



“NIIT Ltd. Annual Results Conference Call”

June 04, 2020



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*NIIT Ltd.
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Moderator: Ladies and gentlemen good day and welcome to the NIIT Ltd. Annual Results Conference Call. As a reminder all participant 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 ‘*’ then ‘0’ 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 Chairman of NIIT Ltd. Thank you and over to you sir.

Vijay Thadani: Thank you Margaret. Good afternoon ladies and gentlemen. Our apologies for being a few minutes behind since many of us are distributed and getting everybody together on the same call is what our endeavor was. But first of all thank you very much for your continued interest and supportive stance in NIIT and of course for giving us your time by joining the call today. We first of all that hope during these difficult times all of you and your families are staying safe and healthy.

Today we are here to discuss in this call the performance of NIIT Ltd. in the financial year which ended in March, 2020. The financials of which were discussed in board meeting of today and the board just finalized the results which is what we are here to share with you. You will also be talking about the special circumstances that the company has been through in Quarter 4 and more than the circumstances which have of course affected just about everybody in this world, I think the responses which NIIT has given and is giving is perhaps would be of a greater interest to all of you.

I just want to point out that every time this organization in the last 38 years that I have been associated with the organization every time this organization has gone through difficulties, the tenacity of the organization gets tested, and each time NIITians and all our customers join us in handling the situation to the advantage of everyone. This time a very agile response to the pandemic and then some very decisive strategic actions are the hallmark of how we have gone ahead and managed the first part of this exercise towards the end of the year and then in continuing with the implementation of those during this year how we see the future is something that we will all discuss today.

I have with me the Chairman of NIIT, Mr. R.S. Pawar, I have Sapnesh Lalla, who is the Chief Executive Officer, who is the captain of the ship, as we would like to say and who is sailing the ship through these stormy water. I also have P. Rajendran, who is Joined Managing Director and a very stable anchor to the ship. I have the CFO, Mr. Amit Roy, I have Investor Relations, Mr. Kapil Saurabh and all the senior leadership of NIIT available to you and available to us in this call to answer questions.

I would now request Sapnesh to make his opening remarks and give you a brief summary of what all has happened in during the year and more specifically in Quarter 4, how we have handled that and then I will come back to you and talk about the divestment proceeds which is definitely divestment of NTL’s stake that we have done last year. The proceeds of that and how

we are going forward with those projects and work and we will also talk to you about certain bold decisions that he and his team has taken. So with that over to you Sapnesh and after that we will open it up for Q&A and all of us will join him back. Thank you.

Sapnesh Lalla:

Thanks Vijay and thanks everyone for joining this call. I'm hoping all of you a safe and healthy. Please note that as always the analysis here is on an year-on-year basis, also in accordance with the Accounting Standards AS-105, the net result revenue minus expenses of discontinued operations as well as assets held for sale is reported as a separate line below operating results, this includes the net results of the school's business, housed in our wholly owned subsidiary Mind Champion Learning Systems Ltd. which has been classified as an asset held for sale, also the results of previous quarters for our school's business as well as have been put under this line item as well as the results of previous quarters have been restated such that you can see a like-to-like comparison.

This past quarter has been highlighted by the impact that COVID has had on our operations as well as our global way of life. The spread of the Corona Virus has caused an unprecedented health and economic crisis across the globe. Starting in Q4 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 ours is no exception. These restrictions have impacted NIIT's businesses across various geographies. The company had to suspend operations of education centers in China starting the third week of January. Similarly in India and the rest of the world including Africa, Indonesia and others which were restricted from doing business for 3 to 4 weeks in March. The corporate business across US, Europe as well as India saw significant cancellations or deferrals of plans in person instructor led training events starting early March. We also started seeing demand side impact for some key categories of our customers such as customers who run IT services companies as well as in the BFSI segment in India due to massive slowdown in hiring.

Our response I think and we characterized as a response that was agile and that was decisive in key strategic actions. Our response was punctuated by care for NIITian safety as well as safety of our customers, our business continuity so that we could continue to service our customers when they needed us most, it was punctuated with new products and offerings which we came out with at rapid rate such that we could help our customers in this time of crisis. It was punctuated with a desire to conserve cash as well as control cost so that we can get on to the other side of this crisis stronger. It was also punctuated by NIIT making some key strategic choices to digitally transform its career education business in India as well as do portfolio rationalization. Some of the key highlights of our response include the cancellation of our global confluence event which is the flagship annual customer conference. A day before the event was scheduled in early March to enable the our workforce to shift to a work from home protocol globally such that all NIITians could be safe and away from the pandemic at their homes while supporting our customers on a 24 x 7 basis. We prioritized support for our customers in ensuring continuity of operations and ensuring that while all NIITians work from home our service

delivery model transform to a model that could provide these services while all NIITians work from home.

Our teams have worked with focus and determination to launch new and innovative offerings for our customers as well as going after new customer segments not just to keep our lives on but also to take advantage of the opportunity that is being created by this crisis. We took steps to conserve cash which is visible in our strong collections as well as in the improvement of our days of sale outstanding. Actions for cost rationalization while work started in Q4 but you will see the results from these actions or the impact from these actions as we get into Q1. We also took strong and decisive actions for portfolio and cost rationalization, our portfolio rationalization steps include acceleration of digital transformation of NIIT, more specifically its career education business and its skills and careers business in India as well as the decision to divest its school's business. The estimated first level impact of COVID19 on revenues and EBITDA during Q4 is approximately 350 million in revenue and over 200 million in EBITDA.

In the corporate business a number of our customers businesses specifically in the oil and gas segment and in the aviation segment have been impacted. The situation is evolving and it remains dynamic. Since there is no prior play book customers are also figuring out how to respond to a situation like this. Our instructor driven learning business is the largest area of spend across our corporate customers and the majority of that was suspended due to the Corona Virus situation. The ILT programs had come to a stop given the need for social distancing. We were able to convert a fair number of these instructor led training programs to digital programs but we were not able to convert all of them and therefore had to deal with those that were canceled or deferred.

The Q4 and financial year 2020 performance for our corporate business; first let me take you through the financial year 2020 performance for the year as a whole. The corporate business while had a subdued start to the year after a strong FY19 due to temporary impact on training volumes from three of our key customers due to M&A and strategic transactions. The company started accelerating growth on a quarter-on-quarter basis for the first three quarters and sockets business expanded quite rapidly during the first three quarters. However in Q4 because of the Corona Virus impact NIIT ended up or NIIT's corporate business ended up with a growth rate of 9% on year-on-year basis compared to a range of 10% to 15% as we had earlier guided. For the full-year revenue like I mentioned was up 9% year-on-year at 6913 million. The EBITDA margin was down 87 basis points at 13%. Q4 as I mentioned earlier we entered Q4 with strong momentum especially strong the momentum and during Q4 we recorded in spite of the Corona Virus we recorded a revenue of 1754 million and saw a growth of 10% on a year-on-year basis. The growth also stood at 10% year-on-year on constant currency basis. The EBITDA margin declined to 8% versus the run-rate margin of 15% that you had come to expect. This was due to the sharp and sudden reduction in volumes versus plan in March. While there is variability in the costs of the corporate business, the sudden and deep impact pushed us into a corner and we could not realize all cost reductions that we might have because couple of those costs were

already committed. We have since been able to take action on costs and we will be able to see some of those that impact in our Q1.

While the numbers tell us a story of impact of COVID19 there are some positives that are not visible in the numbers. As I had mentioned earlier the team showed an agility and decisive decision-making in its response to the Corona Virus situation. The business continues to attract global companies as new customers. During this year the customer tally crossed 50 while it had taken us 5 years to cross 10 and 6 more to reach to cross 50, this year we are now at 54. We added five new contracts in this past quarter taking the total addition for 2020 to 14, the customer tally is now as I mentioned earlier at 54. In Quarter 4, we acquired an ex-tech company, two technology companies, a major airline as well as a large global retailer as our customers. Needless to say each of these organizations is in the top 5 of their categories. This is the highest number of new customers that the corporate business has ever had. In all like I mentioned earlier we acquired 14 new customers in the year FY20. This I believe is a key endorsement on the strong value proposition that our corporate business links to its customers. We also participated in a couple of large deals, this past year we transitioned two large contracts and they are starting to reach the run-rate potential this past year. Our contract with the Real Estate Council of Ontario initiated business operations in September of last year. As you may be aware NIIT had proactively invested disproportionately on ensuring that this program was a digital first program. While the Corona pandemic hit NIIT also invested and made sure that the aspects of that program such as assessments as well as simulations which were earlier physical or in-person aspects have also now been transitioned to a digital model. So now all aspirants for real estate jobs in the province of Ontario in Canada are able to achieve certification and education without having to leave their houses. NIIT also launched a number of new offerings during this quarter, some of these offerings have already started showing results and achieving customer success. These included digital assessment services, virtual selling skills and rapid portfolio virtualization.

As I look at the future for the corporate business Q1 is likely to see the full impact of the restrictions that were imposed because of the Corona Virus situation. Even as restrictions are starting to get relaxed the start of education delivery especially in person education will take some more time to restart. Businesses are also seeing slowdown, so we would see some pressure due to the same as well. We expect further reductions in revenue on a quarter-on-quarter basis although we may still end up with growth in Q1 due to the ramp-up of specifically of deals that we have won in the last quarter and the deal velocity that we are already seeing in Q1. Our margins are also likely to follow the direction of Q4 but might improve marginally as the cost reduction measures start to take foundation. While there is still a lot of uncertainty we remain optimistic and expect some recoveries in the second half of the year. Our deal wins have continued including the deals from new customers in segments that the corporate business may not have originally targeted. We're likely to see also an increase in outsourcing related conversations as the pressure of cost starts to take a foothold at our customers or at our prospective customers.

Given that our focus on training, market positioning as well as the strong balance sheet we expect to emerge stronger at the other side of this crisis. We believe that over the next few months we will see a push for greater outsourcing and I think based on our positioning as well as the strength of the value proposition we will be ready to take advantage of that situation and opportunity.

Our skills and career business is what I am going to talk about next; the skills and career business faced direct impact of the shutdown of education centers, both in India as well as in China. The impact in China started in January where universities where NIIT provides IT education to students were shut down and the students were sent home. NIIT rapidly switched its education delivery model to a digital alternative such that our existing students could continue to take advantage of high quality education that NIIT had promised. COVID19 has compressed the adoption cycle for digital businesses across industries, the same is happening to learning as well. As you are aware NIIT has been a pioneer in use of technology to improve learning efficiency as well as its effectiveness. Given the increased adoption of online education NIIT has decided to transition its career education business to a predominant digital form such that our students have greater accessibility to high-quality education while they are at the convenience of their homes. We will use our education centers to provide special services that our students might need as they are going through their education process while the bulk of the education gets delivered from NIIT's digital platform NIIT Digital. Now with NIIT Digital Live NIIT is not only able to deliver high-quality education enroll new students in its programs from the comfort of their homes and start offering them high-quality education programs all digitally. While we do that the students who prefer a face-to-face learning experience can also go to NIIT education centers as they may deem fit. Given that hiring has been impacted enrollment for courses with a direct line of sight to jobs or for new hire training have been impacted as well. in the IT sector given that IT companies have announced plans to honor the offers at all campuses and other offers made prior to the lockdown, there may be opportunity in the second half of the year for the demand to get back-up. Demand for deep skilling and hiring of skilled professionals just in time is likely to remain important especially in the area of digital skills where NIIT's StackRoute business has made significant forays.

In terms of the Q4 and FY20 performance of skills and career business, FY20 the revenue was down 15% year-on-year at 1979 million, EBITDA turned negative due to the impact of Corona Virus in Q4, for the full-year the EBITDA was negative 35 million as compared to positive 65 million for the first nine months. In Q4 the revenue was down 41% year-on-year at 358 million and given the operating leverage EBITDA declined to negative 100 million. Restrictions across geographies including India and China as I mentioned earlier resulted in 3 to 10 weeks of impact on our skills and career business. However the investment in NIIT Digital enabled us to recover some of the lost ground and set ourselves up for a better future. As indicated earlier while we expected the business to be down year-on-year in Q4 due to rationalization of some of our products done over the past few quarters there was an additional 30% impact due to COVID related restrictions in Q4.



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Overall for FY20 NIIT's revenues stood at 8892 million and it was up 3% on a year-on-year basis. The EBITDA stood at 852 million; the depreciation was higher primarily due to the impact of Ind-AS-116 resulting into reclassification of lease rentals as well as the amortization of content for our Canada contract. The profit after tax for the year was 13, 275 million and the full year had positive impact in sale of NIIT's investment in NIIT Technologies which was completed in Q1 of FY20. In terms of Q4 NIIT's revenue stood at 2112 million, down 4% year-on-year and the EBITDA stood at 31 million.

As I had mentioned when I started, the net results below the operating results was (-) 66 million, this was the net of discontinued operations as well as the net of our school's business which is set up as asset held for sale. From a balance sheet perspective our DSO improved to 57 days as compared to 70 days at the end of FY19 showing the improved collections and cash situation in FY20.

I would now hand over to Vijay could take us through in divestment of holding and its proceeds and the utilization of those proceeds from NIIT Technologies.

Vijay Thadani:

Thanks Sapnesh. I will keep it very short because we need some time for answering your questions. So I just wanted to say that net cash available from the transaction after providing for transaction related cost, transaction tax or tax on transaction, debt repayment and keeping a prudent reserve for indemnity was 1442.6 crores. We had agreed, our board pointed to the direction that we would like to share a good part of it with our shareholders as reward and therefore in that direction we have been just wanted to give you an update on that. So in addition to the reward we were also to look at investments in growth capitals of which now there are two substantial opportunities available as you can see and also keep a prudent reserve for any adversity which was the way the funds were to be applied. We first of all started by paying a Rs. 5 per share as final dividend for FY19 which was 103 crores approximately including taxes. We paid then an interim dividend of Rs. 8 per share in February, 2020 which led to an outflow of nearly 137 crores was to be also completed a buyback of 26.8 million shares comprising 16% of the equity at about 413 crores odd. So at the end of this we had utilized approximately 45% of the free cash available from the transaction as having shared with our shareholders. After the interim dividend in February despite very adverse conditions at this time which the whole world is going through where companies are conserving cash and cash rich companies are coming up with rights issues to shore up more funds, we felt that as we have maintained the tradition right from the time that we went public barring 4 years when we just did not had the adequate profits at all when we discontinued payment of dividend that we should maintain a steady flow of annual dividend as long as we have cash in our balance sheet for that purpose. So keeping in line that theme and that value the board approved this morning and recommended to the shareholders a dividend of Rs. 2 per share which along with the Rs. 8 interim dividend given so far and for the year makes it Rs. 10 per share as the total dividend for the year. This would involve the payout of Rs. 283 million and with this NIIT would have utilized 47% of the free cash available from the proceeds. Sapnesh already talked to you about some decisive actions that the team

recommended and the board has approved the specific one being related to divestment in schools because we felt that a strategic buyer would be able to—who is focused on just the schools business—would perhaps be able to give it the deserved attention that it needs at this point of time to take advantage of opportunities ahead. It has a rich heritage and it could be a great asset to anybody who can add them to their honor.

So with that I would stop here and open the floor for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ashish Agarwal from Principal Mutual Fund.

Ashish Agarwal: On the corporate learning business, so we spoke about Q1 will have the full brunt but still we will grow in Q1, so we are referring on a year-on-year basis, am I right on that?

Sapnesh Lalla: That is correct.

Ashish Agarwal: And on the margins front when we said that we have taken some cost rationalization effort so that should improve our margins on the Q-on-Q basis?

Sapnesh Lalla: Marginally, yes.

Ashish Agarwal: Also in the deal front, so we signed 3 or 4 deals. Any of these deals were material enough; I just wanted to understand this thing where we said that we expect some stability in the second half. Where is this confidence in second half coming from on the corporate learning business?

Sapnesh Lalla: I think that's a very good question. As I had mentioned earlier we saw a very strong momentum as we were exiting our third quarter last year and that caused us to win five new deals in Q4 and we have seen a significant deal flow in our first quarter as well because of the strong pipeline that we had. I think while the performance of these deals given the Corona situation may not be at potential right out of the gate but still the fact that we have five new contracts already from Q4 and some in the pipeline and some already closed in Q1, we feel that these contracts will start becoming material from a revenue production perspective as we get into the second half. The second thing I would say is that by the time we reach second half I feel that the cost side of the Corona Virus impact for specifically for our customers will start precipitating conversations around outsourcing and I think we are well-positioned to be one of the key contenders as these conversations start measuring.

Ashish Agarwal: Also on the disinvestment of our schools business, how closer, how far are we in doing that investment?

Sapnesh Lalla: I think what we have articulated here is our intent and that's the reason why we have done the action. As soon as we have something material to report we will come back to you.

- Ashish Agarwal:** What will be the free cash flow in Q4 and for the full-year?
- Sapnesh Lalla:** So from a free cash flow point of view, cash flow for operations 410 million for the full year and 24 million in Quarter 4 and the CAPEX for the year was 65 crores.
- Ashish Agarwal:** But this 65 crores of the CAPEX where was it spent because it looks very high?
- Kapil Saurabh:** A large proportion of this was the Canada project, both for content and platforms and NIIT Digital. There is little bit or a tail remaining towards that.
- Ashish Agarwal:** And what would be the CAPEX remaining into '21-22?
- Vijay Thadani:** I would like to just add to what Kapil said, last year when we divested in NIIT Technologies we used to have used shared service center for SAP our ERP system operations, so at that time when the companies had de-merged, this was continuing since that time. So we had to invest in our own resources on the ERP system and that's what also contributes but frankly for the software licenses as well as the investments in ERP systems as we separated the two parts would be the two contributors. So Ashish this is what we have been pointing that once we get past some of the investments that we are doing that run-rate investments will come down. We are investing—I would like to point out—on NIIT Digital because that's the big area of focus that we have undertaken and actively conversion and transition to NIIT Digital is the big focus area for this year.
- Ashish Agarwal:** Just wanted to understand this CAPEX on NIIT Digital.
- Vijay Thadani:** Again it will be in the platform development as well as.
- Sapnesh Lalla:** Predominantly in platform and product development.
- Ashish Agarwal:** Any quantification on that number?
- Vijay Thadani:** Not at this time but as we start looking at the next couple of quarters we will come back to you with better quantification.
- Moderator:** The next question is from the line of Shradha Agrawal from Asian Market Securities.
- Shradha Agrawal:** Sapnesh you did indicate that you have undertaken some cost controls and the effect of that would start getting reflected from first quarter marginally and probably in second half, so what are these initiatives which we have undertaken and suppose that if we were to get to a flattish kind of a run rate if not growth in first quarter then what kind of leverage can we have on the margins front because of these cost-cutting initiatives?

Sapnesh Lalla: I think as you might expect given that we are a services company, a predominant amount of our cost is around people related expenses. In addition we have significant costs with respect to leasing our facilities, travel and transportation, marketing and so on and so forth. At this point in time we are looking at cost reduction measures across all these mentions which would include people related cost both our own as well as the variable resources that we use, the leasing of facilities, to a fair extent the acceleration into NIIT Digital will release cost from facilities as well as increased work from home will reduce the load on facilities as well as the virus related reduction in travel, both business as well as for face-to-face classes and as well as transportation related costs. So we are looking at number of these costs and taking significant actions to reduce these costs so that in spite of the fact that our revenue is going to see a decline we are able to show an improvement in our profits even though marginal.

Shradha Agrawal: On the schools business what kind of investors are we really approaching for the stake sale?

Sapnesh Lalla: There are investors or organizations who are both in the business as well as those who want to get into the business given the digital opportunity that this business has potential for. So there are number of organizations that we are looking at and as soon as we have something material to share we will come back to you.

Shradha Agrawal: On the skills and career business, can you throw some directional sense on how should we look at the StackRoute and TPaaS initiatives in this portfolio?

Sapnesh Lalla: For the year both StackRoute and the TPaaS portfolios grew together while their growth was muted for the fourth quarter but for the year both initiatives grew. And as I was mentioning we are going to enter a phase of uncertain hiring where organizations are going to switch to a just in time hiring model rather than hiring during the hiring season and then creating a significant bench and I think for that a TPaaS model is very well-positioned. In addition to that more and more organizations are going to become digital or become significantly more digital than they currently are and given that StackRoute focus is on education that enables people to become digital product engineers or full stack product engineers positions us well to take advantage of that. So both of those initiatives I think will start seeing improvement as we go down the year.

Shradha Agrawal: But in the current quarter did we see some deferments or cancellations of any earlier line the programs in StackRoute from any large Tier-I IT Company?

Sapnesh Lalla: We did see given a fair amount of StackRoute education is also face-to-face, we did see some cancellations in the month of March a fair bit because no one was able to come to class. We were able to move some of that to digital but not all, so we did see a significant amount of reduction in our business as of March. We have now transitioned that business completely to digital, so 100% of what we are doing is digital. But of course the volumes are not as high as we had earlier. But I expect that this situation also is accelerating adoption of new behaviors and

my expectation is that over the next few months we will see stronger option of the digital or remote immersive methods of education.

Moderator: The next question is from the line of Anurag Jain, an Individual Investor.

Anurag Jain: I have 2-3 questions, all related to your marketing and advertising expenses. First question is basically you have a somewhat nomenclature for instead of advertising and sales promotion you call it marketing and advertising, so does it include the staff cost for marketing staff and travel cost related to marketing, why is this nomenclature a bit different and if you could throw some light on what all it includes? Then second question related to the same thing is basically marketing and advertising expenses for 27 crores last year, financial FY19 and in the 5 years period from FY14 to FY19 you have spent 114 crores on marketing and advertising and this is a significant number considering that in those same 5 years the profit before tax cumulative basis was 275 crores. So this marketing and advertising expense is almost like 67% of your profit before tax. So if you could throw some light on where this marketing and advertising expenses on what businesses does it cover, what geographies does it cover and what sort of customers again these marketing and advertising expenses are targeting? Because this is a significant amount that you have spent in last year as well as over last 5 years.

Vijay Thadani: We would have to get you the exact details quite independently. But let me give you the way we do our accounting and that's very consistent with the way the US GAAP works and the Indian GAAP works. So our expenses are divided in four categories, one our variable expenses, these are expenses which vary with revenue and therefore given that you studied the balance sheet I am sure you would have those are known as variable costs, the second are direct costs and direct costs are typically direct people, direct premises, direct travel, direct telecom. So these are direct expenses which are required for fulfillment of projects. Then what is popularly known as SG&A in international terms, the S part of SG&A is Sales and marketing expenses. These are sales and marketing people across the world as well as the sales and marketing agencies as well as any digital advertising which we may be doing as well as any corporate communication activity that we might be doing. Our advertising costs I don't think are anywhere near the number you're talking about. At one time when our domestic business used to be 450 to 500 crores at that time our total cost of acquisition of a customer used to be South of 15%. In current times with strained times it may have increased to 20% to 25%. But on a global basis all our sales and marketing costs are south of 15%. I have to sit with you to understand where you are getting your numbers from and then maybe we can reconcile that with you.

Anurag Jain: I'm saying that cumulative 5 years marketing and advertising expenses 184 crores and this is 67% of profit before tax. You are comparing it to revenue I'm comparing it to the profit before tax. But this is a significant number considering the profitability because the profit before tax is 275 crores so this amount is almost 67% of your profit before tax. I'm not comparing with the revenue, you are comparing with the revenue.

Vijay Thadani: Right, maybe we can work or we can speak to you offline and explain to you because over the cumulative 5 years we would have recorded a revenue of close to (+) 4000 crores and if that 200 crores that you're referring to or 300 crores you are referring to would come to 67% of that. Typically sales and marketing expenses are calibrated as a percentage of revenue. Your profit is dependent on a large number of other things and sales and marketing is not one of those—is one of those—but not the only one. But we will be very happy to spend time with you. Thank you so much for taking so much interest. I will have Kapil Saurabh. I think we have your contact details; I will have Kapil Saurabh talk to you then whatever clarification he gives to you we will also make them available to the rest of the investors on our website which is our standard practice.

Moderator: The next question is from the line of Neha Jain from SKS Capital.

Neha Jain: Just one question, I missed your guidance for the utilization of the cash, could you kindly repeat that?

Vijay Thadani: You didn't miss anything because we didn't give any. I just mentioned utilization and I did talk about the dividend that the board has recommended to the shareholders of Rs. 2 per share right now and I also talked about the Rs. 8 interim dividend which we had approved which you are already aware of in February and therefore the total makes it 10. I also talked about how we utilized the proceeds of 2020 crores odd which we had got after divestment which after expenses and other commitments was left to 1400 crores of which 650 crores odd were already shared with the investors with our shareholders and with this dividend now a total of 47% of those proceeds would have been shared. The balance amount at this point of time is being kept, number one to handle the uncertainty of the next I would say 18 months now which at one time appeared like a 2 or 3 quarters phenomenon, just to see how the situation evolves so that if we need to dip in cash which is one reason. The other is it is at this time that you get a large number of attractive opportunities, very good assets become available at very attractive prices. We would like to be ready to take advantage of certain opportunities and the third part is the growth capital which in this case is NIIT Digital and the corporate learning group's initiative for growth which are the originally defined applications of these funds. We will continue to be looking for opportunities in a staggered manner as situation stabilizes to share more of these proceeds with our shareholders.

Moderator: The next question is from the line of Rahul Jain from Dolat Capital.

Rahul Jain: I just wanted to clarify does your commentary for positive growth in Q1 on a YOY basis, so have we captured the demand side challenges for the company or is it more about recovery on the supply side sector? If yes, should it imply that we should only grow in all subsequent quarters as a new deal rams?

Sapnesh Lalla: Thanks for your question. Like I pointed out we have had strong the velocity, we closed five new opportunities in Q4 and during this past year we have acquired 14 new customers in the corporate business. While because of the Corona Virus situation each of these deals will take a little bit longer to reach potential. But the fact is that we have 14 new customers and they will start spending money with us. That's one of the reasons why we feel that in spite of the current situation where from and each customer perspective we might have contraction in terms of demand but given that we added 14 new customers in this past year we will see some upliftment in demand and that's really how I felt that we will be able to provide a slim growth in first quarter.

Rahul Jain: So when we say that we are putting this business in block for the strategic investor, thus the impact on our financial will be, what should be the impact, revenue is it completely for this division should be out from the books and what about the capital employed and will the potential sale also and you have involved people transfer and how much?

Vijay Thadani: If you don't mind I will interrupt you folks for a minute. I'm noticing there is intense interest and I think Sapnesh original brief also went a little long, so I am with everybody's permission extending the conference call by 15 minutes to now gone till 16.45 or thereabout. So Sapnesh continue this response.

Sapnesh Lalla: And maybe I misunderstood your question but let me just articulate my understanding of your question. I think you said that we are looking at putting our corporate business as an asset held for sale, I don't think that's true and that's far this thing from truth. We are looking at putting or we have put our schools business as an asset held for sale.

Rahul Jain: But actually I mentioned sorry school business, in case if I talked the other way so I am referring to the schools business.

Vijay Thadani: Yes we are, so it is our intent to look at strategy buyer or an investor in the schools business and for that reason we have classified the schools business as an asset held for sale and as we have something material to share with you they will come back. What you asked for are questions related to how a deal could pan out and we will discuss those once we have something to share with you. I just want to clarify one more thing in this discussion, if you see the past history of the organization, typically any divestment of any or investment in anything typically is never done on in our system till a transaction fructifies. In the current case there might have been discussions and minutes in which some discussions like this would have been held and therefore it was felt that under Ind-AS, accounting standard it will be prudent to disclose that so that shareholders are kept abreast of developments such as this one. So as and when a suitable deal fructifies definitely the organization will share the development but as of now at this point of time specially in this lockdown period there is nothing at this time under discussion.

- Rahul Jain:** I understood, the simple question was does this involve some assets as part of the transaction or is it just the existing contract which gets transferred and does it involve deal transfer also and its fine if you would not like to comment at this point in time.
- Sapnesh Lalla:** Again the questions you are asking would become very specific and I would much rather respond to those when we have something to share with you.
- Moderator:** The next question is from the line of Ramesh Nethi, an Individual Investor.
- Ramesh Nethi:** I just want to ask one question regarding our skills business, as compared with now current situation of the entire skill and services business do you think that our franchisee model business is not viable anymore as it used to be initial stages of the business and in a few quarters or a few years we can see the end of franchisee model of our business?
- Sapnesh Lalla:** I think that's a very intriguing thought, from our perspective it's important for every business to move with times and modernize itself and offer services that are convenient, effective and impactful for its customers. Our customers are referring to get a fair part of their education online. Our partners are with us in this decision. They are continuing to differentiate themselves with offering a blended more of education where a student has the option to seek a fair bit of their education online that are also provided specific student services at our education centers. So I don't think its right to assume that the business model is not viable. However the times are changing, the behaviors are changing and NIIT needs to adopt itself to the changing behavior and create business models that are relevant for today and tomorrow and I think that's really what we're trying to do here.
- Ramesh Nethi:** My second question is regarding corporate learning services, as we have acquired Eagle Productivity and we had a major say in Pharma business, are you seeing any uptick in Pharma related activities as far as the corporate learning is concerned?
- Sapnesh Lalla:** Indeed we are, we are seeing significant growth in a Pharma or Life-sciences business. Life-sciences this year is a very substantial vertical for us and it's a growing vertical. As you might imagine Life-sciences is also an industry segment that is doing well in these current times, among the few industry segments that is not as deeply impacted as some of the other segments are. So we are seeing growth in that segment, we are also starting to see this segment look at learning outsourcing or manage training services as a matter of improving efficiency and effectiveness of their L&D organization. So we are seeing significant traction in the Life-sciences.
- Moderator:** The next question is from the line of Jay Daniel from Entropy Advisors.
- Jay Daniel:** What is the total cash on hand as on date?

- Vijay Thadani:** 1208.8 crores.
- Jay Daniel:** And there are no encumbrances, it is net of debt?
- Sapnesh Lalla:** This is gross cash; net cash will be very similar 1150 crores odd. I can give you that number.
- Jay Daniel:** Any major receivables that are pending from the school side?
- Vijay Thadani:** We have a small tail of past receivables. We are very hopeful that this year we will not have to do too much follow-up because government has gone out on a limb and said that they will settle all their dues. So we are hoping that that will happen very-very soon. After that there will be hardly any government receivables left. We have been very tight on giving credit and that may have also contributed a little bit to our Quarter 4 revenues. But we were wanting to be sure that we give credit to only those who can whom we are sure would be able to pay us on time knowing that everybody will be under some challenge or the other. Our receivable days if you see our DSO days have actually come down on quarter-on-quarter basis. Our cash from operations has improved despite a performance which is very-very muted. The third thing which I do want to say is that if in the days sale outstanding if you see overdue receivables, they will be a single-digit number of days. Low single-digit number of days which means most of them are the year-end or the quarter end bills which would have by now got cleared or will get cleared very shortly. So I think we have much stronger than in the previous lockdowns where we had big exposures to receivables. I do remember the 2002-03 and towards 2008-09 where the government receivables were a big overhang on us. But this time I think we are in a very-very good situation.
- Kapil Saurabh:** The exact amount of net cash is 1144.7 crores.
- Jay Daniel:** What is your TPaaS revenue as on date, what is the run rate?
- Kapil Saurabh:** We report StackRoute and TPaaS together. They comprise about 40% of our skills and career business for the year.
- Jay Daniel:** And in your skills and career what part of it comes from corporate customers?
- Kapil Saurabh:** About a third historically comes from corporate customers or B2B engagements. There is a quite a bit of overlap between the way we are teaching learners and acquiring learners and who's paying for it and there is a mix, so sometimes it's not very cut and dry. But that's approximately, if you have to take a shot at it, about 30%-33%.
- Jay Daniel:** How much have we invested NIIT Digital till date for example last year how much did you invest?

Kapil Saurabh: We have not been reporting initiative wise breakup for investments. I think we would like to keep it that way because then it starts to get into a domain where customer specific data starts to be revealed. So we won't like to venture into that. If there is something big to be called out then we have been calling that out.

Jay Daniel: But will there be something big in the current year?

Kapil Saurabh: It is a meaningful amount. It's not going to be disproportionately high. As we said, we expect on a full-year basis the run rate of CAPEX to come down. It will be within that.

Jay Daniel: In the school's division what kind of multiples are these businesses normally getting sold?

Kapil Saurabh: We can look at past multiples; they will have to be rediscovered. There is obviously an impact because of COVID on the existing business. But at the same time there are new opportunities and sometimes value lies than the eyes of the beholder. So we will have to look at where we are, in the conversations we have. As Sapnesh pointed out we will report the details when we have something specific and confirmed to be reported.

Vijay Thadani: Moderator if there are more questions maybe we can take one more and then or otherwise we will stop this discussion right now because we are overshooting the second timeline also.

Moderator: Sir we don't have anyone in queue. Would like to add any closing comments?

Vijay Thadani: First of all thank you very much for your continued interest as well as being with us at this difficult time. I wanted to add one more time the whole NIIT is very proud of the agile response which the team had to the current crisis as well as some of the very decisive actions which have board taken, many of those were discussed in the last 60 minutes. I do want to say that what the results do not show what they show is that our performance was very muted, what the results do not show is that it could have been much worse because imagine that 4 out of 13 weeks if I was to average out the time that China was closed, the time India was closed, the time the rest of the world was closed, if 4 out of 13 weeks of a quarter gets wiped out then the impact would have been much-much more severe. I think it is because of some agile responses that we were able to save nearly 50% or more of that impact. I wish it was more, the team also wishes it was more but I am sure that this team did put their best foot forward. Having said that if last quarter it was one month then this quarter it is all the three months as the theme stand but we are better prepared and you could perhaps sense the optimism in the team that at least in some parts of the businesses where we have more mature and longer lasting customers who are less prone to these things can have some proactive responses will respond to these things much better and therefore the team combined with our actions as well as our stable set of customers are confident of containing the damage very-very strongly in the coming quarter after which we hope things will continue to improve quarter-on-quarter. So with these words I want to thank you for joining us. We would continue to remain available to you for any questions you may have or any clarifications that



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you require on any of the subject. We would like to be in dialogue with you. We would like to receive your suggestions as well and please feel free to contact Kapil Saurabh as the single point of contact but both Sapnesh and myself and in addition to us the rest of the management team is available to you. Thank you once again for joining the NIIT annual results call.

Moderator:

Thank you. On behalf of NIIT Ltd. that concludes this conference. Thank you for joining us and you may now disconnect your lines.