

ANNUAL REPORT 2004-05

NIIT  
Report Junction

**NIIT**  
[www.niit.com](http://www.niit.com)

# OUR VISION

## VALUES, MOTIVES AND BELIEFS

WE, NIIT, BELIEVE THAT OUR GROWTH IS THE DERIVATIVE OF THE GROWTH OF EACH ONE OF US. IT IS THE DUTY OF EACH ONE OF US TO ESPOUSE AND GIVE ACTIVE EFFECT TO THE VALUES, MOTIVES AND BELIEFS WE STATE HERE

## NIIT IS PEOPLE

WE HAVE POSITIVE REGARD FOR EACH ONE OF US

WE WILL FOSTER CAREER-BUILDING BY CREATING OPPORTUNITIES THAT DEMAND LEARNING, THINKING AND INNOVATION FROM EACH ONE OF US.

WE EXPECT EACH OF US TO CONTRIBUTE TO THE PROCESS OF ORGANISATION BUILDING AND THUS DERIVE PRIDE, LOYALTY AND EMOTIONAL OWNERSHIP.

WE RECOGNISE THE NECESSITY OF MAKING MISTAKES AND RISK-TAKING WHEN IT CONTRIBUTES TO THE LEARNING, INNOVATION AND GROWTH OF EACH ONE OF US.

## NIIT IS QUALITY AND VALUE

EACH OF US WILL ENSURE THAT IN ANY ASSOCIATION WITH SOCIETY, SOCIETY BENEFITS SUBSTANTIALLY MORE THAN:

- (a) WHAT SOCIETY GIVES TO US.
- (b) WHAT SOCIETY WOULD GAIN FROM ANY OTHER SIMILAR ASSOCIATION

WE WILL MEET ANY AND EVERY COMMITMENT MADE TO SOCIETY IRRESPECTIVE OF ANY COST THAT MAY HAVE TO BE INCURRED.

WE WILL ENSURE OUR PROFITABILITY, LONG-TERM GROWTH AND FINANCIAL STABILITY, THROUGH THE PROCESS OF DELIVERING THE BEST, BEING SEEN AS THE BEST AND BEING THE BEST.

WE WILL BE FAIR IN ALL OUR DEALINGS AND PROMOTE HIGH STANDARDS OF BUSINESS ETHICS.

## NIIT IS A MISSION

WE WILL GROW IN THE RECOGNITION AND RESPECT WE COMMAND, THROUGH PIONEERING AND LEADING IN THE EFFECTIVE DEPLOYMENT OF TECHNOLOGY AND KNOW-HOW.

WE WILL SEEK TO PLAY A KEY-ROLE IN THE DIRECTIONS AND DEPLOYMENT OF TECHNOLOGY AND KNOW-HOW FOR THE BENEFIT OF MANKIND.

# NIIT



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# NIIT Limited

# NIIT

## CORPORATE INFORMATION

### Board of Directors

**Rajendra S. Pawar**

*Chairman and Managing Director*

**Vijay K. Thadani**

*Chief Executive Officer &*

*Whole-time Director*

**P. Rajendran**

*Chief Operating Officer &*

*Whole-time Director*

**Subroto Bhattacharya**

*Director*

**Surendra Singh**

*Director*

**Shardul S Shroff**

*Director*

**Sanjay Khosla**

*Director*

### Company Secretary

**K K Darbha**

### Group Chief Financial Officer

**Ashok Arora**

### Chief Financial Officer

**Jitender Mahajan**

### Auditors

**Price Waterhouse**

### Financial Institutions/Bankers

**ICICI Bank Limited**

**Indian Overseas Bank**

**Standard Chartered Bank Limited**

**Citibank NA**

**Wachovia Bank of Georgia**

### Registered Office

**NIIT Limited**

**NIIT House**

**C-125 Okhla Phase - I**

**New Delhi 110 020, India**

**Email (Investor Services) : investors@niit.com**

**Tel : +91-11-51407000**

**Fax : +91-11-26817344**

### Corporate Office

**NIIT Limited**

**8, Balaji Estate,**

**Sudarshan Munjal Marg,**

**Kalkaji, New Delhi - 110 019, India**

**Email: niit.webmaster@niit.com**

**Tel : +91-11-26482054**

**Fax : +91-11-26203333**

### Registrar & Share Transfer Agent

**Alankit Assignments Ltd.**

**Unit - NIIT Limited**

**205-208, Anarkali Complex,**

**Jhandewalan Extn.,**

**New Delhi-110055, India**

**Tel : +91-11-51540060-63**

**Fax : +91-11-51540064**

### NIIT Websites

**Corporate Website : www.niit.com**

**e-Learning Portal : www.NetVarsity.com**

**Investor site : www.investor.niit.com**

In this Report, we have used terms that we use for NIIT staff and students. Staff members are NIITians, family members of staff are AffNIITians and students of NIIT are Student NIITians.

All trademarks acknowledged.

# Financial History

**NIIT**

## REVENUES & PROFITABILITY (Rs. Mn)

For the Fiscal period ended	30-Sep-00 12 months	30-Sep-01 12 months	30-Sep-02 12 months #	31-Mar-04 18 months ##	31-Mar-05 12 months
Global Revenues (NIIT & its subsidiaries)	12,371	11,389	6,541	7,076	3,984
REVENUES OF NIIT LTD.	7,690	7,108	3,603	4,606	2,871
Operating Expenses	4,844	5,745	3,088	3,773	2,497
Interest & Finance Expenses	45	28	8	20	11
Depreciation	354	359	460	417	195
Profit Before Tax	2,835	1,051	47	397	168
Profit After Tax	2,241	960	91	457	160
Equity Dividends	164	174	174***	96	106
Earnings Per Share (Rs.)*	57.99	24.83	2.35	17.76	8.26
Operating Margin (%)	337.0	19.2	14.3	18.1	13.0
Profit Before Tax / Revenues (%)	31.0	14.8	1.3	8.6	5.9
Return on Capital Employed	36.3	12.7	1.3	17.0	5.3

## ASSETS & LIABILITIES (Rs. Mn)

As At	30-Sep-00	30-Sep-01	30-Sep-02	31-Mar-04	31-Mar-05
Sources of Funds					
Equity Capital	386	386	386	193	193
Reserves & Surplus	5,798	6,564	6,351	2,499	2,538
Loan Funds	-	600	495	214	500
Deferred Tax Liability	-	-	87	-	-
Total	6,184	7,551	7,320	2,906	3,231
Applications of Funds					
Gross Block (includes Capital Work in Progress)	2,450	3,118	3,605	1,745	1,878
Net Block (includes Capital Work in Progress)	1,135	1,575	1,749	726	754
Investments	675	1,904	3,507	1,537	1,487
Current Assets	5,530	5,365	3,129	1,620	1,811
Current Liabilities	1,159	1,293	1,066	977	821
Net Current Assets	4,371	4,072	2,063	643	990
Miscellaneous Expenditure	3	-	-	-	-
Total	6,184	7,551	7,320	2,906	3,231
Debt-Equity Ratio	-	0.09	0.07	0.08	0.18
Current Ratio	4.77	4.15	2.94	1.66	2.21
Fixed Asset Turnover	3.14	2.28	1.00	2.64	1.53
Receivable Days	68	66	145	106	137
Book value per share (Rs.)	160	180	174	139	141
Share Price on Closing date (BSE) (Rs.)	1,425	108	131	180	182
Market Capitalisation (Rs. Mn)	55,075	4,174	5,050	6,957**	3,509

Notes:

# The company had simplified its operating arrangement in the Learning Business in 2002

## The Company had spun off its Software Solutions business during the period to a separate Company, NIIT Technologies Limited

\* Based on Equity outstanding as on Balance Sheet date

\*\* Based on the listed equity shares as on March 31, 2004

\*\*\* Dividend Paid

# NIIT at a Glance

## Global Learning Solutions for Individuals, Enterprises, Schools and Colleges

### • For Individuals

Instructor-led Training, Computer-based Training and e-Learning programs:

- ✦ GNIIT for IT Careers
- ✦ Programs for Engineering and IT Students
- ✦ Degrees in alliance with Universities
- ✦ Bioinformatics program with Supercomputing Facility, IIT Delhi
- ✦ CATS for IT professionals
- ✦ CareerEdge for IT skills for non IT careers
- ✦ Maximedia for multimedia skills
- ✦ Planetworkz for ITES careers
- ✦ Board exam preparation solutions
- ✦ SWIFT for Internet and IT literacy
- ✦ NetVarsity for Online Learning

### • For Corporations

Enterprise Learning Solutions:

- ✦ Instructor-led and e-Learning Training in IT and Soft Skills
- ✦ Advisory Services
- ✦ Custom Content Development
- ✦ Application and Process Roll-out Training
- ✦ Learning Infrastructure, Learner Management Systems & Learner Support Services

### • For Colleges & Universities

- ✦ Curriculum Design
- ✦ Custom Courseware Development
- ✦ Learning Delivery, Hosting services
- ✦ Learner and Faculty Support Services
- ✦ Student Administration
- ✦ In-campus IT Programs

### • For Government and Private Schools

- ✦ Integrated solutions for computer education and computer-aided education for K-12 learners
- ✦ IT integration solutions for the school system
- ✦ IT as an education transformation tool

### • Alliances with global IT majors:

- ✦ Intel, Microsoft, Oracle, SunTotal, Thomson Prometric

- **Assessed at SEI-CMM Level 5**
- **Centre for Research in Cognitive Systems at IIT Delhi**
- **Corporate Social Responsibility initiatives:**
  - ✦ World Computer Literacy Day
  - ✦ International Women's Month
  - ✦ Bhavishya Jyoti Scholarships

### Awards & Acknowledgments

- ✦ 'Award for Excellence in Innovative HR practices' from Delhi Management Association and Watson Wyatt World, the global human capital consulting company
- ✦ Ranked amongst India's Top 50 Most Trusted Services brands by Economic Times Brand Equity survey December 2004
- ✦ eAngelz Asian Visionaries & Leaders, Singapore award for NIIT Chairman Rajendra S Powar for his unparalleled contribution to the IT industry
- ✦ Government of Chongqing, the largest city in the world, appoints NIIT CEO Vijay Thadani as Economic Advisor to help it become hub of knowledge-based economy
- ✦ Dewang Mehta Award for Innovation in IT for NIIT Chief Scientist Dr Sugata Mitra from Indian Government's Department of IT.
- ✦ Ranked as the 16th largest global IT training provider by International Data Corporation (IDC), USA
- ✦ Top Training Company award 2003-04 from leading IT industry magazine, Dataquest
- ✦ National Computer Literacy Excellence Award by the President of India for five schools using NIIT's Computer Training solution
- ✦ Among the Top 20 Companies in the Training Outsourcing Industry as per TrainingOutsourcing.com

### Global operations include training network in

- ✦ **Americas** - Columbia, Mexico, Peru, USA
- ✦ **Europe** - Kazakhstan
- ✦ **Asia** - Bangladesh, China, India, Indonesia, Malaysia, Nepal, Philippines, Sri Lanka, Turkey, Vietnam
- ✦ **Middle-East** - Bahrain, Iran, Oman, Qatar, Saudi Arabia, Yemen
- ✦ **Africa** - Botswana, Ghana, Mauritius, Nigeria, South Africa, Sudan, Zimbabwe
- ✦ **Australia/Oceania** - Fiji



# Directors' Report

## Dear Shareowner

Your Directors take pleasure in presenting the twenty-second Annual report along with the audited statement of accounts for the financial year ended March 31, 2005.

### Financial Results

The highlights of the financial results for the period April 2004- March 2005 are as follows:

	2004-05	2002-04 (18 months)*
Consolidated revenue (NIIT and its subsidiaries)	3,984	7,076
Net Sales (Income from operations)	2,827	4,376
Other Income	44	230
Profit before depreciation and taxes	363	814
Depreciation	195	417
Provision for tax/(deferred tax benefits)	8	(60)
Net Profit	160	457
EPS (Rs.)	8.26	17.76

\* The 18 (eighteen) month financials include 6 (six) months of the global solutions business and 18 (eighteen) months of the learning solutions business.

### Review of operations

The Company has recorded Consolidated revenues of Rs.3,984 Mn for the financial year. The Company's total revenues from operations for the financial year under review were Rs.2,827 Mn while the net profit was Rs.160 Mn. The financials for the year under review are not comparable to the financials of the previous period as the earlier period had financials for 18 months, i.e., October 2002 to March 2004 and also included the Global Solutions Business of the Company for 6 months which has since been de-merged into NIIT Technologies Limited (NTL).

### Global Learning Business

During the year, the Company strengthened its leadership position in the Domestic IT Training industry. The Company retained its Number One position in the market and is twice the size of the next player in the industry.

The Company launched new programs to service the market including its Bioinformatics program in collaboration with IIT Delhi as well as special programs for engineering students.

The Company has one of the most comprehensive IT education portfolios available in the country, unique, proven methodologies governing courseware, high quality education delivery and extensive reach, covering almost every corner of India and beyond.

During the year under review, the Company introduced an "industry endorsed" multiple track GNIIT program. The program has been co-designed with the IT and ITES industries and is geared to fulfill their emerging manpower requirements. This new GNIIT program has been launched to address the shortage of "right skilled IT manpower".

For further details please refer the relevant section in the

## Management Discussion and Analysis

### Future Plans

Going forward, the Company will be aligning its business segments a little more with the needs of the market place. Accordingly, the business segments would be:

- Individual
- Institutional
- Corporate

Some of the strategies that the Company plans to work on in its business segments, going forward, include:

#### Individual:

- consolidate its market position and build partnerships;
- work on offerings in emerging technologies; and
- set up specialized institutes of higher learning and research in these areas

The Company is also proposing to set up a world-class global university providing seamless, industry linked, technology-based, research-driven doctoral programs, under-graduate and post graduate education and obtaining a "deemed university" status for the same as provided under the University Grants Commission Rules and other statutes, if any.

#### Institutional

- pursue cost leadership and leverage its IPR software and content to grow in government and private schools

#### Corporate

- Expand its European presence by setting up a subsidiary in the UK while building complete solutions for the higher education segment

The Company will continue its focus on cost management as well as its commitment to quality and superior service delivery capabilities.

For further details please refer to the relevant section in the Management Discussion and Analysis.

### Dividend

In view of its confidence in the company's future, the Board of Directors is recommending a dividend of Rs.5.50 per share (as compared to the previous year's Rs. 5.00).

### Transfer to Reserves

In accordance with the statutory regulations, the Company has transferred an amount of Rs.16 Mn to General Reserves.

### Share Capital

Pursuant to the de-merger of the GSB Undertaking, the paid up share capital of the Company has been reorganized. The par value of Rs.10/- of the paid up equity shares of the Company as issued and outstanding on the Record Date has been reorganized and stands reduced to Rs.5/-. The Company has thereafter consolidated the remaining Rs.5/- each of the equity shares to fully paid equity shares of Rs.10/- each such that 100 Equity shares of Rs.10/- each fully paid up of the Company prior to the reorganization stands reorganized into 50 Equity shares of Rs.10/- each fully paid up. These shares were allotted by the Company to the shareholders on July 16, 2004, and the respective accounts of the shareholders' credited for those shareholders

## Directors' Report (Contd.)

holding shares in dematerialized form and dispatched to those shareholders holding shares in physical form.

The fractional entitlements ignoring any fraction remaining after consolidation of the fractional entitlements have also been sold and the proceeds distributed to the equity shareholders of the Company in proportion to their fractional entitlements.

The shares of the Company have been re-listed on all the six (6) stock exchanges. Subsequently, in line with the approval accorded by the shareholders, the shares of the Company were de-listed from the Ahmedabad, Delhi and Chennai stock exchanges. The approval for de-listing from the Kolkata stock exchange is still awaited.

**Foreign Currency Convertible Bonds issued during the year**  
In order to finance its expansion of the domestic and international business, the Company required a considerable amount of fresh capital resources. It had various options available for raising the necessary funds such as making an offering of its equity shares, preference shares, or securities convertible into equity shares (including global depository receipts and/or foreign currency convertible bonds) in the domestic and/or international Capital markets as well as raising debt from domestic and/or foreign lenders. Your Directors in their meeting held on January 14 and January 21, 2005, approved an offering of foreign currency convertible bonds ("FCCB") amounting in aggregate US\$ 10,000,000 (United States Dollars Ten Million) to Intel Capital Corporation. The members of the Company also approved the issue of FCCB's to Intel Capital Corporation at the Extraordinary General Meeting held on February 24, 2005.

The bonds were issued to Intel Capital Corporation on April 4, 2005.

### Existing Subsidiaries

The significant events relating to the major subsidiaries of the Company are given below:

The Global Solutions Business undertaking of the Company was carried out through subsidiaries that were set up in various countries and further downstream subsidiaries set up by such subsidiaries. The Company had transferred beneficial interest in such subsidiaries with effect from the Appointed date, i.e., April 1, 2003, that had been reflected in the accounts of the period ended March 31, 2004. The legal ownership of such equity shares or similar instruments has been transferred during the current year in compliance with the laws of the respective countries in which such subsidiaries and downstream subsidiaries are located.

NIIT USA Inc., a subsidiary of the Company, was engaged in both Global Learning business and Global Solutions business. Pursuant to the Scheme of Arrangement, economic interest relating to the Global Solutions Business was transferred with effect from April 1, 2003. The assets and liabilities to the extent relating to the GSB undertaking of NIIT USA Inc. were transferred to a new company, NIIT Technologies Inc., which is a wholly-owned subsidiary of NTL, with effect from April 1, 2004.

NIIT Mauritius Limited is under the process of winding up and the Company has received a part of the equity back during the year. The subsidiaries under NIIT Mauritius Limited were transferred to NIIT Antilles NV, Netherlands Antilles, a subsidiary of the Company.

NIIT Technologies Ltd, UK (formerly NIIT Europe Limited, UK) held 100 percent equity in NIIT Middle East WLC, Bahrain a company engaged in the learning business. These shares were transferred to NIIT Antilles NV, Netherlands Antilles, a subsidiary of the Company.

NIIT Technologies Pte Limited, Singapore (formerly NIIT Asia Pacific Pte Ltd), a subsidiary of the Company, was transferred to NTL as part of Scheme of Arrangement, held 100 percent equity in NIIT Malaysia Sdn., Malaysia, a company engaged primarily in the learning business. These shares were transferred to NIIT Antilles NV, Netherlands Antilles, a subsidiary of the Company.

The Company acquired certain business assets and liabilities of NIIT Online Learning Limited, a subsidiary of the Company, on March 22, 2005. These assets have been acquired at the consideration of Rs.64,846,553 which is the book value of net assets including identified intangible assets.

### Corporate Governance

In order to enhance customer satisfaction and stakeholder value, NIIT continues to benchmark its corporate governance practices with the best in the world and in line with international norms.

NIIT has complied with all the requirements regarding Corporate Governance as stipulated in Clause 49 of the Listing Agreements of the Stock Exchanges. For the financial year ended March 31, 2005, the compliance report is provided in the Corporate Governance Report attached to the Annual Report. The auditor's certificate on compliance to the conditions of Corporate Governance stipulated in clause 49 of the Listing Agreements of the Stock Exchanges is annexed to this report.

NIIT's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity in all facets of its operations and in all interactions with its stakeholders including shareholders, NIIT-ians, lenders and the regulatory authorities.

### Directors

As per the provisions of the Companies Act, 1956 and Articles 64, 65 and 66 of the Articles of Association of the Company, Mr. Rajendra S. Pawar and Mr. P. Rajendran, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

### Directors responsibility statement

As required under Section 217 (2AA) of the Companies Act, 1956, the Directors of the Company hereby state and confirm -

a. That in preparation of the Annual Accounts for the