



“NIIT Limited
Q1 FY24 Earnings Conference Call”
August 11, 2023

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Moderator: Ladies and gentlemen, good day, and welcome to the NIIT Limited Q1 FY24 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vijay Thadani, Managing Director, and Vice Chairperson of NIIT Limited, thank you, and over to you, sir.

Vijay Thadani: Thank you, and good afternoon. Ladies and gentlemen. Thank you very much for joining the call for briefing on quarter 1 as well as the status of the demerger. I do know it's a very busy time for you and for you have said this time for interaction with us, we fully appreciate and looking forward to an exciting discussion. I'll just give a quick update on demerger well, and I will say a little bit to give a quick read on the quarterly results, which have been available on the website. But I will go through a quick brief, and then I think we'll spend bulk of the time in answering questions that we may have. So first of all, -- this is the first quarter after NIIT demerged from NLSL therefore, it is only an NIIT limited I am sharing in this call.

I have with me Sapnesh Lalla, who was the CEO until 24th of May 23, after which he is the CEO of NIIT Learning Systems and continues to remain a very strong advisor and a member of NIIT Limited's Board. So, I will bank on this commentary in between whenever we require, while I also have Mr. P Rajendran one of the Co-Founders and the Joint Managing Director or NIIT Limited. Joining us in a minute is Mr. Rajendra Singh Pawar, who is now the Executive Chairperson of NIIT Limited. So NIIT Limited on 28th of January 2022.

Approved the reorganization of NIIT's 2 distinctive business lines, the Corporate Learning Group and the skills and Careers business into 2 independent companies, I will not go through the rationale, which we have discussed on a number of occasions, but I will just take you through a bunch of dates, which will be very necessary for those of you who are getting into NIIT Limited for first time or want a reminder of some of these dates.

So the plan was approved and announced on January 28, 2022, and idea was in 18 months' time, we should be able to list the company. The plan was that at the end of this demerger, every shareholder of NIIT will get 1 share of NLSL for every 1 share of NIIT that the person hold. Appointed of splitting the balance sheet was April 1, 2022. And then we went through the process of NCLT and a bunch of permissions from MCA as well as postal ballot, etcetera, with the end meeting of creditors and various things after which the order of NCLT came.

And the effective date of the demerger was from 24 May 2023, on which day the assets of the two companies were split across the 2 balance sheets and people were assigned to the independent companies, and that is what I referred to Sapnesh Lalla, the CEO of the combined entity and became the CEO of NIIT Learning Systems and an Executive Director of NIIT Learning Systems and continues to remain on Non-Executive Director on NIIT Limited.

The Record Date on which, every shareholder of NIIT got an extra share of NLSL was 8th of June 2023, and the listing of NLSL stock on Bombay and National Stock Exchange, a very interesting and emotional moment for all of us, was on 8th of August 2023. So, at the end of which, NIIT Learning Systems Limited, which houses the corporate learning business, which is in managed training services, learning outsourcing in Western markets, predominantly is running the business as NIIT MTS -- while the Skills & Career business, which is focused on India as well as emerging economies around India, is focused on talent transformation. We help the workforce to cope with the rapidly changing environment and enlarge its ambit to a wider range of industry sectors.

So, in NIIT Limited, right now, there is a lot of work happening in stepping up innovation in immersive and hybrid models of learning. We did make some additions to our Board of Directors at the end of this reorganization. And while some of you are familiar with some of the independent directors we have, I particularly wanted to bring to your notice, 3 important people. One is Avani Davda, who was also the funding CEO of Tata Starbucks and currently a Strategic Advisor at Bain & Company. She has been as an Independent Director for a year, plus Mr. Ravindra Babu Garikipati who was the ex-Chief Technology Officer of Flipkart and now Independent Director with Axis Asset Management amongst others. And he comes with a rich background in using digital technology for conducting e-commerce as well as FinTech businesses. And lastly, we have Mr. Srikant Velamakani, founder, and CEO of Fractal AI, which is the India's first unicorn in AI and a prominent provider of artificial intelligence solutions to Fortune 500 companies, who joined the board during last quarter itself.

So, excited with the new journey that NIIT Limited has taken on. Undoubtedly, NIIT Limited has shrunk in size. That is because most of the legacy businesses that NIIT Limited was involved in have gone down during the COVID period and are now NIIT limited is rising with new business models and new interesting ways of delivering training and getting students to join NIIT courses.

And that process has just started. So to make sure that this massive transformation exercise is handled appropriately, while retaining the values and culture of the organization, while retaining the core competencies that the organization possesses, it was felt that the founders should roll up their sleeves and be back in action.

So, while many of us had started moving into non-executive or semi-non-executive roles, we are right now, all three of us back with a lead role on and into the company to ensure that we not just transition and transfer, but transition and transformation happens appropriately.

So, over the last four decades, while an NIIT has played a very important role in the technology sector, so we are told where we have been pivotal in building talent of the IT industry for the nation. Today, with accelerating transformation across industries, of which we noticed another transformation about 10, 15 years ago in banking. We have been very prominent and would say perhaps market leaders in BFSI training. Today, we are going further, marching further on that opportunity to recreate impact that we created in technology and BFSI and looking at multiple sectors beyond technology and BFSI industries.

With this backdrop, we know that the times have been quite challenged in the country and more specifically since a large percentage of our business came from technology training and getting early career seekers on boarded onto IT services companies. We were severely affected in quarter four since the IT services companies, the global systems integrators, froze their hiring.

And in fact, it's one quarter in which we have had negative headcount, negative impact on headcount across IT services sector, which has happened at this scale after a very, very long time. So the company went through that during fourth quarter and coped with it with the agility that the moment required by taking some corrective actions which have begun to bear results.

And therefore, as we talk about quarter one, some of the effects of what those actions that we took are baked in. The numbers at numbers level, revenue was at INR 625 million rupees, which was up 4% quarter on quarter. I'm purposely not doing the year-on-year comparison because the year-on-year comparison is not very relevant in the current environment, given the fact that we got reset in a different orbit in the fourth quarter of last financial year.

So we are looking at the recovery phase and therefore looking at how the quarter-on-quarter growth is working and how it pans out as we go forward. Just to give you color on the kind of revenue, the revenue from early career segment, and we have been talking about that, we service two segments, early career and working professionals.

And on the other hand, in terms of sector, we look at Technology and BFSI & others, there are some sales and service excellence which are also built into that. So revenue from early careers was 330 million, which grew up 8% quarter on quarter, contribution was 53% versus 51% last quarter.

And that is an indicator of the fact that what had gone down has perhaps bottomed out and we are now beginning to see a little bit of hiring taking place in the coming, in this quarter, we felt it to the end of the quarter and maybe it will increase as we go forward. In the work pro segment, while it contributed 295 million, which was flat quarter on quarter, but I think the mix of what we were doing has changed.

The mix has been permanently shifted to advanced technology programs where we made significant investments and that's what allowed it to keep flat and I think in future we will see a benefit of growth coming out of the investment that we made. At the sector mix level, revenue from technology programs grew 6% and contributed 77% of the overall revenue.

And BFSI & other programs, while they are remaining flat quarter on quarter, what is not visible is the significant movement and mandates that we received end of the last quarter which will benefit us in coming quarters, and I will talk about that as we go forward.

Despite this challenging environment that quarter four and quarter three we had, we think we have arrested the decline in quarter one and arrested the decline that we witnessed in quarter four, very steep decline. I think we have arrested that and this quarter and quarter growth is a testimony of the fact that we have been able to cope with that downturn in a fairly fast manner.

This was driven by three or four important actions that we took. One was an increased outreach. Since the large GSIs were not hiring, we decided we will go to Tier 2, Tier 3 global systems integrator, and we increased this outreach, which helped us get new logos. New logos at a lower volume, but a larger number of new logos were added.

The second was BFSI thrust, which we saw the beginnings of, led us to collecting some very strong mandates, which give us a very strong revenue in the coming three quarters, three to four quarters, these mandates will run for 15 to 18 months. The third was we went to our key customers and we said, how can we increase our wallet share?

And we did succeed in a few cases and made significant breakthroughs there. And lastly, the strong traction that we saw in advanced technology programs in areas such as artificial intelligence, generative AI, the digital architect programs where we have kind of created a premium position, engineering R&D which is an emerging field and fast-growing field in the country, and cybersecurity amongst others, which have been very interesting programs for working professionals.

During this quarter, RPS also went through a similar journey and has been on a recovery phase. And we got, in addition to everything else, got a strong recognition from three of our major OEM partners Microsoft, where we have been rated as one amongst the top three partners in the world. AWS, again, for our customer obsession initiative and Red Hat, where we are one amongst the three premium partners in the country.

We also implemented some very strong cost control measures which resulted in bringing down our negative EBITDA from 95 million to 64 million. What is not stated is that this business is undergoing transformation and is in an investment cycle. So, in the investment cycle for us to have managed our cost structure yet get the growth and has put ourselves on a trajectory of a profitable growth as we go forward will be a useful thing to have.

And in this, we, through these initiatives, we expect a strong ramp up in quarter two. We expect margins to get back to near breakeven in quarter two. And from then onwards, we expect to be in positive margin space as we ramp up. Just to complete the P&L, so I talked about revenue, I talked about EBITDA. Our net other income was 138 million, which includes the impact of a robust treasury income of 133 million, and that another benefit that strong cash reserves that the company has comes useful.

So overall our profit after tax was INR 22 million rupees as compared to a loss of 65 million in quarter one last year and the loss of 94 million in last quarter. During the quarter, NIIT also completed the purchase of the balance 10% of equity in RPS. And now therefore RPS is 100% fully owned subsidiary of NIIT Limited. Shareholders of RPS do have a small earnout for the balance period, which was disclosed before.

Our capex for the quarter was 68 million, and this is for the strong investment that we are making, on our platform and on our content in AI, in digital architect and the new programs that I talked to you about, as well as many other programs which are in the making and on the delivery infrastructure that we are using.

We see a very great potential in using AI for training, as well as training in AI. And therefore we are investing, continuing to invest in products to equip people with AI skills. We feel that the whole landscape of education will stand very radically transformed when AI is used in a mature manner in the organization.

And that series will continue. Our balance sheet metrics remain strong. Our cash from operations was in positive territory, though after paying for the investment, our cash balance from 7,157 last quarter, our balance is now at 7,056, which at first look appears to be 100 million usage of cash, but if we take that 150 million were actually used to pay out for the purchase of RPS stake, then from operations, we actually had a 50 million positive inflow of cash.

I think looking beyond, right now as I mentioned, we are looking at positive uptake in the next three quarters. On the back of strong mandates that we have received, the new advanced technology programs that we have created, the BFSI tailwind that we are noticing, and the return of onboarding and advanced technology programs in our GCC and GSI customer segments.

So with these, we do see that we should see robust quarter-on-quarter growth for the balance part of the year so that we remain in a positive growth trajectory despite a huge setback in the last two quarters. We will be in a positive growth trajectory of 5% to 8% and also will have positive EBITDA margin at the end of the year.

I will stop here right now and open it for Q&A and I am sure we will discover more areas that we need to discuss as we answer your questions. I'll stop here. Operator, please open it for Q&A.

Moderator: Sure, thank you very much. We will now begin the question and answer session. The first question is from the line of Kirill from Credit Suisse.

Kirill: Hi, thank you for letting me ask my question. Could I please ask first about the backlog or the orders that you've announced that you've received? How does that compare to the same, say, last quarter or a year ago? That was my first question, please.

Management: Yeah, I think your question is how our backlog of orders is compared to the same time last year. So last year we had a very solid, sorry did I miss out something? Okay, so last year at this in this quarter it was one of our peak quarters of performance last year, given that we had a full order book available from the orders that we had received in the previous two quarters. And that is the time when everybody who had maximized on their internal training and onboarding activity.

And I think it was one of the best quarters that we had last year. Compared to that, in this quarter, when we started, we nearly started with a very low order book. And therefore, we had guided also accordingly that it will take us time, though we were seeing a small pipeline. But when we have ended the quarter, I think we have added with a decent size order book.

So last year's end quarter, we started with a high order book, we ended with a lower order book. This year we started with a very low order book, but we have added, we have closed on a very high order intake. Now, in our case, very much like in the outsourcing space, you have revenue visibility based on performance. In this case, we work on the basis of mandates.

And next quarter onwards, we will start declaring that as an important mandated revenue that we expect from our clients. But right now to tell you in very simple words, I think we have mandates for training about 27,000 students. And that will result in a revenue of nearly INR 1.1 billion. So that's approximately the mandates that we have as we speak. The beginning of the world mandate is that this is what customers have said, they would like to train from us, in writing, at that at fee per student, which is based in that contract. I hope that answers the question

Management: In addition, we have run rate contracts which continue to progress on a month-on-month and quarter-on-quarter basis. There also we have seen a small uptick as our wallet share has gone up.

Vijay Thadani: Does that answer your question?

Kirill: Thank you. Yeah, that's exactly what I was asking in terms of this 27,000 professionals and INR1 billion revenue. How good is that in comparison, if you could give any comparison with respect to the past or perhaps how much revenue growth that would give you in the future?

Management: I think the comparison is rather stark and Vijay was pointing out when we entered Q1 last year, we had entered with a strong order book but we ended with a very-very weak order book. As we entered this quarter, we entered with a very weak order book. It was negligible, other than run rate business that we were doing. With these mandates we have an order book that is significantly better and a stark contrast as compared to the order book that we ended with in the same period last year. It is also significantly better than what we ended in the previous one.

Kirill: Okay, thank you very much. And maybe last, my second and last question. If I may ask you to repeat the EBITDA guidance, sir, I understand you are saying you will be positive by the end of the year. Did you say something specifically about next quarter? Thank you.

Management: Okay. Next quarter we would be at EBITDA break-even and by end of the year on a cumulative basis between all four quarters put together, we would be in positive EBITDA region.

Kirill: Thank you very much.

Moderator: Thank you.

Vijay Thadani: So while I think people are taking through their questions, we are very excited about the way AI is getting used and AI presents opportunities in cleaning workforces. So I'll request Sapnesh to take us through that because the initiatives that we launched, and he is also very excited about it. So, while you guys are thinking-up your questions, we can talk through this.

Sapnesh Lalla: Thanks Vijay. I truly am really excited about how AI is going to significantly change the way we work, notwithstanding what we do. And that includes, it is going to significantly change how training gets delivered, it will get significantly change how software gets developed. It is going to significantly change how customers get customer service. So it's going to disrupt or significantly change how people do their jobs. And I think that represents a very significant opportunity for us from two different dimensions.

On one side, we can significantly improve how our training gets done. And we can become significantly more ambitious in ensuring that we achieve outcomes at a pace that is faster than what we can achieve today, and at an expense that's significantly lower than what we are able to achieve today. So, both from the point of view of efficiency and effectiveness, it is going to impact positively, training gets delivered. It will also impact obliquely in terms of how ambitious can you be, or how experiential can you be in terms of delivering training.

But on the other side, if you think of how people would do their jobs, it is going to be remarkably different. And what that is likely to do is, it's likely to require people to be very significantly reskilled and upskilled. It's almost like, when horse carts went away and cars came onto the scene. People didn't need horses anymore. People didn't need buggies anymore, but they needed to learn how to drive motor cars to go from point A to point B. And if you did not know how to drive a motor car, I'm getting from point A to point B. And that's what's likely to happen over the next few years in pretty much any job. And I think that will create an opportunity for most employers to want to reskill and upskill their employees so that they can take advantage of AI and become significantly more productive and can do the job at a much higher level of quality.

That in turn will create an opportunity for NIIT as an organization that has spent several years, four decades, creating and developing talent for large organizations and at large scale creates a great opportunity for NIIT to be the disruptor or to be the agent that will enable organizations to significantly upscale and reskill their people.

We have a number of pilots on at this time. Just to take an example of a few, we ran a seminar in collaboration with Microsoft, where almost 100 Chief Learning Officers across large enterprises in India attended, and most of them were very interested and keen to figure out how will learning and development change? How will their jobs change? How will their organizations change, and how should they restructure their, reorganize their organization so that they can take advantage of AI.

On a slightly different dimension, we ran short programs that were designed to equip key folks in different parts of a GSI and a GCC and help them figure out how they could take advantage of AI in how software gets developed or applications get deployed.

And again, of this area, we got very strong participation and a lot of traction and more-and-more organizations want to learn how they can put, how they can embrace AI and how can they take advantage of these technologies and put it in practice. We expect that we will continue to see significant rise in our activity around AI in the second quarter with material contribution from a commercial perspective as we get towards the end of the year.

Vijay Thadani: Thanks, Sapnesh. Are there any questions now out of this or whatever we discussed so far?

Moderator: Sure. The next question is from the line of Sameer Dosani from ICICI Prudential Asset Management. Please go ahead.

Sameer Dosani: Thanks for giving me the opportunity. Just one thing, can you just bifurcate what level or what proportion of our business will be coming from captives? Because you see, maybe you can just

give it an overall level in or in IT -- the IT sector, which is like 75% of our revenues. And is it fair to assume that captive hiring or the captive training demand is better than what we are seeing in IT services or the GSI in some way? So can you just indicate that?

And second is a bookkeeping question. What cash we would have on the balance sheet as of date after the acquisition of our remaining stake in RPS. Thanks.

Vijay Thadani: I can answer the second one first. Sameer correct me, if I am wrong. First one you asked was what proportion of revenue comes from GCC, for captive? Have you seen a demand from GCCs and can you compare that to GSIs? And third was what is the cash balance after the purchase of stakes in RPS?

Sameer Dosani: Correct.

Vijay Thadani: That was 7,056 million since we just used that number a short while ago. And that was about 100 million less than the previous quarter, but we paid 150 million for the balance part of RPS. Therefore, on an operational basis, we were cash positive last quarter with 50 million-plus.

Sameer Dosani: Understood. So, 700 crores roughly, 705 crores. All right, thanks.

Vijay Thadani: Yes, that is correct.

Management: I can attempt to answer two questions. Typically, again I use this word carefully, typically in reasonable times when GSIs is a high-risk and so are GCCs or captive as you described them, the split between GSIs and GCCs for us is about 55-45 in favor of GSIs. The nature of our business with GSIs is highly weighted towards early careers. Where we do a lot of onboarding or boot camps for folks who are straight out of college who are joining GSIs and they want to make sure that they get boarded such that they can become productive very quickly. So that's the nature of what we do with GSIs.

With GCCs, the nature of work that we do is more geared towards upskilling and reskilling their existing employees, so predominantly working professionals. Again, predominant. Now, as GSIs have significantly lowered their pressure hiring this year, a large part of what we are doing for GSIs is predominantly upskilling and reskilling. So the overall business with GSIs have gone down and consequently most of what we are doing for them is upskilling and reskilling. And we continue to do upskilling and reskilling for GCCs.

Given this phenomena, at this point in time, the split across GSI and GCC have switched. So instead of 55-45, it's now closer to 55 for GCCs, and 45 GSI.

Sameer Dosani: Understood. Okay, got it. I think this 55, 45 is for only tech -- technology or overall level at a company level or is it only for tech as a sector, which is like 77% of your revenue?

Vijay Thadani: No, it's for tech sector in terms of what we do, GSI's and GCCs. So, if you total what we did for GSIs and GCCs and call that 100, today we are doing about 55 and 45 for GSIs and the predominant amount of work or type of work we do for GSIs and GCC is the stack.

Sameer Dosani: Understood. Also one thing, strategy level are we thinking of replicating or diversifying away from tech as a sector, are we looking to enter newer sectors in our business or replicating what we have done in NIIT MTS here in this company as well if you can share some light. Thaks.

Vijay Thadani: Yeah, so the India and emerging markets, the typical method which companies adopt to use the services of NIIT are for either training their new workforce which is joining, which could be experienced or could be fresher, and make sure that they get on boarded appropriately in the company. And this is typically in the form of boot camps. The idea is for them to be ready to be day one, are one ready.

In contrast to that, NIIT MTS works predominantly with user organizations who use technology. It can be a technology organization also who uses NIIT for their internal as well as customer training. But there the focus is how does the spend that they make on learning and development, can that be deployed more efficiently, can that be delivered with higher degree of effectiveness. So that is a learning outsourcing kind of a business model, whereas in India with organizations and individuals, it is a project-based model.

In the India enterprise segment, which is what in the NIIT Limited Services, lots of work happens in sales enablement and improving customer service performance. This is dependent on the sectors that are growing right now, which are predominantly aligned towards consumer spend. So those organizations use us, whether it is in auto or whether it is in e-commerce or it is in telecom, those are the ones, those are the sectors where we play a stronger role. But there the assignment will be in form of a project.

We have a 5G rollout, just imagining. We have a 5G rollout coming up and we have a million customers. We want to make sure that our people are able to service our customers with their calls as well as support as well as whatever else as they implement 5G. Can you enable our 10,000 customer service people appropriately is the Indian enterprise call.

From an Indian bank, the call can be, we have a huge wealth management practice opportunity coming up. We want to make sure that we have professionals who are good relationship managers and who can advise our customers to build the wealth management solutions which this bank offers. So can you ensure that you take the 5,000 people and get them ready to roll out that so that they have an update knowledge of product, they are able to present it well, they are able to communicate the benefits.

Yeah, I'll just, summary of what I said, I don't know how much you heard. The, in NIIT MTS, the business model is L&D outsourcing. And NIIT MTS manages those programs, delivers those programs, admin manages those programs, ensure that programs deliver the end outcome.

In contrast, in India, the specific mandate, saying you have X number of skills to be trained with a particular skill or a particular competency over the next six months is that exercise and show it to us that overall their skill inventory has improved by X, Y, or Z parameters.

Sameer Dosani: Understood, understood. So is there a room in Indian clients to convert it to in a managed training or in some way, that is one thing. Yeah, so that's my last question, thanks.

- Vijay Thadani:** Yeah, so it is a role-based, role-based skills enhancement competency enhancement project. In contrast to handing over their whole L&D function to us to manage. Because I think in India, given the fact that many of our customers are outsourcing organizations, they believe that they have that capability to start in-house and they should only use specialists like us only for the areas where they feel that we can add tremendous value in terms of efficiency and effectiveness.
- Sameer Dosani:** Understood, All right. Thanks for the answer.
- Management:** Sorry for the small disruption, which took place. Is there another question?
- Moderator:** Yes, the next question is from the line of Kirill Pyshkin from Credit Suisse. Please go ahead.
- Kirill Pyshkin:** Hello again. Thank you for allowing me to ask a few more. So if I may specifically ask about IT hiring at the moment and what is your optimism for improving volume and future is based on and more specifically, whether you think generative AI is overall positive or negative for IT hiring given that you can replace some of the code and automate it by the automated – that would be the question?
- Management:** So, I'll try to repeat my understanding of your question. You tell me if I got it. I think your first question was, what's our view or point of view on the hiring scenario in India and how does that affect us. Your second question was around point of view on how AI might impact an IT. Did I get the question right?
- Kirill Pyshkin:** That's correct, thank you.
- Management:** Hiring. So, on hiring, we saw net negative hiring in the previous quarter across most major GSIs. Our point of view is that, over the period of this fiscal year, specifically in the second half, the hiring might restart, but not at the same pace or volume as it happened last year. I don't think that's new news to anyone. We do see significant hiring at this point in time. The BFSI sector, as banks are in a race to expand their retail banking networks. And we are starting to benefit from that.
- In terms of impact to us, in the outlook that Vijay provided, we have considered hiring to remain robust for banks and we have significant mandates from them to train people they hire. And with respect to GSIs specifically, we have not assumed very significant hiring to resume at GSIs. What we do notice is that Tier two GSIs, who have now become our customers by way of significant outreach in Q1 are hiring in small numbers at this time, not close to how the Tier 1 GSIs offer hire, but they are hiring.
- The second question was on how AI might impact hire or how it might impact us. In terms of its impact to us, I feel that, we have a very significant opportunity. Because most companies will figure out how to embrace AI. And that will force them to very significantly change, how they do, what they do, and that creates a significant opportunity for us, notwithstanding what it does to hire. Did that answer your question?

Kirill Pyshkin: Yes, thank you. I guess, what you're saying, overall it will be positive for IT jobs, overall, the second part about AI?

Management: Yes, it should be positive because applications will end up becoming significantly more ambitious. They will be able to achieve more. I was using an analogy of a horse cart versus cars, and when cars came in, we were afraid about what will happen to roads, what will happen to transportation and so on and so forth. But cars revolutionized how people could go from place A to place B, very significantly changed what people could achieve. AI will have a similar impact. Applications will be able to do significantly more than what they are able to do today. That will open new avenues for people to become more ambitious and that will spur a new state of hiring.

Kirill Pyshkin: Sure, but would you say there is some negative impact on the entry-level coding jobs given that the basic coding capability can be done by AI? So perhaps there is some, some difference in terms of how it affects low-end versus high-end?

Management: I doubt it very much. The job that an entry-level person was doing will not be needed, but they will be able to do jobs that are significantly more ambitious because they'll have tools that are significantly more powerful. I'll give you another example. I don't know if you've ever worked at home with a nail gun, imagine that you are used to hammering nails with a hammer, good old hammer and it takes an hour to maybe hammer 12 nails, now somebody gave you a nail gun, now it might take 5 minutes to nail 12 nails, now does that mean, we will need fewer people to nail? My feeling is that, more people will do more roofing, more houses will come up because it's become more efficient to build or to construct.

So my point is that, as the tools improve, the people who use tools become more ambitious in what they can accomplish. And the people who are going to use finished products have a higher expectation of what they want to expect from products. 30 years ago, what you are able to get in applications on your phone, we didn't expect it.

Now that it's possible, we expect a lot more and that resulted into, entry-level people not being able to create apps, no, they are still able to they are able to create apps they are able to do things that are more ambitious than what they would have done 20 years ago or 30 years ago.

Management: Only thing, I would add to that is, I think if their skill level remains the same, they will be out of it.

Management: They will be out of it, then they won't find jobs.

Management: Yes, so if they have to be first day, first hour ready, they need to have much, much more and if they need to have much, much more and their college does not teach them that, then that's an opportunity for NIIT to stand in between the two and prepare them for that.

Management: Yes, I mean if you could drive horse carts and you stayed with that skill, there aren't going to be any horse carts to drive, so you're going to be soon out of business. But if you figured out how

to drive motor cars and you came to an NIIT to learn that, there will be a great opportunity for you as well as for an NIIT..

- Kirill Pyshkin:** Thank you very much. Very interesting.
- Vijay Thadani:** Thank you. I appreciate your questions. I think really very good. Are there other questions operator?
- Moderator:** Yes. The next question is from the line of Ganesh Shetty who's an individual investor. Please go ahead.
- Ganesh Shetty:** Thank you for the opportunity sir. Just one question. We are planning to getting into supply chain management and new manufacturing. So what is our plan in this regard, whether we are doing it organically or through inorganic acquisition? Any groundwork is being done for this plan being implemented? Can you please throw some light on this, sir?
- Vijay Thadani:** Yes, Mr. Ganesh, you have been so close to us that you can read our minds. So, yes, there is, it's work in progress. We are looking at both the options. We have identified the opportunity in a gross sense, but we have to get down to specific products and specific outcomes and specific employers and specific segments that we work on and that is work in progress. We should be able to tell you more every time we meet. We will have something more to talk about and it will be safe to assume that, in the next one or two quarters, we'll get very high degree of clarity on how we want to proceed.
- Ganesh Shetty:** Okay sir, thank you very much that's all from me. All the best.
- Vijay Thadani:** And I should mention that we have a war chest available, so it will be a make versus buy decision and whatever gives us the agility to move faster in the market is what we would like to work with.
- Ganesh Shetty:** Thank you sir.
- Moderator:** Thank you. The next question is from the line of Shradha from AMSEC, please go ahead.
- Shradha:** So sir, just one question, of the 27,000 employees that you're looking to train, so the money will be given out by the corporate or the employee will be selling off money from his pocket for this training.
- Vijay Thadani:** Now these are direct mandates, which are corporate will do us for people that they are hiring whom they would like us to pay, whether internally already hired or the fresh hire that they will do. This is not a trespass based model.
- Shradha:** And sir, the other question is would you like to throw some light on where do you see now this India business from a 5-year perspective, given that you are now talking of some acceleration in growth rates in the second half. So, any directional sense from a medium-term perspective, what is our stance on this business growth?

- Vijay Thadani:** So, I missed this part of the question, but I wanted to correct myself. I would say about 80% of what I mentioned direct corporate pay model, 20% are TPaaS kind of arrangement. Your next question was on the five-year perspective?
- Shradha:** Yes, your voice is getting muffled in between, but that is what I had asked right?
- Vijay Thadani:** We do believe that we have we have this stuff that we went through that we have to recover from. And if this recovery has to take and we have to get back on the same path on and if the recovery happens at the rate at which we are expecting, we will still be on time for what we wanted to achieve in FY'27. But on a more realistic basis, it does appear -- and that's a long shot. So it's FY'27, FY'28 time frame, we were aiming to reach INR1,200 crores of revenue, which we had discussed this work plan. We have not gone through this trough. Actually, we were in a good shape.
- Shradha:** Okay got it. Thank you.
- Vijay Thadani:** Operator I think we have a problem with the audio quality today and we are also out of time.
- Moderator:** Yes. Actually, that was the last question in queue. Okay. Actually, one just came up -- it's from Akshay Jogani from Xpontent Tribe.
- Akshay Jogani:** Yes. Excellent, thank you, for the opportunity, can you help us understand steady state economics of the business, how should they look like overtime as the business scales?
- Vijay Thadani:** Business economics over time, if that is your question. We do want to make it a 15% to 20% margin business. We are used to a better margin. But since we are on an upward client, we do believe that that is where it will stabilize when we reach at the level that I just talked about. And in order for us to do that, we need a CAGR of about 30% over next few years. So, I think the business economics at this point of time, we do have a fixed cost structure, which we need to bring down which will come down, sorry, which will come down as a percentage as the growth picks up. And as I just mentioned to Shradha you are well on that track, barring the trough that we have gone through and recovery from this is a two, three quarter issue and after that, we will be back on...
- Akshay Jogani:** Sure. Sir, as a follow-up, just if you could break it down, because some outside, it seems like more of a product offering to customers and the delivery is digital, so I would have imagined that we would have very high gross margins and the large part of cost structure would be in sales and marketing. Is that a correct understanding and maybe if you could sort of double-click on how the 15% to 20% EBITDA margins kind of come through?
- Vijay Thadani:** We will be happy to explain that, but maybe we'll have to choose another time for that. So next week, we are in Mumbai for some conferences. I'm not sure about my program, but my colleagues are, and I think they can help walk you through the details.
- Akshay Jogani:** Certainly, and I will reach out to the Investor Relations and set up a conversation.
- Vijay Thadani:** Right. Thank you very much.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Vijay Thadani: Okay. So thank you very much, everyone, for joining us. I apologize on the quality of audio today, that was definitely a big distraction, and we did have difficulty in understanding you and I am sure the same happens on your side, but we will definitely make sure we have a better quality call next time we speak. We normally don't have these issues, but today we did. I look forward to further interactions with you because the questions were becoming interesting.

We did start sluggish -- in a sluggish manner. But over a period of time, I think we did getting to interesting discussion. This is the time in the transformation phase where every idea has a very strong value. So we truly appreciate your contributing today to the idea bank through your question. We look forward to our further conversations with you. With that, I would like to bring this call to our close and thank you very much.

Moderator: Thank you very much. On behalf of NIIT Limited, that concludes the conference. Thank you for joining us. You may now disconnect your lines.