 100 to 105 million and now it is 147 million. So there is lot to be executed in the coming year so that puts us in a good position for growth in the coming year.

Sangam lyer Since there is a major chunk from the government order also included in this current

order book, would it be more lumpier and more based towards the second half of the

year or would it be more evenly panned out and how do you see that?

Arvind Thakur Okay, that way. In fact it will be lumpier towards the first half because you know we

start executing and so you can hope to see more revenues in the first half than in the

second half from the government business.

Sangam lyer So, just to recap, I mean we are indicated that we got around 220 crores of orders

from the government BSF itself.

Arvind Thakur That is right.

Sangam lyer So that itself to be executed in the next first half itself.

Arvind Thakur No, that is a 5-year contract, alright, but a significant portion of that will happen in

this year and a significant proportion of what is going to happen in this year is going to

happen in the first half.

Sangam lyer Okay and sir regarding your margins going forward, how should one look at the margins

for the company I mean we have improved significantly in almost 300 basis points on a YOY basis. Is this level sustainable or do we see some pressure coming in and we come

back to 18-19% kind of level?

Arvind Thakur You know, there is a proportion of revenues in government business which is hardware

which we have to integrate with your solution.

Sangam lyer Right.

Arvind Thakur Right, so that tends to push down the margin. If I eliminate that element, then our aim

is to maintain the same margins as we did in the last days.

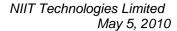
Sangam lyer Okay, so the first half could see some kind of a pressure because of the execution of

the larger chunk of government orders coming?

Arvind Thakur Yes.

Sangam lyer Okay and sir during this quarter Q4, the tax component, we actually got a write-back

is it? For this quarter, could you give us a breakup of that I mean how is it?





Arvind Thakur On tax a couple of things that happened. Number one deferred tax assets were

created due to a sunset period approaching on 31st March, 2011. So, there was a benefit of that. Then some of our subsidiaries particularly some countries in Europe like Germany, there were carry back loses in these overseas subsidiaries. So that helped and then we did higher off-shoring and more volume was derived from exempt

units. So, all these contributed to lower taxation in this quarter.

Sangam lyer So how should one look at the effective tax rate for the company for the financial

year?

Arvind Thakur So for this year, it was 10%, but I think some of these things would be one time and

therefore next year you should be looking at 13%.

Sangam lyer 13% effective tax rate, okay and sir last question on the FOREX loses in your balance

sheet. How much are they currently, I missed on that part in your statement?

Arvind Thakur 248 million.

Sangam lyer Okay, this is after reducing the amount that you are indicated mean around 1266 for

this financial year.

Arvind Thakur That is right.

Sangam lyer Okay so 248 is the one that is balance there. Okay, thanks a lot sir.

Moderator Thank you. The next question is from the line of Madhu Babu from Systematix Shares &

Stocks. Please go ahead.

Madhu Babu Sir what is the CAPEX for FY11 you are planning?

Arvind Thakur FY11 would be 60 crores.

Madhu Babu Okay sir and within the BFS, we are supposed to ramp up in U.S. with our larger client,

how is that on the track sir in the banking side?

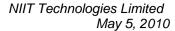
Arvind Thakur That is happening well.

Madhu Babu Okay and apart from that are we trying to scale up any new accounts in the banking

side?

Arvind Thakur Yes, in fact that is what happening. Now we are seeing traction coming back in the

BFSI segment.





Madhu Babu

And one more thing sir considering that most of our revenue like 38% is from Europe and over the last 3-4 days, there has been significant negative news from that region. So if that intensifies would we see again substantial period of slow down in workflow status?

Arvind Thakur

Europe is a cause for concern as I had mentioned earlier, but good news is that U.S. is stable and we are seeing a very good traction in APAC and India, so to that effect if there are issues in Europe, it will get mitigated by these geographies. I think one thing good you see about our business is that it is now getting more evenly distributed geographically. So, if there is one geography which is having some pressure, the risks are somewhat mitigated.

Madhu Babu

Sir and these government contracts, would that alter our balance sheet profile in terms of debtor days and I mean the cash outflow because of execution of these projects?

Arvind Thakur

Yes, I would tend to agree with you. If the debtor days may come under pressure, so those are some of the things that are challenges that we need to deal with when we are engaged with the government.

Madhu Babu

Okay sir, thanks a lot.

Moderator

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

Ganesh Shetty

Sir, world-wide healthcare service is on the rise and we do not have healthcare as focus area so there is a probability how can we make use and take the advantage of this sir?

Arvind Thakur

I think you have a very good point Ganesh. We are currently examining our total portfolio of industry segment we are engaging with and healthcare is definitely one of those that is under consideration.

Ganesh Shetty

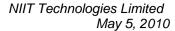
My next question is regarding ROOM Solution and you were to have ROOM Solution offering in U.S. market also. How far we are successful in that sir?

Arvind Thakur

As you know, every country has its own set of regulatory environments for the insurance segment and the ROOM product currently is not suitable for the U.S. market as it was designed for the London market. It is now being made relevant for the European market. And then you know we will then take it to the U.S. market.

Ganesh Shetty

Thank you very much sir. Best of luck sir.





Moderator Thank you. The next question is a follow up from the line of Srinivas Seshadri from RBS

Equities. Please go ahead.

Srinivas Seshadri I have a few questions. Firstly in terms of the order book, just wanted to understand

even if we strip out say about \$50 million worth of BSF contract for the quarter even then the order book addition appears to have jumped quite a lot quarter-on-quarter, so just wanted to understand what has really changed from the last quarter and where

has the incremental order book flow come from?

Arvind Thakur I think it comes about as I mentioned again very approximate 10 million GBP is from

ROOM.

Srinivas Seshadri Okay Arvind sorry just to interrupt. Are these incremental orders I mean compared to

what was the order booking in ROOM last quarter?

Arvind Thakur No, this is off the total.

Srinivas Seshadri Off the total okay. And any other specific areas because when I see the numbers again

there is a fair bit of jump in Europe as a geography and as well as APAC again as a

geography.

Arvind Thakur So let see, I am seeing. If I give you a breakup, there has been an intake of 21 million

in the U.S., 32 million in Europe, so I think you can see that there is good intake in the

U.S. as well as Europe.

Srinivas Seshadri Right, okay and then on the order book, I mean the metric which you have reported in

terms of execution over the next 12 months which is about \$147 million, how much of

that is attributable to the BSF orders specifically?

Arvind Thakur Again, I would like to give an approximate number.

Srinivas Seshadri Yeah sure.

Arvind Thakur Perhaps 30 million.

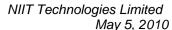
Srinivas Seshadri Okay, so basically we are looking at about on a compatible basis 106 jumping up to

about 117 or so, okay.

Arvind Thakur Please do not discount the hard effort that we are put in securing the BSF.

Srinivas Seshadri Sure, I mean I appreciate the fact that apart from that also, it has changed quite a bit.

And Arvind, there has been a lot of media coverage on this whole fly ash issue in Europe and airlines again going through some fairly significant pain financially because of that, just wanted to understand how have things changed for you in terms of your





client business as well as what business you are doing with them particularly and again on top of that in BA you had these issues of some strikes, etc. So what are the kinds of negative repercussions from all these events for you at least in the near term so far as you can see?

Arvind Thakur

I think the volcanic ash issue has been a very-very significant event for the airlines particularly since it lasted for a long time and so the impact actually has been more severe than 9/11. If you remember, when 9/11 happened also, the airports shut down at least in the U.S., this time airports shut down in Europe, but they shut down for a prolonged period of time. So, it has impacted European Airlines as far as their operations are concerned, but the important thing is what I talked about in my opening remarks the airline industry has been going through a series of shocks. It started with the oil shock, oil price rising in 2008 followed by the economic crisis and now the ash crisis. Through all this period, the industry as a whole has been working together to improve their overall cost structures and they were using technology to deal with that. Let me just explain to you what do you I mean by using technology in industry working as a whole. So one of the big programs for example is the program for e-freight, just like paper tickets got replaced by electronic tickets, the airline industry wants to replace all cargo documentation by electronic documentation. So that is a huge-huge IT opportunity and what that does is it reduces the overall cost structures of the industry, so there are many-many initiatives like this that are happening in the air transport industry where we are engaged in. So for example, I talked about the relationship that we built with SATS for cargo ground handling basically it takes into account all these initiatives of the industry creates an IP and allows you to position this intellectual property with other organization and that is how we are growing our business. This was just one example like that there are many such initiatives and so for us the volcanic ash issue is really not going to impact our business as far as the travel and transport industry is concerned.

Srinivas Seshadri

Okay not even from our near term quarter perspective, I mean in terms of say any operational related work which you might be doing with any of the airlines?

Arvind Thakur

Yeah so the biggest clients we have is British Airways. They have done whatever they have to do, so it is not going to make any difference with our engagement with them.

Srinivas Seshadri

Okay and specifically any disruptions because of these strikes in BA?

Arvind Thakur

So like I said, British Airways they have been through their problems and so they have cut back whatever they had to cut back. Now, there are opportunities which are emerging because as you know British Airways has merged with Iberia and so there would be new opportunities that will emerge out of that post-merger integration and to hopefully new programs will emerge out of that activity.





Srinivas Seshadri Okay, have you seen I mean are we in any advanced state of discussions on any of

these kinds of programs with BA?

Arvind Thakur Yes in fact there are many programs which are going to impact business going forward

in which we are actively discussing and see how we can support this.

Srinivas Seshadri Okay great that is very helpful and then now coming to the manpower side, I just

wanted to understand what is the likely timing in terms of the salary increases which are going to do, is it going to be effective the current quarter or sometime later and

what could be the likely quantum of these increases?

Arvind Thakur Yes, it will be effective starting this quarter, but we are looking at how do we phase it

across quarters. So we are still examining and evaluating how this should be done. Right now, we have participated in compensation service because the one thing that absolutely clear is that our compensation has to be completely aligned with the market place. So it will start in this quarter, but may spend across two quarters or

even three that we have to take a call.

Srinivas Seshadri Okay any initial sense on what could be the quantum of these increases in terms of

overall cost?

Arvind Thakur I think what I am hearing and what I am seeing in the industry is 8 to 9%.

Srinivas Seshadri Okay and were we aligned to the industry in terms of cost or where we slightly below

it prior to the overall increase for the other players?

Arvind Thakur No, we have already been aligned to the industry.

Srinivas Seshadri Okay so as such you do not see a major reason why the increase should be much higher

than this?

Arvind Thakur No.

Srinivas Seshadri Okay and then on the attrition, I believe you mentioned that 16.1% was the number for

the quarter. I just wanted to understand by this do you mean the attrition over the $% \left(1\right) =\left(1\right) \left(1$

last 12 months or is this quarterly annualized number for this particular quarter?

Arvind Thakur This is quarterly annualized.

Srinivas Seshadri Okay so this is compatible with the 14.4% number which you had given for the last

quarter.

Arvind Thakur Yes.





Srinivas Seshadri Okay and are you facing any issues in terms of delivery, etc., because of the rising

attrition in a sense that did you have to go slow on certain projects or may be not take up certain work because of the rising attrition during the quarter or even the current

quarter?

Arvind Thakur No, I do not think there are difficulties on delivery.

Srinivas Seshadri Okay and then last question is on the tax again. I believe the guidance saw marginal

kind of downgrade in terms of the tax rate at 13% this quarter, I believe you had 14 to 15% in the last quarter, so just wanted to understand more clearly in terms of why we are looking at lower tax rates for next year and also if you could give us what are the likely expectations for FY12 if the current tax regime continues and basically we do

not move into the DTC?

Arvind Thakur No as a matter of fact, this year our tax was 10%.

Srinivas Seshadri Right, I am talking about FY11 will you mention that it could be around 13%, I believe I

mean in the last call we had guided some where close to 14 to 15%, so just wanted to

understand..

Arvind Thakur No, may be it can be 14 also. So you take 13 to 14%.

Srinivas Seshadri So there is no major change as such in terms of tax.

Arvind Thakur No.

Srinivas Seshadri And what could we look at going into the next year that is FY12, if we are looking at

SEZs being there in terms of tax breaks and STPI growing out?

Arvind Thakur Let us analyze that and then come back to you on that.

Srinivas Seshadri Sure. Okay, thank you. That is all from my side.

Moderator Thank you. The next question is from the line of Ankur Arora from ING Investment

Management. Please go ahead.

Ankur Arora Hi, you said the CAPEX of Rs. 60 crores for FY11. Can you explain a little bit of

breakup?

Arvind Thakur Well, there are two components to it. One would be normal capital expenditure which

would be about 35 crores.

Ankur Arora That is maintenance, regular CAPEX, normalized CAPEX every year.





Arvind Thakur Yeah and the other is about 25 cores to complete our campus, so we can move in it.

Ankur Arora What proportion of your revenues coming out of that SEZ zone right now?

Arvind Thakur Zero.

Ankur Arora Zero, but you said your tax rate was lower because of the higher component taxes on

the tax free zones right that was STP driven only.

Arvind Thakur They were STPs.

Ankur Arora They are all STPs driven only. Okay and the breakup I needed essentially in terms of

your revenue what proportion of billing is in dollars, Euro, and GBP if you can just

share us that info?

Arvind Thakur The U.S. would be 44% and Euro and Pound would be 33%.

Ankur Arora Remaining will be spread across various currencies.

Arvind Thakur Various currencies.

Ankur Arora Euro and Pound, can you just have any breakup?

Arvind Thakur Euro breakup, I am going to give you approximate. 22% in Pounds and 11% in Euro.

Ankur Arora Okay thanks a lot. You also answered your previous question, you said government

contracts have lot of hardware component attached to it, I assume that is not part of

the order book which you are showing, right?

Arvind Thakur No, it is very much part of the order book.

Ankur Arora Hardware component is also part of the order book.

Arvind Thakur Yes, whatever we get as orders is the part of the order book.

Ankur Arora How much will be the hardware component in order book?

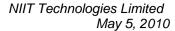
Arvind Thakur I have to work that out.

Ankur Arora No that will actually give us some amount of idea on the margins on that count.

Arvind Thakur Okay so then let us work it out and get back to you.

Ankur Arora Sure. What is the general service margin for the government contract if you can just

share that broader number?





Arvind Thakur Service margins are comparable.

Ankur Arora Comparable number in terms of services side at least. Alright, that should do, thanks a

lot.

Moderator Thank you. The next question is from the line of Ashwin Mehta from Motilal Oswal.

Please go ahead.

Ashwin Mehta Hi, most of my questions have been answered. Just one quick question in terms of the

BSF order, what would be the hardware component of that order?

Arvind Thakur You can assume like I said, we will have to work out the hardware component. You can

assume 55% would be hardware.

Ashwin Mehta Okay and typically would the hardware component be frontloaded in terms of this

order or it would be spread out across the duration of the contract?

Arvind Thakur It will be frontloaded because that is what you have to deliver and then do the system

integration and put the application in it.

Ashwin Mehta Okay, so in terms of, if I remember correctly you mentioned somewhere around 30

million executable in FY11 of the BSF order, of which almost 27.5 million would be the

hardware component.

Arvind Thakur Yes, that is one of the calculations.

Ashwin Mehta Okay, thanks a lot.

Moderator Thank you. The next question is from the line of Sangam lyer from Alpha Accurate

Advisors. Please go ahead.

Sangam lyer Yes sir, just a follow up on the order book and outlook, we have seen the first month

of this financial year, also gone through. How was the trend been, is it continuing in

the way we have seen in the Q4 or is there anything that one should be aware of?

Arvind Thakur I think there is again the government contract would be lumpy because as you know

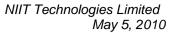
they are all tender based.

Sangam lyer Right.

Arvind Thakur So, if you exclude that.....

Sangam lyer Excluding the government contract, I mean last quarter we saw strong order growth

coming in.





Arvind Thakur Exclude that, there is also an element of repeat business which happens in the first

quarter of the calendar year. Typically, you find Q4 has a better intake than the other

quarters, typically.

Sangam lyer So if you were to just normalize it excluding the lumpiness and this thing, so do you

see the same run rate of order book that we have been seeing in the last 4 quarters continuing or would there be a decent improvement actually that one should be

looking at?

Arvind Thakur No as a matter of fact, you may not see an improvement because the first quarter

order intake seasonally is less as compared to the fourth quarter.

Sangam Iyer When I said excluding the lumpy government contract here and.....

Arvind Thakur No, what I am trying to say is if you compare quarter 1 over same quarter last year,

there will be an improvement.

Sangam lyer Okay and sir typically what would be the margin profile for this government order, I

mean would it be significantly lower than our company average margins that we are

looking at currently?

Arvind Thakur See on the service component, it is the same, but if you include the hardware element

then obviously that will depress the margin.

So the hardware component and the salary hikes included Q1 might see some margin

pressure.

Arvind Thakur Definitely, if you have the hardware component, Q1 margin will be lower than Q4.

Sangam lyer Right, okay thanks a lot.

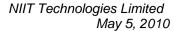
Moderator The last question is from the line of Srinivas Seshadri from RBS Equities. Please go

ahead.

Srinivas Seshadri Yeah, thank you again for taking my question. Just wanted to understand from a

strategy perspective, does management given the fact that this large SI orders on the domestic side tend to come at fairly low blended margins and given the fact that our legacy business is mostly services, does management have any kind of target in mind in terms of capping the business form this particular kind of SI deals at a certain level of revenues relative to the company or are we opened to really ramping up this business and it should be okay with us even if say the share of these kind of revenues actually

goes into say double digits or may be 20-25% of revenues?





Arvind Thakur

I think Seshadri this is now a new kind of business and it is a great opportunity and I think what we would like to do is really pursue the opportunity because this side of the market is now really opening up. So, earlier I think the issue was that we were engaged in business which was 10, 20, 30 crores, but now with BSF 200 crores plus it kind of positions us very strongly to be able to go for big contracts, so we are in fact looking at strengthening the organization both structurally as well as with people to be able to effectively engage on this side of the business.

Srinivas Seshadri

Okay Arvind if I were to put my question in a different way, let us assume that you were in a position to say when another contract of the BSF scale, would you be interested in signing on even at this stage on such a contract?

Arvind Thakur

Very much in fact we have a number of such large opportunities in our pipeline and we would like to sustain this.

Srinivas Seshadri

Okay, great, that answers my question, thanks bye.

Moderator

Thank you. As we have no further questions, I would like to hand the floor back to Mr. Arvind Thakur for closing comments. Please go ahead sir.

Arvind Thakur

Once again, thank you very much for a very incisive and lively and interesting discussion. I really appreciate your patience and support throughout the difficult time that we had with the environment to where it was, but as I have been saying the worst is now behind us and we can look forward to new opportunities that can be exploited to take the company into fresh new let say direction. Thank you very much once again for participating in this call and wish you good day.

Moderator

Thank you gentlemen of the management. Ladies and gentlemen on behalf of NIIT Technologies Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.