



“NIIT Limited Q1 FY ’21 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q1 FY '21 Earnings Conference Call of NIIT Limited. 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 the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vijay K. Thadani – Managing Director and Vice Chairman of NIIT Limited. Thank you and over to you, Sir.

Vijay K. Thadani: Thank you. Thanks each one of you for joining on the conference call which is to brief you on the results of the first quarter of the Financial Year 2021. I have with me Sapnesh Lalla, Kapil Saurabh, and also Sanjay Mal who has just taken over I think just at the last year's results time as the CFO, but this is the first time he is joining this call as a CFO and a number of our colleagues who are distributed wherever they are. As usual, we will follow the same process that we have followed before, one, that we would discuss the Q1 and FY '21 business performance and just to make one statement, I think the company has shown an enormous amount of tenacity, resilience, and has responded with high agility and decisive actions to generate the kind of transformation that the company is going through as well as part of it is visible in the results, but Sapnesh has been leading this effort and it is best that we hear from him. As usual, he will give us his initial brief and then we will open it for Q&A.

With those words, I hand you over to Sapnesh, but before I do that I just hope that all of you and your families are staying safe and healthy and I wish you the very best.

Sapnesh Lalla: Thanks Vijay and thanks everyone for joining this call in the current situation. If you know there is always the analysis here is on a year-on-year basis. Also given the current scenario, we would also talk on QOQ basis for some of the numbers. In accordance with the accounting standards, AS-105, the net result of asset held for sale as well as discontinued operations is reported as a separate line item below the results. This includes the net results of the schools business housed in our wholly-owned subsidiary, MLSL, which has been classified as an asset held for sale. Also the results of the previous year have been restated for a like-to-like comparison. Going forward with our results and the key highlights of our results, obviously as all of us are aware of the COVID situation, COVID really is the highlight or is the cause of the results where they are today. The pandemic has caused an unprecedented health and economic crisis across the world.

Starting in Q4:

The Governments globally have implemented some form of lockdown and placed various restrictions on businesses. These restrictions and requirements of social distancing have impacted businesses worldwide and NIIT's business is no exception. All education and training institutions in India have remained shut, no in-person, instructor-led training activity and enrolments have happened since March. The B2B businesses worldwide have been affected given that the customers are dealing with the crisis themselves. More specifically, the instructor-led training business has been impacted. I think as we look at the impact of our business, your NIIT has responded really from two points of view. The first one is the customer-centric point

of view and that point of view focuses on NIIT's ability to service its obligations while it takes care of the health and safety of its NIITians or its employees while we moved our operations to work from home protocol, NIITians have not missed a beat in servicing our customers and I think that is testament to the fact that all our customers have stayed and continued to put their faith and trust in NIIT just as several of those contracts have come up from renewal have continued to renew their contracts that has been one dimension of our key response.

The second dimension is around ensuring that we are able to transform our business so that we can take advantage of the digital transformation opportunity this crisis has put in front of all of us. This crisis has compressed the time of digital transformation to the next several months and I think NIIT is working hard to ensure that NIIT is able to take advantage of the opportunity this represents. As I have mentioned earlier to you, our response has been agile and decisive. We were able to arrest potential degrowth through specific actions and recover profitability which had sharply declined in Q4. While volumes from existing customers have reduced, strong deal activity and velocity over the last few quarters and expansions at some customers has helped NIIT achieve a flat year-on-year growth rate. In Q1, we took significant actions to reduce costs to reverse adverse impact on profitability as witnessed in Q4. We will continue to focus on cost control measures to sustain profitability while making prudent investments for long-term growth. Strong focus on working capital management and collections has led to reduction in DSO days to 51 compared to 57 in the previous quarter. As a result, our balance sheet is further strengthened in Q1. At the end of Q1, our net cash improved to INR 12,061 million as compared to INR 11,428 million on March 31st. As I have indicated earlier, our response protocol has been premised on first the safety of NIIT's employees, the NIITians, customer continuity ensuring that we meet and beat all our customer obligations, innovations in terms of new products and offers, cash conservation, cost control and strategic decisions for digital transformation and portfolio rationalization.

First, we enabled our workforce to shift to work from home globally ahead of lockdowns in all the respective geographies that we service. We prioritized support for our customers in ensuring continuity of operations as well as rapid transformation to meet changing customer needs in these uncertain times. NIITians have worked with focus and determination to launch new innovative offerings for our customers as well as going after new customer segments to take advantage of some of the opportunities that were in front of us. We transitioned a large part of our India business onto the NIIT digital platform and have started to ramp up digital customer acquisition as well starting in April of this year. We took strong steps for cash conservation which is visible in the strong collections and improved DSO days. Actions for cost rationalization initiated during Q4 helped in reduction of expenses in Q1 as you would have noticed from our P&L. The result has been that the corporate learning business has had the highest ever margin in the recent history and we narrowed the losses in the skills and careers business. We had also taken strong and decisive action for portfolio and cost rationalization and you saw some of those actions as I had mentioned earlier. We also have transitioned like I mentioned earlier, our India career education business and the B2B business to a digital business

and this transition is starting to progress well. We also decided to divest our schools business and have put it as an asset held for sale.

In the next couple of minutes, I will talk through the highlights of our corporate business. The corporate business is now 88% of NIIT's revenue, the corporate business grew 17% year-on-year and 2% quarter-on-quarter and with revenue now at 1785 million. In constant currency terms, the business was up 8% year-on-year and in this business as I had mentioned earlier, a significant part of what we do is instructor-led training delivery and in-person instructor-led training delivery. This is a single part that was impacted most. In addition to this, learning being a discretionary spend has been impacted as our customers face uncertain times that they are in. Some customer segments such as energy and aerospace have been more impacted compared to others, but while we see these challenges in terms of lower volumes with several of our customers, we did take advantage of the high deal velocity we saw in last year's Q3 and Q4 and some of the new customers and the expansions that we have had helped keep our head above the water and show growth from a YOY perspective and so while several of the existing customers showed lower volumes, these gaps were filled by the new customers that we had signed up over the last few quarters. Several of the new customers were in the life sciences space, I did want to point out that life sciences now is the fastest growing vertical at NIIT. We now have eight MTS customers in life sciences as compared to two only about two years ago.

We took strong actions to help margin recovery which had fallen sharply in the previous quarter and this is so despite increased investment in sales and marketing. The favorable exchange rate and a mix to higher gross margin products has also helped with the margins of this business. There were obvious savings on travel and facilities used as well as tight control on expenses on a number of other line items. As a result, the EBITDA margin posted a sharp increase to 17% up 933 basis points compared to previous quarter and 283 basis points on a YOY basis. The EBITDA for the corporate business stood at INR 312 million. While because of the COVID-19 situation, we saw some of the volumes with existing customers go down. Our deal velocity has remained strong. The corporate business added three new MTS customers during the quarter and increased the scope of work for one existing customer and renewed one customer during this quarter. This comes at the back of adding 14 new logos last year and five in Q4 of last year. Each of the new customers added is the leader in their respective domains. In terms of additions, we added one global leader in social media and two large life sciences companies. The customer tally now moves up to 55 signifying the continued trust our customers have placed in NIIT. The revenue visibility is at USD 263 million despite some of the adjustments due to lower volumes that some of our existing customers have faced.

As I mentioned a little bit earlier, our penetration in life sciences increased. We added two new life sciences customers in Q1 and our tally of life sciences customers is now at eight. Going forward, we see continued lower volumes till the uncertainty starts to go away. The businesses are continuing to see contraction or our customers businesses are continuing to see uncertainty, and therefore, we continue to see uncertainty in our business. While the situation is dynamic, we believe that we would be able to maintain our current run rate in revenue and be in the range in

terms of profitability for the year. We have increased investments in sales and marketing during the last few months and as the environment improves, we could see some volume pick up towards the end of the year.

Now, to spend a few minutes on the skills and career business. Q1 saw the full quarter impact of COVID-19. The one difference between the Western markets where our corporate business operates and the Indian market where our skills and career business operates is that the rate of adoption of digital given the connectivity and the device availability is a tad bit slower in India as compared to the Western markets and so the India B2C business saw the highest impact due to the lockdown of education centres and that too for the whole quarter. In India, the B2B business also suffered on deference and cancellations of face-to-face trainings and more importantly because of the hiring sentiment in India being low for both IT and BFSI as well as the adoption of digital means of education being a little bit lower in India. While new enrolments have been impacted, learning delivery for our career education business was transition to full digital operations during this quarter. The adoption, as I mentioned, in India has been a little bit slower given connectivity and device availability, and therefore, the pace of adoption is still slow but my expectation is that this space will pick up over the next few months.

The opportunity that we have in India is the fact that COVID-19 has compressed adoption cycles for digital transformations across industry, and this shift I believe is here to stay. The same compression of digital transformation cycle is happening at NIIT as well. NIIT has been a pioneer in use of technology to improve learner efficiency as well as to drive learning effectiveness, and we are committed to using the digital platforms that we have developed for global markets in India to ensure that we are able to provide convenient access of high-quality education to our students such that they can achieve the outcomes that they expect from NIIT. Given this, NIIT has decided to rationalize physical capacity of its education centres and transition to a digital education delivery model. This includes learner acquisition, academic delivery, learner services, alumni engagement, industry engagement and placement. From April on, all of our enrolments and education delivery have been switched to digital. In terms of performance, while the revenue for our skills and careers business declined quarter-on-quarter from INR 358 million to 233 million, strong cost control and cost-related actions ensured improvement sequentially from an EBITDA perspective to 68 million negative versus negative 100 million. The transition to digital and continued rationalization of cost driven essentially by rationalization of physical capacity will help further in the coming quarters.

We are making significant investments in sales and marketing and adapting the NIIT digital platform to specific situations in our career education business and B2B business in India and expect enrolments to ramp up over the coming quarters. Overall business volume would remain impacted for the rest of the year with possible partial recovery towards the end of the year. We continue to believe very strongly the demand for deep skilling and hiring of skilled professionals just in time is likely to remain an important priority for all the business segments we serve including IT and BFSI. As companies transform, their need for employees that are not only better trained but are more confident in their learning would precipitate up to maintain higher

productivity levels at our customers. Overall, from an NIIT perspective, the NIIT revenue is at INR 2018 million flat on a YOY basis. The EBITDA is at 243 million up from 31 million in Q4. The EBITDA margin for Q1 is at 12% up from 1% in Q4 FY '20. The days of sales outstanding have improved further to 51 as compared to 57 days at the end of Q4 of last year. The interest and Treasury income is at 323 million, as a result the cash situation has improved to 12,876. The overall headcount is down by 67 headcount compared to previous quarter at 2533. I think as I sum up my prepared comment, I think what is remarkable about this past quarter is the resilience that NIIT has shown in the face of stiff challenges thrown to us because of this COVID crisis. I think it is evident the robustness of NIIT's value proposition is clearly evident in the trust and the faith that its customers have posed in NIIT, and the grit and the spirit of NIITians in the face of these challenges. I think NIIT and specifically NIITians have done a remarkable job in managing these challenging times and they are charged to ensure that we continue to do our best in the coming quarters. With that, I wanted to return back to Vijay to take us through the rest of the prepared comments.

Vijay K. Thadani: Thank you, Sapnesh, I think given the time that we are left with I would like to open it for Q&A and I am sure many questions which all of you have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Pooja Chahal from ICICI Bank. Please go ahead.

Pooja Chahal: Actually I just want to know the Brexit impact on your subsidiaries, I heard you have a subsidiary in UK also and in Ireland, so what are the precautionary measures we are taking for that?

Sapnesh Lalla: We have not had any material impact because of Brexit either in our subsidiaries nor in our business with our UK customers.

Pooja Chahal: You mean to say overall impact would be low?

Sapnesh Lalla: Yeah, we have not seen a material impact because of Brexit.

Moderator: Thank you. The next question is from the line of Ganesh Shetty, an Individual Investor. Please go ahead.

Ganesh Shetty: Congratulations for NIIT team for good set of numbers in a very challenging situation. Sir, my question is regarding again every quarter I am touching up on the aspect of skill and career business where we are showing continued losses for many, many quarters and looking at the trend and looking at our corporate business which is contributing to 88% of our total revenue is there any plan to reduce further our exposure to skill and career business, so that at least we can maintain no profit-no loss at the career business, can you please highlight this?

Sapnesh Lalla: Thanks for your question, as you pointed out the corporate businesses is majority of NIIT's business and is showing reasonable growth given the current times. We feel that there is an opportunity to do significant digital transformation in our skills and career business and

transform it given the opportunities that is available for us for that business specifically in India and a few other geographies. As I had mentioned earlier, we have built global platforms to offer digital learning for our customers globally and we are going to be able to leverage this platforms as we transform this business to achieve a lower cost base and improved unit economics.

Ganesh Shetty: My second question is regarding cash balance and the digital economy which is opening up very steadily, so I just want to ask you apart from learning solutions as far as digital is concerned are we planning to have any other sort of services like technology services as now we are out of NIIT technologies and you have great expertise in technology, is there any other way we can provide our customers with the digital experience apart from learning and this is my perception of new business venture where NIIT can get it, can you please throw some light on this? Thank you very much and all the best.

Sapnesh Lalla: Thanks for your kind words. Current mission and vision is focused on education and training as a business and so no plans at this time in terms of diversifying away from education and training.

Vijay K. Thadani: Enough to say that in education and training there is a huge opportunity and as you rightly pointed out our strength in technology the use of technology in delivering a learning which is more outcome driven is more possible with technology based training and I think that is what the whole team is completely focused on. Even the pivot that team has been able to demonstrate is largely due to of course the internal resilience of the organization, but more importantly the technological prowess that the company possesses, so that is where we will deploy all our resources.

Moderator: Thank you. The next question is from the line of Jay Daniel from Entropy Advisors. Please go ahead.

Jay Daniel: Sir, you have made a loss of around 7 crores in the skills and careers business, what is the trend going forward, you have brought down your loss considerably, but where do we see this number going forward, I mean in a difficult year?

Sapnesh Lalla: Thanks for asking that question, I think as I mentioned earlier this business is transitioning towards a digital business. We have implemented the NIIT digital platform, we are in the process of customizing it so that the India specific use cases are able to see student experience that is top-class, the student experience that they have come to expect from someone like NIIT, so there is there investments. Further, there are investments to rejig our team from a capability perspective to ensure that this business goes in the right direction, so we will continue to make investments to transform the business into a digital business and on the other hand given the better unit economics of a digital business and lower physical location related cost, so on one side we should see reduction in cost which should narrow our losses, but on the other hand we will see some investments that can create a strong foundation for this business as well.

Jay Daniel: So, would it be correct to assume that your losses will keep declining from here?

Sapnesh Lalla: As the business ramps up, yes.

- Jay Daniel:** So the 7 crores will be the worst, from future quarters we will see lower losses?
- Sapnesh Lalla:** That is possible.
- Jay Daniel:** Your school business still loses money around 4 crores was lost, could we get to a situation where it just stops bleeding?
- Sapnesh Lalla:** Yes, hopefully we would be able to see that over the next few quarters.
- Jay Daniel:** So in your losses of 7+4 around 11 crores of loss that should come down, schools was 4 and skills and careers was 7, so this going forward will keep coming down?
- Sapnesh Lalla:** It should and again as I mentioned earlier the schools business is an asset held for sale and that should also result into losses getting limited.
- Jay Daniel:** Once it gets monetized?
- Sapnesh Lalla:** Right.
- Jay Daniel:** Your depreciation is around 16 crores, part of this is amortization of content, how much of it is amortization of content?
- Sapnesh Lalla:** Predominantly.
- Jay Daniel:** Okay, so how will this trend going forward, because in your corporate training business I think we will have to look at EBIT margins rather than EBITDA margins because content amortization is a running expense for you?
- Sapnesh Lalla:** Content amortization is against a specific project and that investment will come to a closure towards the end of this calendar year and after that we should not see an increase in investments, and therefore, overtime depreciation should go down.
- Jay Daniel:** Okay, so this amount of 16 crores will it be the peak or will it increase because it has come down QOQ?
- Sapnesh Lalla:** Well, there are certain aspects which will go down, but like I pointed out the investment in one of the projects against which there is significant amortization or significant investment, the investment will taper off towards the end of this year.
- Jay Daniel:** This is the real estate of corporate training which we do right?
- Sapnesh Lalla:** That is correct.
- Jay Daniel:** StackRoute and TPaaS account for 40% of skills and careers or it has gone up?

- Sapnesh Lalla:** That is the process.
- Jay Daniel:** B2B will recover faster than the other business in skills and careers?
- Sapnesh Lalla:** They should as the hiring sentiment improves, the B2B side will improve and B2C should follow again as soon as the hiring sentiment improves.
- Vijay K. Thadani:** I wanted to just add to this, corporate learning business is not a very capital intensive business normally, but there can be a specific project in this case this particular project which has resulted in a higher amount of development work which will be amortized over the period of the project itself, so it is not a normal depreciation and normal content addition that we are capitalizing, so I just wanted to clarify that. Second is if another project of this kind was to come up then obviously we would share that with you and then of course if there is a capital expense involved, we would be sharing that, but other than that, we are past the peak of CAPEX in this project as well and there are only one-and-a-half quarters perhaps more of work which is left, which needs to be completed after which this is in a full option maintenance mode.
- Moderator:** Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.
- Rahul Jain:** Congratulations on great execution in the quarter, my first question is for the CLS business, if you could tell us what is the total impact that we might have seen in this business and what are the possibilities of recovery?
- Sapnesh Lalla:** I guess you mean impact of COVID-related impact.
- Rahul Jain:** Yeah, I mean to say of course when you have this revenue, you have advantage of those degree which you said ramped up of Q3 and Q4, but there is a vacuum that has been created by because of this physical training restriction, so what is that quantum?
- Sapnesh Lalla:** Yes, one way to look at it, we did some analysis and we found that volumes for some of the largest customers specifically those who consume a lot of instructor-led training had declined by a high 20% range, so some of them had declined 25, 27, 28 percentage points compared to same time last year. Now, the way to think about that is typically the ratio of instructor-led training to digital training is about 70% instructor led face-to-face and 30% digital. Right now, obviously 100% is digital, but 100% of the volume has not been adapted to digital as yet, only about 70%-75% of the volume has been adopted to digital given some of the challenges that some companies have in adoption of digital, but also because of the COVID situation they themselves face. I think as the uncertainties starts lifting, those volumes should start coming back, possibly as digital volumes but also depending on how the economies open up, they may come back as face-to-face.
- Rahul Jain:** When you said 70%-75%, so the balance is the exact impact that you have seen 25%-30% is how it has arrived, secondly when you say you have converted some of this normally physical training into digital, so what is the new investment that has gone into it and has declined,

anything for that, and thirdly, how the economics changes at this ratio from 70:30 goes to whatever 75 or the other way round or let us say 80:20?

Sapnesh Lalla:

The first one was in this transition from physical to digital, has there been an investment or has the investment come from the customer. The investment has been there, but the good news is that NIIT had invested in the digital platform, so NIIT has not had to put in significant new dollars in making that investment, some of the investment in terms of customizing that platform has been shared by customers as well.

Rahul Jain:

When you said that some of your large customers saw 25%-28% decline, is this the component only related to some of the training which could not have been converted into digital, is this because of that or their own economic factors which could have resulted in their own spending cut?

Sapnesh Lalla:

It is a combination of both, again we have customers across many verticals, some of the verticals have been impacted more than others, for example, our customers in aviation business have been impacted more and the reduction in volumes that they are seeing are more because of their own current business situations whereas there are other customers who are not as impacted as others from a business perspective and for them the reduction in volumes really is from an adoption perspective.

Rahul Jain:

Just to extension to the same thought, do you think that we have some more businesses which may see this second order kind of an impact in this quarter you think bulk of the impact has already been taken and that would be very one-off kind of thing if that may happen and you missed the one aspect earlier which is like how the economics of this business changes because of now training going 70:30 to probably 20:80 or whatever new ratio is?

Sapnesh Lalla:

From a unit economics perspective given that our facilities are closed and we do not have to current classrooms to deliver classes, the travel expenses is not there because the face-to-face training is not there, so the unit economics are better. Whether those unit economics will sustain or not, really depends on a behavior change where customer will switch back to 70:30 ratio of face-to-face to digital is yet to be seen. Today, given that there are not other alternatives, 100% of the education and training is digital, but time will tell how much of that will stay, it is very hard for me to predict, but my feeling is that there is going to be a behavior change towards adoption of digital and in digital the unit economics are going to be better.

Rahul Jain:

I was asking this, which is a new question basically, is that when you say this depends upon the behavior change, but the way we are seeing for some other activities while we are working from home and we also know that a lot of companies may extend this for much longer a period, I think it would be much safer to assume that this ratio will definitely have a better skew towards little to whatever percentage it goes, so in that light can you give out may be as simple as this if I have generic business a margin of 15%, what could be our margins in digital and physical if somebody has to try and reassess it that way?

- Sapnesh Lalla:** I think it is too early to jump to those as yet, but like I mentioned earlier the unit economics for digital are much better compared to face-to-face education.
- Vijay K. Thadani:** The balancing force to that is the customers are also in under economic pressure, so they would try to negotiate hard and that is only natural.
- Moderator:** Thank you. The next question is from the line of Shradha Agrawal from AMSEC. Please go ahead.
- Shradha Agrawal:** Good afternoon to the Management team and Congratulations on a very strong quarter in tough times, first question Sir, what will be the quarterly run rate of fixed cost in our SMC business still despite moving on to digital in a major way and by how much would that number have come down on a QOQ basis?
- Sapnesh Lalla:** Like I mentioned this business is going through a transition and like I said that facilities costs are starting to come down and they will come down over the next couple of quarters. On the other hand, we are going to be making investments both in the platform as well as people, so it is going to be a balancing act and on one side we will see fixed cost going down and on the other side we will see some of the costs going up in terms of investments, so I think things will start stabilizing over the next couple of quarters and I would say the cost might go down some at the net level over the next couple of quarters, but it is going to be a balancing act where the balancing investments are to grow the business and transform the business versus some of the reductions in fixed costs.
- Shradha Agrawal:** So this would be the peak cash month that we would have seen in this quarter in this business?
- Sapnesh Lalla:** I would say the next couple of quarters will tell us the trajectory.
- Shradha Agrawal:** Sir, when you say you have moved to digital, it means moving to digital for the entire SMC business including that of a franchisee's, so we do not have any physical centres for NIIT SMC anymore?
- Sapnesh Lalla:** That is correct, they are I will not say we do not have, we are in the process of transitioning our physical centres to digital. Today, all education delivery is happening digitally, however, leases for different centres run differently and so it would not be right for me to say there are no centres, there are centres but as our obligations go down those leases will start coming off.
- Shradha Agrawal:** Probably in another three to four months we would have exited out of physical centres completely?
- Sapnesh Lalla:** Over the next two to three quarters.
- Shradha Agrawal:** On the RECO deal specifically, are we now clocking the maximum potential, revenue run rate there?

Sapnesh Lalla: I do not think so, again given uncertainty and the response to the uncertainty, so first thing I would say is that it takes a student between six months and nine months to complete a program, so in terms of a funnel, our funnel of students again have spent about 30 seconds in explaining this. The course that a student goes through is built up of over five modules and between each of these modules, there is an exam and between a couple of modules, there are simulations, so in all there are at least seven components that a student has to go through and they get this education over a period of six months to 12 months, the typical average tends to be about nine months. Students are able to consume this education over a period of two years though like I mentioned on an average students take about nine months. We started delivering this education in September of last year and then we had a couple of hiccups given COVID where we could not deliver exams because exams were held in physical centres as well as simulations. What we have done over the last quarter is completely digitize both the exam delivery as well as simulation delivery and so now with or without COVID, students are able to take advantage of the education and the professional opportunity without having to come to a classroom, they are able to do it from the convenience of their home, so like I was saying about nine months for a student to complete their education and so the students who joined us in September of last year had just about graduated towards the end of June, so we have just about started filling out the funnel of the program. I think it is going to be another one or two quarters before we hit the expected run rate in the program from a revenue perspective.

Shradha Agrawal: Just one last bit from my end, you did mention that margins in CLG improved despite increase investments in sales and marketing, so what kind of investments are those, I mean all other companies are just fairly cutting back on sales and marketing and we seem to be putting in incremental dollars there, so are we hiring local salespeople there and what is the kind of investment we are making there?

Sapnesh Lalla: Sales and marketing investments are predominantly in people and I cannot comment on others, but I have maintained that NIIT should continue to invest in sales and marketing to be in front of customers given the headroom that is available to us. As I have mentioned only about 25% of Fortune 1000 companies have outsourced their education and training to any significant extent, so there is significant headroom available. Given the uncertainty of the business environment, we feel that more and more organizations are going to look at specialist learning outsourcing companies like NIIT who can help them transform their own learning organizations and make them more effective and efficient from a delivery perspective, so I think it does make sense for NIIT to continue to invest or over invest in sales and marketing because of the headroom that is available.

Shradha Agrawal: Just one re-clarification on the CLG business you guided to stable run rate of the remaining quarters of the year, is that right?

Sapnesh Lalla: That is correct, yes.

Moderator: Thank you. The next question is from the line of Ashish Agarwal from Principal AMC. Please go ahead.

- Ashish Agarwal:** Sir, most of my questions have been answered, just wanted to understand any risk on bad debt you said that because clients will be going through their own problems, any risk for that?
- Sapnesh Lalla:** Our overall collection efficiency has improved and I think I have pointed out earlier, all our customers tend to be among the top 10 of their categories and so we have been fortunate that we have not seen any bad debt or even delayed payment, the customers have been really, really responsible in ensuring that what they owe us, they pay us on time.
- Ashish Agarwal:** Lastly, in the corporate learning business, any client who would have cancelled your contract or not renewed which could have an impact on the future growth?
- Sapnesh Lalla:** We have had renewals that were due and no cancellations.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the Management for closing comments.
- Sapnesh Lalla:** In closing, I really wanted to thank everyone for joining on this call and I wanted to reiterate that our customers are continuing to post their faith in NIIT while the volume from each customer or from several customers is down, they are continuing to pose their faith in NIIT and its value proposition continues to be strong, our deal pipeline continues to be robust, that is on one hand. On the other hand, we continue to stay focused on controlling our costs and take action as necessary, so that we are able to ride these challenging times with our head above the water. Thanks.
- Vijay K. Thadani:** I will just add to that, thank you very much for your questions and very insightful questions and some of them always very educative for us and get us thinking, please keep asking us more and please do revert to us in case you have any follow-up questions or comments or feedback, we are always open to receive that. I just wanted to make sure that Sapnesh in this case was speaking from the trenches right in the field, he, during this lockdown 2, flew to US to be in the field and be with customers and he has joined this call from US and that completes a full night for him as he sat through the Board meeting audit committee and various others, so thank you very much Sapnesh and thank you very much each one of you for joining this call. We look forward to hearing more from you until then we thank you for your cooperation, support, guidance, and feedback. With all the best, thank you.
- Moderator:** Thank you. On behalf of NIIT Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.